Rick Bensignor's

IN THE KNOW TRADER

Positioning Individual Investors Alongside Professionals

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TACTICAL TRADER REPORT

The Macro Picture

Monday's sharp market decline has become – like August 5th was – a one-day swoon in the market that saw buyers step in right from the open. In the case of the referenced summer fall, it took but a week to recoup the gap down. Thursday's high in the SPY had gotten back all but one point of the gap made from last Friday's low. It's rather remarkable.

But the big difference between then and now was that the Aug. 5th gap down came at what had already been a decline. The big gap down open is what created the lasting bottom. This time around, the SPY had just made a minor new all-time high before Monday's gap down. It certainly is putting a drag on NVDA and other AI-related names. Some have bounced; NVDA barely so. I suspect when we look a month from now, we'll know if the Chinese AI announcement really did or didn't make a material impact on our market.

For now, let's look at the important markets that most impact the macro environ:

US RATES

The daily TNX's bearish Prop. Mom. level is at 4.526%; it's been playing with the level all week. The more it might break there in coming days, the more the door opens for a further decline to other daily (4.24%) and weekly Propulsion targets (4.46% and 4.11%).

TNX – Daily

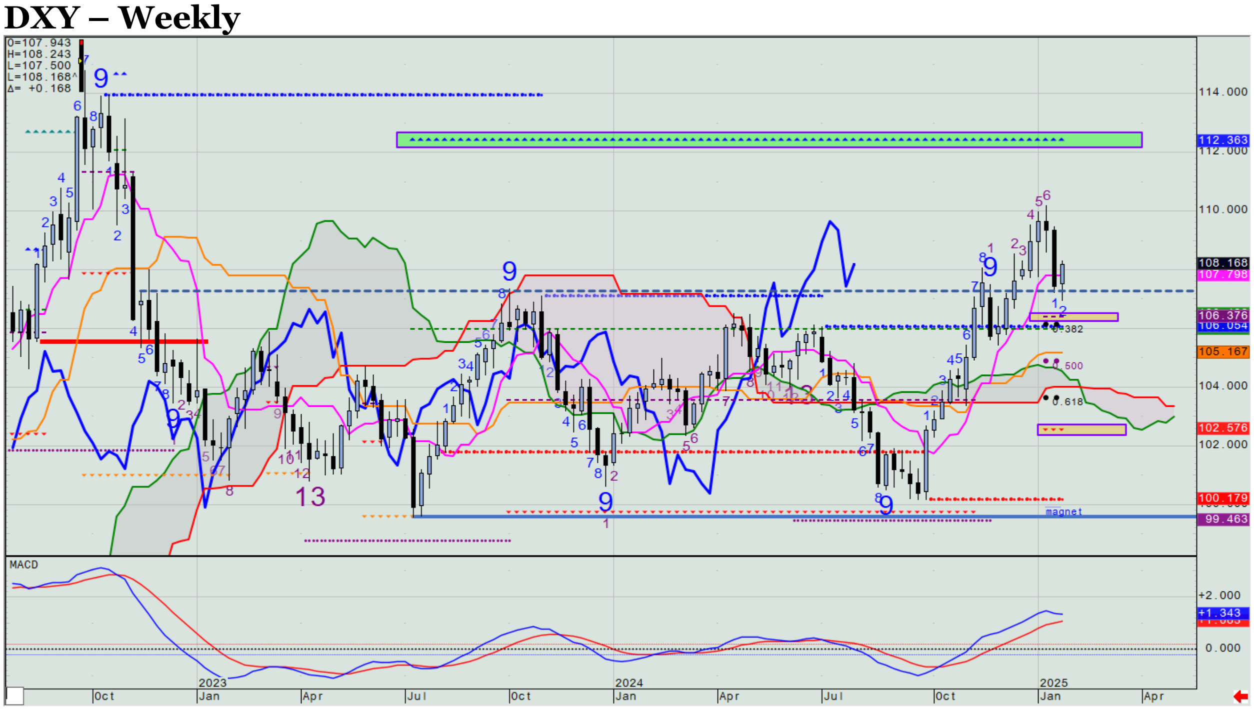
I remain in the camp that over time, rates are generally headed higher. Nearby upside targets are at 4.84% and 5.03%/5.06%, and possibly even 5.32%.

