



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

Note: Due to travel schedule abbreviated Factor Updates will be issued the next two weekends.

Factor Update, June 30, 2018

Market Review

New candidate Factor Moves™ are developing in:

- \*EuroSwiss
- Gold

Candidate Factor Moves™ are currently ongoing in:

- NASDAQ

This issue also comments on U.S. stock market indexes (NASDAQ, Russell, DJIA), forex, interest rate markets (T-Bonds, T-Notes, \*EuroSwiss), grains, Brent Crude Oil, metals (Gold, Silver, Platinum, Copper) and cryptos. \*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</li> <li>• T-Notes -- alert</li> </ul> | <ul style="list-style-type: none"> <li>• *EuroSwiss – target</li> </ul> |
| The Factor Tracking Account is currently leveraged at nil. Capital Utilization is at nil %.             |   |

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Making the same \$\$ all over again

I continue to view the futures, forex and crypto trading environments as very unfavorable from a classical charting perspective. I was contacted by a Factor member this past week with the question:

*"But, if I do not trade how I can make money?"*

So, where is the guarantee that trading always produces profits? Making money in the markets is tough enough without having to make the same USD the second, third or fourth time. There is a time to make money and a time to keep it. Right now my clock is set to the "keep" cycle.

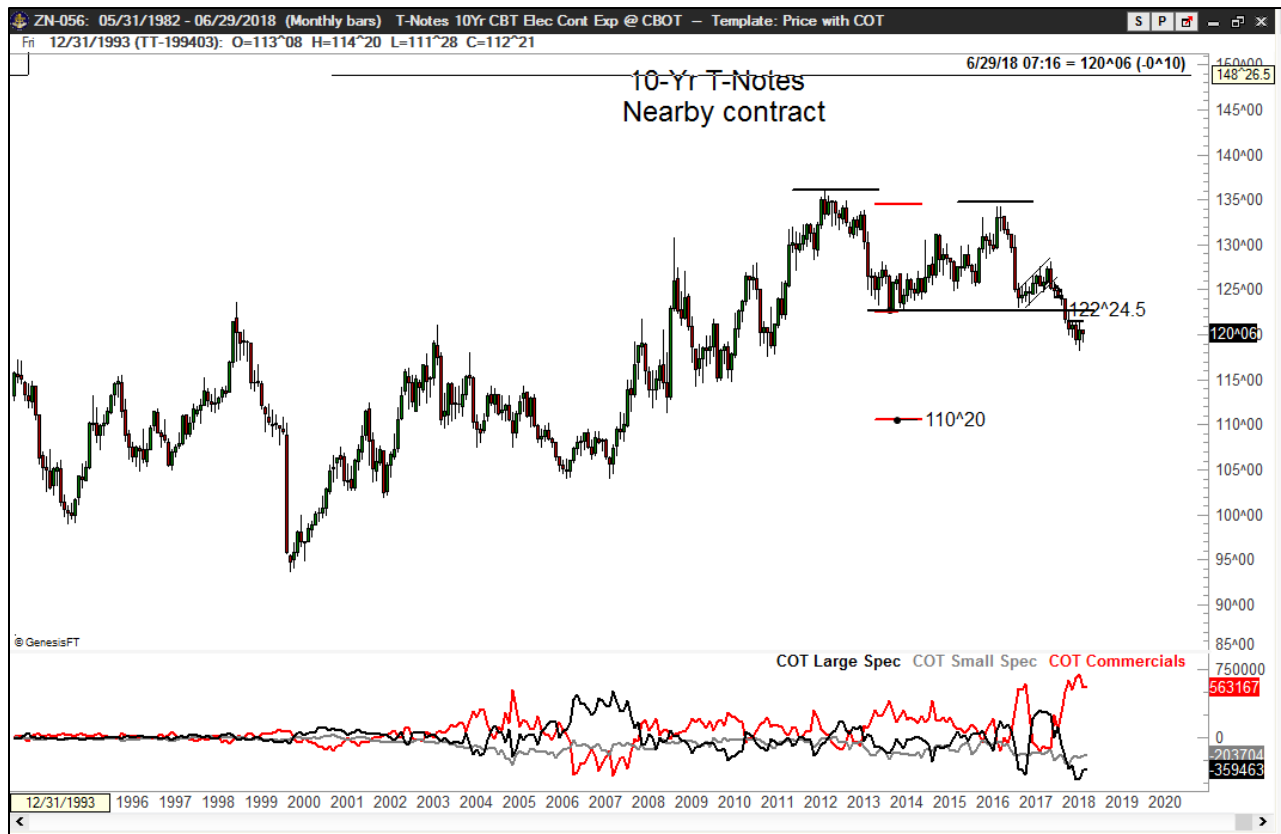
## Interest rate markets

My instincts tell me that the worm has turned in the U.S. interest rate markets – the 35-year trend to zero interest rates ended in 2016. I have been patiently waiting for two things to happen:

1. A retest of the overhead tops in Bonds and/or 10-Yr. T-Notes
2. A reduction in the all-time record Commercial short COT profile

