Rick Bensignor's

IN THE KNOW TRADER

Positioning Individual Investors Alongside Professionals

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TACTICAL TRADER REPORT

The Macro Picture

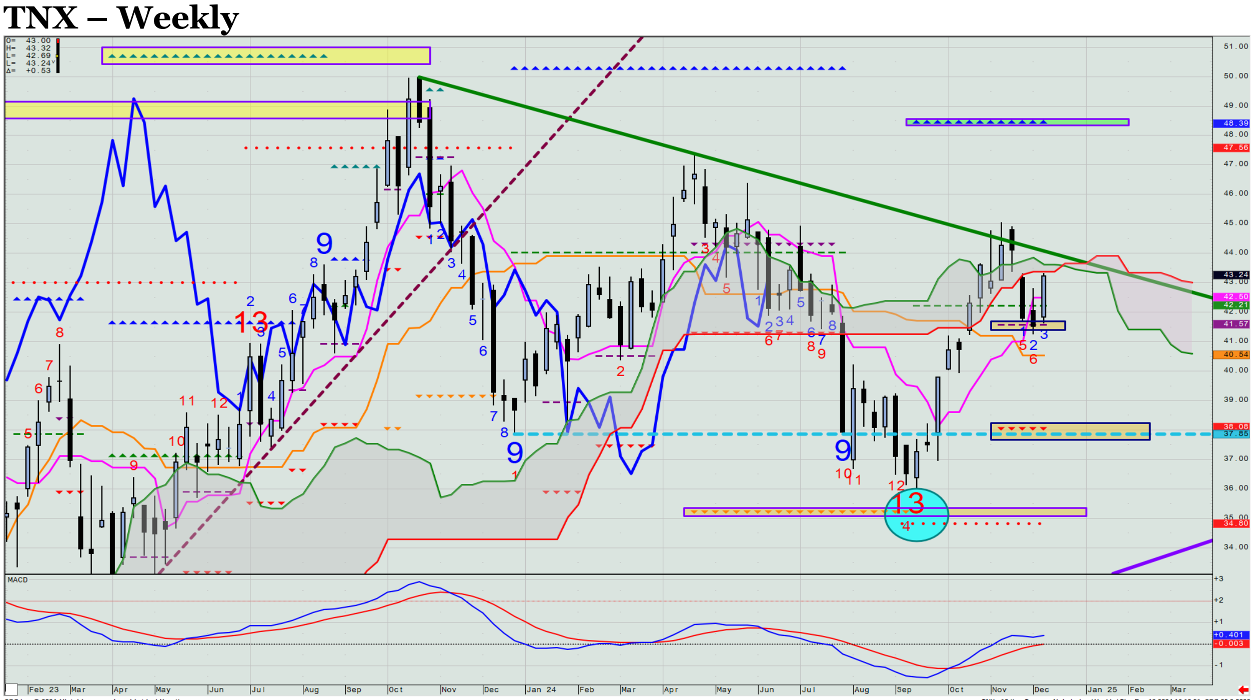
After pulling back just 1% from my longstanding SPY $609 target, Wednesday's CPI number brought buyers right back to recoup most of that decline. That doesn't make me bullish by any means, but with Mag 7 names looking so darn good, it seems like something is going to have to happen to get them to still not rally like they have (and most of them are right by all-time highs). The only thing that could likely do that is from next Wednesday's press conference, when Jay Powell will talk and answer questions. If he leads investors to believe that 2025 may not see further easing, it could be the catalyst that takes away the Santa Claus rally most are still playing for.

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

US RATES

The TNX peaked at 4.5% and fell to as low as 4.13%, but this week rates have turned around to rally back to 4.32%. Notice that the bearish Propulsion Momentum level was at 4.157% -- and that's what held as support so far. However, if next Friday (the 20th) closes beneath that ~4.16% level, then odds get upped for a further decline. On the flip side, if we see a few Friday closes north of the major downtrend line from the 5% high (in green), then rates likely head further upward and test 4.84%