Investment grade corporate credit spreads (0.80%): This is still on track to reach its broken head-and-shoulders topping pattern from 2022 to 2023 to somewhere to the 70bp. to 65 bp. area. My only concern would be getting and staying above that 86 bps. level, which would not only suggest new worries in the credit system, but also make equity holders more concerned that something is potentially changing the game for the worse. For now, the mid-0.80's bp. level has acted as the expected resistance.

ICE BofA Corporate Index OAS - Daily

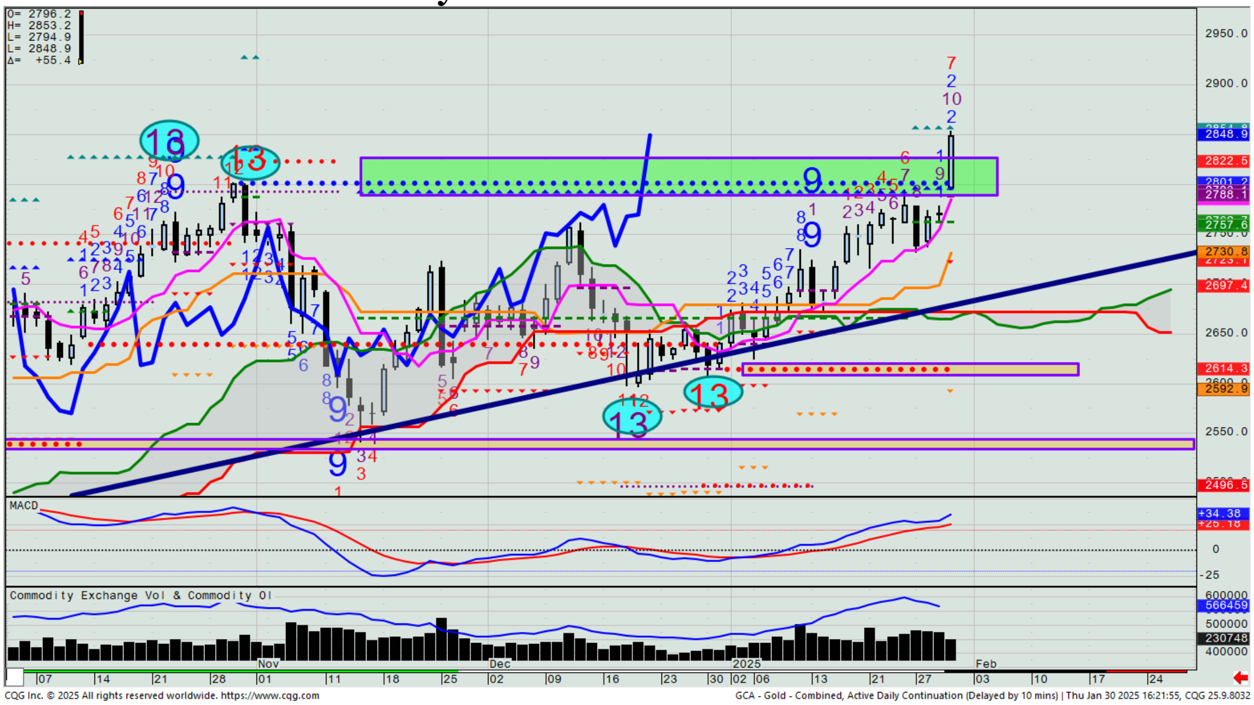
THE DOLLAR: I remain in the camp that the dollar index has increased chances of reaching the next major target at 112+ later in 2025. Sure; it's correcting its overbought action while still having an active Sequential +13 count. I'd consider buying in the 106.50/106 zone on what I think will be a limited pullback.

