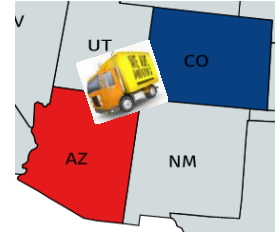


"Sharing real experiences from decades of profitable trading. Focusing on the important factors that lead to trading success."

Factor is moving.

After living in beautiful Colorado for 23 years (almost five years of which the Factor Service has existed) I am moving to Tucson, Arizona. I will be completely shutting down my computing and trading platforms for the next 10 days – so I will be trusting my open orders. There will be no Factor Update next week.



Factor Update, October 6, 2018

Market Review

New candidate Factor MovesTM are developing in:

- *EuroSwiss

Candidate Factor MovesTM are currently ongoing in:

- *Treasuries
- *INDA

This issue comments on global stock markets (Nikkei Dow, NYA, S&Ps, *ITA, *MOO, NIFTY/*INDA), forex (USD/JPY, NOK/SEK, *GBP/NZD), interest rate markets (T-Bonds, *Eurodollars, T-Bond/T-Note spread, *EuroSwiss), precious metals (Gold, Silver, GDXJ), *WTI Crude 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 • Bitcoin – entry order, alerts • T-Bond vs. T-Note spread – alert • GDXJ – entry order 	<ul style="list-style-type: none"> • EuroSwiss – target • ITA – target and protective stop • Eurodollars – target and protective stop • Crude Oil – target and protective stop • INDA – target and protective stop • GBP/NZD – target and protective stop
<p>The Factor Tracking Account is currently leveraged at 1.2X. Capital Utilization is at 38.9%.</p>	

Contents

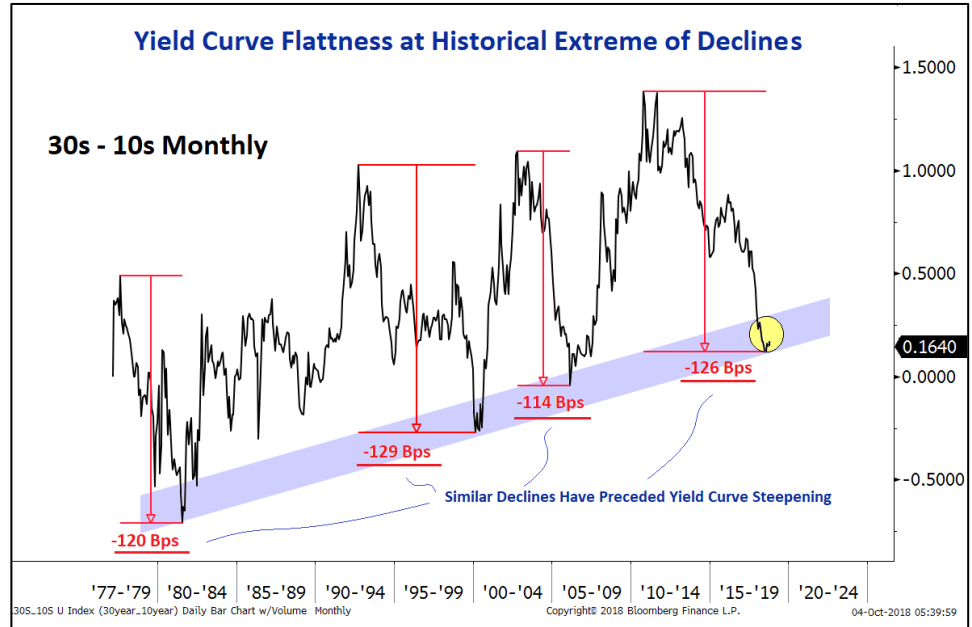
Interest rate markets.....	2
Forex	7
U.S. stock market.....	9
Precious metals.....	15
Crude Oil.....	17
Cryptos.....	18



Note: On a temporary and trial basis I will be posting charts and market-related comments **@Factor_Members** on Twitter. I recommend you follow this account. Notices of issued Factor Updates and Alerts will continue via @PeterLBrandt. I am experimenting with this as a way to provide more specificity on trading tactics without the entire Twitter world looking in. We will see how this works. If this approach is not workable I will search for other forums.

Interest rate markets

Our friends at Nautilus Capital produced an interesting graph this past week showing that the yield curve of U.S. treasuries is turning up from a cyclic low. This implies that yields at the long end of the curve will advance faster than yields at the short end of the yield curve.



T-Bond Yield chart

Two chart observations are worthy of note. First, the advance this past week in yields completed a 4+ year H&S bottom on the weekly chart with targets of 4.37% and 5.03%. Second, the advance this past week also penetrated the upper boundary of a multi-decade channel. It is my belief that a generational low has been confirmed in yields.



See weekly chart, next page.



