Rick Bensignor's

IN THE KNOW TRADER

Positioning Individual Investors Alongside Professionals

rick@intheknowtrader.com February 21, 2025

TACTICAL TRADER REPORT

The Macro Picture

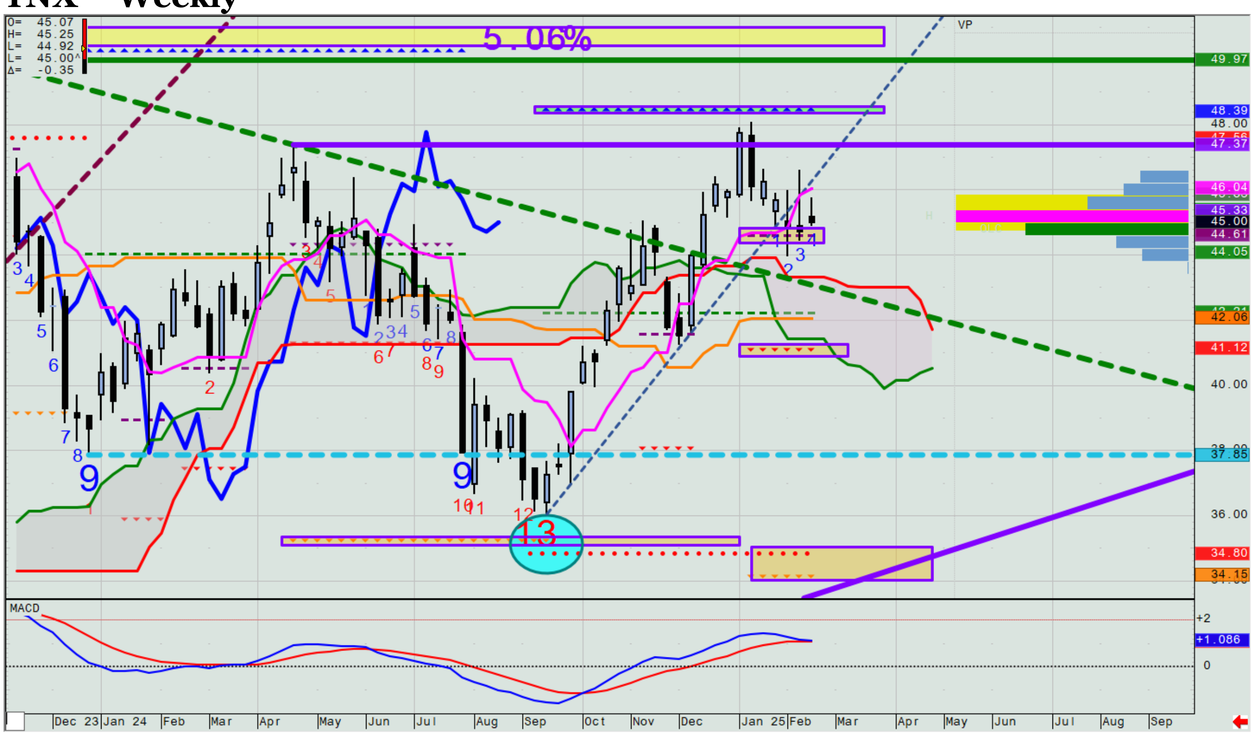
This past week showed the resiliency of the market, and the continuation of making new all-time highs in the face of some headlines that could easily scare investors into thinking the market would decline. You can't argue with the stock indexes holding up. But – and to me it's still a big one – the inability to make any material headway above SPY $609 is still a reason to be cautious about making considerable new dollar investments here and now.

