



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

Factor Update, December 17, 2017

Market Review

New candidate Factor Moves™ are developing in:

- EUR/JPY
- EuroSwiss

Candidate Factor Moves™ are currently ongoing in:

- \*Ethereum

This issue also comments on global stock index markets, Canadian Dollar, USD/CNH, \*cryptos, EUR/USD, \*Eurodollar spread, \*Gold and \*SILJ. \*Signifies a position in the Factor \$100,000 Tracking Account

<u>Developing signals</u>	<u>Existing positions</u>
<ul style="list-style-type: none"> <li>• EuroSwiss – entry order and protective stop</li> <li>• USD/CHN – alert</li> <li>• EUR/JPY – entry order and protective stop</li> <li>• CAD – entry order and protective stop</li> <li>• Nikkei Dow – entry order and protective stop</li> </ul>	<ul style="list-style-type: none"> <li>• Eurodollar spread (ED5-ED10) -- alert</li> <li>• SILJ – protective stop and target</li> <li>• Ethereum – alerts and targets</li> <li>• Gold – protective stop and target</li> <li>• Bitcoin -- alert</li> </ul>
<p>The Factor Tracking Account is currently leveraged at .5X. The margin-to-equity use for futures and forex is 11.3%.</p>	

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On Monday morning Factor LLC and RealVision will release the report shown to the right. It is always a privilege partnering with RealVision





Published by Factor LLC in conjunction with RealVision

December 2017

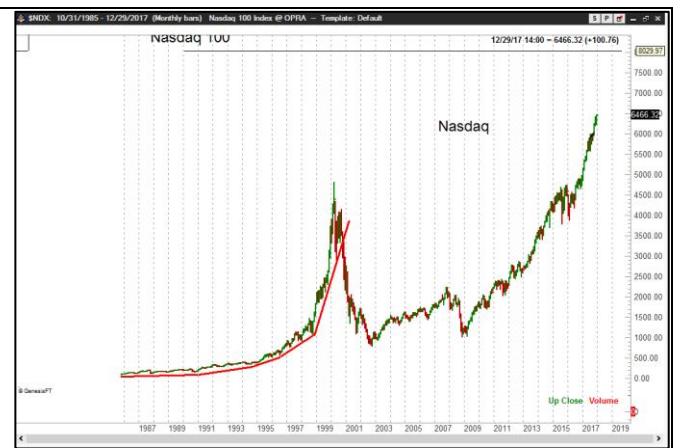
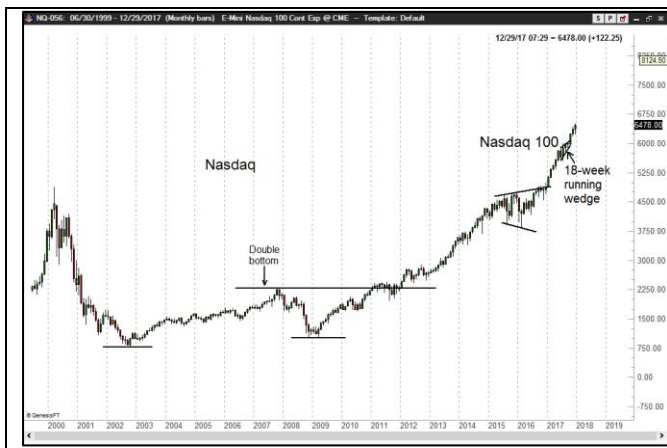
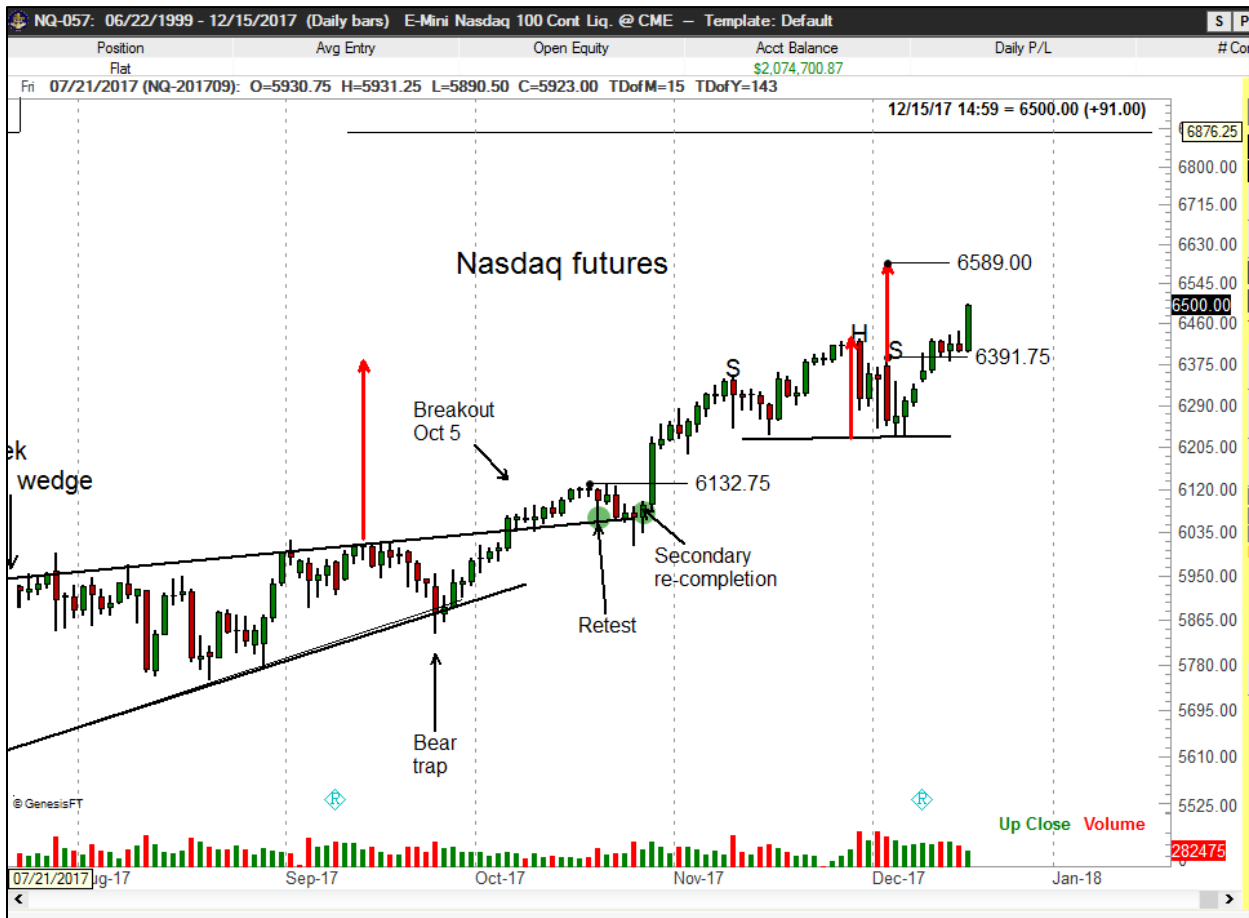
What’s next for Bitcoin – where do we go from here?

