



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

Factor Update, February 18, 2018

Service note: Due to travel (Carpenteria, CA and Tucson, AZ) there will not be a Factor Update next weekend. Depending upon the markets I may issue an expanded Factor Alert next Friday.

Market Review

New candidate Factor Moves™ are developing in:

- *EuroSwiss
- Gold
- Australian Dollars

Candidate Factor Moves™ are currently ongoing in:

- *LTC/USD
- *Soybean Meal
- *10-Yr. T-Notes

This issue also comments on global stock index markets (DJIA, LULU), interest rate markets (*Eurodollars, JNK, *T-Notes, T-Bonds, *EuroSwiss), Brent Crude Oil, currency markets (AUD/USD, EUR/GBP, EUR/USD, USD/TRY, USD/JPY, Mexican Peso), grain markets (*Soybean Meal, *Corn, *K.C. Wheat), Robusta Coffee, precious metals and *cryptos. *Signifies a position in the Factor \$100,000 Tracking Account

<p><u>Developing signals</u></p> <ul style="list-style-type: none"> • EuroSwiss – entry order • EUR/GBP – monitor • Gold – alert 	<p><u>Existing positions</u></p> <ul style="list-style-type: none"> • EuroSwiss (rates) – target • Eurodollars – protective stops and targets • Corn – protective stop and target • T-Notes – protective stop • K.C. Wheat (hedged) – protective stop and target • Soybean Meal (hedged) – protective stop and target • LTCUSD – protective stops and targets • BTCUSD – protective stop and target
<p>The Factor Tracking Account is currently leveraged at 1.2X. Capital Utilization is at 17.6%.</p>	

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Global stock markets – bull trend back on track?

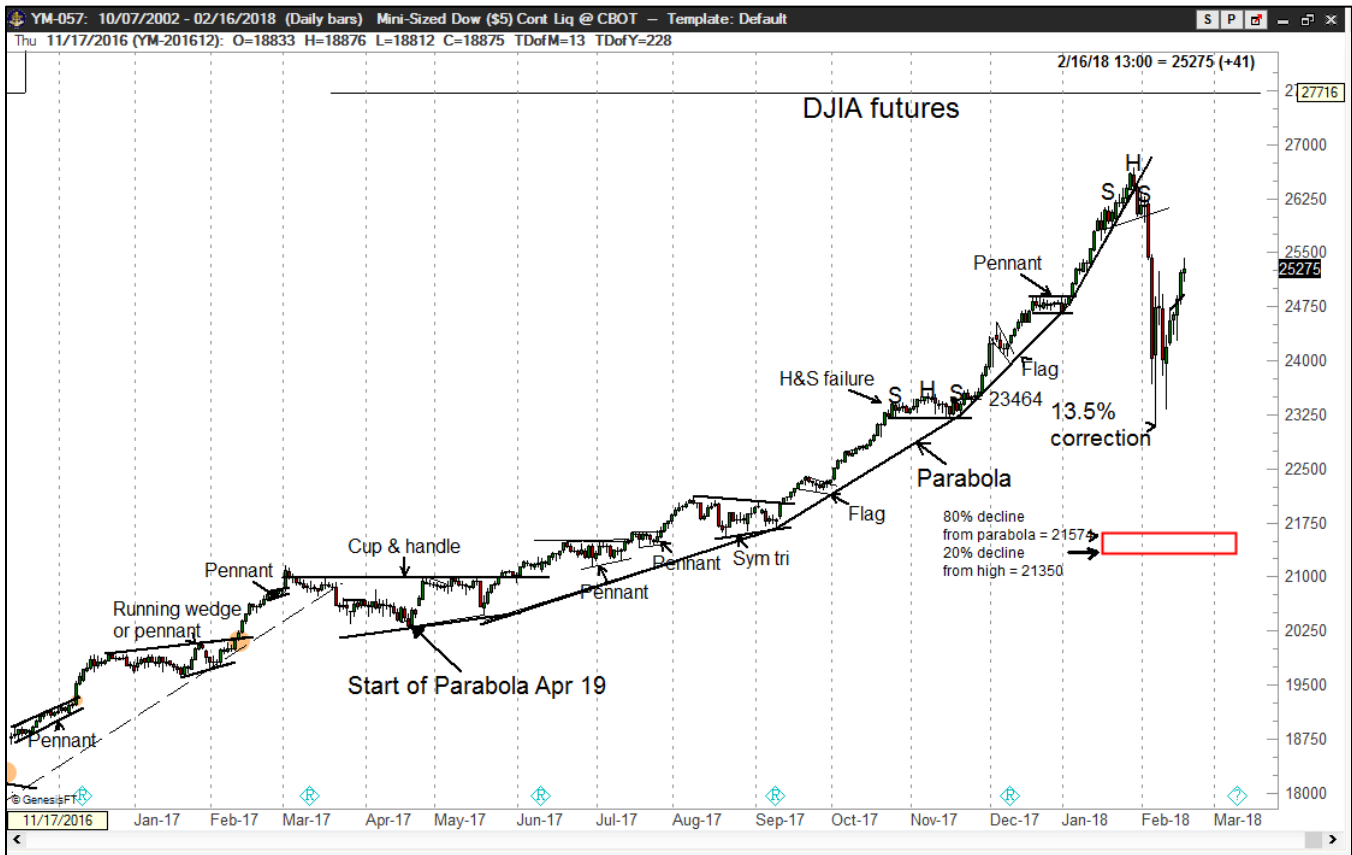
LULU

A breakout above 85.01 would complete a 6-year ascending triangle in this stock and establish a target of 127.35. Factor is flat.



DJIA – will the 13.5% correction be a “one-and-done?”

