



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

Note: This is an abbreviated update due to the fact I had hand surgery Friday morning.

Factor Update, September 01, 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, T-Bond/T-Note spread, *EuroSwiss), Gold, energy markets (Brent Crude, WTI Crude), grains 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"> • EuroSwiss – entry order • T-Bond/T-Note spread -- alert • ITA (ETF) – entry order 	<ul style="list-style-type: none"> • EuroSwiss – target • SPY – 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 49.8%. This means that about 50% of the Factor Tracking Account is sitting idle in cash.</p>	

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Interest rate markets

I was bumped out of long T-Bonds and long T-Notes this past week on stops that were jammed. Both T-Bonds and T-Notes met the targets established by the small 3-week H&S patterns that served as the possible right shoulders of larger 7-month inverted H&S bottoms on the daily futures charts. These larger H&S patterns are still in play.

T-Bond Yield chart

Remember that price and yield for Treasuries trade reciprocally. Higher yields = lower futures prices and lower yields = higher futures prices. My interest in being long Treasuries represents a bet on lower yields in the period just ahead. However, 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, it is my belief that the upside breakout on the yield chart is not immediately pending and that a pullback in yields (increase in price) will occur first. The grey area on the weekly yield chart is the equivalent of the H&S bottom on the futures chart.



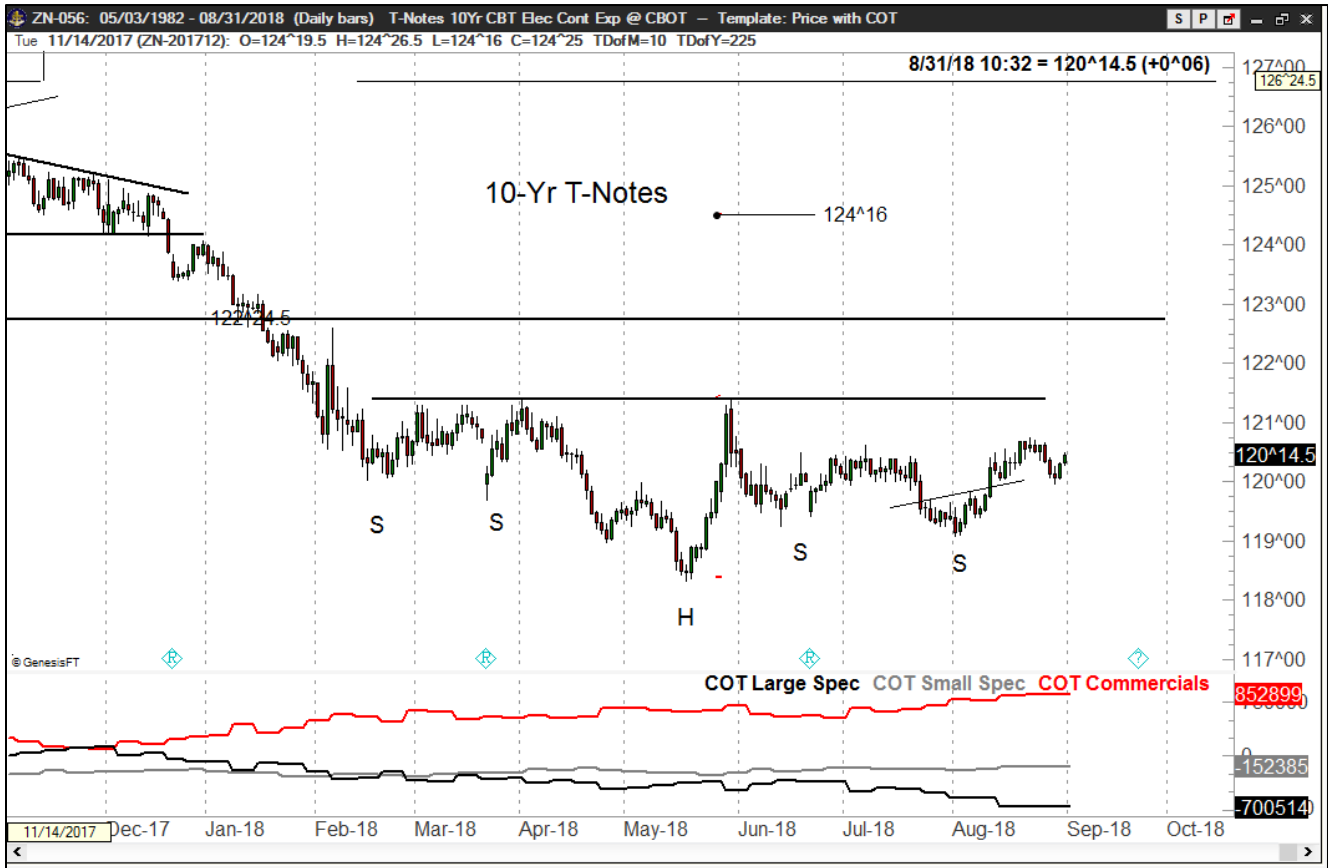
T-Bond futures

The daily continuation chart and chart of the Sep futures contract display possible 7-month H&S patterns. The target of 145^08 from the small 3-week H&S bottom serving as the right shoulder of the larger H&S pattern has been met. I exited the market on Tuesday with a jammed stop. The Factor is now flat. Time will tell if I was too aggressive in protecting profits on the long position established on Aug 10. The Dec contract is now the active trading contract. The daily charts of the Sep and Dec contracts are shown. Notice how the advance in the Sep contract tested the neckline of its H&S bottom pattern before turning down. The neckline on the continuation chart is at 146^23. The spread differences in rolling from the Sep to Dec contract creates some tactical challenges.



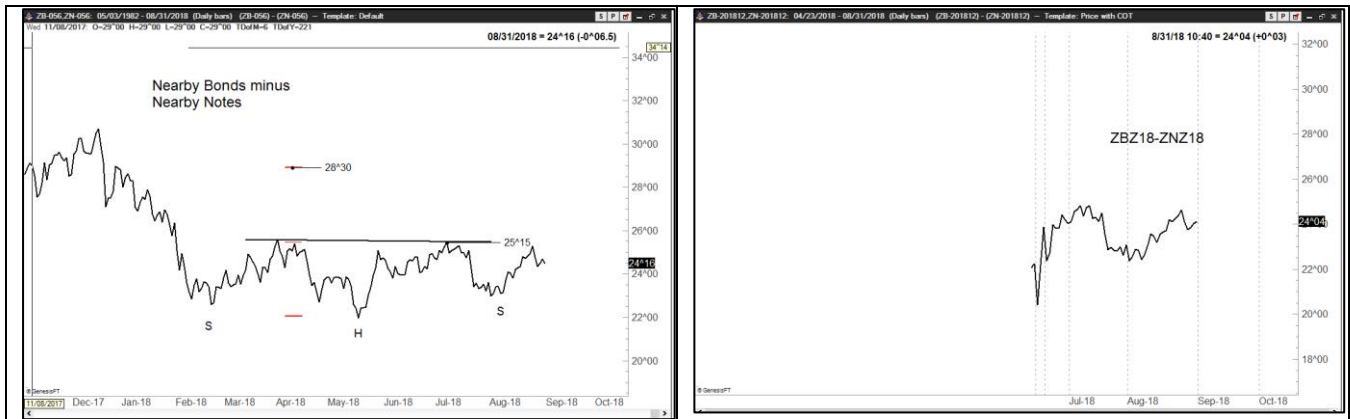
T-Notes

The COT profile in T-Notes remains at a historic extreme with record Commercial long and Large Spec short positions. The daily chart continues to form a complex 7-mo H&S bottom. Factor came into the week long T-Notes, but I was stopped out Monday.



