



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

Factor Update, January 14, 2018

Market Review

New candidate Factor Moves™ are developing in:

- *EuroSwiss

Candidate Factor Moves™ are currently ongoing in:

- None

This issue also comments on *global stock index markets (DJIA, *FTSE, Hang Seng Index, Singapore Index, AAPL, *Osaka Nikkei), interest rate markets (*Eurodollars, T-Notes, T-Bonds, EuroSwiss), currency markets (*EURUSD, Australian Dollar, *U.S. Dollar Index), *Gold and cryptos. *Signifies a position in the Factor \$100,000 Tracking Account

| | |
|--|---|
| <p><u>Developing signals</u></p> <ul style="list-style-type: none"> • AUD futures – monitor • AAPL – entry order and protective stop • GDX/GDXJ – alerts • Gold -- monitor | <p><u>Existing positions</u></p> <ul style="list-style-type: none"> • EuroSwiss (rates) – target • US Dollar Index – protective stop and target • FTSE – protective stop and target • Osaka Nikkei Dow – protective stop and target • EUR/USD – protective stop and target • Eurodollars – protective stop and target • GLD (Gold ETN) |
| <p>The Factor Tracking Account is currently leveraged at 2.0X. The margin-to-equity use for futures and forex is 17.8%.</p> | |

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What does the ROR on an individual trade mean? – Absolutely nothing without context!
 Spend any amount of time on StockTwits, Twitter or other social sites and you will read such claims as:

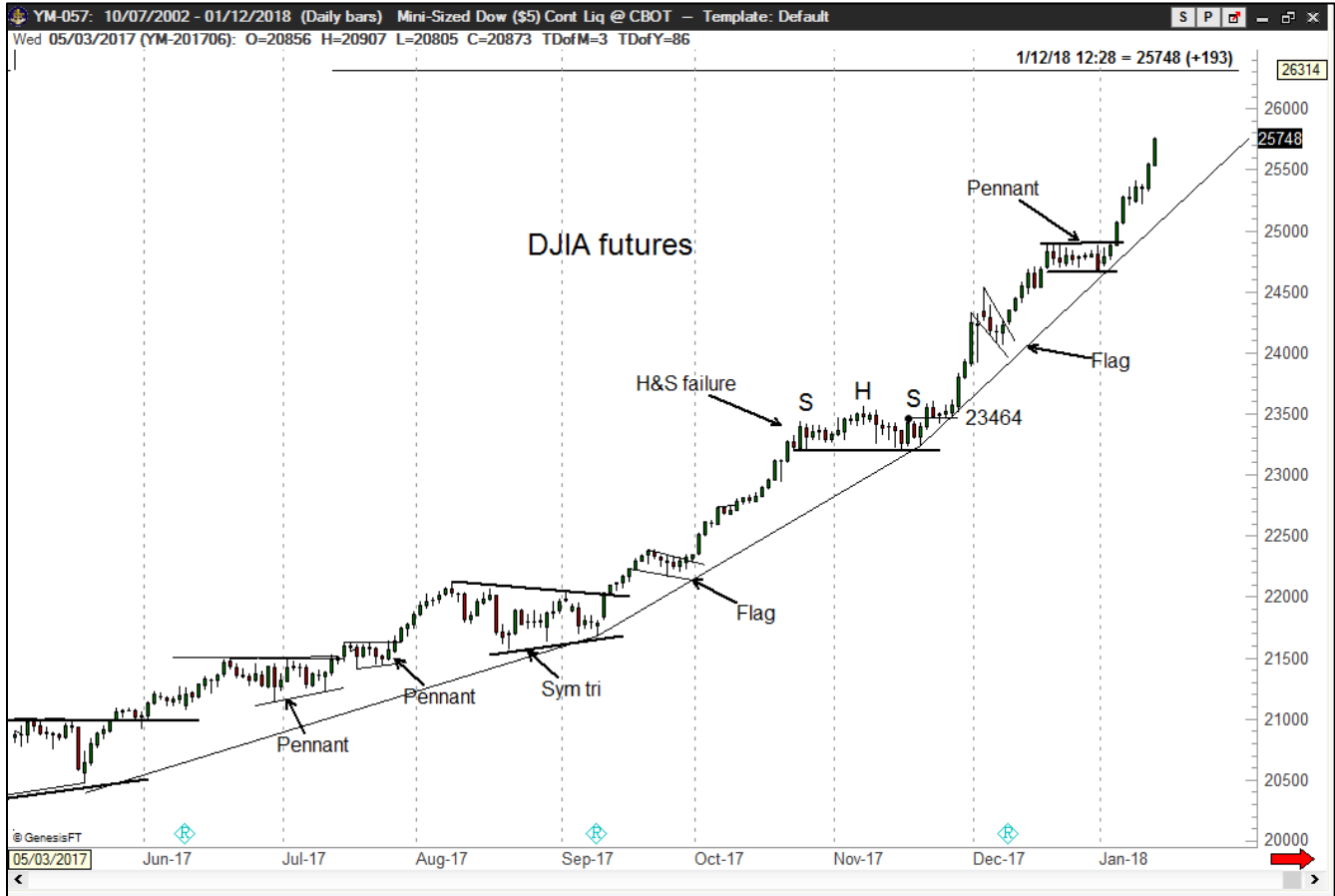
- *187% return on stock XYZ*
- *3,000% return on Ripple*
- *Tripled my margin money in Eurocurrency in seven weeks*
- *Turned a \$10k investment into \$50k in four months*

These claims have exactly ZERO meaning. Profits must ALWAYS be expressed as a percentage of total investment or trading capital. The return on an individual stock, cryptocurrency, futures margin or unit of capital is irrelevant. Profitability is only meaningful when expressed as a percent of the total amount of money an individual has designated as speculative capital. I express risk and return in terms of basis points (BPs). A 100 BP profit on a trade represents a 1% gain against my total nominal proprietary capital (composite of money in T-Bills, company checking account, futures accounts, crypto accounts, spot forex accounts and stock trading accounts). Any expression of gain or risk other than as a percent of total nominal capitalization is meaningless.

