



TFR

# Trading Floor Research

Welcome to the  
— Trading Floor —



09/18/22

## This Trading Floor Research report contains:

- **Epsilon Energy Ltd. (EPSN).** A new BUY candidate in the Oil & Gas US Exploration & Production industry group.
- *Analysis of the 10-year Treasury Yield. Where yields could top out on the 10-year Treasury*
- **Direxion Daily S&P 500 Bear 3X (SPXS).** Technical analysis update on SPXS.



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With this watch for *new members only* features:

Ability to track TFR positions

See what I am currently holding at the price I purchased and its current returns

A 30-minute chart to view where the confirmed buy signal occurred

## Is it time to buy long dated treasuries?

### Analysis of the 10-year Treasury Yield

Currently, the 10-year treasury is at 3.45%, leading many investors to consider the riskless return of US Treasury bonds to owning stocks. Buying a treasury at the wrong time in a rising interest rate environment can lead to losses in the short term, especially if you do not plan on holding the treasury to maturity.

Timing is critical when buying in markets. For this, I turn to technical analysis. Technical analysis is an essential tool in the investor's toolkit, providing the ability to answer, "when to buy", even when looking at the US Treasury market.

For those considering locking away some assets in bonds, I have run the technicals on the 10-year treasury to see where yields are headed short-term.

Using the Direxion Daily 7-10 Year Treasury Bear 3x Shares (TYO) for analysis, I established the target on the TYO and used the percentage advance to transpose the result to the 10-year treasury.

Last Friday, TYO closed at 12.52. Looking at the chart, you can see the short-term target area where the trendline from the start of the yield advance crosses with the next Fibonacci target of 14.10. Based on the TYO advance to 14.10, the 10-year Treasury is looking to increase by another 44 bps and hit a target yield of 3.89%. (Refer to TYO chart)

For a prudent investor, locking short-term CDs at the 3.89% target area on the US Treasury may work out exceptionally well. A long-term advance of the 10-year Treasury has the possibility to move higher, but I would expect a rally in treasuries after 3.89% is achieved. Alternatives to treasuries include a 1–2-year Certificate of Deposit when target treasury yield is established.

For a more aggressive approach, buy the 10-year Treasury Zeros as a Trade.



## Sectors, Industry Groups & Leadership Stocks

### S&P 500

*A close below 1907.19 on Thursday and Friday has put the bears firmly in control of the S&P 500. The 282-point decline from Tuesday's high to Friday's low has left the index short-term oversold.*

*The conditions are set for a pause into the Federal Reserve's interest rate announcement on Wednesday afternoon. The S&P 500 could have a small rally that could throw the index back into the rising trendline from June's bottom and retest Fibonacci resistance at 3945.86. You should also watch the quarter number from the January high to June low at 3932.31 very closely as the market bounces next week. The quarter number lines up very well with the trendline throwback. Now that the bears have taken control, I would be surprised to see the S&P 500 close back above 3907.19 for more than one day. (Refer to S&P 500 short-term Fib target chart)*

The markets are under massive distribution as we enter a seasonally weak period.

I have recommended high cash levels for some time, but I am emphasizing this point for the next two or three weeks.