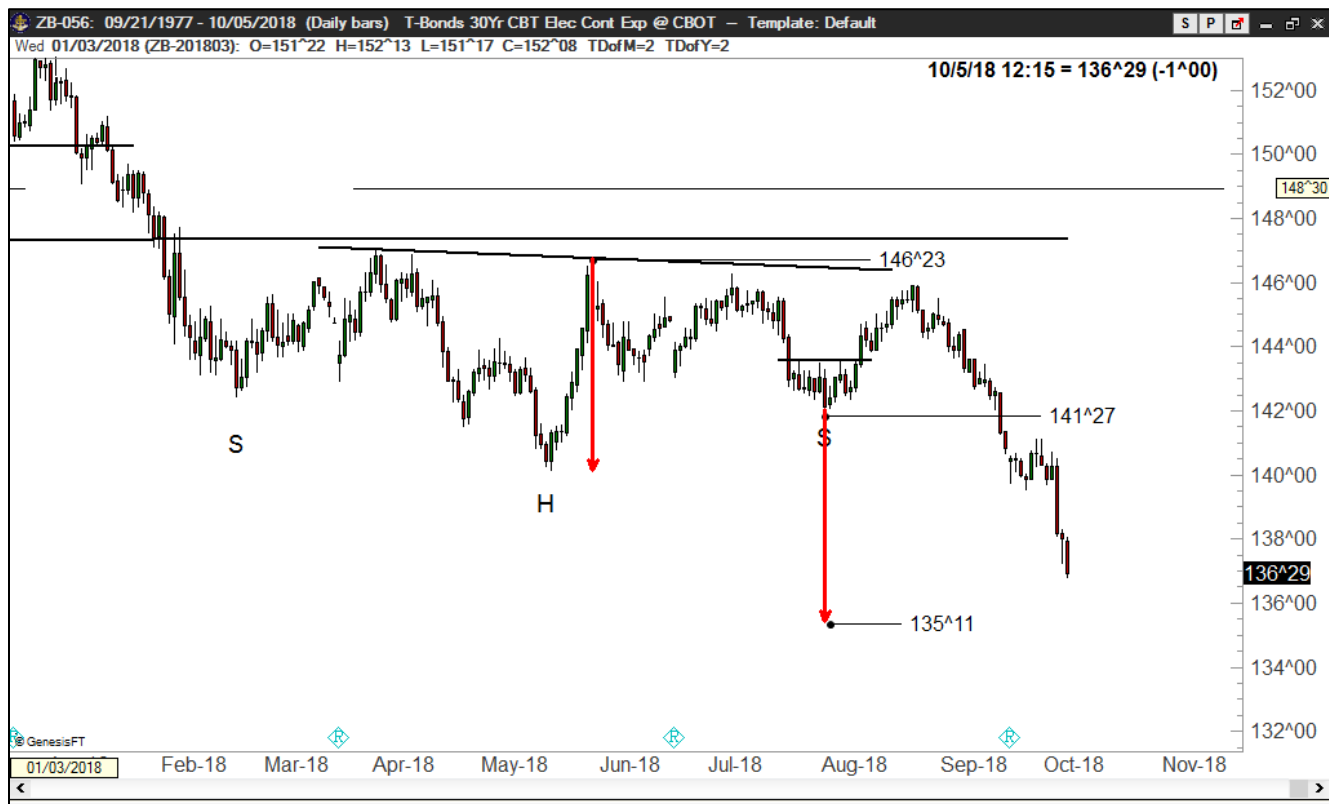
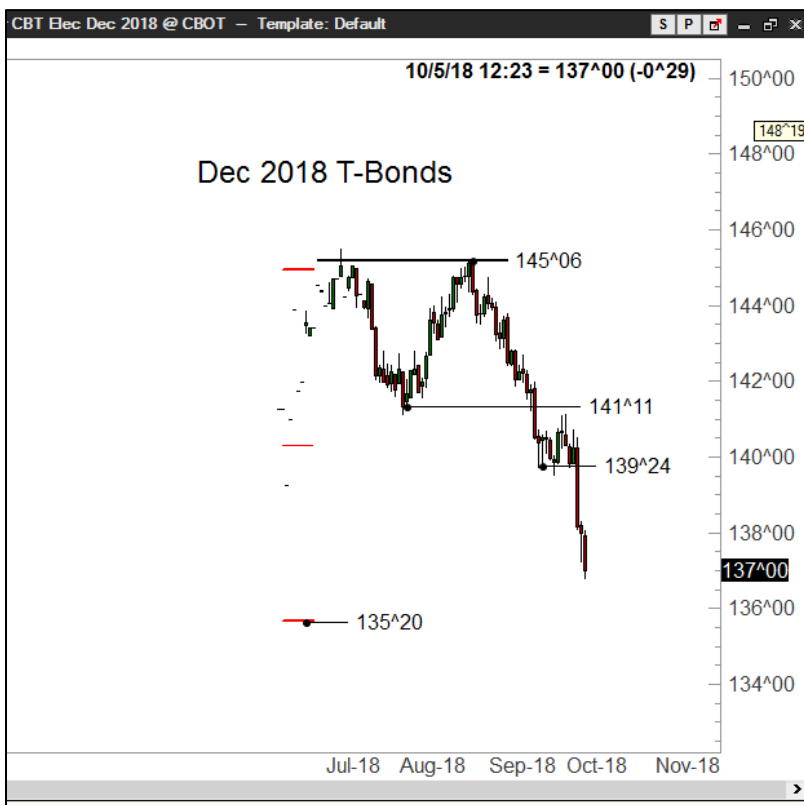
T-Bond futures

Being a trader for as long as I have been provides me with a sense of historical significance not possible for newcomers to market speculation. I distinctly remember the high interest rate periods of the 1970s and early 1980s. In fact, I remember the day the top of yields (and bottom of



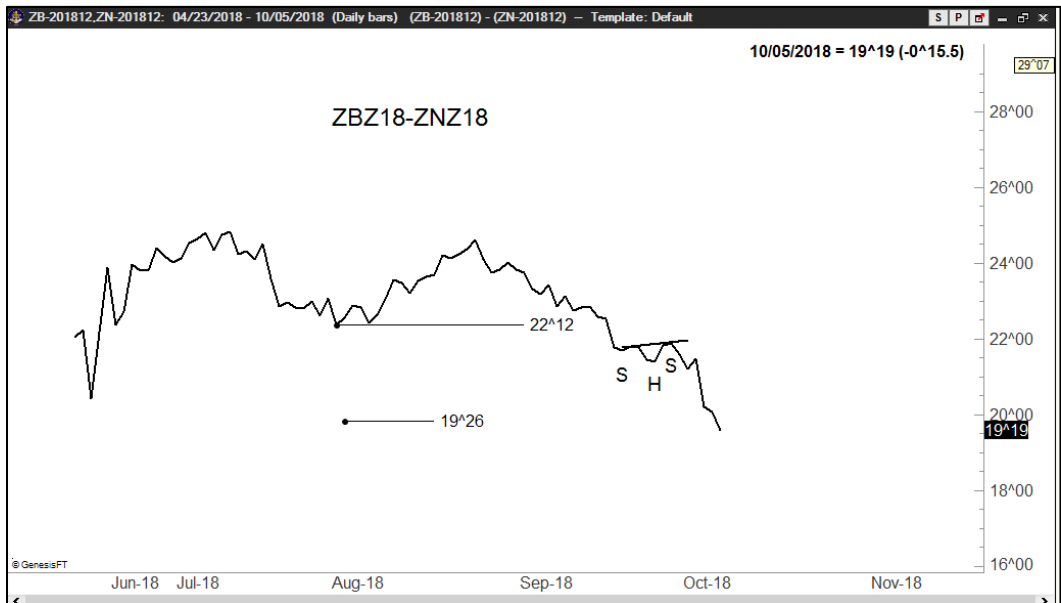
futures) was confirmed by the completion of a large symmetrical triangle (see chart). I remember the day this triangle was completed because I bought the upside breakout in futures. The completion of the H&S bottom on the weekly yield chart now completes the cycle that began in Aug 1982.