Global stock markets – bull trend continues

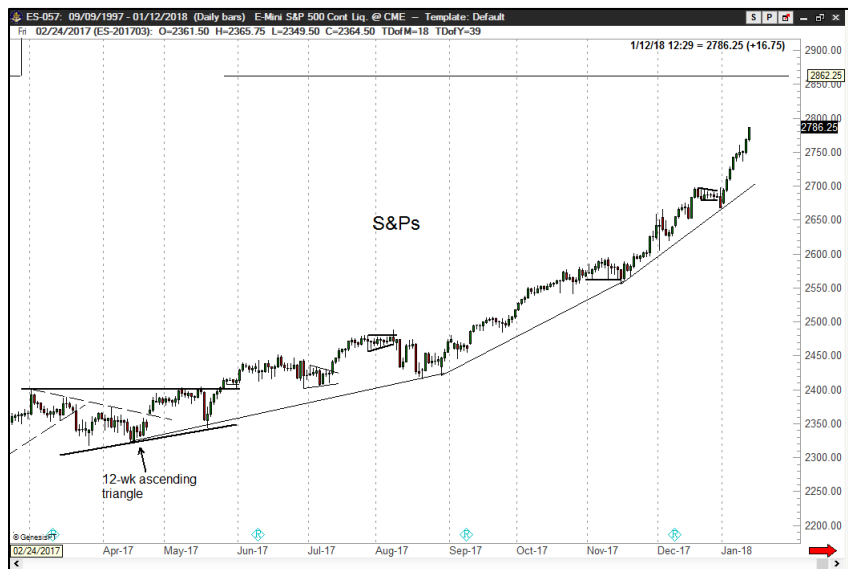
DJIA

The advance on the daily chart is now taking the form of a parabola (thin fan lines shown). It appears that the current advance is actually accelerating. Factor is flat.



S&Ps

Similar to the DJIA, the bull trend in the S&Ps is accelerating into a parabolic advance. Factor is flat.



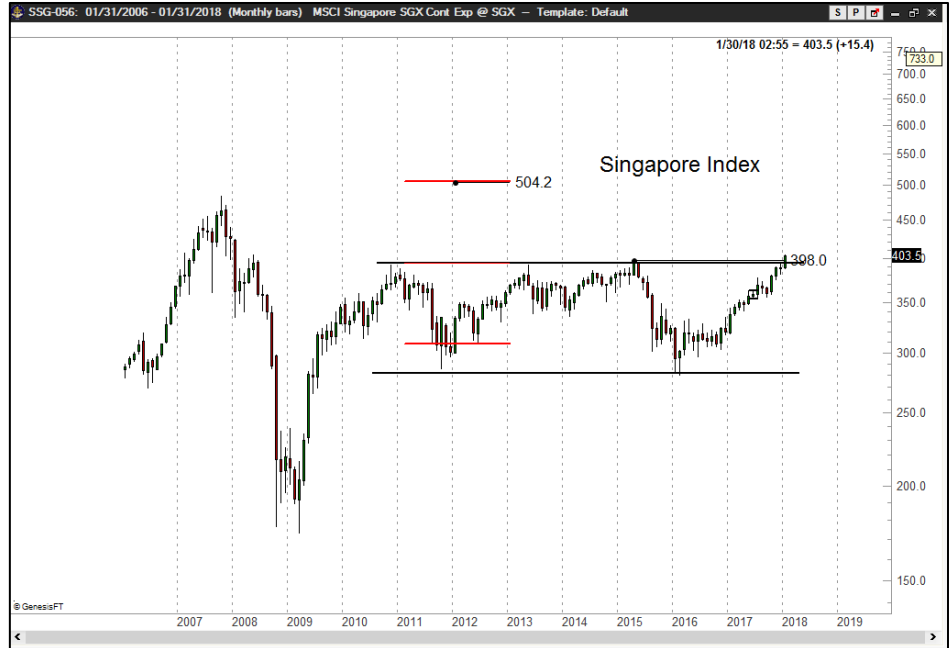
FTSE

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 advance on Dec 28 completed a 6-month ascending triangle on the daily chart with a target of 7,946. Factor is long FTSE futures.



Singapore Index

The Singapore Index (futures) has completed a multi-year rectangle on the monthly graph. I consider this to be a significant bull signal supported by fundamentals. The Shiller CASE Index suggests that Singapore is one of the most undervalued markets globally. Tactically it is a challenge to buy breakouts of patterns of this duration – it is just impossible to fine-tune entry levels with a measured risk. Nevertheless, I am willing to take a shot at the long side of this market on a retest of 394.1, risking about 75 basis points. Factor is flat.



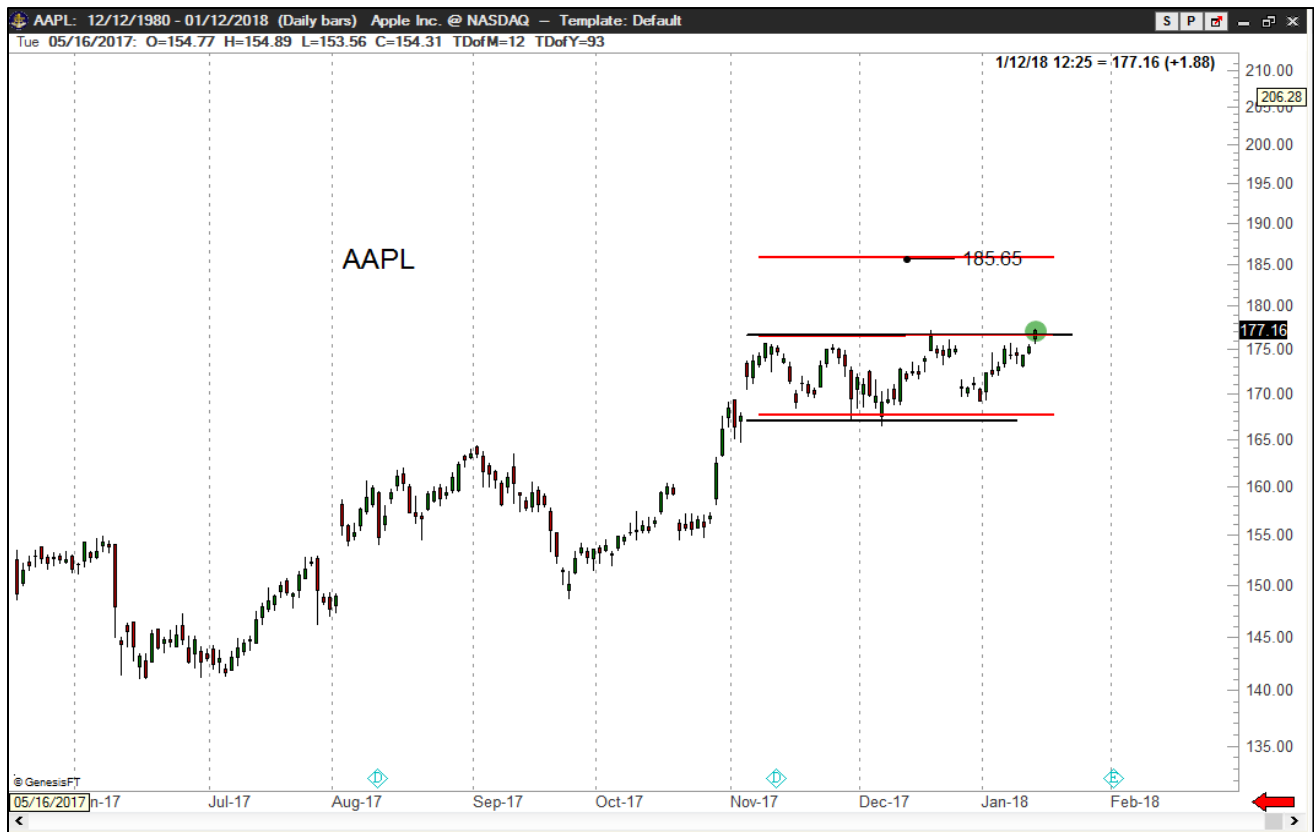
Hang Seng Index (Hong Kong)

The Hang Seng Index has completed a 10-year symmetrical triangle with a target of 39570. Factor is flat.



