Rick Bensignor's

IN THE KNOW TRADER

Positioning Individual Investors Alongside Professionals

rick@intheknowtrader.com December 6, 2024

TACTICAL TRADER REPORT

The Macro Picture

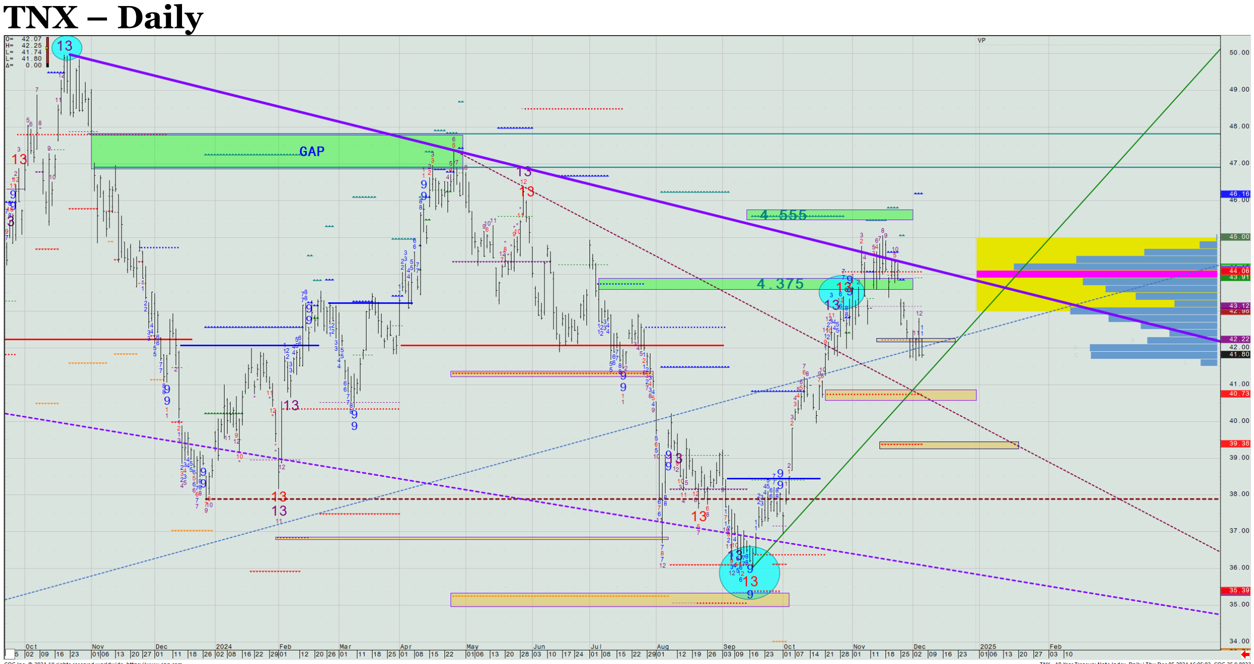
We've arrived at what I think is a likely key inflection point for stocks, as the SPY got within one single point from my long-held $609 target as today sees the first of only two major economic numbers investors will get in the month of December. (Jobs/Unemployment today; FOMC rate announcement on the 18th). Rates have pulled back from their recent 4.5% high; gold has stalled; Bitcoin keeps trucking (but yesterday got within just a few percent of a $108,800 target); oil hangs out near $70.

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

US RATES

The TNX peaked at 4.5% and is now at 4.18%. I think they bottom from 4.07% to perhaps 3.93%, and then head back higher again. 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%.