The decline below 141¹¹ on the daily continuation graph completed a H&S bottom failure pattern with a target of 135¹¹. The daily chart of the Dec 2018 contract is also shown (with resistance at 139²⁴ and a target at 135²⁰).



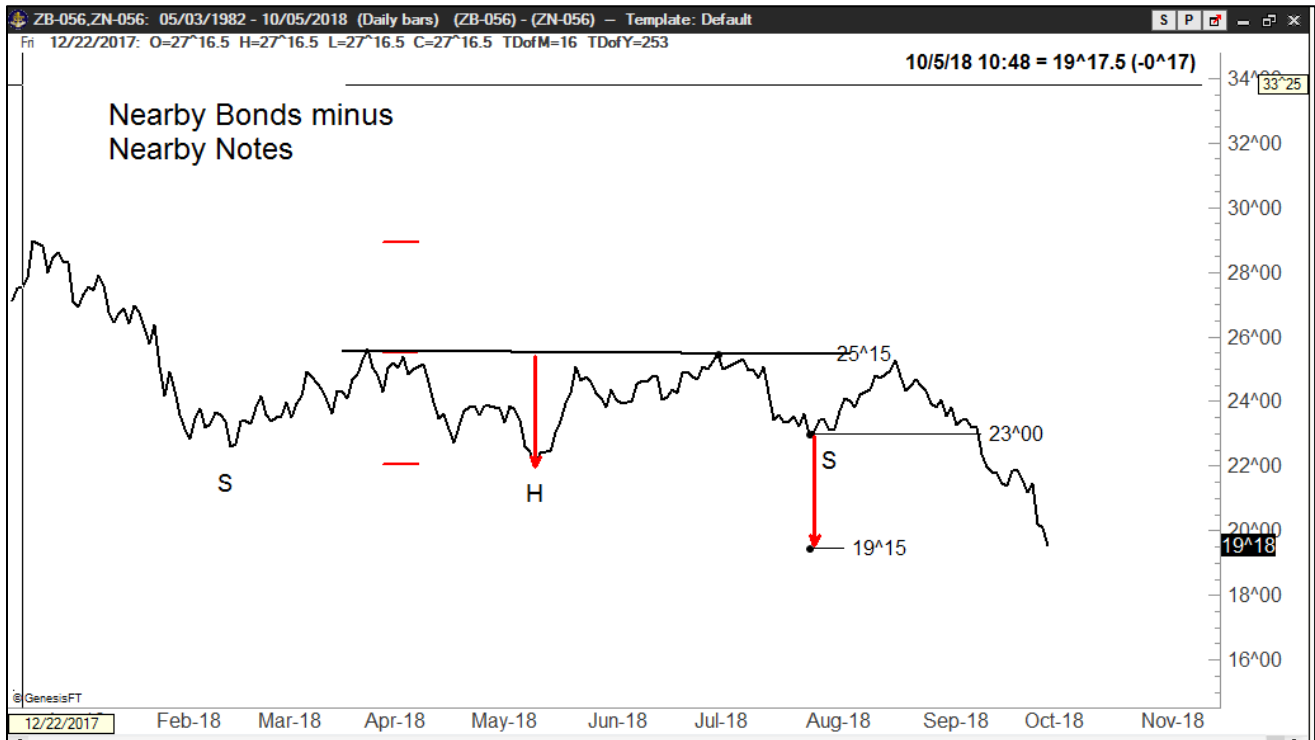
30-Yr T-Bond/10-Yr Note spread

The target of 19^15 (premium to the Bonds on a 1-to-1 contract basis) based on the completion of a 7+ month H&S failure pattern on the daily continuation chart was met on Friday. The target of 19^26 in the spread between the Dec contracts of Bonds and 10-Yr Notes was also met on Friday. Unless specifically mentioned to the



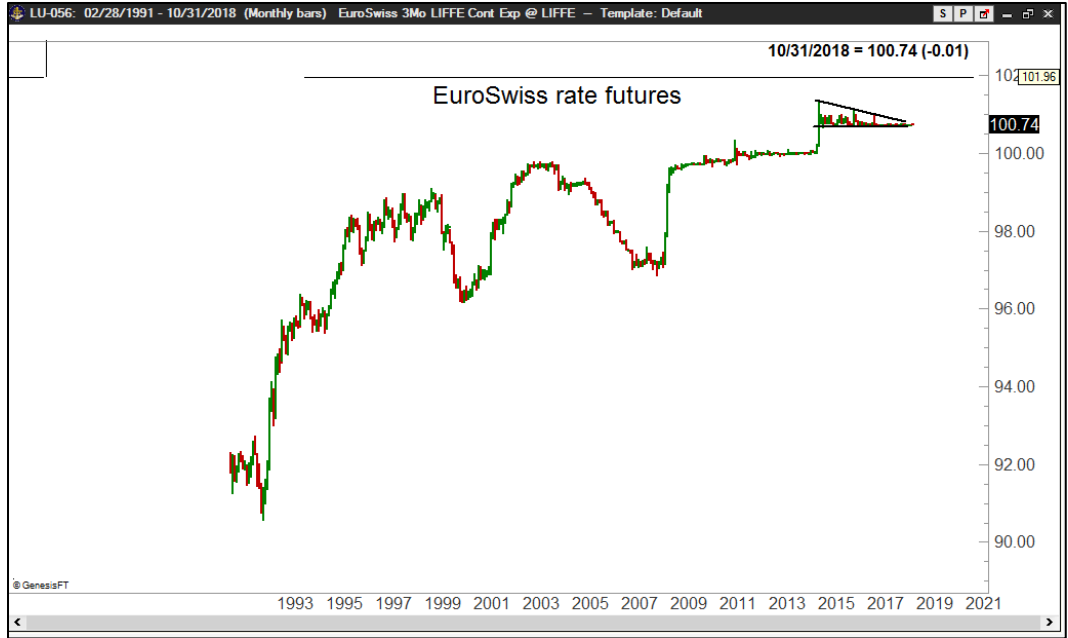
contrary, the Factor Tracking Account takes profits at target levels. The Factor Tracking Account is not flat. Sufficiently capitalized accounts have the luxury of trading multiple contract positions. The Factor Prop account is an example. I have taken half profits in the Factor Prop account – and will go flat if the Dec contract of Bonds reaches 135^20.