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

US RATES

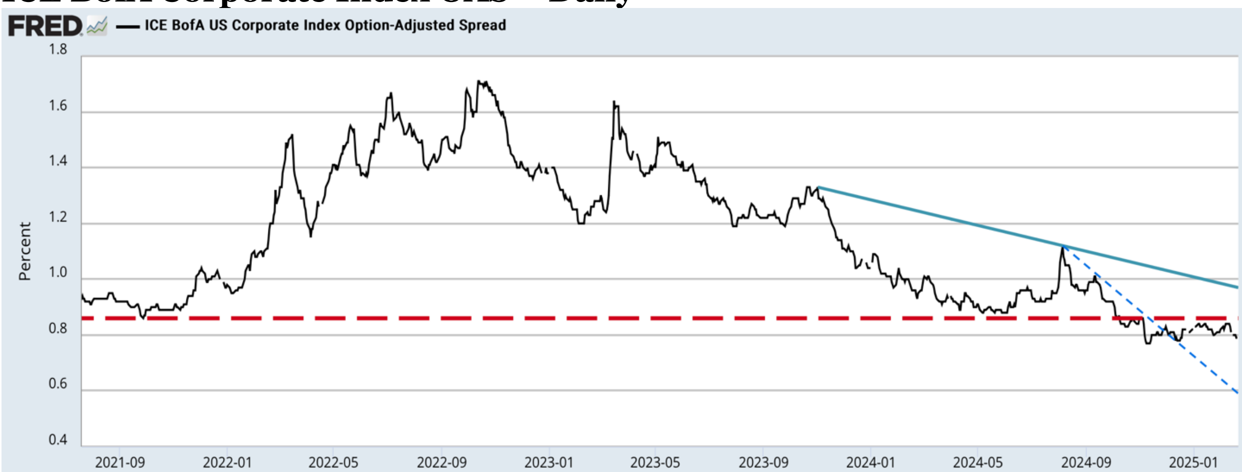
UST 10-yr. yields continue to rotate around the low-4.5% area, and have still not closed on a Friday beneath the weekly bearish Propulsion Momentum level at 4.46%. The more Fridays we might see that happen going forward, the better the chances that rates continue to fall. But not doing so – just like they did against that same calculated bearish Momentum level in late fall at 4.16% -- is bullish for yields (with the next upside target of 4.84%).

TNX – Weekly



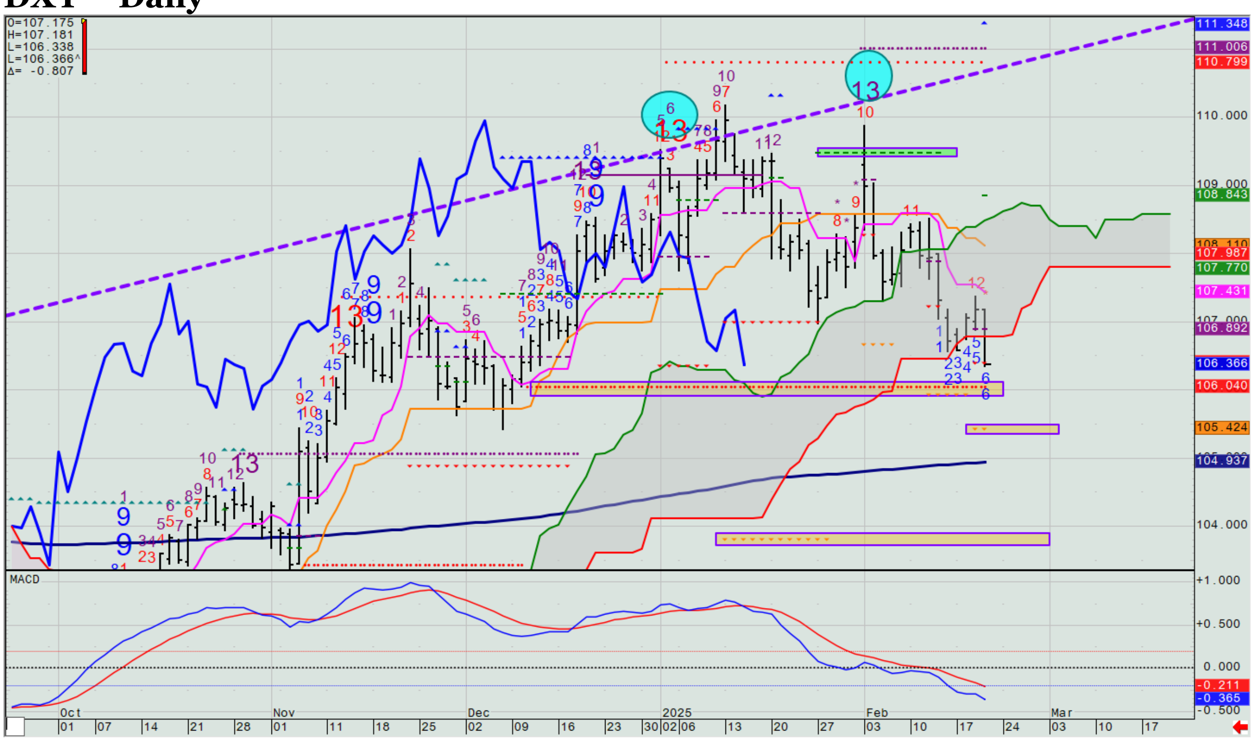
Investment grade corporate credit spreads (0.79%): Down another 2 bps. in the past week (and just two bps. above the lowest low of the move), my analysis remains the same: This is still on track to reach its broken head-and-shoulders topping pattern from 2022 to 2023 to somewhere to the 70bp. to 65 bp. 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 (and equity buyers are clearly not concerned).

