



"Sharing real experiences from decades of profitable trading. Focusing on the important factors that lead to trading success."

Factor Update, March 5, 2017

Market Review

New candidate *Factor Move*™ (trading set-ups) are developing in:

- EUR/USD

Candidate *Factor Moves*™ are currently ongoing in:

- *FAST

Other markets of interest. This issue also comments on U.S. Dollar Index, Japanese Yen, Eurodollars, Topix Index (and Nikkei Dow), EUR/NOK, Bitcoins, T-Bonds, AUD/NZD, *FTSE, Gold, and Crude Oil.

*Signifies a position in the Factor \$100,000 Tracking Account

Developing signals	Existing positions
<ul style="list-style-type: none"> • EUR/USD – alerts • AUD/NZD 	<ul style="list-style-type: none"> • FTSE – protective stop • FAST – protective stop and target
The Factor Tracking Account is currently leveraged at 1.1X. The margin-to-equity use for futures and forex positions is 8.4%.	

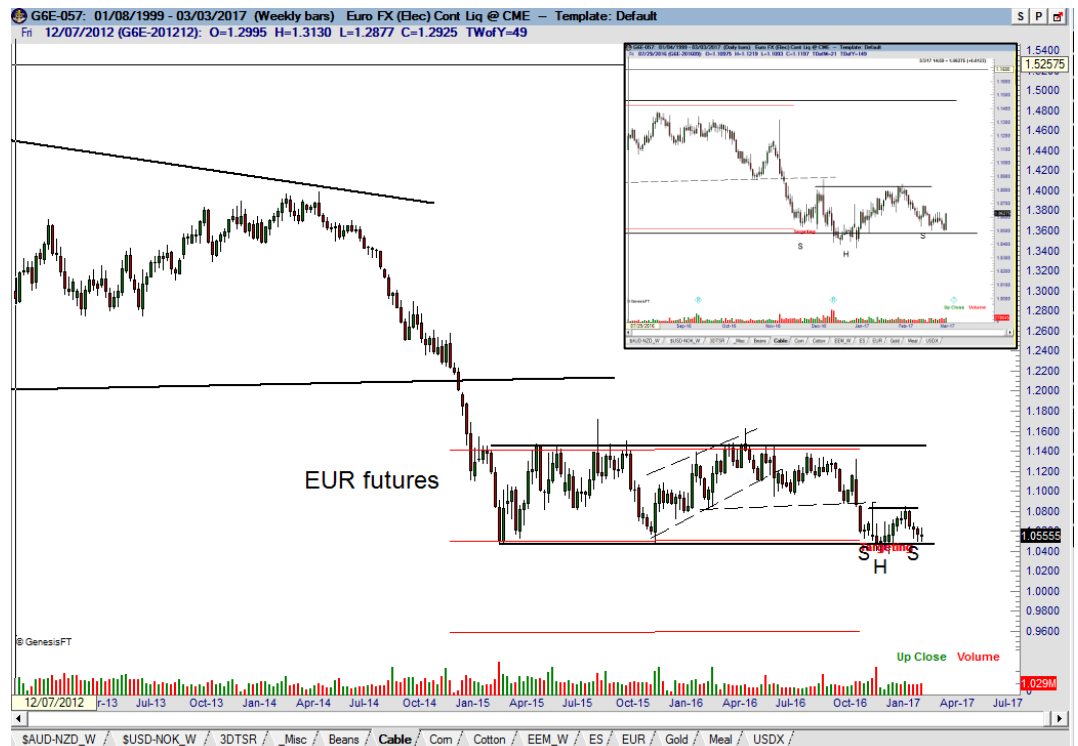
General trading comments

The markets to date in 2017 have been utterly dreadful for me – although I have capital with one Commodity Trading Advisor (CTA) who is off to one of his best starts in many years. One man's poison is another man's caviar. At this point I cannot even imagine what might get me excited about trading. I often refer to the idea that "there is a time to make money in the markets, and I time to keep it." I am in a "keep-it" season of trading. Of course it is fun for me to write about trades that went extremely well. But I plan to write considerably more about these current challenging conditions (see additional comments on page 8). Drawdowns are inevitable. More is learned in adversity than in victory. A trader must learn to survive a drawdown. My experience is that challenging periods end when they end, and not one day earlier.