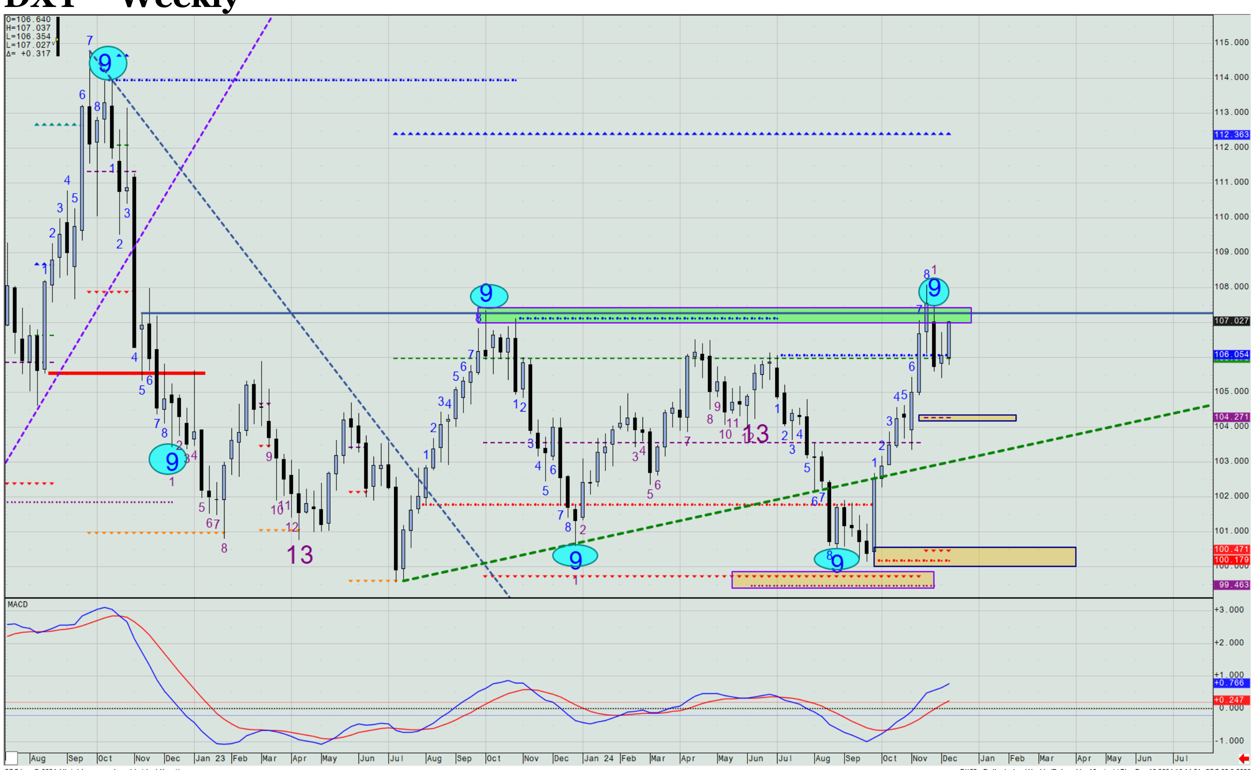
TNX – Weekly



Investment grade corporate credit spreads are at 78 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). But in all likeliness, the more this heads lower, the less likely are stocks to falter.

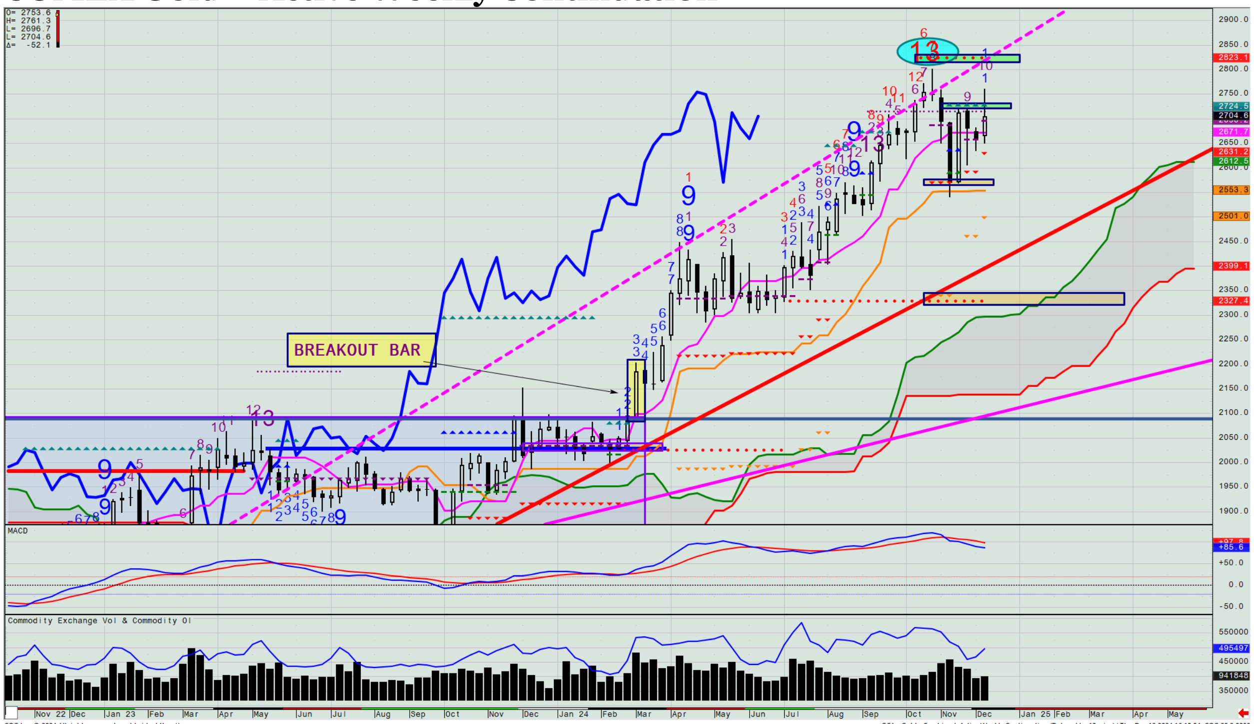
THE DOLLAR: The dollar has all but once marked Setup 9 counts at key highs and lows the past year. Last time Trump won (in late-'16), the dollar rallied right into year's end and then fell apart literally from the first day of 2017. We'll see if that pattern repeats this time around, too.

