

Factor Interim Update, August 27, 2017

Factor Update in Review

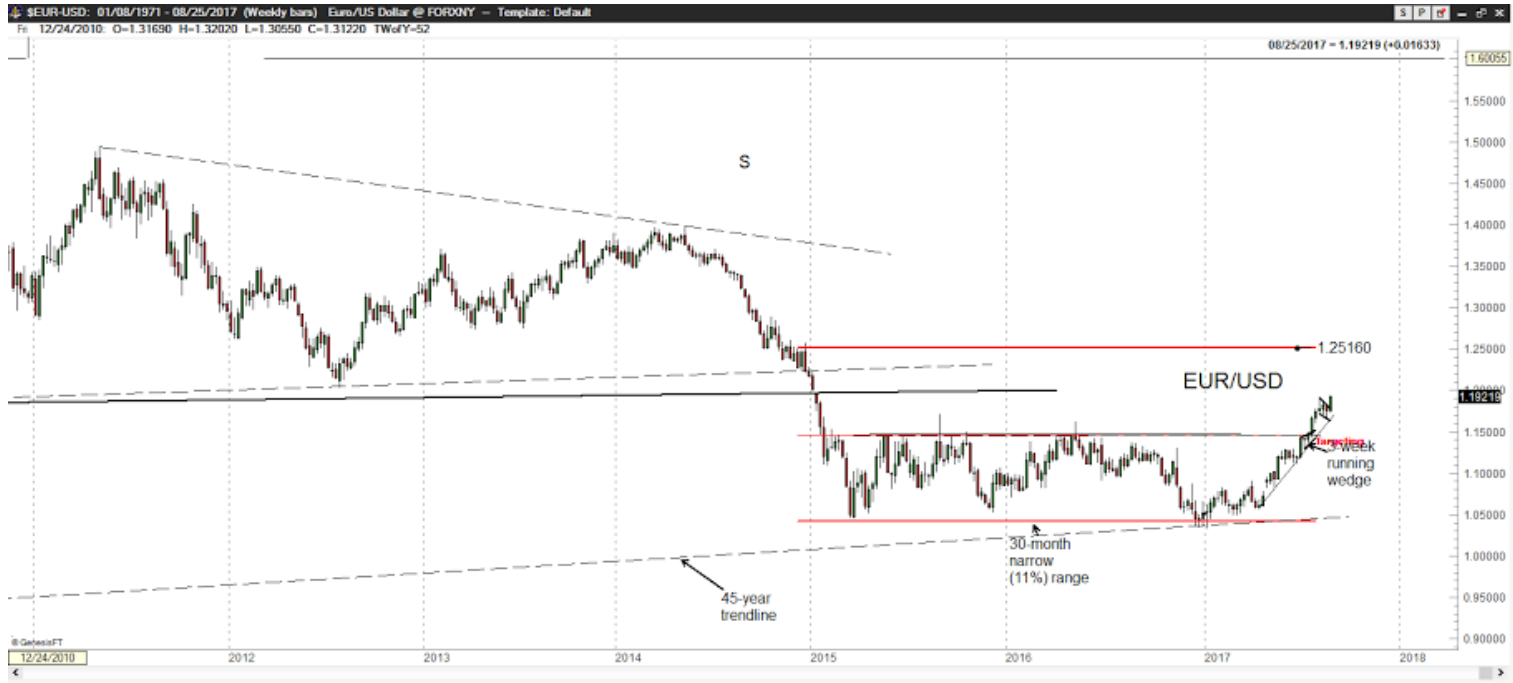
This Interim Update makes comments on:

- EUR/USD
- NZD/USD
- USD/TRY
- Cocoa
- Gold
- Nikkei Dow
- Russell 2000

Markets

I wind up my travels at the end of this coming week and should be back in the saddle completely by Sept 4. Thank you for your patience while I take some time away from following the markets on a daily and intensive basis. I did make two trades this past week, but in general my time away from the markets has been relaxing and refreshing.

EUR/USD - This cross continues to make upward progress, registering a new high for the advancing trend on Friday. The weekly and daily graphs are shown. Factor remains lightly long this cross.