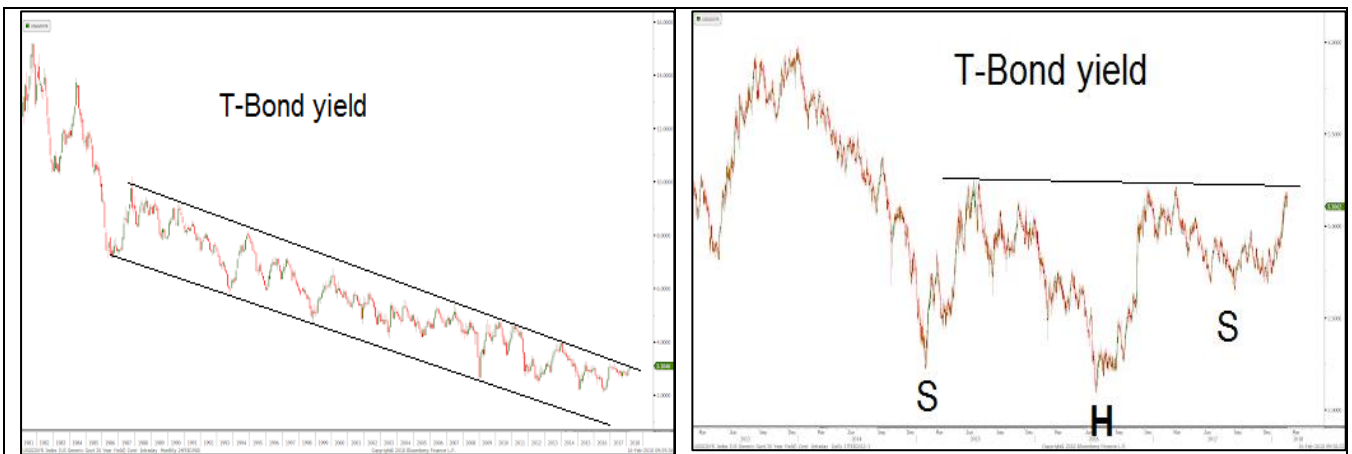
I continue to believe that the U.S. equity bull market has further to go – and that the 13.5% correction to the Feb 6 low should not be revisited. However, the decline from the Jan 29 high was so severe that a period of backing and filling could occur. Friday’s candlestick bars in the DJIA and S&Ps were negative, and downside follow through should occur early next week. Factor is flat. I am about 80% committed to the long side of ETFs and equities in my retirement accounts.



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

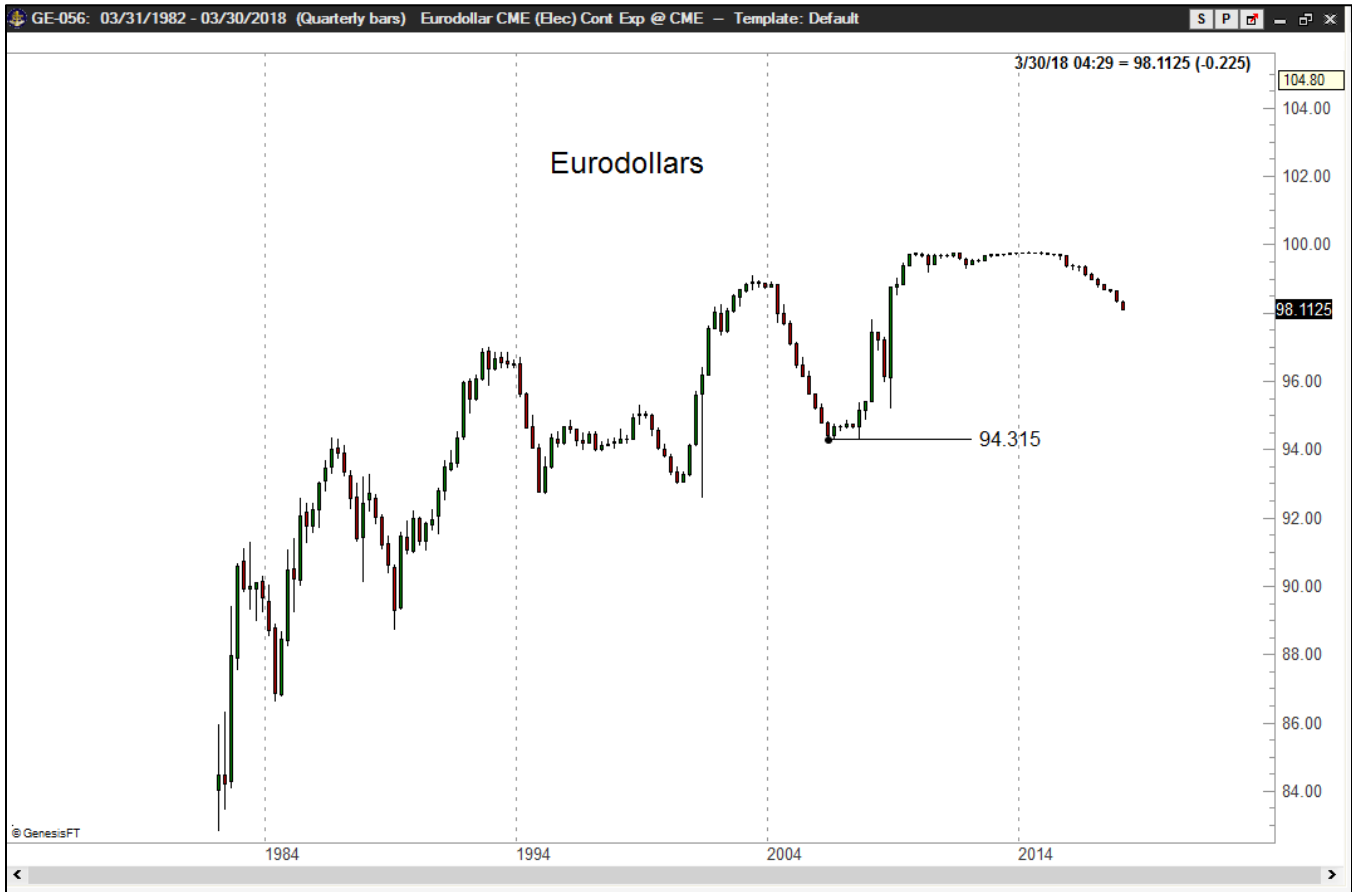
T-Bonds

A 3-year H&S top pattern has been completed on the weekly continuation futures graph with a price target of 127^23. The long-term yield graph displays a multi-decade channel. A massive inverted H&S bottom is forming on the yield chart. A yield of 3.5% would complete this pattern. Factor is flat.



