Rick Bensignor's

IN THE KNOW TRADER

Positioning Individual Investors Alongside Professionals

rick@intheknowtrader.com November 22, 2024

TACTICAL TRADER REPORT

The Macro Picture

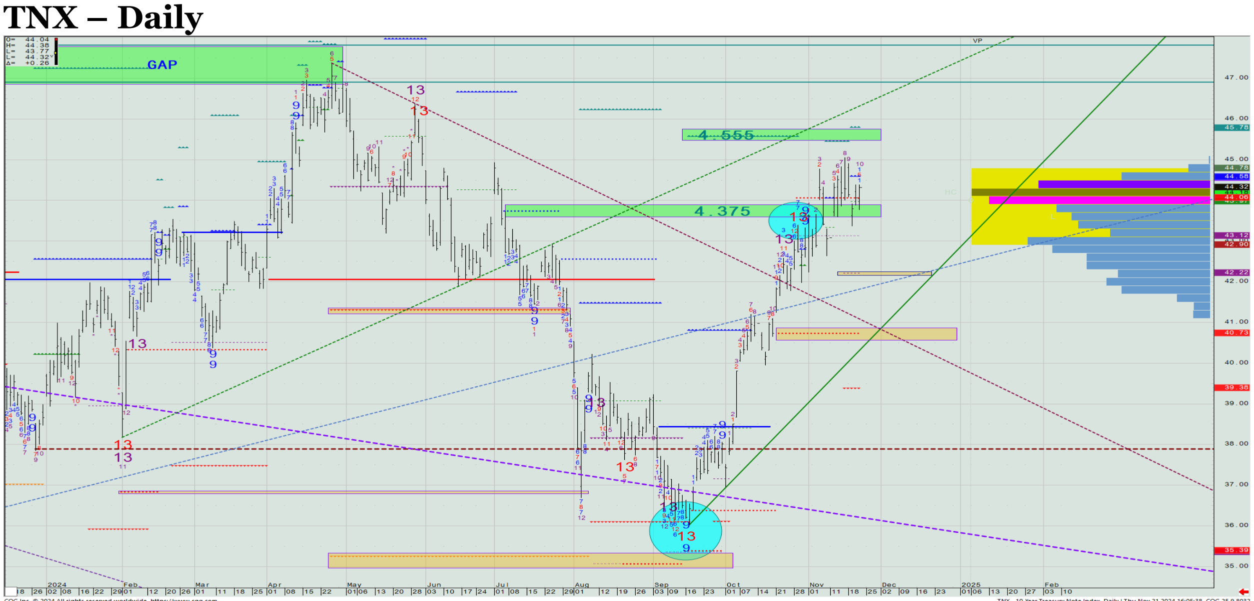
Investors waited for NVDA's earnings, and traders turned an early swoon after reporting on Wednesday into a small gain on Thursday. The Nikkei News Agency called me minutes ago to get my comments on what was happening to both NVDA and the market, and what I told the reporter is that NVDA's news was good enough to *not* make investors turn sellers of the market. Given the pent up demand for stock ownership – especially post elections– and plenty of sidelined cash looking to do something, stocks ramped again to keep the overall uptrend humming. As I told Daily Tip Sheet subscribers Wednesday night, without the SPY trading beneath the TDST support line from early September (~$568) that was tested and held in early-October, the S&P 500 likely trades higher to reach my SPY $609 target (which last week I showed you was to now extend up to $631).

Let's look at all the important markets and how they may impact the macro environ:

