

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

Factor Update, July 29, 2018

Market Review

New candidate Factor Moves™ are developing in:

- *EuroSwiss
- DJIA

Candidate Factor Moves™ are currently ongoing in:

- Russell

This issue comments on U.S. stock market indexes (Russell, DJIA, NASDAQ, NYA, LULU), Currencies (AUD/USD, NZD/USD, EUR/USD, Indian Rupee) interest rate markets (T-Bonds, T-Notes, *EuroSwiss), Crude Oil, metals (Gold, Copper, Palladium), Wheat 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/USD – alerts • Matif Milling Wheat – entry order and stop • BCH/USD – entry order and stop • XRP/USD – alert 	<p><u>Existing positions</u></p> <ul style="list-style-type: none"> • EuroSwiss – target • Bitcoin – target and protective stop
<p>The Factor Tracking Account is currently leveraged at .4X. Capital Utilization is at 4.5%. This means that more than 95% of the Factor Tracking Account is sitting idle in cash.</p>	

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Notes:

- I am scheduled to have eye surgery on Wednesday and major hand surgery on Friday. I am not sure what shape I will be in to produce the Factor Update next week – so keep your expectations low. It is no fun to be 71 years old.
- For those interested in my history and background as a trader, please see <https://www.peterbrandt.com/real-vision-video-series-peter-brandt-episode-one-life-charts/> for an interview I had with Raoul Pal of RealVision a year or so ago. (The five part series is in our Member Library Factor Members / Real Vision Videos)



Interest rate markets

U.S. interest rates have experienced a generational low. The long-term trend is toward higher rates (lower prices).

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. The daily chart displays a 6-month bottom. While I am a long-term bear on Treasury prices (bull on yields), the COT profile and daily chart suggest a sharp rally could be in the works. I will monitor this market for a buying opportunity. 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} – and that would go a long way to negate the H&S top on the weekly graph. The monthly T-Bond yield chart (next page) 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 advances. A 30-year Bond daily print of 3.32% would signal the start of a strong trend toward higher yields (lower futures prices). Factor is flat.