I will re-establish the spread in the Factor Tracking Account if Dec Bonds can rally to 139^12. I will have this sell order in place as an open order. I will also have an alert set on my email and phone. If the sell order in Bonds is filled I will buy the 10-Yr Notes at the market.



EuroSwiss

Factor is short the Jun 2019 contract. The Swiss National Bank continues to exist in a bubble.



Eurodollars

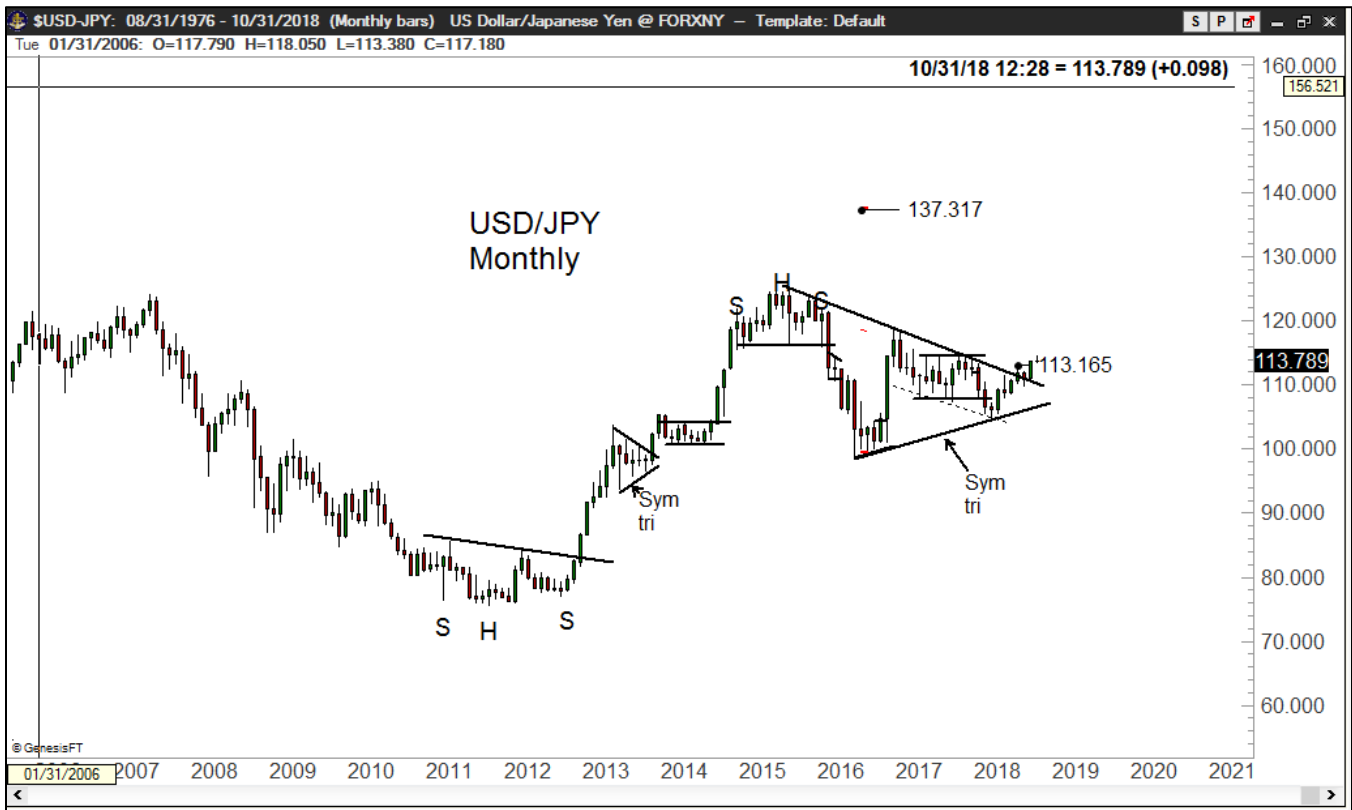
The short end of the yield curve has not been affected as much as the long end of the yield curve. Factor is short the Sep 2019 contract. The initial target of 96.805 is within reach. A further target of 96.55 is possible.



Forex

USD/JPY

I can make a case on the monthly graph that USD/JPY is headed to 137.31 based on the completion of a 3+ year symmetrical triangle. I will monitor this cross for a buying opportunity. I am willing to establish a small long position if the cross corrects to 113.21.



GBP/NZD

I am willing to take two attempts at quality patterns. I went long this cross for the Factor Tracking Account on Sep 10 only to be stopped out on Sep 19. The advance on Oct 3 recompleted this pattern, providing a secondary buy signal. Factor is long with a revised target at 2.0830.



U.S. stock market

The U.S. stock market experienced a sizable correction this past week. While it might be too early to declare the death of the bull, there is no doubt that the bull has been injured. The NYSE Composite A/D line has decisively turned down. The NASDAQ A/D line is correcting, but its trend remains up. The S&P A/D line is showing signs of weakness.