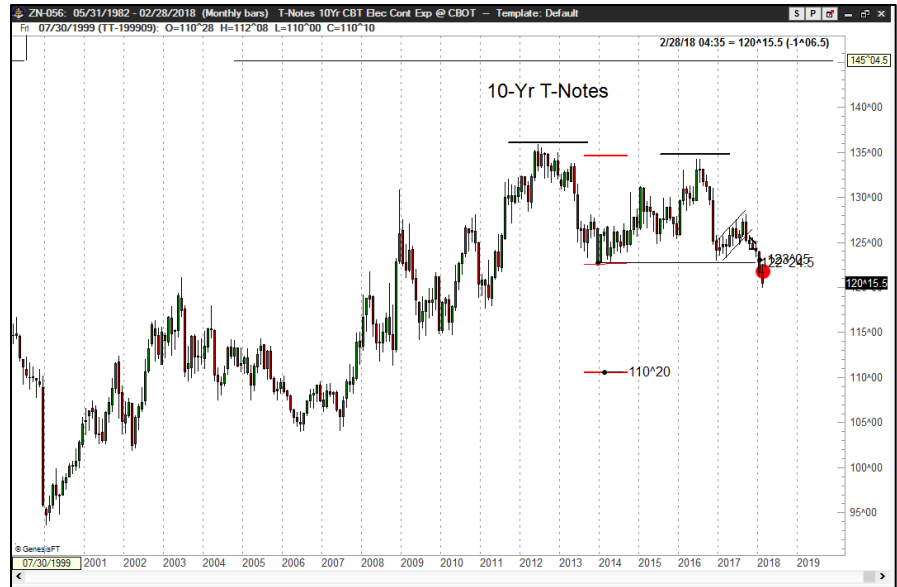
Eurodollars (interest rate, not forex cross)

The quarterly chart of Eurodollars tells the real story – the major trend is down (rates up). Factor is short in two different contract months – Mar '20 and Dec '21. The decline in both contracts completed small bear pennants this past week on the daily charts. The Mar '20 contract has completed a massive 2+ year failure top while the Dec '21 contract is poised to do so. Factor is short two tranches of Eurodollars.



U.S. 10-Yr T-Notes

The monthly continuation graph of the 10-Yr. T-Note has completed a 6+ year failure top with an eventual target of $110^{*}20$. Factor is short. A retest of the $122^{*}24$ level is possible.



Barclays High Yield Bond ETF (JNK)

This ETF has completed a 13-month rounding or complex H&S top pattern. Resistance should be met at 36.28 to 36.50 on rallies. Factor is flat – with no interest to trade this stock because of short exposure in Notes and Eurodollars.



EuroSwiss (rates)

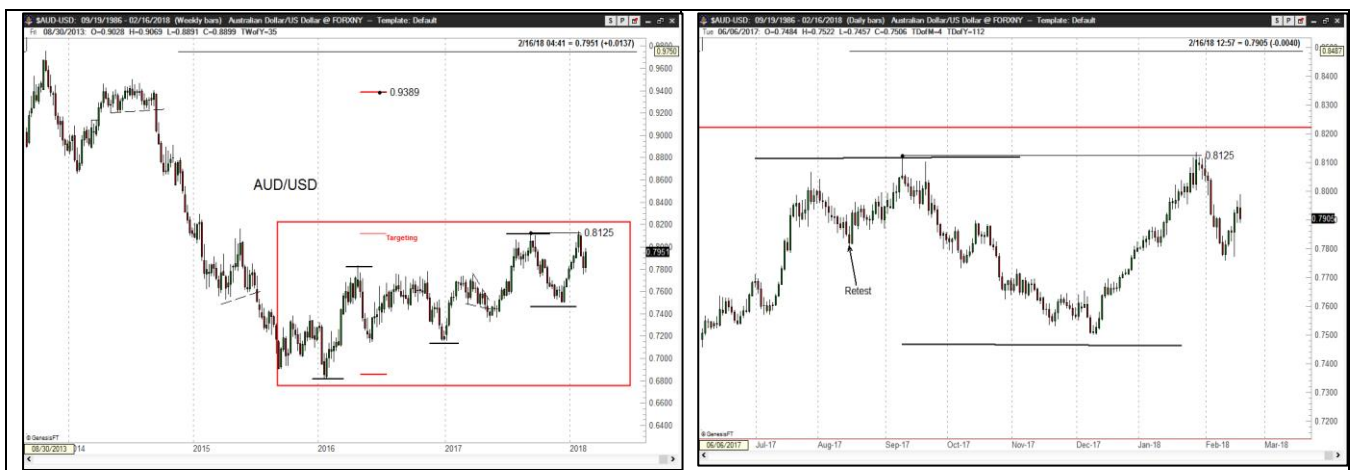
Waiting – will I wait forever for Swiss sanity to return? Factor is short. I will attempt to remain short because of a belief that I will wake up some morning and the market will be down 25 points (BPs).



Currency markets – entering a period of uncertainty

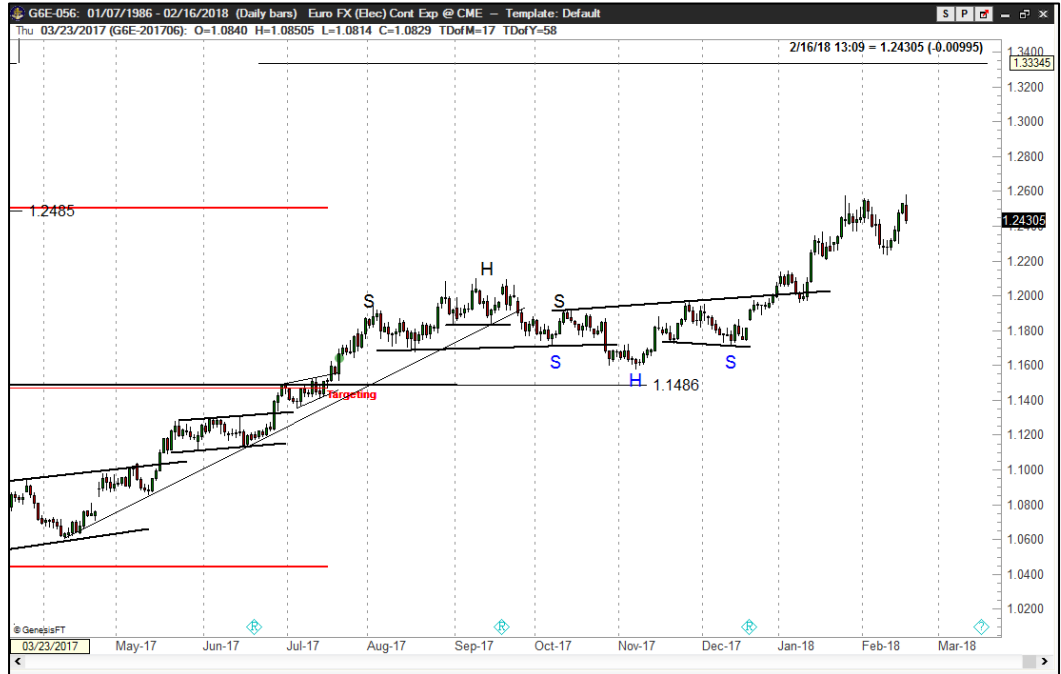
Australian Dollar

The Aussie continues to trace out a horn bottom on the weekly chart. My hope is that the daily chart will trace out a continuation pattern commencing from the late Jan low. Factor is flat.