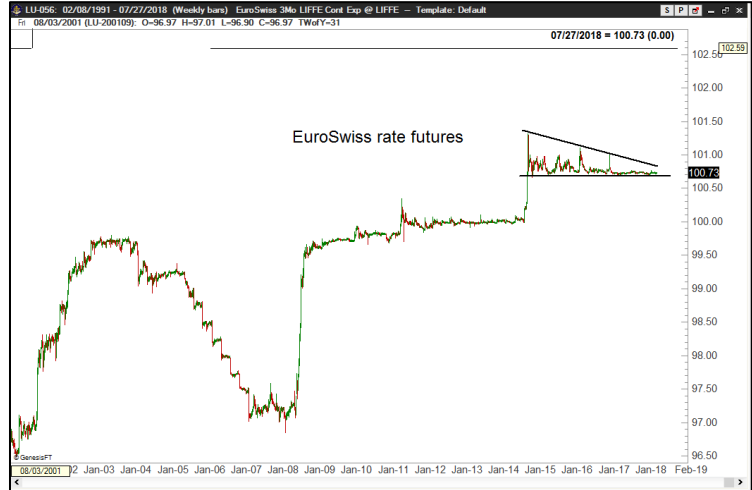


T-Bond Yield Charts



EuroSwiss

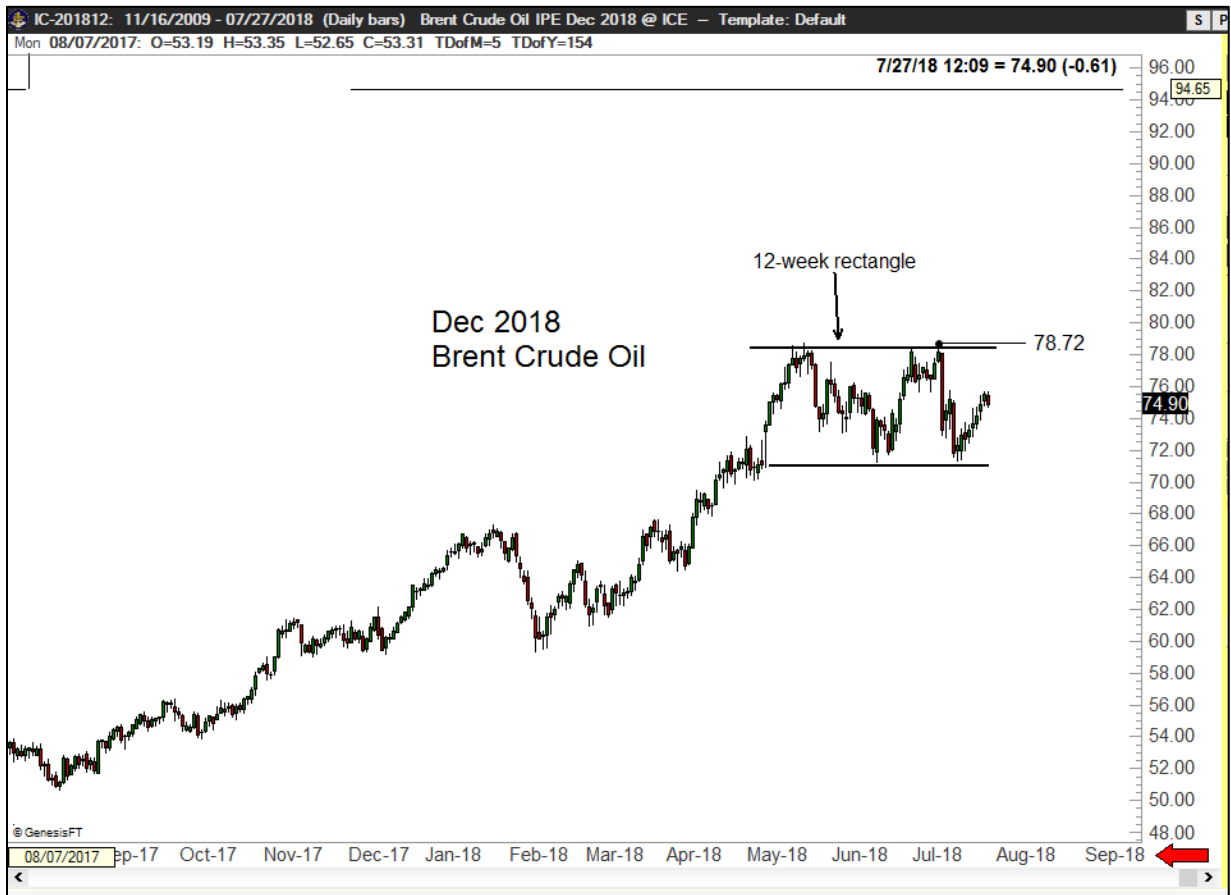
Factor is short. The Dec 2018 contract is priced in line with the SNB's benchmark rate. The trade is guaranteed to remain a loser if the SNB retains its current negative interest rate policy as minus 75 BPs. I see this as an extremely asymmetrical trading opportunity at current levels. Sorting Dec 2018 futures at 100.73 is like buying a put option for 2 points.



Energy markets

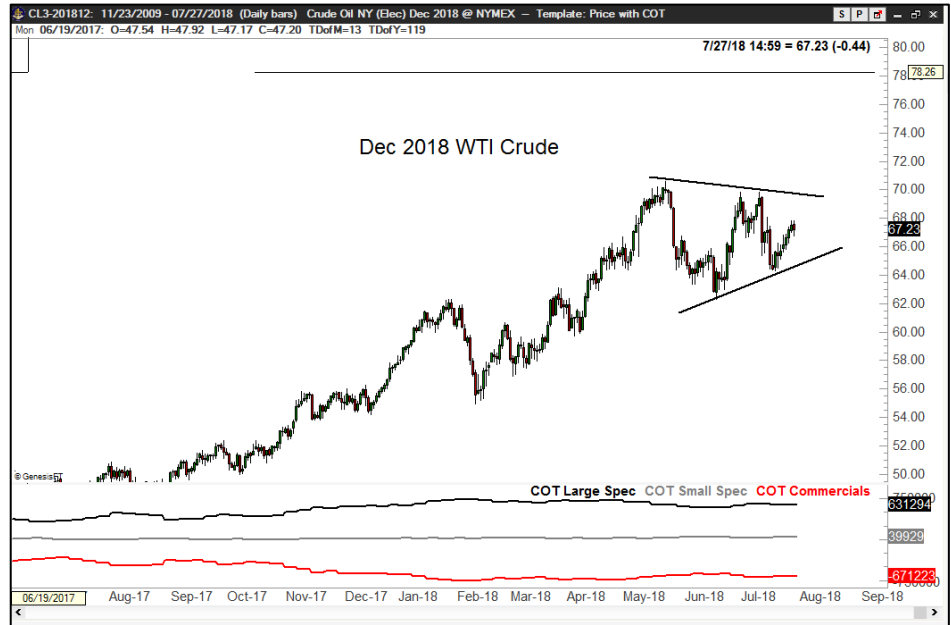
Brent Crude

The Dec 2018 Brent daily chart displays a possible 11-week rectangle. Rectangles can serve as continuation or reversal patterns. Factor is flat – I will monitor this pattern in the weeks ahead.



