



"Sharing real experiences from decades of profitable trading. Focused on the important factors that lead to trading success. Dedicated to the best of classical charting principles. Committed to aggressive risk management and capital preservation."

Factor Update, January 26, 2019

Market Review

This issue comments on global stock markets (DJIA, S&Ps, Nifty, Russell, TSX300, BAP, AAPL, Google), grains (European Milling Wheat, Soybeans, *Soybean Oil, Corn), Sugar, forex (USD/SGD, GBP/NOK), interest rates (T-Bonds, T-Notes, Euribor), energy (Crude Oil, Gas Oil), precious metals (Silver, Gold) and cryptos. *Signifies a position in the Factor \$200,000 Tracking Account.

<p><u>Developing signals</u></p> <ul style="list-style-type: none"> • Corn – entry order • European Milling Wheat – entry order • GBP/NOK – watch • Soybeans – alert • BAP – entry order • AAPL – entry order • Gas Oil – alert 	<p><u>Existing positions</u></p> <ul style="list-style-type: none"> • Soybean Oil
<p>The Factor Tracking Account is currently leveraged at .27X. Capital Utilization is at .7%. This means that 99% of the account balance is idle and not being used to carry trades. [Note: Factor does not include the nominal value of interest rate futures contracts.]</p>	

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Commentary on Private Twitter

Our apologies if your request to follow @Factor_Members is still in the Q. All requests to join are manually confirmed. This is the only way we can keep outsiders from sneaking under the tent. Thank you for your gracious patience. If you have not been accepted on the private Twitter yet, please see details on page See more detailed discussion on page 18. We do not want you to miss out because a step was not completed.

I have enjoyed the interaction with members. I am all for creating a community built on good will, classical charting, risk management, the human element of market speculation and a ridged routine of market review and order entry.

There will days when I am at the computer and active in responding to questions. Then there will days when I will be silent. Do not be shy to ask questions. Questions may not be answered, but if you do not ask them it is guaranteed they will not be answered. Keep in mind I may not have a very good answer depending upon the question asked. I hope you begin to understand through the Member Twitter is that I struggle with many of the same things you might struggle with. As a discretionary trader I seek progress, not perfection. It has been that way for 44 years. I have met traders whose style is elegant and polished – but they are the **rare** exception. Most of the really successful traders I know quite well stumble their way to successful years – they are grinders just like me. My approach to trading is not very fancy, but it has worked and hopefully will continue to work.

Plb

Global Stock index markets

Despite the fact that the S&P Index has been in a broad range for the past 18 months, the S&P A/D line has climbed steadily and is poised to launch into a new high. There is disharmony between price (top line) and breadth (bottom line). I understand (and agree) that traditional valuation measures the U.S. stock market would suggest substantial downside potential, but the internal price action just does not square with a mega-bearish outlook. There is the tendency for traders to want to be either bullish or bearish. But it very well could be that the sideways price action of the past 18 months will continue to chop (with a higher bias). I want to remind everyone that stocks can ignore the apparent valuation fundamentals for years, even decades. Rather, substantial trends are often caused by:

- The forces of buying and selling which may be driven by factors unrelated to traditional valuation considerations.
- The dominant fundamental factor driving the market and still unrecognized by most traders. More information on the Dominant Fundamental Factor can be found in the Factor archives: <https://www.peterbrandt.com/the-dominant-fundamental-theory-explained/> and <https://www.peterbrandt.com/explaining-dominant-fundamental-factor-2-2/>

Fortunately I do not need to be a bull or a bear. I will continue to look for swing trade opportunities as they develop – bailing quickly out of losers and hoping that maybe one in four or five trades can deliver a 300 BP profit.

Bottom line folks – I remain clueless on the U.S. equity market. My instincts tell me that the bears are going to look foolish, but my instincts are not the gold standard of trustworthiness.