Global stock index markets – no end in sight

I am showing some longer-term graphs today to place the ongoing bull trends in global equities into perspective.

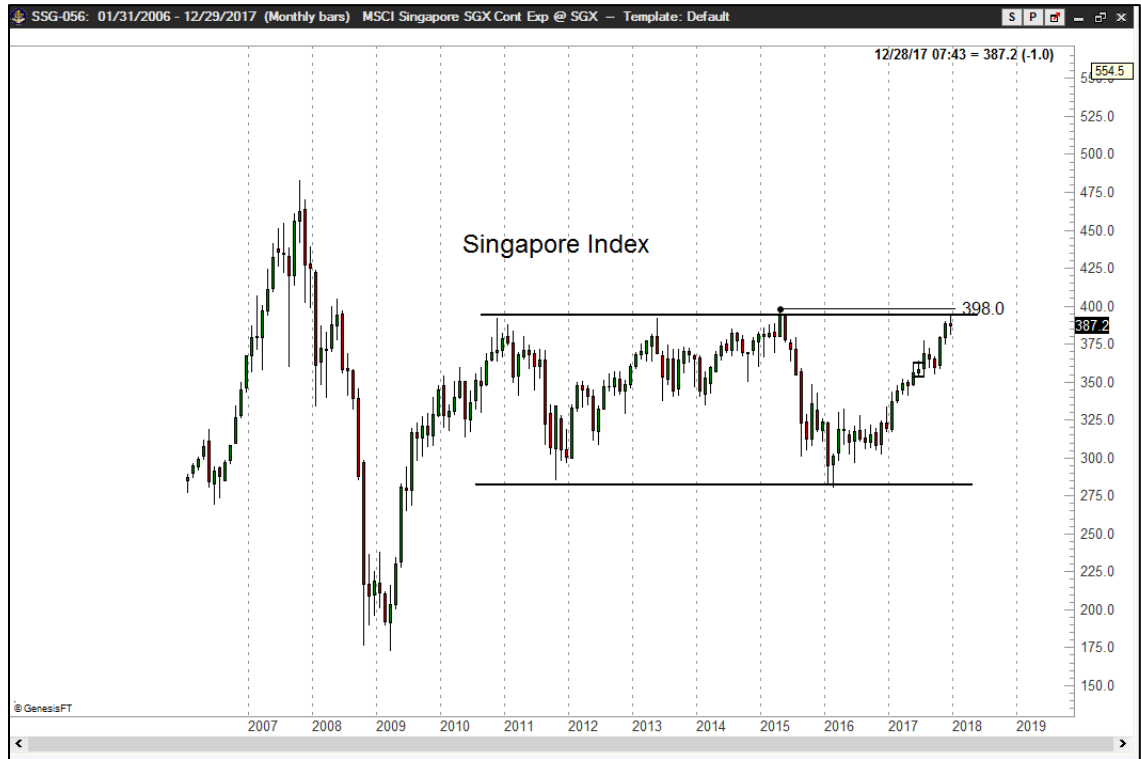
Nasdaq

This trend in the NQ has been the biggest bull move in history on a point basis (not percent change). There is no end in sight. The daily graph displays a possible H&S failure with a target of 6589. Factor is flat.



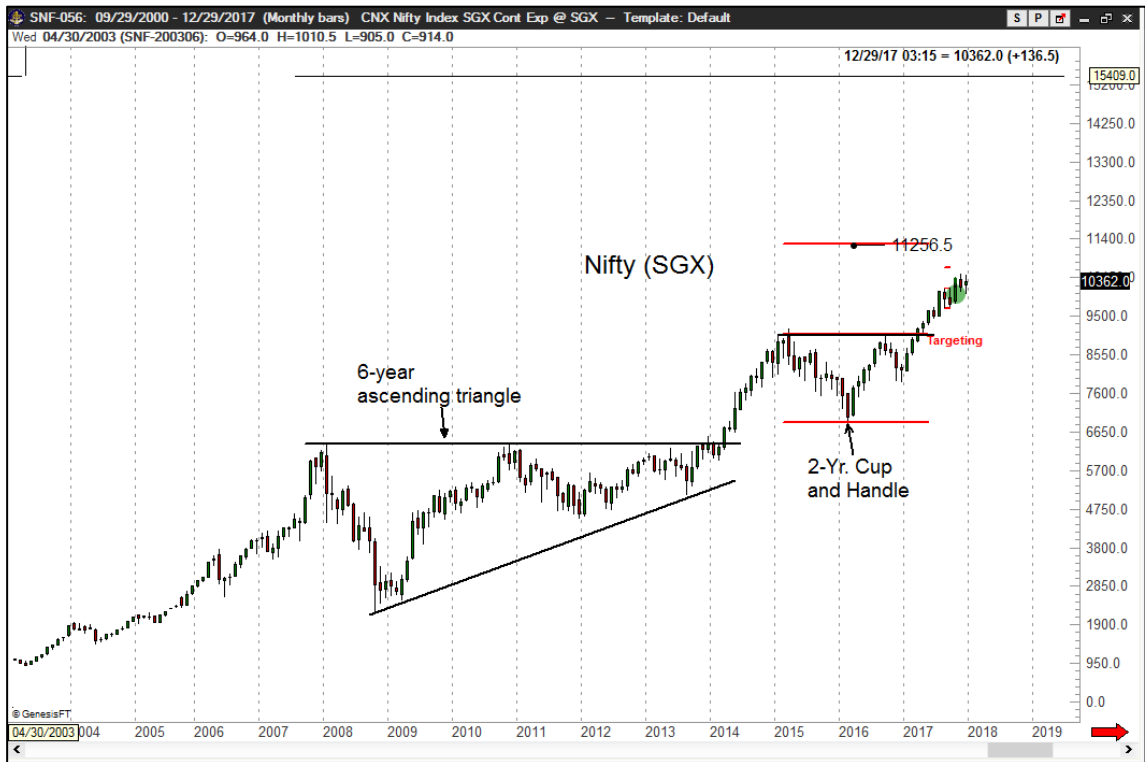
### Singapore Index

The Singapore Index is forming a 7-year rectangle. Multi-year patterns are useful for long-term price projections but not for timing. Factor is flat.



