Rick Bensignor's

IN THE KNOW TRADER

Positioning Individual Investors Alongside Professionals

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TACTICAL TRADER REPORT

The Macro Picture

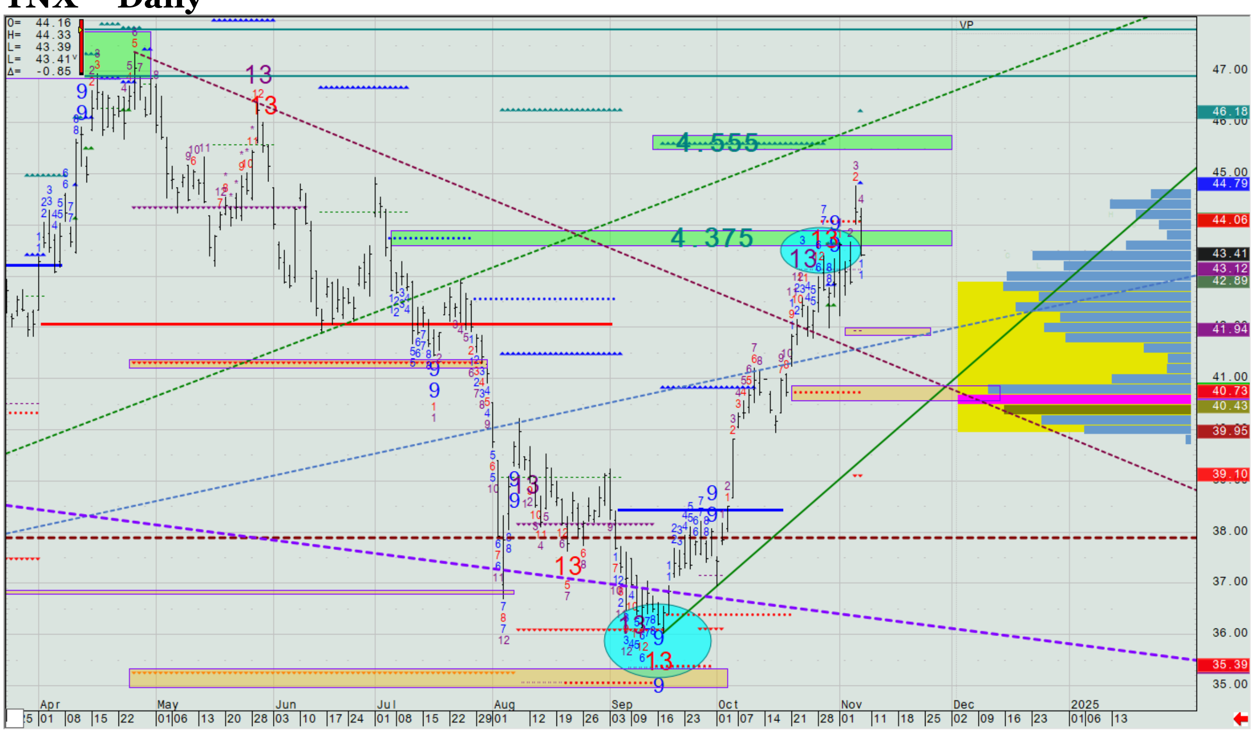
No story this past week compares to the Trump victory and its impact on markets. Stocks have soared to new all-time highs as he is considered very friendly to business growth and less regulation (witness the bank shares flying), while also seeing virtually all China-related and green energy names get whacked. The dollar is surging higher, too – just as it had after he won in November 2015. (That time around it rallied right into year-end, and then it completely fell apart in all of 2016 – opening on the high of the year and closing out the year on its low. We'll see if that pattern repeats again.)

The wicked rally off of his win does not change my view that the market will reach SPY $609 – but it does potentially extend the topping area to beyond that. (See the specifics on page 4.) Meanwhile, rates have also popped (as his proposed tariffs are potentially inflationary), and gold just fell over $100 from its recent all-time high. Let's take a look at these important markets:

US RATES

The TNX reached as high as 4.48% after election results, but they backed back down to near the 4.35% level going into yesterday's FOMC announcement.