ICE BofA Corporate Index OAS – Daily



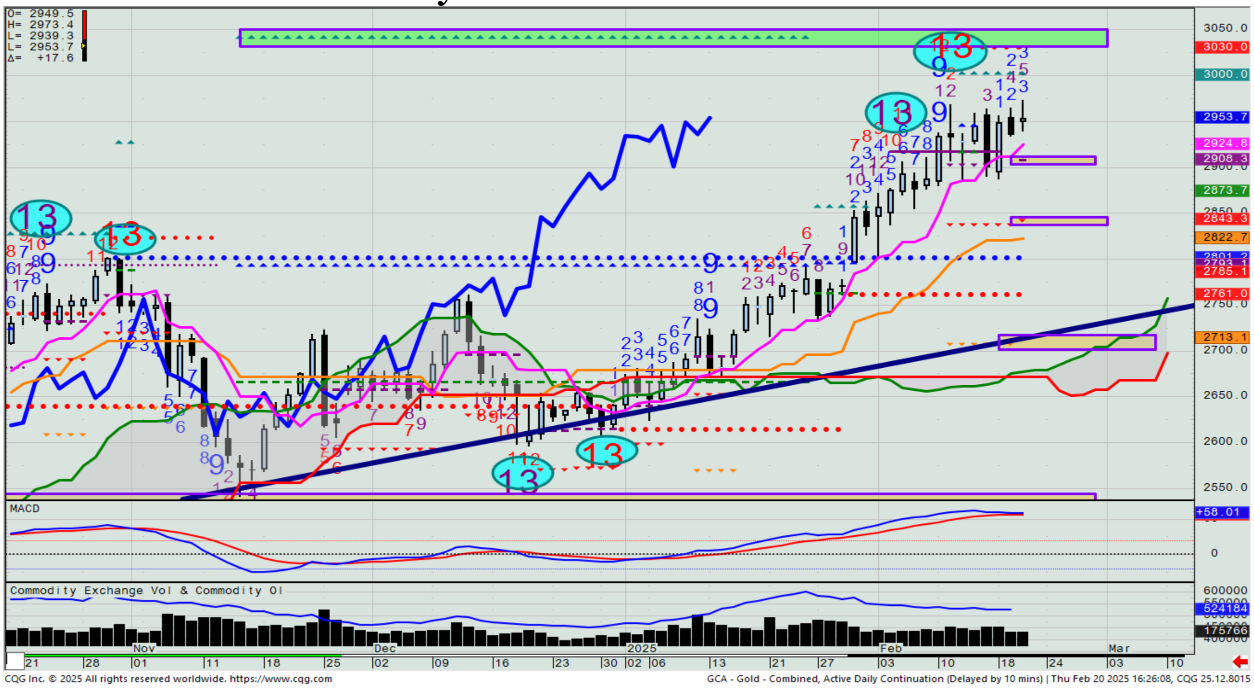
THE DOLLAR: I remain in the camp that the dollar index has increased chances of reaching the next major target at 112+ later in 2025, but that can only likely happen if rates cross over 5%, too. It recently showed near-term signs of upside exhaustion, and the latter one was also a failure at the daily Prop. Momentum level. Next Tuesday could be a daily Setup -9 count, and if that also lines up with a highlighted support level, we'd likely see a trading bounce from there.