Candidate Factor Moves™ Setting Up

EUR/USD

This forex cross remains stuck in a 24-month rectangle pattern on the weekly graph. The daily chart displays a possible 16-week H&S bottom pattern – pending a right shoulder. I must admit that Friday's rally was impressive. Factor is flat.



Candidate Factor Moves™ in Progress

FAST

The advance in this stock on Friday completed a pennant pattern that served as the retest of a multi-year congestion. Factor bought the breakout of this pennant and is long.



Other Markets

U.S. Dollar Index

I really thought DX was off to the races as of Wednesday's close. It was not to be. I took a losing shot at the long side this past week. Quite frankly, the small amount of money I have made in DX the past two years has not been worth the aggravation. Factor is flat.



AUD/NZD

This advance on Friday arguably completed a 10-month inverted H&S bottom pattern in this forex cross. Friday's wide-bodied bar was a buy signal. I will have orders in place to buy this cross next week. Factor is flat.



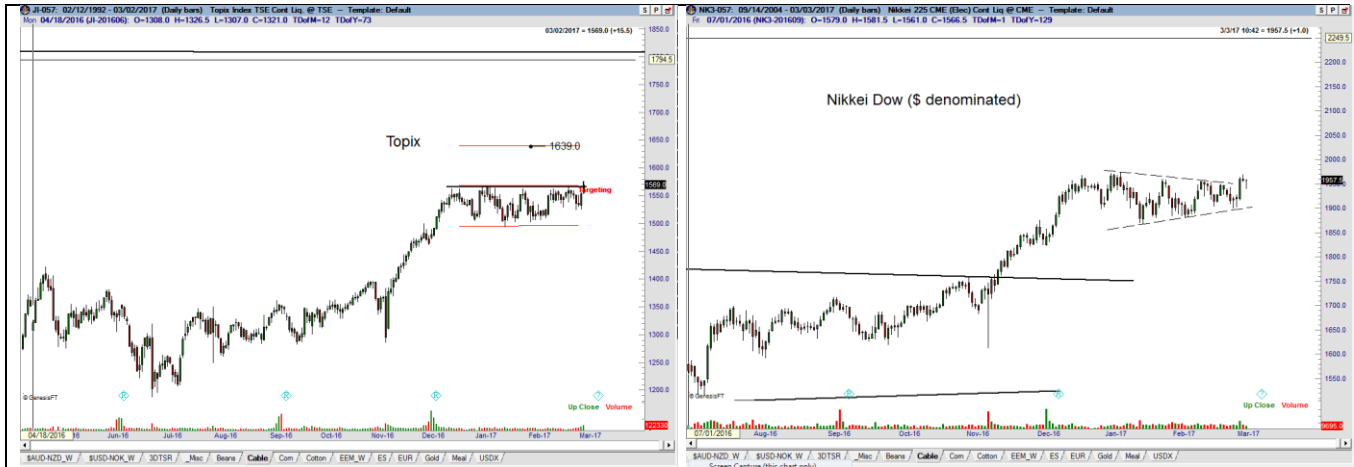
T-Bonds

The possibility of an ascending triangle bottom has been negated on the daily continuation chart. The possibility continues to exist that the Jun contract displays a possible symmetrical triangle. Factor is flat.



Topix (and Nikkei Dow)

Continuation patterns are developing in the Japanese stock market indexes. Shown below are the daily charts of the Topix traded in Osaka (TSE) and the U.S. Dollar-denominated Nikkei Dow traded in the U.S. Factor is flat. These are the types of patterns I would eagerly trade if I was in a winning streak. I might consider the Topix depending upon how a breakout occurs.