US RATES

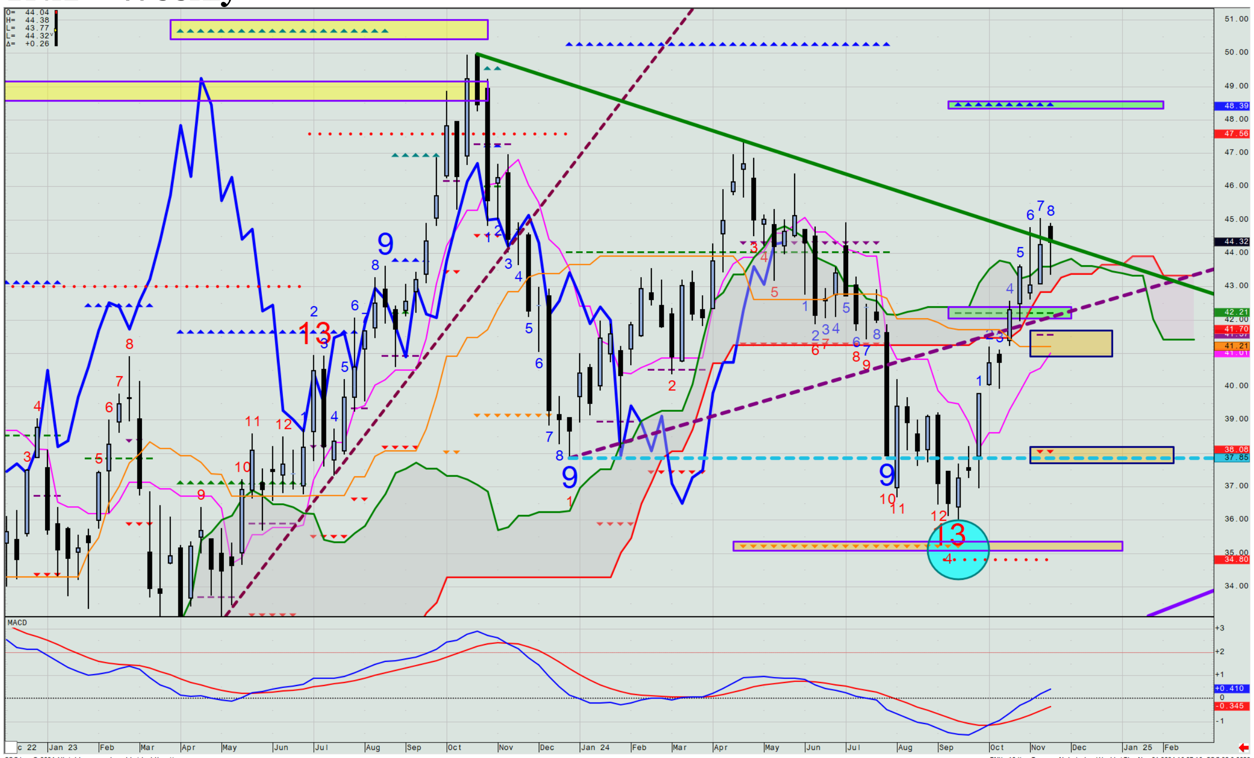
In the past week, the TNX made a new recovery high up at 4.505%, and has fallen to as low as 4.34%, with yesterday closing at 4.43%. To me, any material upside breach of 4.555% puts bond bulls in a very precarious place, and that would then open the door for a move to 4.70% if not beyond 5%. On the downside, I think the best case scenario right now for bulls is a decline to 4.07%. To date, there's been no bond rally for bulls to reduce longs; that ups the odds of a forthcoming puking.

TNX – Daily



Rates pushed above the weekly cloud top and are now above the downtrend line from the 5% secular high, and on a weekly Setup -8 count. I'm thinking that this coming week could see a spike higher to wash out bond bulls, and then with it marking a Setup +9, then perhaps pulling back to 4.35 to 4.15%. On the below chart, first yield support shows up at about 4.13%, and in my opinion, that level is about the best bond bulls can hope for. A solid upside breakout targets 4.84%, and then beyond 5%.