DXY – Weekly



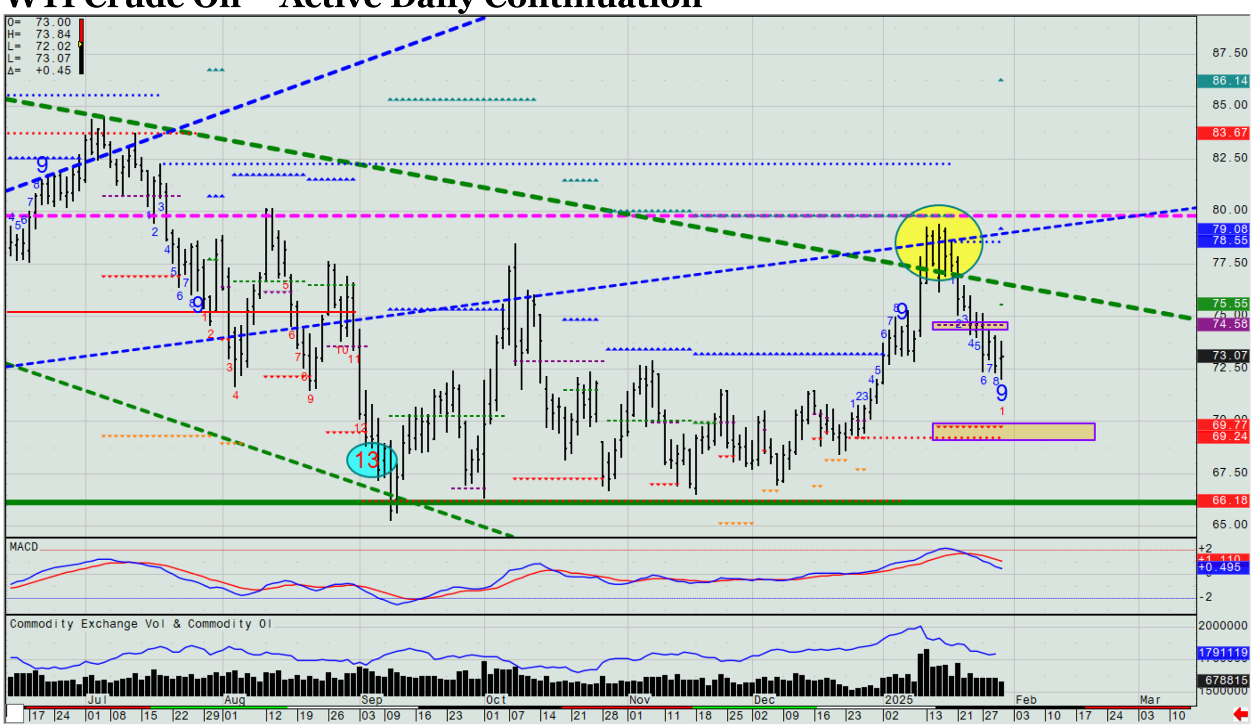
COMMODITIES: Gold pushed above resistance yesterday that I had labeled at $2790 to $2822 – making a new all-time high. Of note, though, is that open interest is pulling back, indicating that prior longs are getting out and selling to squeezed out shorts. We'll be watching to see if in another week or two it marks a trading high with another +13 signal. (Obviously, the prior two ones marked both the last two major highs and lows.)

COMEX Gold – Active Daily Continuation



WTI Oil just marked a daily Setup -9 count after topping on the short squeeze of the rollover from the February to March contract two weeks ago. But based upon the few other 9s we see on the chart, they were not turning points. Therefore, I'm not likely to consider buying any big size until it reaches the Prop. Exhaustion level at $69/$70.