Apple (AAPL)

The daily chart is forming an 11-week pennant pattern, the completion of which will set the next target at 185.48. The upper boundary of this pattern was nicked on Friday. Factor is flat. I have an interest in buying AAPL for a swing trade.



Osaka Nikkei

The advance on Wednesday came within two ticks of my target. Realizing this after the close I placed a stop on half of my position under Wednesday's low and was stopped out on Thursday. I remain long a tranche with a revised target of 24830.

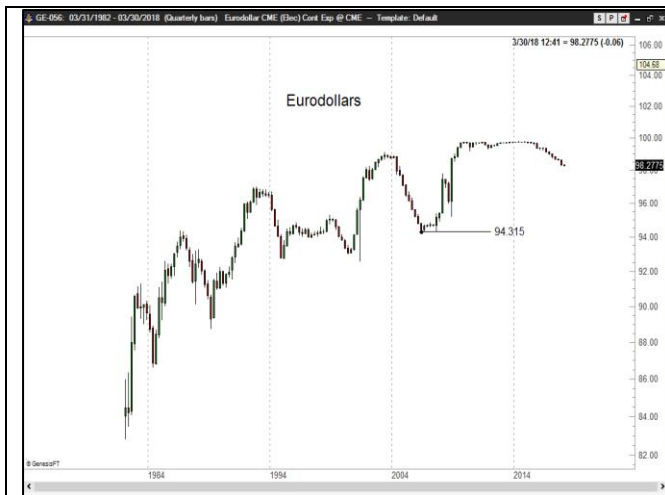


Global interest rate markets – the next big move in interest rate futures should be down (rates up)

Global interest rate markets appear to be in the process of building major tops in price (bottoms in yield).

Eurodollars (interest rate, not forex cross)

See the Factor Alert dated Jan 9, 2018. The quarterly chart of Eurodollar futures is shown. The Eurodollar futures contract was one of my favorite trading markets prior to QE-infinity by the world's central banks. As shown, Eurodollars have a history of sustained trends. The trend has turned down – a logical target is a retest of the 2006 low at 94.32 (5.68% yield). The daily chart of the Dec 2021 contract has completed a 9-month H&S top pattern with a target of 97.02 (2.98% yield). Factor is short.