DXY – Weekly



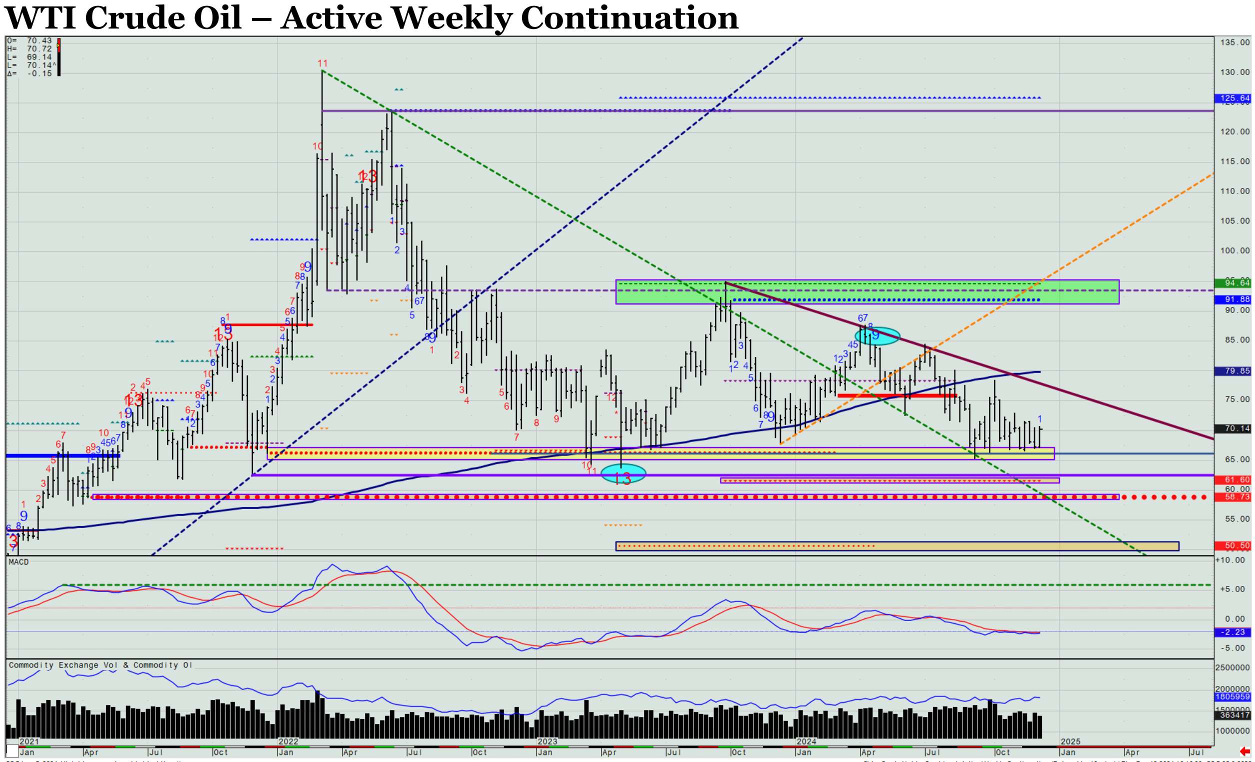
COMMODITIES: Since peaking at $2801 in October, gold fell to its weekly bearish Propulsion Exhaustion level, and has subsequently again stalled against its bullish Propulsion Momentum level. Thus, it stays within an approx. range of $2570 to $2725. If that support level breaks on a few Friday closes, gold could set back to $2350/$2325, which is where I'd happily replace the gold I sold at ~$2700 two months ago.

COMEX Gold – Active Weekly Continuation



WTI Oil remains rangebound but it's still making lower highs. Many talk of $50 oil because of oversupply vs. demand. I can make that case more easily than one for $90. But for now, the upper-$60s still holds on as support.