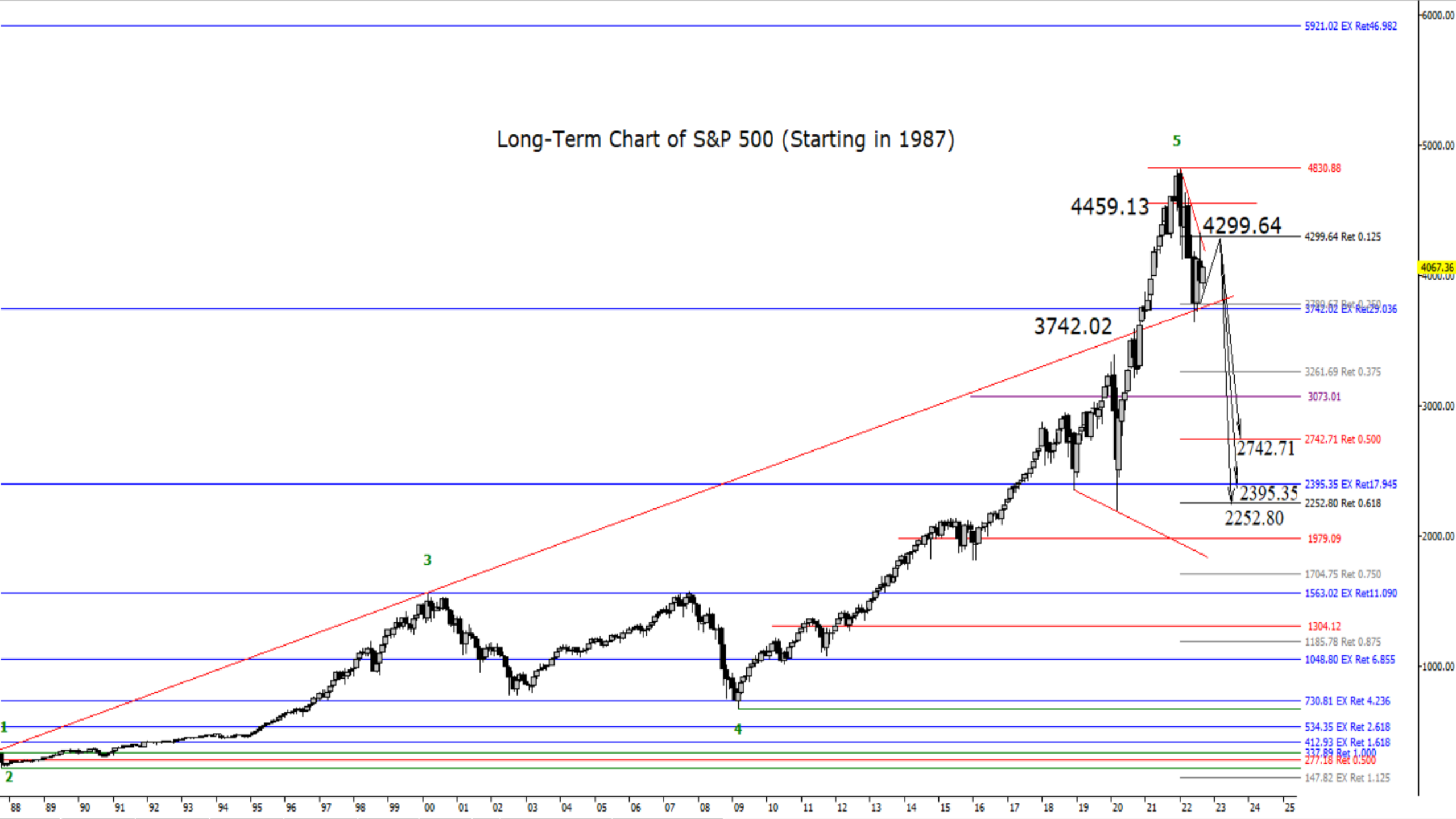
The S&P 500 downward momentum initiated by bouncing off 4300 like a brick wall provides a powerful signal that usually resolves at 50% of the entire move higher. In this case, the Fibonacci target number is 2742.27. (For more information, refer to my S&P 500 long-term chart).

Now that the S&P 500 has closed below the bull and bear struggle at 3907.19, downward momentum will most likely continue after Wednesday's Fed announcement. The next target is the significant 3742.02 Fibonacci number from my long-term chart. Closing below 3742.02 will only increase the probability of achieving the 2742.27 S&P 500 target number.

*the bears are in control Of the Russell 2000 and indicate “Risk-Off” in the markets.*