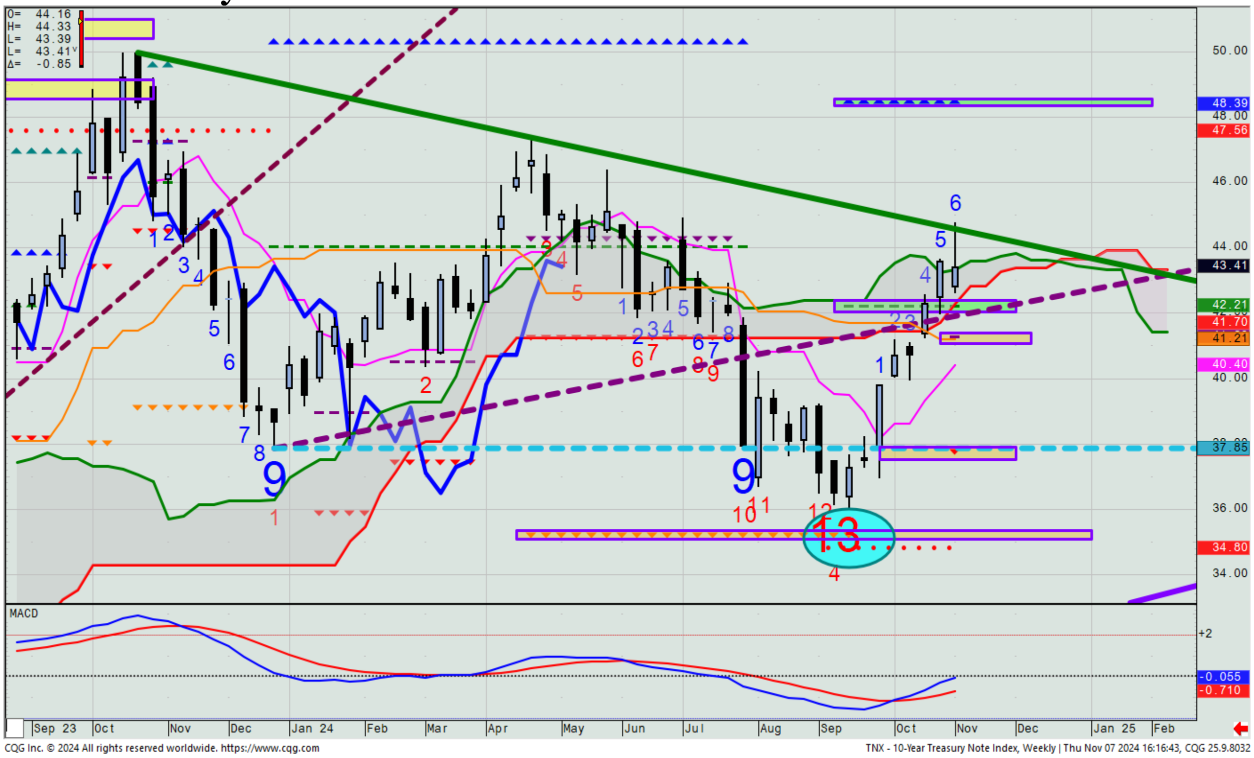
TNX – Daily



TNX - 10-Year Treasury Note Index, Daily | Thu Nov 07 2024 16:16:21, CQG 25.9.8032

Rates pushed above the weekly cloud top but have so far stalled right against the downtrend line from the 5% secular high. On the below chart, first yield support shows up at about 4.13%. A solid upside breakout above the downtrend line targets 4.84%.

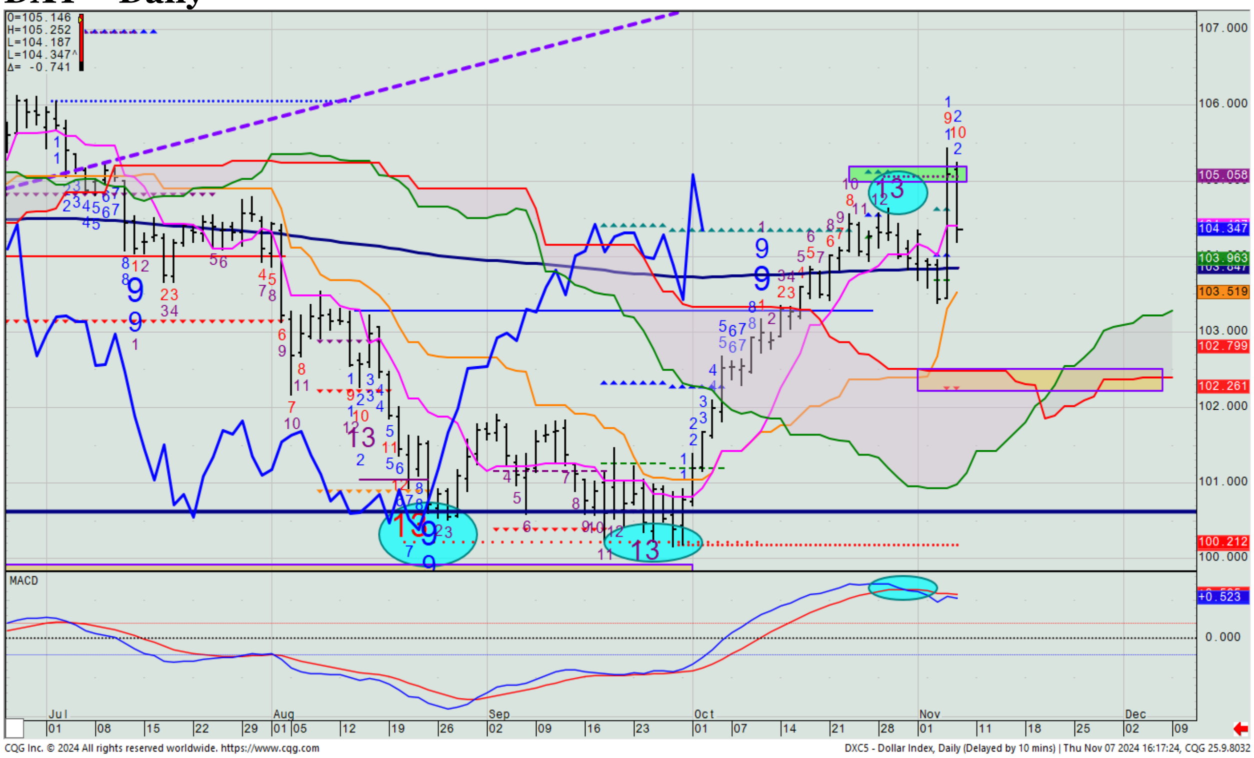
TNX – Weekly



Investment grade corporate credit spreads – my preferred credit spread index – have now fallen to a new all-time low of 80 bps., and still on track to reach its broken head-and-shoulders topping pattern from 2022 to 2023 to somewhere to the 70 bp. area. Generally, narrowing credit spreads are bullish for stocks (as it shows lessened fears in the system, and apparently, those fears are now the smallest ever).