FTSE 100

The FTSE has completed a massive 17-year congestion period (chart not shown). The U.K. equity market should trend toward substantially higher levels. Factor is now long – I bought the rally into new high territory on Wednesday. If I caught the timing right perhaps the market will trend immediately higher. If not, then a frustrating 2017 will continue. Positions in the Mar contract need to be rolled to the Jun contract.



EUR/NOK

The advance on Monday stopped me out of the short EUR/NOK position. Factor is flat. I will no longer monitor this cross.



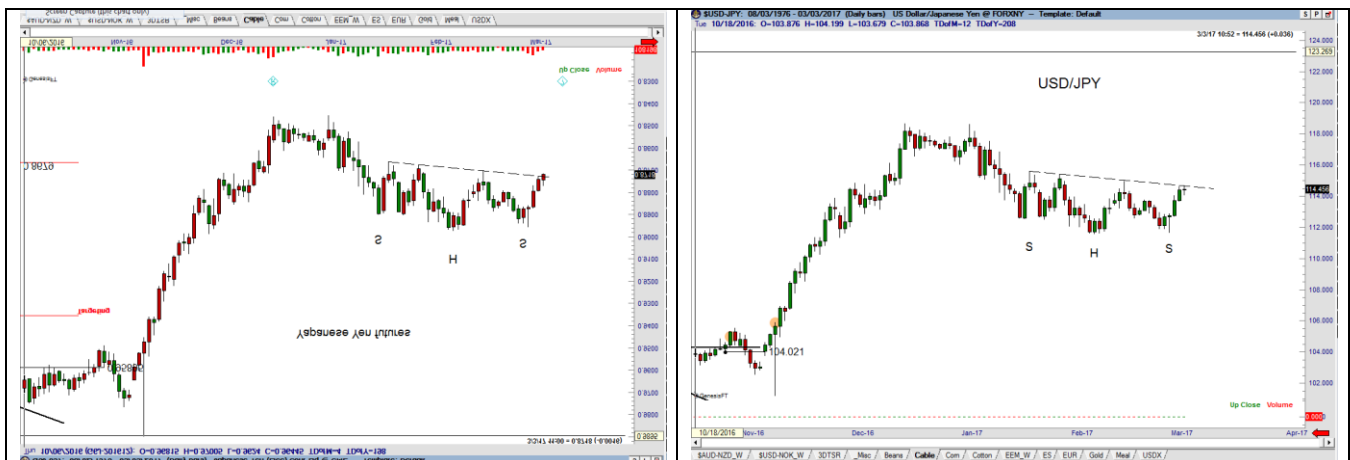
Bitcoins – it's the end or the beginning of the end

Bitcoins launched into new all-time highs this week. Thus, my analog becomes the Gold market, not the Silver market. The 1980 high in Silver of 50.36 was retested in 2011 (at 49.82). However, the 1980 high in Gold at 873 was more than doubled in 2011 (at 1920). Using Gold as the analog for Bitcoins, prices could now trend to or above 2,000. This means I have left a meaningful chunk of money on the table – but I have no desire to chase the market. This is not the first time I have exited way too early – and definitely will not be the last time.