DXY – Daily



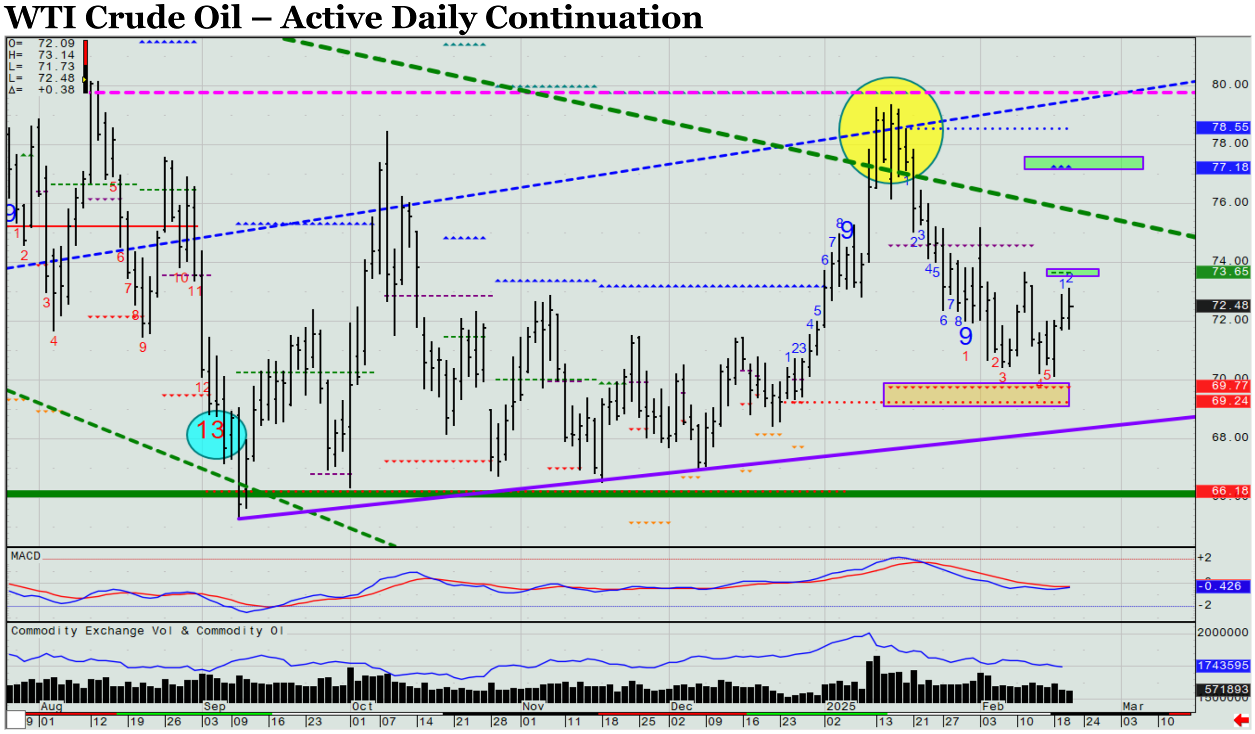
COMMODITIES: Gold again pushed to a new all-time high, and now also got the daily standard Sequential signal along with an Aggressive one to likely put the metal closer to a trading top. (I'm thinking $3030 to $3100.) It also marked a weekly standard Sequential +13 last week. And by looking at the open interest, we're still not seeing it turn higher, which means that the bulk of buying is still coming from squeezed out shorts buying to prior longs getting out with profits.

COMEX Gold – Active Daily Continuation



WTI Oil held support where I said it needed to in last week's report. Therefore, for now we have a trading low in place. Trump frequently states, "Drill, baby, drill", so he'll try to even further increase supply coming from the US – already the world's biggest producing nation.

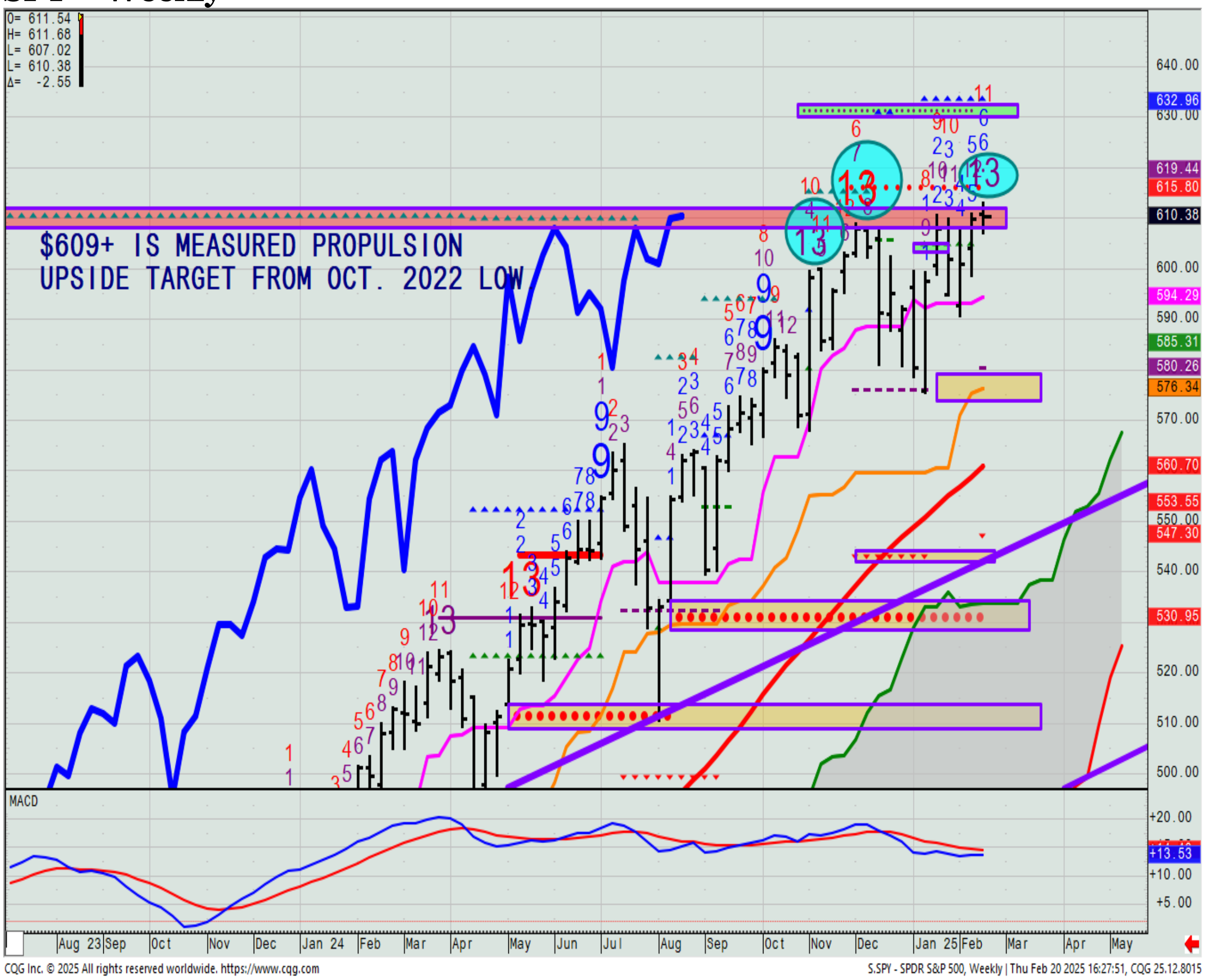
WTI Crude Oil – Active Daily Continuation



