Rick Bensignor's

IN THE KNOW TRADER

Positioning Individual Investors Alongside Professionals

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TACTICAL TRADER REPORT

The Macro Picture

The SPY is again near all-time highs, as the "buy-the-dip" mentality predominates at every possible scare that's been thrown at the market. Buyers are waiting at the open on big gap down days, and again we saw a possible scare on Monday morning gobbled up by bidders, and the SPY again north of $600 and near the $609/$610 triple high seen since Dec. 6th. Rates took a spill this week, finally solidly breaking beneath what had been the first TNX Propulsion support level, and the DXY now has a short-term double-top. Gold plowed to new all-time highs, while oil still is in the rough $70 area.

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

US RATES

The daily TNX's daily bearish Prop. Momentum level at 4.526% was finally materially breached, with the similar weekly Propulsion Mom. target at 4.46% now coming into play. Other downside targets are at 4.24% and 4.11%. On a tactical basis, there was a ton of volume done in the low-4.5% area, so that should now be first resistance.

TNX – Weekly
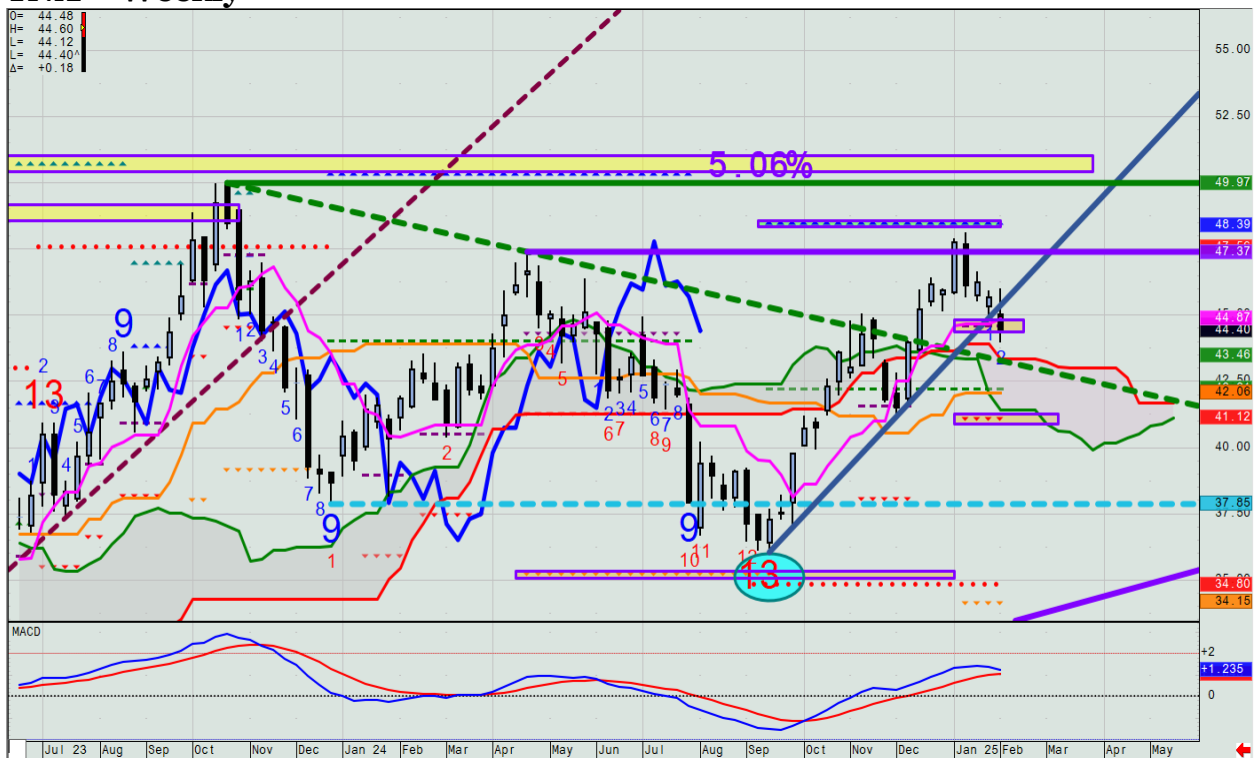
I remain in the camp that over time, rates are generally headed higher. That comes from seeing that the quarterly cloud chart is bullish the TNX, suggesting the 40+ -year bull market in bonds is over. (But understand that is not a timing call, but something that over the next decade or two suggests that rates are more apt to be higher than lower than they are now).