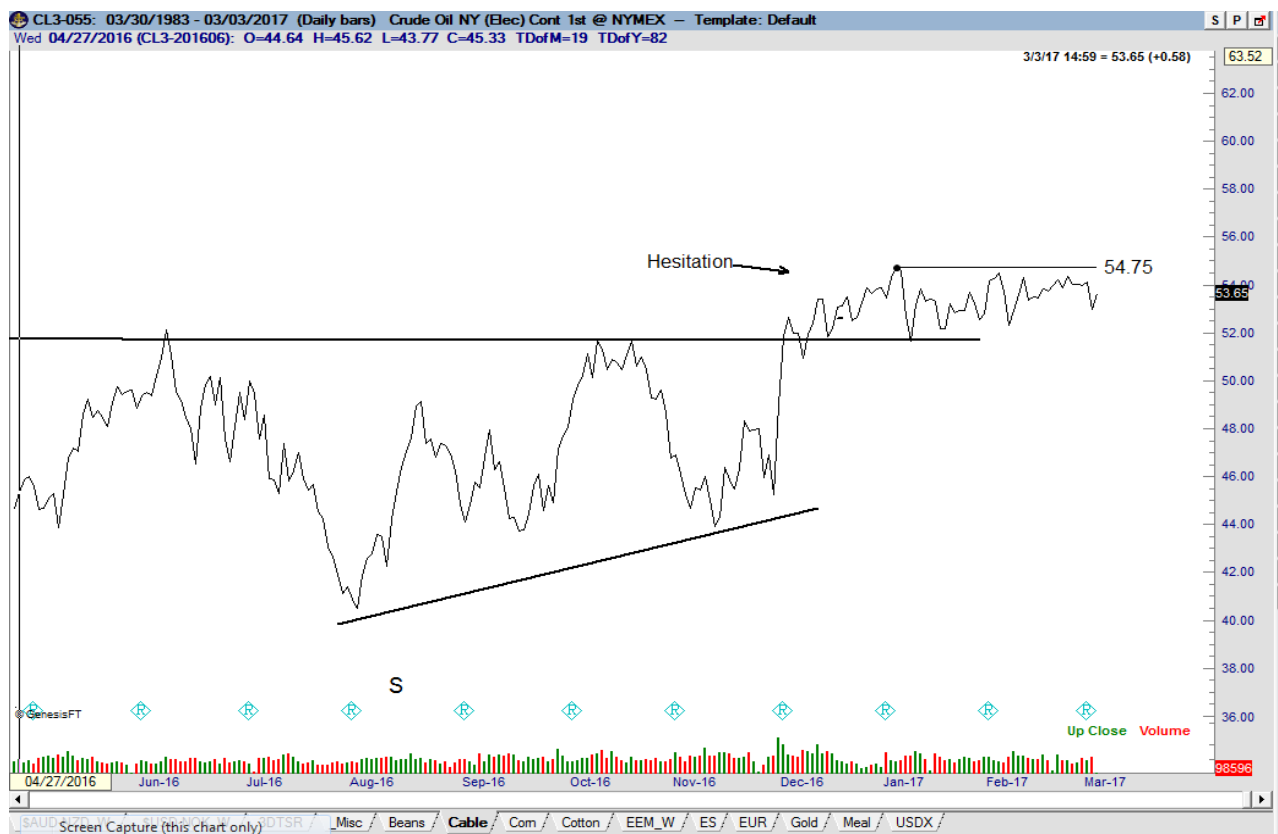
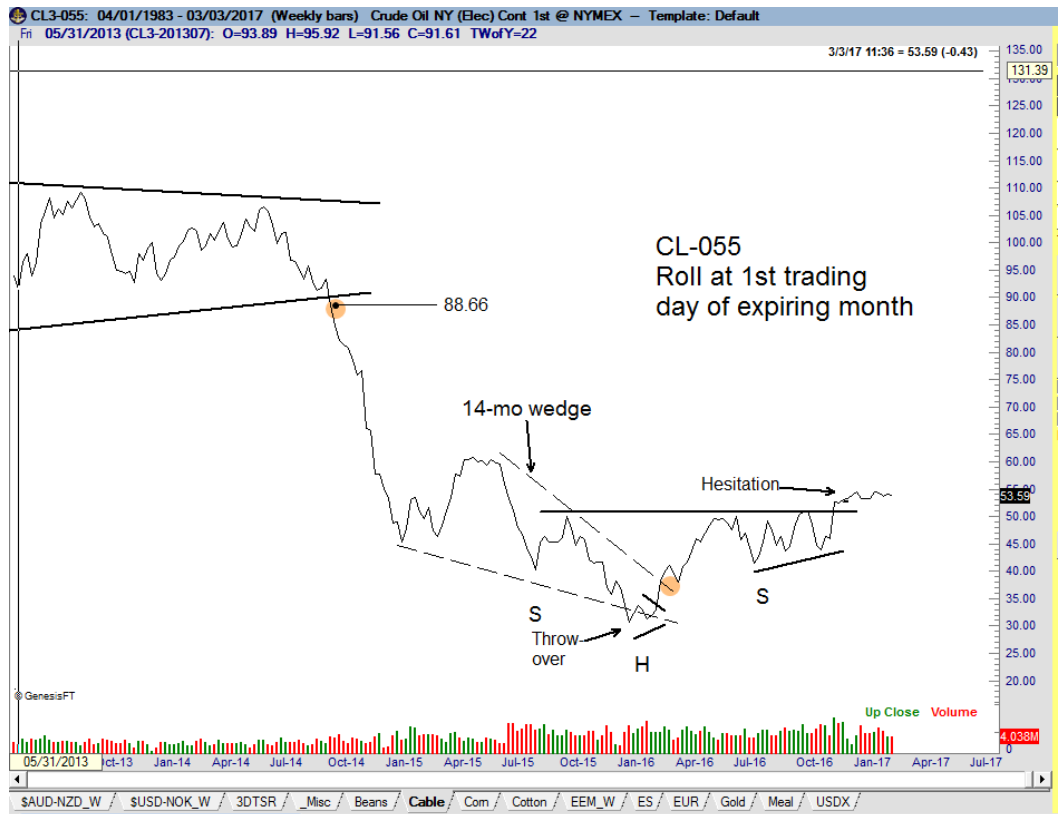
Japanese Yen

