



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

Note: This week's Update is abbreviated due to travel.

Factor Update, August 25, 2018

Market Review

New candidate Factor Moves™ are developing in:

- *EuroSwiss
- *Treasuries

Candidate Factor Moves™ are currently ongoing in:

- *Russell

This issue comments on U.S. stock market indexes (NYA, *Russell, S&Ps, *SPY, *Nikkei Dow, ITA, *VYM), forex, interest rate markets (*T-Bonds, *T-Notes, *EuroSwiss), Gold, grains 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 • T-Bonds – alert • T-Bond/T-Note spread -- alert • ITA (ETF) – entry order • Soybean Meal – entry order • Soybeans -- alert 	<p><u>Existing positions</u></p> <ul style="list-style-type: none"> • EuroSwiss – target • SPY – target and protective stop • T-Notes – target and protective stop • T-Bonds – target and protective stop • VYM – target and protective stop • Nikkei Dow (Osaka) – target and protective stop • Russell 2000 – target and protective stop
<p>The Factor Tracking Account is currently leveraged at 2.4X. Capital Utilization is at 53.5%. This means that about 46% of the Factor Tracking Account is sitting idle in cash.</p>	

Contents

Interest rate markets 2

Forex 5

Grains 5

U.S. stock market 6

Gold 11

Cryptos 12

Interest rate markets

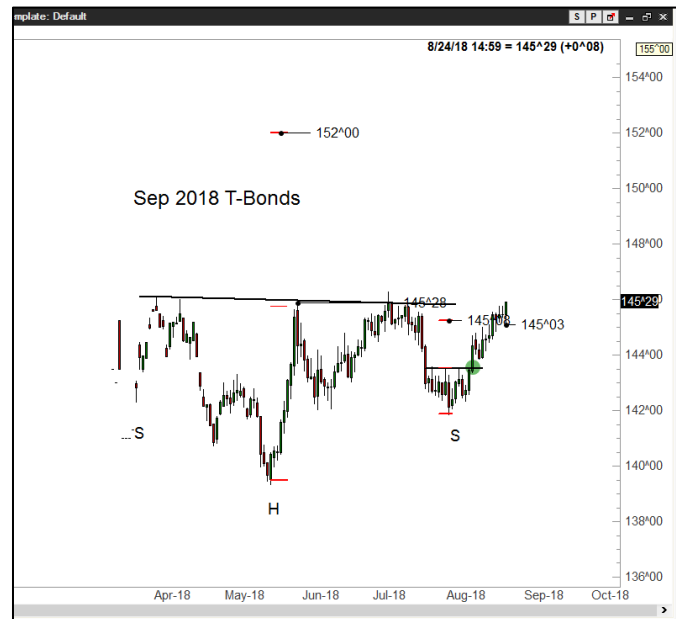
T-Bond Yield chart

The overarching chart construction in Bonds is the 4+ year H&S bottom on the yield chart. A yield print of 3.35% would complete this pattern and establish an initial target of 4.43%. The completion of the H&S bottom would also penetrate the upper boundary of a multi-decade channel. There is no doubt in my mind that the completion of the H&S would establish a major bottom in yields (top in futures). Yet, for reasons explained herein I continue to think there is money to be made by betting that the neckline of the H&S (and upper boundary of the multi-decade channel) might provide the resistance to turn yields lower (higher futures prices) in the intermediate term.