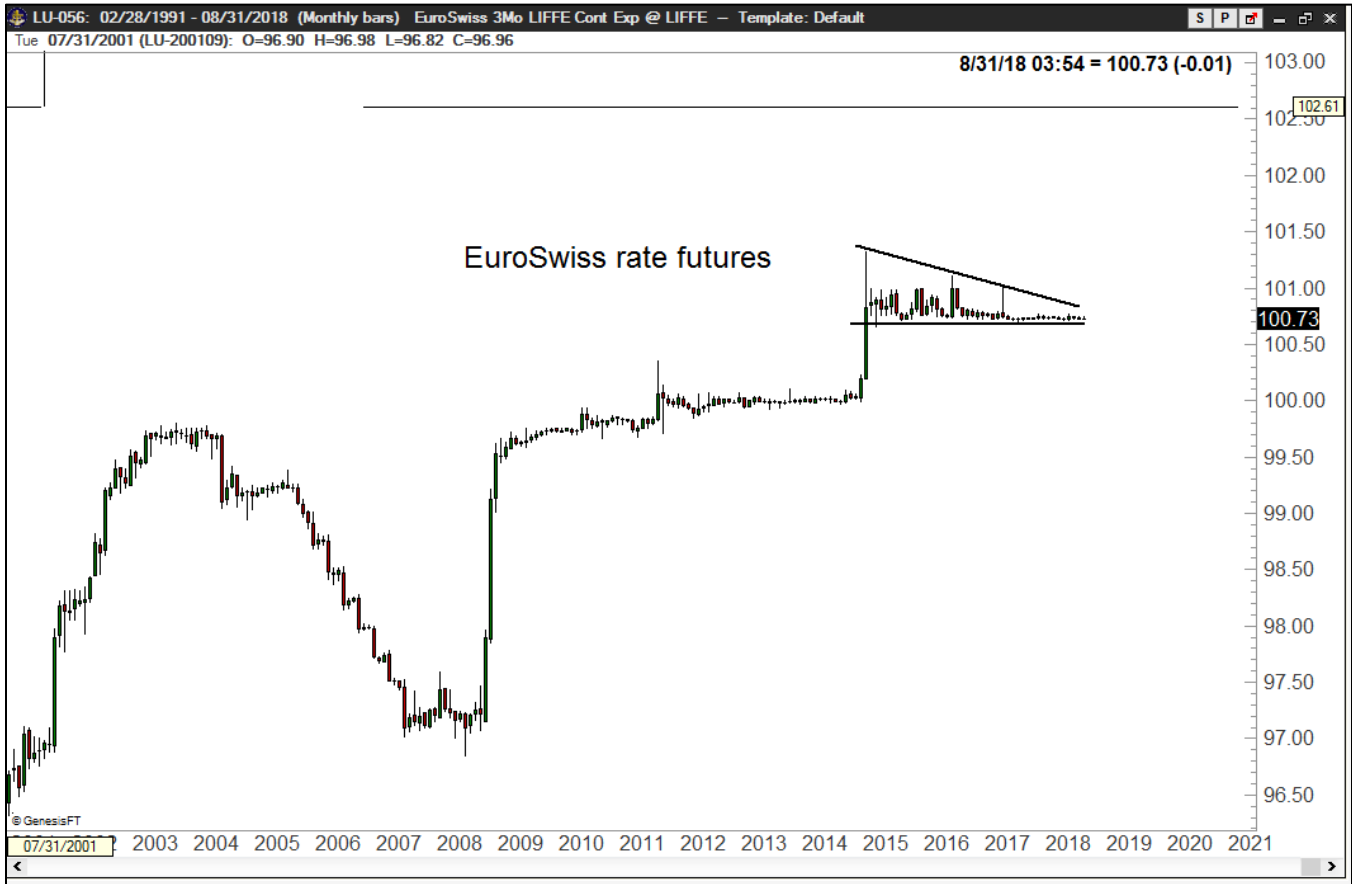
30-Yr T-Bond/10-Yr Note spread

My focus has now turned to the T-Bond/10-Yr Note spread. A decisive close above 25¹⁵ would be a breakout of the 7-month H&S bottom pattern. I will monitor the spread with the intent of buying the Bonds and selling the Notes.



EuroSwiss

Factor is short. It remains to be seen if the Swiss National Bank will alter its NIRP before the Dec 2018 contract expires.