Investment grade corporate credit spreads (0.83%): Though up 3 bps. in the past week, my analysis remains the same: 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, but that can only likely happen if rates cross over 5%, too. It's now showing a near-term double-top, and the latter one was also a failure at the daily Prop. Momentum level. I'd consider buying in the near 106 if it lines up with a Setup -9 count.

DXY – Daily

DXC5 - Dollar Index, Daily (Delayed by 10 mins) | Thu Feb 06 2025 17:28:55, CQG 25.9.8032
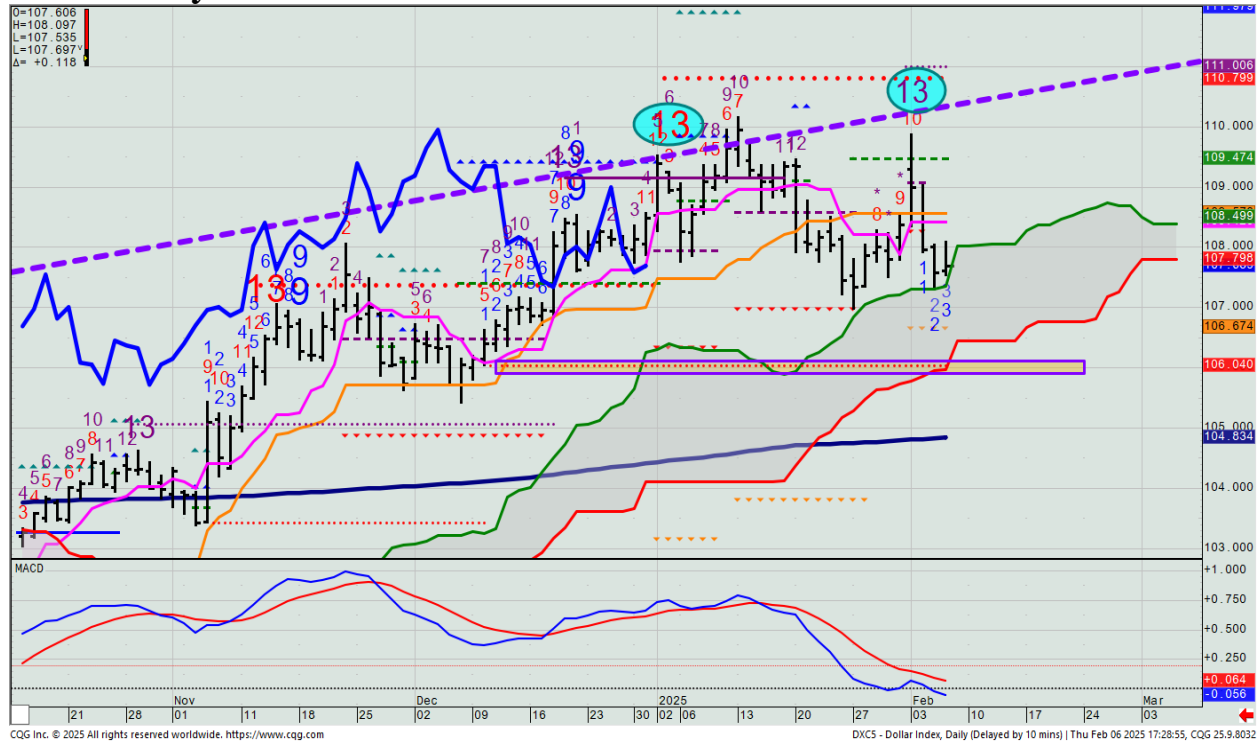
COMMODITIES: Gold again pushed to a new all-time high. It's also marked an Aggressive Sequential +13, and when we see where the standard one comes in, we may then be able to set up a short trade, as double-13 signals have been very good over the past several months. Do note that open interest continues to slide, meaning old longs are still liquidating their positions to squeezed out shorts. (That's not what a healthy bull market typically looks like.)