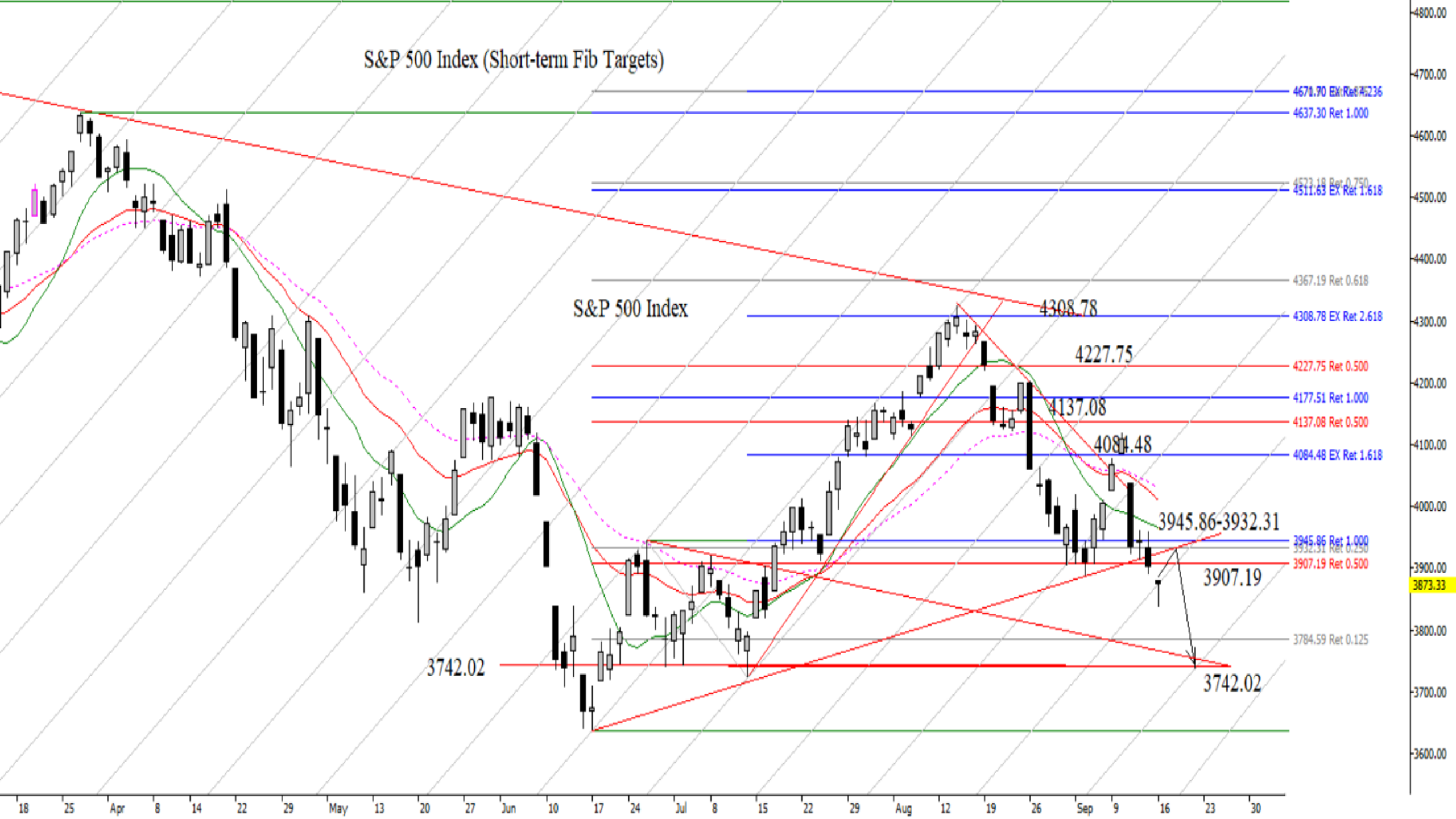
**I recommend caution and cash**

# Long-Term Chart of S&P 500 (Starting in 1987)





# S&P 500 Index (Short-term Fib Targets)



S&P 500 Index

4308.78

4227.75

4137.08

4084.48

3945.86-3932.31

3907.19

3742.02

3742.02

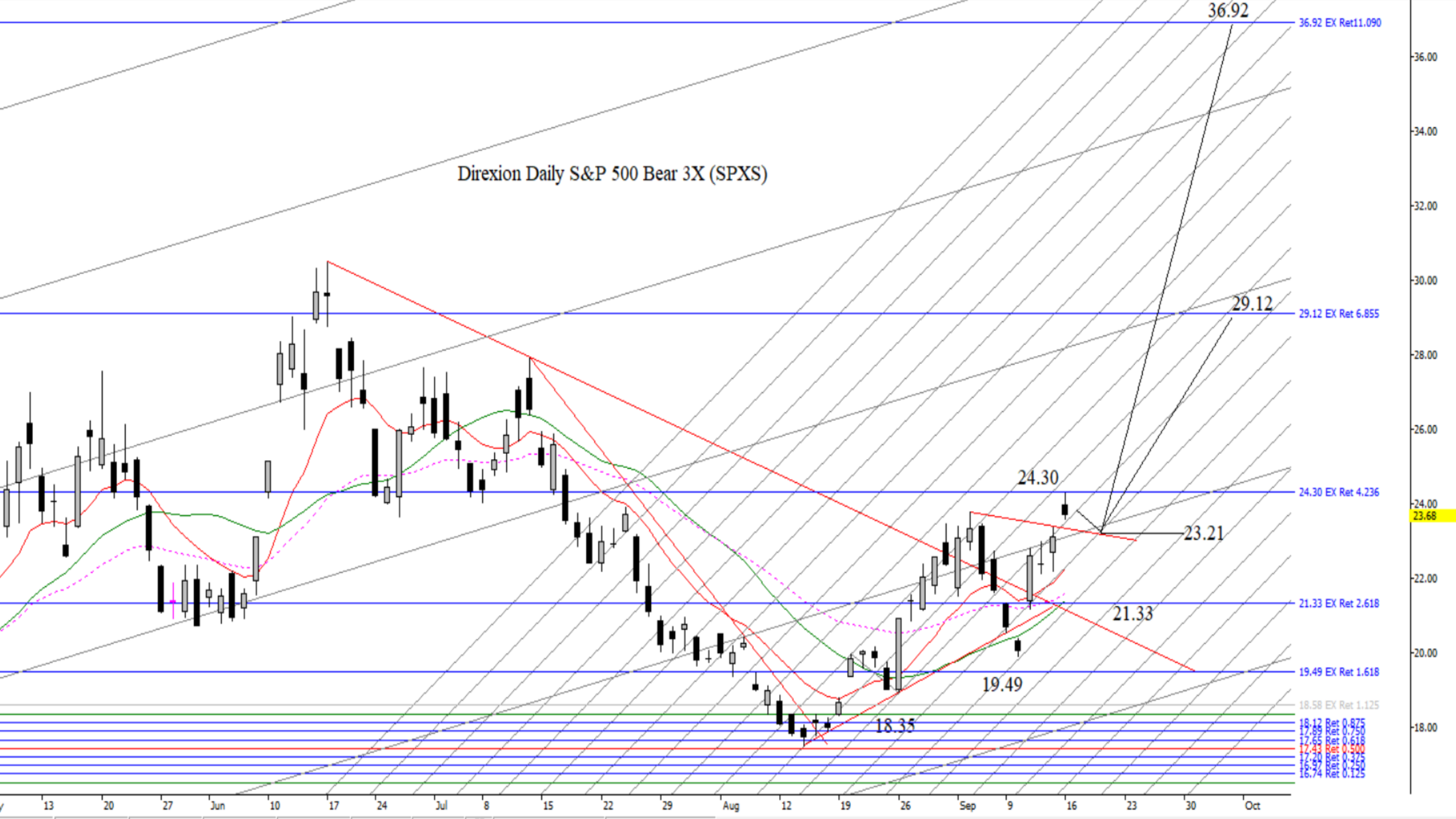
3873.33

*Buy candidate: Direxion Daily S&P 500 Bear 3X (SPXS)*

- *Portfolio: Short the S&P 500. This trade is designed to move 3x the inverse daily performance of the S&P 500 (SPX).*
- *The Direxion Daily S&P 500 Bear 3X (SPXS) hit the Fibonacci target and resistance at 24.30 on Friday. It sold off from the number by Friday's close. SPXS is overbought and could pull back into the Fed announcement on Wednesday. A throwback into the trendline broke on Friday, gets the ETF to 23.21. (Refer to SPXS chart)*
- *I will add more shares of Direxion Daily S&P 500 Bear 3X (SPXS) with a throwback into the trendline at 23.21 next week.*
- *Position is at 2-star(\*\*).*
- *Direxion Daily S&P 500 Bear3X (SPXS) closed at 23.68.*
- *Direxion Daily S&P 500 Bear 3X (SPXS) VWAP is at 48.28*
- *Sell target price: 1<sup>st</sup> target is 24.30; 2<sup>nd</sup> target is 29.12; 3<sup>rd</sup> target is 36.92.*