WTI Crude Oil – Active Weekly Continuation



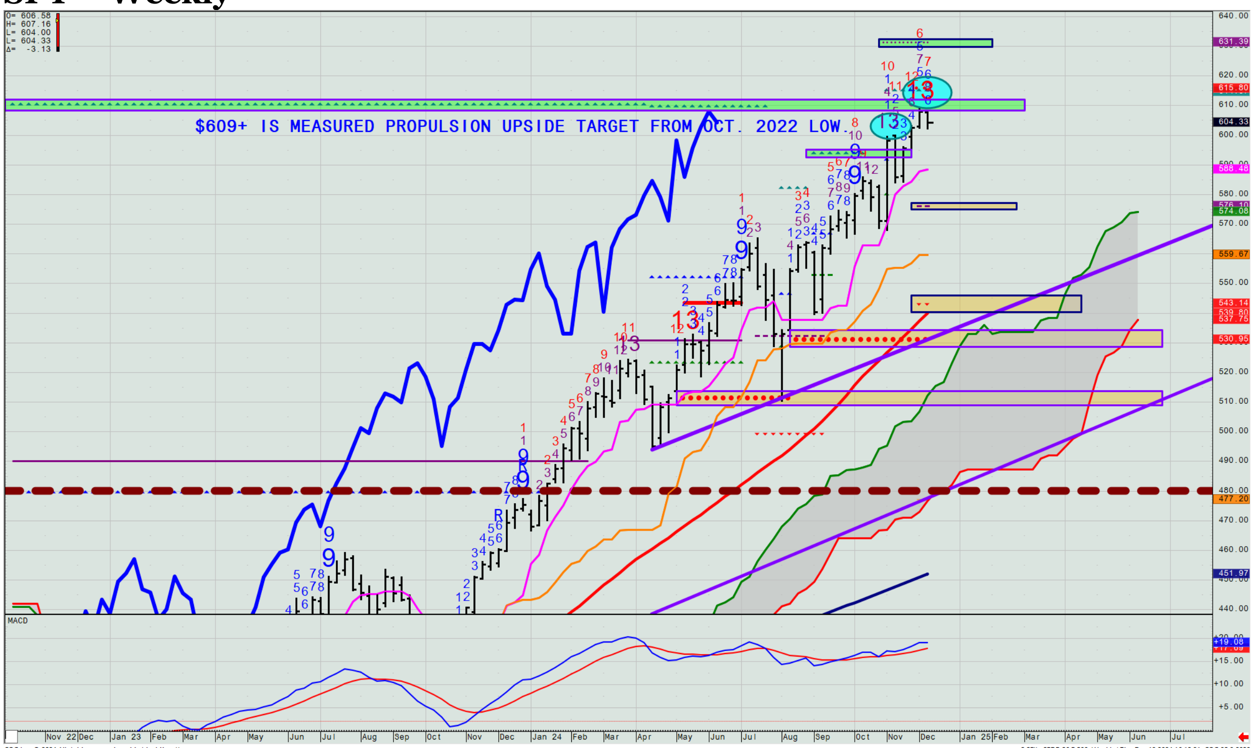
EQUITY INDEXES:

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 have sold a good chunk of longs (both earlier than I should have, and some right up here).

SPX breadth is terrible in December, as each and every day has had more losing stocks than winning ones. But you'd never know that looking at the SPY, because Mag 7 names remain stellar performers that just keep moving higher. (And they represent a whopping 32% of the SPY's entire calculation.) We, in fact, just exited the long **MAGS** trade we had on this week as it hit the target I had for it when we got into it 12 weeks ago.

For now, I remain cautious about new long exposure, and am still advising you to manage risk on what you have on.