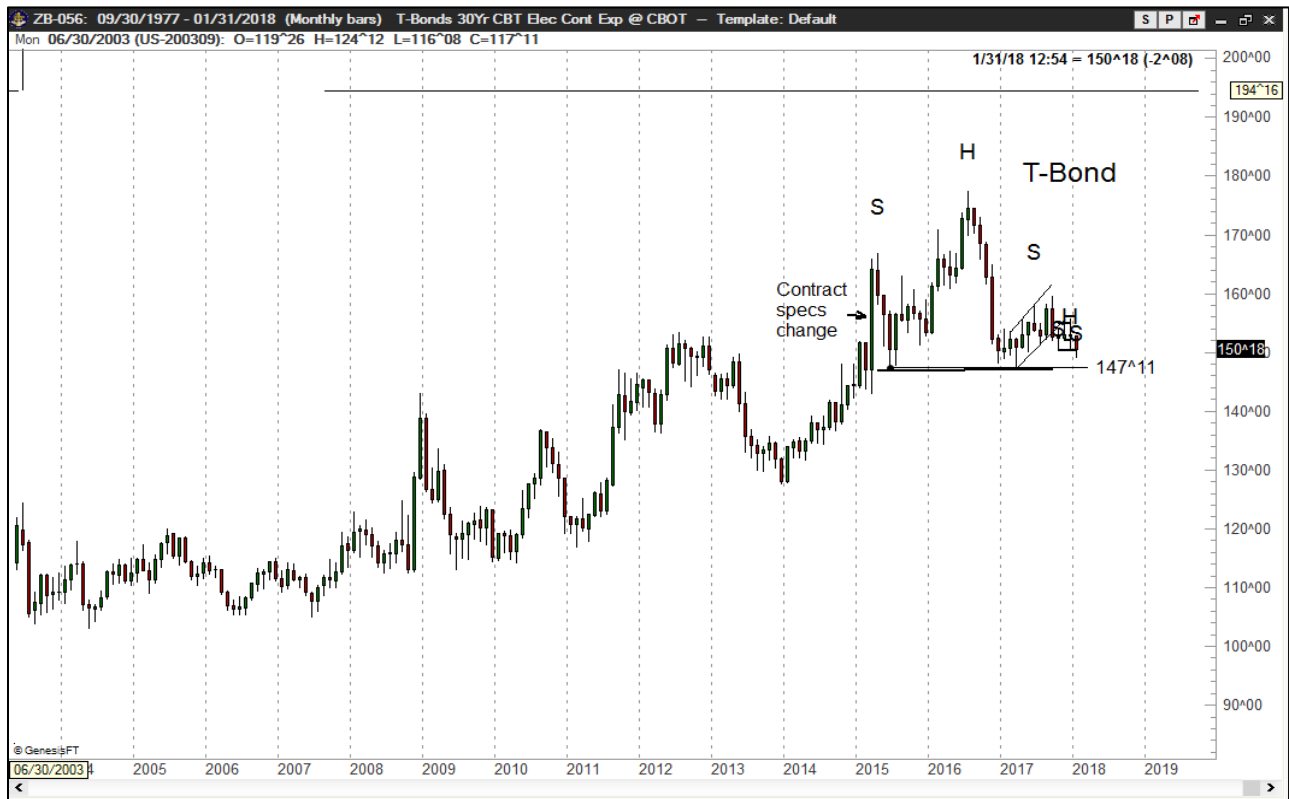
U.S. 10-Yr T-Notes

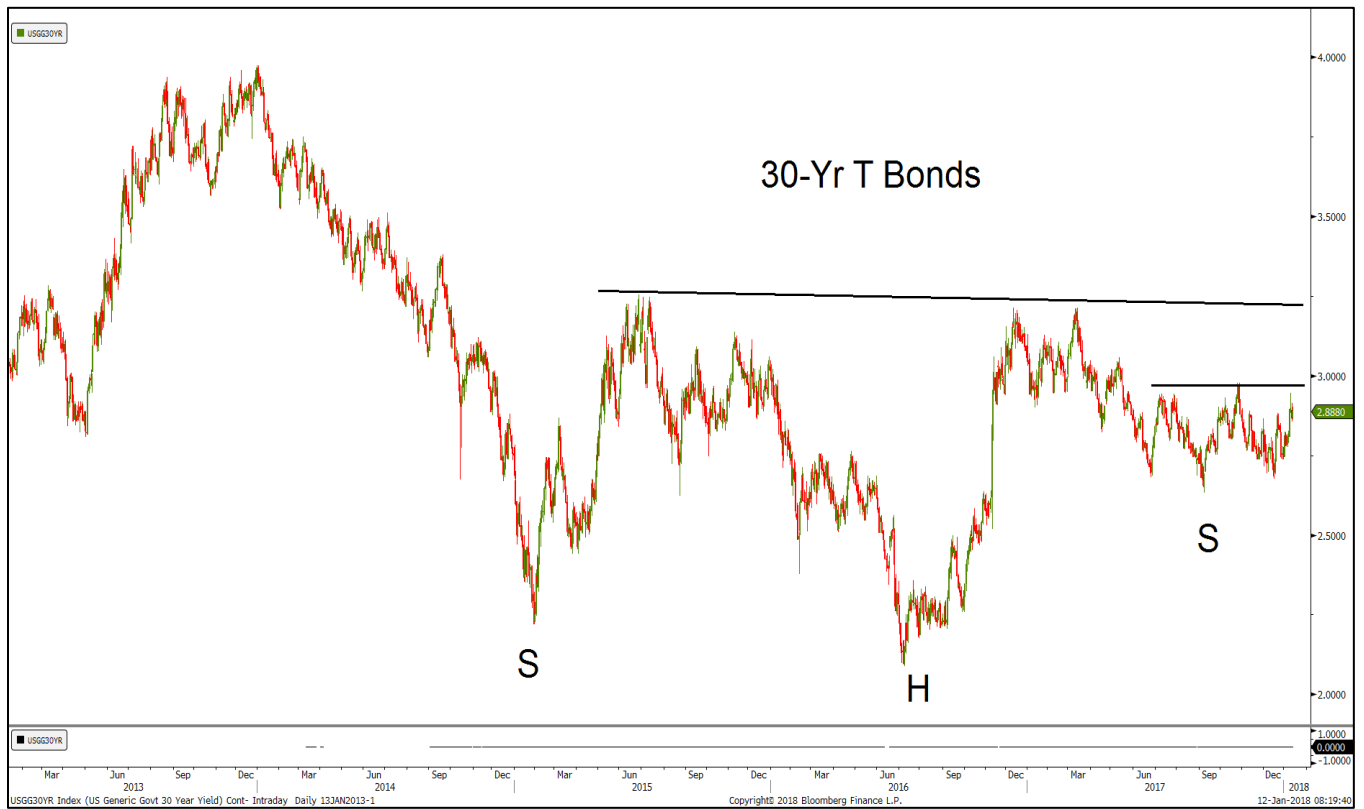
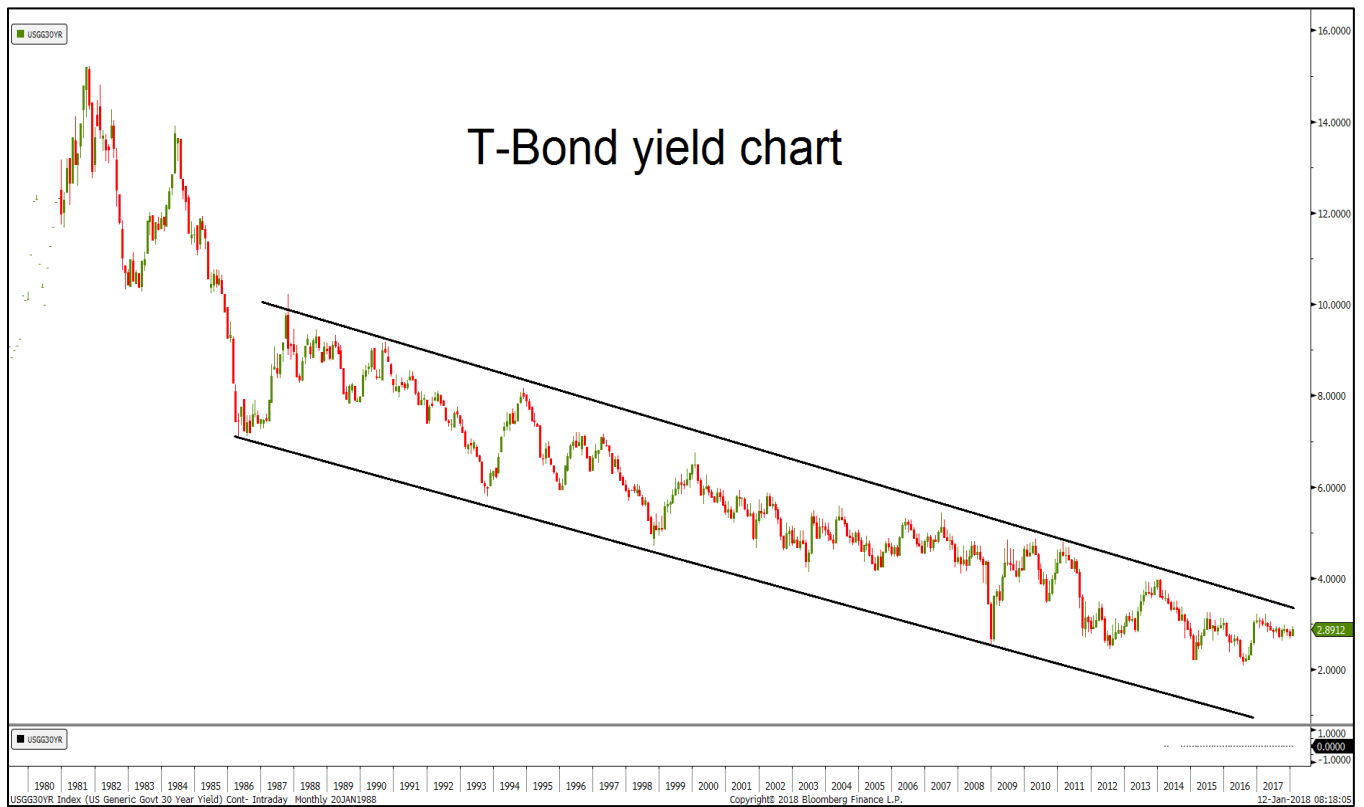
The monthly chart (not shown) of the 10-Yr T-Note futures displays a possible massive double top. A close below 121^26 would complete this top and establish a target of 110^20. Factor is flat.