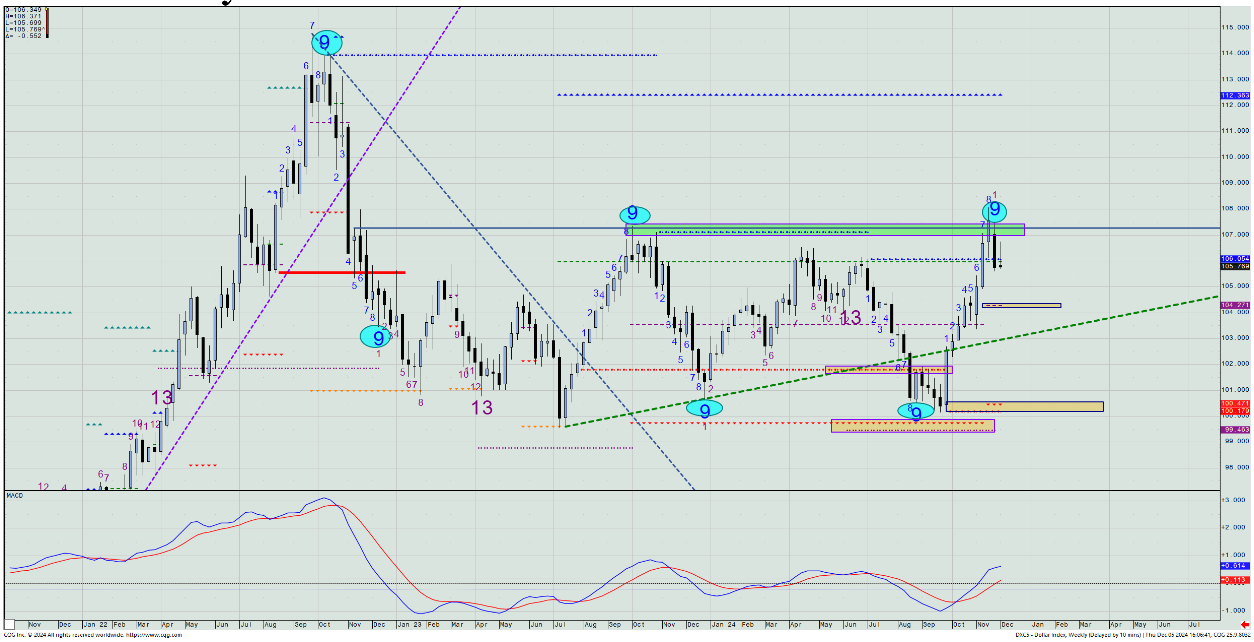
TNX – Daily



Investment grade corporate credit spreads are at 80 bps., with recent new all-time lows 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. Getting back above 86 bps. – and staying above – would be problematic for those who recently put on further narrowing trades (and very possibly for stockholders).

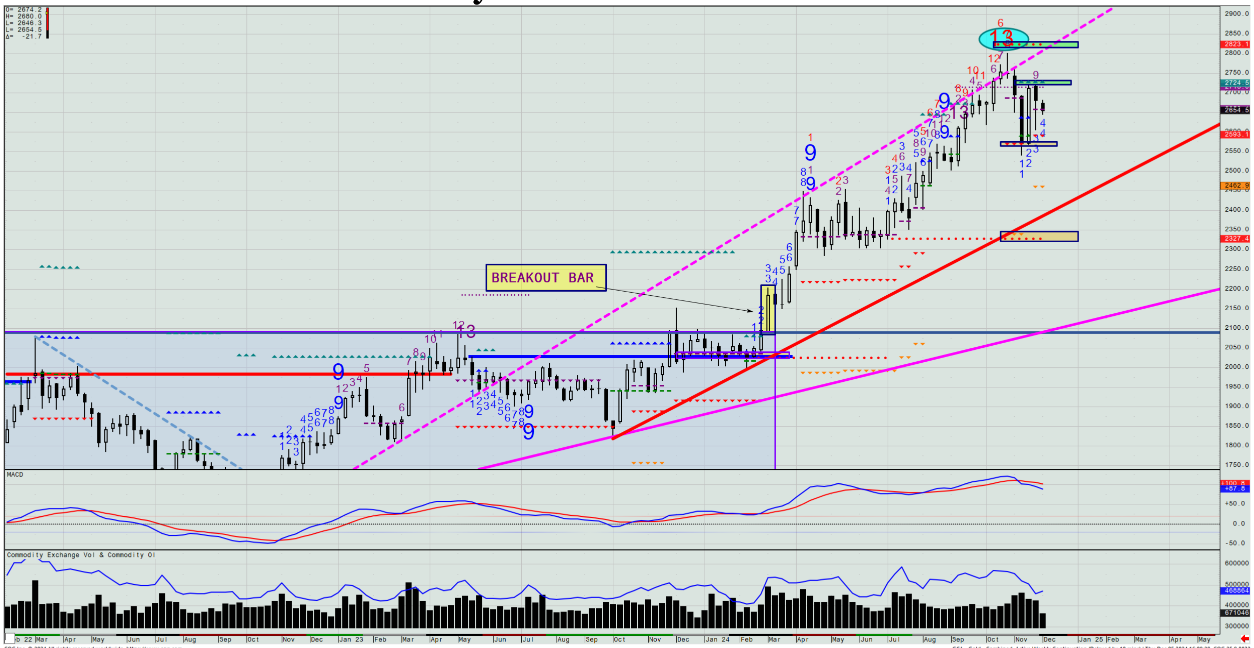
THE DOLLAR: The dollar has all but once marked Setup 9 counts at key highs and lows the past year. (We have on a bearish put spread in the Daily Tip Sheet on this.) Last time Trump won (in late-'16, the dollar rallied right into year's end and then fell apart literally from the first day of 2017. We'll see if that pattern repeats this time around, too.) A lot will have to do with today's jobs numbers.

