



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

Factor Update, November 12, 2017

Market Review

New candidate Factor Moves™ (trading set-up) are developing in:

- *Sugar

Candidate Factor Moves™ are currently ongoing in:

- *U.S. Dollar Index *USD/SEK

This issue also comments on *global stock markets (includes *Amazon) *EUR/SGD, EuroSwiss, British Pound, Bitcoin, EUR/USD, *Eurodollar spread, USD/CNH, Cocoa, GBP/JPY, Gold, *SILJ, Minneapolis Wheat and Brent Crude Oil. *Signifies a position in the Factor \$100,000 Tracking Account

<u>Developing signals</u>	<u>Existing positions</u>	
<ul style="list-style-type: none"> • Sugar – entry order and protective stop • British Pound – alert • GBP/JPY – alert • USD/CNH -- alert 	<ul style="list-style-type: none"> • Nifty (India) – protective stop • U.S. Dollar – stop and target • EUR/SGD – stop and target • USD/SEK – stops and targets • AMZN – stop and target 	<ul style="list-style-type: none"> • Eurodollar spread (ED5-ED10) • Sugar – protective stop • Taiwan Index – protective stop • SILJ – protective stop and target
<p>The Factor Tracking Account is currently leveraged at 2.7X. The margin-to-equity use for futures and forex is 13.5%.</p>		

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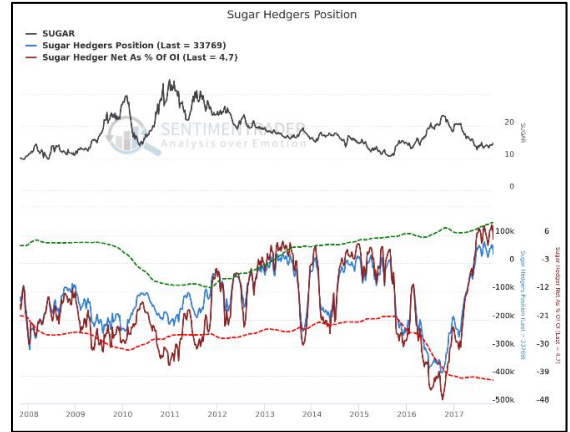
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Candidate Factor Moves – Ongoing and Under Development

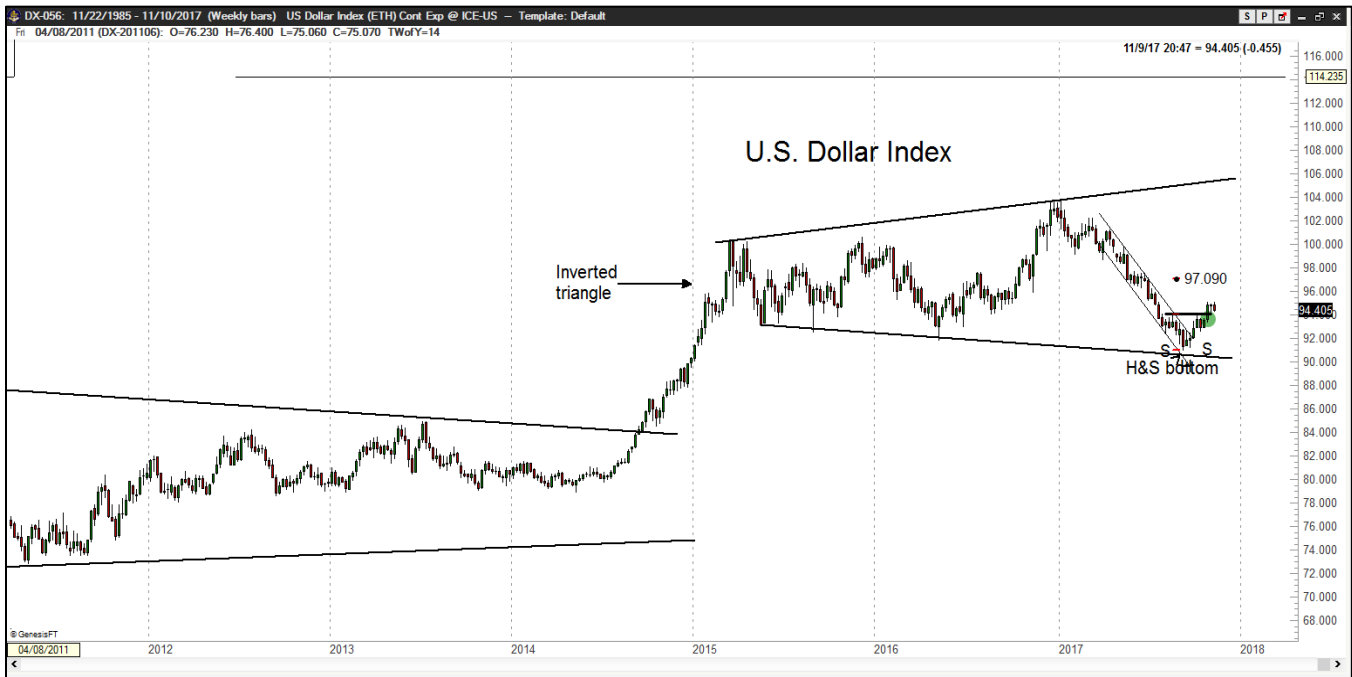
Sugar – bottom process continues, major breakout signal is ahead

On an absolute basis and as a percent of open interest, Commercials hold a near-record long position. The daily continuation chart is the cleanest chart, displaying an ascending triangle bottom. The daily chart of the Mar contract is a mess. Factor has somehow remained long Sugar. I have a strong interest to extend leverage.



U.S. Dollar Index – H&S bottom has been completed, but follow through is lacking

The advance on Oct 26 completed a 14-week inverted H&S bottom pattern on the daily chart. This pattern has a target of 96.89. The weekly chart shows that the U.S. Dollar Index is forming a possible 30+ month megaphone or inverted triangle (see Schabacker, Study V). If this interpretation is correct there is considerable upside potential in the USD. Follow through is lacking. Factor is long. I am not willing to allow this trade to decline beneath the neckline. See comments on EUR/USD.



USD/SEK – the trend remains up, Factor has lightened up

It was a good decision to be long USD/SEK rather than to be short EUR/USD. Sometimes I get it right – sometimes not! Welcome to trading. The 3DTSR was triggered on Thursday (see bullet points below) and I covered half of my long position.

- Nov 6 – high day
- Nov 8 – set up day
- Nov 9 – trigger day

Factor remains short a tranche with an open target.