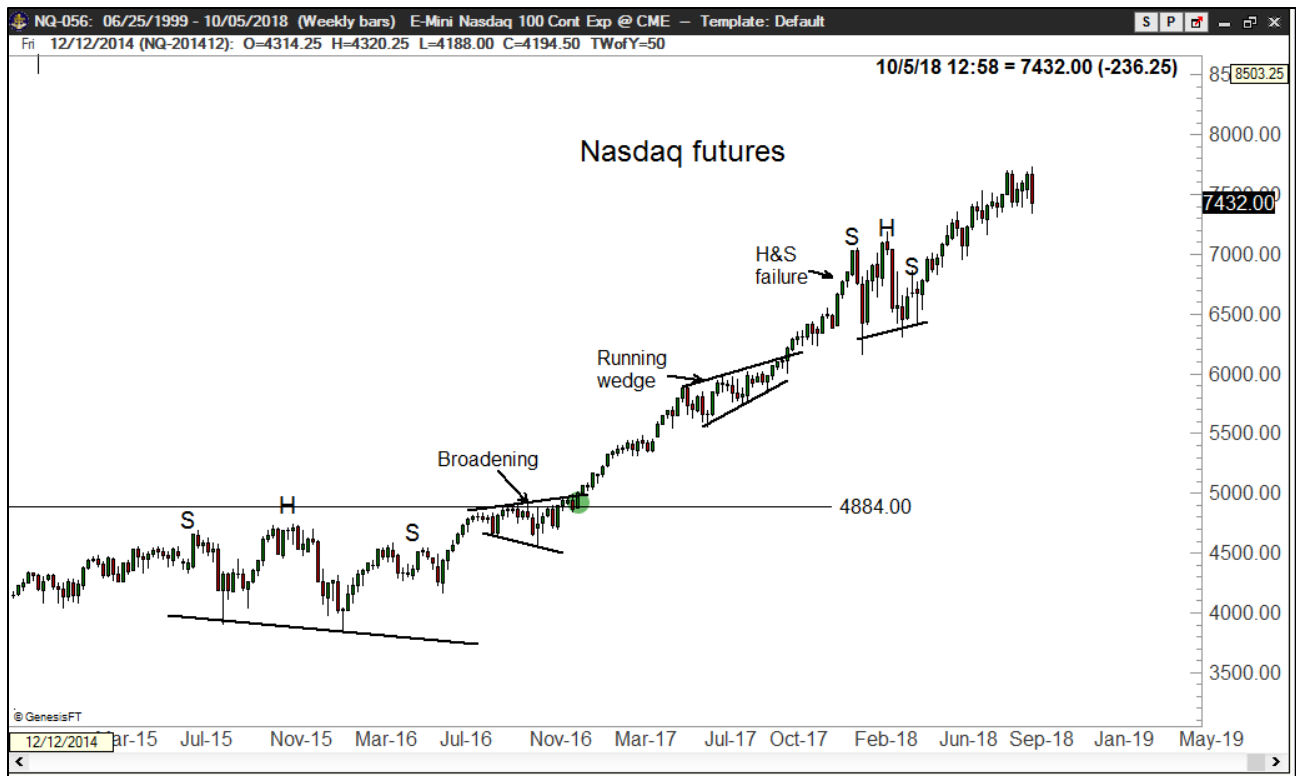
S&Ps

The S&P chart has penetrated a 14-week trendline. The violation of an uptrend line does not immediately portray a bear market but simply is a warning of a pending change. A close below 2865 would be more cause for alarm. Factor is flat.



NASDAQ

The weekly chart has experienced a sweeping reversal (a higher high, a lower low and a lower close than the previous week). Yet. The trend remains up. Factor is flat.



DJIA

The Dow made a new ATH this past week, only to close weak. The trend remains up. Factor is flat.



MOO

Consistent with my policy of active and aggressive risk and trade management, Factor was stopped out of a long MOO position on Friday. The trend remains higher – but risk management is more important to me than is the interpretation of a chart. Factor is flat.

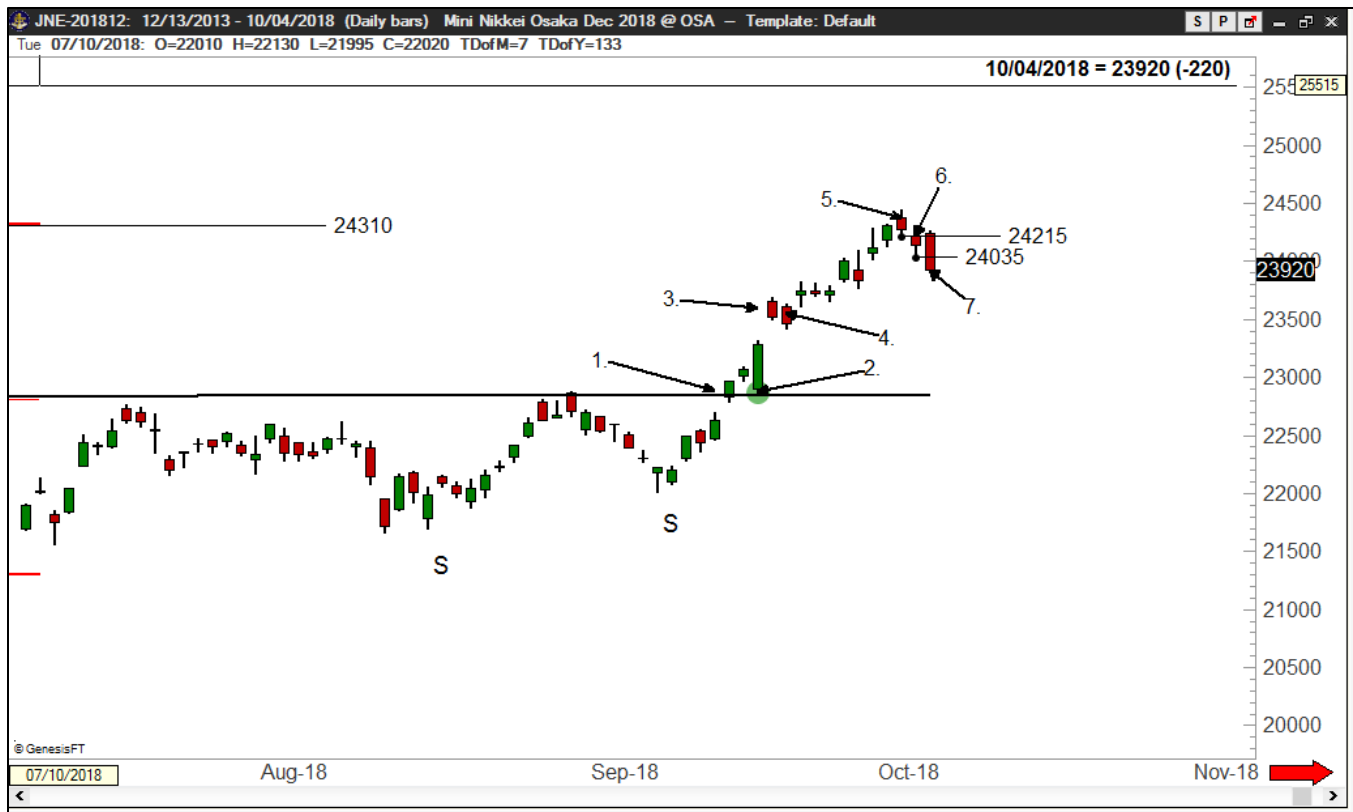


Osaka Nikkei Dow

I define my approach to trade management as "active and aggressive." We receive many questions by email about my trade management techniques. It is often easier to provide examples of active and aggressive trade management than it is to explain the concept. The trade finally closed out this week in the Osaka Nikkei Dow is a good test case for my trade management practices.