DXY – Weekly



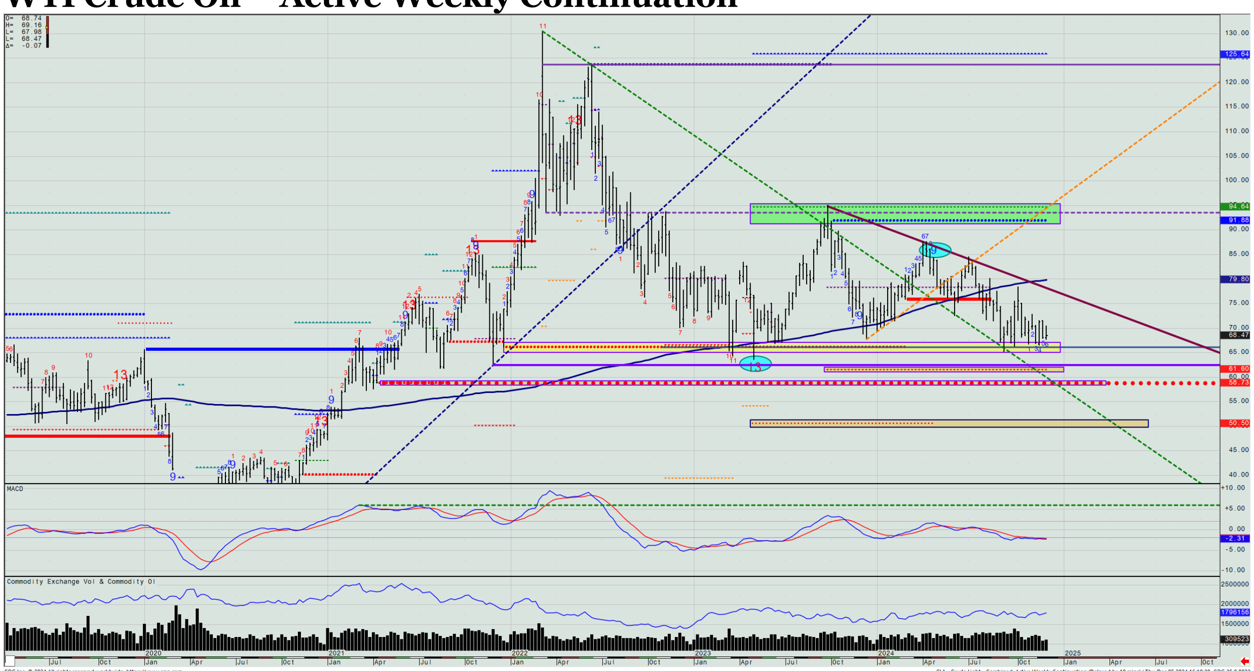
COMMODITIES: I sold half my gold holdings from years ago right by $2700. Key upside resistance areas are now at $2725 and $2823. I'm not hugely bearish, but I'm not buying it up near $2700 either. Take out those recent lows, and this could fall another $100+ from there.

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. Many talk of $50 oil. I can make that case more than $90 oil.