Forex

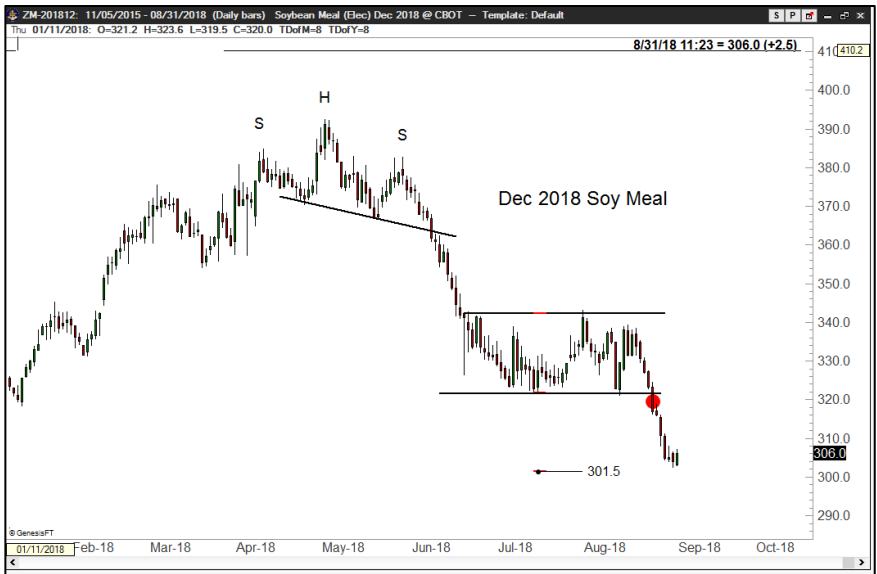
I scrolled through dozens of forex pairs today there was only one pair that grabbed my attention. The recent rally in NZD/USD appears to have been a retest of the H&S pattern on the weekly chart. I will monitor the daily chart for a shorting opportunity.



Grains

Soybean Meal

This was a missed trade. I did not have a stop order in on Aug 22.



Soybeans

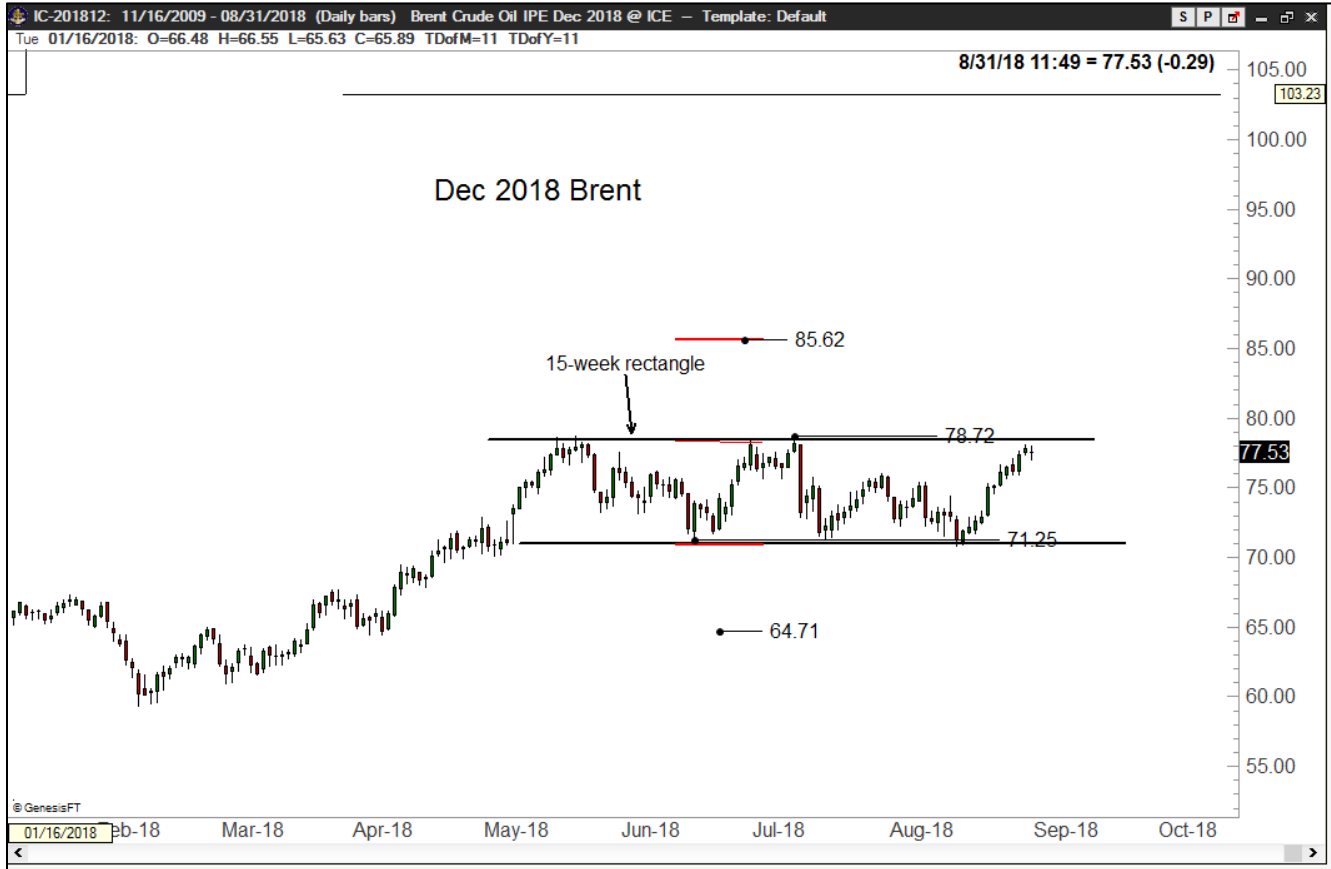
Because I missed the Soybean Meal trade I forced the interpretation of a H&S failure in Soybeans. This is a great example of how one mistake can lead to another. I shorted Nov Beans on Aug 27. I covered the trade on Friday's close.