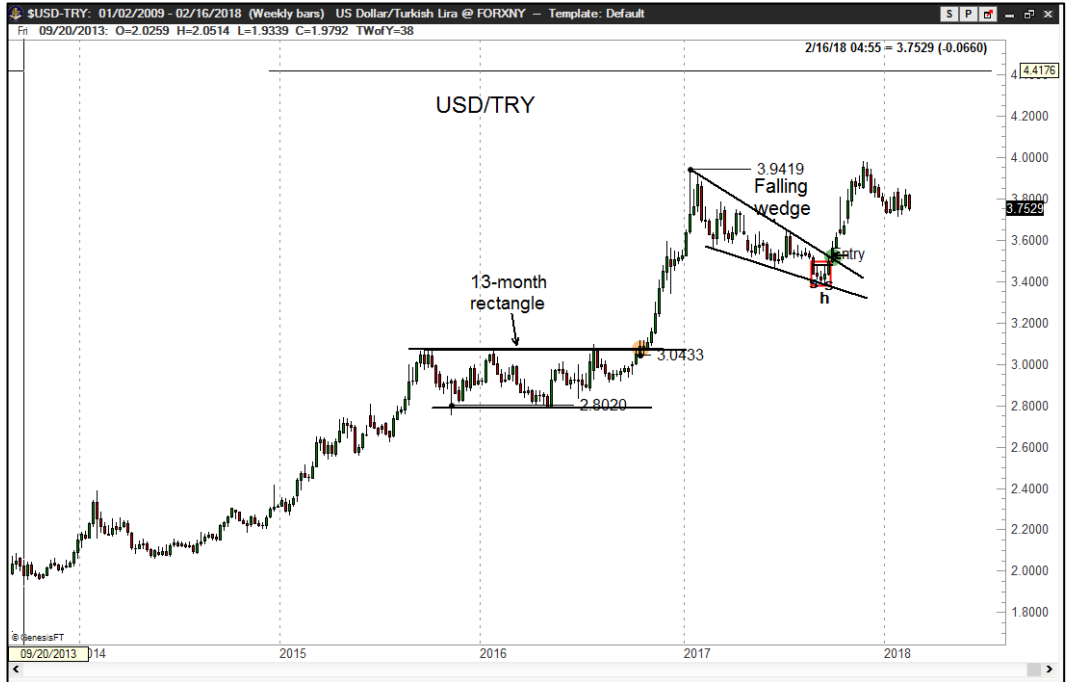
EUR/USD

The daily graph managed to inch out new highs for the bull trend on Friday before turning sharply lower. I am expecting a period of USD strength (EUR/USD weakness) in the immediate future. Factor is flat.



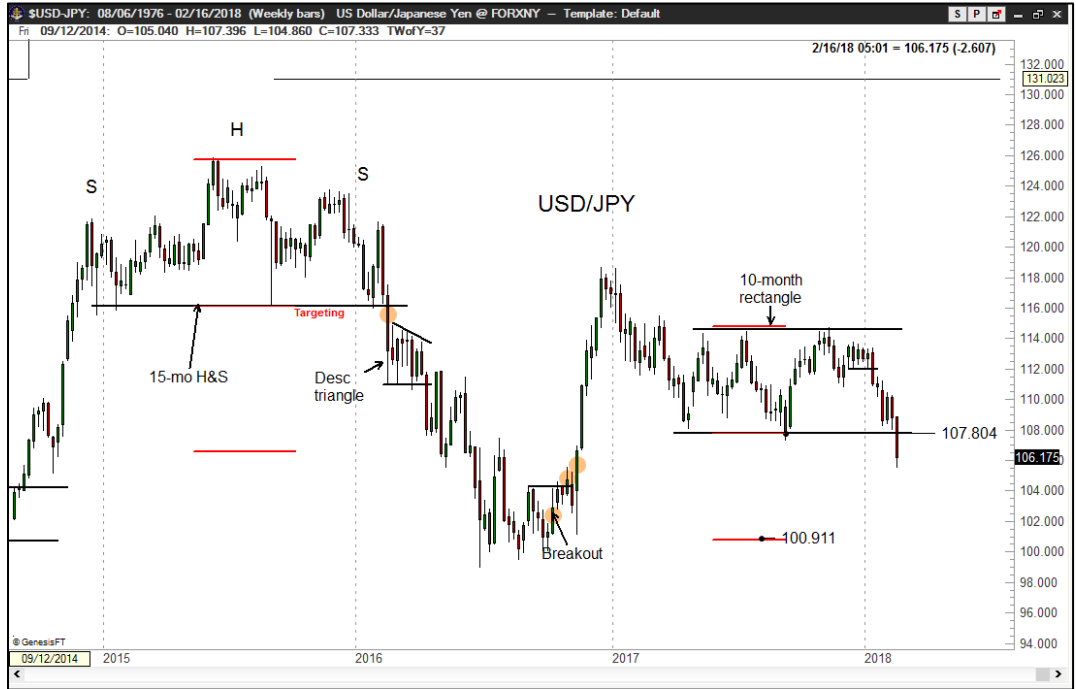
USD/TRY

The USD has lost ground against most major currency units in recent months. However, the trend in the USD against the Turkish Lira has been higher. Should the USD have a counter-trend bounce, I would expect USD/TRY to lead the rally. The daily graph displays a possible 2-month inverted H&S. I would consider buying a confirming breakout of this pattern. A decline below the 3.71 would negate my analysis.



USD/JPY

The decline this past week completed a 10-month rectangle on the weekly graph with a possible target at 100.91. I have no desire to chase this decline. I did not short the breakout because the lower boundary of the rectangle was not as well defined as I prefer. For me this was a clearer sell signal in hindsight than it was in real time –



there will always be situations such as this with chart trading. I would be willing to short a retest of the rectangle at 107.80. Factor is flat.



Mexican Peso (futures)

The weekly graph displays an arguable 2+ year H&S bottom pattern. I use the word "arguable" because I do not favor inverted H&S patterns when the neckline is down-slanting. However, the right shoulder of the weekly chart pattern is an independent possible inverted H&S bottom with an abbreviated right shoulder. I would prefer better definition of this small right shoulder (perhaps a dip back to .05200, but I would respect (and buy) a decisive advance and close above .05419 to establish an anticipatory position. Factor is flat.