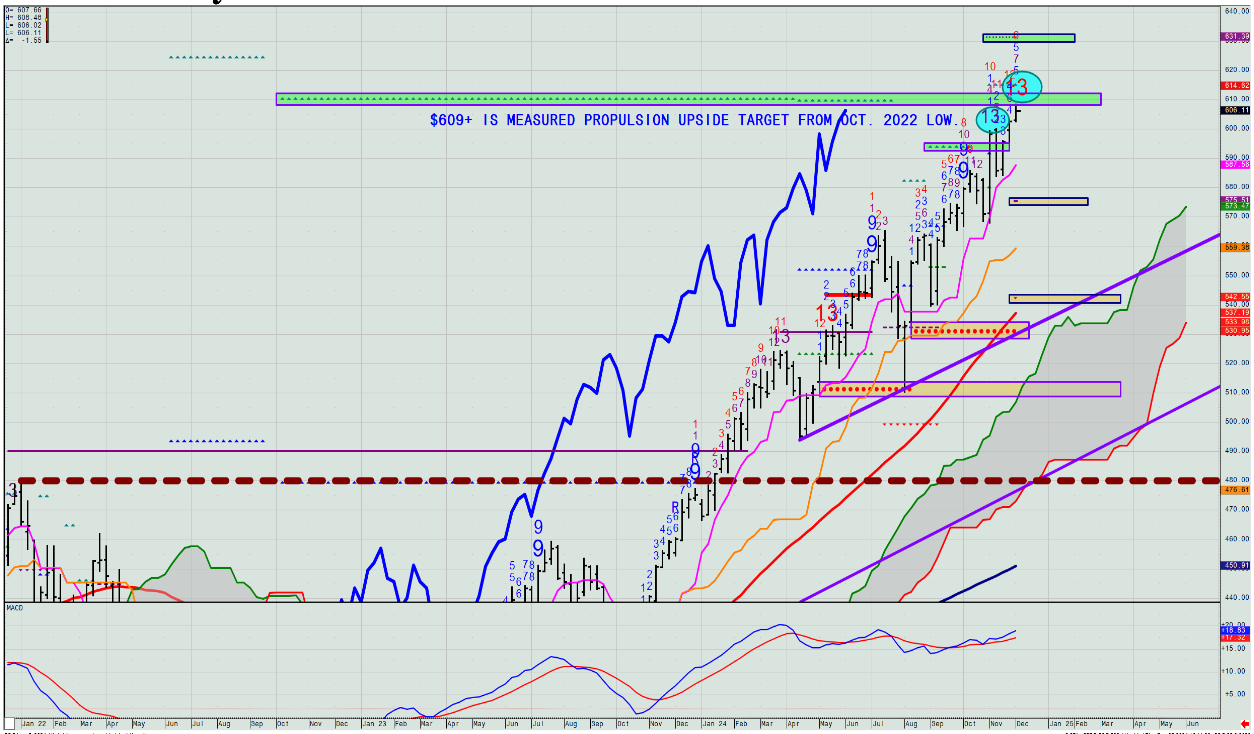
WTI Crude Oil – Active Weekly Continuation



EQUITY INDEXES:

Though 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 am playing that it tops out by $609. (Today could be key to that happening, depending upon the jobs numbers at 8:30am ET.) I think a minimum pullback is to $575, but very possibly more. (There isn't a soul on CNBC or the like calling for a decline; everyone is a happy Santa Claus bull.)