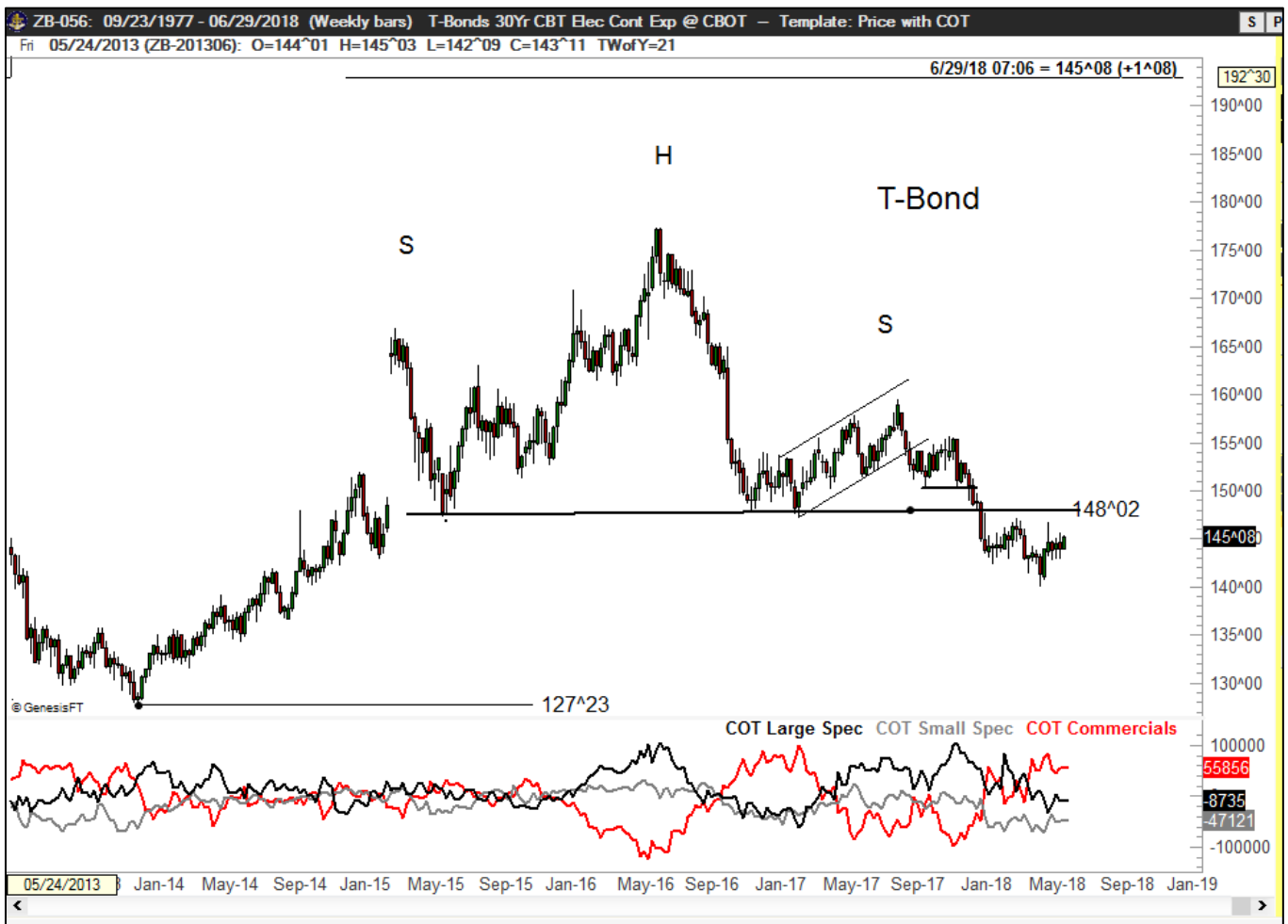
### T-Notes

A rally by the nearby contract to  $122^{24}$  would retest the double top on the monthly graph. The COT profile is at all-time record extremes in terms of Commercial long and Spec short positions. As in the case of Bonds, the daily chart of the Sep contract displays a possible H&S bottom. I would be willing to take a shot at the long side depending upon if and how this H&S bottom is completed. Factor is flat.



## T-Bonds

A rally on the monthly futures graph to 148^00 would be a retest of the overhead H&S pattern. The daily chart displays a possible inverted H&S bottom. This chart would suggest an advance to 152^00 which would go a long way to negate the H&S top on the weekly graph. The monthly yield chart shows that the multi-decade channel remains intact. The weekly yield chart displays a massive H&S bottom pattern. Resistance in the 3.25% zone has repelled the advance. Factor is flat. Despite my longer-term cyclic view of U.S. rates I would consider trading futures from the long side depending upon if and how the H&S bottom on the daily graph is completed.