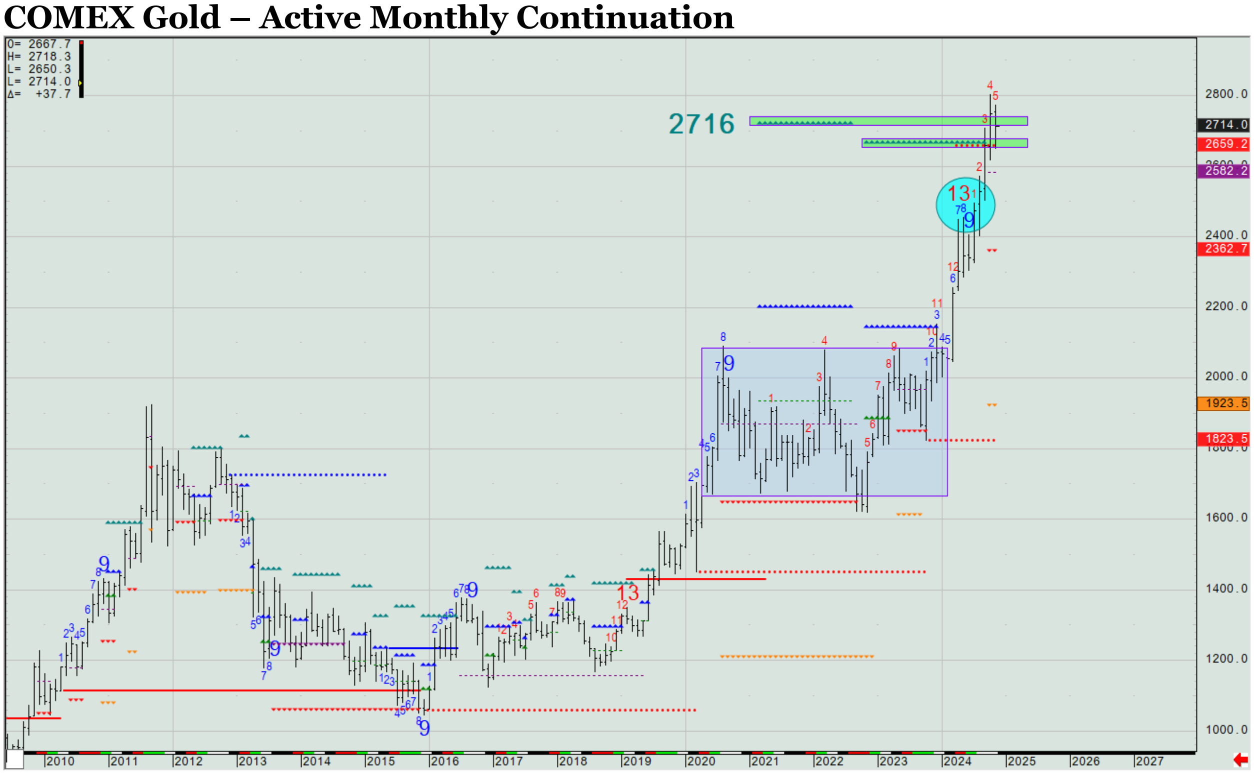
THE DOLLAR: The Trump victory was taken as hugely bullish for the greenback, and the post-election rally on Wednesday brought it right to its Risk level from the recent Aggressive Sequential +13 count, before falling back yesterday. Potential support is now at 103.85 and then 102.26.

DXY – Daily



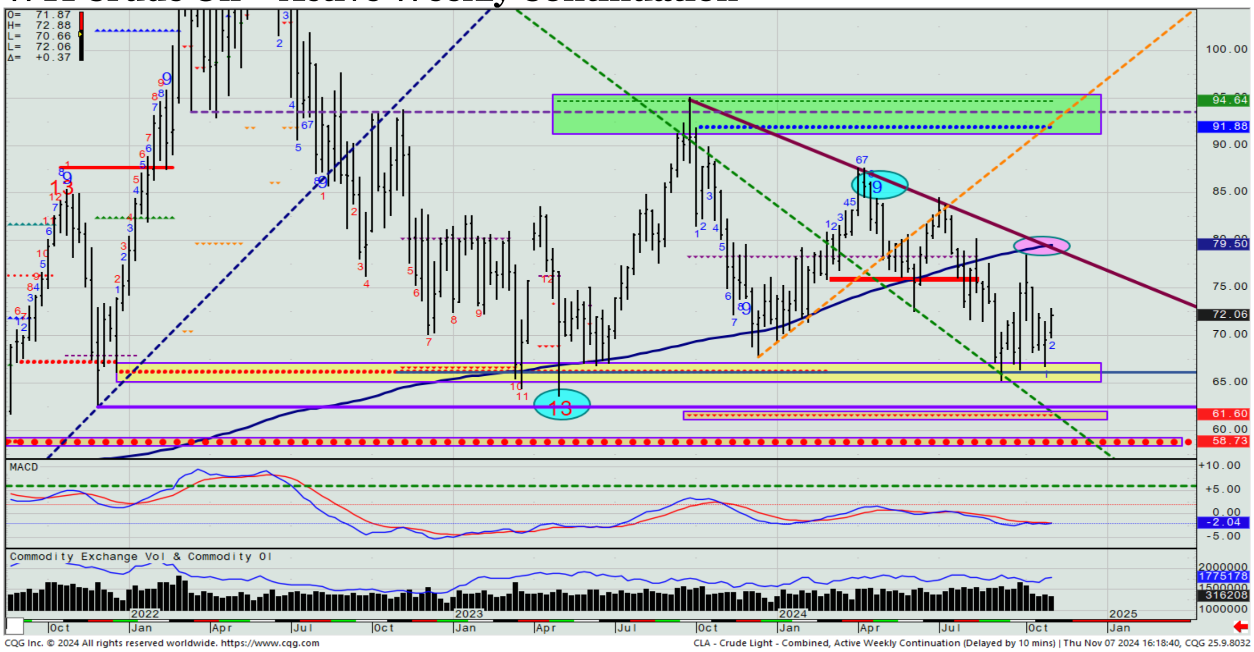
COMMODITIES: I've been bearish gold since about $2700, having lightened my own gold holdings there as long-term targets have been met. I'm still partial to not becoming a net buyer above there.

COMEX Gold – Active Monthly Continuation



WTI Oil again found support in the low-$60s and it's now in the low-$70s. It remains rangebound but with lower highs.