See details of how the Nikkei Dow trade was managed, next page.

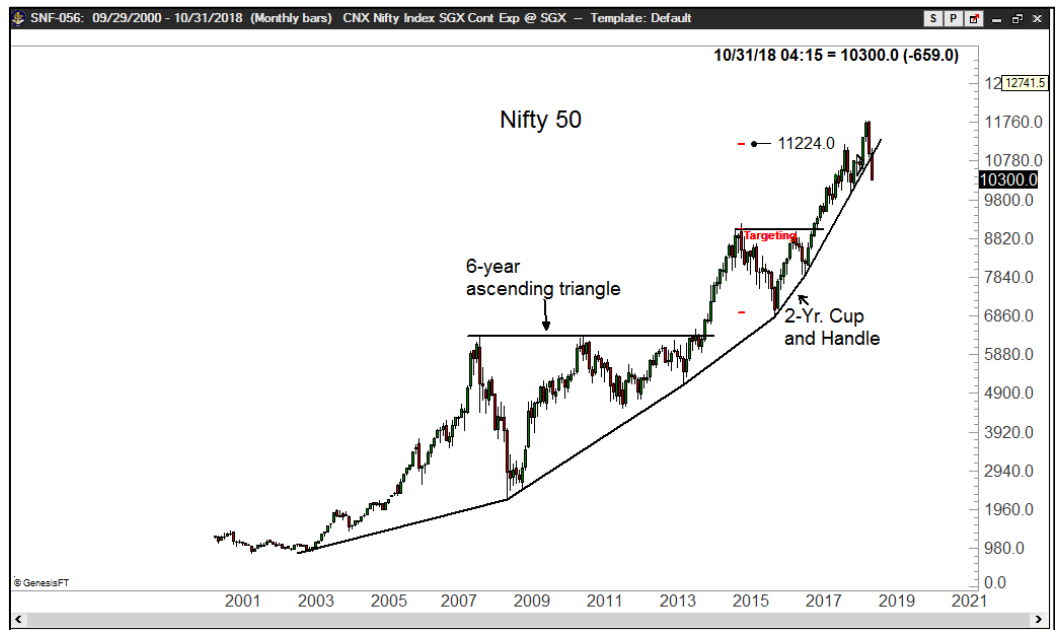


So, let's paint by number.

1. The Dec contract completed a H&S bottom pattern on Sep 14. Keep in mind I am a half-a-world away from the Osaka market so I am often a step or two behind the price action. I missed this breakout. In the Sep 15 Factor Update I stated that I would "buy a slight sell off" the following week.
2. An early decline on Sep 18 retested the neckline of the H&S. For the Factor Tracking Account I bought four contracts of the mini Osaka Dow (equal to 40% of a regular contract). I almost immediately broke the trade into three tranches (1-1-2 contracts).
3. It is my policy in the case of a multiple-contract position to cover half when the profit equals 100 BPs. The advance on Sep 19 met this target, but as usual I was a step behind Japan so I did not have the order in place.
4. On Sep 20 I covered only half-of-the-half (or a single contract) at 23625, choosing to take some additional risk on the other half-of-the-half.
5. I had a target order in place at 24495 on the other half-of-the-half. The high on Oct 2 was 24445. I was not about to ride this tranche back down after coming so close to the target. So, I moved the stop on this tranche to just below the Oct 2 low of 24215.
6. I was stopped out of the tranche at 24190 – but still had on two of the original four contracts.
7. The market had advanced more than 70% from the breakout to the "measured-move" target. Thus, the 3DTSR was in effect. Point #5 was the high day and point #6 was the set-up day. The decline on Oct 4 was the trigger day and I was stopped out of the final tranche as 24010.

Nifty 50/INDA

The decline this past week penetrated the parabolic advance in the Nifty dating back to the early 2003 low. Typically the violation of a parabolic advance leads to an 80% price correction. It is difficult for me to imagine a price decline by the Nifty back to 3,100. Support should exist at 9,100 and 6,500 if a bear trend really gets going.



The decline on Wednesday completed a 14-month H&S top in INDA. With a target of 26.25. The Factor Tracking Account is short. Several Factor Members reported to me that their retail brokers were unwilling to accommodate a short trade in this ETF. I shorted the ETF through Interactive Brokers. There is always chance that a successful short in an equity or ETF can be called back by the accommodating broker, so there is no guarantee that I will retain this short position.



ITA (Aerospace ETF)