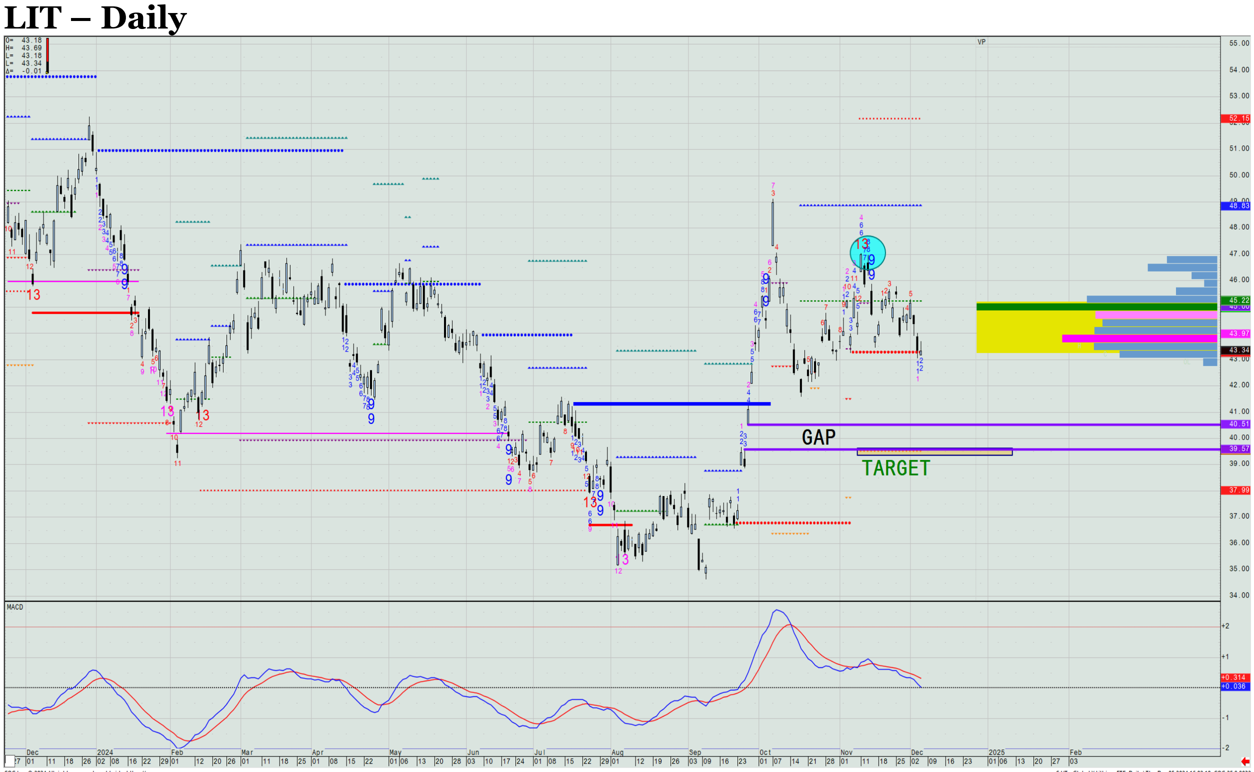
SPY – Weekly



[New ETF Trade Idea]

The demand for lithium – a key ingredient in batteries – has dwindled, as has the public's demand for electric cars. In mid-November, the Global X Lithium ETF (LIT) peaked on +13/+9 counts, and has subsequently fallen to its TDST support line at $43.29. Let's look to sell a rally from $43.85 to $44.15 (surrounding the Point of Control area at $43.97), and look for a break to reach near the bearish $39.53 Propulsion Full Exhaustion level. We'll stop out on a close > $46.38.