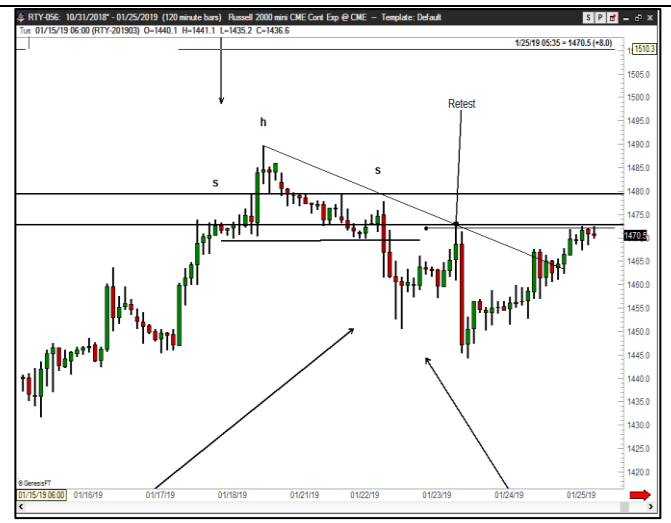
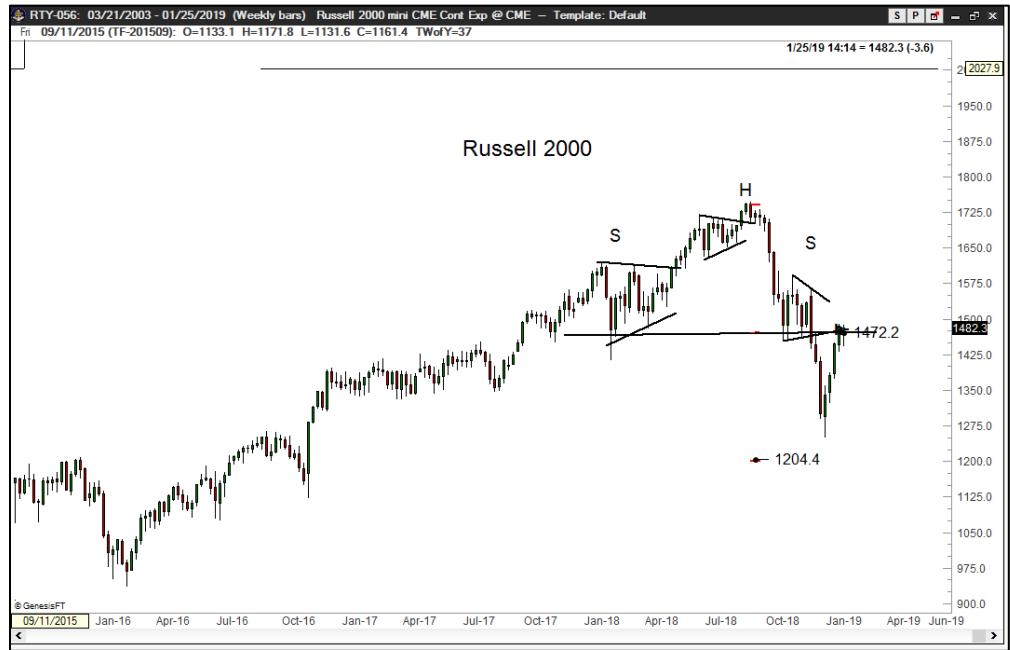
Russell (CME)

I shorted the Russell futures on Wednesday and was stopped out on Friday. My short was based on three considerations:

- The weekly and daily charts rallied into an area of reasonably expected supply. Remember that while I appraise a market based on the weekly chart, my trading tends to be geared to rules and guidelines connected with daily graphs. This is the only way I know to keep losses under control.
- The daily chart met the conditions of the Factor three-day trailing stop rule (3DTSR) – see labeling the on daily graph.
- The 6-hour chart completed an H&S top pattern on Tuesday. I shorted the retest on Wednesday.

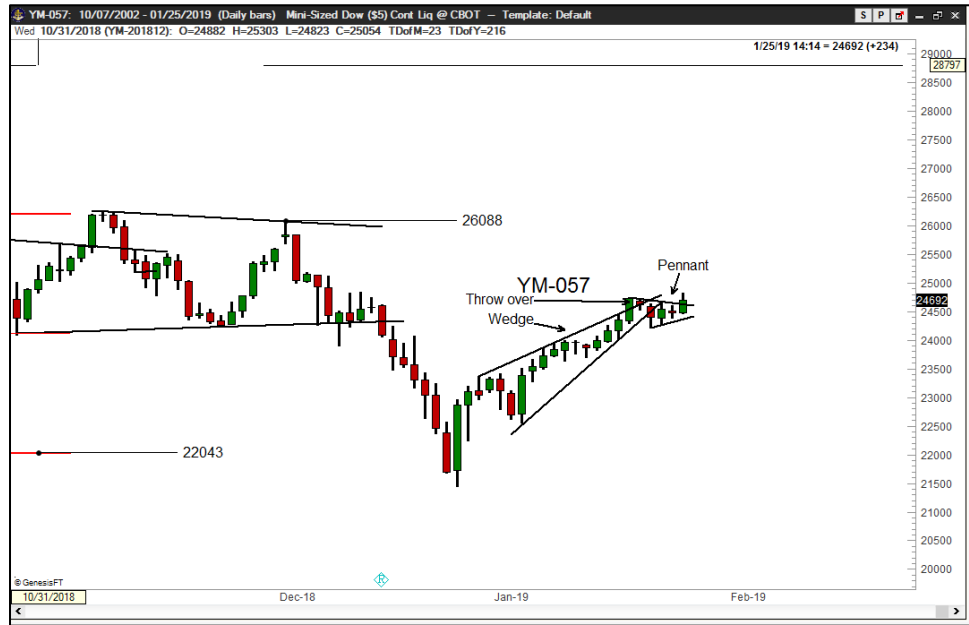
Sometimes larger chart construction is launched by small chart patterns. More often than not an attempt to gain access to a trade based on a short-term chart pattern is unsuccessful. I am completely ok when this is the case. I simply move on to the next trade.