EUR/GBP

This forex cross could be one of the more promising trades over the next two years. The weekly chart is forming a 16-month cup and handle pattern. A decisive close above .9307 would complete this pattern and establish a target above 1.02xx – that’s right, EUR could trade at a premium to GBP. Factor is flat. I am hoping the market offers me an opportunity to become prepositioned, but the trading range since late Sep has not formed a recognizable pattern.

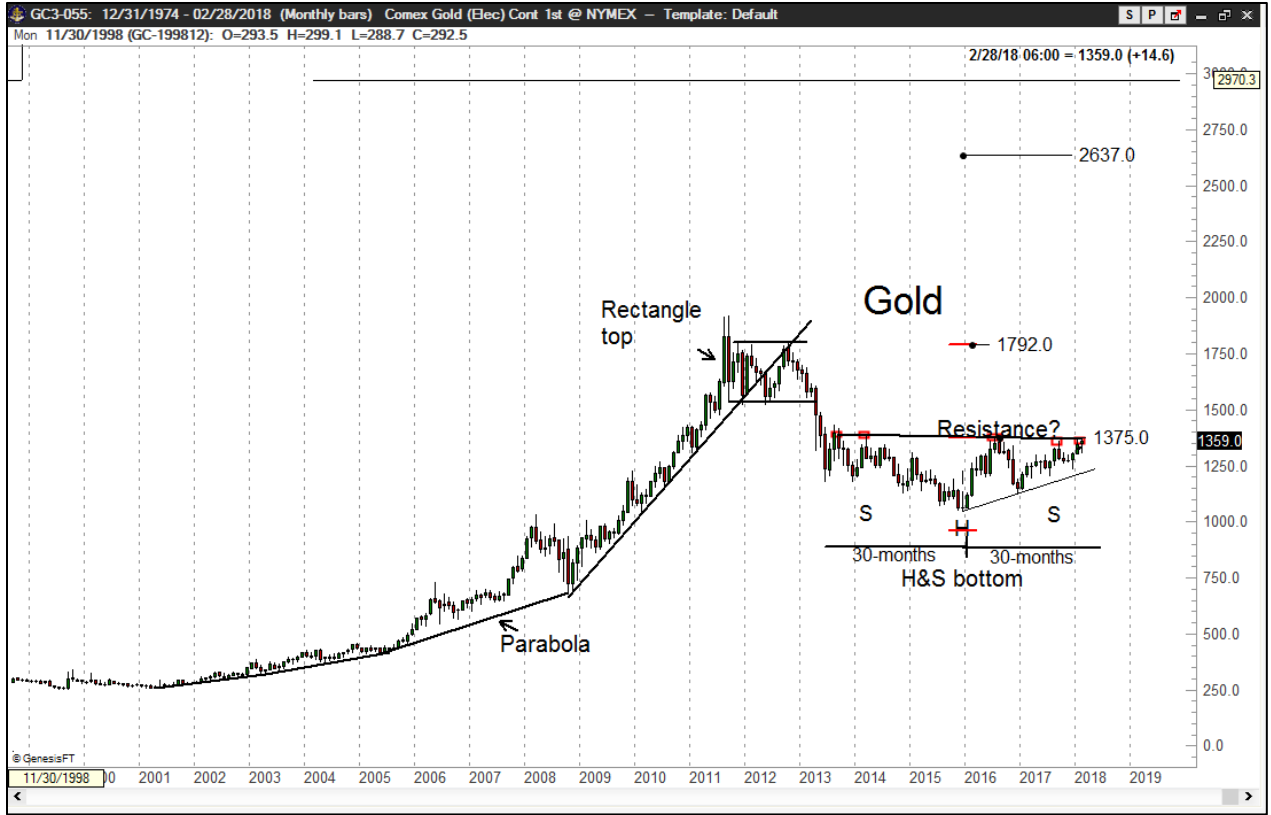


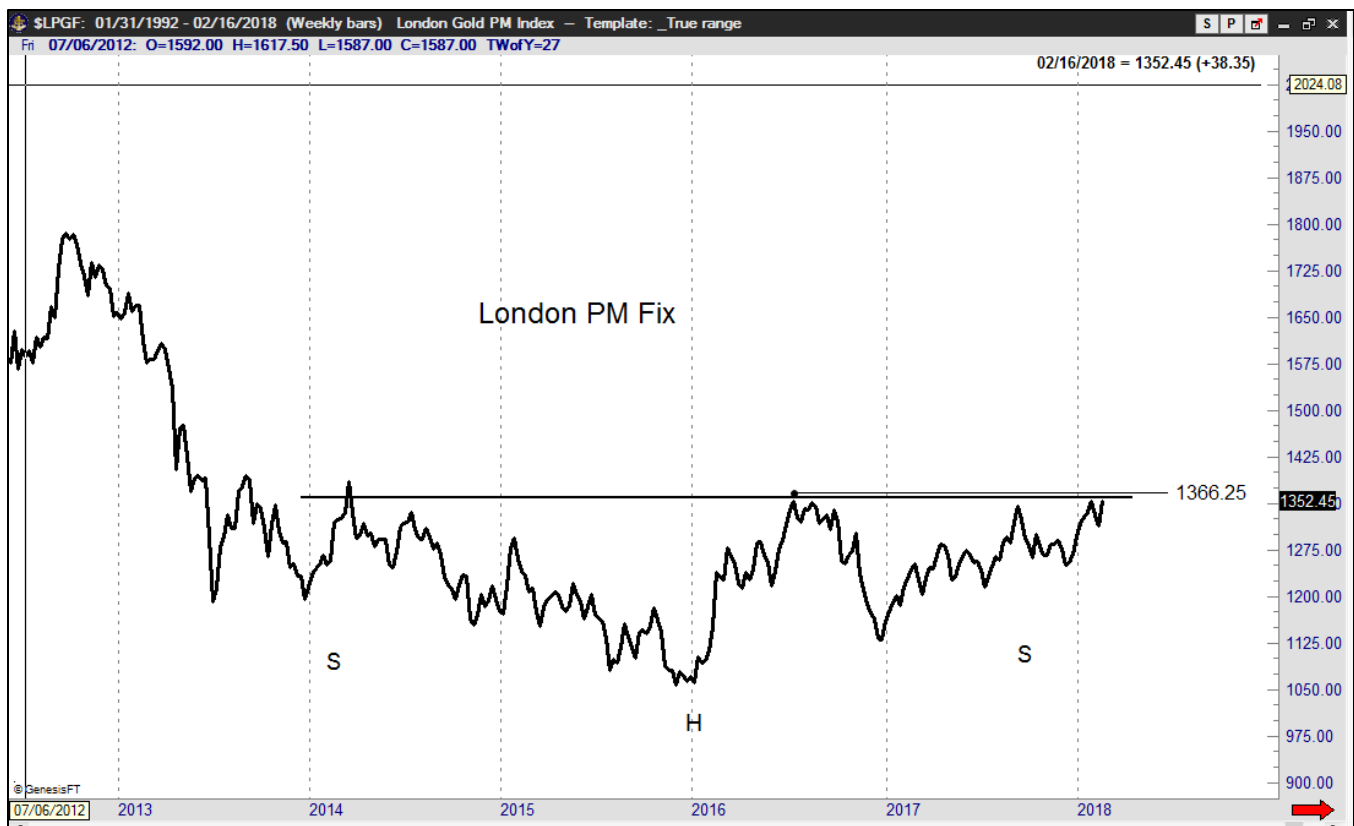
Precious metals – the timing just does not seem right for a bull market launch