T-Bonds

The monthly T-Bond futures chart displays a possible 3-year H&S top pattern. Commercials are carrying a near-record short position – exceeded only by the short positions at the Jul 2016 and Jun 2012 tops. The 38-year yield chart displays a channel dating back to 1986. The yield chart is forming a 3-year H&S bottom. Note that the right shoulder itself is taking the form of an inverted H&S. I am very interested in shorting T-Bond futures (perhaps outright or as a spread against T-Notes). A climb by the 30-Yr. bond above 3.0% would be my timing trigger. See yield charts, next page.





EuroSwiss (rates) – there is very little risk in being short at current levels

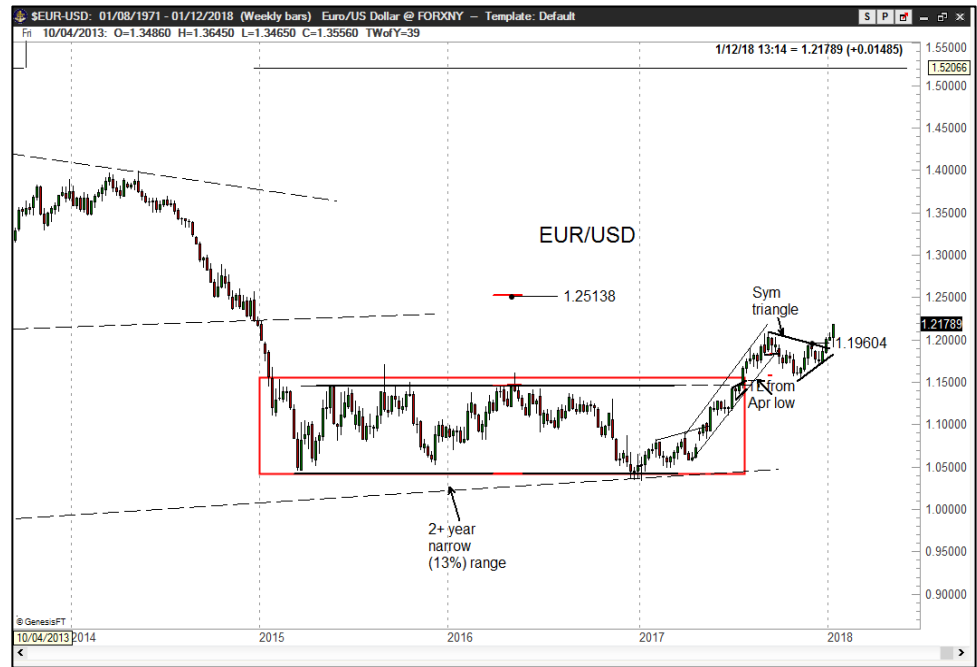
The Swiss National Bank continues to hold rates at minus 73 basis points. The weekly chart of the nearby futures contract displays a 3-year descending triangle. The weekly chart of the Sep 2018 futures displays a possible 26-month H&S top pattern. Factor is short.



Currency markets – 2018 low in EUR/USD is likely in place

EUR/USD

See the Factor Special Report titled “The January EUR/USD Effect” dated Dec 26. Per the Jan 7 Factor Update I bought EUR/USD this past week at 1.1966. The subsequent advance is a strong indication that the January Effect low is in place in EUR/USD – meaning that the low for 2018 has been posted. The initial target of the weekly chart is 1.2514. There are further targets into the mid-to-high 1.300s. A retest of the 1.2100 level could be used for extending long leverage. Factor is long.



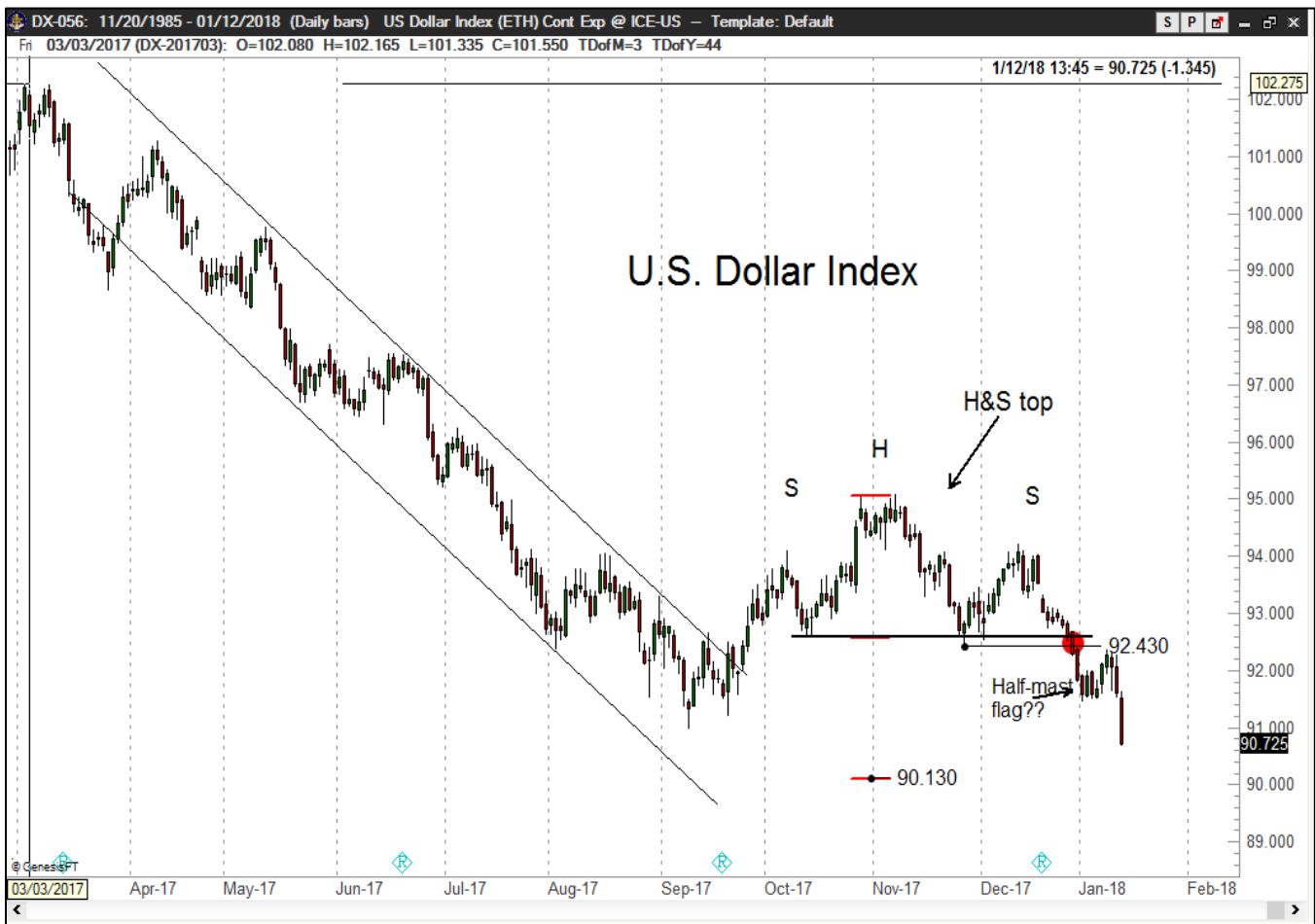
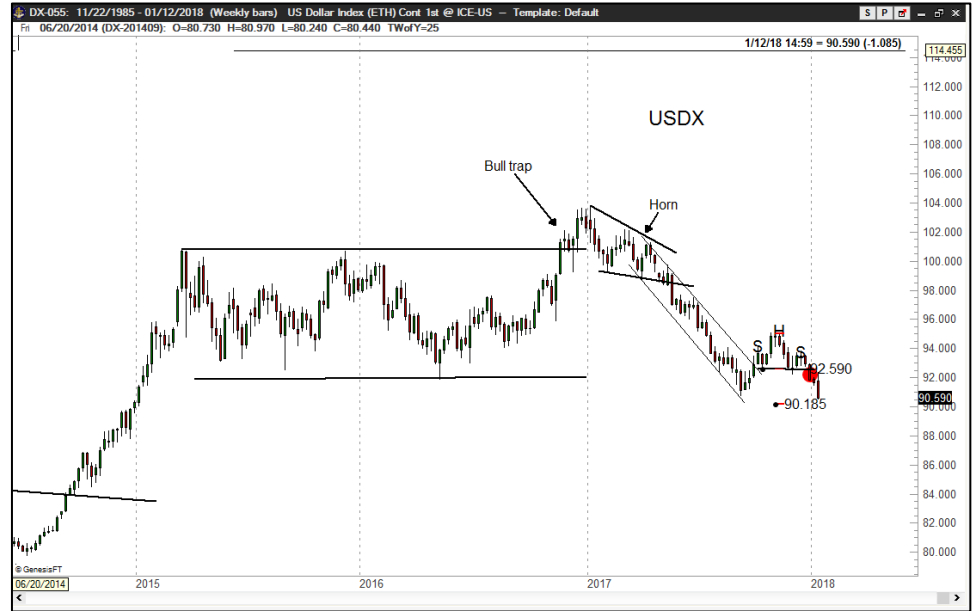
Australian Dollar