Energy markets

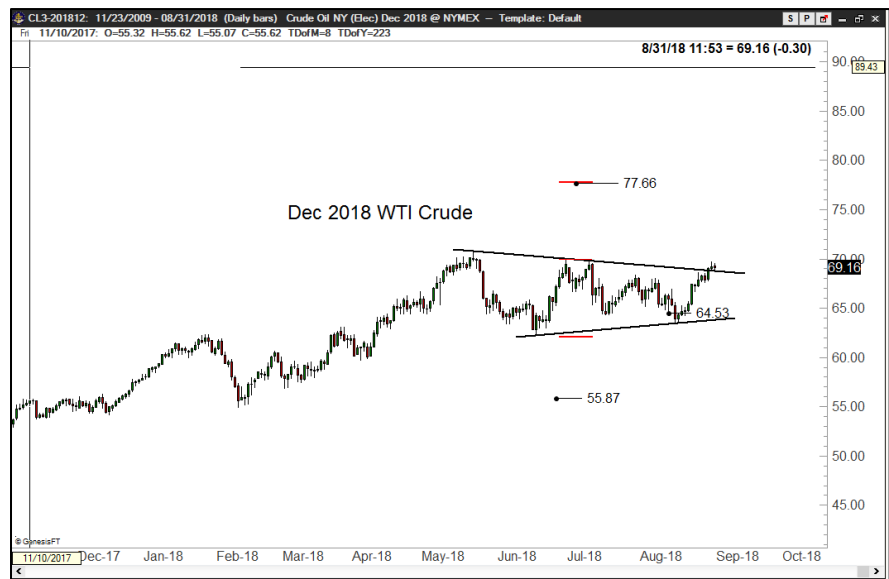
Brent Crude Oil

The daily chart of Dec Brent Crude Oil displays a 15-week rectangle. A decisive close above 78.72 would complete the rectangle and establish a target of 85.62.



WTI Crude Oil

The Dec WTI Crude Oil chart displays a 15-week symmetrical triangle. The pattern arguably been completed. I prefer horizontal patterns over diagonal patterns. The symmetrical triangle is a diagonal pattern. Thus, I will monitor Brent Oil for a measured-risk buying opportunity.



