Rick Bensignor's

IN THE KNOW TRADER

Positioning Individual Investors Alongside Professionals

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TACTICAL TRADER REPORT

The Macro Picture

Sellers have been dominant the past week, not only killing the ridiculously/endlessly talked about "Santa Claus rally", but as you'll see further ahead in this report, yesterday's close possibly kicks in another leg down, as the SPY's technical pattern just got a lot worse.

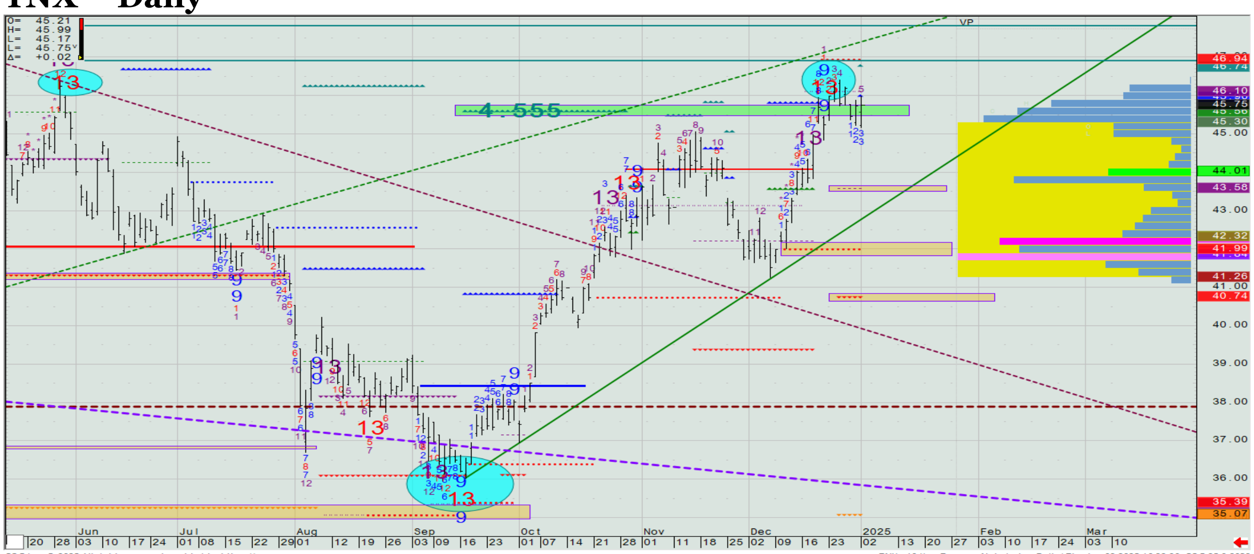
Trading at the start of a year is often erratic, as flows are all over the place from PMs making their best guesses of where to allocate for the year. To me, it's almost always an exercise in futility, and done with little merit or foresight of what really are the important factors determining future market/sector/stock movements. And frankly, I do personally love that so many PMs are foolish enough to make these bets in the first week each year. Gaming them is what I do!

Let's look at the important markets that impact the macro environ:

US RATES

I remain in the camp that rates are generally headed higher over time. Nearby upside targets are at 4.84%, but later this year, I think 5.32% is in store, and 6.08% and 6.77% are coming down the road (and probably before you'd see any sustained move under 4%). In fact, I'd look at the two bearish Propulsion levels on the daily TNX chart as the two possible places to generally be selling out of bonds. (They're at 4.36% and 4.07%.) But for now, with the +13/+9 marked at the same area as the +13 was made in May '23, we could see a trading pullback (in yield terms).