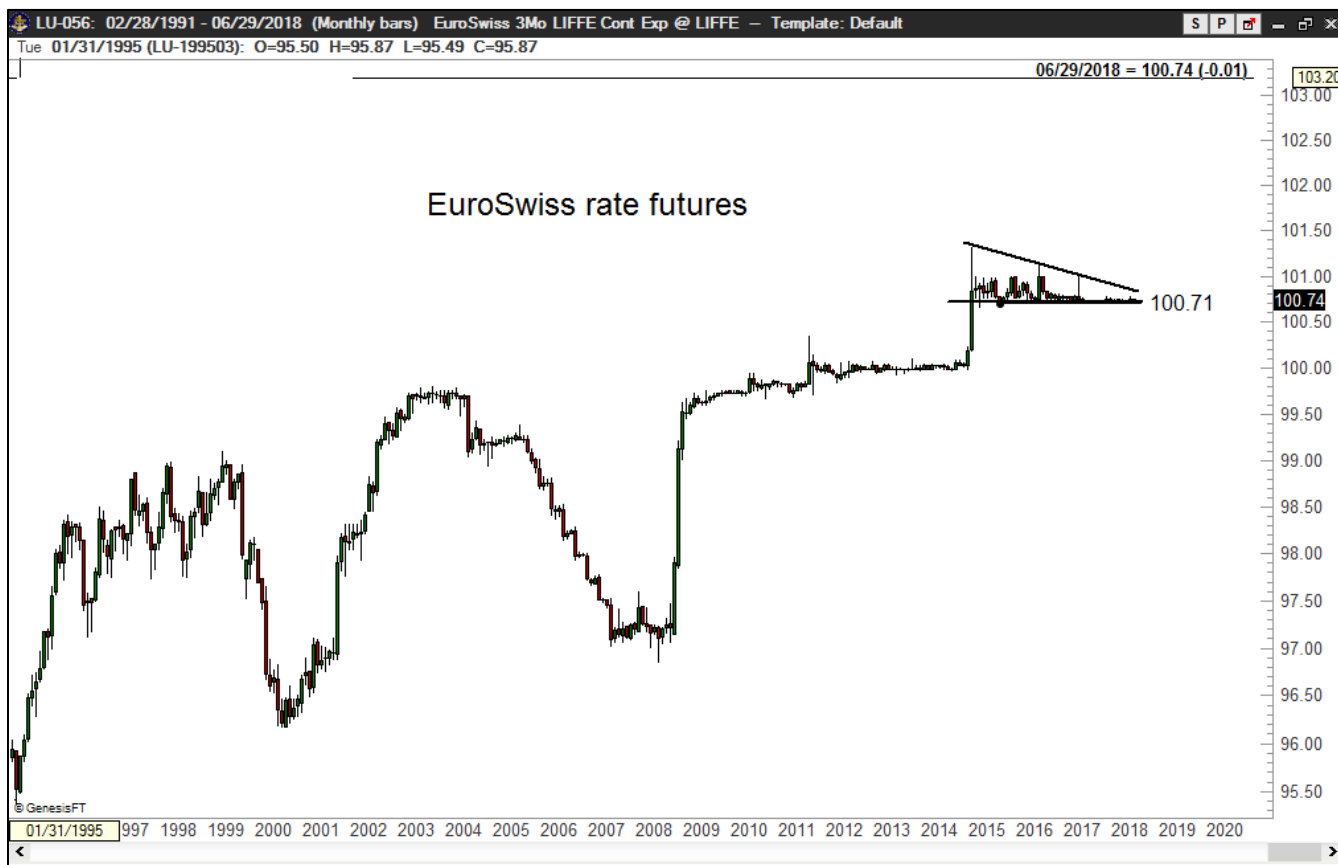


## T-Bond Yield Charts



## EuroSwiss

Factor is short. The Dec 2018 contract is priced at the same level at which the Jun 2018 contract expired. This means that the market expects the SNB to retain yields at -75 BPs through the rest of 2018.