Other Markets

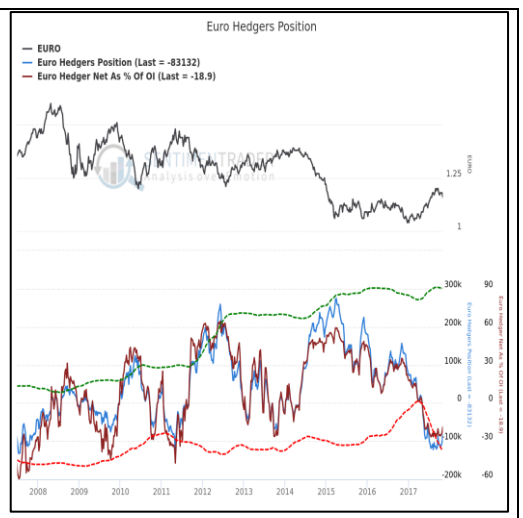
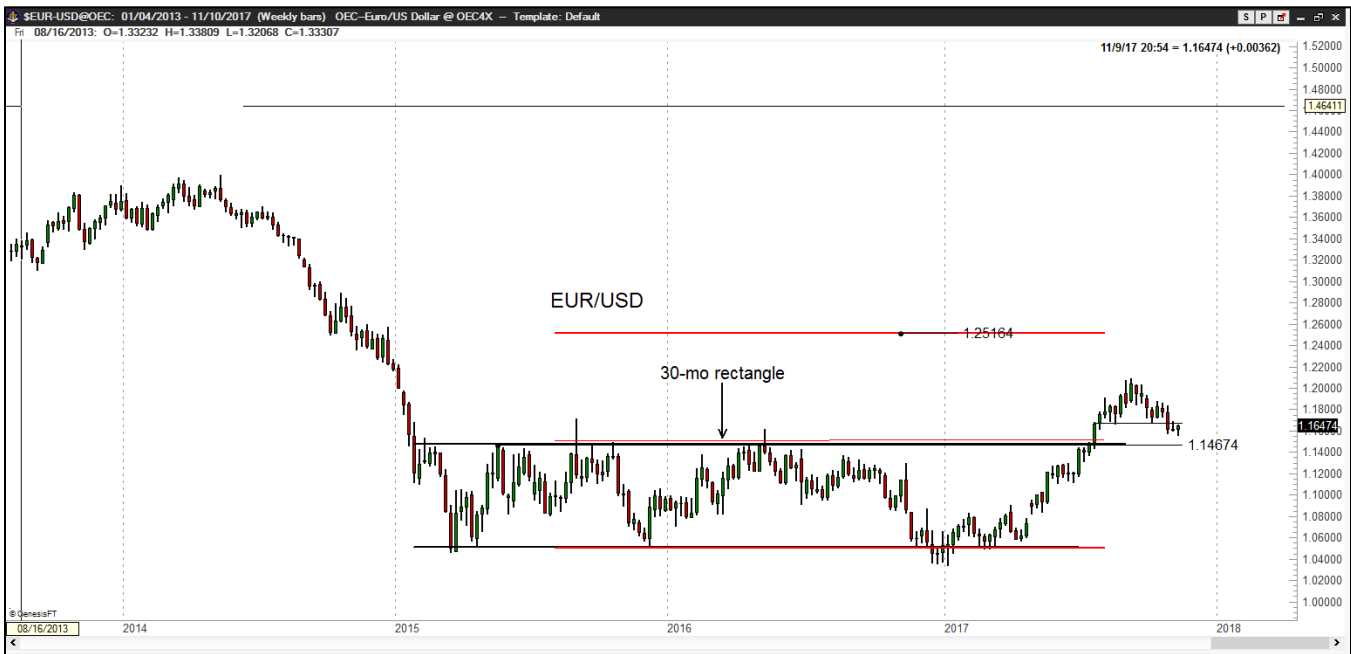
EUR/SGD – trend remains lower for now

The decline on Oct 27 completed a 12-week H&S top on the daily chart. Factor is short. This market is in “no-where” land – caught between the breakout level and the target. Factor remains short this cross.