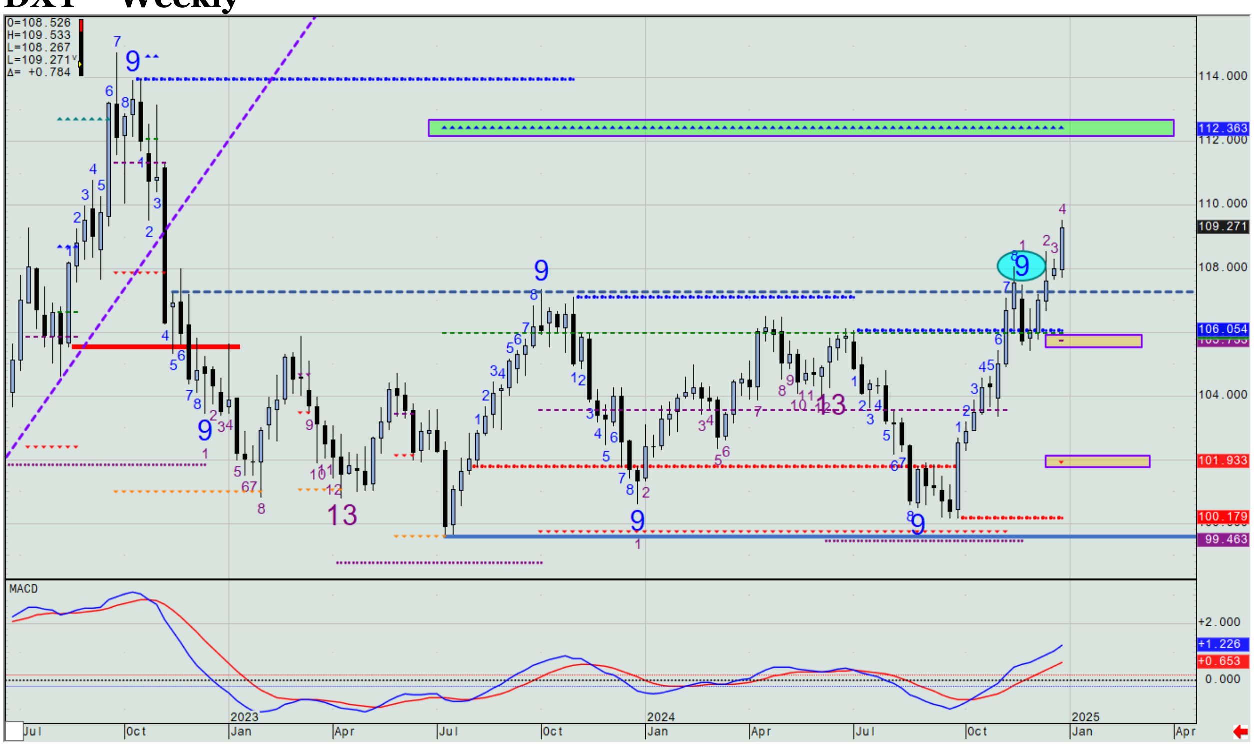
TNX – Daily



Investment grade corporate credit spreads are at 82 bps (data only through Tuesday because of the holiday), 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. However, getting back above 86 bps. – and staying above – would be problematic for those who recently put on further narrowing trades (and very possibly for the equity markets).