### Nifty (India)

The Nifty has an unmet target of 11,265. Factor is flat.



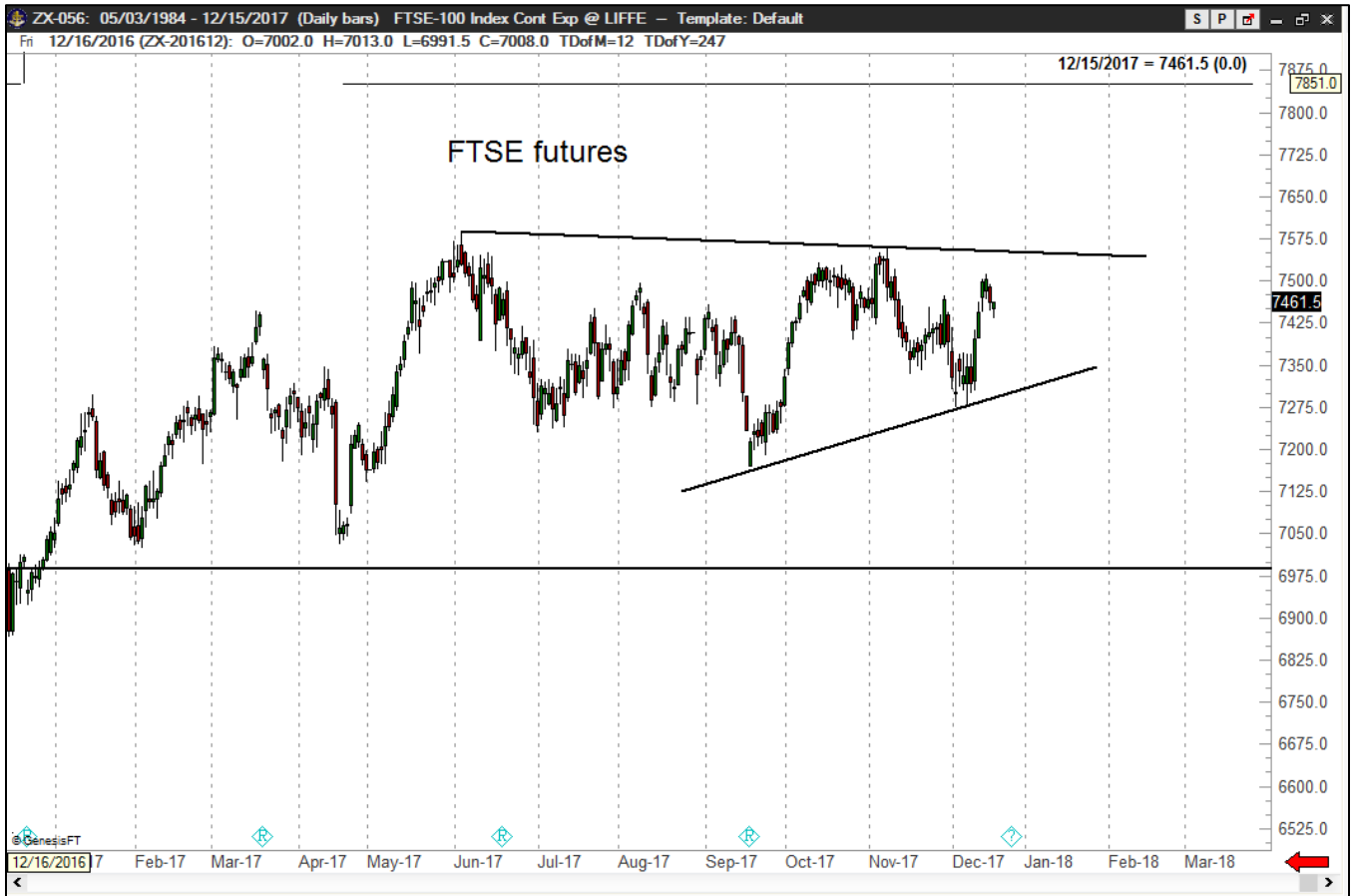
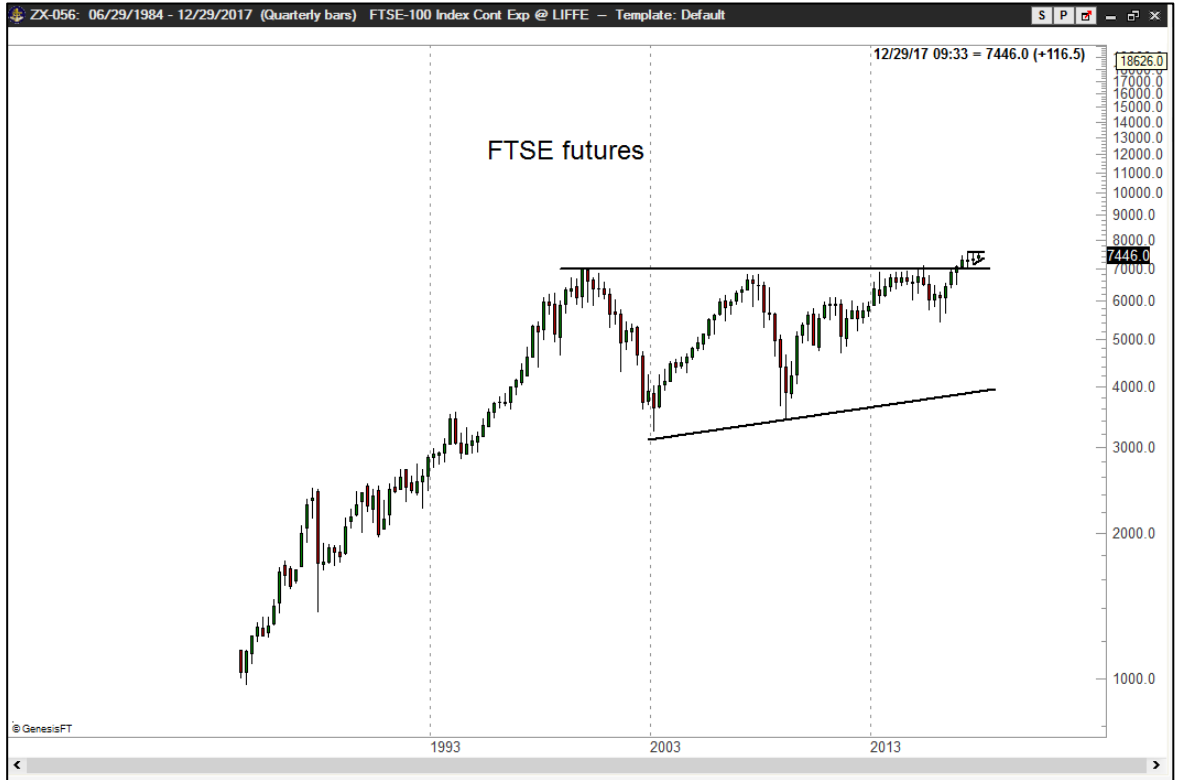
### Osaka Nikkei