EQUITY INDEXES:

I've previously told you that I am now more cash-rich than I've ever been (in regard to the stock market), having lightened and/or exited many long positions in my personal portfolio over much of the latter part of last year. The SPY continues to trade around the $609+ area – the long-term upside target measured from the October 2022 low. It also just added a third active weekly Sequential/Aggressive Sequential +13 reading.

SPY – Weekly



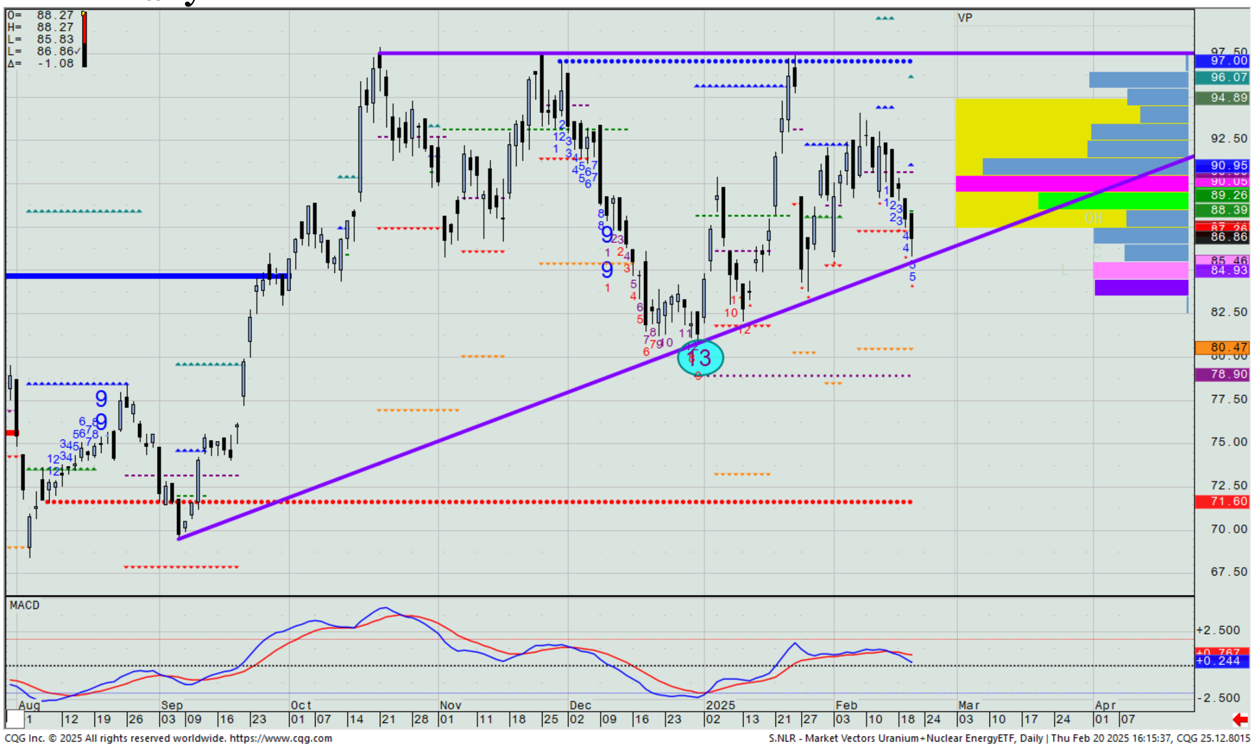
My concerns that come along with reaching this major target area: Mag 7 names are not really progressing or seeing important new inflows; Trump saying/doing things that are not necessarily in the best interest of America; COVID cases significantly ramping higher in the US (and it virtually not spoken about in the mainstream media); and the Fed being more of the dog's tail than the dog, itself.