The monthly chart is forming a 28-month horn or sloping bottom pattern (see Schabacker, Study VII). This pattern is almost identical to the bottom completed in Jan 2003, as shown. A decisive close above .8151 would complete this pattern, but I have no desire to go long on a bulge. Hopefully the daily chart will form a continuation pattern to allow a measured-risk entry. Factor is flat.



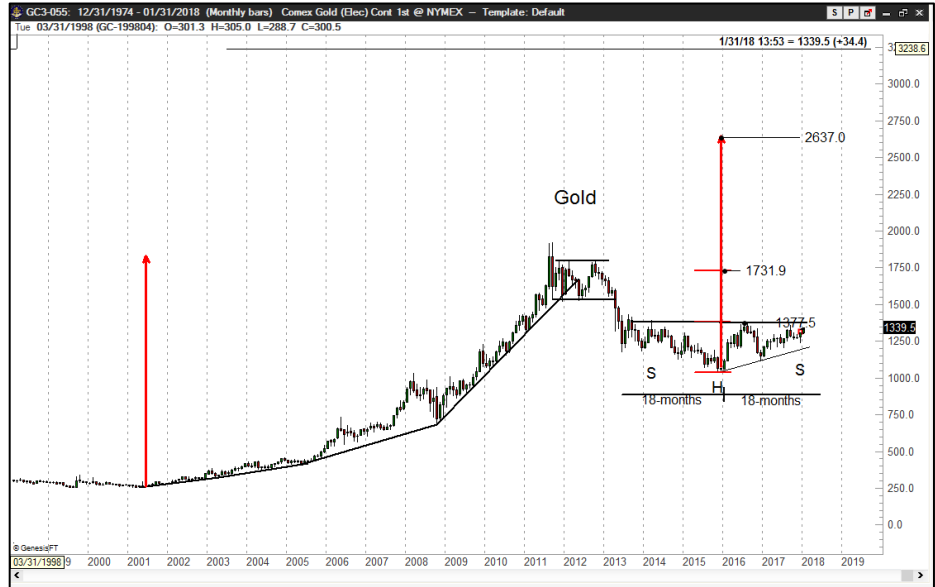
U.S. Dollar Index

The Factor Special Report titled "The January EUR/USD Effect" dated Dec 26 pointed out my desire at the time to be short USDX over EUR/USD. The decline on Dec 27 with follow through on Dec 28 completed a continuation H&S pattern in DX. Factor is short with a target at 90.21. The decline has exceeded 70% of the distance from the breakout to the target – thus, the 3-day-trailing-stop rule (3DTSR) is in effect.



Gold – massive H&S bottom continues to develop

The weekly chart is forming a 4-1/2 year inverted H&S bottom pattern. I had expected the low of the right shoulder to occur late in the 1st quarter 2018, but it appears as if the advance toward the neckline has begun. A close above 1400 would complete this bottom and establish a target of 1731. The swing target on the monthly graph is 2637. It will be rather dicey to establish a leveraged bullion (Gold futures) position if the market continues higher from current levels. An alternative is to layer in positions in the ETFs.



Accordingly, I bought a layer of GLD today when it completed a possible half-mast pennant. The weekly graphs of GDX and GDXJ are both forming massive H&S bottom patterns. The right shoulder of GDX exhibits a 12-month rectangle and the right shoulder of GDXJ is a symmetrical triangle. I will consider both of these right shoulder patterns to add long exposure in Gold.





Caveat to the bull case in Gold

I had fully expected the right shoulder of the H&S in Gold to test the 1200 to 1225 level before turning up. This did not happen – and it means one of two things.

1. The market is stronger than I thought and Gold price should thrust strongly in a sustained manner from current levels.
2. This current rally is a bull trap worthy of the textbooks. Should Gold falter and turn down then 1225 will not contain the decline – and a test of the late 2015 low at 1050 could occur.

Post Mortem Corner

EUR/JPY

The decline on Tuesday stopped me out of a long position. The advance on Friday was a recompletion of the rectangle. I would be tempted to re-enter this trade, but non-USD crossrate trades have been brutal for me for the past two years.