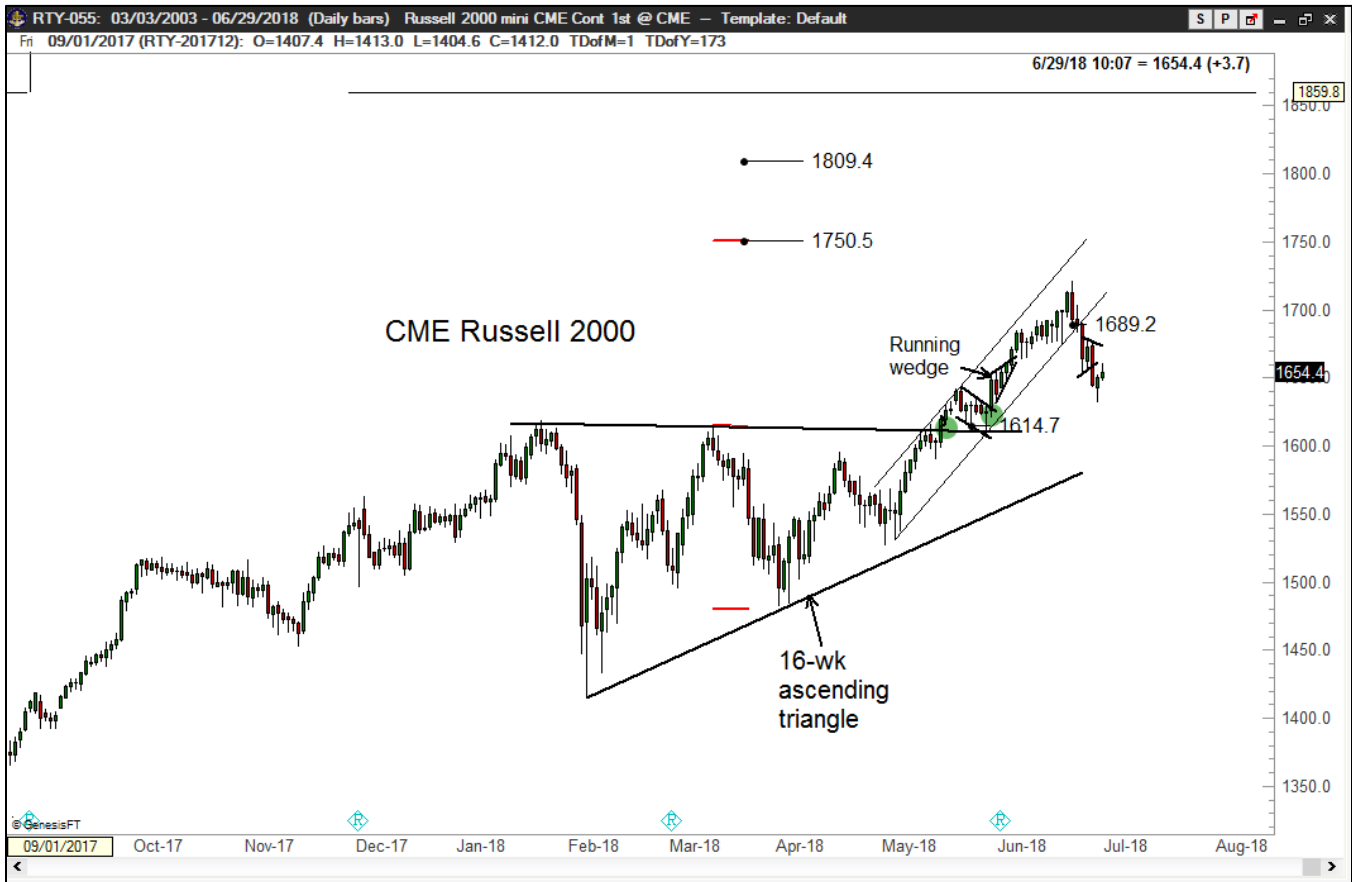
Currencies

The forex charts continue to be big duds.

U.S. stock market

Russell 2000

The decline this past week appears to be only a retest of the underlying completed ascending triangle. Factor is flat. For me to become interested in the long side would require the development of a continuation pattern on the daily graph.