WTI Crude

The Dec 2018 WTI Crude daily chart is coiling. It should be pointed out that the COT profile is at extreme levels – Commercials have held near record short positions and Specs have held near record long positions throughout 2018. Factor is flat.



RB Gas

The daily chart of Oct 2018 RB Gas is forming a possible descending triangle. Factor is flat.

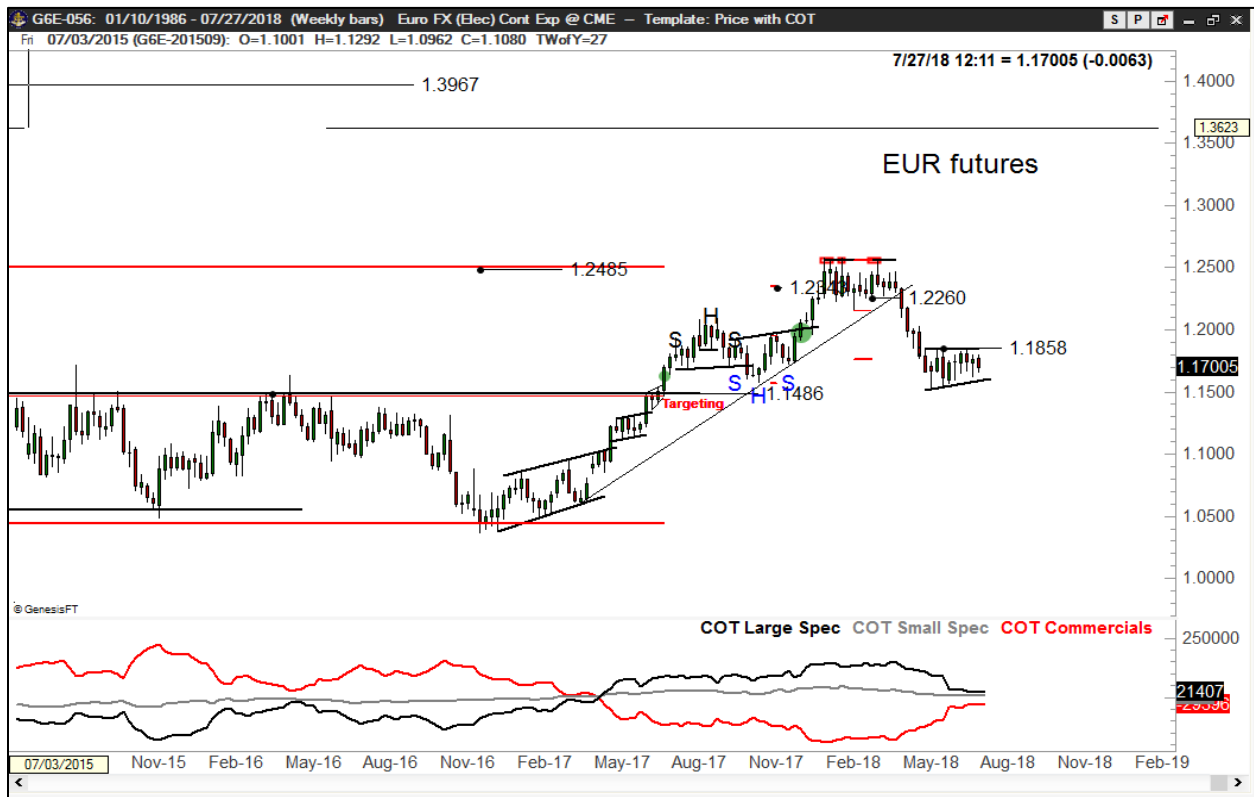


Forex

See the Factor Alert dated Jul 26, 2018.