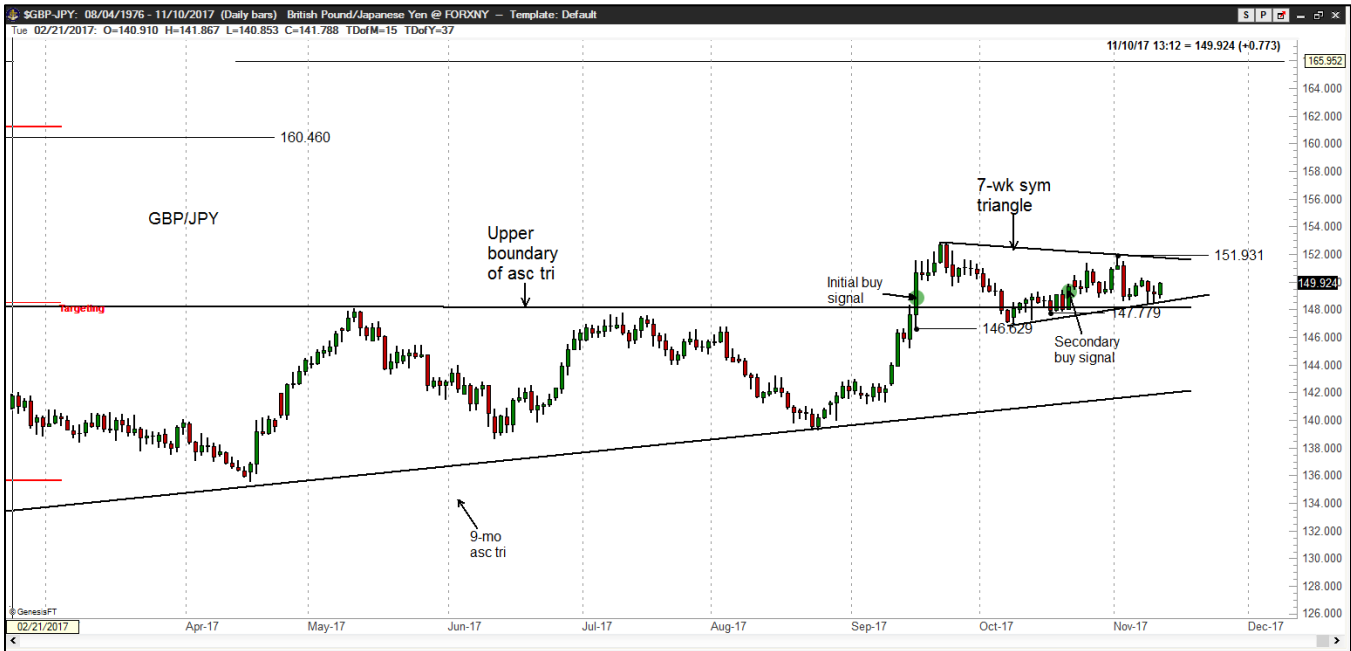
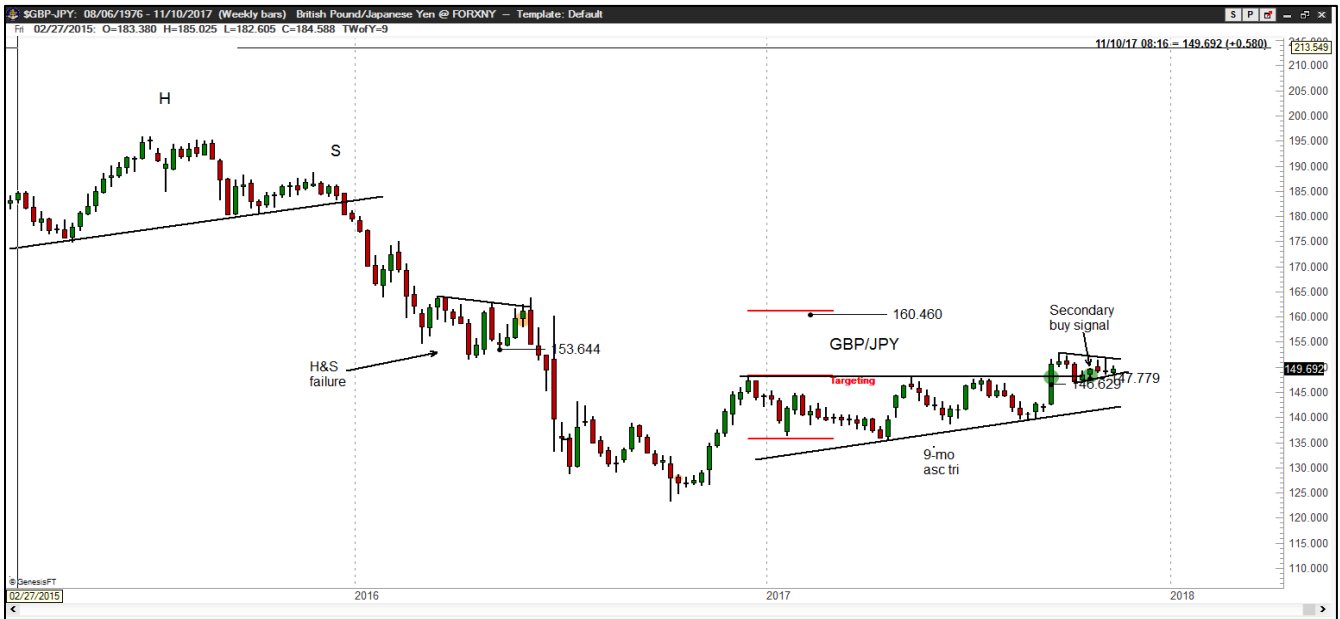
EUR/USD – is a H&S top failure a possibility?

I have previously discussed the implications of the bullish implications of massive underlying rectangle on the weekly chart. The decline on Oct 26 completed a near-picture perfect 12-week H&S top pattern with a target of 1.1253. Note that the head was an independent H&S top (red box) and that the right shoulder was a brief descending triangle. The small H&S pattern serving as the head of the larger H&S has met its target of 1.15845. Commercials retain a near-record short position. I chose to buy USD/SEK rather than to sell EUR/USD. I viewed the two crosses as quite equivalent and wanted to be positioned in the leader. This market is caught between a rock and hard place. I would view a wide-bodied-bar (WBB) advance above 1.1750 as suggestive of a possible H&S top failure. Factor is flat. Depending upon how the chart unfolds I am willing to trade this forex cross in either direction.



GBP/JPY – three strikes, you’re out!

My general trading rule is to try a chart pattern two times – if unsuccessful, then quit and look elsewhere for a trade. There is a reason for this rule – it prevents the “lesser me” from becoming obsessed with a trade. Emotional obsession is NOT a positive trading trait. I have tried the long side of GBP/JPY twice, and might be enticed to try it a third time. The dominant chart construction is the completed 9-month ascending triangle on the weekly graph. The market is now forming a 7-week symmetrical triangle or pennant around the upper boundary of the larger ascending triangle. A decisive move and close above the Nov 1 high might be an indication that the ascending triangle may yet be the correct chart interpretation. Factor is flat. I am willing to let this cross make a fool out of me for a third time.



Global stock markets – bull trend continue despite spats of volatility

NASDAQ

The dominant chart construction of the completed 18-week running wedge has an unmet target of 6387. I was preoccupied this past week with a death in the family and will remain in California to deal with family matters through the end of Nov. I have been jamming my stops each afternoon, only able to monitor markets once each day. I had been jamming my stop in the Nasdaq and was stopped out on Thursday. Factor is flat. The long position in NQ was my second most profitable trade of the year – behind the Canadian Dollar.



Amazon (AMZN)

The gap advance on Oct 27 completed a 6-month H&S failure pattern on the daily chart with a target of 1149. Factor is long. The advance has exceeded 70% of the distance from the breakout at 1017 to the target – thus the Factor 3DTSR is now in effect.