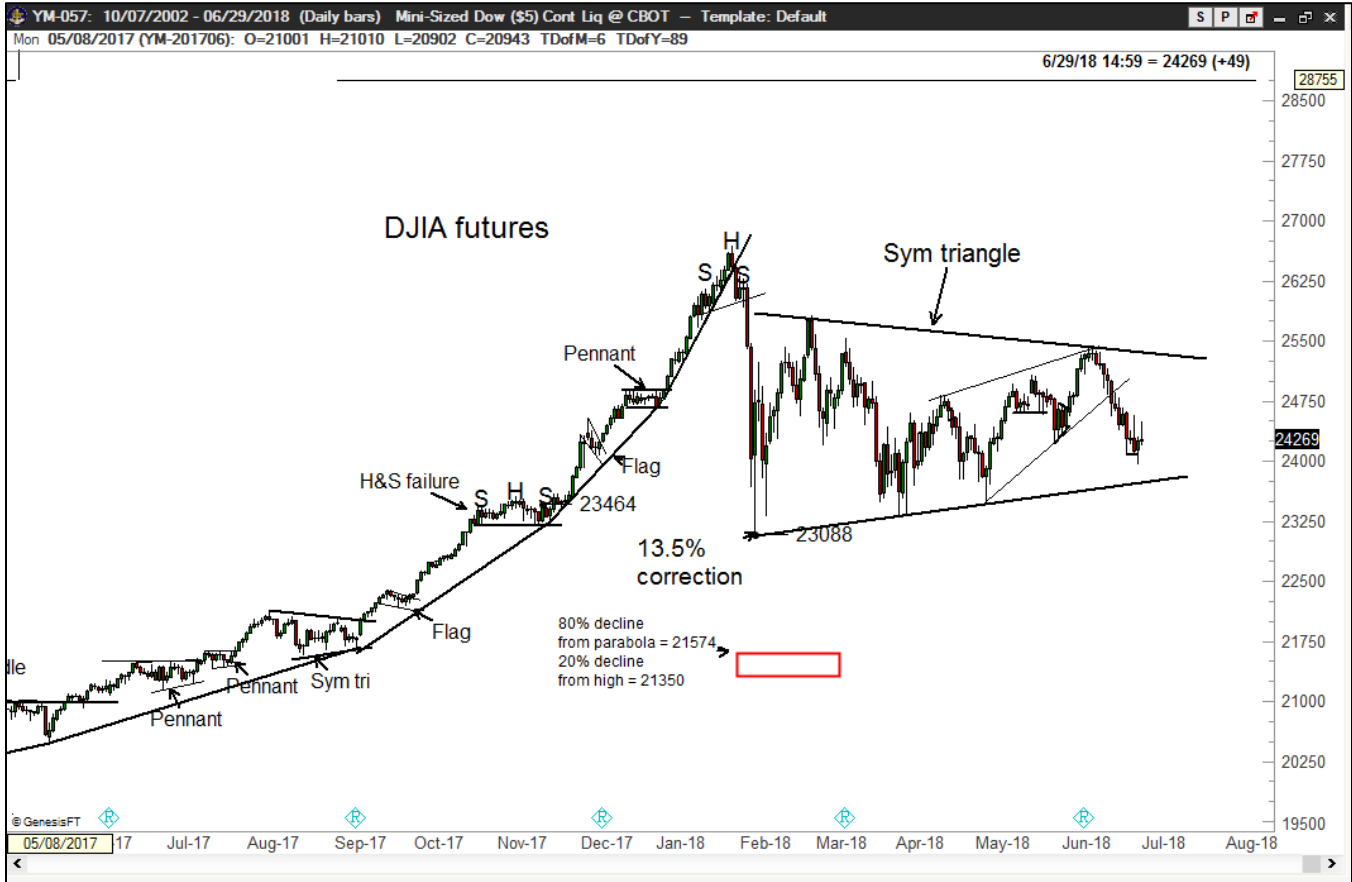
**NASDAQ**

The decline on Monday stopped me out of a long position. The question I have now is whether this past week's decline is the start of a more serious correction or merely a retest of the completed H&S failure pattern on the daily chart.