Gold – massive H&S bottom continues to develop, but overhead resistance could be stiff

The technical significance of the resistance in the 1350 to 1390 zone in Gold cannot be overstated. This zone has contained rallies in Gold on five occasions (including the current rally), as shown on the weekly chart. My bias is that Gold will rip through resistance to commence a new bull trend (see monthly chart). Nevertheless, I cannot ignore the possibility that Gold might turn down hard from the overhead resistance – a decline toward 1230 is possible. I will closely monitor Gold with an interest to be long – I may use the London PM Gold fix as a proxy for a breakout. Factor is flat. See additional charts, next two pages.

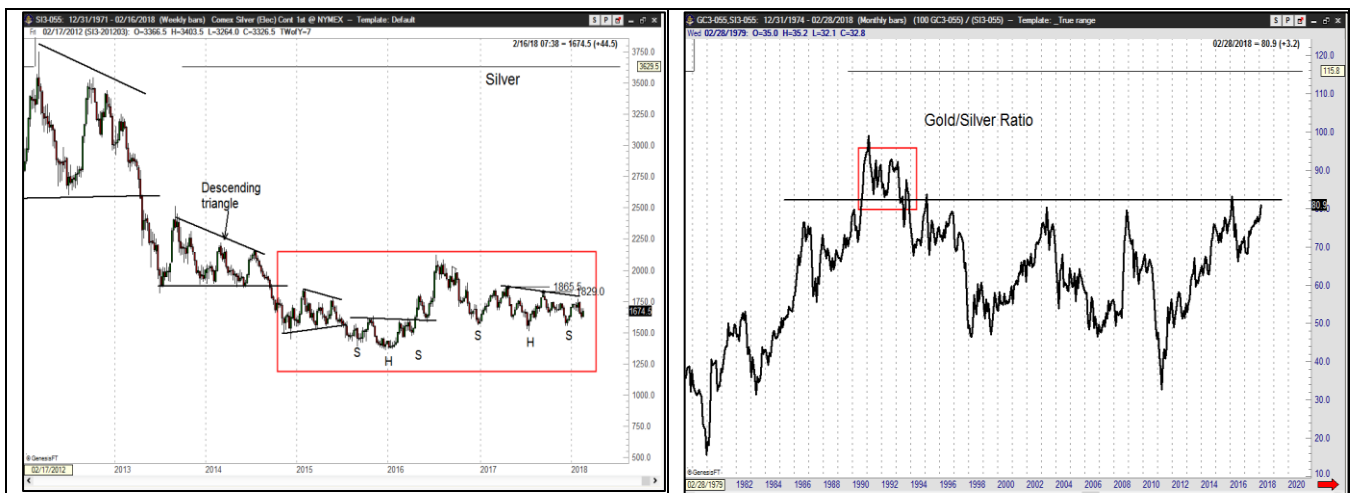






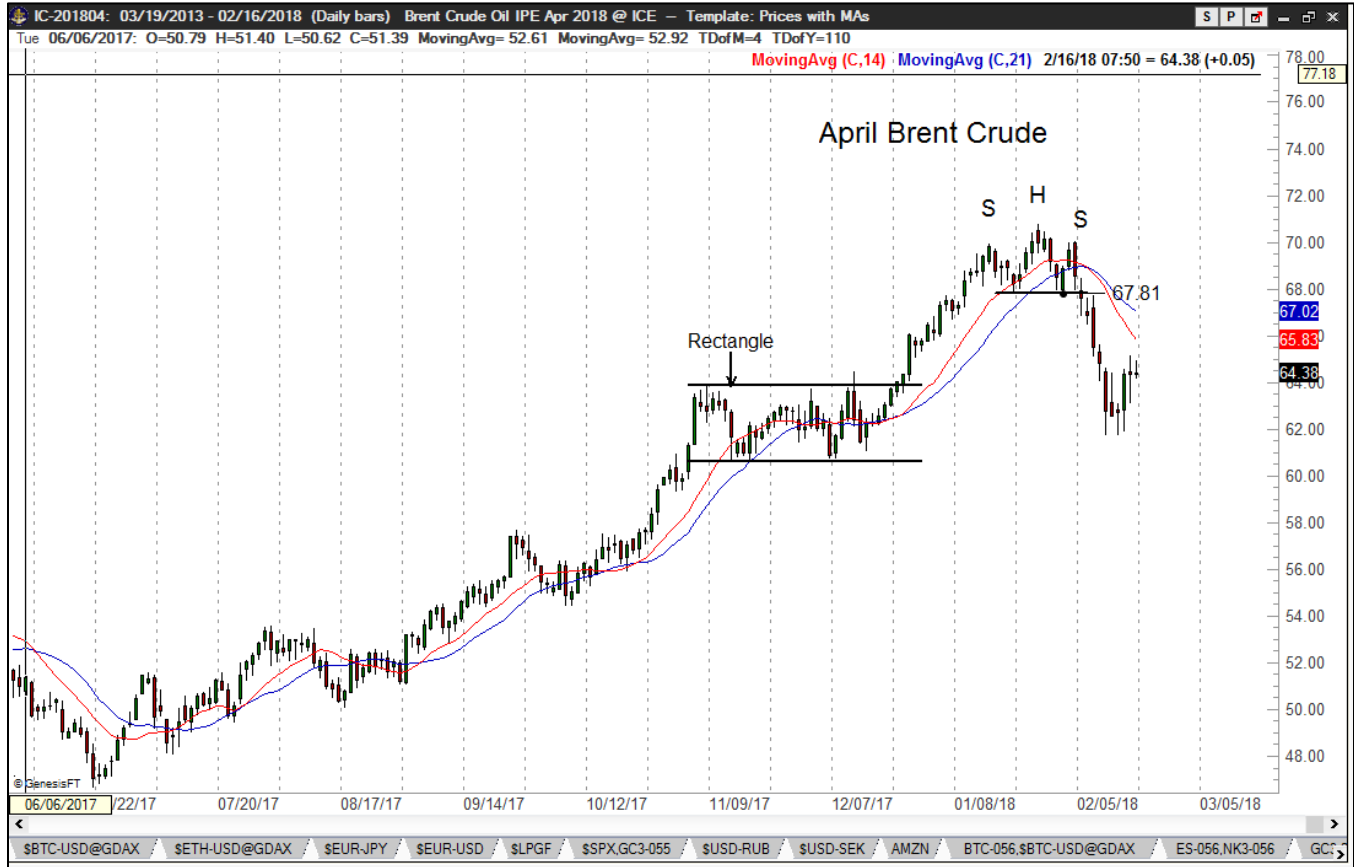
Silver – weaker than Gold

The weekly chart of Silver displays an ongoing construction of a 3+ year common bottom. Other chartists are including the period from Jun 2013 through Sep 2014 as part of the bottom process. I view this descending triangle as part of the previous bear market, not as part of a bottom. A decisive close above 18.65 is required for me to become constructive on Silver. Given that Gold is already historically expensive in relationship to Silver (see ratio chart), Silver could become a drag on Gold.



Brent Crude Oil – dominant daily trend is down

The daily chart trend in Brent Crude Oil appears to be down. Factor is flat. I have no desire to trade Crude Oil, but if I did it would likely be with a strategy of shorting the market with a simple MA system.



Grain markets – prolonged bottoming process continues

Grain prices are all in areas of historical support – but bottoming in grains can be an agonizingly slow process. Nevertheless, I am committed to a long-term program of buying reasonable daily chart bottom patterns in the grain markets.

Soybean Meal

See the Factor Alert dated Feb 12, 2017. The break-away gap advance on Feb 12 completed a massive 19-month double bottom on the weekly continuation chart. This pattern has a target of 408.4. Because the risk of a net long position in Meal was too large for the Factor Tracking Account, I mentioned that a position of mini Soybean contracts was more appropriate. I changed my mind on positioning for the Tracking Account in the minutes before the close on Feb 12. I am a strong proponent of being long the strongest member of a category when long, and short the weakest member of a category when short. Meal was clearly leading the parade (due to problems with Meal production in Argentina). Instead, I bought the Meal contract and sold the mini Soybeans. This trade structure allowed me bet on Soybean Meal (but with 70% of the risk of a net Meal contract). The target in the July contract is 392.4. See charts, next page.