LIT – Daily

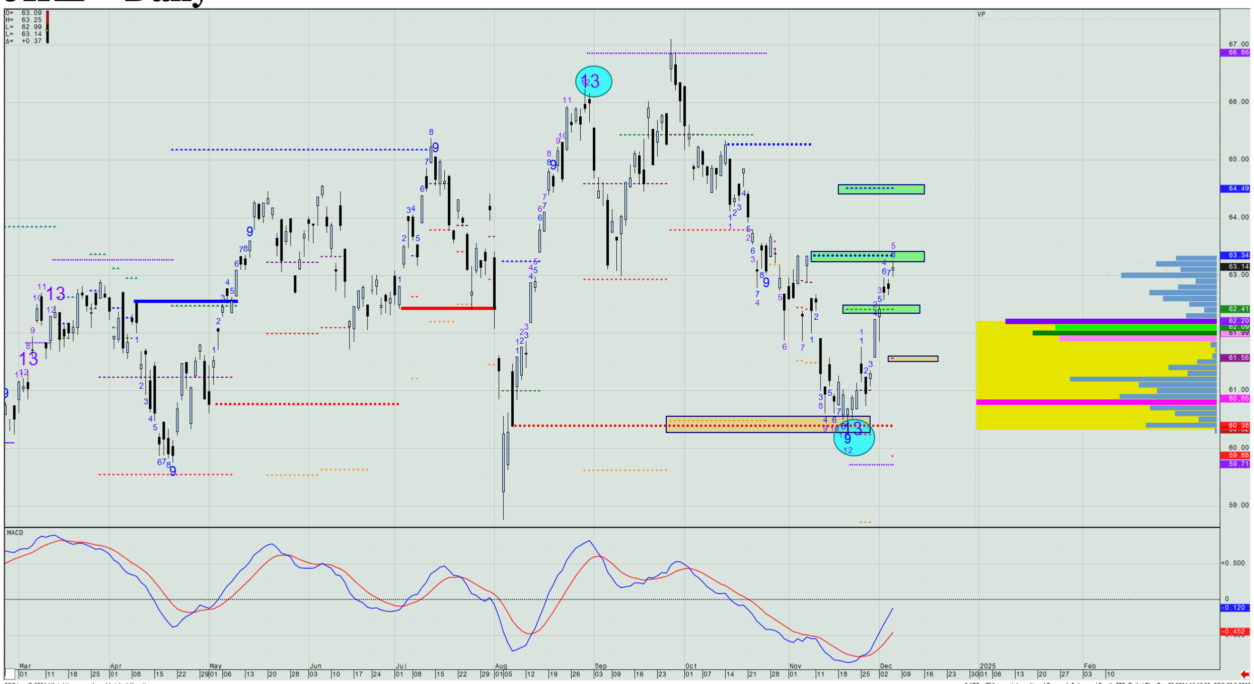


Other Open Recommendations and Positions

Long JIRE

We bought 1.5 units two Friday's ago at avg. $60.83. I suggested taking 25% off at $62.41 (achieved); 50% at $63.34 (yest's high $63.25, so just missed); and 25% at $64.49. Raise your sells top to consecutive daily close < $61.56, but no worse than breakeven.

JIRE – Daily



Long IGV vs. Short SMH

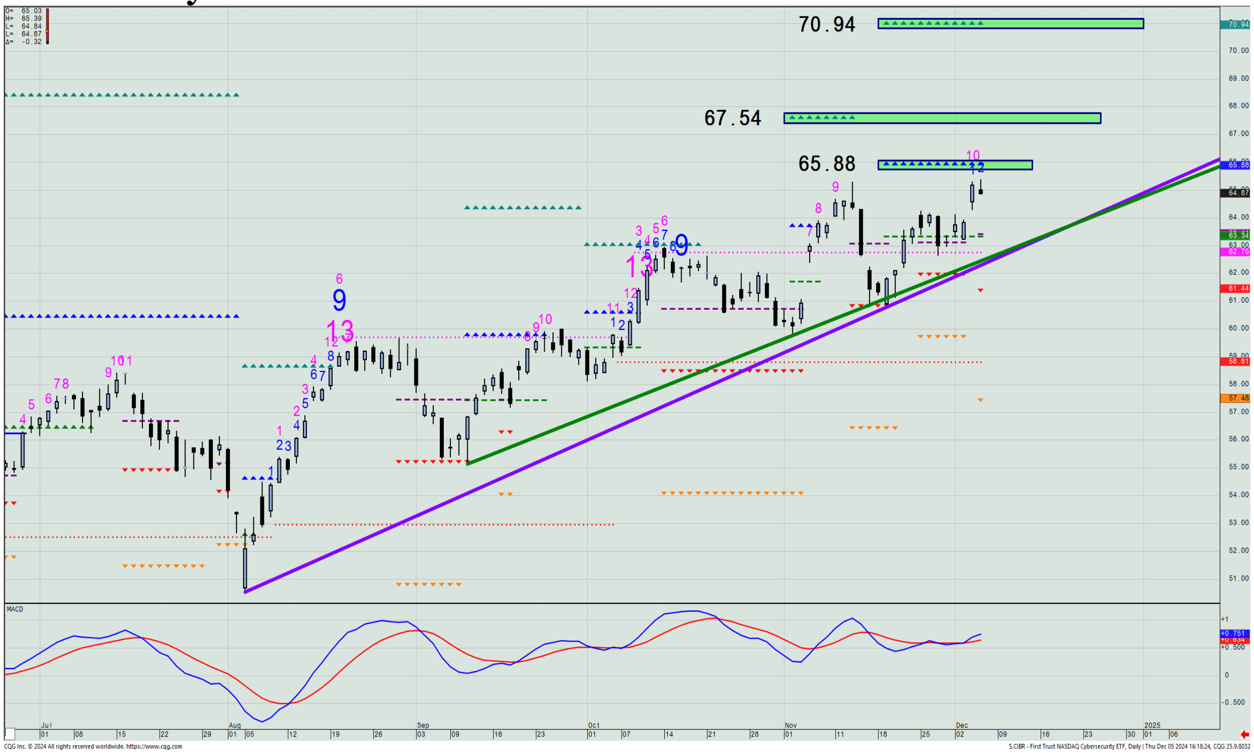
I'm cancelling this idea as the first target has already been met. ~~We were looking to get long this pair trade, to put on 50% at .405 and 50% at .385. We'll and unwind with a loss if on a Friday close beneath the 0.3645 level. Take 50% profits at 0.4385/0.4550 and then50% near 0.480.~~