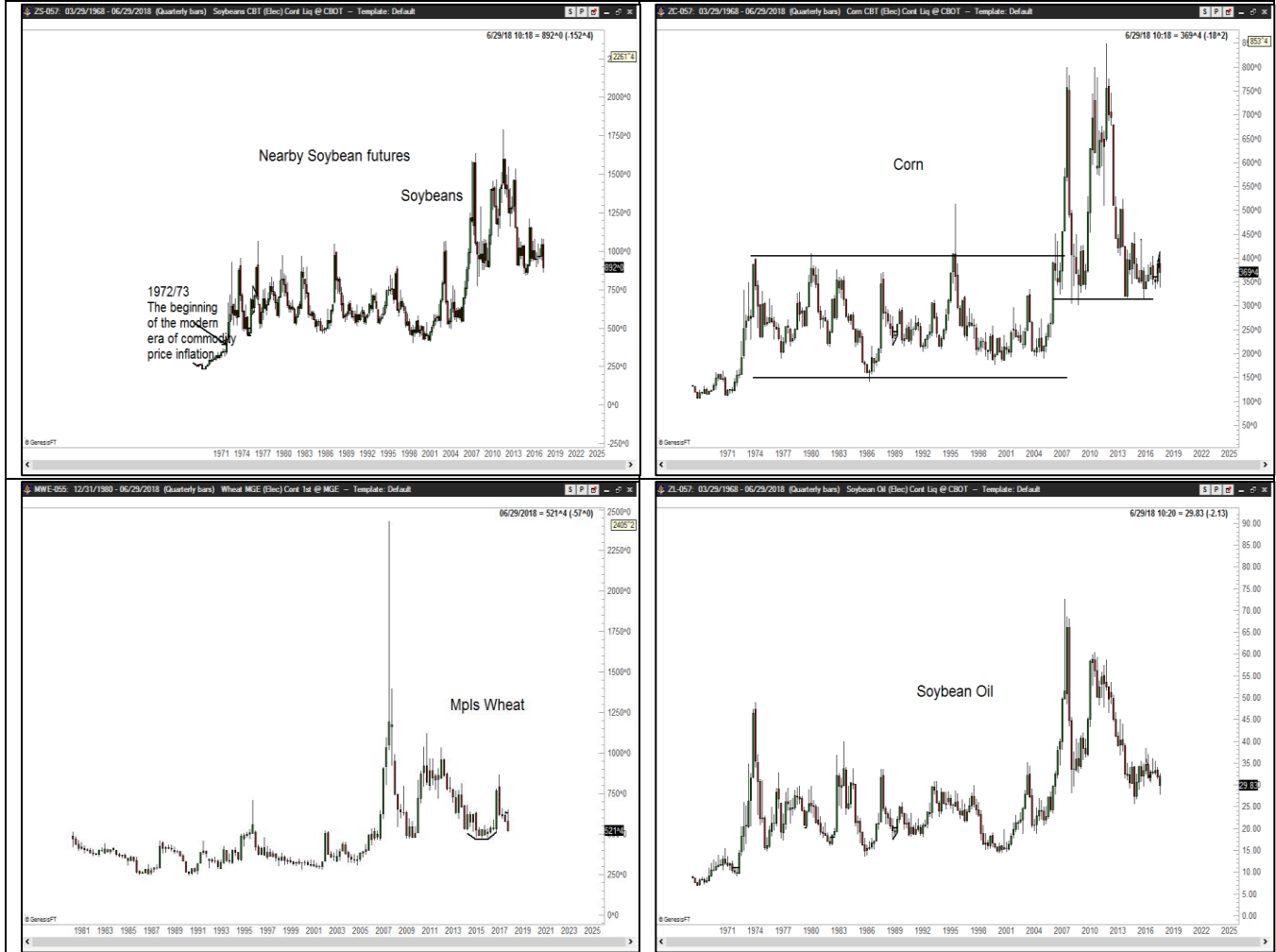
**Dow futures**

The symmetrical triangle, or price coil, is the ultimate representation of market uncertainty. The disposition of a symmetrical triangle slightly favors a continuation move. Yet, the 20-week symmetrical triangle in the Dow could go either way.



## Grains

As shown on the quarterly charts below, grain prices are digging deep into historical support levels. The cure for low prices is low prices. The cure for high prices is high prices. These depressed grain prices are the seeds for an eventual bull market. Factor is flat.



## Metals

### Gold

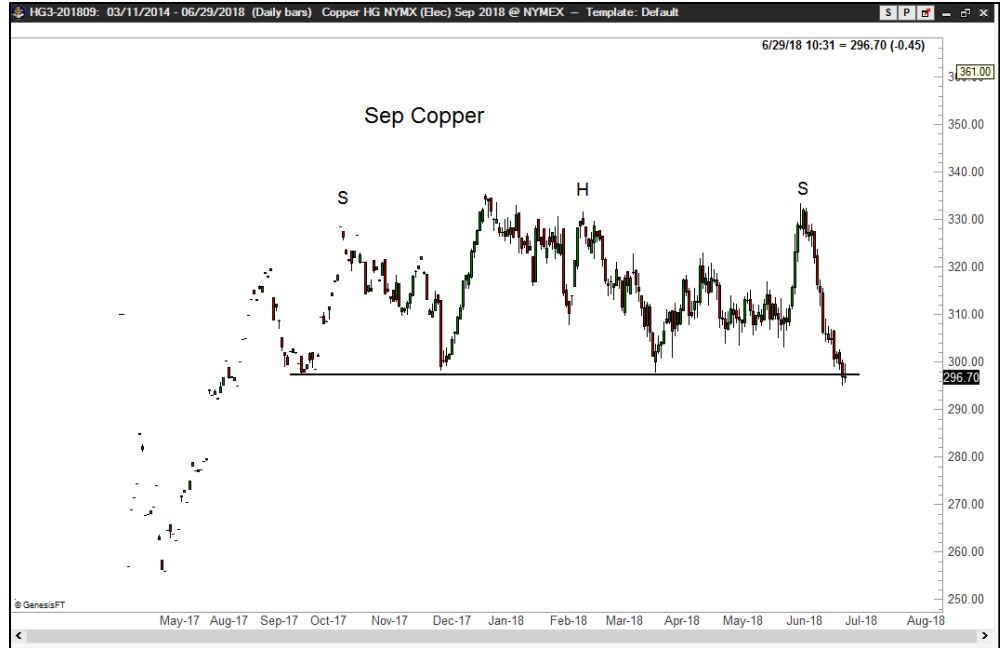
I cannot find a global macro trader or analyst who is not a raging bull on Gold. There are two chart reasons to be potentially constructive on Gold. The first is the possible 5-year inverted H&S bottom pattern on the longer-term graphs. Remember, a pattern is only a possible pattern until it is completed and even then it can fail or morph. Second, the period from the start of this H&S pattern in Jun 2013 to the bottom of the head was 30 months. The period from the bottom of the head through until now is 30 months. The highest quality H&S patterns tend to achieve some level of symmetry (of duration and/or price). This fact puts me on the alert for a possible buy signal. However, a close below the Dec 2017 low at 1238 would argue on behalf of a retest of the late 2015 low at 1045. Factor is flat.





### Copper

The Sep Copper contract is attempting to challenge the neckline of a massive complex H&S top pattern. I have no desire to short this market following a straight-line 36-cent decline, so I will monitor this pattern to determine if a low risk trade becomes apparent.



### Silver

The dominant chart construction in Silver continues to be the evolving 12-month symmetrical triangle on the daily graph. The rally in mid Jun was a bull trap. Perhaps the journey outside of the lower boundary of the triangle this past week will prove to be a bear trap. Factor is flat.



