Rick Bensignor's

IN THE KNOW TRADER

Positioning Individual Investors Alongside Professionals

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TACTICAL TRADER REPORT

The Macro Picture

The Fed is now claiming they are concerned about Trump's policies and their effects on inflation. This comes on the heels of the TNX reaching as high as 4.71% on Wednesday; recently ramped up "quantum computing" names losing several dozen percent in a single session; the US Dollar surging to levels not seen in some 27 months; and even crypto taking a double-digit percentage decline breather – all making investors somewhat skittish as the newly-elected president will shortly be sworn into office.

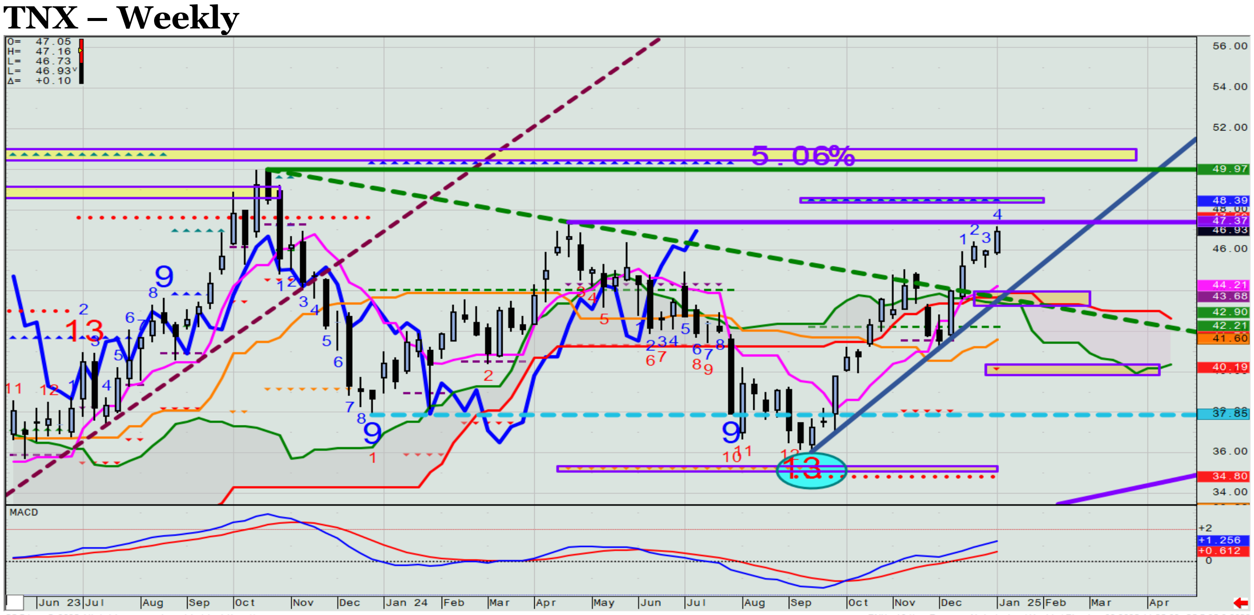
I'm still concerned about a deeper pullback from the SPY $609 all-time high made in early-December, and it's very possible that today, Friday, will be the catalyst for either another leg lower, or if the jobs report is taken bullishly, for a forthcoming test of the highs. What I don't think is that the market spends much more time in the $580 to $600 trading area it's mostly scene in the past month.