WTI Crude Oil – Active Weekly Continuation

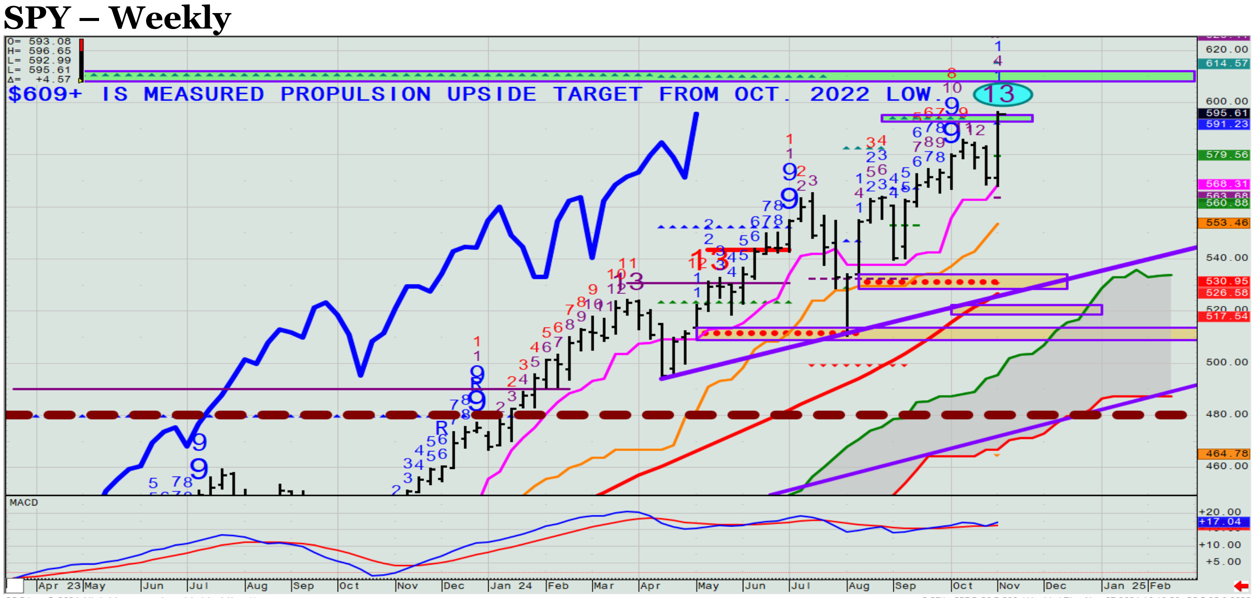


EQUITY INDEXES:

So, what has long been my major upside SPY target of $609 may need to be expanded to include the Risk level from this week's Aggressive Sequential +13 reading. As of yesterday's close, that Risk level is just north of $623 – perhaps making me need look beyond what had been a hard $609 target (and actual selling level).

Trump's victory is either the biggest head fake to get new money coming in at the 9th inning of this rally – or it's going to extend the party beyond where I truly suspected it would cap itself before taking a 10% + hit. Much of life often presents situations that are not all-or-nothing ones, and this new bull market boost may have just been given further life.

SPY – Weekly

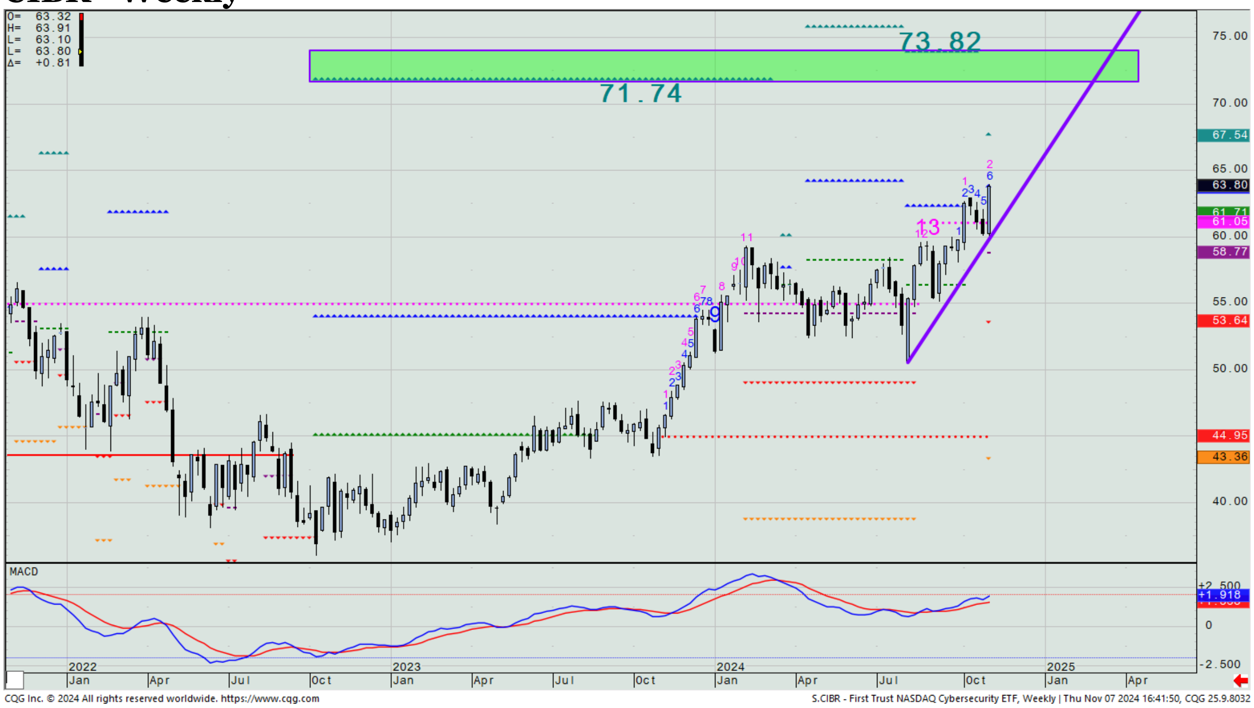


Therefore, will I sell some SPYs at $609+? Yep. But maybe I also leave some of them to sell for a move beyond there.