There's still a ~$4 unfilled SPY gap from $589 to $585, which is now just below the uptrend line from the important August 5th low. I'd watch to see what happens around there when/if we do get a pullback.

New ETF Trade Idea

Uranium stocks see-saw back and forth, but as the **Market Vectors Uranium-Nuclear Energy ETF (NLR)** has just bounced on its uptrend line, we'll look to play for a bounce. (See trade details and chart on top of page 5.)

NLR – Daily



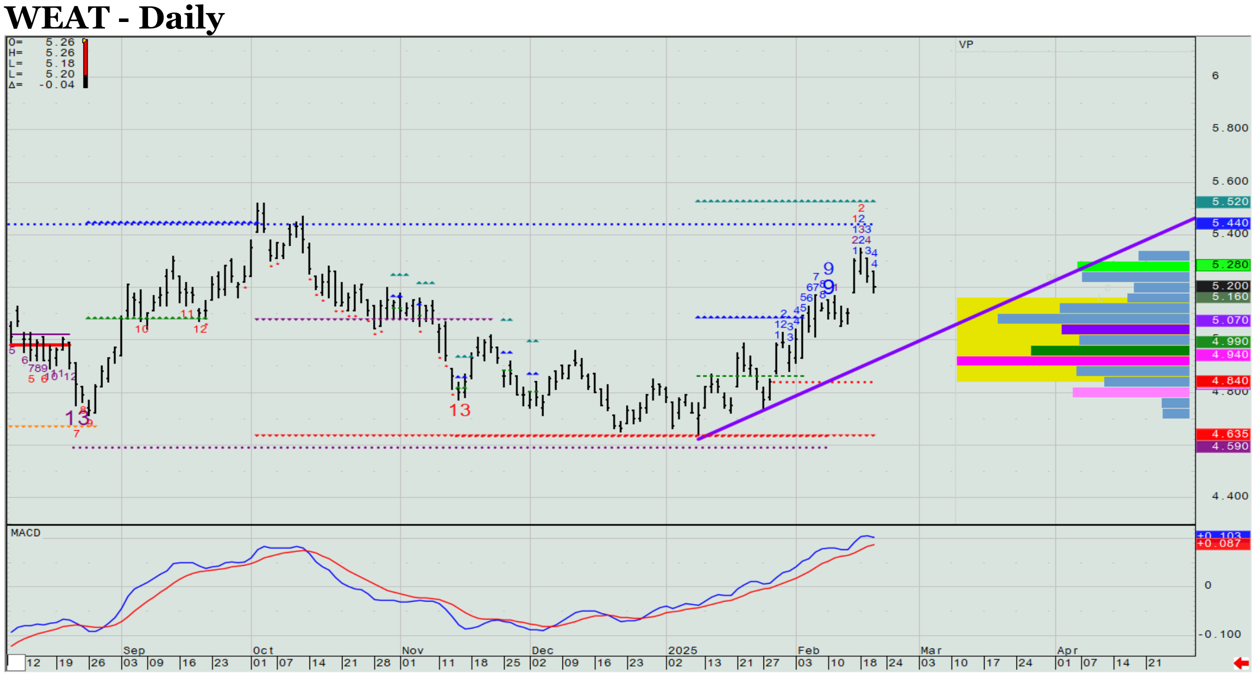
Let's buy one-half unit today, targeting the top of the Value Area at $94.50/$95, and using a sell-stop as a daily close beneath $83.81.