SPY – Weekly



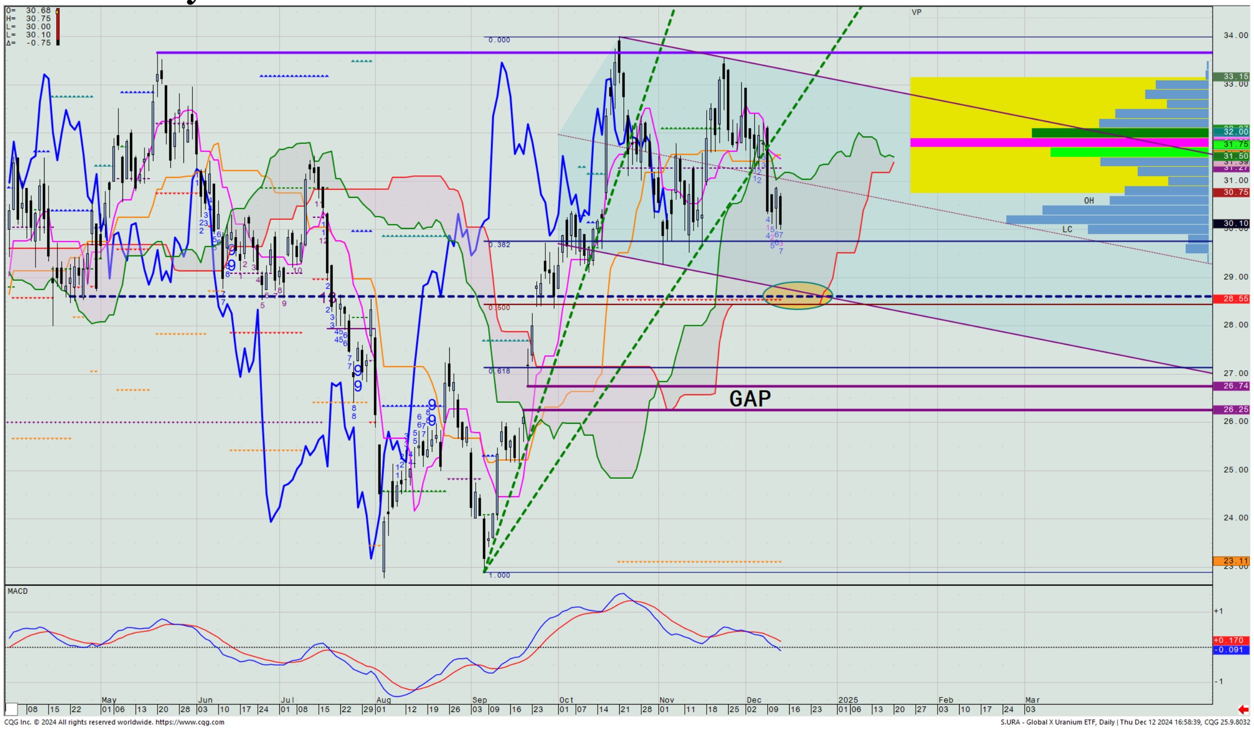
New ETF Trade Idea

On Wednesday, CNBC did a special report on uranium mining in the US, and one of the bigger related ETFs – the **Global X Uranium ETF (URA)** rallied – but yesterday, the ETF was down again, continuing the decline from late-November.

Less than $2 down from current price, I've circled a zone that has four unrelated support levels show up in the same time and place. There's the bottom of the cloud ($28.44); the bearish Propulsion Exhaustion level ($28.55); the horizontal inflection line (i.e., the dashed navy line at $28.61); and the bottom of the downward channel zone ($28.79 today, but falling to $28.61 by 12/31).

We'll look to get long one unit somewhere in that collective zone on a continued pullback. We'll then play for it to rebound in the first quarter back up to the top end of the range (north of $33). We'll use a tight sell-stop: exit half on a daily close beneath $27.61; and the other half on a second close beneath that level. (That's the Fibo 62% retracement level.)