New ETF Trade Idea

Cyber security is continuously needed – including non-stop innovation in the area to thwart the never-ending onslaught of security breaches from less than stand-up people/countries. Like many stocks, yesterday marked a new all-time high, and I'm generally no fan of buying stocks at the top right of their charts. Nonetheless, we will buy ¾- unit today, and another ¾-unit on a pullback to $62 to $61.50. I'll target a minor upmove to remove 1/3 of what we have on at $67.54, and the balance at the well-higher target from $71.74 to $73.82. We'll stop out on a Friday close beneath $58.12.

CIBR - Weekly

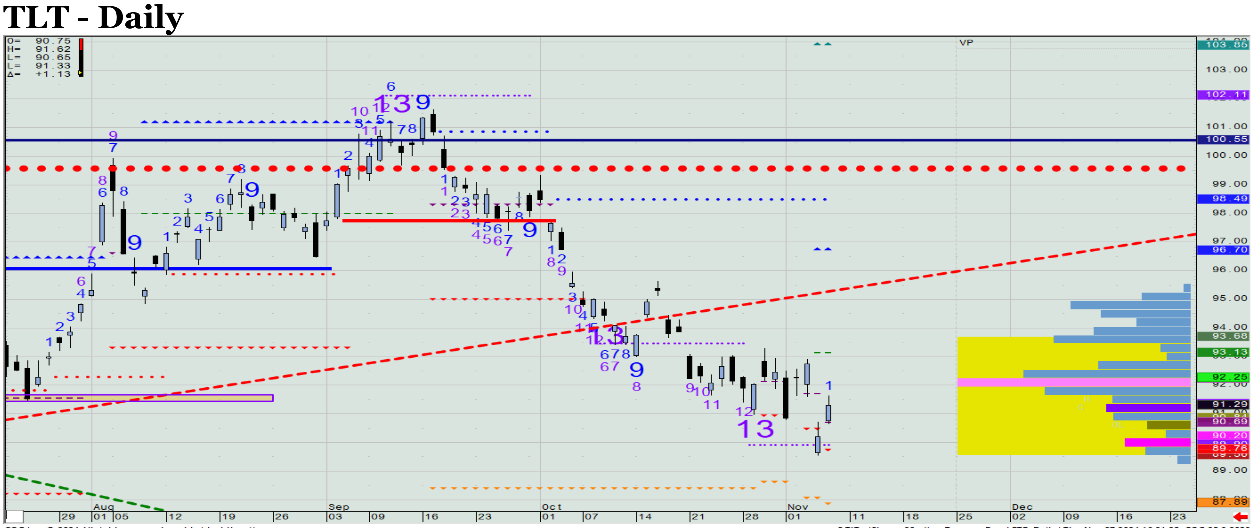


Other Open Recommendations and Positions

Long TLT

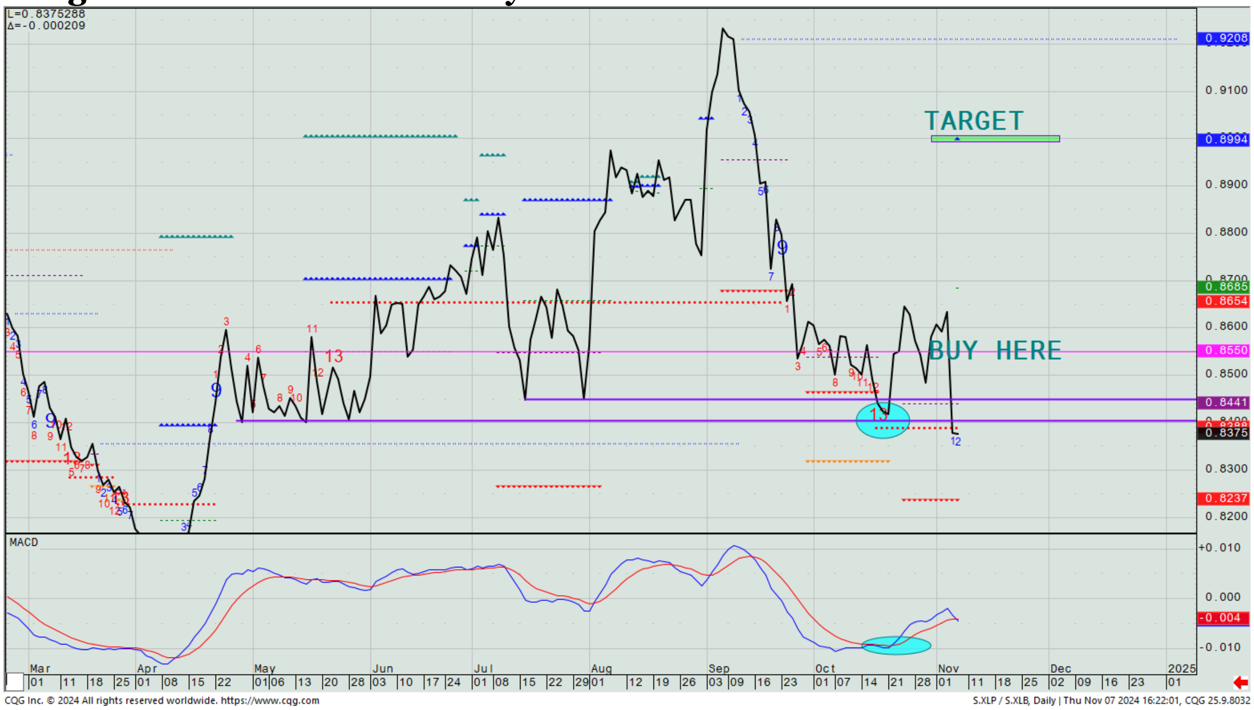
Last Friday we bought two one-unit positions that were almost immediately stopped out on the same day when we saw the second consecutive 120-min close under $92.12. The loss was likely no more than ~50 bps. – if even that.