Shown below are the daily charts of the Japanese Yen futures (value of the Yen) and spot USD/JPY (# of Yen per USD). Both charts display a possible H&S pattern. Factor is flat.



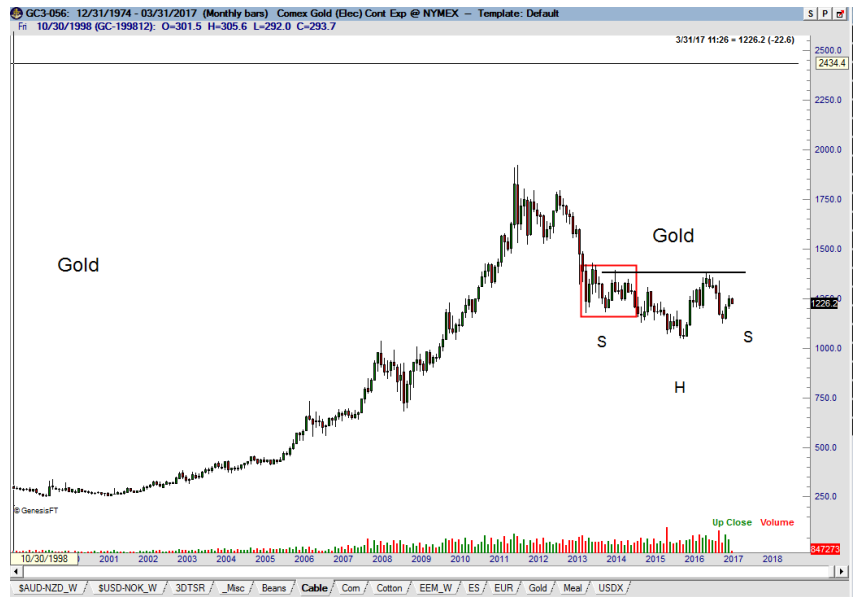
Crude Oil

The spread structure of the Crude Oil market has received publicity this past week – specifically the carrying charges from the nearby contracts to contracts a year out have disappeared. In fact, the market is developing a contango or inverted pricing structure. Shown herein are the weekly and daily continuation closing price graphs. Both of these graphs are constructive. A close by the near contract above 55.11 could lead to a test of the 61.00 level. The COT spec and commercial positioning continues to be a headwind for Crude Oil. Factor is flat.