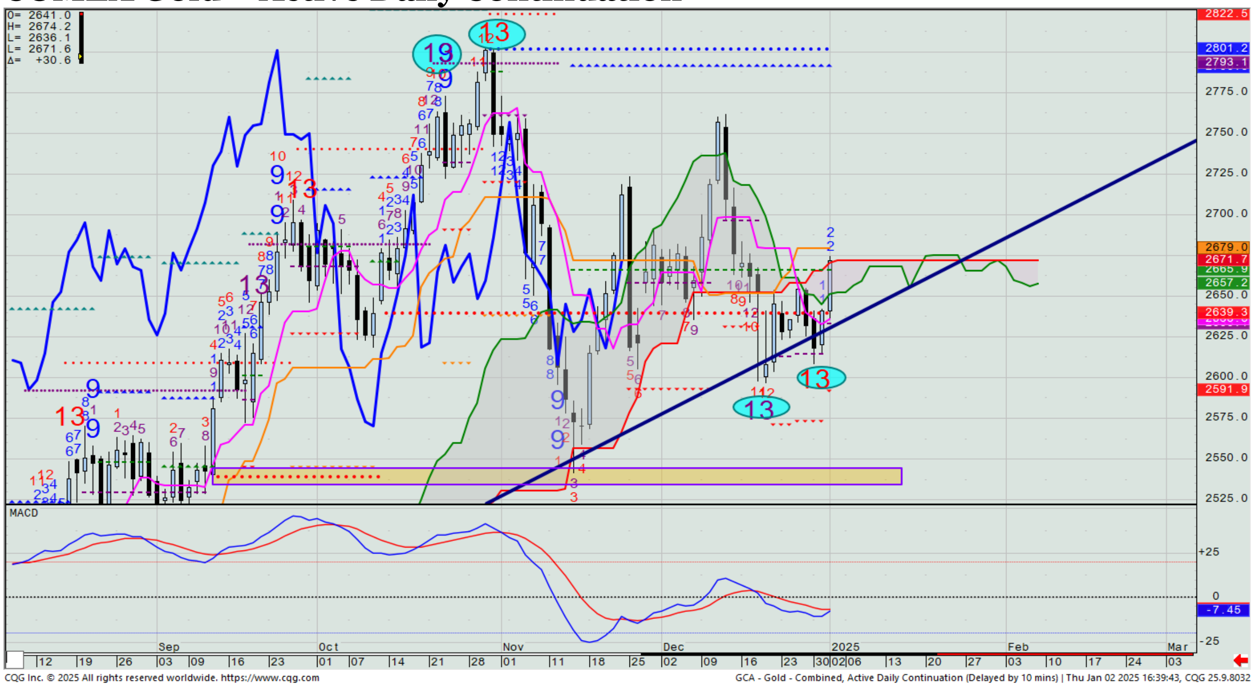
THE DOLLAR: The dollar busted to new highs, and I think it's got increased chances of reaching the next major target at 112+ in 2025. Sure; it's overbought (and today the daily chart will mark a Sequential +13 on an open or close above 108.53 (which is likely). But for now, the world currency traders continue to bet that the dollar is king. Look for support near 105.74.

DXY – Weekly



COMMODITIES: Gold will face significant pressure so long as the dollar is thrusting higher. For now, it's 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 significant amount I sold at ~$2700 earlier this year. On a shorter-term basis, the daily chart is showing two Sequential -13 signals, giving catalyst to the bounce we saw the past two days, and is mostly in alignment with the likely DXY +13 today.

COMEX Gold – Active Daily Continuation



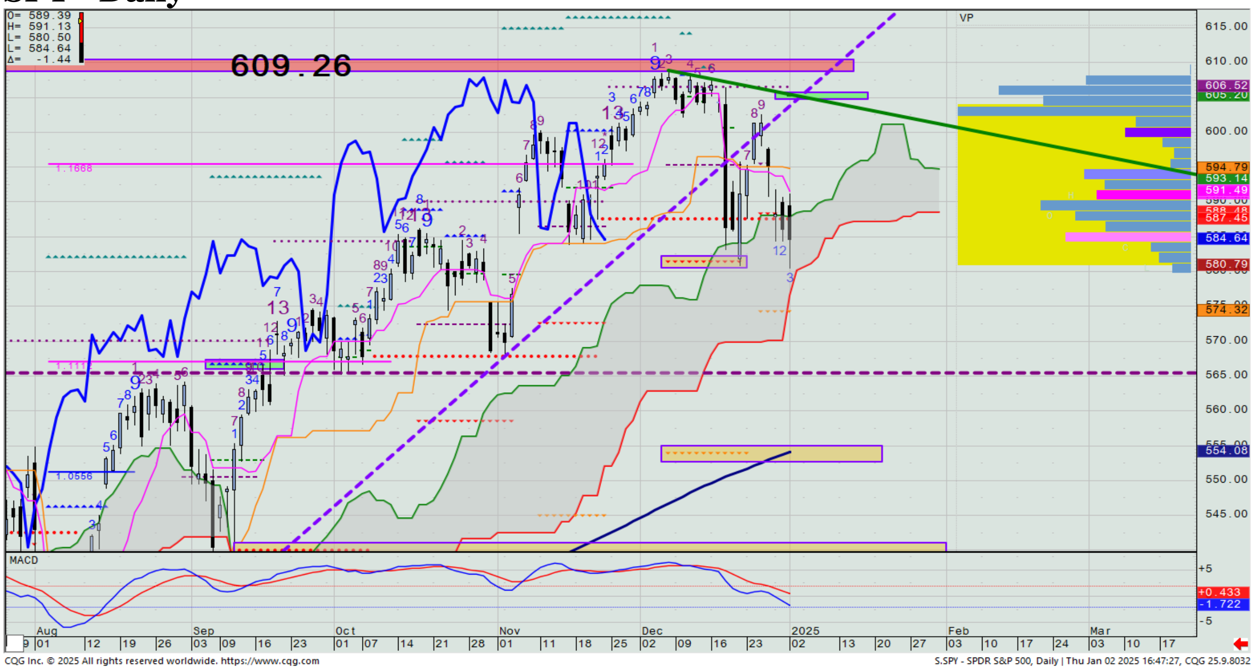
WTI Oil remains rangebound but it's still making lower highs. It again held the mid-$60s in the most recent decline, so we're seeing some buyers show up near-term. Nothing has yet changed the bigger trading range picture, but important lows continue to hold on each pullback.