Long IGV vs. Short SMH - Daily

Long CIBR

Four weeks ago, we bought a 3/4-unit at an avg. of $63.54. Take off 1/3 at each of the neon green highlighted targets. I'm also raising the sell-stop to a close < $61.44.

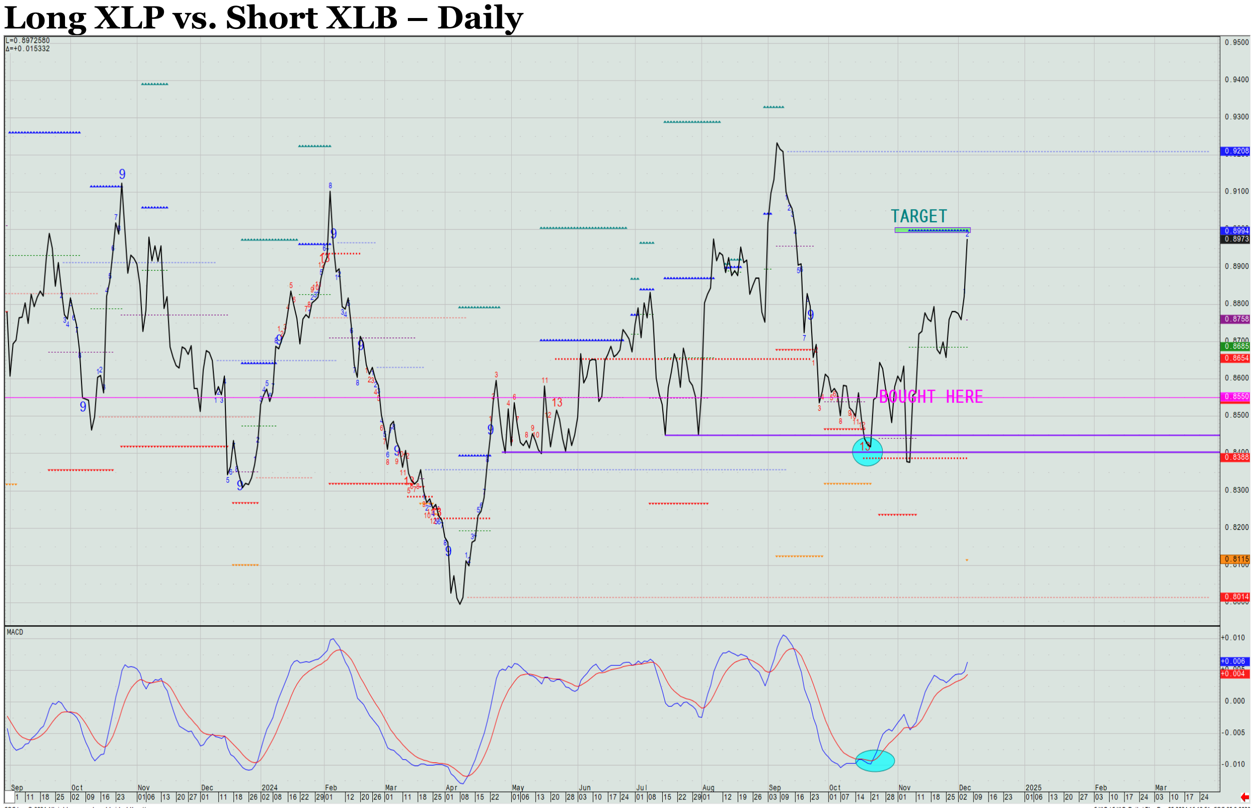
CIBR - Daily



Long XLP vs. Short XLB

Six weeks ago, we got long this pair at the 0.855 level. It's about to reach the target, so exit today.