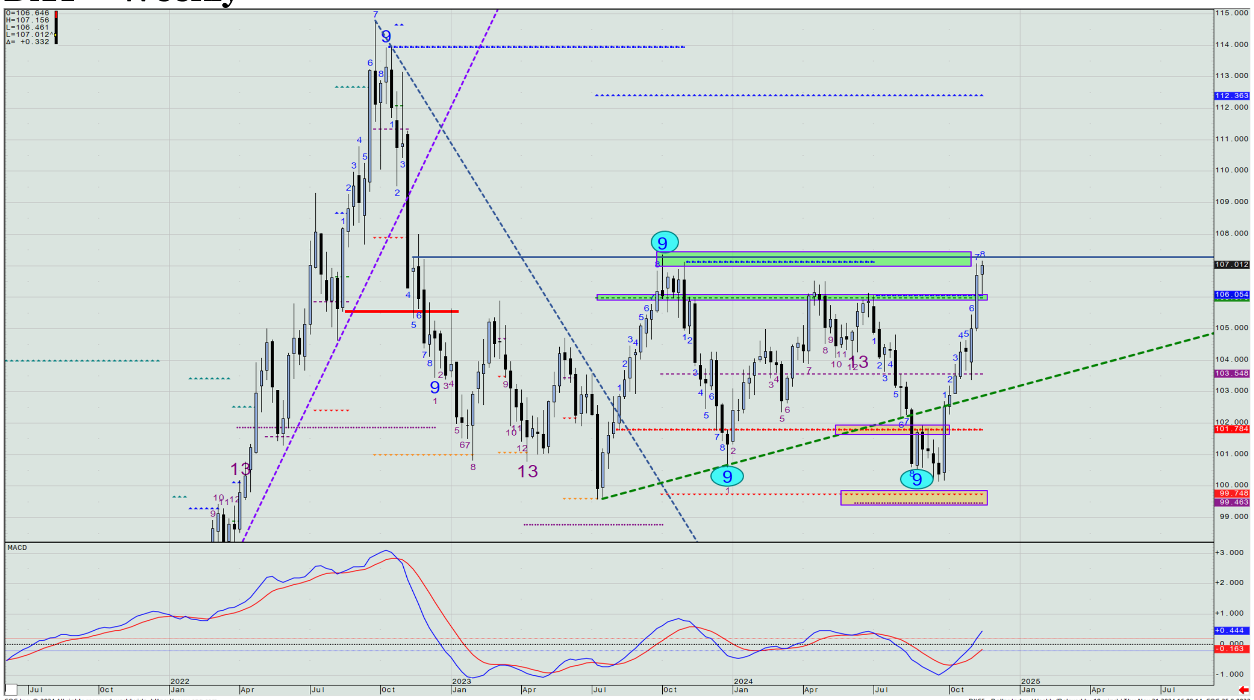
TNX – Weekly



Investment grade corporate credit spreads are now at 81 bps., with a new all-time low of 76 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. The 5 bp. rally from the low has this right back against the short-term downtrend line. (Generally, narrowing credit spreads are bullish for stocks (as it shows lessened fears in the system). This is part of the reason that so many pundits are still mega-bullish stocks.

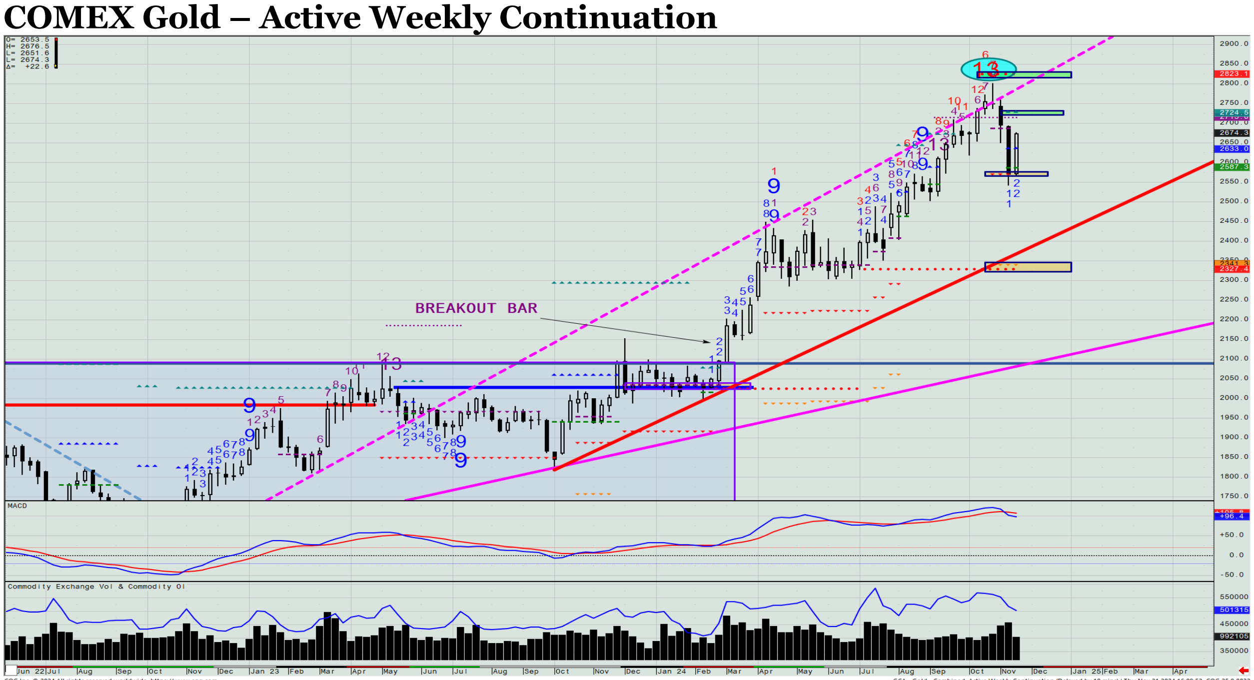
THE DOLLAR: Yesterday made another new dollar high, and to me the degree of continued rise will all depend upon how things trade by the daily 107.36 Risk level of the recent +13 count. If it fails there, then the greenback can fall right back to near 105. Of note is that the weekly chart is on a Setup +8 count this week (just as the TNX is), meaning that the dollar is following yields (as I've repeatedly said throughout this year that they would). So, we may see a short squeeze pull dollar bears out just as smart money leans into that rally to play for a pullback.