EUR/USD (futures)

The daily spot chart displays a 9-week bearish descending triangle. The daily futures chart displays a possible 9-week ascending triangle. This has a bullish bias. Which chart is telling the truth? My instincts trust the futures chart for a couple of reasons. First, the decline from the Mar high is retesting a massive base on the weekly chart. This base should provide support. Further, Commercials have been major buyers throughout 2018. Factor is flat. I am willing to trade in either direction although my bias is toward a long position.



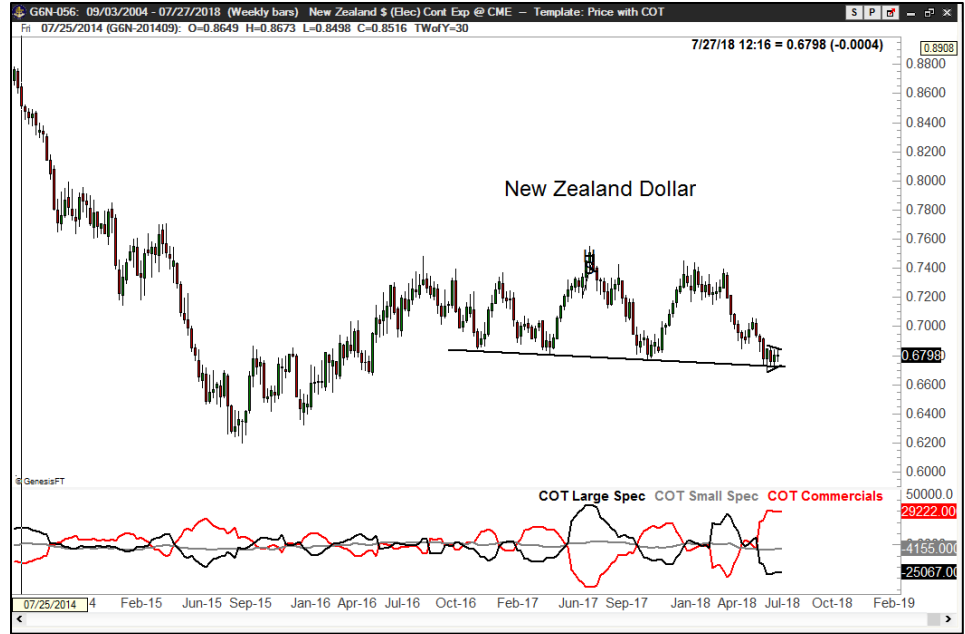
Australian Dollar

I have revised my thinking about AUD in recent days. The COT profile supports an advance, not a decline. Factor is flat. Should price on the daily chart move toward the neckline of the small H&S pattern and then advance above the right shoulder high I would take a long position.



New Zealand Dollar

I have also revised my thinking about NZD in recent days. I have no desire to take a short position when Commercials hold an all-time high long position.



Indian Rupee

The Indian Rupee displays a multi-year cup and handle pattern. A penetration of ATHs should lead to a strong up trend. Factor is flat.