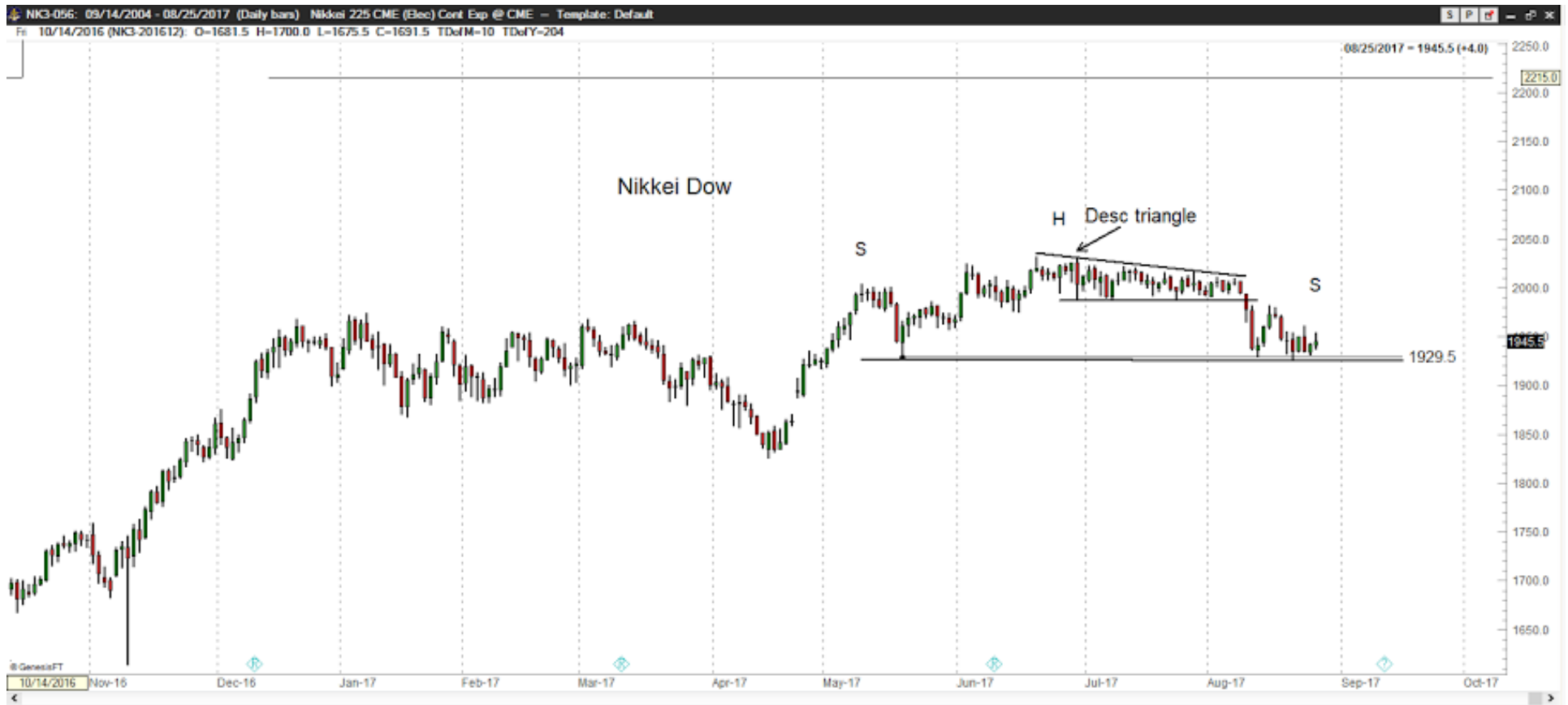
NZD/USD - This cross completed an arguable H&S top on Wednesday. I shorted the cross on Thursday. Even though the pattern was not the clearest I established the trade given the near-record short position by Commercials. I covered the trade for a small loss on Friday. It is my general policy to not carry losing trades home on Friday. Factor is flat.



USD/TRY - I have commented on this cross frequently in recent months. While my bias had been constructive, I commented that the completion of a small descending triangle could launch a 4-month H&S failure pattern. This occurred on Monday -- accordingly I established a short position on Tuesday. I have already advanced protective stops to a near break-even trade.