URA – Daily

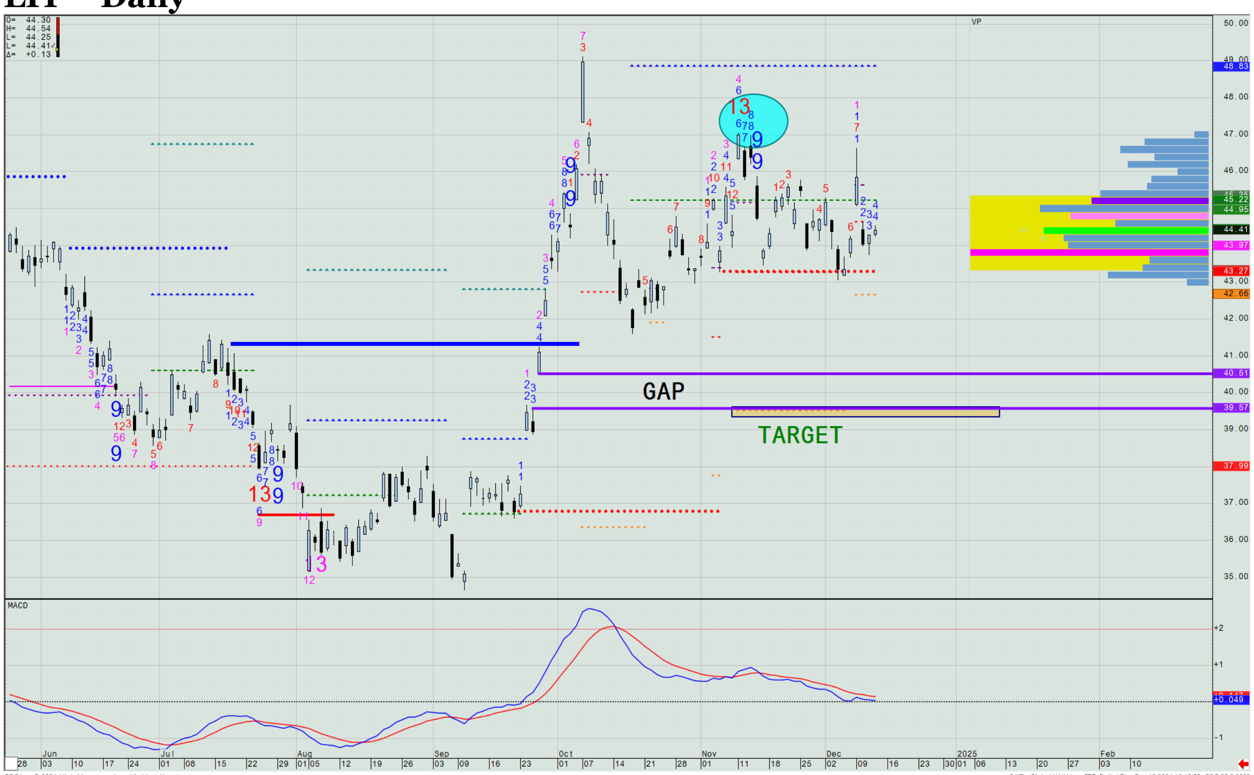


Other Open Recommendations and Positions

Short LIT

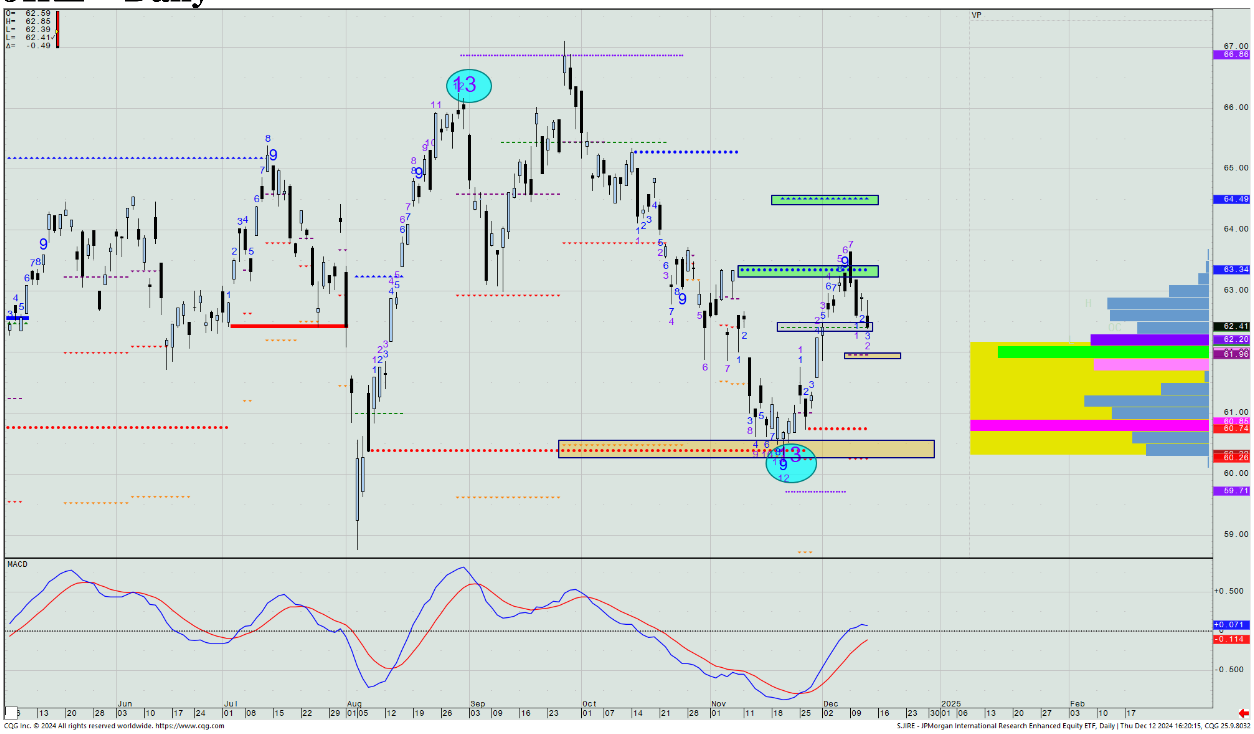
Last week's recommendation was to look to sell a rally from $43.85 to $44.15 (we are filled at avg. $44.00). I'm targeting anything near the bearish Propulsion Full Exhaustion level of $39.53. We'll stop out on a close > $46.38.