TLT - Daily



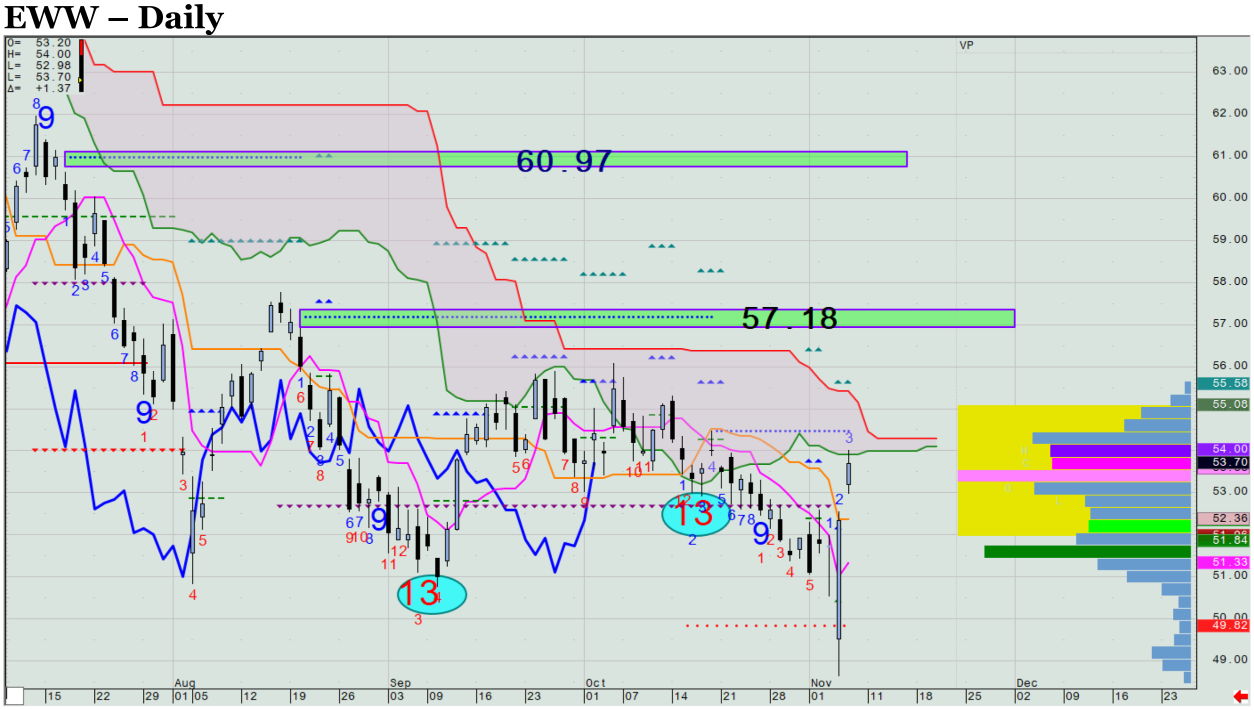
Long XLP vs. Short XLB
Two weeks ago, we got long this pair on a pullback to the 0.855 level. Election results took this straight down. Exit any day if the ratio is under 0.8350 on a close. (Very possibly today.)

Long XLP vs. Short XLB – Daily



Long EWW
Three weeks ago, we got long one unit at. $53.31, and were using a sell-stop as a close under $51.01, the lowest close of the year. We might have survived this with the bounce we just got. However, the new intraday low means we now have different targets, as highlighted on the chart below.

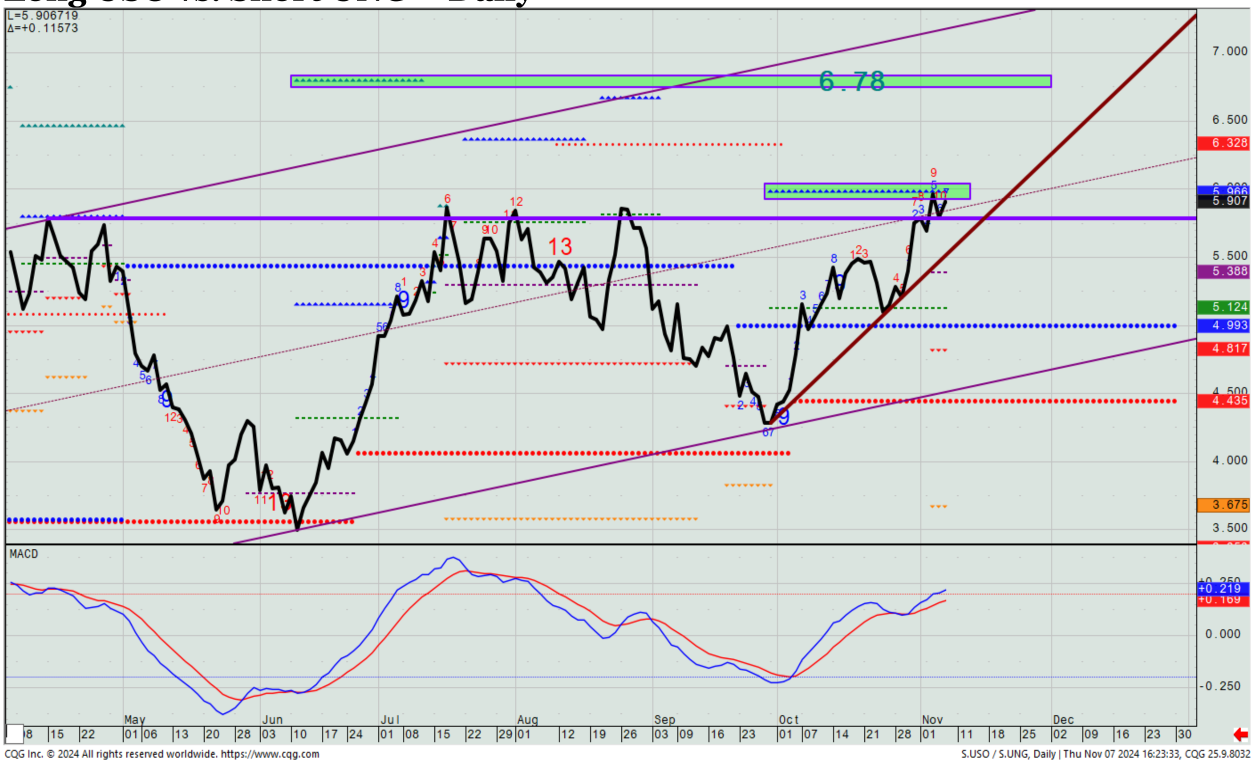
EWW – Daily



Long USO vs. Short UNG

Four weeks ago, we went long 1/3-unit (we got in at an avg. 5.194 ratio). We removed half this week at my first target of 5.96/5.97 ratio, and then the other half up near a 6.78 ratio. We've already raised the sell-stop to breakeven.