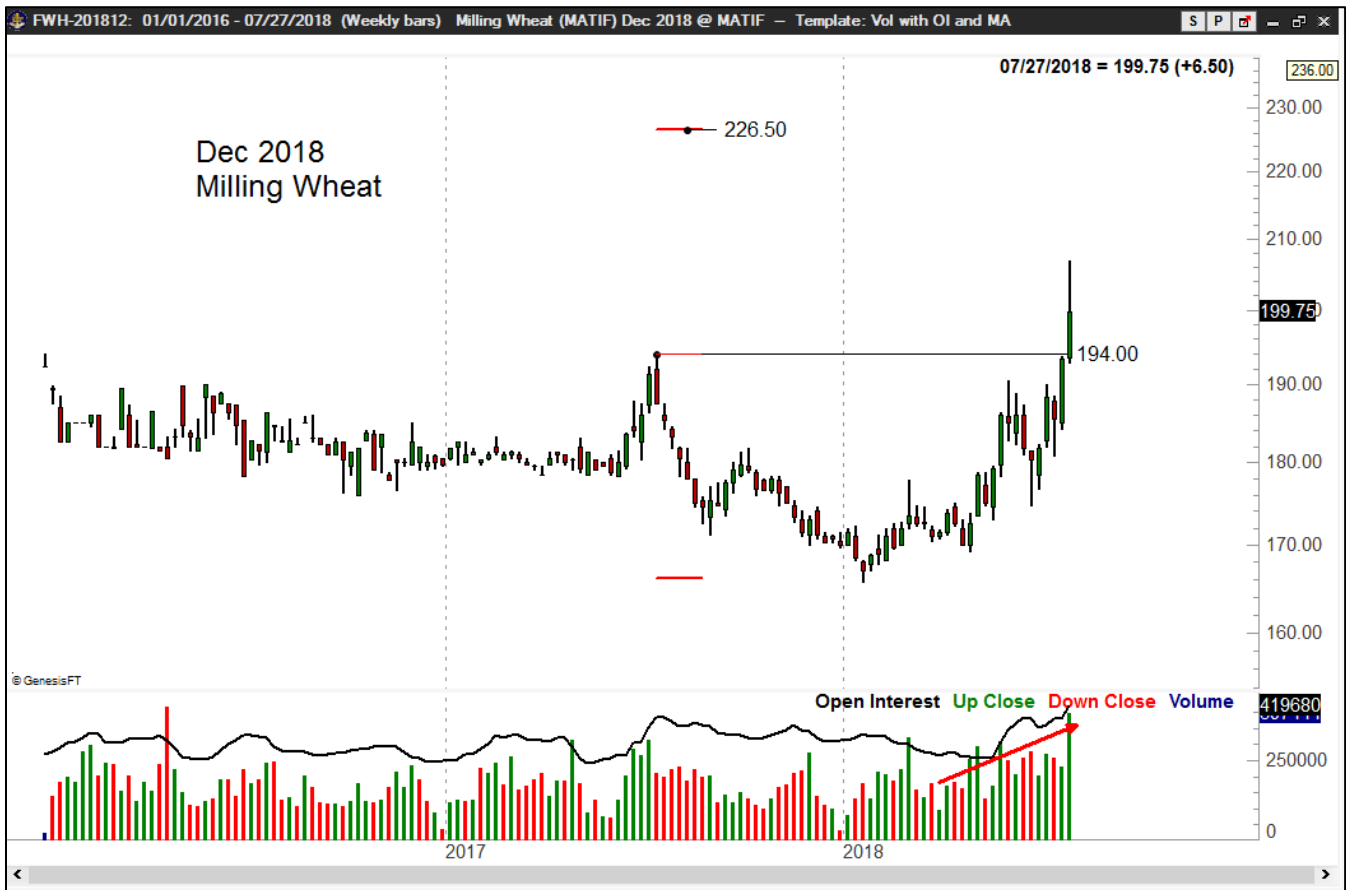


Wheat

See the Factor Alert dated Jul 25, 2018.

European Milling Wheat (Matif)

Milling Wheat has traded in a broad range from 121€ to 290€ per tonne for the past 11 years. There are some indications that the market is bound for the upper range. The Dec contract has broken out above its life-of-contract highs on expanded volume and open interest. I have orders in place to buy a retest of the breakout should it occur. [Note: the contract, traded at the Matif, is sized at 50 metric tonnes and is denominated in Euros. The market has adequate liquidity.]



KC Wheat

The Dec KC contract displays a possible 13-month symmetrical triangle. I will monitor this market for a measured-risk buying opportunity, but prefer the European Milling Wheat market.