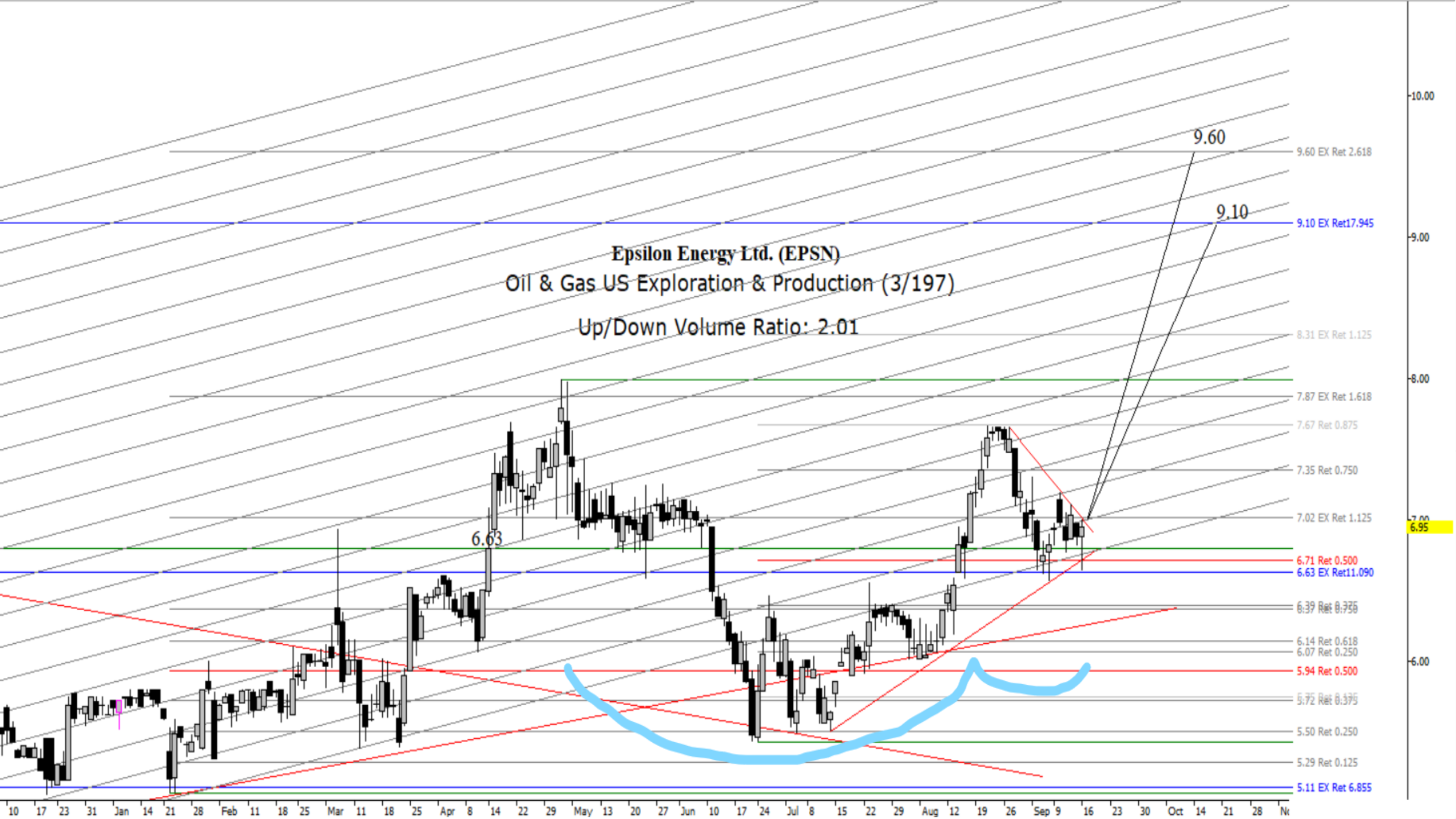
*Stop sell price: Close below 21.33.*

# Direxion Daily S&P 500 Bear 3X (SPXS)



## New buy candidate: Epsilon Energy Ltd. (EPSN)

- Industry Group: **Oil & Gas US Exploration & Production**. The group currently ranks as the 4th strongest industry group in the market out of 197 and is up 31.63% YTD. Oil & Gas US Exploration & Production gave its most recent buy signal on August 18 and 23. Friday, the group found institutional support at the 50-day moving average on a selloff to the bottom of its cup and is demonstrating strong relative strength to the market.
- EPSN is engaged in oil and gas exploration and production primarily in Pennsylvania and Oklahoma.
- Buying long in this market is very speculative, but the almost perfect price setup makes this stock very intriguing for a small asset allocation trade.
- EPSN is ready to break the downward sloping trendline of the cup in its most recent Cup-with-handle base that started May 5, 2022. It is under massive institutional accumulation highlighted by the Up/Down volume ratio of 2.01.
- Friday, EPSN showed incredible relative strength finishing the day 1.16% higher on volume 222% above average. In the first part of the day, the stock hit Fibonacci support at 6.63 and the 50-day moving average.
- **EPSN will confirm with a 30-minute close above 7.02 on above average volume.**
- Initiate position with at 1/2-star(\*).
- Under institutional accumulation with an Up/Down Volume ratio of 2.01.
- EPSN closed at **6.93**.
- ESPN VWAP is at 5.11
- Sell target prices: **1<sup>st</sup> target is 7.87; 2<sup>nd</sup> target is 9.10; 3<sup>rd</sup> target is 9.60**
- Stop sell price: **Close** below **6.63**.





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