I am interested in the long side of the Nikkei. The quarterly graph has completed a massive "W" pattern. The daily chart exhibits a continuation ascending triangle or pennant. Note that I am ignoring the Nov 9 spindle to label this pattern. Factor is flat – I have set an alert to be notified in case the market thrusts through the upper boundary of the pennant. The Osaka Nikkei is Yen-denominated.



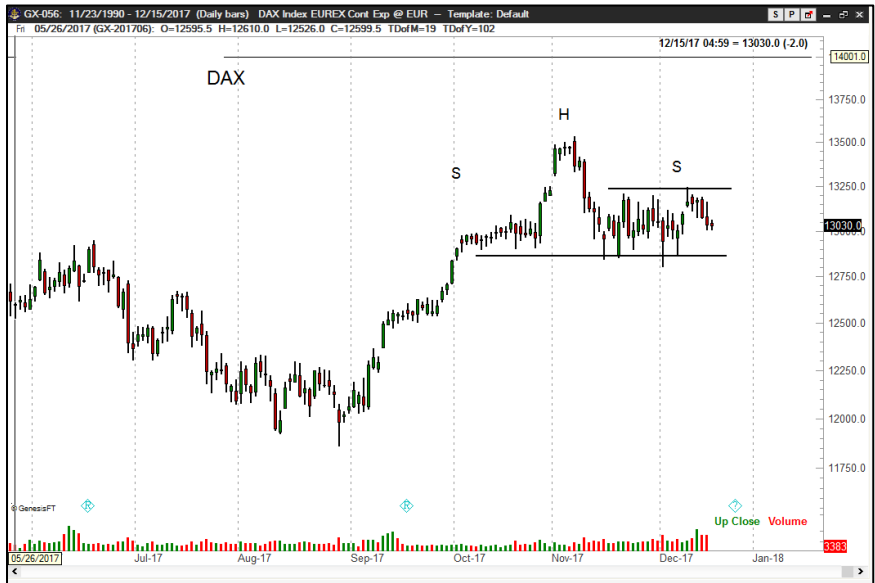
### FTSE

The advance in early 2017 completed a multi-decade ascending triangle on the log graph. Equities in the UK are in a major bull trend. The daily chart is forming a large symmetrical triangle pattern. Factor is flat.



### DAX

The DAX daily chart displays a possible H&S top. I do not trust this pattern because the left shoulder is stunted and it had lighter volume than the head or right shoulder. Factor is flat.



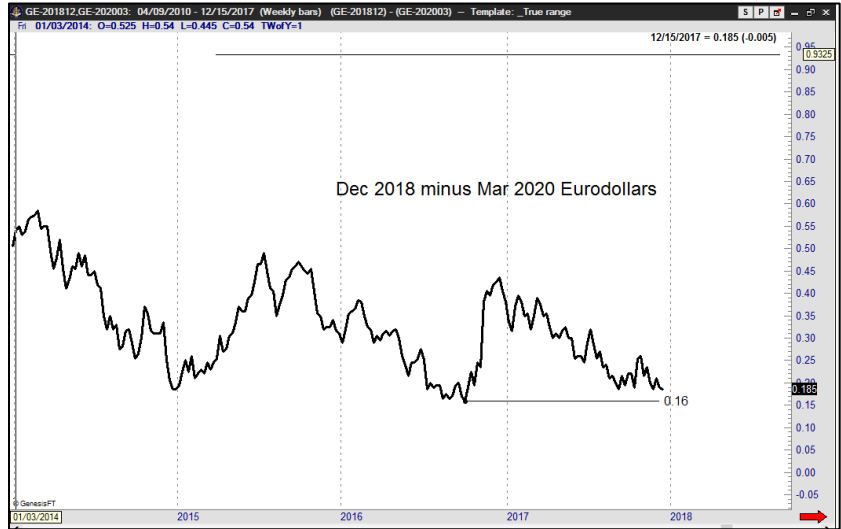
### EuroStoxx

This Index presents a bearish possibility. The daily graph displays a possible 5-week pennant (or rectangle). I periodically trade patterns with such brevity and might be interested in this one depending upon the exact nature of the breakout (if it does not occur with a gap and if it does occur during my daytime trading hours). Factor is flat.