Corn

The daily continuation graph in Corn arguably completed a 5+ month inverted H&S bottom pattern on Feb 6. The daily chart of the Jul contract completed a falling wedge pattern on Jan 24. This pattern has a target of 3.875. Factor is long Corn. Understand this: A weather scare will be needed for Corn to have a meaningful advance in 2018.



K.C. Wheat

The advance on Jan 29 completed a H&S bottom on the daily continuation chart of KC Wheat. The target of this pattern at 4.74 has been met. The Factor Tracking Account is long 5,000 bushels of KC Wheat (hedged against 2,000 bushels of Chicago Wheat mini contracts). I am using an extended target of 5.46 in the July contract. My tactic for managing a hedged position such as this is quite simple. When



the KC Wheat hits my protective stop or target my order platform will automatically cover the Chicago Wheat position. The Jul contract could be forming a 2-week pennant. I will attempt to use this small continuation pattern to extend leverage depending upon how the pattern is completed (I only trade breakouts in grains that occur during daytime exchange hours).



Post Mortems

Robusta Coffee

As a general rule, my expectations are inversely correlated with the outcomes. I really thought the long side of Robusta Coffee was a lay-up. I entered the trade on Wednesday only to exit with jammed stops on Thursday and Friday.



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The Factor Crypto Corner

The Factor Crypto Corner

Bitcoin

The advance on Wednesday completed a small H&S bottom pattern (best seen on the intraday charts) and penetrated the upper boundary of a possible channel (GDAX chart). This price action nullifies the possibility of a horn top pattern as identified in previous Factor updates. The H&S pattern has an upside target of 12,600 to 13,700. I was impressed enough by the simultaneous completion of the H&S and penetration of the upper boundary of the channel that I established a long BTC position. I am not willing to let this position turn back against me.



LTC/USD

Last week's Factor Update (Feb 11) pointed out the upside completion of a 9-week falling wedge with a target of 380. This breakout is shown on both daily and intraday arithmetic-scale charts. While I prefer to chart BTC on a log scale, using arithmetic scaling is more suitable for LTC for two reasons: (1.) LTC is a much newer market than BTC; and, (2.) LTC is more of a trading market than is BTC.



Ethereum

The daily chart exhibits a possible 5-week flag on the arithmetic-scale chart. Factor is flat. IMO, this chart is about as exciting as the idea of kissing my sister.



Ripple (XRP/USD)

The daily chart has completed a falling wedge pattern with a possible target of 2.75. Factor is flat.