WTI Crude Oil – Active Weekly Continuation

EQUITY INDEXES:

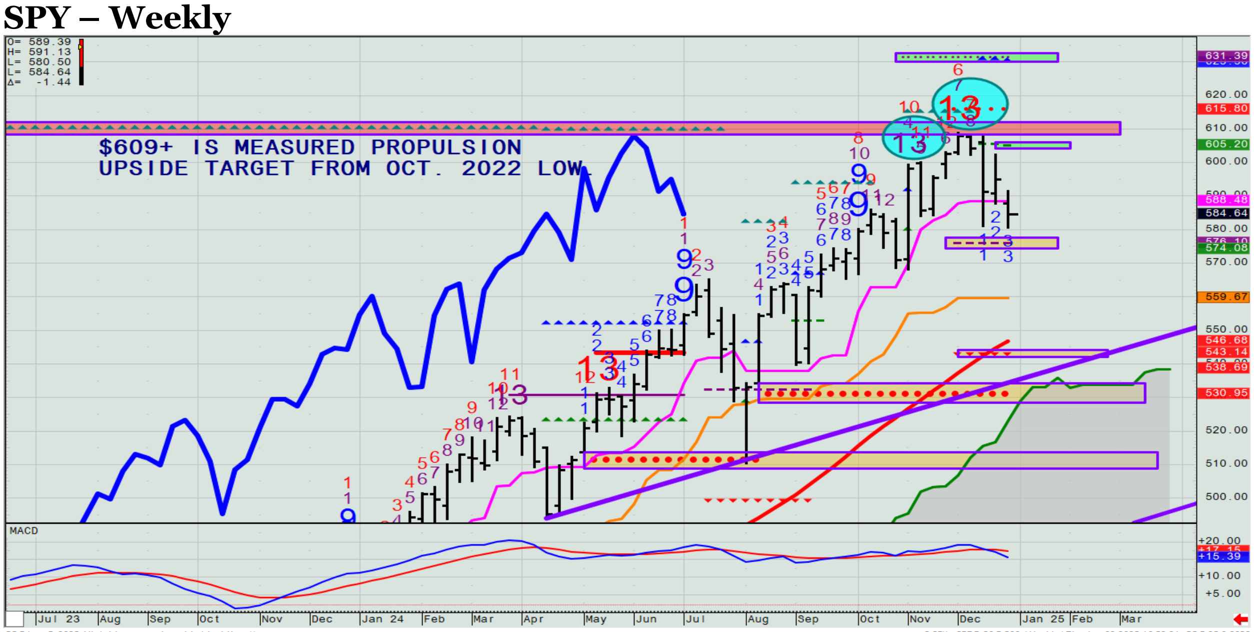
The pullback from SPY $609 – my longstanding target – is on the cusp of completing a head-and-shoulders topping pattern, with what I suspect will be a cracking of that pattern on closes beneath ~$581. For now, it's holding, but I really don't think you can make much of what happened on Day 1 of 2025. (Yesterday had a big intraday range, that took out both the large-range highs and lows of the overnight S&P futures – essentially screwing anyone who made buy or sell decisions and risked new intraday highs or lows; everyone got stopped out.)