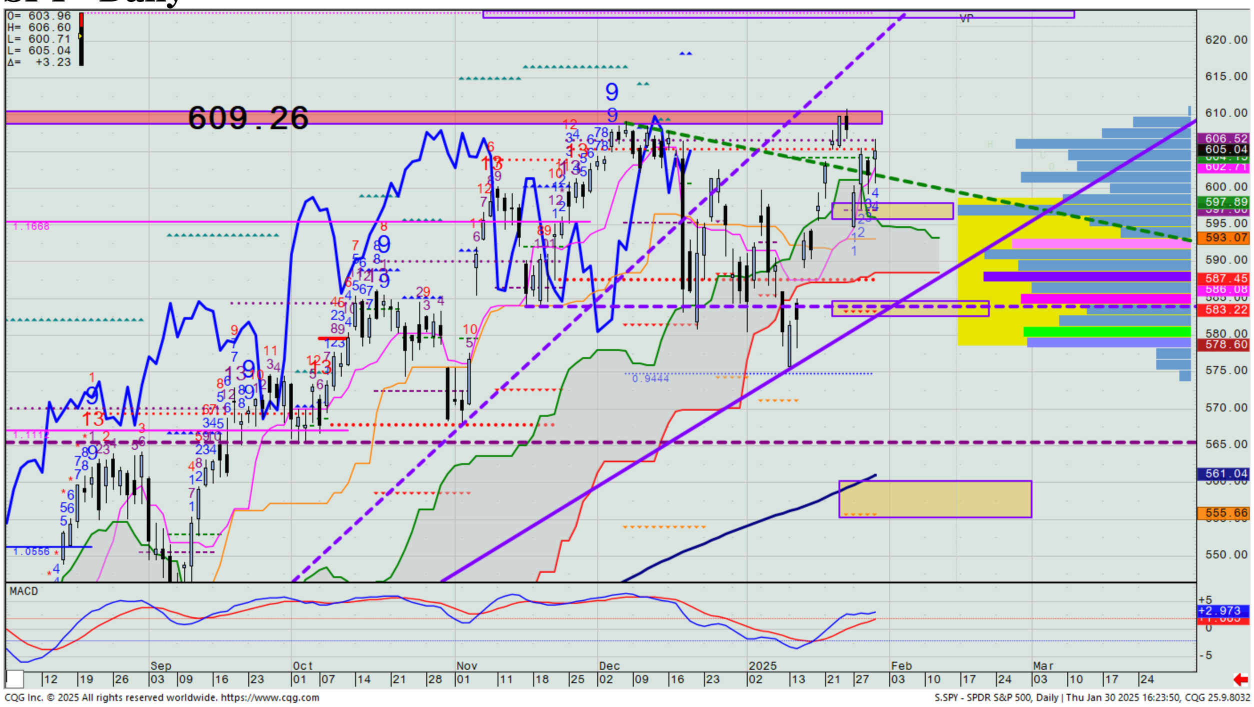
WTI Crude Oil – Active Daily Continuation