SGG (Sugar ETN)

The decline on Monday stopped me out of my long position in this market.



USD/CAD

I had taken profits on half of my short position at the target on Jan 5. The rally on Wednesday bumped me out of the other half. Friday's decline suggests that there is considerably more downside in this trade. I am flat.



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The Factor Crypto Corner

The Factor Crypto Corner – BTC continues to congest, trend in ETH remains up

Bitcoin

I continue to view BTC as a parabolic advance, although the present congestion is throwing me a curve. Depending upon the exchange viewed as well as the price scale (log vs. arithmetic) a case can be made on the chart immediately below that the parabola has already been violated (chart from itBit exchange). The implications of this – if correct – are enormous. As a rule, a violated parabolic advance will retrace as much as 80% of the advance within the parabola. An alternative interpretation is that the market is searching for a low that will define the next fan line of the parabola (chart on top of next page from Bitfinex exchange). A third alternative is that the BHL D analog pattern is forming. Under this alternative the parabolic advance will no longer dominate BTC – a sharp “Dump” will occur before the bull trend regains its strength.

For now the jury is out and I have no desire to trade BTC. I have no issue with the fact charts do not always have a crisp, clean, never-changing answer to what a market is doing and where it is going. Classical charting is a craft, not a science, not an art. This is true of all forms of TA. Charts present possibilities, not probabilities, and certainly not certainties. Some authors have written books assigning probabilities to the various chart patterns. These books are NOT on my recommended list. The most rewarding asymmetrical trades come from chart patterns made up from multiple smaller patterns that failed. The fact that a chart pattern fails to develop “just so” is actually one of things novice chartists must resolve in their own minds to develop their charting skills.



factorco published on TradingView.com, January 13, 2018 14:12 UTC
 BITFINEX:BTCUSD, D 14520.0 ▲ +726.0 (+5.26%) O:13790.0 H:14580.0 L:13750.0 C:14520.0



factorco published on TradingView.com, December 28, 2017 13:15 UTC
 BITSTAMP:BTCUSD, 240 14223.03 ▼ -1141.90 (-7.43%) O:13966.21 H:14223.04 L:13820.00 C:14223.03



Ethereum

The advance on Jan 7 blew through my upside target of 1086. Reappraising the chart indicates further upside targets of 1932 with a swing target on the log graph of 8800. Factor is flat. I am willing to buy a correction back toward 1165 if given the opportunity.



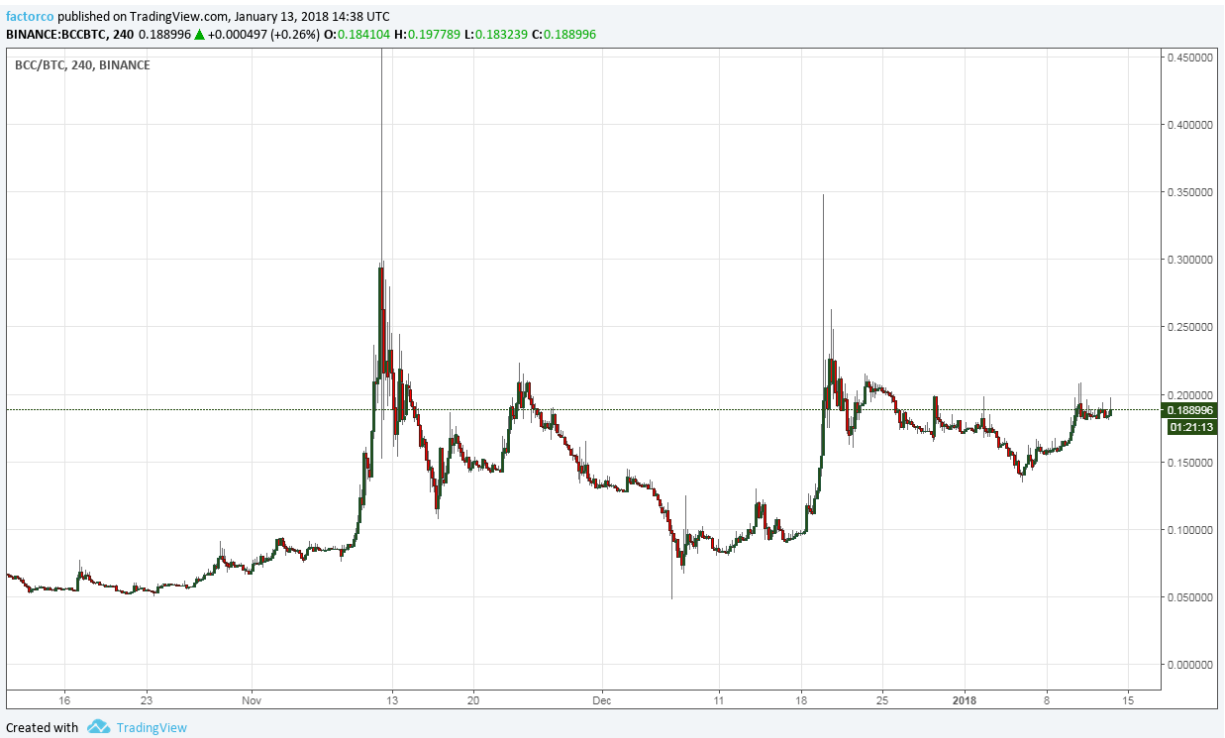
LTC

LTC is forming a symmetrical triangle on the daily chart. I would be watching for a breakout of 315 to indicate the possibility of another up-thrust. Factor is flat.



BCC/USD

I received free BCCs in the Aug fork (one for every BTC owned), but liquidated these in Dec as a bonus. Bitcash is forming a potential rounding bottom pattern on the intraday graph. Depending upon the saucering behavior over the next few days I have an interest in taking a shot at the long side of this coin. BCC is also an interesting long against BTC.