SPY - Daily



For now, there remain three active daily +13s, and two active weekly ones. I'm sticking with my call that we're still in the midst of a deeper pullback – but one that will ultimately be meant to be bought for one more round of new all-time highs to be made later in 2025. After those subsequent targets are met (i.e., DIA $474), I think "game over" for a few years to come.

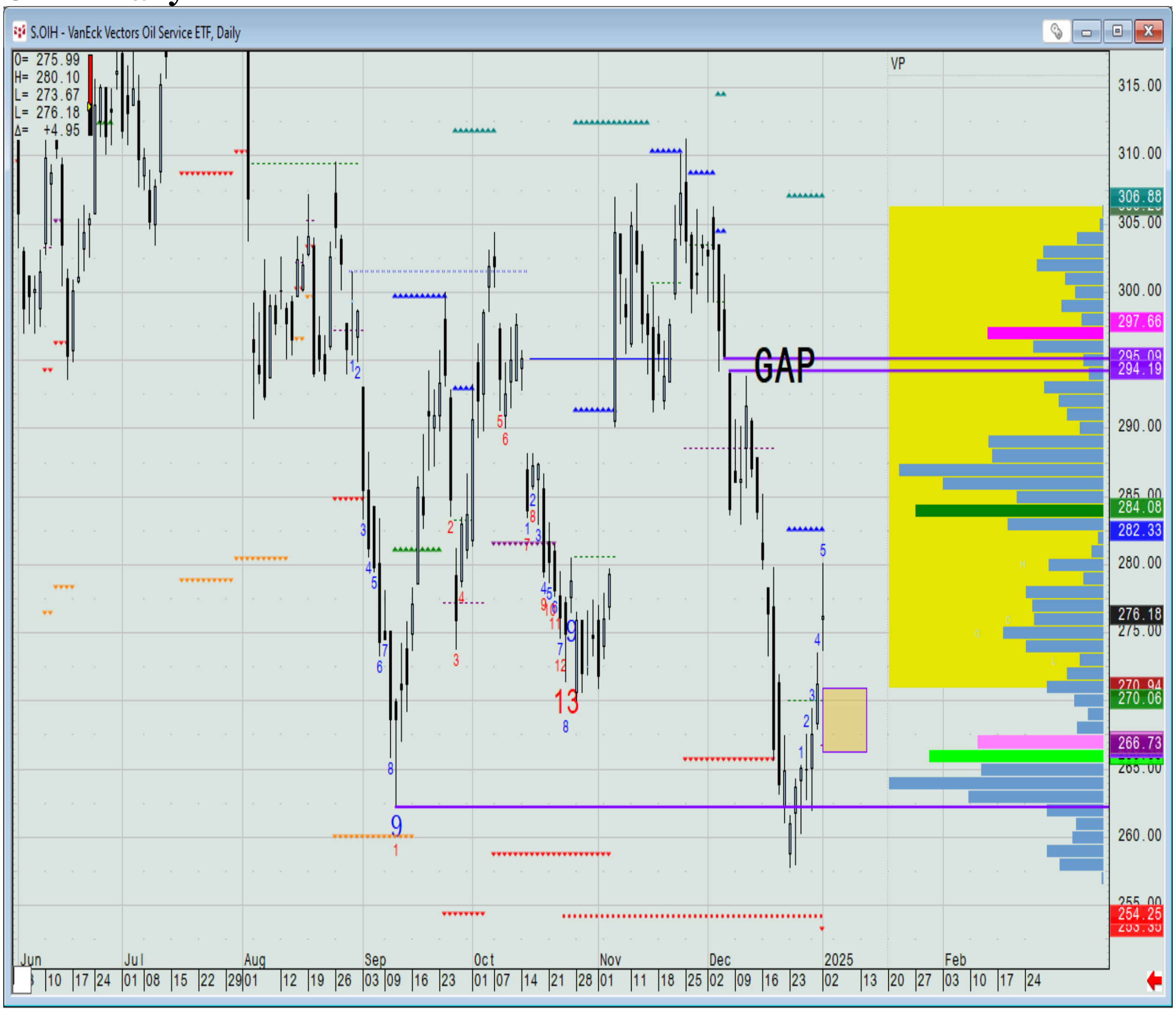
SPY – Weekly



New ETF Trade Idea

Energy was the best performing sector yesterday, and although I don't make anything out of one day's action – especially at the start of the year – I think the **Oil Services Holders ETF (OIH)** now looks interesting on the long side.