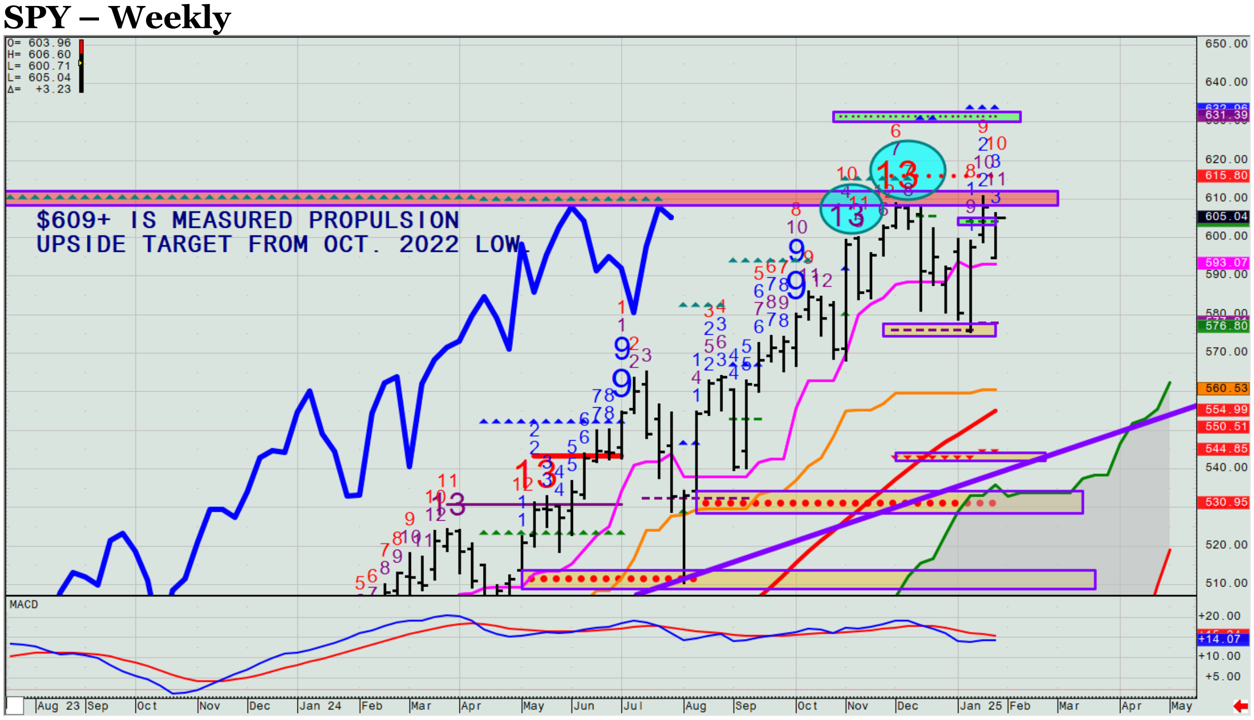
EQUITY INDEXES:

The possible double-top at $609+ is still too early to be able to definitively call, especially with the swift rebound to Monday's large gap down that bounced right on its daily Conversion Line, and climbed up it every day since. That's pretty darn impressive, so barring Monday's low being breached, I'm starting to lean more toward thinking that this might very well make new highs that push up to test $631/$634. I won't wear blinders and not see that every selloff remains a minor one and that bulls are ready to hit the "BUY" button every time it does.

SPY - Daily



SPY – Weekly



New ETF Trade Idea

Precious metals are strong, and that's helping pull related miners up, too. Looking at the very popularly-traded **Market Vectors Gold Miners ETF (GDX)**, the late-December low was made at its weekly Propulsion Exhaustion level, and then this week's low was a newer bearish Propulsion Momentum level.

GDX – Weekly

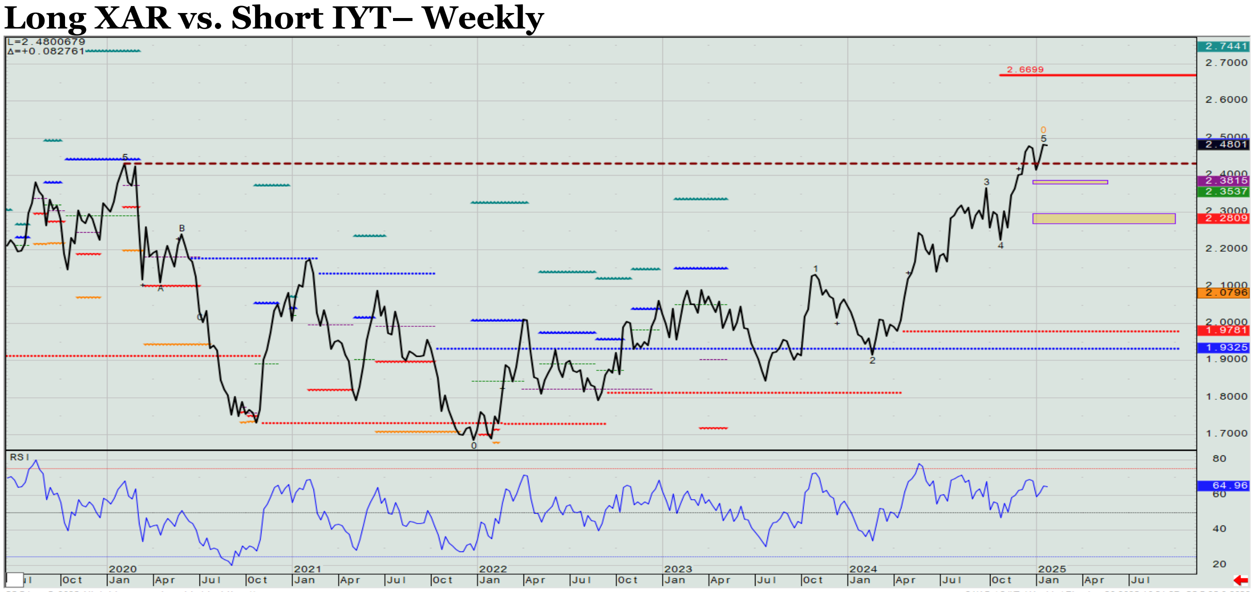
As such, we'll get long 1.5 units now, and look to sell ¾-unit each at the two highlighted upside rectangle targets. We'll stop out on consecutive Friday closes < $37.03.