DXY – Weekly



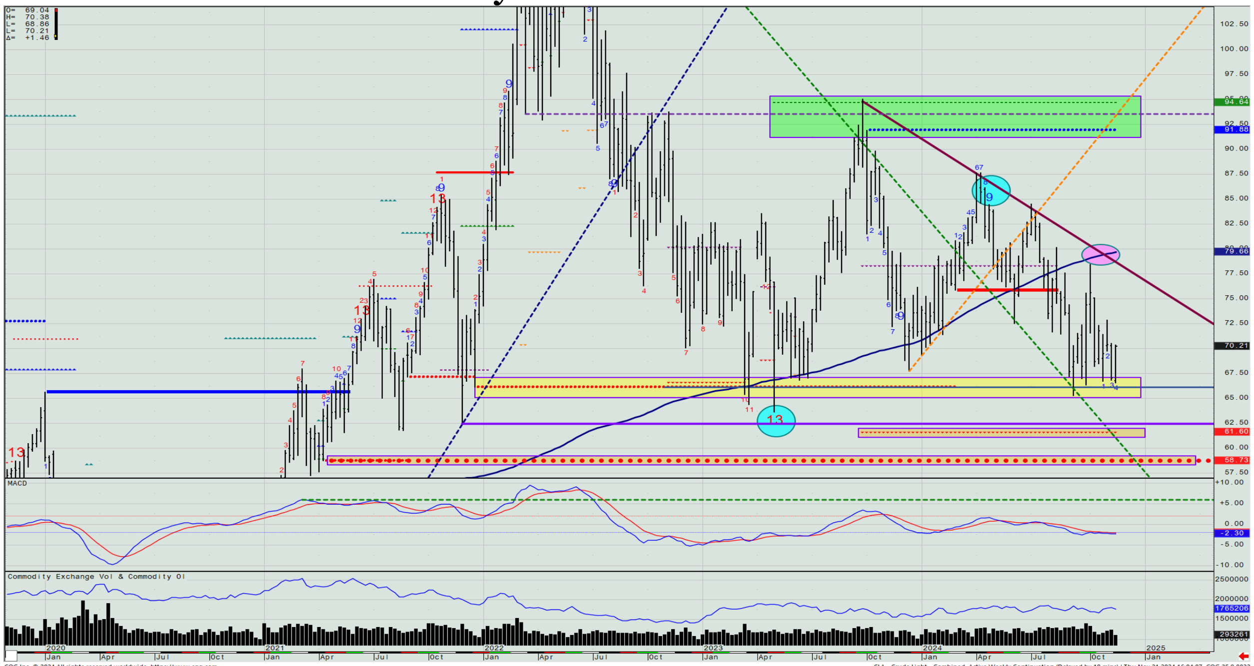
COMMODITIES: Gold has recovered since it hit its weekly Propulsion Exhaustion level, and along with Bitcoin, these "alternative assets" find buyers on dips. (The latter made a new all-time high yesterday just shy of $100,000 per coin.) Key upside resistance areas are now at $2725 and $2823.

COMEX Gold – Active Weekly Continuation



WTI Oil remains rangebound but with lower highs. I have no call on it, other than supply seems more than able to meet demand, and if it was going to rally and hold the rally from Mideast tensions, it probably would have done so already.