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

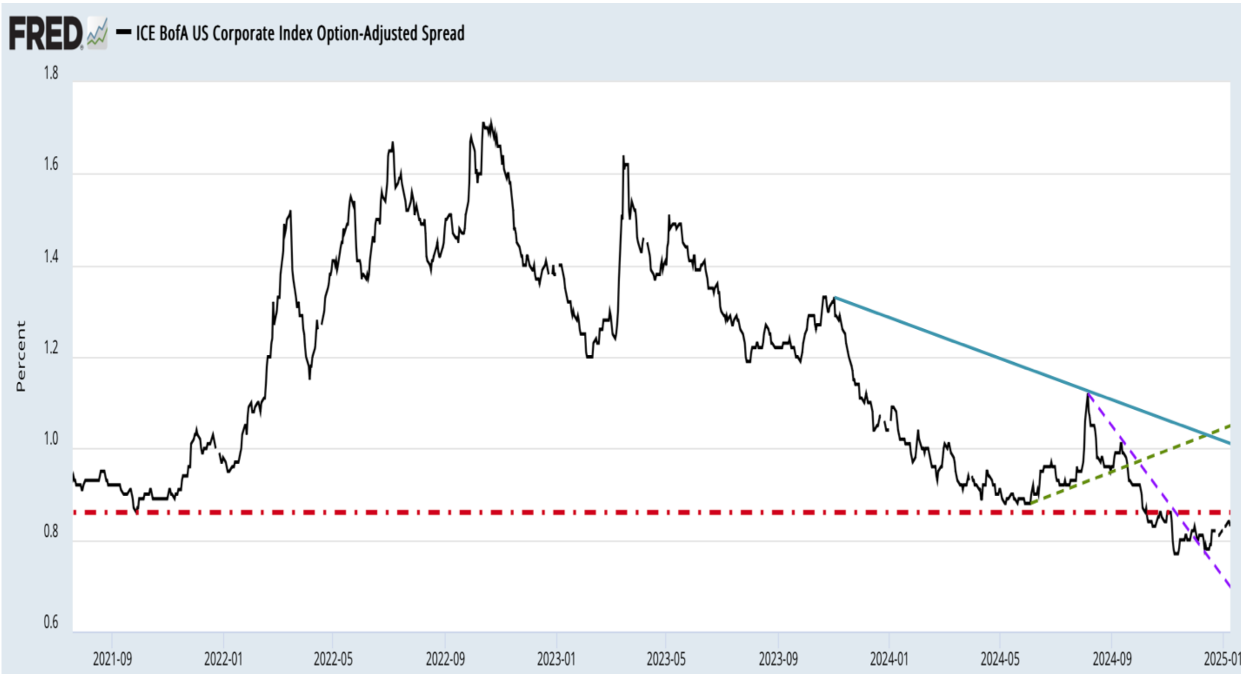
US RATES

I remain in the camp that rates are generally headed higher over time. Nearby upside targets are at 4.84% and 5.03%/5.06%, but later this year, I think 5.32% is in store, and 6.08% is possibly coming down the road (and probably before you'd see any sustained move under 4%). I'd look at the two bearish Propulsion levels on the daily chart (not shown, but at 4.43% and 4.15%) as the two possible places to reduce bond exposure.