Other Open Recommendations and Positions

Long XAR vs. Short IYT

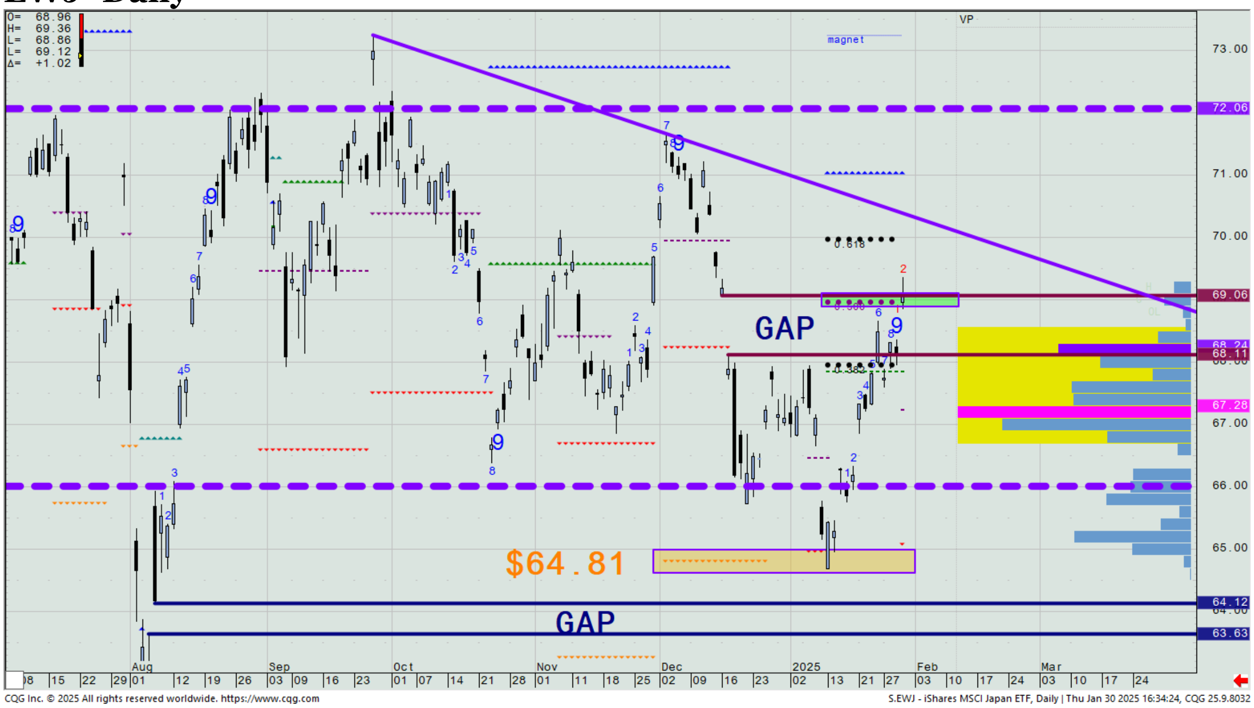
Last week we got into a half-position (avg. fill at 2.490) and half on a pullback to 2.382, which we were filled on Monday. Thus, an avg. long at 2.436. We'll unwind half of whatever we have on near a 2.67 ratio, and half near a 2.744 ratio. Our protective stop is to exit if the ratio falls on a weekly close beneath a 2.28 ratio.