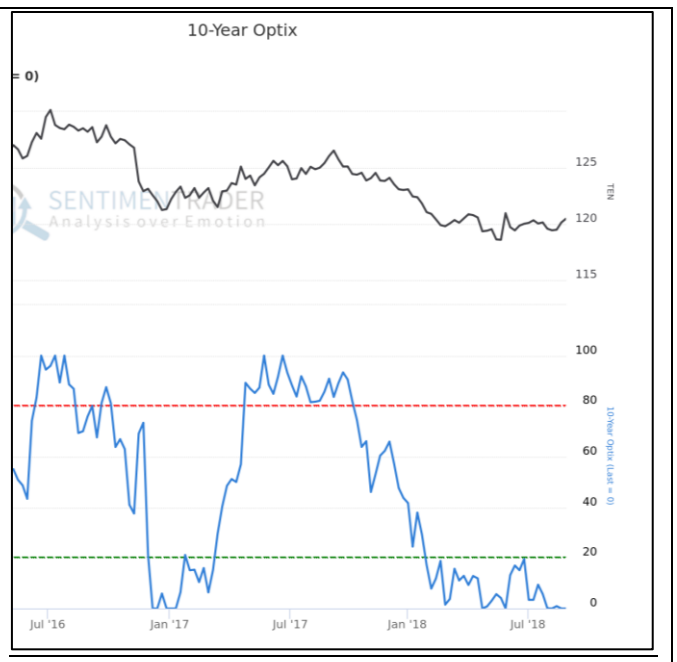
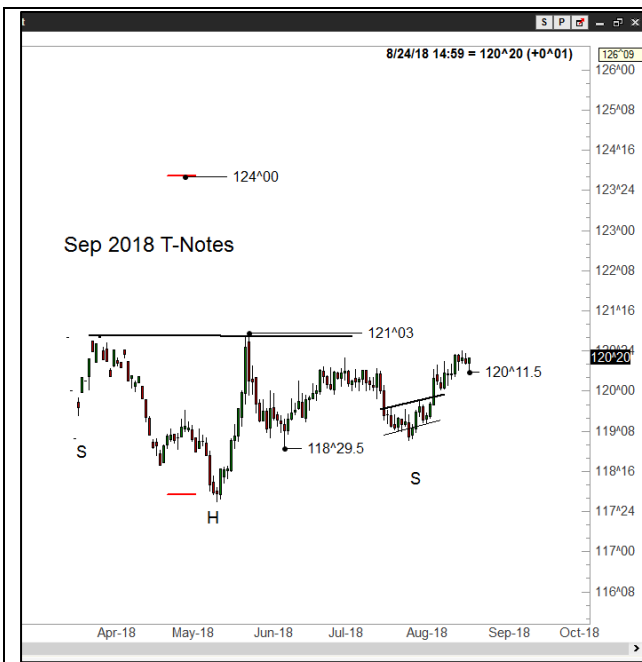
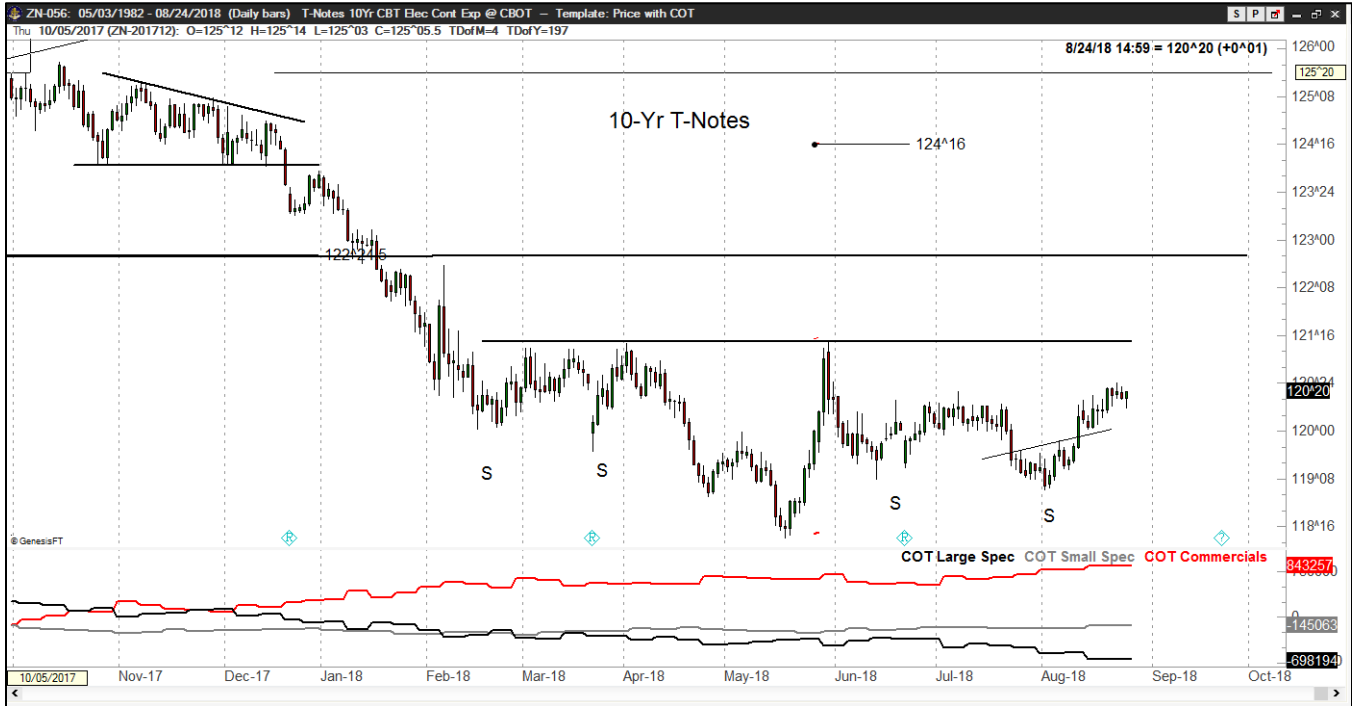
T-Bond futures