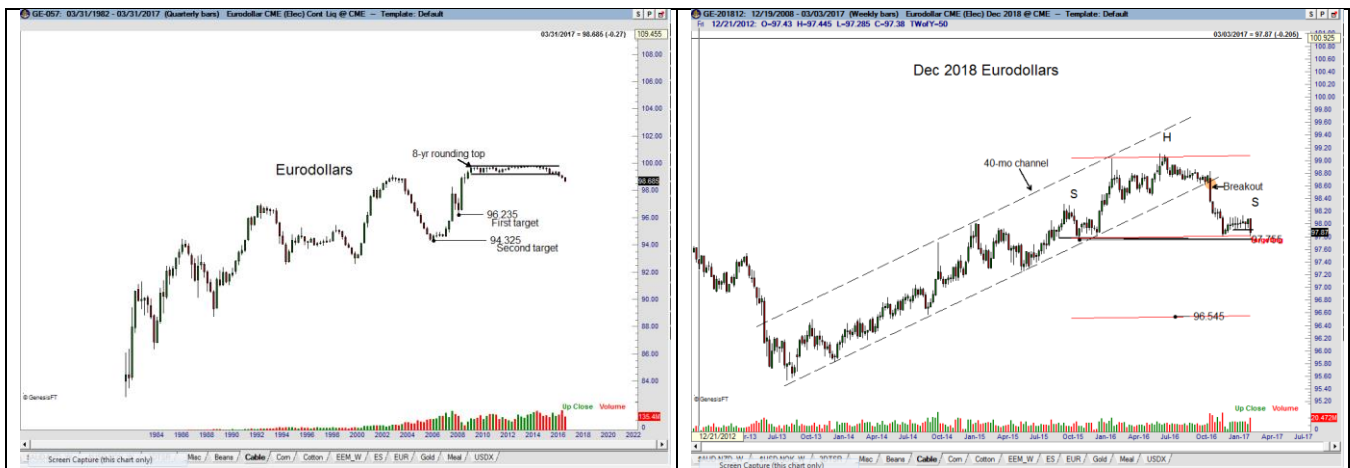
Gold

A number of chartists I know (and who I respect) have labeled the Gold chart as a possible 4-year H&S bottom pattern. I view the price action from Jun 2013 through Sep 2014 (red box) as part of the bear trend from the Sep 2011 high, NOT as part of a singular bottom pattern that began in Jun 2013. This does NOT mean that Gold will be denied a bull trend. It simply means that a 4-year H&S bottom pattern is not the correct application of classical charting principles. Worded differently, **under classical charting principles a trader does not have the freedom to label a chart any way he or she deems fit.** Factor is flat.



Eurodollars

The most significant chart among all of futures is the quarterly graph of Eurodollars (interest rate). There is not a close second. An 8-year rounding top has been completed. Prior to the 8-years of insane Federal Reserve NIRP this market was among my favorite to trade. The most immediate targets for a nearby contract are 96.24 and 94.33. The weekly graph of the Dec 2018 contract displays a possible 18-month H&S top – a VERY arguable H&S because I view the left shoulder as belonging to the Aug 2013 to Jul 2016 advance and NOT part of a singular topping pattern. Nevertheless, the target of this H&S top would align with the implications of the quarterly graph.



Factor Special Situation Reports

Trade management on positions attributable to Factor Special Situation Reports may differ from positions carried by the Factor Tracking Account. The Factor Special Situation Reports are intended for Factor members who want a "lock-it-in-and-leave-it" Readers' Digest approach for order entry.

There are no Special Situation Reports currently active. Please see Factor Members / Reports / Special Situation Reports on the members website for a summary of past SSRs.