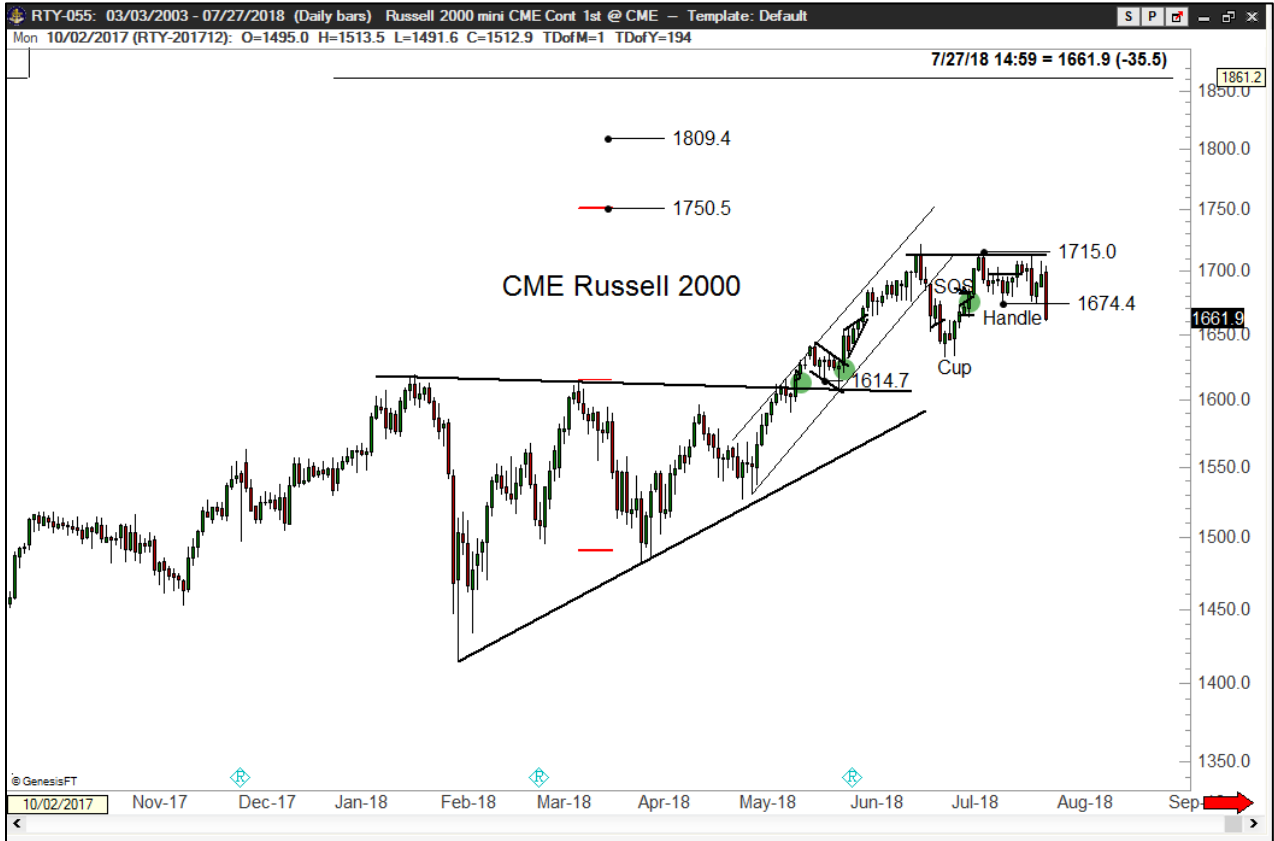
U.S. stock market

My basic premise in the U.S. equity market is that the strength in the NYSE A/D line portrays a market with substantial underlying demand for shares. Yet, the daily index charts portray a more conflicting story. Factor is flat equity futures, but I am nervously very long the equity market in my IRA/Keogh/Roth/SEP accounts.



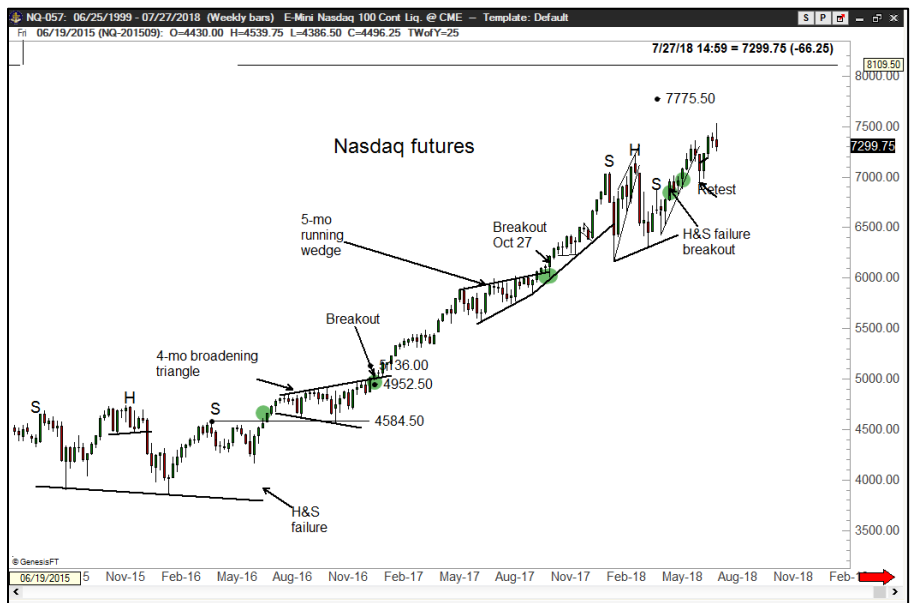
Russell 2000

Throughout this past week I believed that the Russell was forming a continuation cup and handle pattern. In fact, I had buy stops resting in the market all week. However, the decline on Friday penetrated the low of the handle, putting my interpretation into doubt. Short term, the Russell is in trouble. Factor is flat.