U.S. stock market

New highs continue to be posted 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. My friends at Nautilus Capital published a fascinating research report on Wednesday correlating new two-year highs in the SPX with subsequent sizable gains. It is powerful research. With the permission of Nautilus Capital I am enclosing a PDF of the report. Nautilus Capital has been kind enough to also provide Factor Members with a free trial subscription available at the following link. <https://www.nautilus-cap.com/About/RequestTrial>



S&Ps

Factor is long SPY (the S&P etf). I will continue to advance stops as appropriate.



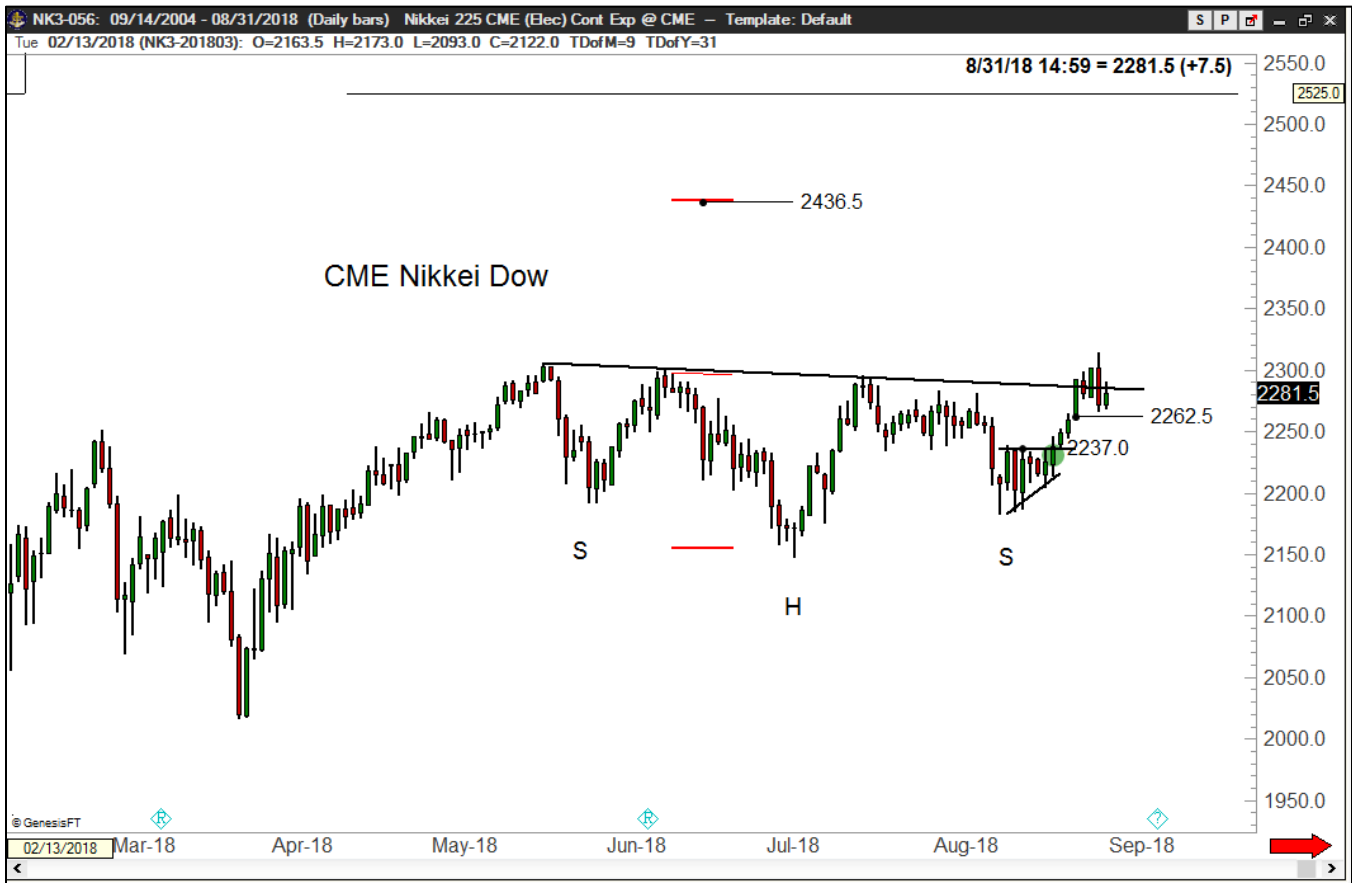
VYM (ETF)

Factor is long.