LIT – Daily



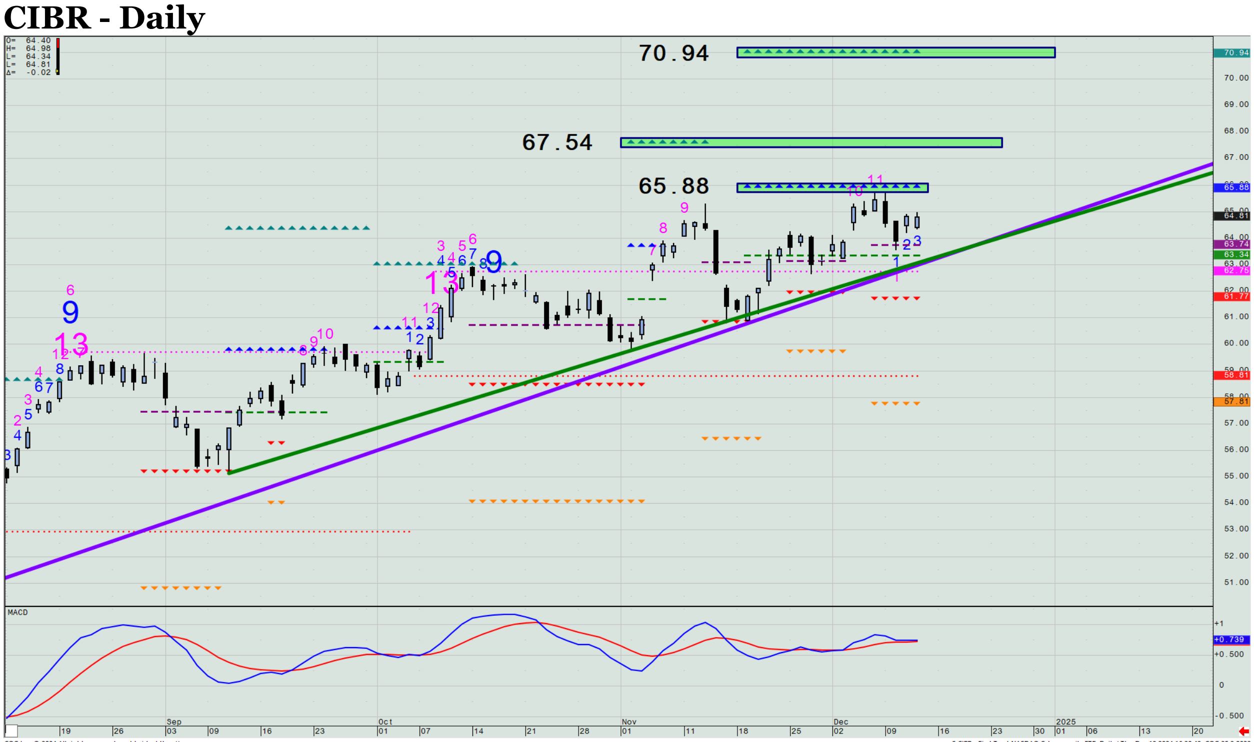
Long JIRE
We bought 1.5 units three Friday's ago at avg. $60.83. I suggested taking 25% off at $62.41 (achieved); 50% at $63.34 (we got that fill on Monday); and 25% at $64.49. Raise your sells top to consecutive daily close < $61.96, but no worse than breakeven.

JIRE – Daily



Long CIBR
Five 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 again raising the sell-stop to a close < $63.74 or a simple sell-stop at breakeven entry.