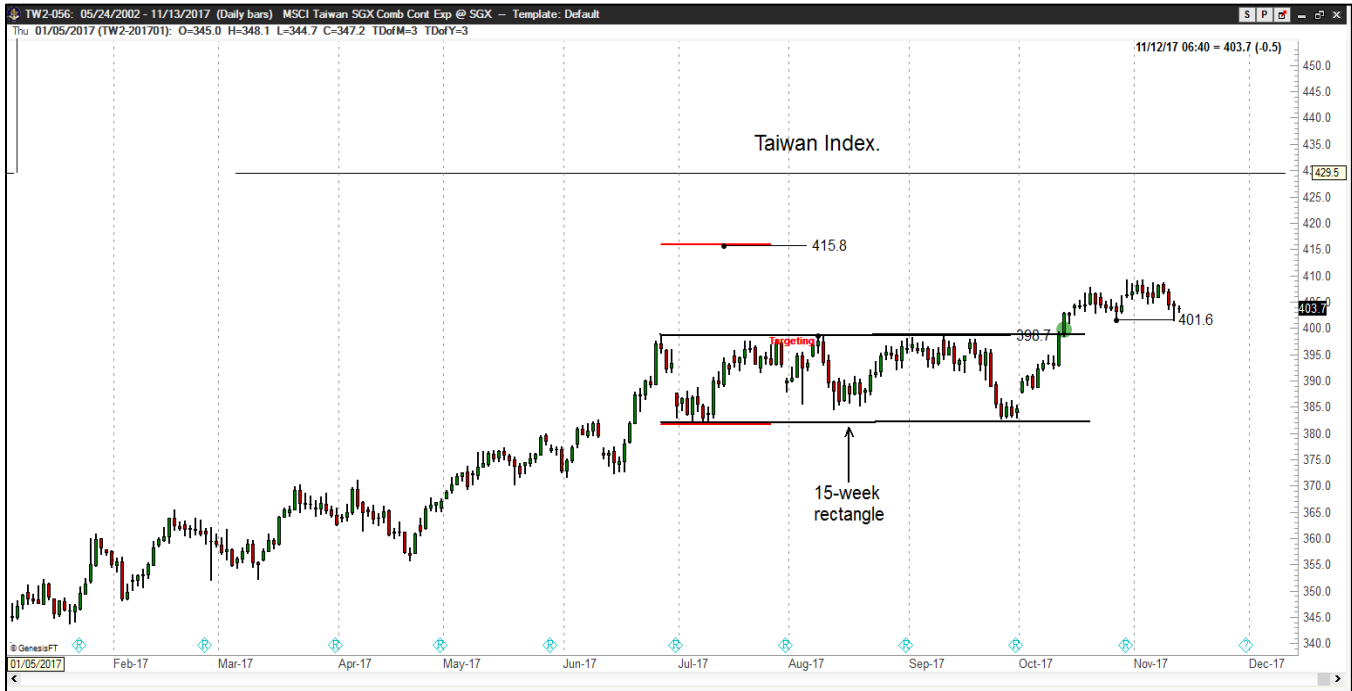
Nifty.

The weekly chart of the Nifty (India) has a target of 11,265 – established by the underlying 2-year Cup and Handle pattern. The advance on Oct 13 arguably completed an 11-week rectangle which temporarily faltered but was reconfirmed on Oct 24. I was stopped out of half my position this past week and remain long the other half.



Taiwan Index

The dominant chart construction is the completed 15-week rectangle. Factor is long. I did not advance stop protection this past week.



Russell 2000

I am no longer interested in the long side of this market. The possible half mast flag has lasted too long and this past week's decline was too deep.



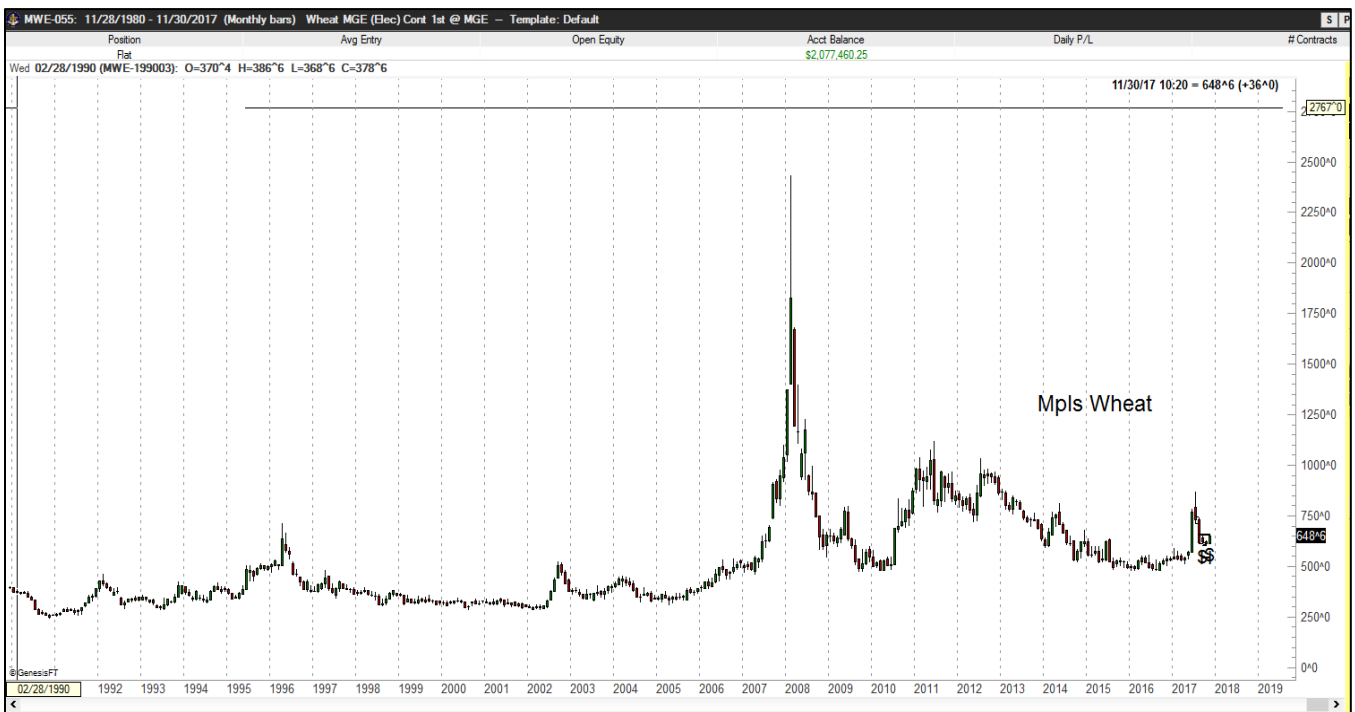
British Pound (GBP/USD) – there is reason to believe a major top is in place

The Oct 29 Factor Update pointed out reasons on the longer-term charts why the British Pound may be reentering a bear trend. The daily chart is poised to breakout out of a 7+ month channel while simultaneously completing a 6-week bear pennant. Factor is prepared to sell any further weakness in this market with a target of 1.200.