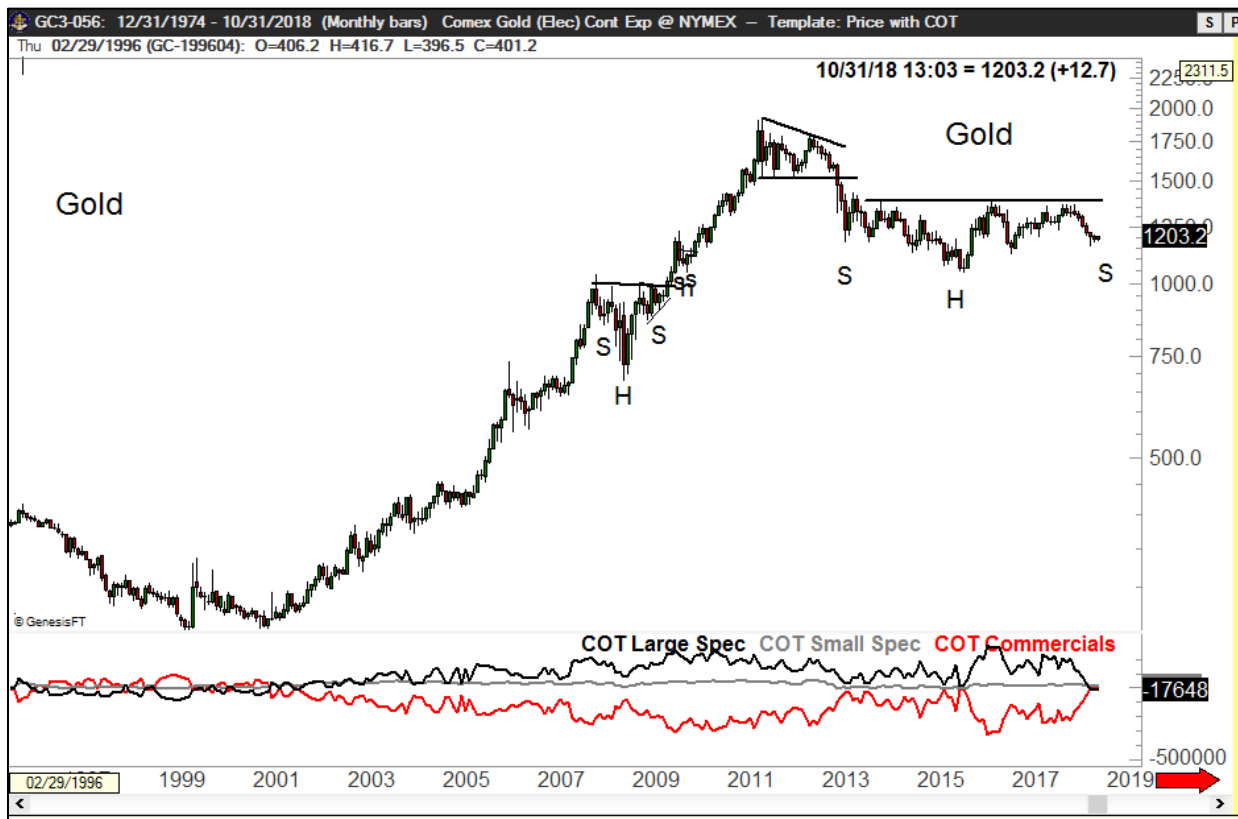
Factor is long. The trend remains higher.



Precious metals

Gold

I continue to note the possibility of an inverted H&S on the monthly Gold chart (shown in log scale). Many analysts have claimed that the COT profile is extremely bullish with Commercials holding a rare net long position and Large Specs holding a rare net short position. I agree that this is potentially a bullish factor, but I need to see some chart evidence of a bottom. Such evidence does not presently exist. Factor is flat.



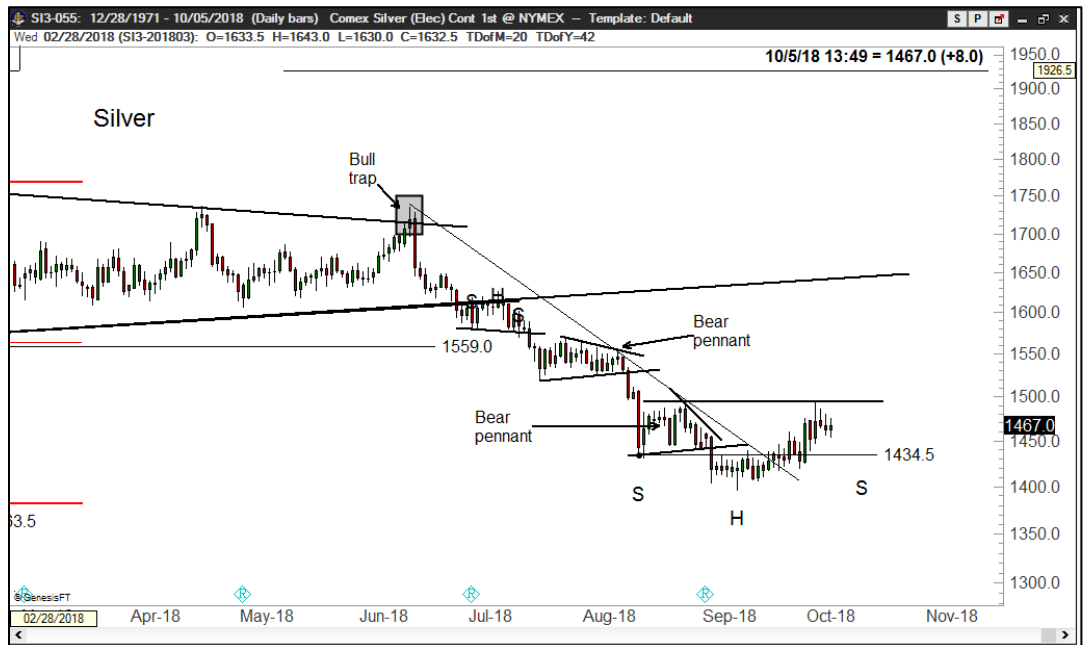
GDXJ

The "Juniors" ETF displays a quite balanced H&S bottom pattern. I will buy an upside breakout.



Silver

For the first time in the history of Silver futures trading
 Commercials hold a net long position and Large Specs hold a net short position (COT not shown). I could become quite interested in the long side of Silver if the market can dip back toward 14.34, thereby building the right shoulder of a possible H&S bottom.



Crude Oil

Factor is long WTI. The advance in the Nov contract has met the 70% requirement of the 3DTSR.



plb
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The Factor Crypto Corner

Cryptos

Bitcoin (GDAX)

BTC continues to coil. Coils create energy in the same way that holding down a spring creates energy. The boundaries of this coil are 6320 and 6823. I have a sense that a fireworks display may be closer than we think. I continue to present three possibilities for BTC. Of course any of these three could morph into a yet-to-be identifiable new pattern.

The first interpretation is that of a descending triangle dating back to the Feb 6 low. A decisive close below the lower boundary would establish a target on the log scale chart of 2823. The default expectation for a descending triangle is for a strong decline.