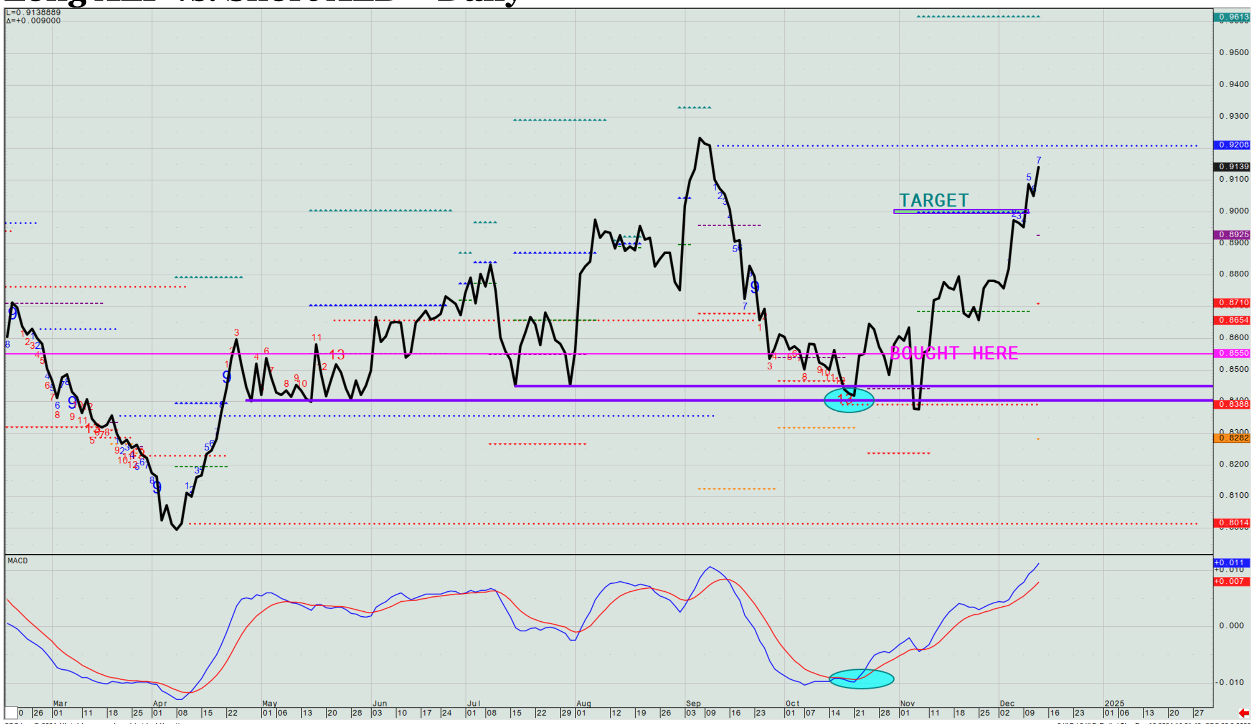
CIBR - Daily



Long XLP vs. Short XLB

We got long this pair at the 0.855 level in October, and exited last Friday at an avg. price of a 0.899. We made 5.15%. (More and more, I'm hoping you see the value of trading pairs when the market is close to a potential inflection point.)

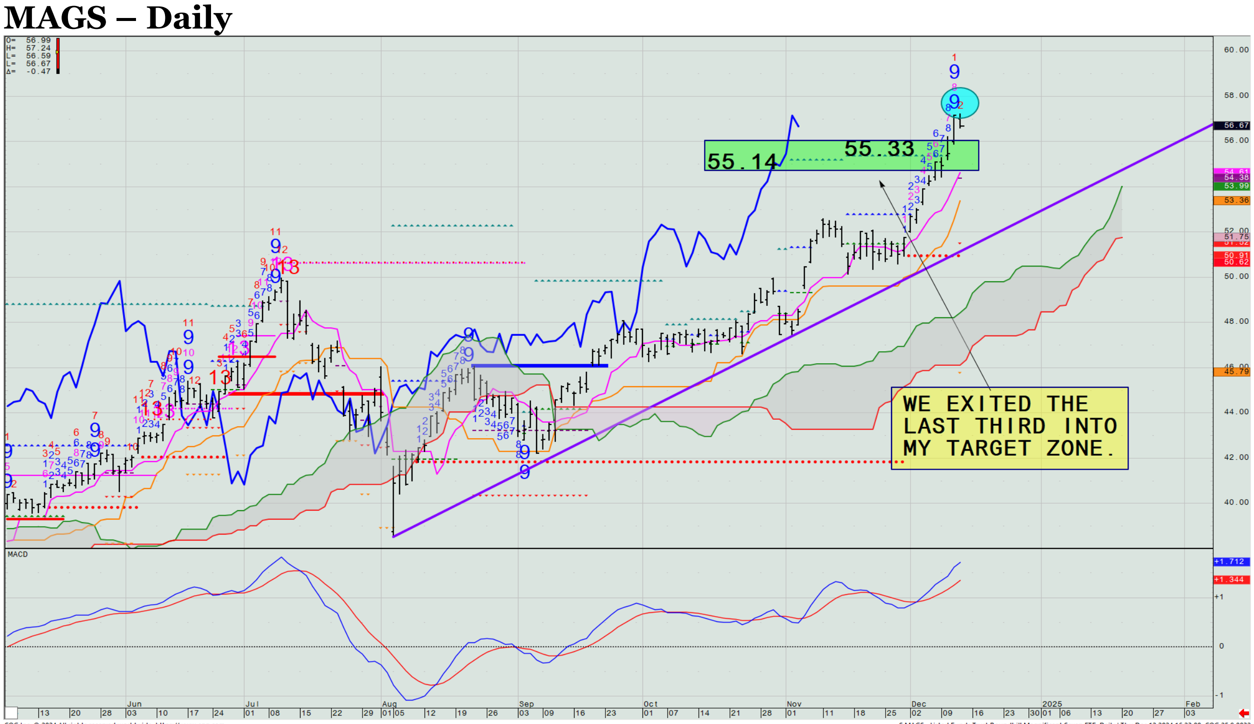
Long XLP vs. Short XLB – Daily



Long MAGS

Three months 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. We exited the final 1/3 at our target range of $55.14 to $55.33. In all, we made 11.63%.

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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