NASDAQ

The NASDAQ continues to have a target of 7775, but damage was done to the market on Friday. Factor is flat.



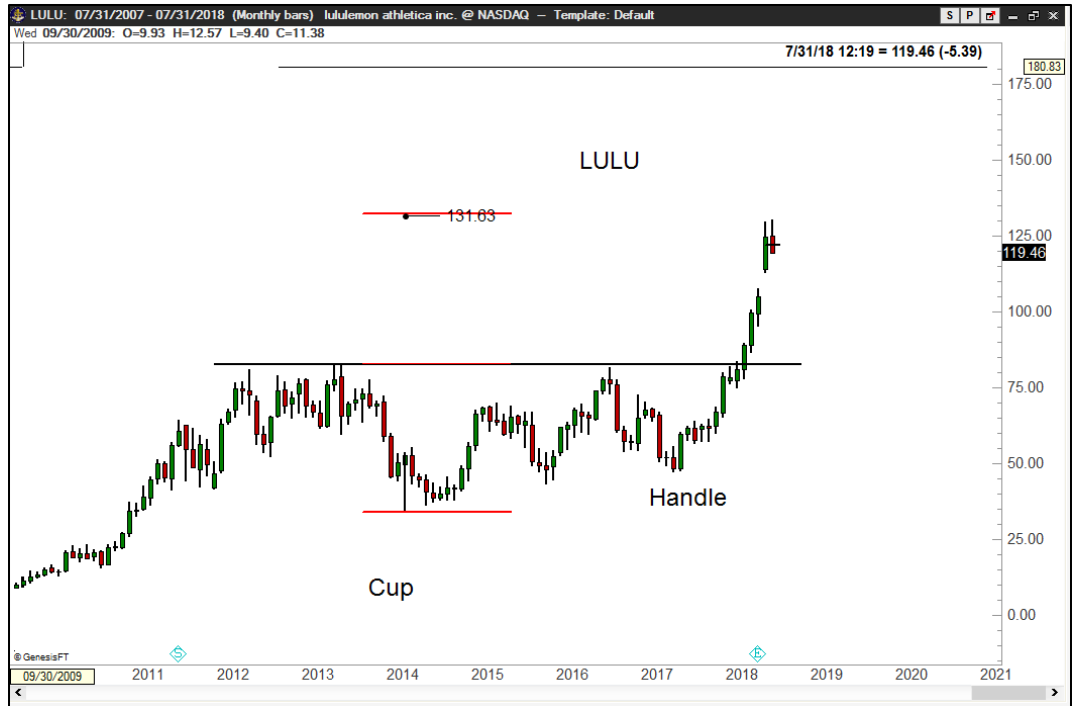
Dow futures

The daily chart of the Dow continues to coil. The Jun high was slightly exceeded this past week, however the upside penetration was not convincing. A roll over in price would create a possible symmetrical triangle end-run pattern. This would be very bearish. Factor is flat.