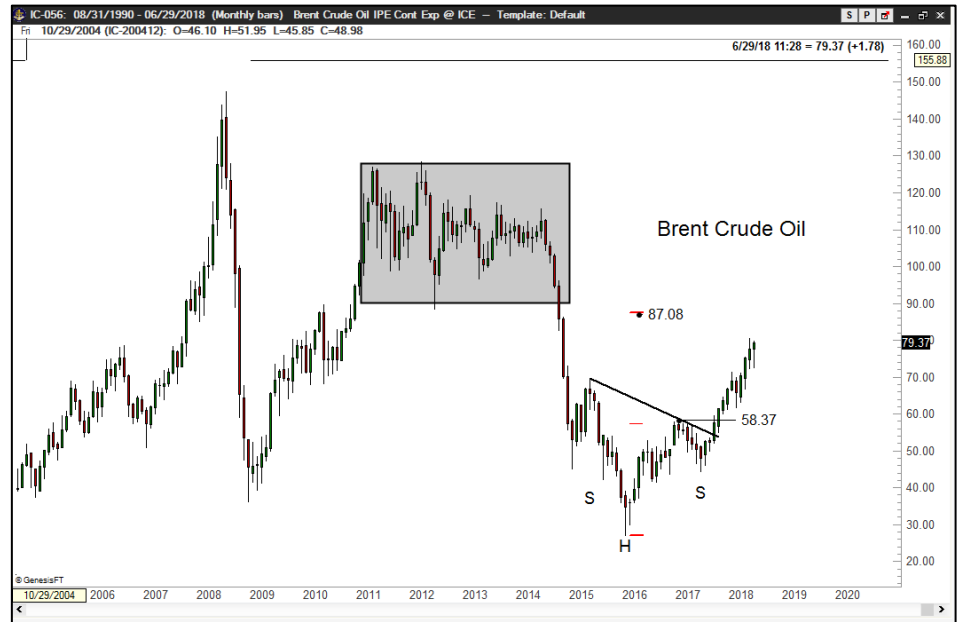
## Platinum

The recent decline penetrated the lower boundary of a large rectangle pattern on the weekly chart. The COT profile has moved to 10-year extremes with Commercials now holding a rare net long position and Large Specs holding a rare net short position. Factor is flat.