The daily continuation chart (not shown) and chart of the Sep futures contract display possible 6-month H&S patterns. A smaller 3-week H&S bottom at the right shoulder low was completed by a WBB on Aug 10 – the target of this pattern at 145^08 was met this past week. Factor is long. I am raising my target from 146^08 to 151^14. The market on Friday was right at trendline resistance.



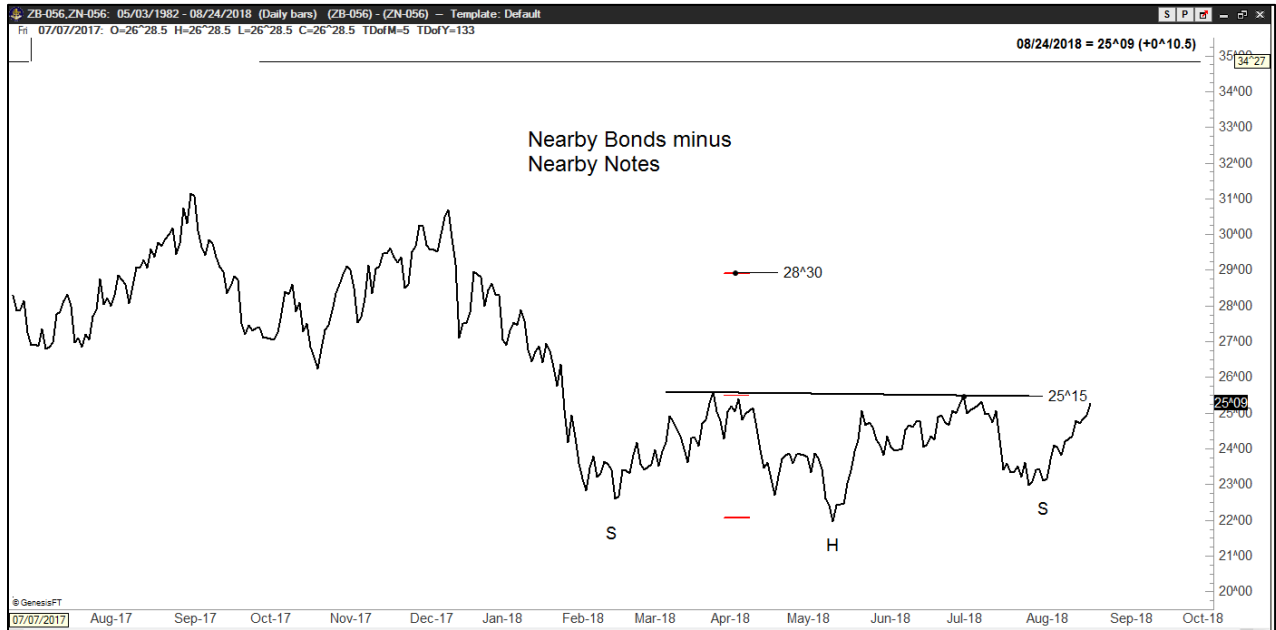
T-Notes

Factor is long T-Notes. The target on the long position at 120^{24} was touched this past week – my order was unable. I am raising my target by a few ticks. The neckline of the 7-month H&S bottom on the continuation graph is at 121^{12} . The neckline on the Sep contract is at 121^{03} . The COT profile remains at historic extremes (with Commercials long and Large Specs short). Sentiment continues to scrape the bottom.



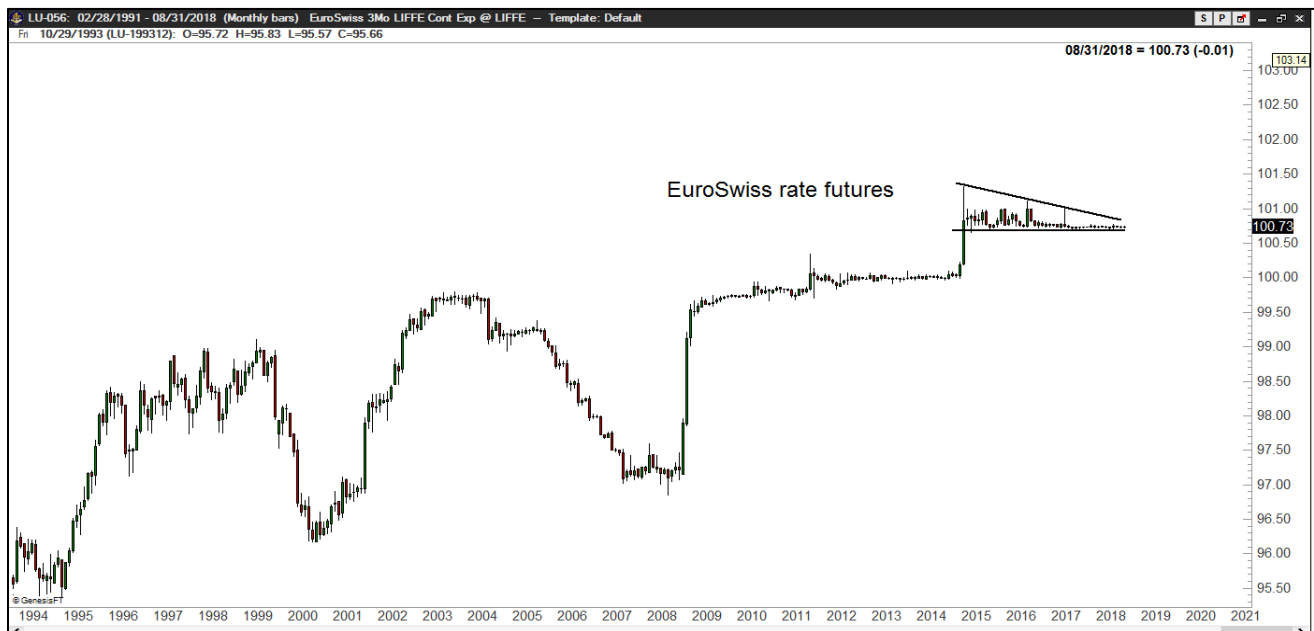
30-Yr T-Bond/10-Yr Note spread

I am gaining a strong interest (no pun) in this spread as my next step in this trading theme. The neckline of the H&S under construction is at 25^{15} . I will buy this spread (one-to-one) on a close at or above 25^{24} . If this trade executes I will likely become short a T-Note contract for the Factor Tracking Account (my limit order in T-Notes will probably fill before the H&S pattern on the spread is completed).



EuroSwiss

Factor is short.



Forex

I want to make an important point using the forex markets as my example. Two weeks ago I had sizable leverage in forex – short EUR/USD, long USD/DKK, long USD/SGD and short NZD/USD. I really thought I had a trading theme that would pay handsomely. Folks, a trade is a trade is a trade – it is not a marriage. Have an emotional attachment to your family, not to your trades. I was wrong on my USD bet, but still banked 176 basis points. I do not have any thoughts on the FX markets at this time.