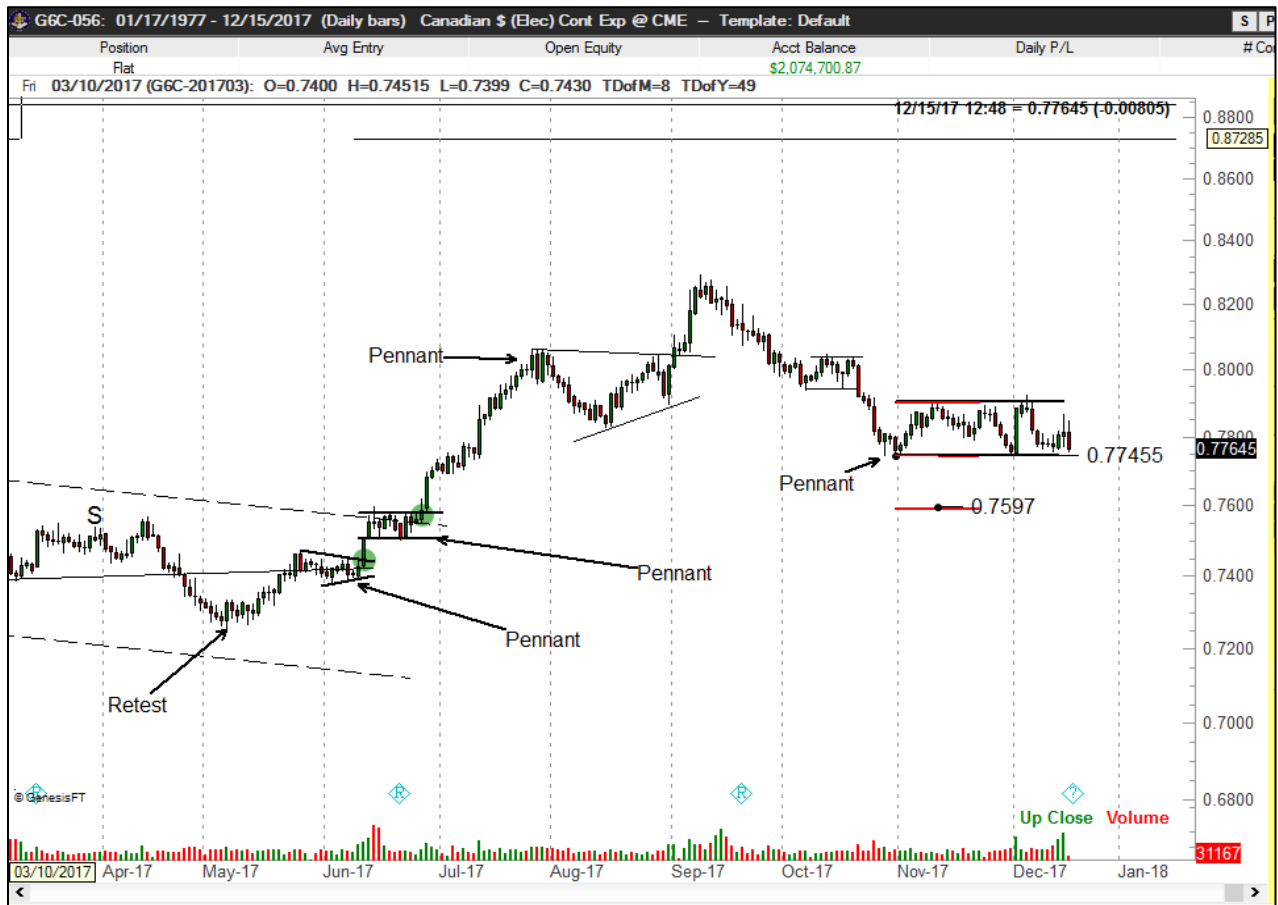
Eurodollar Spread (ED5-ED10) – in the time window for a cyclic low

See Factor Alert dated Oct 22. Recent action by the Fed toward higher interest rates is not being reflected in this spread. Factor is long Dec 2018 and short Mar 2020 futures.



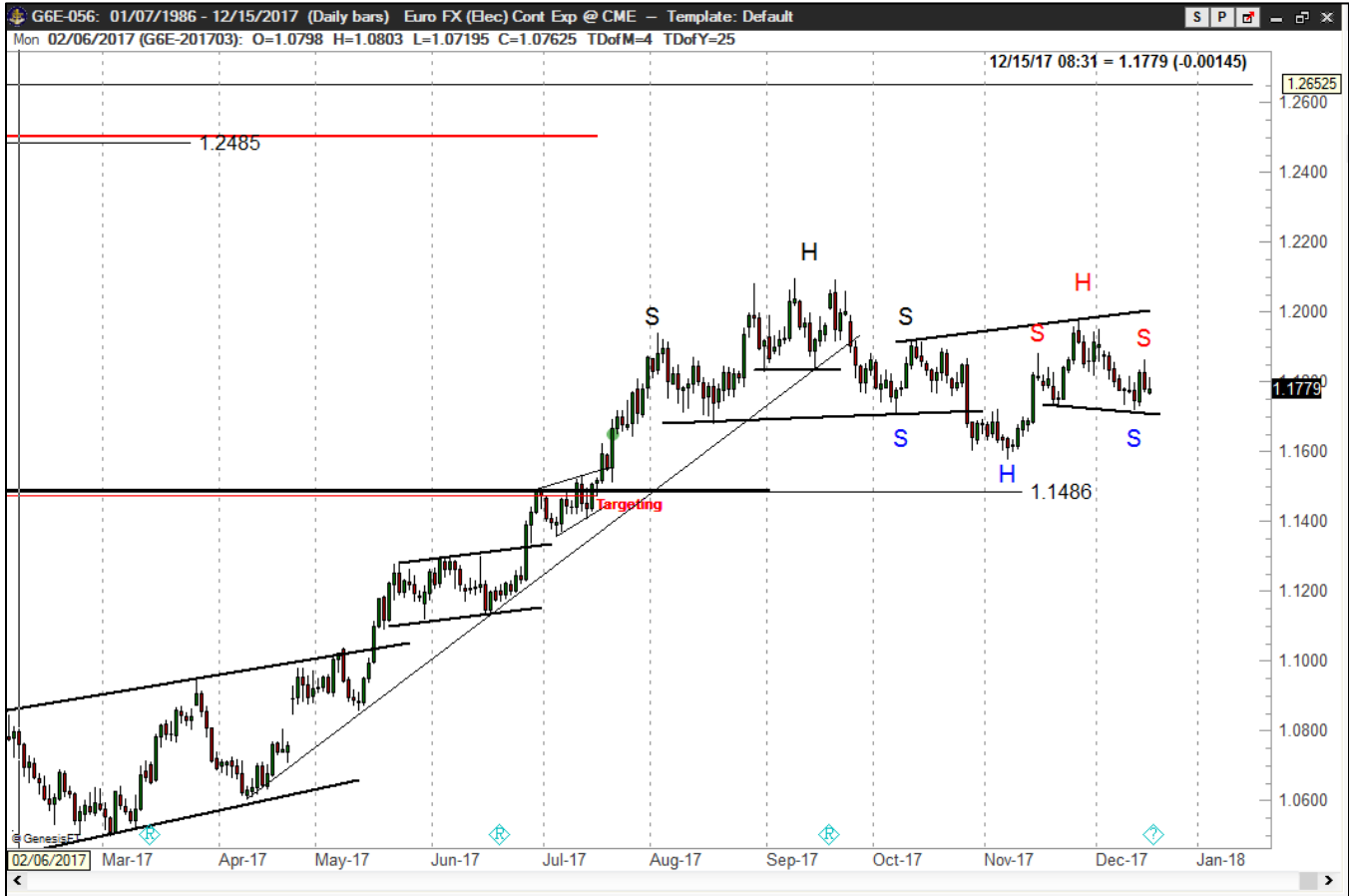
Canadian Dollar – it’s a toss-up between the weekly chart and daily chart