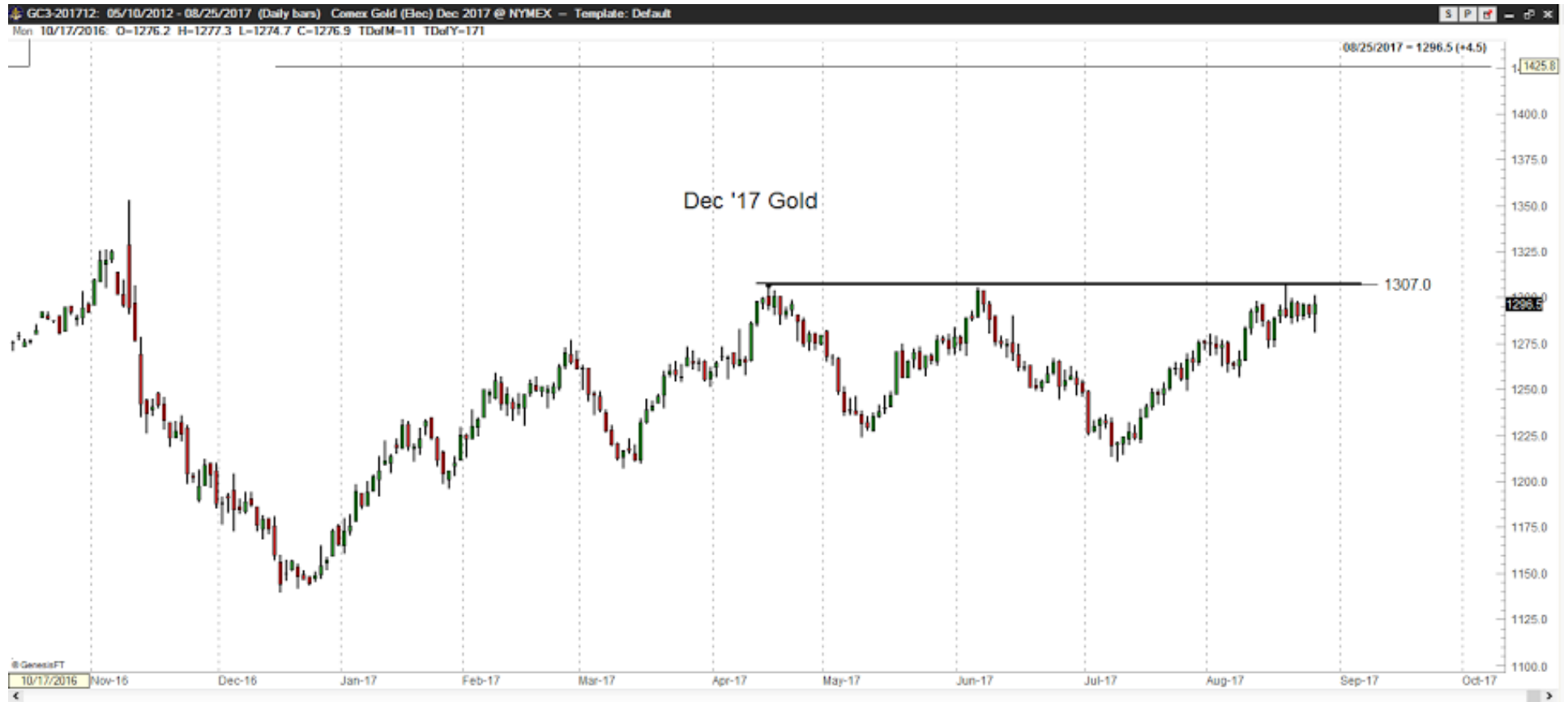
Nikkei Dow (U.S. Dollar-denominated) - This stock index has completed a 7-week descending triangle top and is possibly in the right shoulder of a H&S top pattern. If I do trade this market in the next week it would be in the more liquid and scalable Osaka contract (chart of Osaka not shown).



Cocoa - With a record Commercial long positioning profile, Cocoa is forming a 4-month symmetrical triangle on the weekly and daily graphs (both shown below). It is not a given that this pattern will be resolved on the upside.



Gold - I have not bought into the bullish case in Gold. Nevertheless, a new high in the Dec contract would provide a measured-risk opportunity on the long side. I must emphasize that if an upside breakout fails it would be quite negative given the "false" (my opinion) bullish conventional wisdom.



Russell 2000 - This stock index has remained the weakest of all major U.S. stock indexes for many months. The daily graph displays an 8+ month right-angled broadening pattern -- this pattern has a decisively bearish bias. I have made the case many times that it is wise to be short the weakest member of a category when short and long the strongest member of a category when long. I have heard several pundits argue in recent weeks that longs in the Russell are a good bet since the index has to play catch up. I do not buy into this line of reasoning.



Recommended listening - I highly recommend the RealVision podcast, *Adventures in Finance*. The podcast, available via iTunes, reached one million downloads this past week. I had the privilege to be part of this podcast a month or so ago, available via this link: <http://rvtv.io/2wzjbJY>

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