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An open discussion about drawdowns

Perhaps you know of bloggers, analysts or traders with a public voice (such as myself) who seemingly never have a losing streak or challenging times. At least they never admit to difficulties they are facing. But, I am a real trader who trades real markets in real time with real money – and thus, I need to be as transparent about trading drawdowns as I am about excellent trading conditions.

If you are looking for “never-fail” market analysis and trading guidance, then the Factor is NOT for you. I hate drawdowns but I welcome the opportunity to share my thinking during such periods. Deep or extended drawdowns make a trader doubt the legitimacy of everything he or she has accomplished prior to the drawdown. Discretionary traders have the tendency to mentally project into infinity their current circumstances. When in a winning streak, traders tend to believe the streak will never end. When in a drawdown, traders start to wonder if they can even buy a good trade.

I have been through many drawdowns over the years. They never get any easier – although I have developed the faith that all trading conditions (ranging from horrendous to fabulous) are cyclic. It is my sincere belief that my value to Factor members is to demonstrate discipline, patience and persistence through tough times as much as it is to highlight the best of classical charting principles and risk management practices when trading conditions are excellent.

Factor Tracking Account as of Mar 3, 2017

Factor LLC										3/3/2017														
Model Tracking Account Trade History and Portfolio																								
Initial capitalization: \$100,000																								
(See disclaimers and notes below)																								
Market		Entry							Stop Date Δ	Pattern			Exit		Net	Capital to carry trade	Value of trade (entry)							
		Date	L/S	Price	Size	Initial stop	BP risk	Current Stop		Target	Weekly	Daily	Date	Price										
Positions open as of 12/30/16																								
EXH7	EuroStoxx	12/6/16	L	3102.0	1	3029.0	78	3247	12/28	3289	11+mo H&S	11+ mo H&S	2-Jan	3289	\$ 1,970	Closed	-							
NZD/USD	Spot fx	12/15/16	S	0.7077	70k	0.7126	36	0.7002	12/27	0.6821	Poss 6+ mo H&S	4-wk wedge	5-Jan	0.7003	\$ 518	Closed	-							
Total – Carry in positions															\$ 2,488									
2017 forex roll charges and FX losses on foreign margin deposits; day trade P/Ls on repositioned trades																						\$ (288)		
EUR/USD	EUR/USD	1/3/17	S	1.0445	50k	1.0532	43	1.0502	1/4	0.9621	21-mo sym tri	Jan Effect high	5-Jan	1.0503	\$ (290)	Closed	-							
EUR/NOK	EUR/NOK	1/3/17	S	9.0058	50k	9.1011	55	8.8631	2/24	8.7352	14-mo H&S top	Poss 14-wk H&S	27-Feb	8.8633	\$ 851	Closed	-							
MWEH7	Mpls Wheat	1/5/17	L	5.4700	1	5.3900	80	5.690	1/16	5.86	6+ mo H&S	5-wk asc tri	17-Jan	5.860	\$ 1,945	Closed	-							
MWEH7	Mpls Wheat	1/5/17	L	5.4700	1	5.3900	80	554.75	1/27	6.34 r	6+ mo H&S	5-wk asc tri	30-Jan	5.5450	\$ 370	Closed	-							
AUD/NZD	AUD/NZD	1/9/17	L	1.0508	70k	1.0419	45	1.0459	1/11	1.0746	Poss 7-mo H&S	10-wk wedge	24-Jan	1.0459	\$ (248)	Closed	-							
GGCH7	Canadian \$	1/12/17	L	0.7652	1	0.7584	72			0.8023	9-mo channel	3-mo double bottom	18-Jan	0.7583	\$ (695)	Closed	-							