Recent Factor updates have provided more details on my longer-term bullish bias for the Canadian Dollar. However, the daily chart trend is down and the market is forming a 6-week rectangle (or pennant). I have an interest in trading this pattern with a short position because chart patterns in the Canadian Dollar have been so reliable in 2017. Factor is flat.



## EUR/USD – Where’s Waldo?

The daily chart in EUR/USD reminds me of the “Where’s Waldo” drawings. Three H&S patterns have formed since early Aug. Each H&S pattern is marked with different colored SHS designations. I have no interest in trading a chart that is such a mess. Factor is flat.



## EUR/AUD – the type of H&S pattern I do not like

Factor members often send me charts showing multi-year patterns. As a general rule I dislike multi-year patterns such as that shown below. Patterns beyond 12 months in length are quite unreliable and difficult to time.

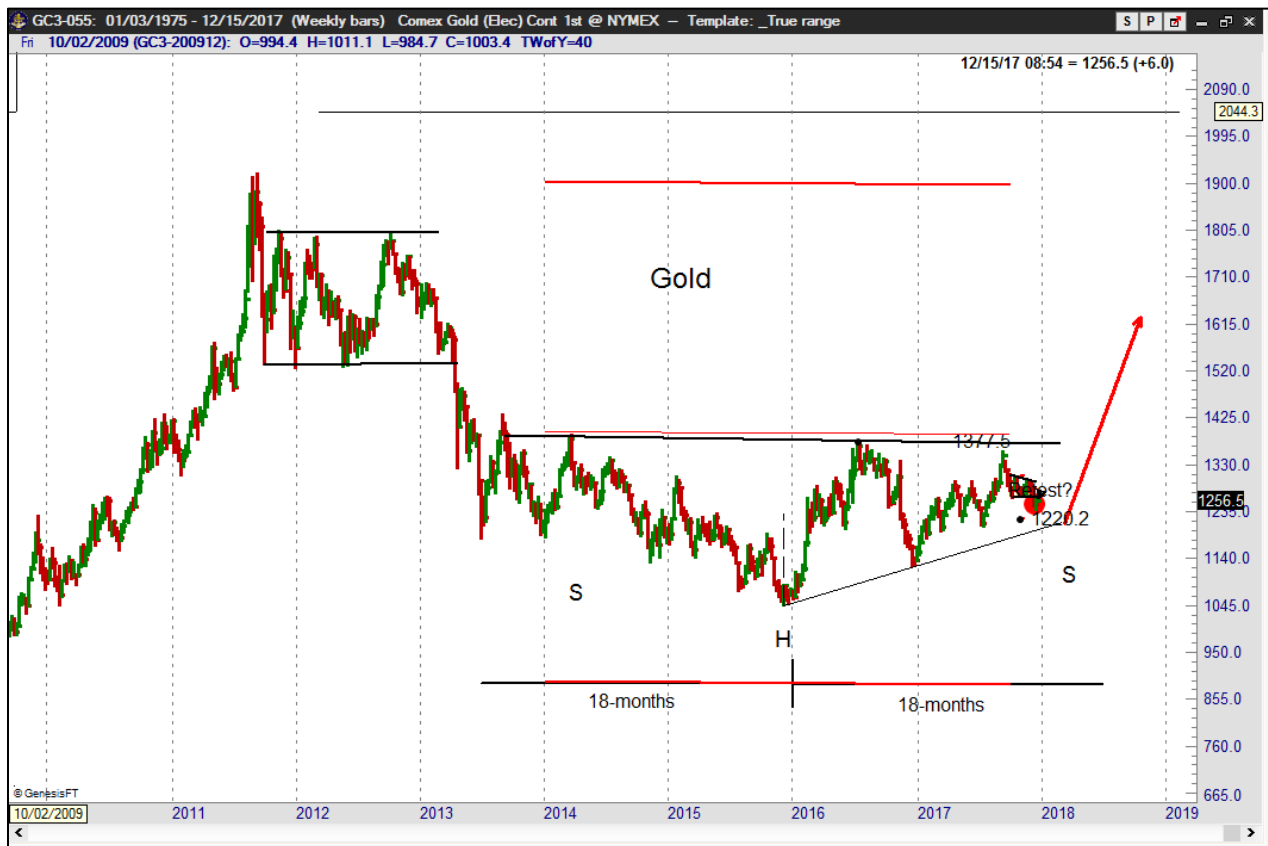




Gold – initial target of descending triangle met, market now trending toward right shoulder low

The decline on Tuesday reached the initial target for the Factor Tracking Account's short trade and half of the position was covered. The low-volume rally beginning Wednesday appears to be a retest of the descending triangle. I have probably over-stayed my hand by not covering the entire short position. For "Factor Junkies," the 3-day trailing stop rule (3DTSR) was triggered on Thursday, but I overruled

the signal and remain short a tranche of Gold. I continue to monitor the developing H&S bottom on the weekly graph. Gold is set up for a very large advance beginning in mid-2018.



## Cryptos – historic advance in BTC continues

See special report, *The History of Bitcoin Charts*, dated Dec 2; the Factor Alert on Ethereum dated Dec 8; and, the Factor Alert on Cryptocurrencies dated Dec 11.