TNX – Weekly

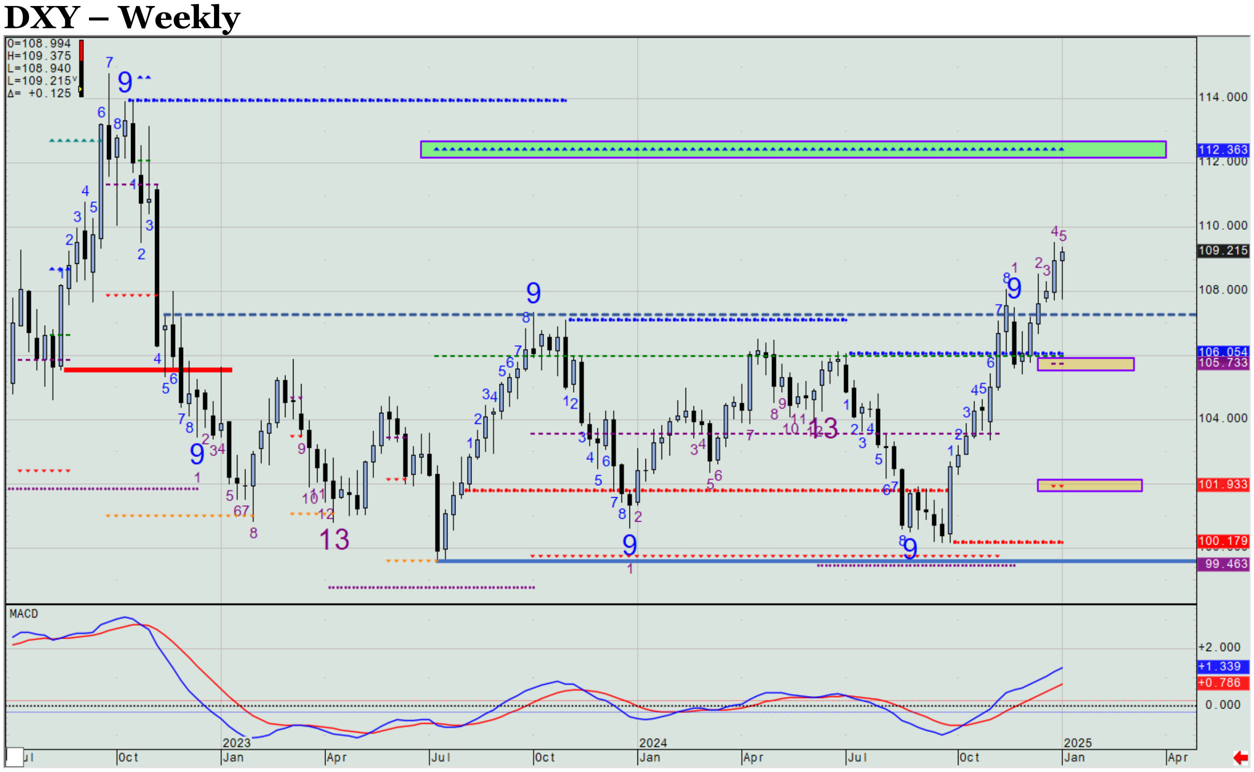


Investment grade corporate credit spreads are at 83 bps (data only through Tuesday because of the holiday), with recent new all-time lows of 76 bps., and still on track to reach its broken head-and-shoulders topping pattern from 2022 to 2023 to somewhere to the 70 bp. area. However, getting back above 86 bps. – and staying above – would be a signal that there is some real fear at the credit level. That would sure not go unnoticed by equity holders.



THE DOLLAR: The dollar is near cyclical highs, and I think it's got increased chances of reaching the next major target at 112+ in 2025. Sure; it's overbought and has an active daily Sequential +13 count. I'd likely be buying anywhere near 106 on a pullback.