FAST	Fastenal	1/18/17	L	50.220	200	47.740	50	47.98	1/30	62.5900	57-mo rectangle		2-Feb	49.04	\$ (241)	Closed	-							
FGBMH7	Bobl	1/23/17	S	133.1900	1	133.4200	23	133.13	1/25	130.41	Poss 12-mo H&S	5-wk H&S	2-Feb	133.13	\$ 55	Closed	-							
ZCH7	Corn	1/24/17	L	363.00	1	354.50	45	359.75	1/27	384.750	13-wk sym tri	13-wk sym tri	30-Jan	359.75	\$ (167)	Closed	-							
EUR/NOK	EUR/NOK	1/30/17	S	8.9124	80k	8.9442	31	8.9102	2/9	8.7351	14-mo H&S top	Poss 16-wk H&S	10-Feb	8.9103	\$ 20	Closed	-							
YIH7	Mini Silver	1/31/17	L	17.43	2	17.07	36	17.32	2/2	18.8800	11-wk H&S	11-wk H&S	3-Feb	17.32	\$ (230)	Closed	-							
FVAH7	5-Yr Ts	2/9/17	L	118-08	1	108-03	32			119-18	12-wk H&S	12-wk H&S	9-Feb	118-03	\$ (318)	Closed	-							
JJC -ETF	Copper	2/9/17	L	31.66	800	30.98	55	Mkt	2/14	34.48		HG = 13-wk rect	16-Feb	31.73	\$ 51	Closed	-							
HGH7	Copper	2/14/17	L	274.10	1	269.3	120	271.9	2/15	299.30	13-wk rectangle	Retest	16-Feb	281.85	\$ (568)	Closed	-							
AUD/USD	Aussie	2/15/17	L	0.7702	50k	0.7629	36	Mkt	2/17	0.8338	Poss 10-mo rect	2-wk pennant	17-Feb	0.7664	\$ (190)	Closed	-							
EUR/USD	EUR/USD	2/16/17	L	1.06712	30	1.0498	47	Mkt	2/17	1.0674	Poss 23-mo rect	Poss 13-wk H&S	17-Feb	1.06077	\$ (191)	Closed	-							
ZH7	FTSE	3/1/17	L	7322.0	1	7269.0	65			7722.0	17-year asc tri	Pennant			\$ 8,374	\$ 90,171								
DXH7	US Dollar	3/1/17	L	101.865	1	101.28	60	101.49	3/3	108.84	20-mo rectangle	Poss 15-wk H&S fail		101.485	\$ (385)	Closed	-							
FAST	Fastenal	3/3/17	L	51.53	300	50.29	40			62.59	6-mo H&S	7-wk pennant			\$ 15,459	\$ 15,459								
Trades as of															\$ 1,971	\$ 23,833	\$ 105,630							
Indicates open position value as of																Levered at	1.1							
PAST RESULTS ARE NOT NECESSARILY INDICATIVE OF FUTURE PERFORMANCE																								
r = revised RO = Rollover																								
The Factor Service \$100,000 Tracking Account represented herein is a proxy representation of the trading executed by Peter Brandt for the Factor LLC's proprietary trading accounts. There are some major differences between the trading activity conducted in the Factor Service \$100,000 Tracking Account and trading in the Factor LLC's proprietary accounts. Peter's trade sizing and trade management tactics in the proprietary account is sized and managed per \$1MM of proprietary capital. There may be trades Peter believes are not suitable for a \$100,000 block of capital, and these trades are not executed in the Factor Service \$100,000 Tracking Account. Factor LLC's proprietary account trades multiple contract trades wherein Peter layers into and out of a position at different prices and on different dates. The Factor Services \$100,000 Tracking Account most often holds a single futures contract in a trade whereby layering is not possible. Factor LLC's proprietary accounts may also pyramid some trades not pyramided in the Factor Service Tracking Account. Because the Factor Service Tracking Account represents how Peter would trade a \$100,000 block of capital in contrast to the actual trading of Factor LLC's proprietary account, the Factor Tracking Account should be considered as hypothetical. Hypothetical trading performance is subject to the following disclaimer required by the Commodity																								
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