OIH – Daily



S.OIH - VanEck Vectors Oil Service ETF, Daily | Thu Jan 02 2025 18:51:51, CQG 25.9.8032

With yesterday's "doji" candle (i.e., open and close virtually the same price), we could see a pullback in the next few days to the low-volume zone that I've highlighted in the orange rectangle (~$271 to $267), before this potentially makes its way higher to the highlighted gap (~$294 to $295) – my target.

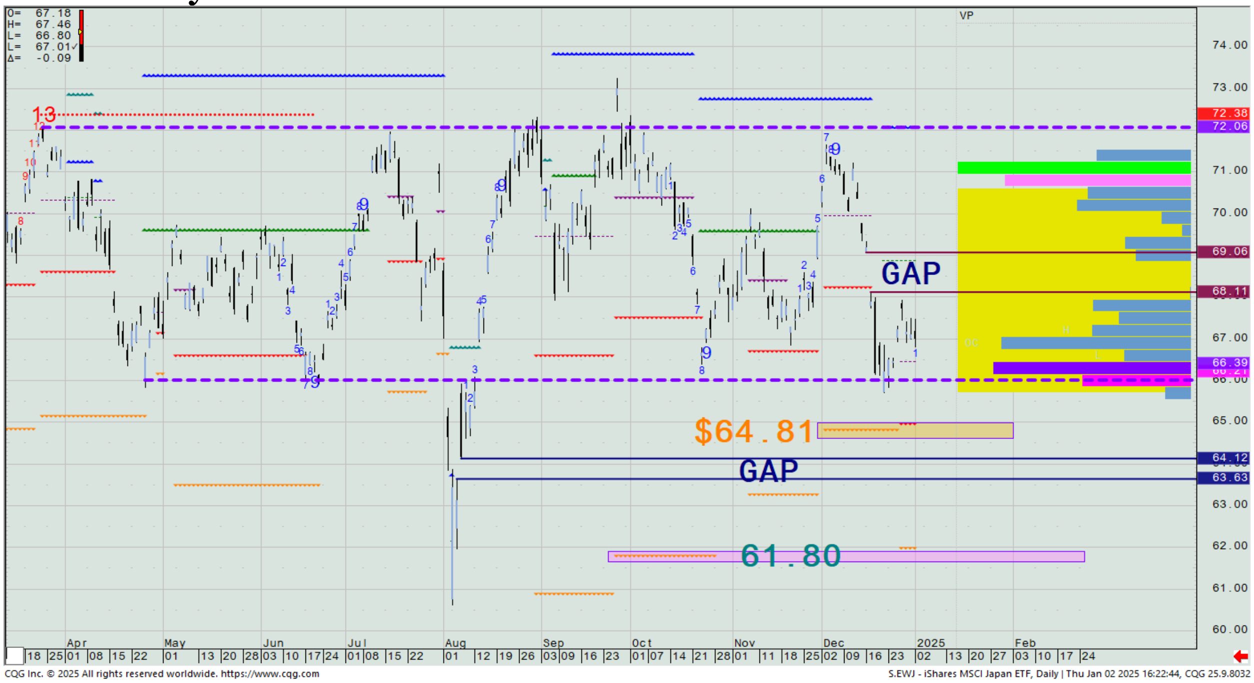
Let's look to get long one unit into that buy zone (I'd do 50% at $271; 25% at near $269; 25% near $267.75). Our sell stop is a close under $260.