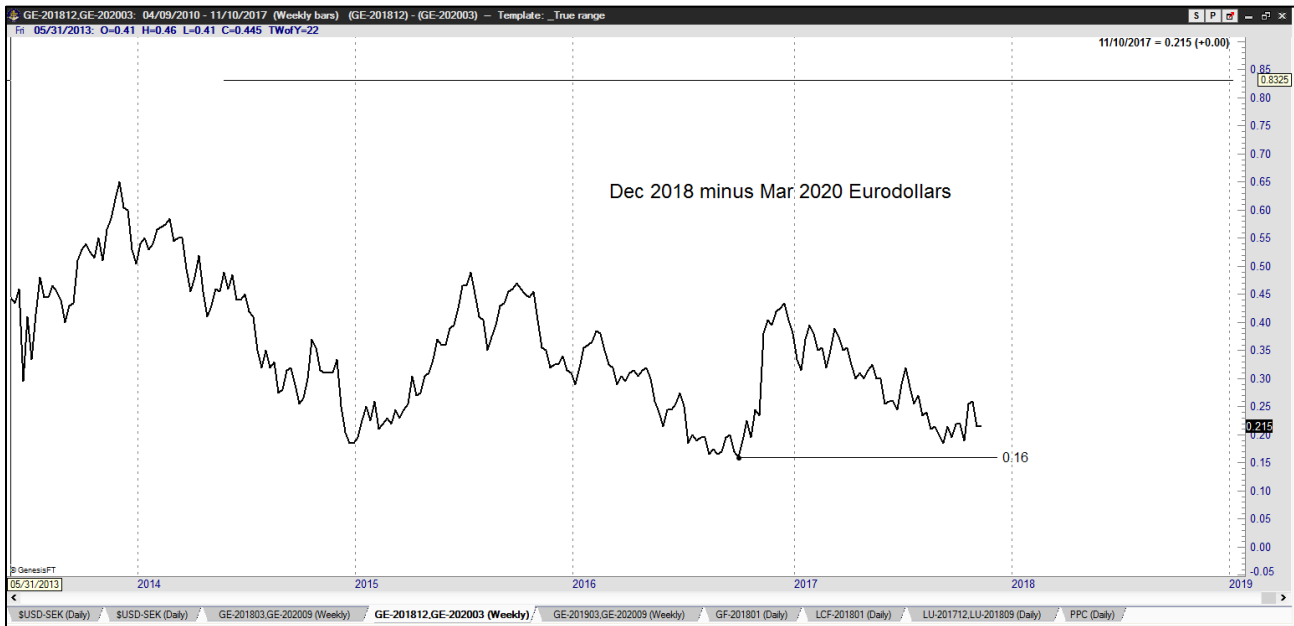
Minneapolis Wheat – target has been met, a larger bottom is possible

See the Factor Alert dated Nov 2. The advance this past week reached the 6.58 target. In fact, 6.58 was the high tick of the week. Seldom am I able to buy the low or sell the high of the day. The exception is usually during overnight trading when I have a resting limit order that is hit by someone's opposing market order. There is a possibility the chart could develop into a complex H&S bottom, requiring four or so weeks of sideways action and a decline toward 6.25. Factor is flat and will monitor Mpls Wheat for another buying opportunity.



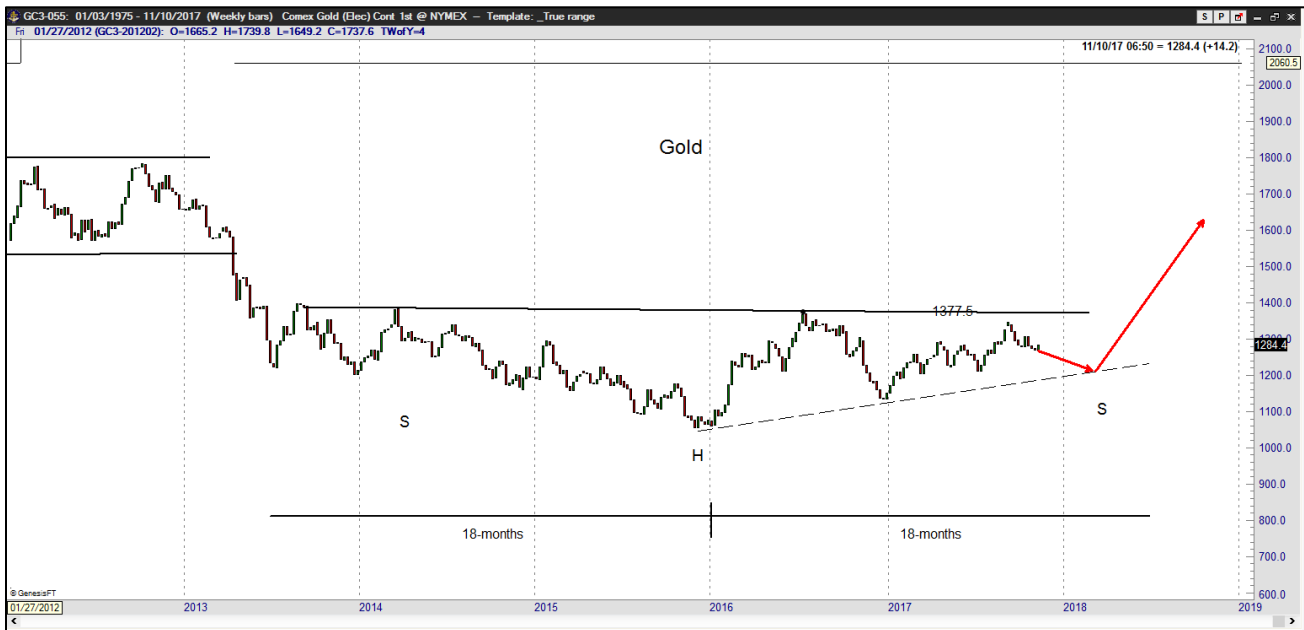
Eurodollar Spread (ED5-ED10) – cycle lows are due within the next few months

See Factor Alert dated Oct 22.



Gold – no reason to be bullish, at least not yet

I am NOT a Gold bull – at least not yet. I see Gold as being stuck in a trading range between 1150 to 1200 on the downside and 1400 on the upside. If the inverted H&S pattern in Gold follows the rule of symmetry, the right shoulder low should occur in JFM 2018 with the blast off occurring in Jun 2018.