WTI Crude Oil – Active Weekly Continuation

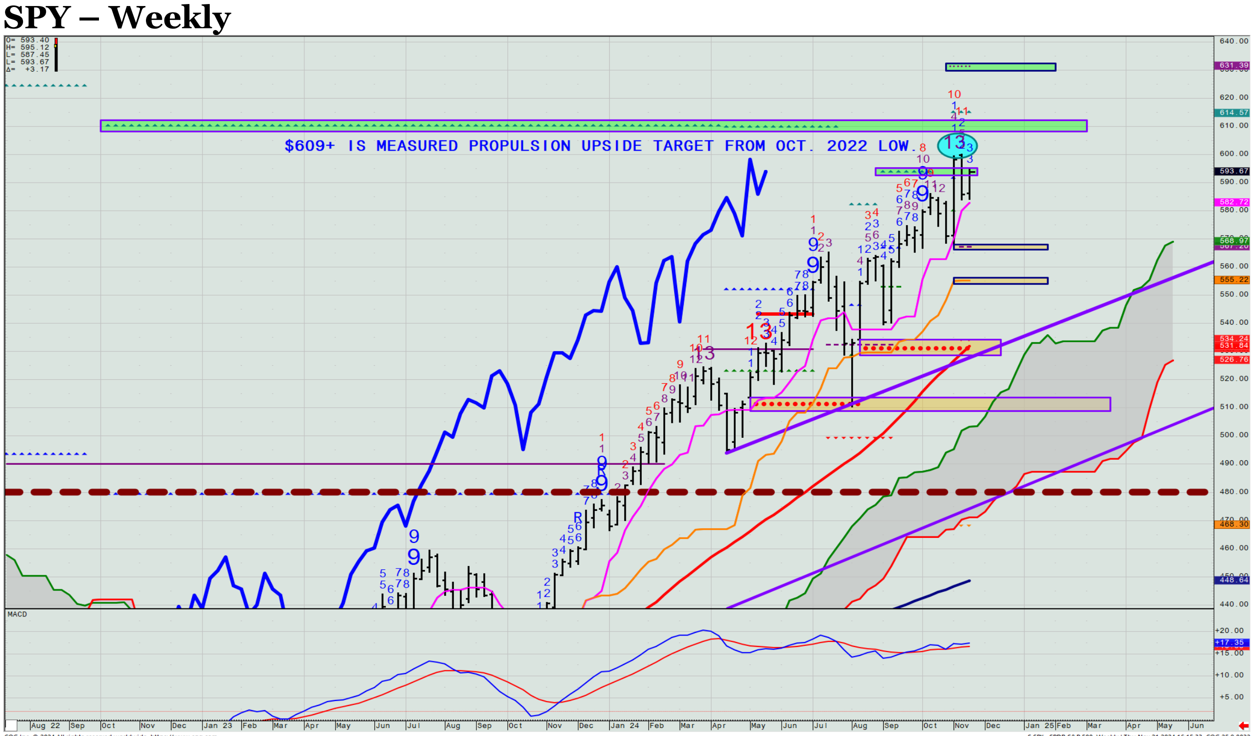


EQUITY INDEXES:

I've expanded my major upside SPY target of $609 to include the Risk level from the recent weekly Aggressive Sequential +13 reading – pushing the range to include $631.

I'm still thinking that new longs should be thought of more as trades than investments – most especially if you're buying stocks on new all-time highs – there is enough momentum at hand to still think that we see the above mentioned targets met on this leg of the overall cyclical and secular rallies started in 2023 and 2022, respectively.

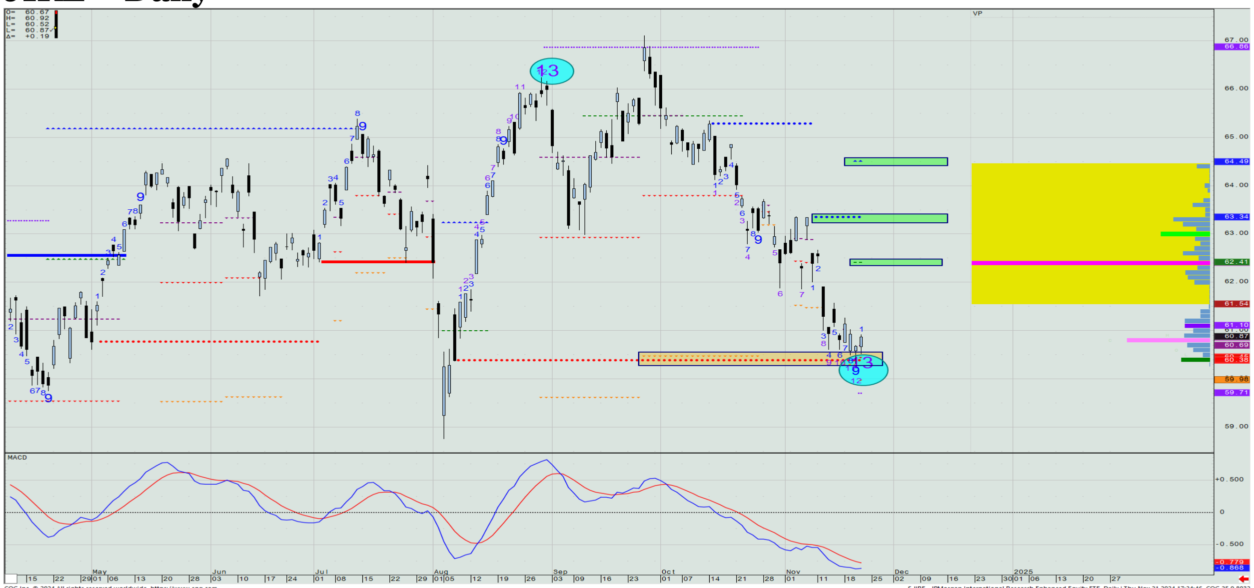
SPY – Weekly



New ETF Trade Idea

JP Morgan runs its International Research Enhanced ETF (JIRE) that looks to outperform a foreign developed market index using active management. This ETF doesn't trade a ton of volume (barely 250,000 shares per day), but I'm willing to give up some liquidity to get into what seems like a very good place to vs. taking maybe ~$1 risk. (It just reached its bearish Propulsion Full Exhaustion level; TDST line, and an Aggressive Combo -13 and Setup -9 count).