### BTC

Bitcoin continues to thrust higher in an historic parabolic advance. The Factor Tracking Account established a small long position on Wednesday's dip, per the Dec 11 Factor Alert. I am not willing to let this trade move against me. At this point I do not view BTC as a "buy-and-hold" market – but rather as a swing trading vehicle. The intraday 4-hour chart



(Bitstamp) displays a possible rising wedge pattern. A rising wedge typically is resolved by a decline, although in a small proportion of cases prices blow out of the top of the wedge in what is called a running wedge. I normally do not like to base a trade on an intraday chart. However, the pace in cryptos is so fast that 4 hours in BTC is like a day in the spot forex markets. It will be fascinating to witness the impact of the CME BTC contract in the weeks ahead.



## Ethereum

The advance on Monday completed a small pennant (rectangle), confirming the earlier completion of a large ascending triangle. Accordingly the Factor added to the long position. The market subsequently exploded to reach its initial targets of 639 and 668 (see green arrows). It is my trading practice to take profits when a market reaches its target. Factor has now taken profits on two of the four long tranches (or "partials") established on Nov 23 and Dec 11. A further target exits at 1087.



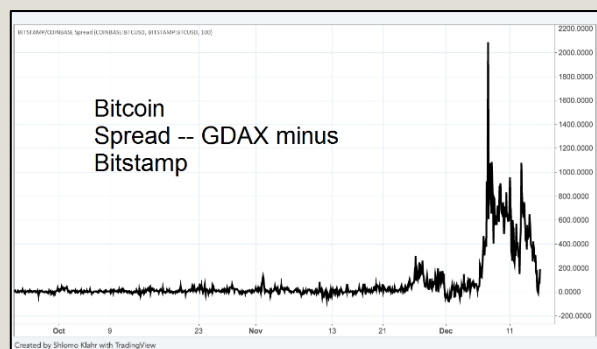
### The challenges of trading the crypto markets

Cryptos have added an entirely new dimension to trading. While cryptos are offering new and exciting trading opportunities, they also present some very difficult challenges. I am learning new things about crypto trading every week and every day. A week in crypto trading seems like a month in any other market.

The significant price differences between exchanges has been a challenge for charting and trading. My understanding of how the crypto markets operate is constantly evolving – as is the structure of my trading operations. I have maintained accounts at several exchanges in attempts (with mixed results) to execute transactional arbitrage using my hard wallet to pivot trades between exchanges. Holding account balances at multiple exchanges represents a risk to fiat balances. This risk is somewhat mitigated if the exchanges are FDIC-insured and have trading platforms that do not frequently crash.

There was strong evidence this past week that the spreads between exchanges are converging, as shown by the spread chart of GDAX vs. Bitstamp. The exchange-to-exchange spreads should continue to converge as the CBOE and CME futures contracts offer institutional arbitrage opportunities.

Traders should be very conscious of the fees involved with trading cryptos – they can add up. There are transaction fees and fees to transfer and receive coins to and from a hard wallet (charged by the miners to clear the chain).



The crypto markets are extremely immature, sometimes quite illiquid and fantastically volatile, but also quickly evolving. The more I learn about the crypto markets and how they work the more I realize how much I still need to learn. It may be some time before I become completely settled on my exact crypto trading protocol.

## Structural and functional problems with the Cryptocurrency markets

December 13, 2017 / by Peter Brandt

The cryptocurrency markets are in their infancy – and accordingly suffer many problems that time and technology will resolve. Some of the problems include:

- Despite the claims of blockchain's revolutionary technology, it takes far too long for transactions/trades to clear the chain.
- Opening an account with many crypto exchanges can be a time consuming and frustrating experience.
- It takes an excessive period of time for deposits to be posted to an account.
- While coins can be safely held in hard wallets, hard wallets can become lost, stolen or damaged.
- While coins can be stored securely on hard wallets, what protects the fiat balances at the various exchange from hackers or exchange bankruptcies?
- Hard wallet depositories are akin to burying Gold in the backyard. It is an irony that cryptos represent the most advanced internet/financial/commercial technology, yet crypto traders are storing millions of dollars on a USB device. REALLY?
- The bid/offer spreads at many exchanges are far too wide. It is often difficult and time consuming to "cross the spread" (buy at the offer or sell at the bid).
- The price of the same coin varies considerably from exchange to exchange. This makes charting extremely difficult.
- Good luck receiving guidance from an exchange's help desk. In fact, has anyone even spoken by phone to a support person at any exchange?
- The transaction fees at some exchanges would add time to Bernie Madoff's sentence.
- It can take forever to withdraw funds from an exchange – many exchanges limit the amount of each withdrawal and intentionally hold customers funds as long as possible.
- Moving coins from one exchange to another (either directly or with a hard wallet as the pivot) can be a time consuming activity, preventing aggressive arbitrage operations.
- The web site/trading platform of some exchanges crash when a trader most needs to place an order.
- The cryptos are far too volatile. The volatility will prevent wide commercial/institutional acceptance over the long haul.
- The lack of unified price settlements will also prevent commercial/institutional acceptance.

SILJ – Jr. Silver Miner ETF chart now in down trend

The weekly chart of PureFunds ISE Junior Miners (SILJ) displays a completed 14-month descending triangle. See the Factor Alert dated Oct 27. Factor is short with a target at 6.41. I am not willing to let this market trade much higher before pulling the plug on the short trade.