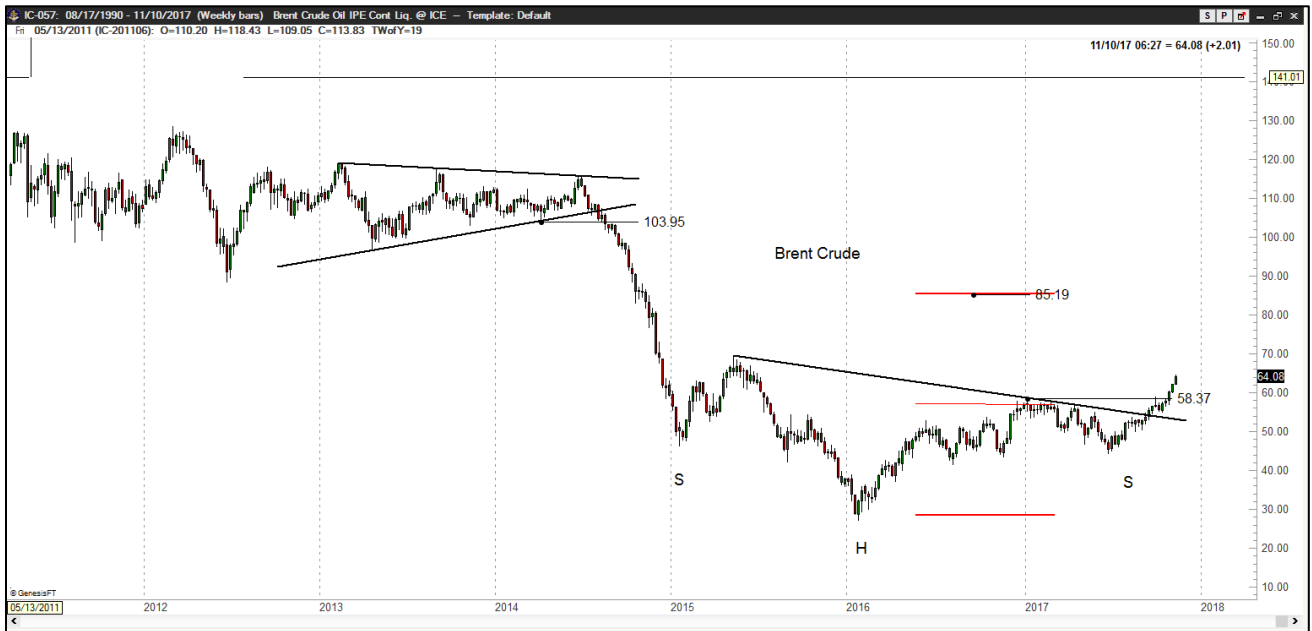
SILJ – Jr. Silver Miner ETF chart is breaking down

The weekly chart of PureFunds ISE Junior Miners (SILJ) displays a possible 14-month descending triangle. See the Factor Alert dated Oct 27. Factor is now short with a target at 6.41.



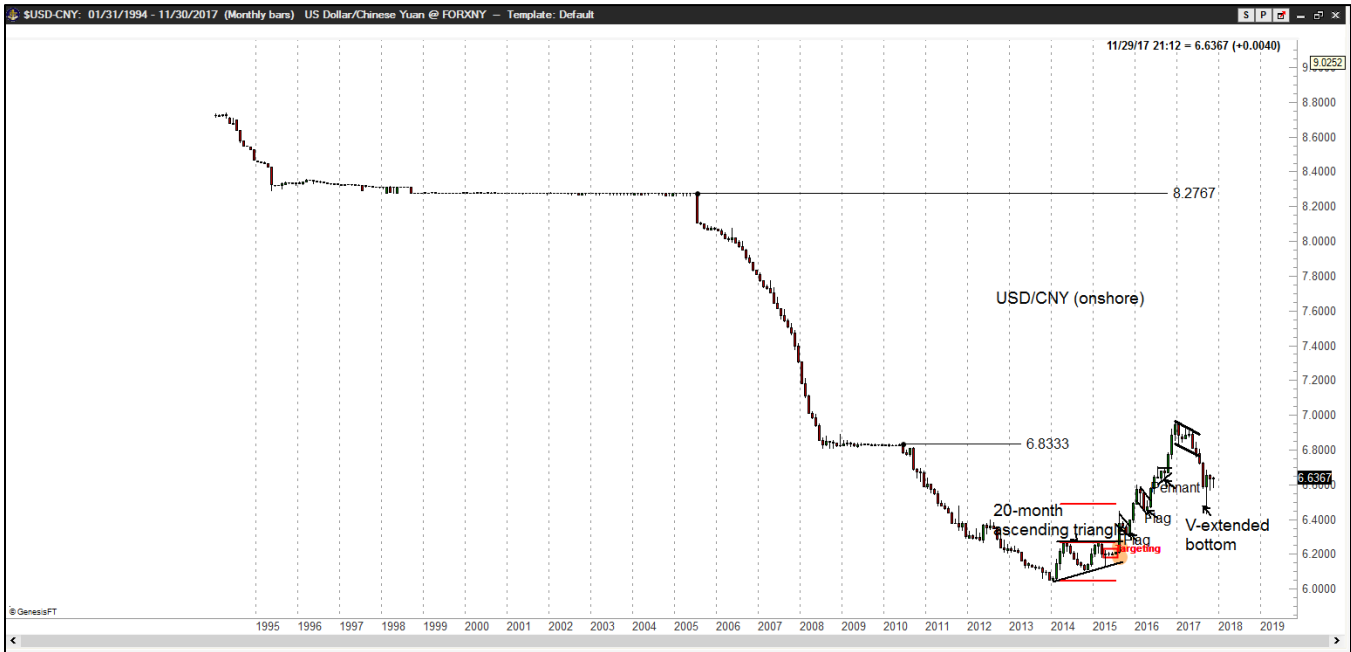
Brent Crude Oil – a H&S bottom has arguably been completed, confirmed by backwardation

The odds now appear to be in favor of a H&S bottom. Unfortunately the market never provided a low risk entry point on a daily chart. The upside target is likely a test of the 2012 low at 88.49. Factor is flat.