Factor Tracking Account, February 16, 2018

Table shows only open trades as of February 16, 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															2/16/2018				
Model Tracking Account Trade History and Portfolio																			
Constant nominal capitalization: \$100,000																			
(See disclaimers and notes below)																			
Market		Date	L/S	Price	Entry				Stop Date	Δ	Target	Pattern		Exit		Capital to carry trade	Value of trade (entry)		
					Size	Initial stop	BP risk	Current Stop				Weekly	Daily	Date	Price			Net	
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	-	
EUR/JPY	EUR/JPY	12/20/17	L	134.624	30k	133.47	30	134.76	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	-	
DXH8	US Dollar	12/28/17	S	92.290	1	92.720	43	92.140	1/12	90.210	14-wk H&S	14-wk H&S		15-Jan	90.210	\$ 2,075.00	Closed	-	
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	7619.00	1/22	7944.0	17-year asc tri	6+mo sym tri		24-Jan	7618.5	\$ 466.00	Closed	-	
															Total -- Carry in positions	\$ 2,886	\$ 371		
2018 forex roll charges and FX losses on foreign margin deposits; day trade P/Ls on repositioned trades																			
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	23495.0	1/25	24825 r	Major bull trend	10-wk asc tri		29-Jan	23495	\$ 349	Closed	-	
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	1.22740	1/24	1.2485	January Effect lo	Retest 13-wk sym tri		25-Jan	1.24848	\$ 1,556	Closed	-	
EUR/USD	EUR/USD	1/8/18	L	1.19660	30k	1.18350	40	1.22820	1/31	Open	January Effect lo	Retest 13-wk sym tri		7-Feb	1.22817	\$ 947	Closed	-	
GEZ21	Eurodollars	1/9/18	S	97.44	1	97.53	22	97.165	2/2	Open r	9-mo H&S	9-mo H&S		5-Feb	97.165	\$ 683	Closed	-	
GEZ21	Eurodollars	1/9/18	S	97.44	1	97.53	22	97.240	1/30	97.03 r	9-mo H&S	9-mo H&S		2-Feb	97.03	\$ 1,020	Closed	-	
GEZ21	Eurodollars	1/9/18	S	97.44	1	97.53	22	97.165	1/30	Open r	9-mo H&S	9-mo H&S		5-Feb	97.165	\$ 683	Closed	-	
Possible 2-yr sym																			
GLD	Gold ETN	1/12/18	L	126.33	100	123.87	25	126.17	1/30	147.92	tri	Possible 2-yr sym tri		2-Feb	126.17	\$ (21)	Closed	-	
AAPL	Apple	1/16/18	L	177.51	150	174.19	50	174.97	1/19	185.48	11-wk rectangle	11-wk rectangle		24-Jan	174.96	\$ (388)	Closed	-	
ETH	Ethereum	1/16/18	L	1061.23	3	942.97 A	36	1019.84 A	1/16	TBD	Major bull trend	Retest trendline		16-Jan	1019.79	\$ (139)	Closed	-	
GDXJ	Jr. Gold Miner	1/24/18	L	35.69	250	33.79	50	33.88	1/25	48.87	Poss 5-yr H&S	13-mo sym tri		29-Jan	33.87	\$ (450)	Closed	-	
ZCN8	Corn	1/24/18	L	3.7250	1	3.655	37	3.7550	2/16	3.875	5-mo wedge	5-mo wedge				\$ 605	\$ 18,625		
FXI	China Fund ETI	1/25/18	L	52.54	150	48.29	63	Mkt	2/2	71.74	10-yr sym tri					\$ (157)	Closed	-	
YTH8	Aussie 3-yr	1/26/18	S	97.73	1	97.85	27	97.81	1/31	97.35	3-yr H&S top					\$ (208)	Closed	-	
YTH8	Aussie 3-yr	1/26/18	S	97.73	1	97.85	28			97.35	3-yr H&S top					\$ (322)	Closed	-	
ZXH8	FTSE 100	1/26/18	L	7617.0	1	7551.0	77	7576.5	1/29	7944.0	17-year asc tri	6+mo sym tri - reentry		30-Jan	7576	\$ (590)	Closed	-	
ETH	Ethereum	1/27/18	L	1110.42	6	1039.82	43	1123.87	1/29	1329.5	Major bull trend	3-wk pennant		29-Jan	1123.86	\$ 76	Closed	-	
GEZ21	Eurodollars	1/29/18	S	97.20	2	97.255	27	97.22	1/31	97.11	9-mo H&S	Pennant		1-Feb	97.11	\$ 440	Closed	-	
PSQ	QQQ ETF	2/2/18	L	33.23	300	32.58	20	32.89	2/2	34.86	Micro H&S	Micro H&S		5-Feb	34.86	\$ 484	Closed	-	
SSGG8	Singapore Ind	2/5/18	L	394.30	1	392.8	25			489.8	7-yr rectangle	Retest		5-Feb	392.7	\$ (242)	Closed	-	
17-wk H&S																			
KW3N8	KC Wheat sprc	2/5/18	L	4.870	1	465	110	4.945	2/9	5.46	bottom	Retest gap				\$ 1,045	\$ 24,350		
XW3H8	Mini Chi sprd	2/5/18	S	4.40	2	See above	-40	See above		Hedge	Hedge for KW					\$ 440	\$ 4,400		
ZNH8	T-Notes	2/6/18	S	122^A15	1	123^A05	69	121^A085	2/16	115^A06	6+ yr dbl top	Retest				\$ 1,045	NA		
GEZ1	Eurodollars	2/7/18	S	97.12	2	97.23	54	97.06	2/16	96.51	Poss 2-yr fail top	Shake out re-entry				\$ 264	NA		
LTC/USD	Litecoin-gdax	2/9/18	L	152.07	12	133.79	25	154.32	2/10	254.29	9-wk wedge	9-wk wedge		10-Feb	154.31	\$ 27	Closed	-	
ZMN8	Soy Meal	2/12/18	L	359.7	1	347.8	120	358.4	2/16	392.4	19-mo common	Breakaway gap				\$ 1,100	\$ 35,970		
XSN8	Mini Beans	2/12/18	S	10.215	2	See above	-42			Hedge	Hedge for ZM					\$ 580	\$ 20,430		
LTC/USD	Litecoin-gdax	2/12/18	L	159.27	20	140.19	25	189.88	2/16	254.29	9-wk wedge	9-wk wedge				\$ 3,185	\$ 3,185		
LTC/USD	Litecoin-gdax	2/13/18	L	164.11	20	151.78	25	204.57	2/16	349.47	9-wk wedge	9-wk wedge				\$ 3,282	\$ 3,282		
BTC/USD	Bitcoin	2/14/18	L	9102.11	0.6	8444.87	40	9544.87	2/16	11534.82	2-mo wedge	2-wk H&S				\$ 5,461	\$ 5,461		
GEH20	Eurodollars	2/14/18	S	97.195	1	97.28	24	97.24	2/16	96.84	26-mo fail top	2-wk pennant				\$ 264	NA		
LCFK8	Robusta Coffee	2/14/18	L	1782	1	1759	23	1769	2/15	1877	10-yr sym tri	12-wk rounding		16-Feb	1768	\$ (150)	Closed	-	
LCFK8	Robusta Coffee	2/14/18	L	1782	1	1748	34	1774	2/15	1877	10-yr sym tri	12-wk rounding		15-Feb	1774	\$ (90)	Closed	-	
															Trades as of	\$ 8,503	\$ 17,643	\$ 115,704	
															Indicates open position value as of		Levered at	1.16	
																	Margined at		
PAST RESULTS ARE NOT NECESSARILY INDICATIVE OF FUTURE PERFORMANCE																			
r = revised RO = Rollover A = Alert																			
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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