COMEX Gold – Active Daily Continuation

GCA - Gold - Combined, Active Daily Continuation (Delayed by 10 mins) | Thu Feb 06 2025 17:29:38, CQG 25.9.8032
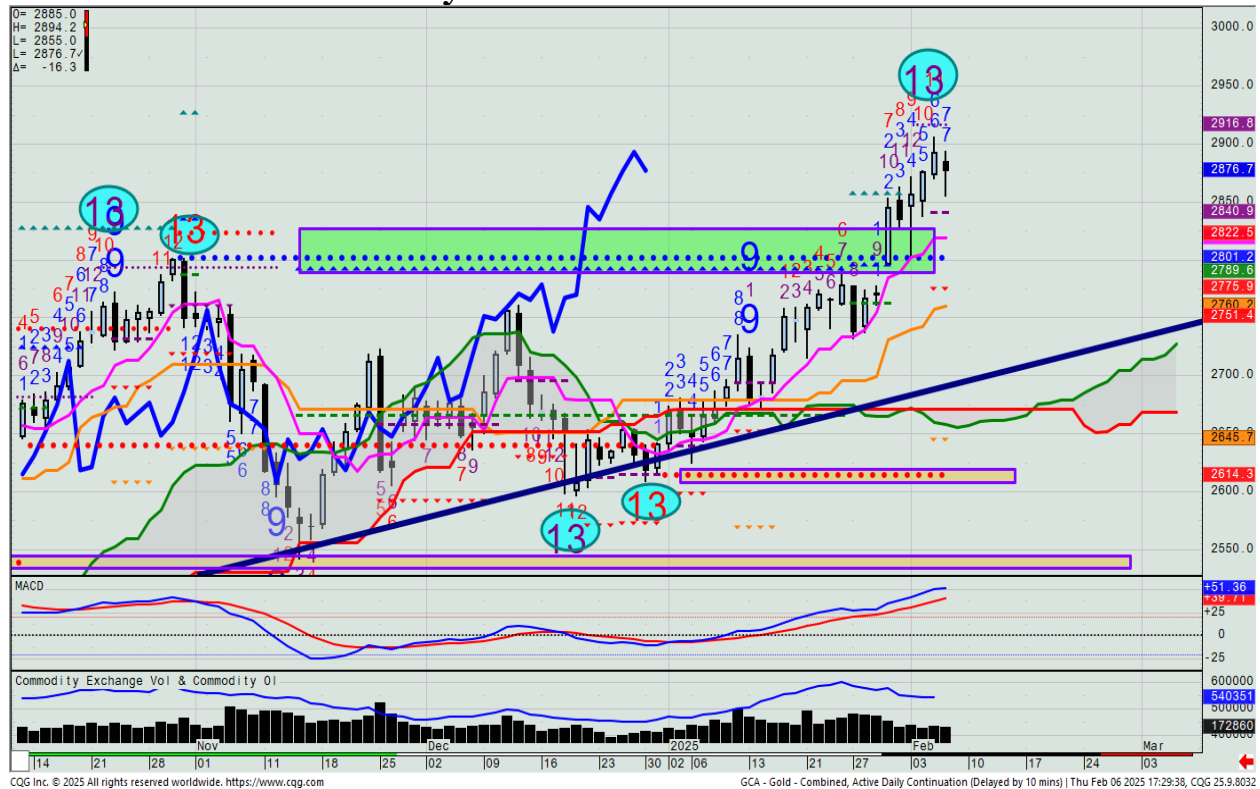
WTI Oil either holds at the Prop. Exhaustion and TDST line support levels (at $69/$70), or it likely goes back to the bottom end of the range – if not even lower.