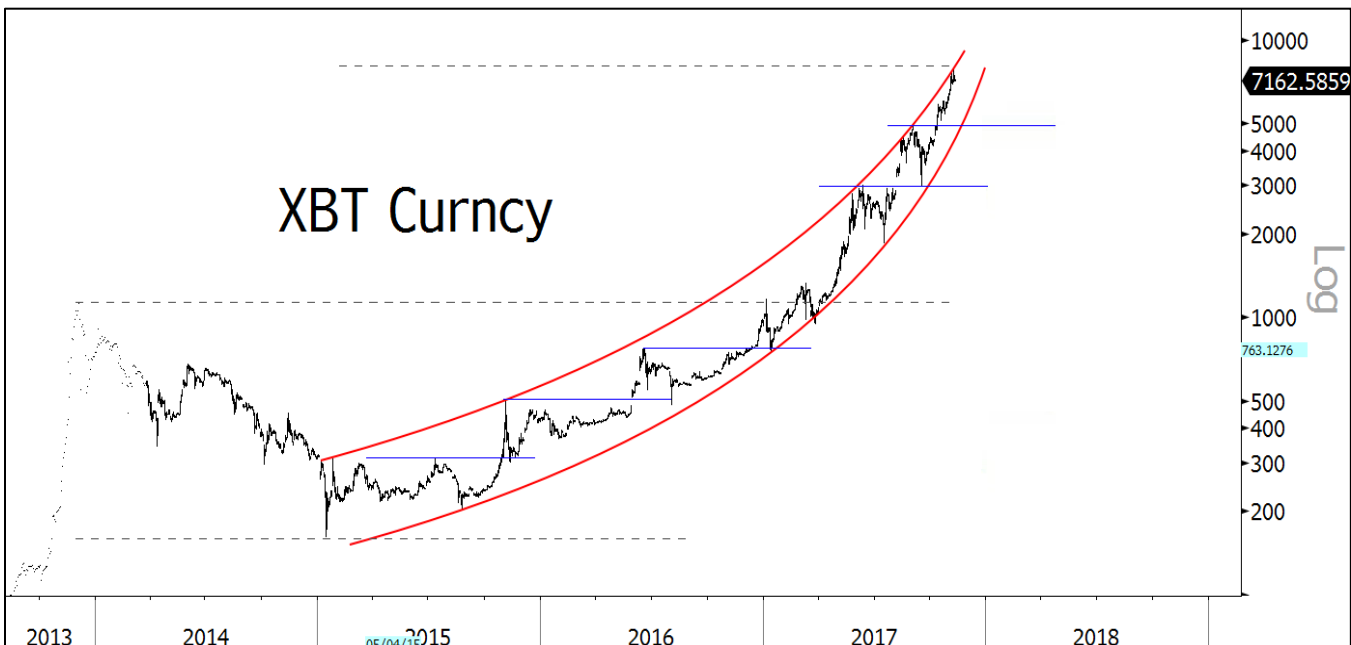
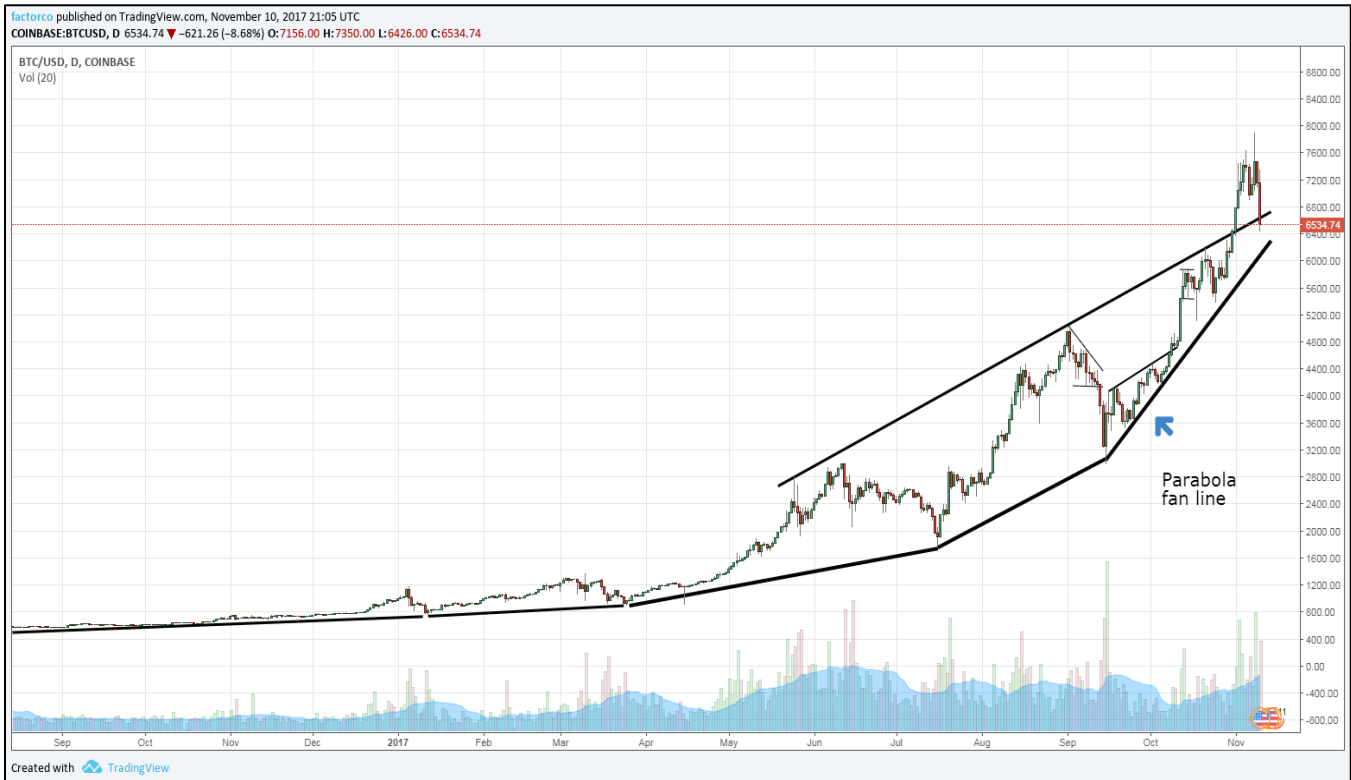
USD/CNH – will Yuan devaluation get back on track?

The monthly chart shows that the USD/Yuan was in a dominant bear trend from the mid-1990s through 2014. A decline in USD/Yuan indicates a trend of a weaker USD and Yuan. The monthly graph is of USD/CNY – the onshore Yuan. The daily chart is USD/CNH – the globally traded Yuan. I believe that the USD/CNH is in a bull trend and that the decline from the Jan 2017 high is corrective. Under this interpretation the Sep low was a "V"-extended bottom and the chart is forming a 6-week pennant. I am monitoring this forex cross for a buying opportunity. Note: Being long USD and short CNH is a substantial negative carry trade.