Other Open Recommendations and Positions

Long WEAT

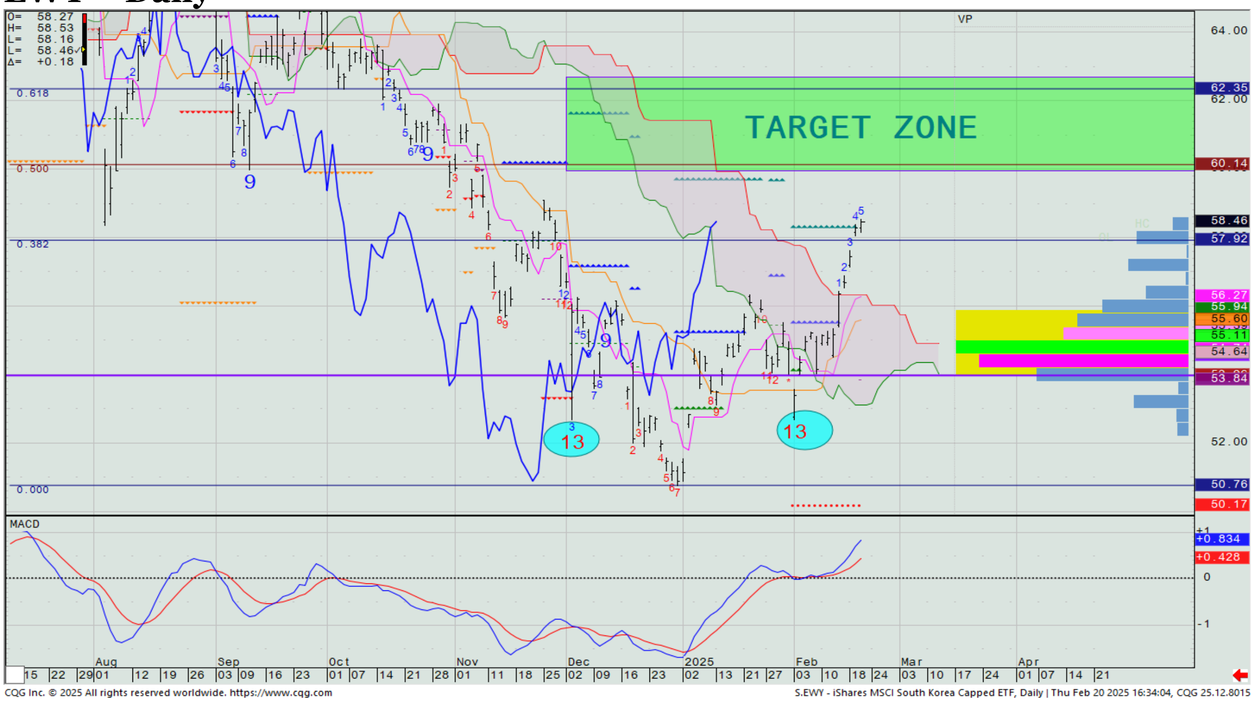
We were looking to get long one unit from $4.95 to $4.85 (scale your bids), with targets to exit 50% from $5.35 to $5.38; 50% TBD. This week's high hit the $5.35 level without us yet long. We'll still look to get long, but now only a half-unit from $5.00 to $4.94. I'll make the target $5.51/$5.53. Use a sell-stop as a close under $4.82.

WEAT - Daily



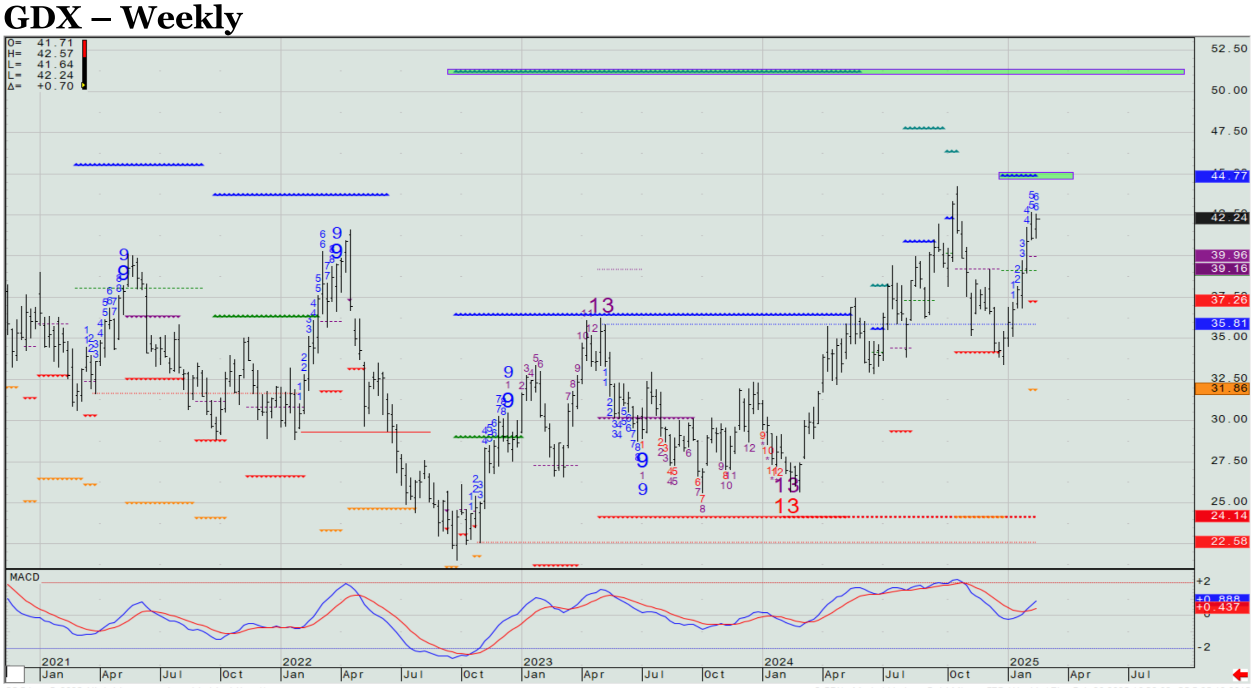
Long EWY
Two weeks ago, we went long one unit (avg. price of $54.56), with my looking for us to take profits in the $60 to $62.5 area. With the daily chart yesterday reaching its Propulsion Full Exhaustion (from its most recent signal, but not the one measured from the lowest low), let's take 1/3 off today. Also, raise your sell-stop to breakeven on the balance.