JIRE – Daily



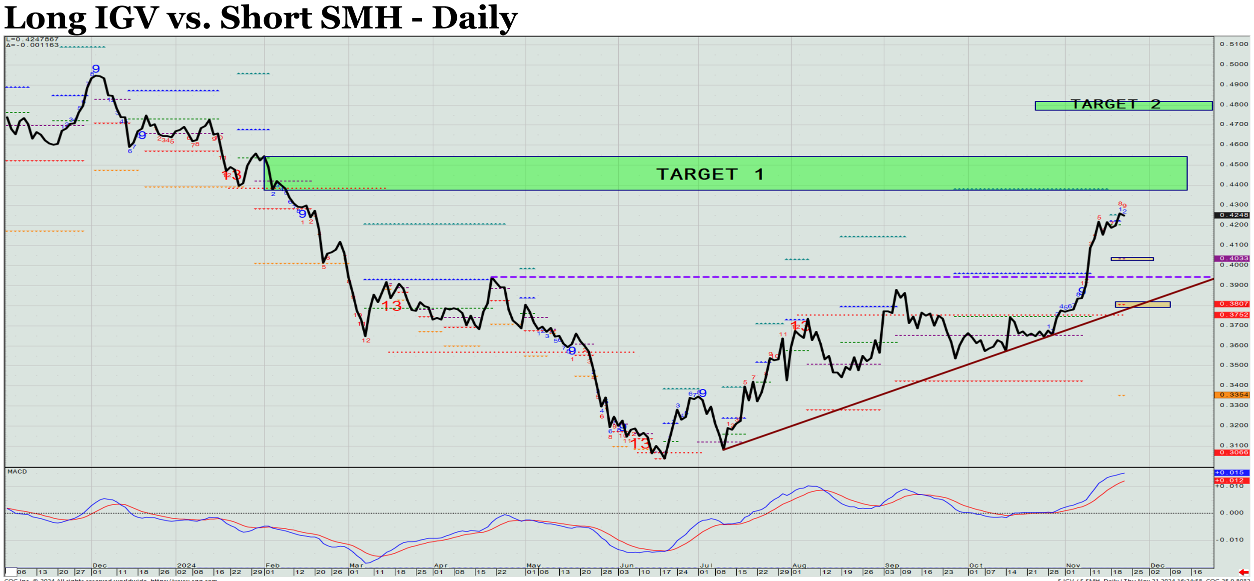
We'll buy 1.5 units today before 11am ET, looking to sell 25% at the low and high targets of the three green rectangles, and 50% at the middle one. Our sell-stop is consecutive daily closes < $59.71.

Other Open Recommendations and Positions

LONG IGV vs. Short SMH

We're still looking to get long this pair trade, but I'll raise the entry point to put on 50% at .405 and 50% at .385. We'll and unwind with a loss if on a Friday close beneath the 0.3645 level. Take 50% profits at 0.4385/0.4550 and then50% near 0.480.