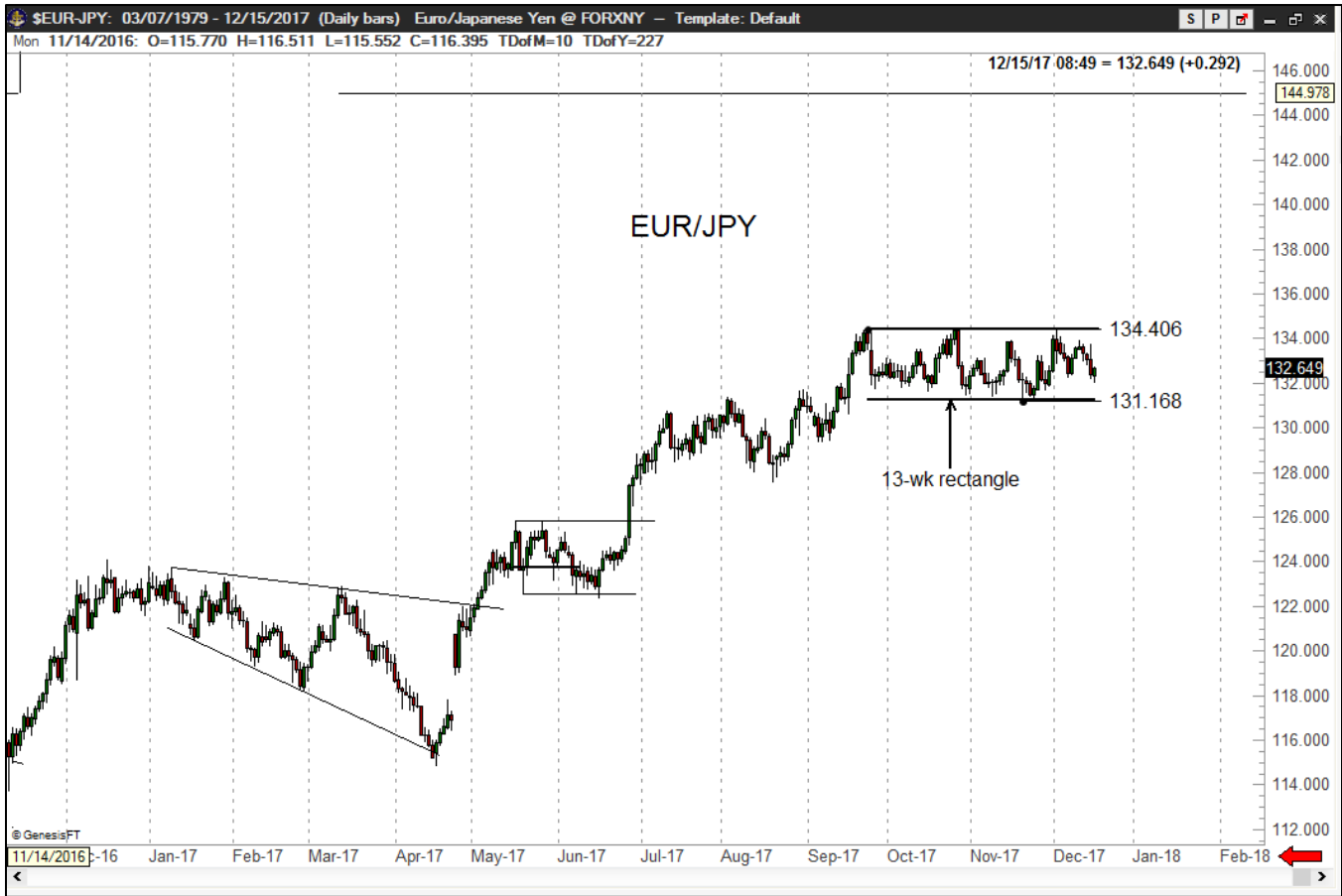
USD/CNH (Chinese Yuan) – long-term uptrend ready to be re-established

I believe the decline during 2017 is simply a correction in a dominant bull trend that began in 2014 (quarterly graph of onshore \$/Yuan not shown). The daily graph is forming a possible continuation symmetrical triangle. Factor is flat – I am monitoring this forex cross for a buy signal.



EUR/JPY – aah, my favorite pattern is forming

The 13-week rectangle in EUR/JPY has a range of 2.5% of the value of the cross. I absolutely love 13- to 26-week narrow-range rectangles. Factor is flat – my strong bias is toward the long side.



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

EuroSwiss

This market continues to form a possible 37-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. Short EuroSwiss is potentially my favorite candidate trade for 2018.



**Factor Tracking Account, December 15, 2017**

Table shows only open trades as of December 15, 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															12/16/2017		5:55 AM					
Model Tracking Account Trade History and Portfolio																						
Constant nominal capitalization: \$100,000																						
(See disclaimers and notes below)																						
Market		Entry								Stop Date	Target	Pattern		Exit		Net	Capital to carry trade	Value of trade (entry)				
		Date	L/S	X	Price	Size	Initial stop	BP risk	Current Stop			Weekly	Daily	Date	Price							
GEZ18-GEH0	Euro spread	10/23/17	L		26.0	1	15 close	62	9.00	11/3	88.00	6-yr cycle					\$ 500	NA				
SILJ	Jr. Miners	11/10/17	S		10.70	300	11.91	36	11.31	12/13	6.41	14-mo desc tri	14-mo desc tri				\$ 3,210	\$ 3,210				
ETH/USD	Ethereum	11/23/17	L		421.15	5	354.88	32	Mkt	12/12	639.00	5+ mo asc triangle	5+ mo asc triangle	12-Dec	624.74	\$ 978	Closed	-				
ETH/USD	Ethereum Gold mini	11/23/17	L		421.15	5	354.88	32	599.47	2/15	1087.00	5+ mo asc triangle	5+ mo asc triangle				\$ 2,106	\$ 2,106				
YGG8	(32.15) Gold mini	12/6/17	S		1266.20	1	1279.40	40	1267.6	12/14	1225.2 r	9-wk desc tri	9-wk desc tri				\$ 1,800	\$ 40,708				
YGG8	(32.15) Gold mini	12/6/17	S		1266.20	1	1270.60	15	1255.70	12/8	1238.70	9-wk desc tri	9-wk desc tri	12-Dec	1238.7	\$ 879	Closed	-				
ETH/USD	Ethereum	12/11/17	L		511.18	4	458.88	16	628.21	12/15	1087.00	5+ mo asc triangle	4-wk rectangle				\$ 2,045	\$ 2,045				
ETH/USD	Ethereum	12/11/17	L		512.14	3	458.88	22	494.88	12/12	668 r	5+ mo asc triangle	4-wk rectangle	13-Dec	668.00	\$ 445	Closed	-				
BTC/USD	Bitcoin	12/13/17	L		16043.57	0.3	15048.87	30	16624.48	12/16	20367.00	Major bull trend	4-day half mast flag				\$ 4,836	\$ 4,813				
															Trades as of		\$ 2,302	\$ 14,497	\$ 52,882			
															Indicates open position value as of			Levered at	0.5			
<b>PAST RESULTS ARE NOT NECESSARILY INDICATIVE OF FUTURE PERFORMANCE</b>																		Margined at				
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 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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