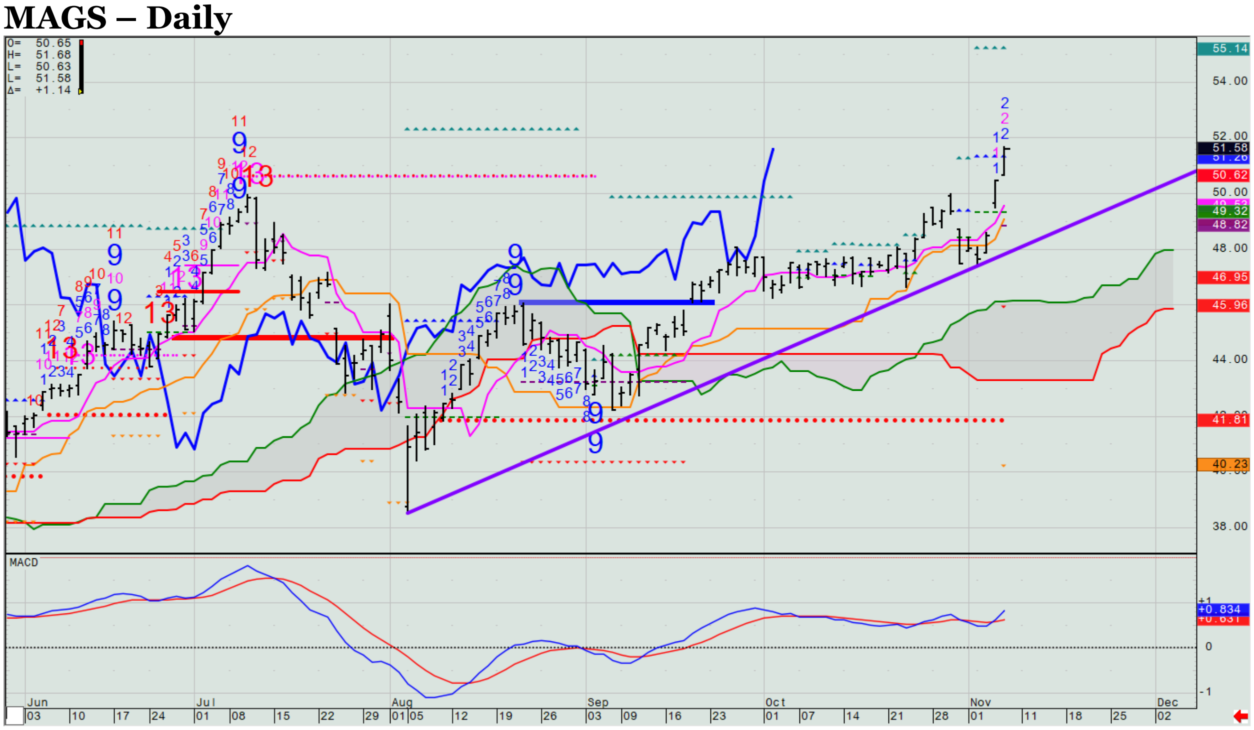
Long USO vs. Short UNG – Daily



Long MAGS

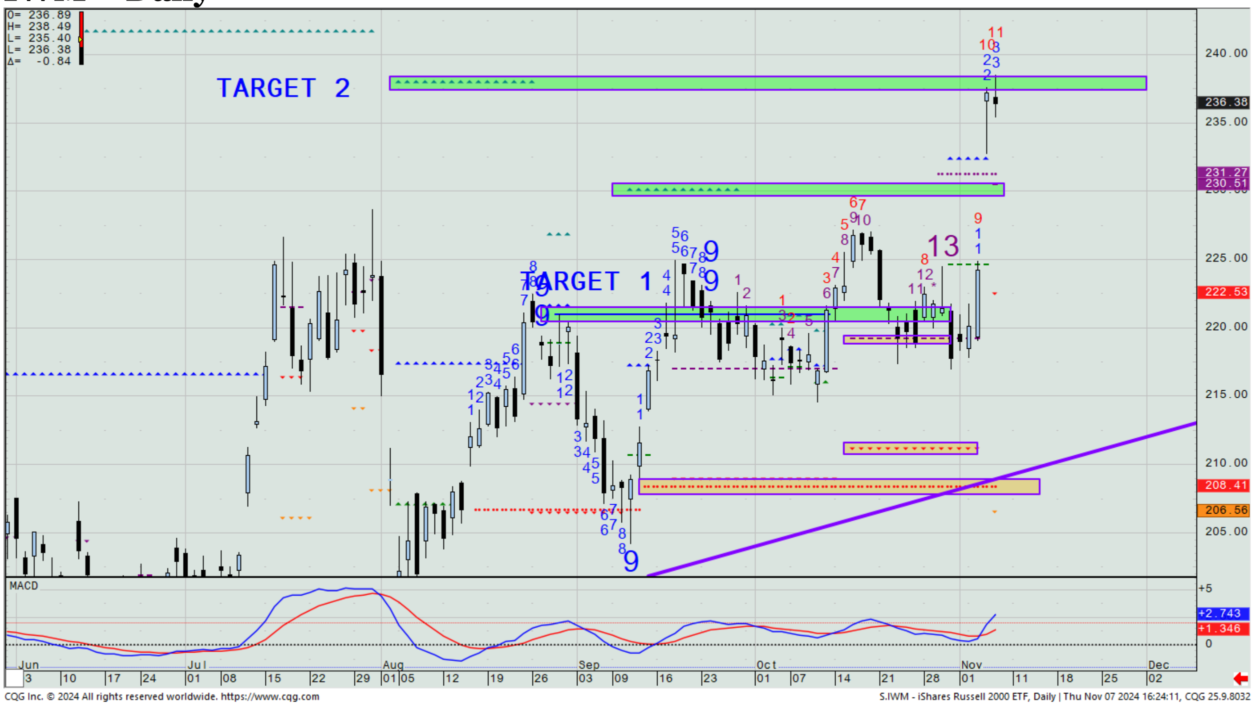
Seven weeks ago, we got long one unit (avg. $46.47). We've already now sold the first 2/3 at the $49.79. and $50.62 targets, respectively. I'll leave the final 33% to be open-ended right now, but raise your sell-stop to a close under $47.93.