The second interpretation is based on the Factor RealRange or closing price charts whereby the orthodox low on Feb 6 is ignored. The dominant possible chart pattern on this chart is a falling wedge requiring one more new low for the current bear trend. There are several problems with this interpretation, the main problem being the shallow slope of the wedge. This pattern could morph into an extensive rounding bottom formation.



The third interpretation is that the prices will blow out through the upper boundary of the symmetrical triangle. I am willing to consider this pattern because the period since Jun 10 has taken the form of a possible compound fulcrum bottom. A decisive move above 7402 would grab my attention.



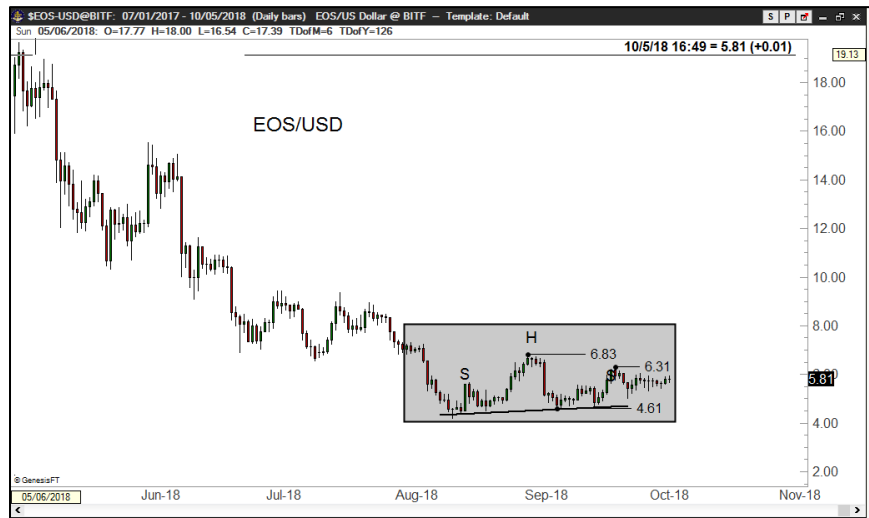
XRP/USD

XRP is in the strongest technical condition of the macro-cap cryptos. The market is forming a possible 3-week pennant. An advance above .6300 would complete this pennant and establish a possible target of .9640.



EOS/USD

This coin is of interest to me as a case study. The daily chart displays a fulcrum (not a compound fulcrum because of the simplicity of right shoulder). Advances above 6.31 and 6.83 would be buy signals based on classical charting principles.



plb
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Factor Tracking Account, October 5, 2018

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

Factor LLC		10/5/2018																
Model Tracking Account Trade History and Portfolio																		
Constant nominal capitalization: \$100,000																		
(See disclaimers and notes below)																		
Market		Date	L/S	Entry					Stop Date	Δ	Target	Pattern		Exit		Net	Capital to carry trade	Value of trade (entry)
				Price	Size	Initial stop	BP risk	Current Stop				Weekly	Daily	Date	Price			
ITA	Aerospace ETF	9/6/18	L	209.86	50	205.84	20	212.48	10/4	229.84	7-mo rectangle	7-mo rectangle				\$ 10,493	\$ 10,493	
ITA	Aerospace ETF	9/6/18	L	209.86	50	205.84	20	212.48	9/25	229.84	7-mo rectangle	7-mo rectangle				\$ 10,493	\$ 10,493	
GEU19	Eurodollars	9/11/18	S	96.950	2	96.995	22	96.890	10/4	96.805	4-desc tri	3-mo rectangle				\$ 330	-	
GEU19	Eurodollars	9/11/18	S	96.950	2	96.995	22	96.945	10/4	96.560	4-desc tri	3-mo rectangle				\$ 330	-	
LUM9	EuroSwiss	9/13/18	S	100.690	1	100.780	27			Open	44-mo desc tri	44-mo desc tri				\$ 336	-	
ZBZ8-ZNZ8	Bonds-Notes	9/18/18	S	22^09	1	22^29	63	22^22 co	9/21	19^26	7+ mo H&S fail	7+ mo H&S fail	5-Oct	19^22	\$ 2,584	Closed	-	
N225MZ8	Osaka Nikkei	9/18/18	L	22925	1	22745	16	22895	9/19	23625 r	4-mo cont H&S	4-mo cont H&S	20-Sep	23625	\$ 612	Closed	-	
N225MZ8	Osaka Nikkei	9/18/18	L	22925	1	22745	16	24195	10/2	24310 r	4-mo cont H&S	4-mo cont H&S	3-Oct	24190	\$ 1,099	Closed	-	
N225MZ8	Osaka Nikkei	9/18/18	L	22925	2	22745	32	24010	10/3	25590 r	4-mo cont H&S	4-mo cont H&S	4-Oct	24010	\$ 1,884	Closed	-	
MOO	MOO	9/20/18	L	65.99	100	64.49	15	65.340	9/26	69.31	New ATH	6+ mo running	5-Oct	65.33	\$ (71)	Closed	-	
MOO	MOO	9/20/18	L	65.99	100	64.49	15	65.340	10/4	76.97	New ATH	6+ mo running	5-Oct	65.32	\$ (67)	Closed	-	
QMX8	Mini Crude	9/21/18	L	70.85	1	69.90	48	72.750	10/4	78.40	4-mo sym tri	4-mo sym tri				\$ 1,860	\$ 35,425	
YGZ8	Mini Gold	9/28/18	S	1194.40	1	1203.20	26	1199.10	10/1	1169.80	Major down trend	6-wk failure top	2-Oct	1199.20	\$ (155)	Closed	-	
GBP/NZD	GBP/NZD	10/3/18	L	1.9861	30k	1.9736	24			2.0587	10-mo asc tri	10-mo asc tri				\$ 1,164	\$ 23,285	
GBP/NZD	GBP/NZD	10/3/18	L	1.9861	30k	1.9736	24	1.9839	10/4	2.0587	10-mo asc tri	10-mo asc tri				\$ 1,164	\$ 23,285	
INDA	India Index	10/3/18	S	31.89	400	32.82	38			26.31	15-mo H&S top	15-mo H&S top				\$ 12,756	\$ 12,756	
Trades as of															\$ 5,274	\$ 38,927	\$ 115,737	
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.

CFRC 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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