Bitcoin – the dominant bull trend continues in \$BTC

The dominant pattern in \$BTC remains the parabolic advance. The advance this past week was turned back by the upper slope line of the parabola on the log chart (bottom). Under this interpretation the burden of proof is being placed on the bulls. The general rule is that an entire bull trend is over and done once the final parabola fan line is penetrated. But for now the parabola remains intact.



Cocoa – a breakout at last

The rectangular bottoming process in Cocoa has been laborious – but it now appears that a bottom is in place. I chose not to enter this market. I like crisp and clean breakouts. Do I regret not entering? Not at all. I have missed moves in the past and will do so in the future. There is always a better trade around the corner for those who wait.



The Back-Burner – I’m interested, but some pending signals are like watching grass grow

EuroSwiss

This market continues to form a possible 35-month descending triangle. Yet, the Swiss National Bank is holding firm on its NIRP. I will continue to monitor this market for signs that SNB will tighten rates.



Post Mortem Corner

Pilgrim's Pride

I was stopped out of PPC early in the week only to watch the market go straight up. I hate when this happens. The reality is that I have trading rules – sometimes they work to my advantage, other times they disappoint. Trading rules cannot be optimized. I should have reentered the trade early on Wed but was involved with more pressing issues.



Member Q&A

Question:

Peter, could you condense as briefly as possible the approach you take to trading?

Helmut B., Zurich CHF

Answer:

A discretionary technical trader who cannot briefly and clearly articulate his or her trading approach has not carefully thought through his or her trading approach. I can define 90% of what I do in my trading operation with just a few simple bullet points.

- I trade primarily futures and forex markets
- I am a classical chartist (ala Richard W. Schabacker)
- I trade the breakout of certain classical chart patterns
 - Horizontal patterns (as opposed to diagonal patterns)
 - Rectangles
 - Right angled triangles
 - H&S patterns
 - Pennants and flags during an ongoing strong trend
- 10 to 26 weeks in duration is my sweet spot
- The above criteria produce about 50 trading themes per year
- My maximum risk per trade is 1% of entire nominal trading capital – my sizing is based on my entry level and my initial protective stop
- I am very aggressive in advancing stop protection – I do not like trades that dig into my pocket
- I take profits at the target determined by the completed classical chart pattern
- I look for chart pivot points to advance stop protection on at least half of my position
- My win rate is less than 50% and this means that my default thinking is that my next trade will be a loss
- 80%-plus of my profits have come from less than 20% of my total trades

plb
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Factor Tracking Account, November 10, 2017

Table shows only open trades as of November 10, trades closed in the past week and open trades for which protective stops were changed. Complete listing of Factor Tracking Account for 2017 is updated monthly.

Factor LLC															11/10/2017				
Model Tracking Account Trade History and Portfolio																			
Constant nominal capitalization: \$100,000																			
															(See disclaimers and notes below)				
Market		Entry								Stop Date	Target	Pattern		Exit		Capital to carry trade	Value of trade (entry)		
		Date	L/S	Price	Size	Initial stop	BP risk	Current Stop	Δ			Weekly	Daily	Date	Price			Net	
GEZ18-GEHO	Euro spread	10/23/17	L	26.0	1	Maybe 0	62	9.00	11/3	88.00	6-yr cycle					\$ 500	NA		
GBP/JPY	GBP/JPY	10/23/17	L	149.66	20k	147.59	36	150.38	11/1	160.74	9-mo asc tri	Secondary completion	2-Nov	150.378	\$ 126	Closed	-		
USD/SEK	USD/SEK	10/23/17	L	8.1978	40k	8.1148	41	8.3114	11/8	Open	12-wk H&S	12-wk H&S				\$ 2,000	\$ 40,000		
PPC	Pilgrims Price	10/23/17	L	30.87	250	29.19	42	30.47	11/3	37.71	31-mo cont "W"	2-mo pennant	6-Nov	30.47	\$ (105)	Closed	-		
SNFX7	Nifty	10/24/17	L	10269.5	4	10156.0	23	10282.00	11/3	10682.0	11-wk rectangle	Secondary completion				\$ 1,240	\$ 20,539		
SNFX7	Nifty	10/24/17	L	10269.5	1	10156.0	23	10372.00	11/7	10682.0	11-wk rectangle	Secondary completion	9-Nov	10371	\$ 193	Closed	-		
TWX7	Taiwan Index	10/26/17	L	403.20	1	400.80	24			415.80	15-wk rectangle	15-wk rectangle				\$ 2,450	\$ 40,320		
DXZ27	U.S. Dollar	10/26/17	L	94.165	1	93.525	64	93.93	11/9	96.89	16-wk H&S	16-wk H&S				\$ 3,700	\$ 94,210		
USD/SEK	USD/SEK	10/26/17	L	8.26170	40k	8.21780	23	8.3702	11/8	8.4770	12-wk H&S	New high	9-Nov	8.3701	\$ 518	Closed	-		
NQZ7	Nasdaq	10/27/17	L	6135.50	1	6099.00	87	6288.50	11/8	6384.0	wedge	completion	8-Nov	6288.0	\$ 3,808	Closed	-		
EUR/SGD	EUR/SGD	10/27/17	S	1.5898	40k	1.5981	24	1.5902	11/2	1.5653	3-mo H&S top	3-mo H&S top				\$ 2,329	\$ 46,588		
SBH7	Sugar	10/27/17	L	14.46	1	13.97	55	14.12	11/3	17.19	Poss 4-mo sym tri	4-wk sym tri				\$ 1,260	\$ 16,195		
AMZN	Amazon	10/27/17	L	1059.0	10	984.0	74	1088.48	11/10	1149.00	6-mo H&S failure	6-mo H&S failure				\$ 10,590	\$ 10,590		
MWEZ7	Mpls Wheat	11/3/17	L	624.75	1	618.75	30			658.00	Weekly chart support	5-week sym tri	9-Nov	658.0	\$ 1,658	Closed	-		
SILJ	Jr. Miners	11/10/17	S	10.70	300	11.91	36			6.41	14-mo desc tri	14-mo desc tri				\$ 3,210	\$ 3,210		
															Trades as of		\$ 6,197	\$ 27,279	\$ 271,652
															Indicates open position value as of		Levered at		2.7
PAST RESULTS ARE NOT NECESSARILY INDICATIVE OF FUTURE PERFORMANCE																	Margined at		13.5%
f = 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 Service \$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 Futures Trading Commission.																			
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