MAGS – Daily



Long IWM
Since early September, we've been long this at $209. I had two targets to exit 50% at: near $221 (already achieved) and $237+. Yesterday's high was $238.49, so we hit our other target. We are now out and made 9.57%.

IWM – Daily



Suggestions and Explanation of Terms

With every major firm brokerage firm having gone to $0 domestic stock/ ETF commissions, you should not be paying anything to trade my recommendations (other than the associated financing cost to placing a short position I sometimes recommend).

Cloud Charts (a.k.a. "Ichimoku")
"Cloud" charting is a far-eastern technical model that was developed over 50 years ago, but is still not commonly used in the US (nor is there much reference material available on it, either). The calculations involved in the construction of each of the 5 lines that make up this model are simple math (see below). The proper understanding and use of cloud charts are still somewhat a mystery to many in the western world. We, however, have a deep understanding of this model, and use it as a core component to our market analysis.

The names and calculations of the 5 lines are as follows:
- Conversion Line: the arithmetic midpoint of the most recent 9 price bars (inclusive of the current bar).
- Base Line: the arithmetic midpoint of the most recent 26 price bars (inclusive of the current bar).
- Leading Span 1: the midpoint of the previously calculated Conversion and Base Lines, plotted forward 26 bars (including the current bar).
- Leading Span 2: the arithmetic midpoint of the most recent 52 price bars (including the current bar) plotted forward 26 bars (including the current bar).
- Lagging Span: the current price plotted backwards 26 bars (including the current bar).
- The "Cloud" is the area on the chart bounded by the two Leading Spans.

In any given timeframe, it is our interpretation of the relationship of a security's price to these five lines -- and the relative positions of these lines to each other -- that helps us decipher behavioral and/or structural shifts to the current bull or bear market environment at hand.

DeMark Studies (a.k.a. TD models)

DeMark Studies consist of models created by Tom DeMark, a noted market-timing indicator developer and consultant to many major Wall Street institutions. Two of these models that look for the timing of trend exhaustion include TD Sequential and TD Combo. A third, TD Propulsion, looks for a specific price exhaustion level after a trend momentum level has been properly identified and thrust through.

Some key phrases we use in our writings include:

- TD Setup: Nine consecutive price bars that the closing price is above the close from four bars prior (a.k.a. "Setup +9"). When completed and "perfected" (i.e. the 8th or 9th bar's high is higher than both bar 6's and 7's highs), a near-term **top** may be in place. Conversely, is a run of nine consecutive price bars that the closing price is beneath the close from four bars prior (a.k.a. "Setup -9"). When completed and "perfected" (i.e. the 8th or 9th bar's low is lower than both bar 6's and 7's lows, a near-term price **bottom** may be in place.
- TD Sequential: After a completed Setup +9 count, if the security continues to move higher by a certain amount, a full trend has developed. This model looks to identify the exhaustion point of that trend, from a timing perspective. Here's how: Subsequent to the Setup +9, the model then looks for 13 price bars (that needn't be consecutive) that the closing price is greater than the high from two price bars back. When this happens, odds have increased that first buying within the current uptrend is much riskier than normal; some choose to actually lighten long exposure, too. Some aggressive traders even choose to initiate short exposure. Conversely, after a Setup -9 count, the model then looks for 13 price bars (that needn't be consecutive) that the closing price is less than the low from two bars back. When this happens, odds have increased that first selling within the current downtrend is much riskier than normal; some choose to actually lighten short exposure, too. Some aggressive traders even choose to initiate long exposure. **Thus, some aggressive-style accounts often use this model to take profits or even enter new counter-trend positions.**
- TD Combo: This is a sister timing model to the above –mentioned Sequential model. It also reaches its trend exhaustion reading at a +13 or -13 reading. It counts to the 13th bar using a different calculation than Sequential. But it's potential implications for an impending trend reversal are the same.
- TD Propulsion: This model looks to define the initiation of a momentum move (whether higher or lower). Once the identified Propulsion Momentum level is properly surpassed, it then pinpoints measured exhaustion levels for that same breakout or breakdown move (i.e. Propulsion Exhaustion and Full Propulsion Exhaustion).
- TD Trend Factors: This model looks to define important support or resistance levels from previous highs or lows of moves, measured in increments of 5.56%. (This particular number is a derivative of the Fibonacci sequence of numbers.)

- "Qualified and Confirmed" Breakouts (**Updated**):

  To qualify and confirm an upside breakout of some level we reference, the following need occur, in order:
  1. A down close the price bar immediately before closing above the reference level
  2. The actual close above the reference level
  3. A gap higher open; a higher daily high; and a higher daily close the next trading day.

  To qualify and confirm a downside breach of some level we reference, the following need occur, in order:
  1. An up close the price bar immediately before closing beneath the reference level
  2. The close beneath the reference level
  3. A gap lower open; a lower daily low; and a lower daily close the next trading day.

  Thus, the qualified and confirmed process takes 3 consecutive price bars to create the signal.

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