Grains

Soybean Meal

The decline on Thursday completed a continuation rectangle pattern. Due to travel I missed this trade (just did not have the order in). As the saying goes, "You snooze, you lose." I am will to sell a retest rally – but only in the next few trading days.



Soybeans

It is possible to interpret the Nov Soybean chart as a possible H&S failure, requiring a close below the right shoulder low. I do have an interest in this pattern depending how/when the breakdown occurs. The target would be 767.



U.S. stock market

New highs continue to be made in the NYSE Composite and S&P A/D lines. New ATHs were made this past week in the NASDAQ, Russell and the S&Ps. Yet it is difficult to find a global macro trader who has not pronounced the death sentence on the U.S. equities market on a weekly basis for a year or more. It is obvious that the demand for equities is strong. Price is king.



S&Ps

Factor is long SPY (the S&P etf). There is no clear measured-risk spot to be long the futures contract. I will continue to advance stops as appropriate.



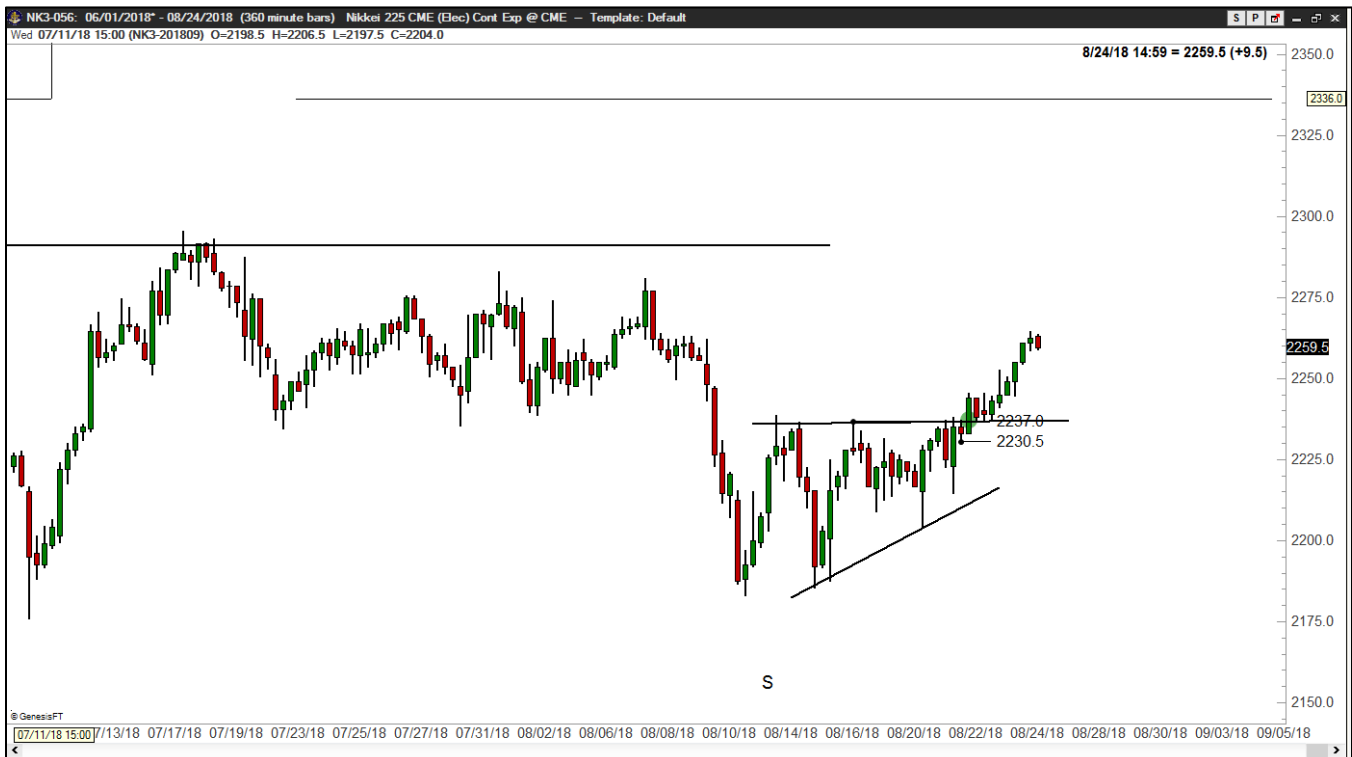
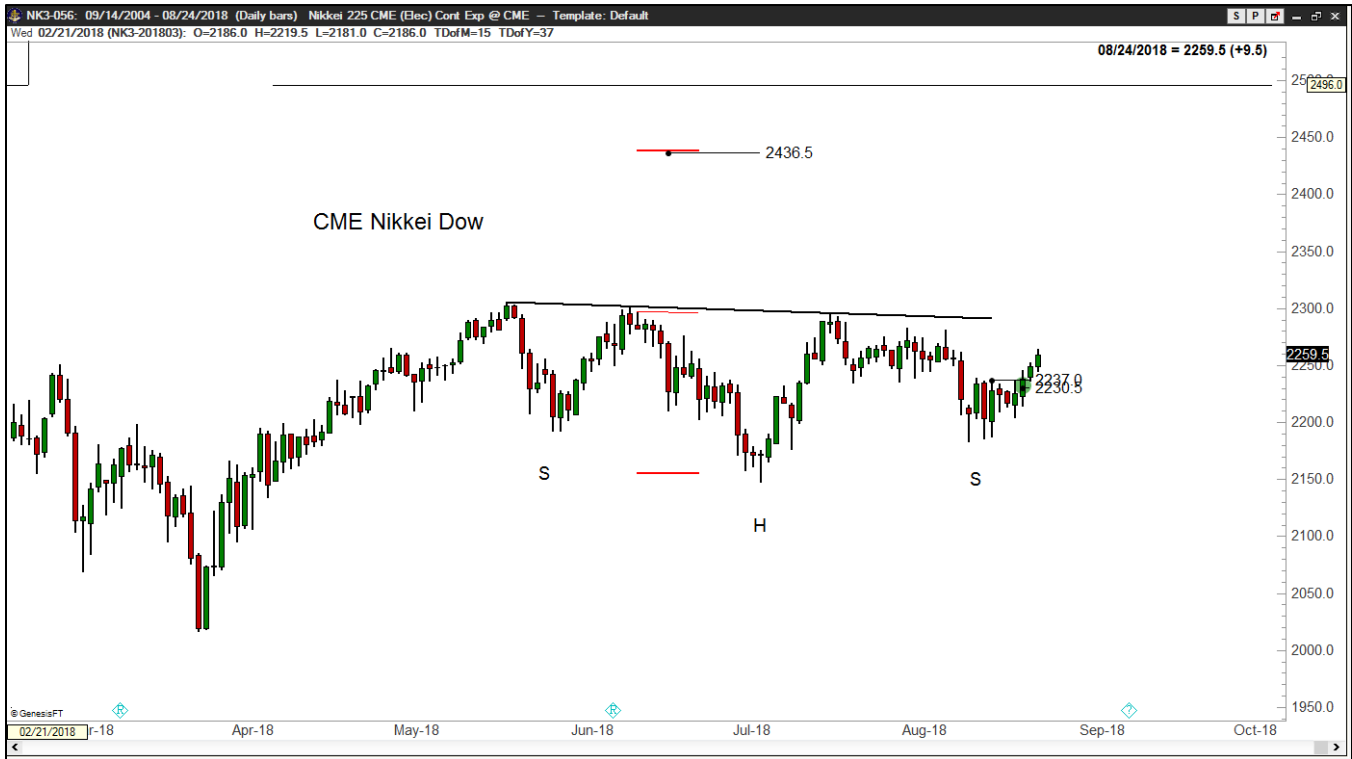
VYM (ETF)

Factor is long.