Long XAR vs. Short IYT– Weekly



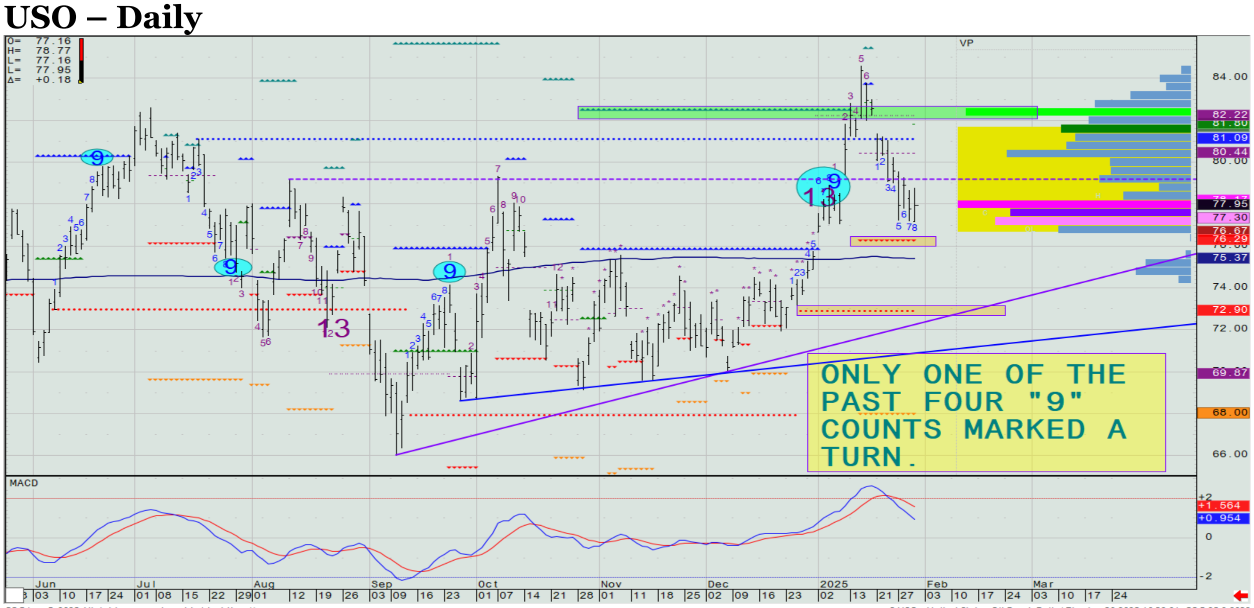
Long EWJ
Two weeks ago, my trade ideas was to get long two units from where it was then down to ~$65.50. We got into some that Friday (average $66.14), but the ETF just rallied straight up since then. (Let's assume we put at least 1/3 on of the 2 units, so I'll say we have a 2/3-unit position on for P&L purposes.) The target was near $69 (the 50% retracement level) which we reached yesterday. We exited, making 4.32% on invested capital, but on the 2/3-unit position, we made 2.88% in equal 1-unit P&L terms.

EWJ- Daily



Long USO
This hit my upside target before we could get in. So, I subsequently reset buy levels to get long at $76.50 to $76, but with my earlier comments on oil above, I'm going to cancel this idea.

USO – 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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