WTI Crude Oil – Active Daily Continuation

CLA - Crude Light - Combined, Active Daily Continuation (Delayed by 10 mins) | Thu Feb 06 2025 17:32:34, CQG 25.9.8032
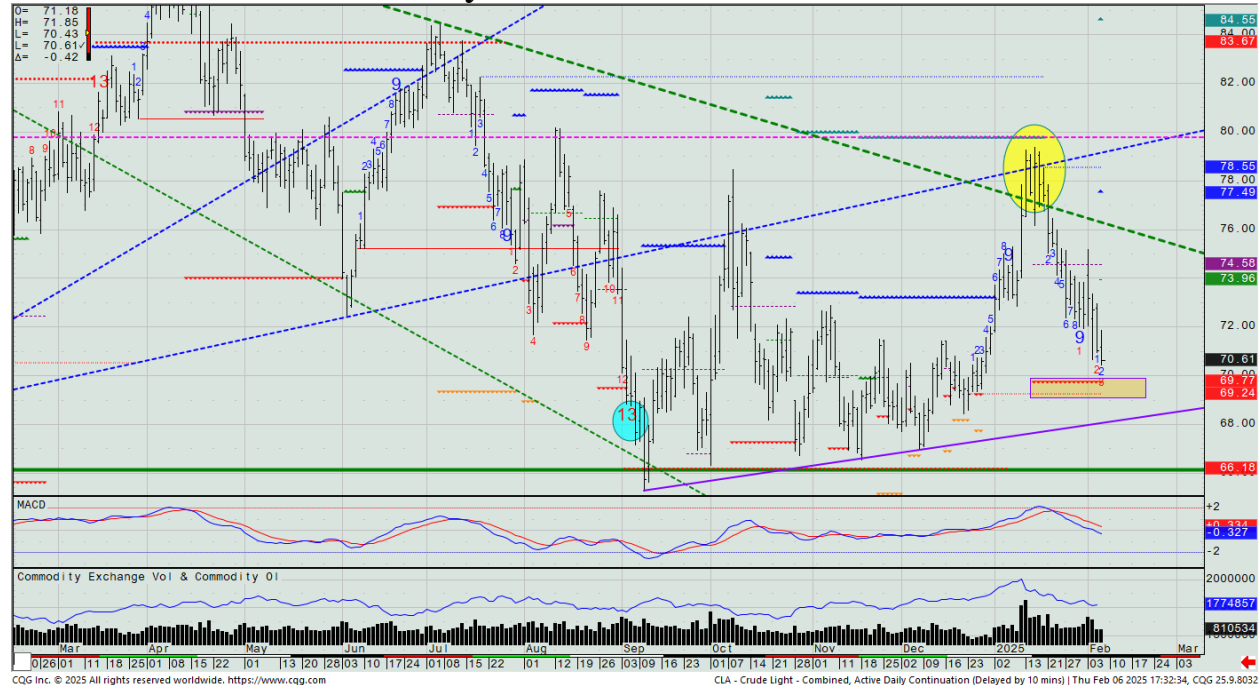
EQUITY INDEXES:

The SPY has a triple-top at $609/$610, but possibly more importantly, has higher lows on each of the sell-off since those three tops. That's basically an ascending triangle continuation pattern if it breaks out to the upside – and if it does – the advance could be swift. As I told Daily Tip Sheet subscribers, I've moved a good amount of money that was in high yield online savings accounts back to my brokerage accounts, because we either shortly finally see the bigger downmove I was playing for (to put the cash to work) – or this may very well start a whole leg higher (in which case I'll have to come back in higher than where I exited).