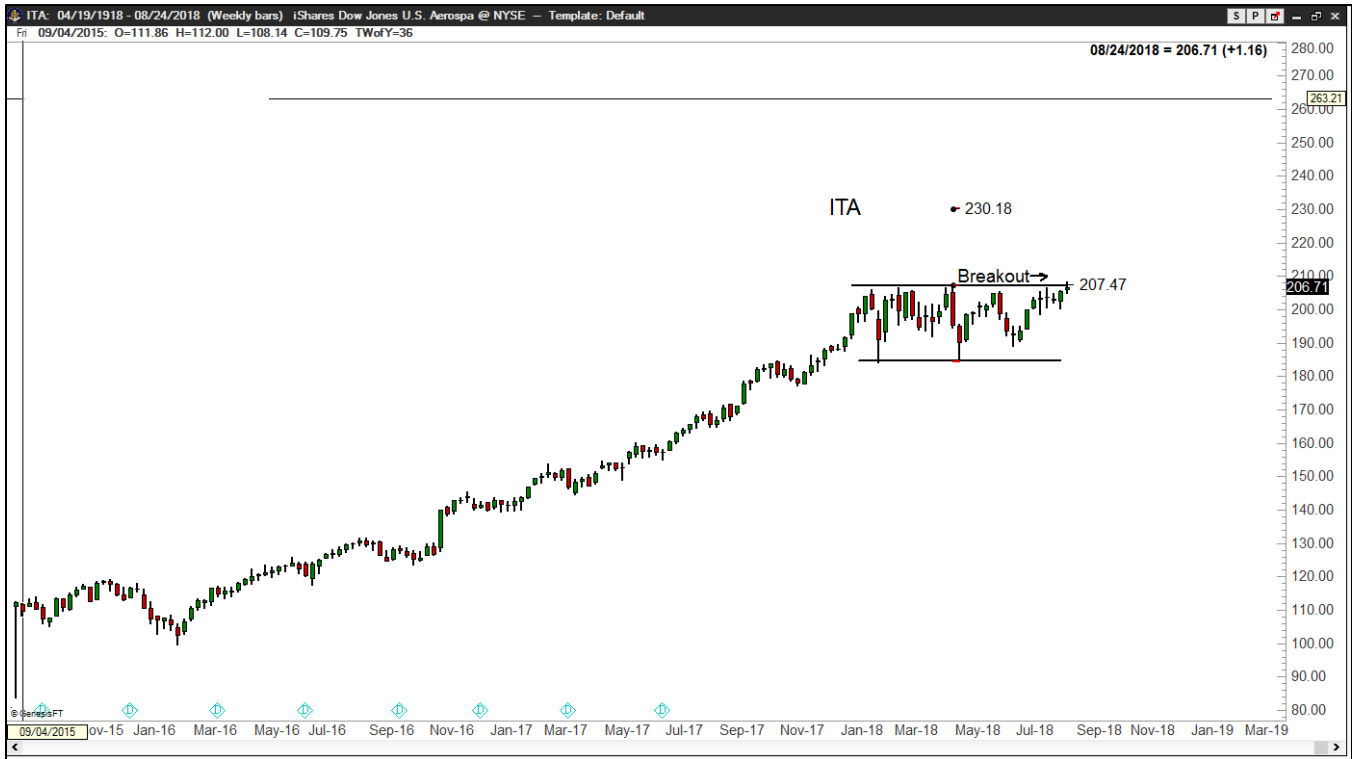
Nikkei Dow (CME)

The daily chart displays a possible continuation H&S pattern. The price action in the right shoulder formed an ascending triangle on the 6-hour chart. The only purpose for intraday charts – in my opinion – is to fine tune what otherwise might be a dicey pattern completion. Factor is long.