DXY – Weekly

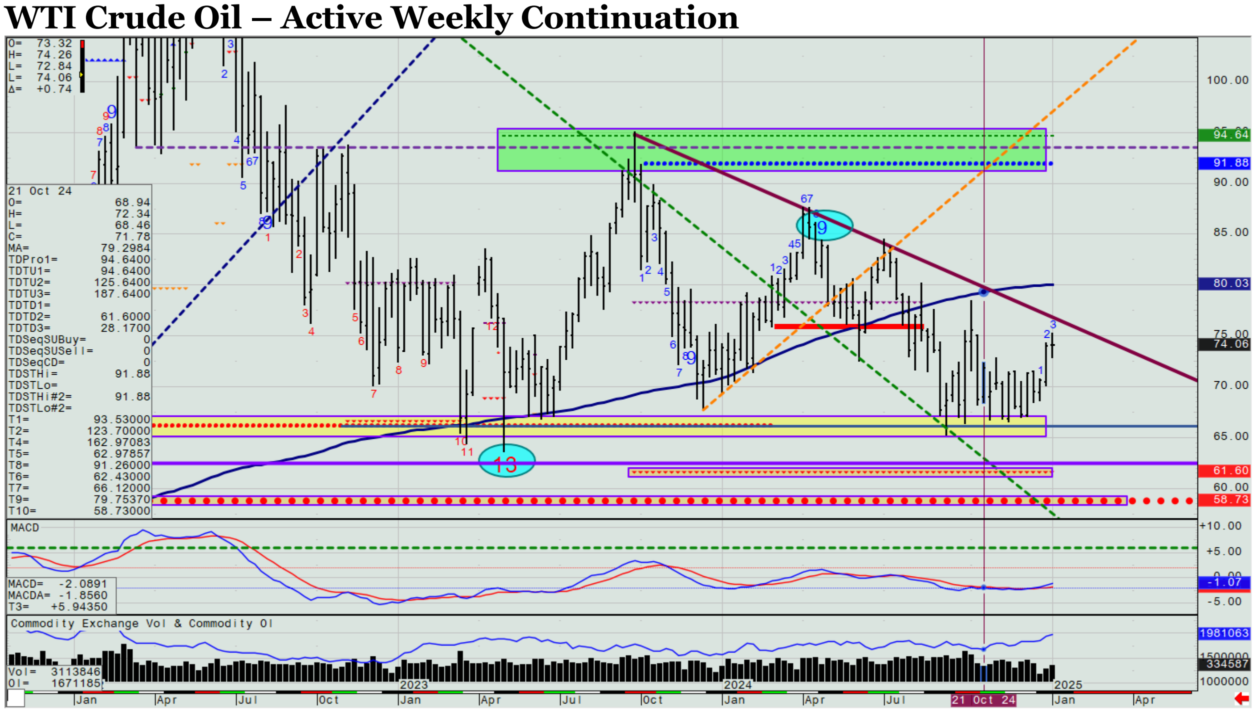


COMMODITIES: On a shorter-term basis, the daily chart's two recent Sequential -13 signals was the catalyst to the bounce we've seen the past 2-3 weeks. But the bigger picture on the weekly chart is still questionable from $2700 to $2825, and the fact that even the quarterly chart has met its long-term upside target.

COMEX Gold – Active Weekly Continuation

WTI Oil remains rangebound and it's still making lower highs. However, since the third week of October, open interest has gained ~20% (meaning some 30,000 contracts of new long and short open positions have been added). Clearly, the new shorts are on the wrong side of this for now. If you squeeze them out with any sustained rally above the brown-colored downtrend line, look for higher prices until longs exit to balance out the buying surge.

WTI Crude Oil – Active Weekly Continuation



EQUITY INDEXES:

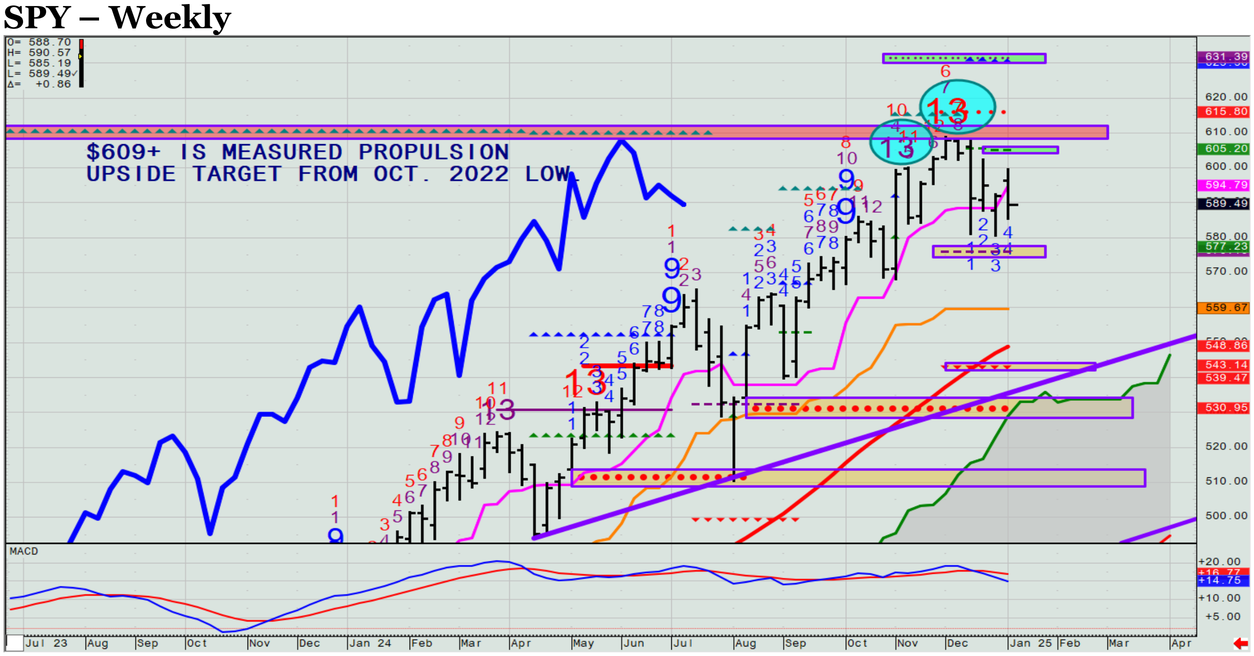
So far, my SPY $609 target high for the market – something I wrote about many months before it reached there – remains the high of the move. (That's the good news, at least from my perspective.) But the inability for the market to really break the head-and-shoulders topping pattern's neckline near $580 is what has bears worried.