EWY – Daily



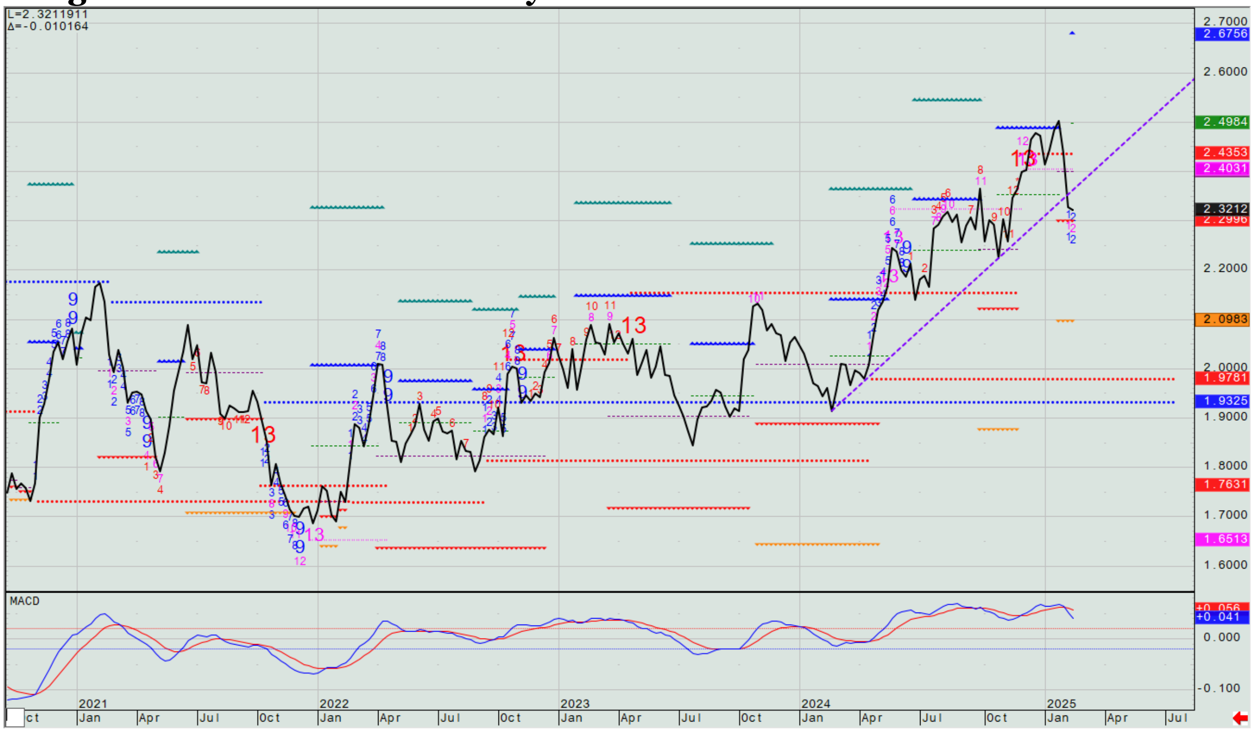
Long GDX
A few weeks back we bought 1.5 units of this (filled at avg. price of $39.24). I've adjusted targets to sell the first half from $43 to $43.50, and the other half higher near $51. Raise your sell-stop to breakeven.

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 was raised to exit on a Friday close beneath 2.41 ratio, which occurred last Friday with a close of 2.326. We lost 4.52%.

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 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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