Nikkei Dow (CME)

Factor is long. The market attempted to complete the H&S pattern this past week but was unable to do so. I have tightened the stop on the long position.



ITA

The Factor is flat. I will go long this stock if it makes a new high.



Russell 2000
Factor is long.



Gold

The possibility continues to exist that Gold is forming a massive inverted H&S pattern on the monthly chart. However a close below 1180 would place the possibility of the H&S pattern into doubt. A close below 1124 would suggest a retest of the 2015 low at 1045.



The Factor Crypto Corner

Cryptos

Bitcoin (GDAX)

The dominant pattern continues to be the massive descending triangle on the daily chart. It is my belief that the market will rally to fill the 7270 gap on the CME chart. As a committed classical chartist it is difficult to believe that a bull market will be launched from a descending triangle. The descending triangle in almost cases is resolved by a downside move. There is no reason for me to believe that the current 7-month trading range will be resolved soon.

After declines as large as 80% to 90%, there are some signs on the daily charts of other macro-cap and alt-cap coins of short-term bottoms (charts not shown). However the bottoms are not of long enough duration for me to be interested in long-side trades.





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Factor Tracking Account, August 31, 2018

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

Factor LLC														8/31/2018			
Model Tracking Account Trade History and Portfolio																	
Constant nominal capitalization: \$100,000																	
(See disclaimers and notes below)																	
Market		Date	L/S	Entry					Stop Date	Target	Pattern		Exit		Net	Capital to carry trade	Value of trade (entry)
				Price	Size	Initial stop	BP risk	Current Stop			Weekly	Daily	Date	Price			
LUZ8	EuroSwiss	3/2/18	S	100.66	1	NA	NA	100.78	8/10	100.21	3-year+ desc tri				\$ 371	NA	
SPY	S&P etf	8/1/18	L	281.29	40	276.39	20	285.19	8/29	294.48	5-mo asc tri	Retest			\$ 11,252	\$ 11,252	
SPY	S&P etf	8/1/18	L	281.29	40	272.48	35	285.89	8/29	294.48	5-mo asc tri	Retest			\$ 11,252	\$ 11,252	
ZNU8	T-Notes	8/7/18	L	119^14	1	118^29	52	Mkt	8/27	120^28 r	Poss 6-mo H&S	3-wk H&S	27-Aug	120^11	\$ 901	Closed	
ZBUB	T-Bonds	8/10/18	L	143^22	1	143^09	41	144^29	8/26	146^08	Poss 6+ mo H&S	Poss 6+ mo H&S	28-Aug	144^29	\$ 1,214	Closed	
VYM	Hi Yield ETF	8/17/18	L	87.180	200	84.990	42	86.670	8/28	92.370	6-mo cont H&S	Recovery high			\$ 17,436	\$ 17,436	
RTYU8	Russell 2000	8/21/18	L	1713.40	1	1699.80	68	1716.40	8/31	1797.90	Major bull trend	9-wk triangle			\$ 3,795	\$ 85,670	
NKDU8	Nikkei	8/22/18	L	2239.50	1	2229.50	50	2259.50	8/30	2436.50	Poss cont. H&S	Anticipatory RS			\$ 5,720	\$ 111,975	
ZSX8	Soybeans	8/27/18	S	8.5125	1	8.6150	50	8.4550	8/30	7.72	10-wk H&S fail	10-wk H&S fail	31-Aug	8.4575	\$ 270	Closed	
Trades as of														\$ 2,385	\$ 49,825	\$ 237,584	
Indicates open position value as of															Levered at	2.38	
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.

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.

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