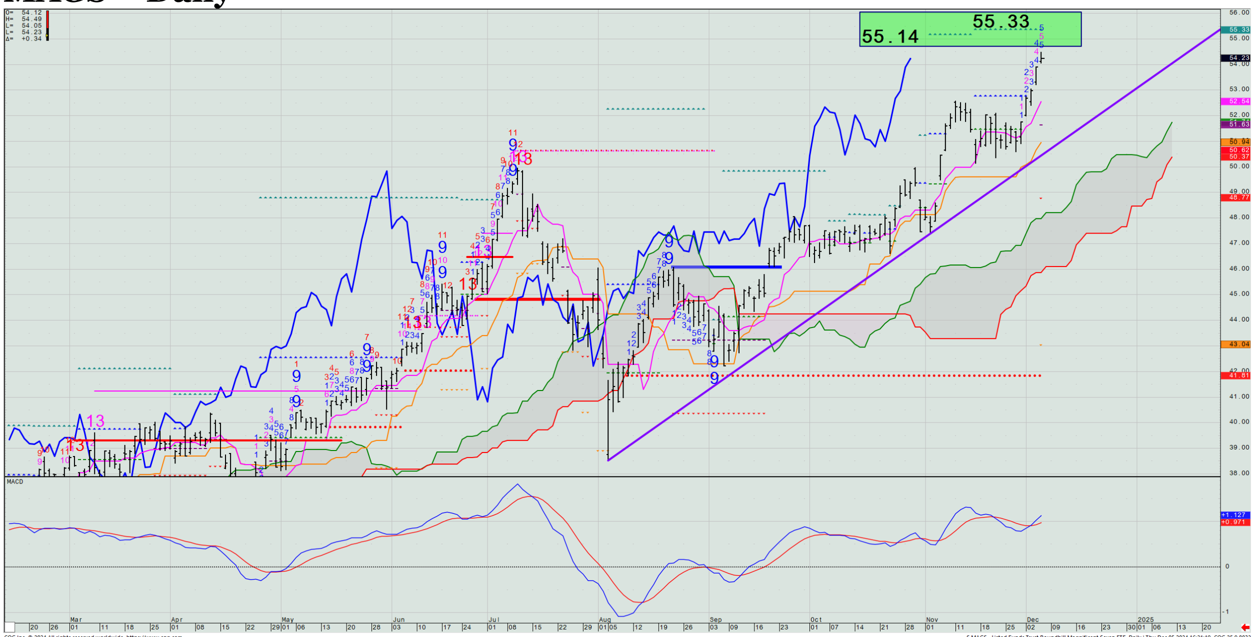
Long XLP vs. Short XLB – Daily



Long MAGS

Eleven 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. Exit into the green boxed range. Raise sell-stop to a daily close < $51.63.

MAGS – 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.

Disclaimer

Purposes Only" and should not be relied upon for investment decision, and it is generic by nature and is not personalized to the specific financial situation of any individual. BENSIGNOR LLC, its staff, or any other party makes any expressed or implied warranties or representations with respect to this information, or of the software and pricing or other data used in its compilation and production. (Amongst other analytical tools, BENSIGNOR LLC may make use of CQG, Inc., ThinkorSwim, StockCharts.com, and Bloomberg, LP software, among others.) BENSIGNOR LLC hereby expressly disclaims all of the originality, accuracy, completeness and fitness for use of this information. In no event shall BENSIGNOR LLC and any party involved or related in the production and distribution of this information have any liabilities for any direct, indirect, special, punitive, consequential or any other damages, realized or potential, even if notified of such a possibility. Principles of BENSIGNOR LLC may hold long or short positions of securities discussed herein, or of any other securities at any time. The foregoing also applies to any trial subscription.