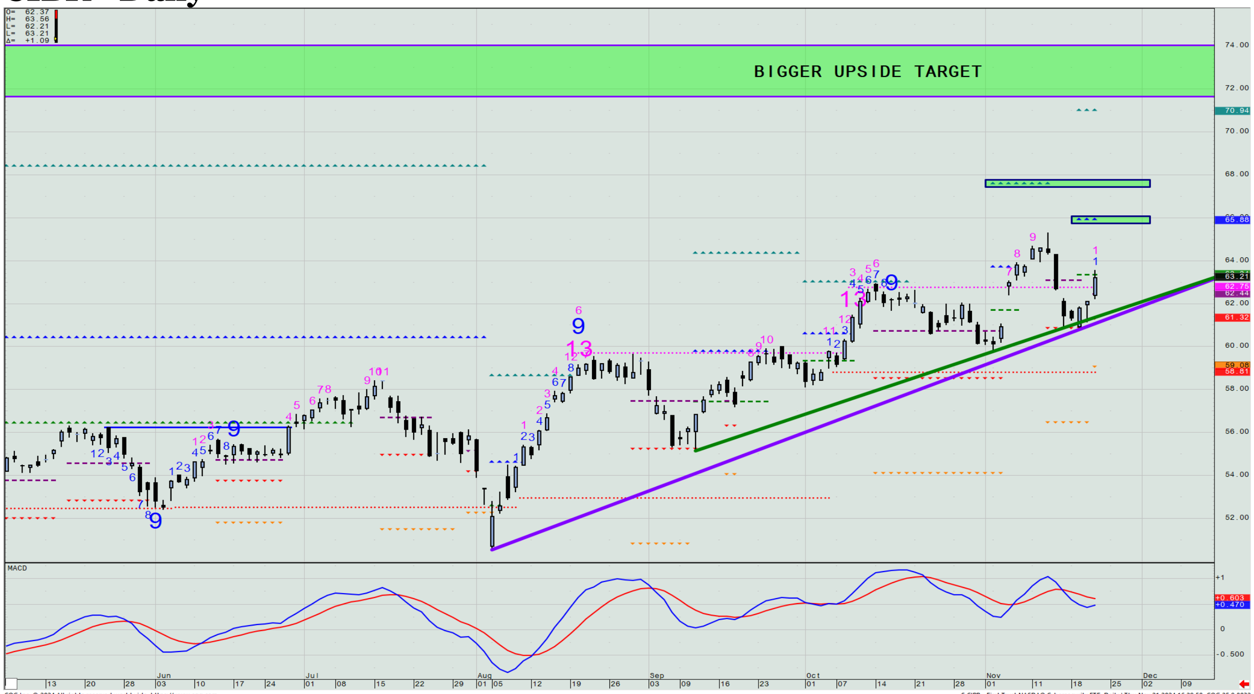
Long IGV vs. Short SMH - Daily



Long CIBR

Two weeks ago, we bought a 3/4-unit at an avg. of $63.54. I'm targeting a minor upmove to remove 1/3 of what we have on near $67.54, and the balance at the well-higher target from $71.74 to $73.82. The sell-stop is a close < $59.76.