LULU

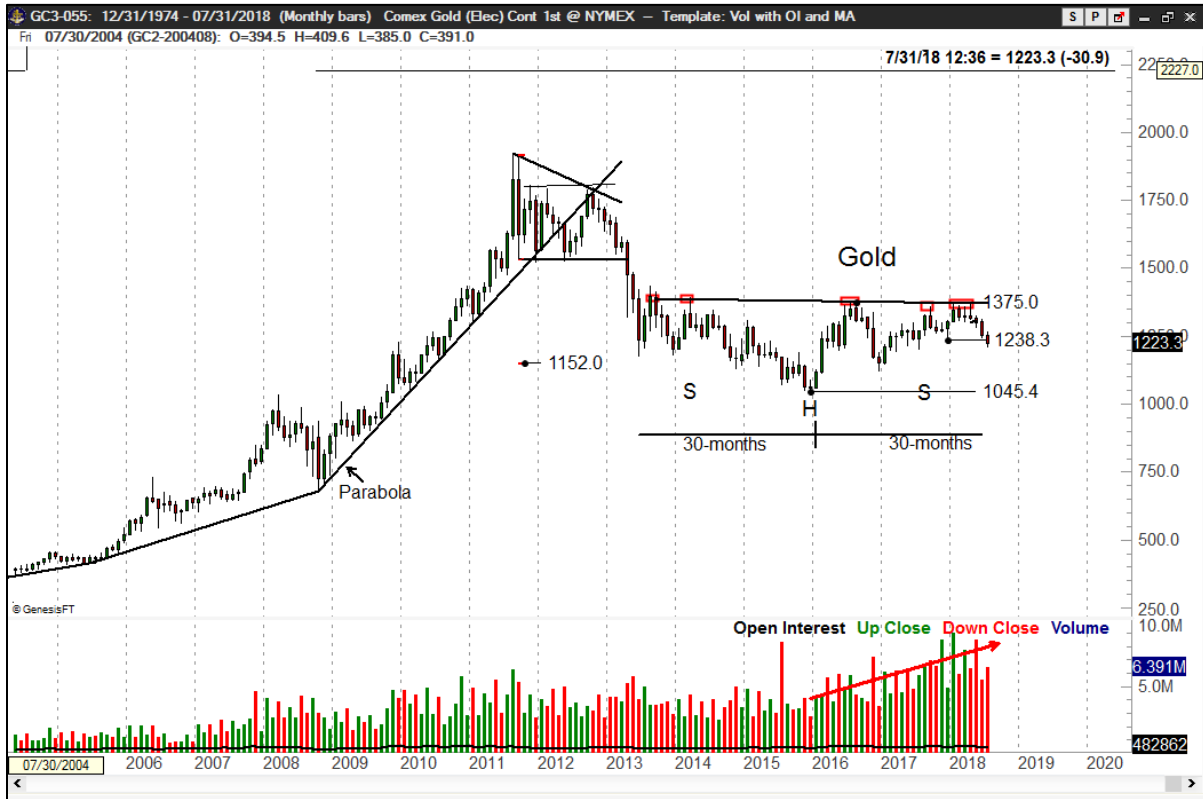
The upside target of 131.63 from the multi-year cup and handle pattern has all but been met. Meeting an upside target does not mean that a market should turn bearish. Yet, the decline on Friday completed a possible small rounding top on the daily graph. Factor is flat.



Metals

Gold

The dominant chart construction continues to be the possible inverted H&S on the weekly graph. As I commented earlier the volume pattern is not consistent with a genuine H&S because the heaviest volume is during the right shoulder. Factor is flat.



Copper

The rally this past week should be considered as a retest of the completed H&S pattern on the daily chart. Factor is flat.



Palladium

I received a couple of emails from Factor members wondering if I am interested in re-selling Palladium's retest of the H&S failure. The answer is no. The reason is that I consider profits from the exotic markets to be undeserved gifts and do not want to press my luck.



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The Factor Crypto Corner

Cryptos

Bitcoin (GDAX)

The advance this past week met the targets of 7747 and 8032. Accordingly, I covered 2/3rds of the long position in the Factor Tracking Account – and remain long a tranche with a further target of 9948. The weekly chart of the CME contract (with historical price reconstruction) shows that the market remains in a correction within a longer-term bullish trend.



BCH/USD (GDAX)

BCH is forming a horn bottom. I would be a buyer if a decisive breakout above 901 occurs.



XRP/USD (Kraken)

The daily chart displays a possible H&S bottom. The breakout point is .5320. I have an account at Kraken and may consider trading the breakout if it occurs.



Factor Tracking Account, July 27, 2018

A complete listing of the Factor Tracking Account for 2018 is updated monthly.

Factor LLC											7/27/2018							
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		Net	Capital to carry trade	Value of trade (entry)
					Size	Initial stop	BP risk	Current Stop				Weekly	Daily	Date	Price			
LUZ8	EuroSwiss	3/2/18	S	100.66	1	NA	NA			100.21		3-year+ desc tri				\$ 371	NA	
BTC/USD	Bitcoin	7/17/18	L	6911.12	0.6	6669.88	15	6714.88	7/20	Open		5-wk H&S bottom	5-wk H&S bottom			\$ 4,147	\$ 4,147	
Trades as of															\$ -	\$ 4,518	\$ 4,147	
Indicates open position value as of																Levered at	0.04	
PAST RESULTS ARE NOT NECESSARILY INDICATIVE OF FUTURE PERFORMANCE															Margined at			
r = revised RO = Rollover A = Alert																		
<p>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 SIMM 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 where in 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.</p> <p>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-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.</p>																		

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