Factor Tracking Account, January 12, 2018

Table shows only open trades as of January 12, 2018, trades closed in the past week and open trades for which protective stops were changed. Complete listing of Factor Tracking Account for 2018 is updated monthly.

| Factor LLC | | | | | | | | | | | | | | | | | 1/12/2018 | | |
|--|--------------|----------|-----|---------|------|--------------|---------|--------------|-------|----------|-------------------|-----------------------|--------|---------|-------------|------------------------|------------------------|--|--|
| Model Tracking Account Trade History and Portfolio | | | | | | | | | | | | | | | | | | | |
| Constant nominal capitalization: \$100,000 | | | | | | | | | | | | | | | | | | | |
| (See disclaimers and notes below) | | | | | | | | | | | | | | | | | | | |
| Market | | Date | L/S | Entry | | | | | Stop | Target | Pattern | | Exit | | Net | Capital to carry trade | Value of trade (entry) | | |
| | | | | Price | Size | Initial stop | BP risk | Current Stop | Date | | Weekly | Daily | Date | Price | | | | | |
| Positions open as of 12/30/17 | | | | | | | | | | | | | | | | | | | |
| GEZ18- | | | | | | | | | | | | | | | | | | | |
| GEHO | Euro spread | 10/23/17 | L | 26.0 | 1 | 15 close | 62 | Exit | 1/5 | 88.00 | 6-yr cycle | | 8-Jan | 20.0 | \$(155.00) | Closed | - | | |
| 134.76/3D | | | | | | | | | | | | | | | | | | | |
| EUR/JPY | EUR/JPY | 12/20/17 | L | 134.624 | 30k | 133.47 | 30 | TSR | 1/4 | 137.24 | 14-wk rectangle | 14-week rectangle | 9-Jan | 134.758 | \$ 35.00 | Closed | - | | |
| ESU8 | EuroSwiss | 12/21/17 | S | 100.65 | 1 | NA | NA | | | 100.28 | 3-year desc tri | | | | | \$ 371 | NA | | |
| SGG | Sugar ETN | 12/27/17 | L | 30.35 | 300 | 28.97 | 41 | 29.97 | 1/7 | 37.34 | 6-mo sym tri | 6-mo sym tri | 8-Jan | 29.81 | \$(167.00) | Closed | - | | |
| USD/CAD | USD/CAD | 12/28/17 | S | 1.26340 | 30k | 1.27370 | 24 | 1.2703 | 12/29 | 1.2432 | 10-wk rectangle | 10-wk rectangle | 5-Jan | 1.2432 | \$ 488.00 | Closed | - | | |
| USD/CAD | USD/CAD | 12/28/17 | S | 1.26340 | 30k | 1.27030 | 11 | 1.2568 | 1/5 | 1.1739 r | 10-wk rectangle | 10-wk rectangle | 10-Jan | 1.25678 | \$ 158.00 | Closed | - | | |
| 92.14/3DT | | | | | | | | | | | | | | | | | | | |
| DXH8 | US Dollar | 12/28/17 | S | 92.290 | 1 | 92.720 | 43 | SR | 1/12 | 90.210 | 14-wk H&S | 14-wk H&S | | | | \$ 3,700 | \$ 92,290 | | |
| EXU8 | EuroStoxx 50 | 12/29/17 | S | 3513 | 1 | 3541 | 34 | 3512 | 1/3 | 3436 | 8-wk rectangle | 8-wk rectangle | 4-Jan | 3513 | \$(14.00) | Closed | - | | |
| ZXH8 | FTSE 100 | 12/29/17 | L | 7585.0 | 1 | 7517.0 | 94 | 7553.00 | 1/4 | 7944.0 | 17-year asc tri | 6+mo sym tri | | | | \$ 9,465 | \$ 104,086 | | |
| Total -- Carry in positions | | | | | | | | | | | | | | | \$ 345 | \$ 13,536 | | | |
| 2018 forex roll charges and FX losses on foreign margin deposits; day trade P/Ls on repositioned trades | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | \$ (52) | | | | |
| ETH | Ethereum | 1/1/18 | L | 780.57 | 4 | 719.47 | 24 | 799.87 | 1/4 | 1086.87 | Major bull trend | 2-wk flag | 7-Jan | 1086.87 | \$ 1,205 | Closed | - | | |
| ETH | Ethereum | 1/1/18 | L | 780.57 | 3 | 719.47 | 18 | Mkt | 1/4 | 1086.87 | Major bull trend | 2-wk flag | 4-Jan | 996.84 | \$ 634 | Closed | - | | |
| N225MH8 | Osaka Nikkei | 1/4/18 | L | 23105 | 1 | 22685 | 72 | 23075.0 | 1/5 | 24825 r | Major bull trend | 10-wk asc tri | | | \$ - | \$ 823 | \$ 20,527 | | |
| N225MH8 | Osaka Nikkei | 1/4/18 | L | 23105 | 1 | 22685 | 72 | 23730.0 | 1/9 | 24015 | Major bull trend | 10-wk asc tri | 10-Jan | 23725 | \$ 547 | Closed | - | | |
| EUR/USD | EUR/USD | 1/8/18 | L | 1.19660 | 30k | 1.18350 | 40 | 1.18970 | 1/12 | 1.2485 | January Effect lo | Retest 13-wk sym tri | | | \$ - | \$ 1,500 | \$ 30,000 | | |
| EUR/USD | EUR/USD | 1/8/18 | L | 1.19660 | 30k | 1.18350 | 40 | 1.19870 | 1/12 | Open | January Effect lo | Retest 13-wk sym tri | | | \$ - | \$ 1,500 | \$ 30,000 | | |
| GEZ21 | Eurodollars | 1/9/18 | S | 97.44 | 3 | 97.53 | 67 | | | 97.11 | 9-mo H&S | 9-mo H&S | | | \$ - | \$ 480 | NA | | |
| Possible 2-yr sym tri | | | | | | | | | | | | | | | | | | | |
| GLD | Gold ETN | 1/12/18 | K | 126.33 | 100 | 123.87 | 25 | 124.88 | 1/12 | 147.92 | tri | Possible 2-yr sym tri | | | \$ - | \$ 12,633 | \$ 12,633 | | |
| Trades as of | | | | | | | | | | | | | | | \$ 2,679 | \$ 30,472 | \$ 197,246 | | |
| Indicates open position value as of | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | Levered at | | 2.0 | | |
| | | | | | | | | | | | | | | | Margined at | | | | |
| 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 Futures Trading Commission. | | | | | | | | | | | | | | | | | | | |
| CFTC RULE 4.41 - HYPOTHETICAL OR SIMULATED PERFORMANCE RESULTS HAVE CERTAIN LIMITATIONS. UNLIKE AN ACTUAL PERFORMANCE RECORD, SIMULATED RESULTS DO NOT REPRESENT ACTUAL TRADING. ALSO, SINCE THE TRADES HAVE NOT BEEN EXECUTED, THE RESULTS MAY HAVE UNDER-OR-OVER COMPENSATED FOR THE IMPACT, IF ANY, OF CERTAIN MARKET FACTORS, SUCH AS LACK OF LIQUIDITY. SIMULATED TRADING PROGRAMS IN GENERAL ARE ALSO SUBJECT TO THE FACT THAT THEY ARE DESIGNED WITH THE BENEFIT OF HINDSIGHT. NO REPRESENTATION IS BEING MADE THAT ANY ACCOUNT WILL OR IS LIKELY TO ACHIEVE PROFIT OR LOSSES SIMILAR TO THOSE SHOWN. | | | | | | | | | | | | | | | | | | | |

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