Other Open Recommendations and Positions

Long EWJ

Last week's idea was to get long one unit on a pullback to $66.60 to $66.30. We haven't gotten that entry yet, but after looking at this idea for some 15+ minutes in writing this name up, I just don't love the idea anymore (thinking that if this cracks the December bottom, it's going a few dollars lower. I just don't think it's the right play, so I'm cancelling this idea.

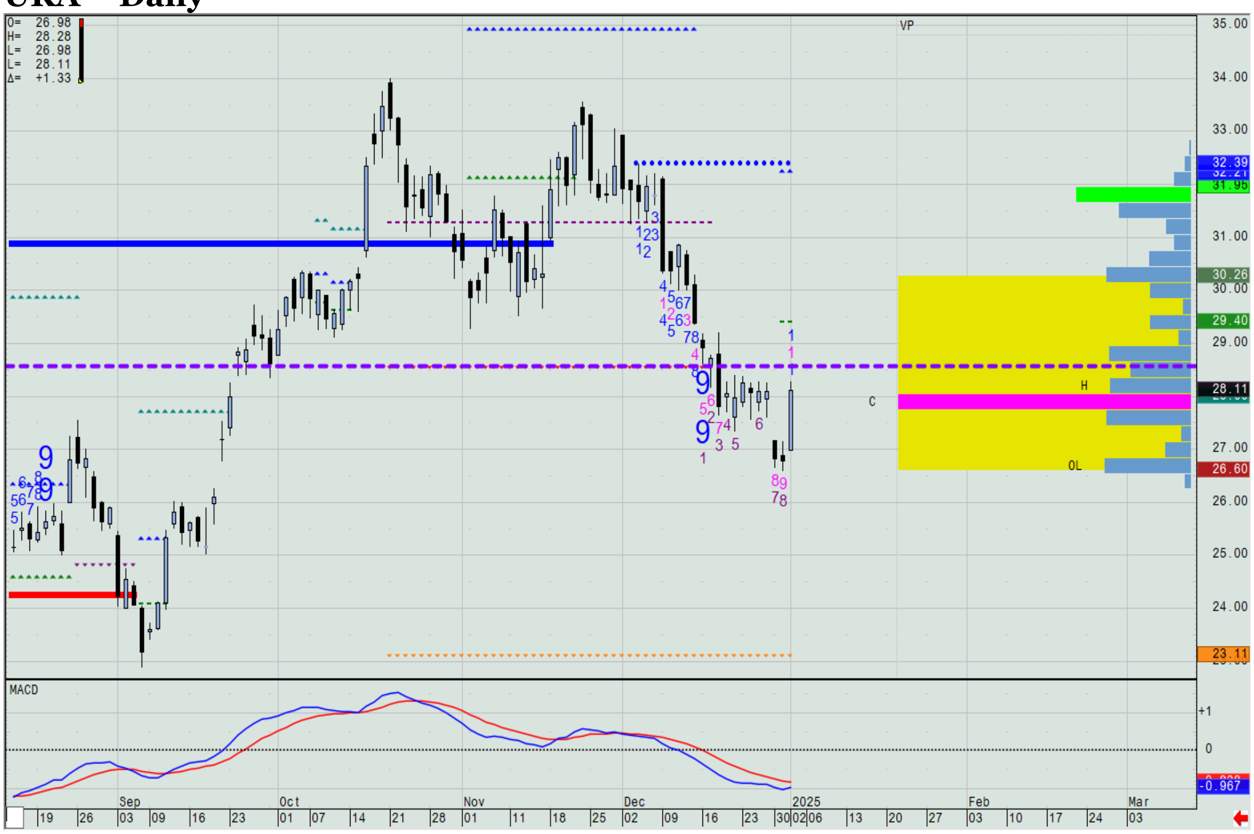
EWJ – Daily



Long URA

Three weeks ago, my trade idea was to get long one unit somewhere between the channel bottom and $28.44. (We got filled at an avg. $28.59.) Last week's report suggested you exit then (filled at avg. $27.93). We lost 2.31%.

URA – Daily



Short LIT

Four weeks ago, my 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. Lower your buy-stop to consecutive 120-min bar closes above $40.79. (Price tucked under $40 at one point yesterday, so we're getting closer to our target.)

LIT – 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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