SPY – Weekly
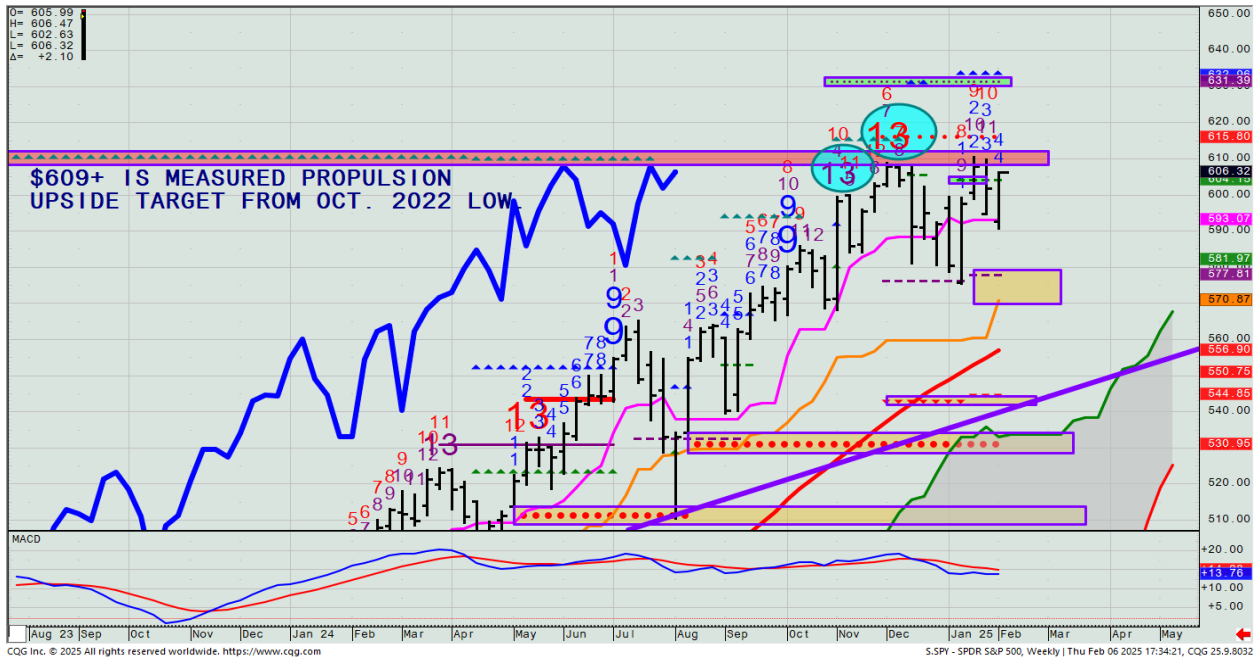
New ETF Trade Idea

I noticed that the **iShares South Korea ETF (EWY)** has down late last year to close a gap on the weekly chart (the horizontal purple line) that had stayed within the context of a late-December weekly Setup -9 (and unrelatedly on Monday this week, also marked a daily Sequential -13). From a pure reward to risk perspective, to me this makes sense to buy a one-unit position now with a target shown in the green rectangle (~$60 to ~$62.50). I'd risk a Friday close beneath this week's low of $52.67.

EWY – Weekly

Other Open Recommendations and Positions

Long GDX

Last week my recommendation was to buy 1.5 units of this (filled at avg. price of $39.24). I'm adjusting targets to sell the first half at $43 to $43.50, and the other half higher near $51. ==Our sell stop is now to exit on consecutive daily closes < $38.82.==
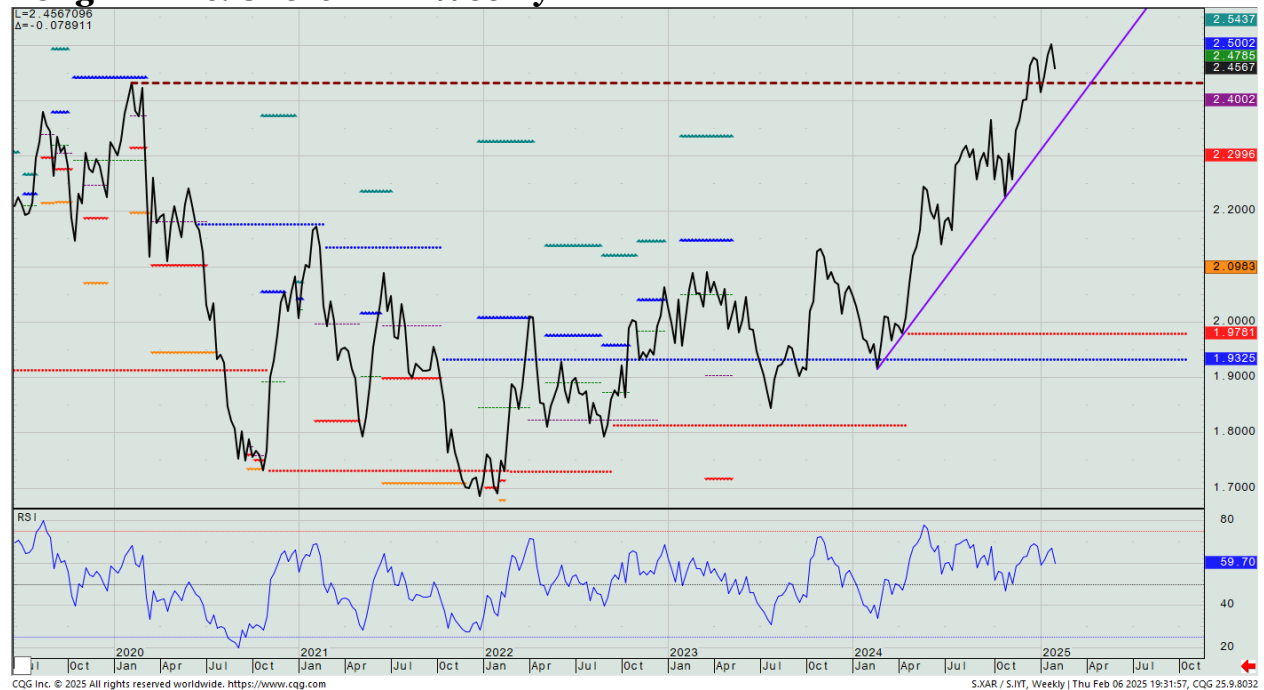
GDX – Weekly

Long XAR vs. Short IYT

We're long this pair at an avg. of a 2.436 ratio. 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 now raised to exit on a Friday close beneath 2.41 ratio.==

Long XAR vs. Short IYT– Weekly

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.

Disclaimer