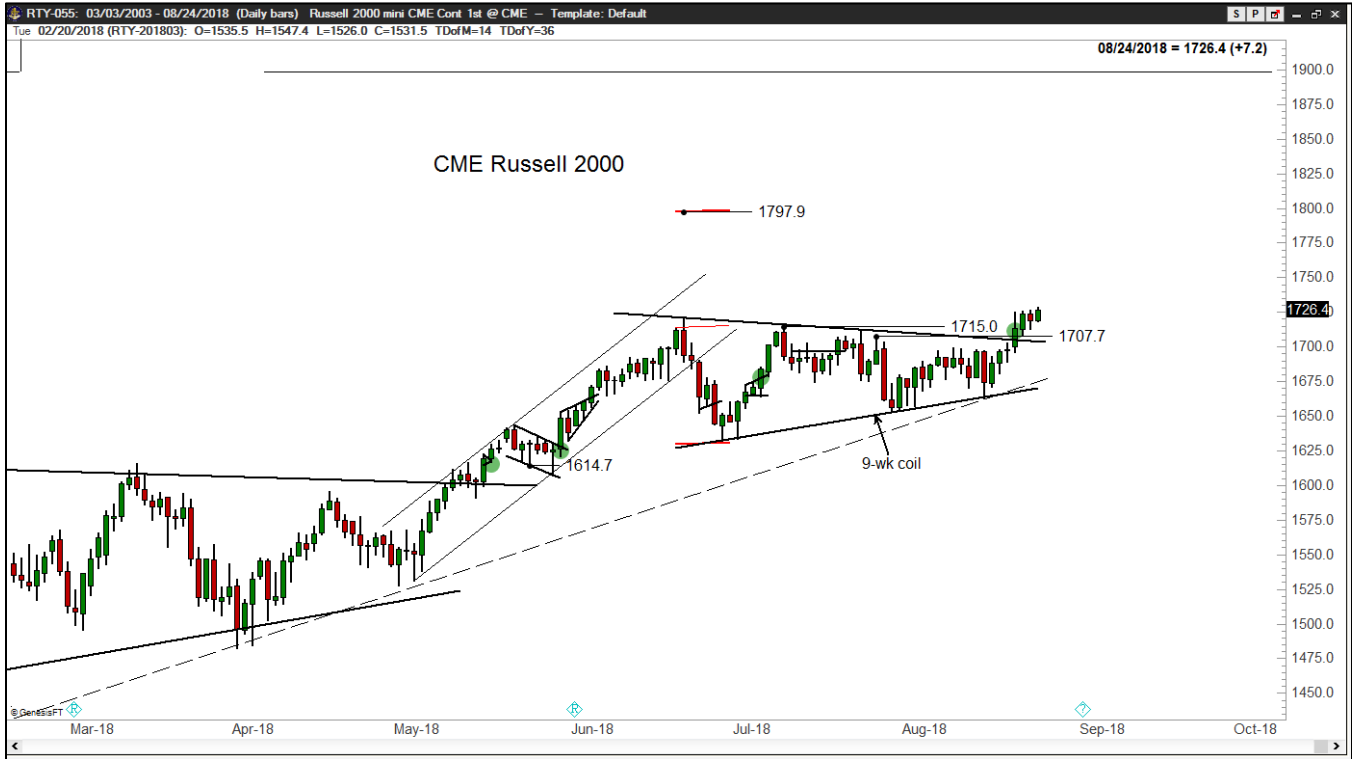
ITA

ITA is forming a 29-week rectangle on the weekly and daily charts. The market poked out through the top of the pattern on Tuesday but could not hold the gains. I am lowering the price I will consider a breakout. Factor is flat.



Russell 2000

Factor is long. I am making my fourth attempt at long Russell in as many months. The advance on Tuesday completed a possible 9-week coil. Time will tell if this attempt will be the one that finally works.



The Factor Crypto Corner

Cryptos

Bitcoin (GDAX)

In last week's Factor Update I suggested that BTC could rally toward the unfilled gaps on the CME chart at 6825 and 7250. The lower gap was covered. After Wednesday spike higher and shake-out, prices have regained their footings and may now probably work toward the higher gap. My longer

term interpretation remains that a 6+ month descending triangle is forming. Descending triangles are typically resolved on the downside. Only a move above 8770 would force me to reappraise my analysis. There is nothing on the charts of the other macro caps (ETH, XRP, BCH, LTC and EOS) that grabs my attention.