Today could be the tipping point that kicks this bearish topping pattern into place, or, conversely, what initiates the move back to test or even exceed the highs.

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 good while.

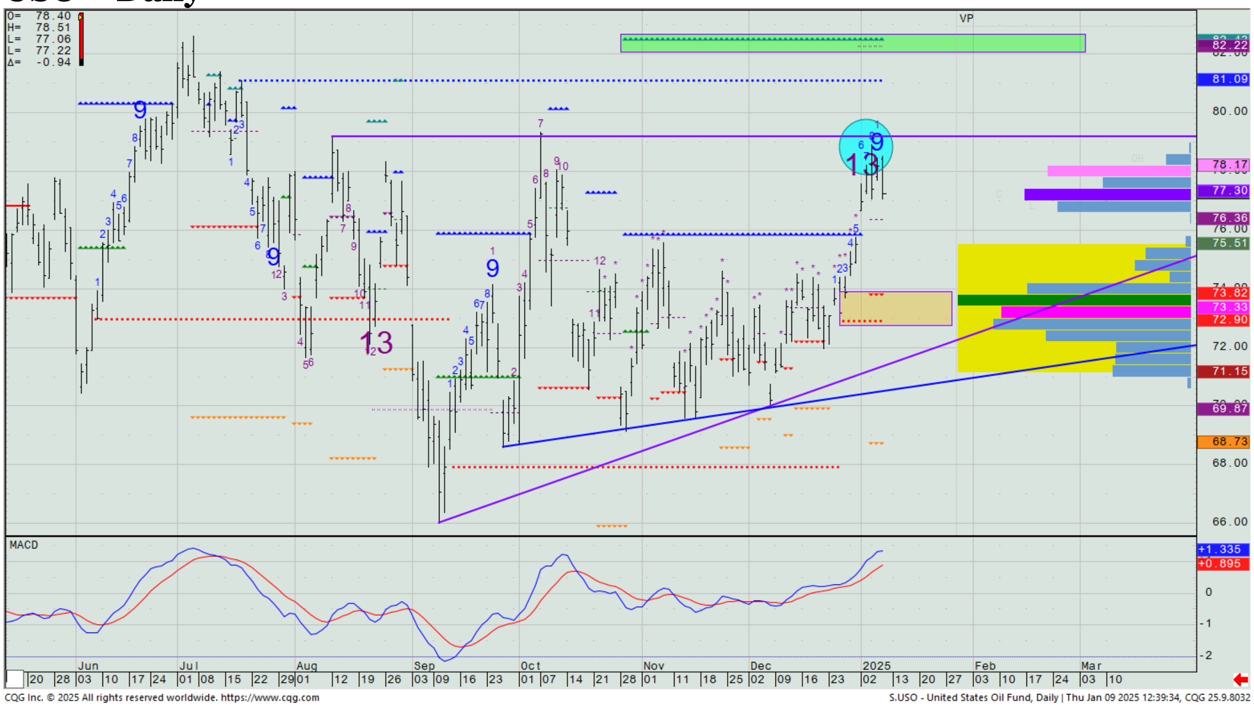
SPY – Weekly



New ETF Trade Idea

Oil shorts are soon to be squeezed further if prices rally. But, if they can get a pullback from near prior highs around here, we'll look to get long one unit in the $73 to $72 zone (highlighted orange rectangle), with a target up from $82 to $82.40. Our sell stop will be consecutive lower closes beneath $70.50.

USO – Daily

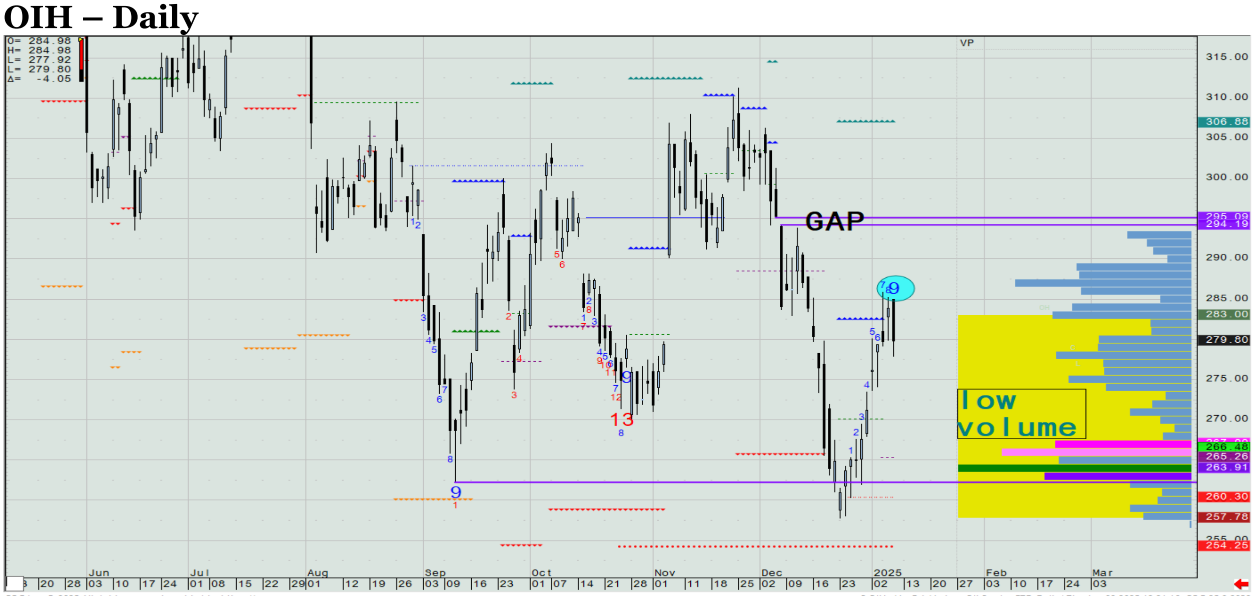


Other Open Recommendations and Positions

Long OIH

Last week's recommendation was to get long this starting at $271 down to $267.75. This rallied without our getting in, but with the Setup +9 count made on Wednesday, we may very well see a further decline. I'll raise our entry level to $273 to $270, still looking for this to reach the unfilled gap up near $294/$295. Our sell stop remains on a close under $260.

OIH – Daily



Short LIT
Five weeks ago, my recommendation was to look to sell a rally from \$43.85 to \$44.15 (we are filled at avg. \$44.00), and targeted anything near the bearish Propulsion Full Exhaustion level of \$39.53. I had lowered the buy-stop to consecutive 120-min bar closes above \$40.79, which happened on Jan. 6th, and thus, we got stopped out at \$41.07. We made 6.66% on the trade, and are now flat.

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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