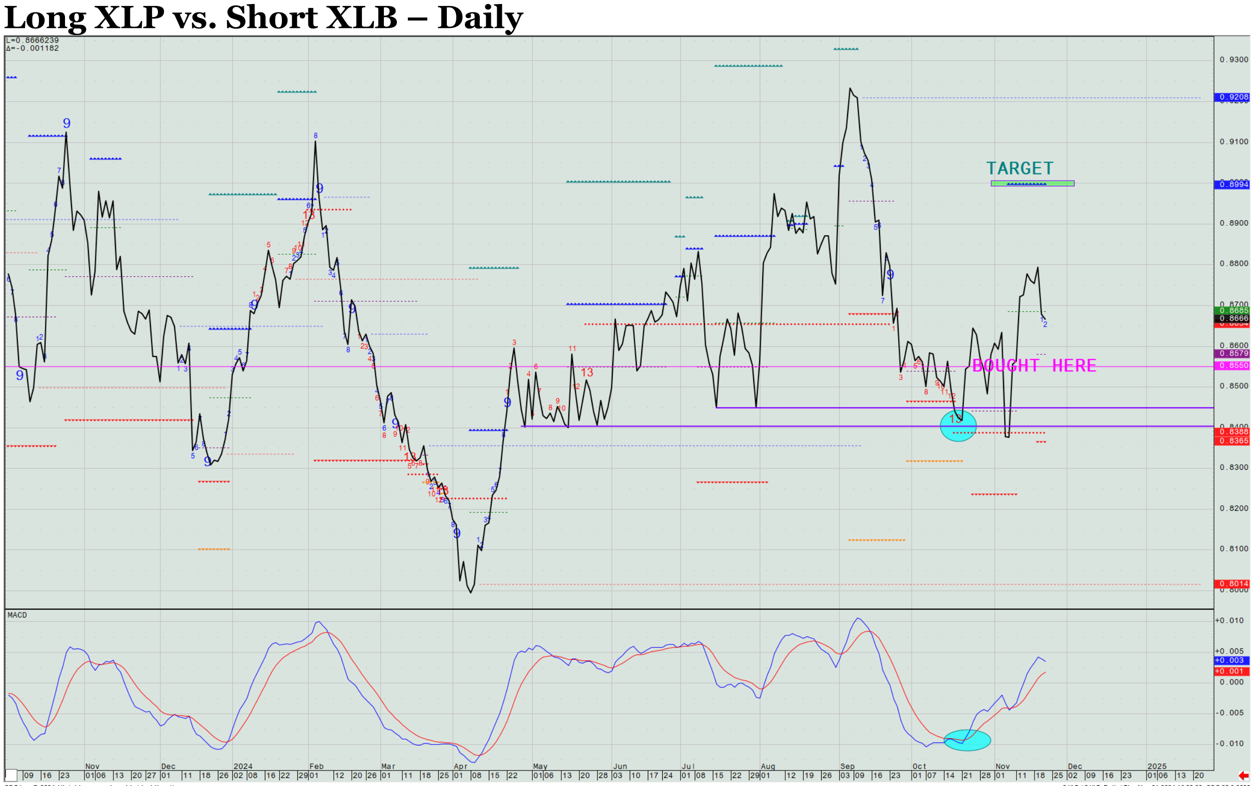
CIBR - Daily



Long XLP vs. Short XLB

Four weeks ago, we got long this pair at the 0.855 level. Given the overall market's bull move, I'm less confident in Staples outperforming a cyclical group. Raise sell-stop to breakeven entry.

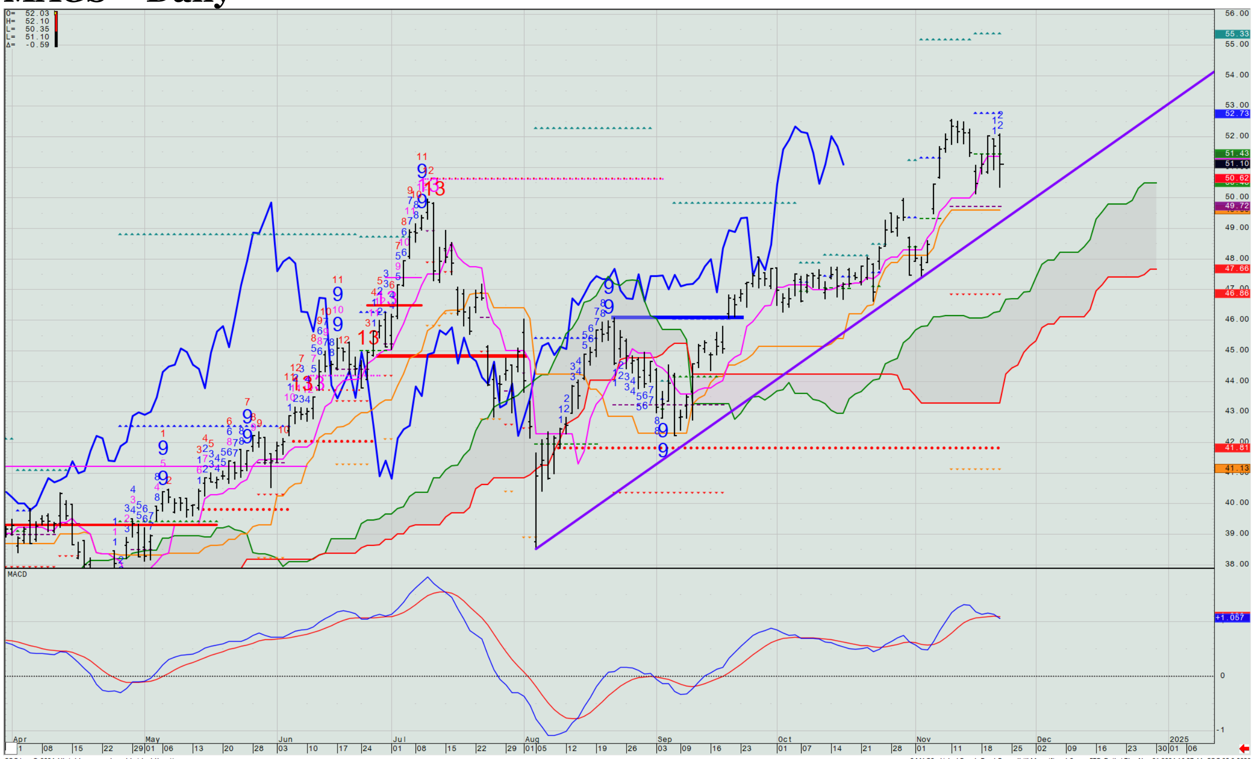
Long XLP vs. Short XLB – Daily



Long MAGS

Nine weeks ago, we got long one unit (avg. $46.47). We've already sold the first 2/3 at the $49.79. and $50.62 targets, respectively. I'll leave the final 33% to be an open-ended target for now. Your sell-stop is on a daily close under $49.36.

MAGS – Daily



Suggestions and Explanation of Terms

With every major firm brokerage firm having gone to $0 domestic stock/ ETF commissions, you should <u>not be paying anything</u> 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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