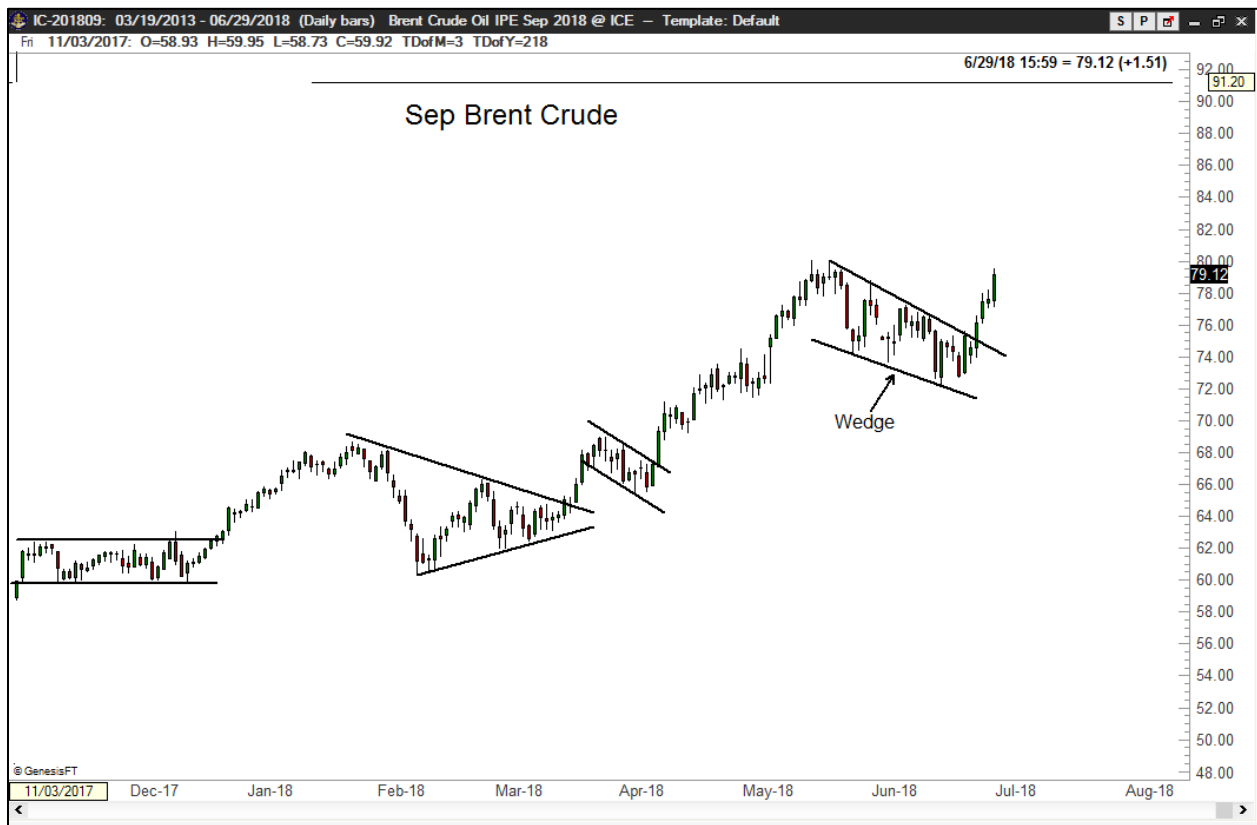


## Brent Crude Oil

I do not mind taking credit when I get a trade really right. But I must also be transparent when I screw up royally. I missed a trade this past week that I should have nailed. The trade was in my "wheel house." Flags, pennants and brief wedges within an ongoing strong trend represent reliable swing trading opportunities. The advance on Tuesday completed a continuation wedge pattern. Factor is embarrassingly flat. On the monthly graph, the high 80s would represent the target of the H&S bottom completed in Sep 2017 and the lower range of the massive top completed in Sep 2014. I have



been left flat footed in both Brent Crude and WTI for the past year.



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# The Factor Crypto Corner

## Cryptos

### Bitcoin (GDAX)

I do not believe in charting any markets other than cryptos in log scale. But I do believe cryptos can be charted in log scale given the brevity of market and the explosive advance during recent years. The dominant chart construction in BTC is the completed symmetrical triangle. This pattern has a target of 3600. Personally I do not think the market will go this low before finding a bottom, but time will tell. Friday (not yet closed) might be an engulfing candle, indicating that some of the selling pressure is waning. Factor is flat. I constantly asked for my longer term opinion of cryptos – so here goes. I am extremely constructive on BTC (lesser so on ETH). I have no time for alt coins and believe 98%-plus will become worthless. As a swing trader I always wait for asymmetrical reward-to-risk set ups. Thus, my trading position in BTC is flat. I bought a BTC position this past week for my grandkids' college education funds. I am prepared to buy more for the same purpose every \$1,000 down – but not enough that it would hurt if even BTC becomes worthless. My first G-kid does not graduate from secondary school for another five years. How sure am I with this purchase? Not at all sure – I view this as a crap shoot trade with money I can afford to lose.



## LTC/USD (GDAX)

The dominant chart construction is the completed 4+ month descending triangle. The targets of this pattern range from 28.45 to 48.40.



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**Factor Tracking Account, June 29, 2018**

Table shows only open trades as of June 29, trades closed in the past week and open trades for which protective stops were changed. A complete listing of the Factor Tracking Account for 2018 is updated monthly.

| Factor LLC   |           |        |     |         |      |              |         |              |           | 6/29/2018 |         |                  |                   |        |          |             |                        |                        |  |
|--|-----------|--------|-----|---------|------|--------------|---------|--------------|-----------|-----------|---------|------------------|-------------------|--------|----------|-------------|------------------------|------------------------|--|
| Model Tracking Account Trade History and Portfolio   |           |        |     |         |      |              |         |              |           |           |         |                  |                   |        |          |             |                        |                        |  |
| Constant nominal capitalization: \$100,000   |           |        |     |         |      |              |         |              |           |           |         |                  |                   |        |          |             |                        |                        |  |
| (See disclaimers and notes below)  |           |        |     |         |      |              |         |              |           |           |         |                  |                   |        |          |             |                        |                        |  |
| Market   |           | Entry  |     |         |      |              |         |              | Stop Date | Δ         | Pattern |                  |                   | Exit   |          | Net         | Capital to carry trade | Value of trade (entry) |  |
|  |           | Date   | L/S | Price   | Size | Initial stop | BP risk | Current Stop |           |           | Target  | Weekly           | Daily             | Date   | Price    |             |                        |                        |  |
| LUZ8   | EuroSwiss | 3/2/18 | S   | 100.66  | 1    | NA           | NA      |              |           | 100.21    |         | 3-year+ desc tri |                   |        |          |             | \$ 371                 | NA                     |  |
| NQU8   | NASDAQ    | 6/1/18 | L   | 7048.25 | 1    | 7017.0       | 77      | 7188.75      | 6/22      | 7774.4 r  |         | 5-mo H&S failure | 3-wk Cup & Handle | 25-Jun | 7188.5   | \$ 3,501    | Closed                 | -                      |  |
| Trades as of   |           |        |     |         |      |              |         |              |           |           |         |                  |                   |        | \$ 3,501 | \$ 371      | \$ -                   |                        |  |
| Indicates open position value as of  |           |        |     |         |      |              |         |              |           |           |         |                  |                   |        |          | Levered at  | 0.00                   |                        |  |
| PAST RESULTS ARE NOT NECESSARILY INDICATIVE OF FUTURE PERFORMANCE  |           |        |     |         |      |              |         |              |           |           |         |                  |                   |        |          | Margined at |                        |                        |  |
| <small>r = revised    RO = Rollover    A = Alert</small><br>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.<br><br>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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