I have observed that novice traders will get nicked on a trade like this and become obsessed with making their money back in the same market. An entirely new chart pattern must develop for me to become interested again in the Russell. Factor is flat.



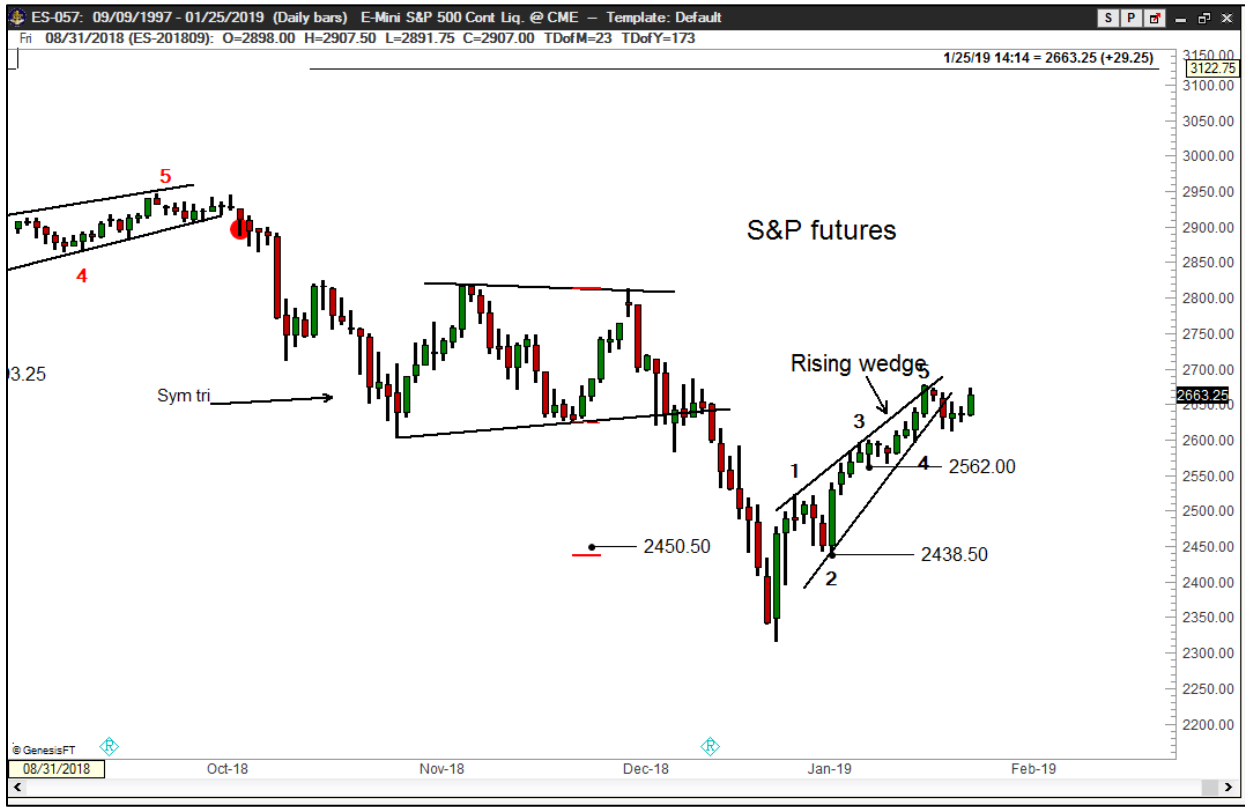
DJIA (CBOT)

The rally from the Dec 26 low has moved deeply into overhead resistance – my question is if the rally has moved so deeply into overhead resistance as to place the perma-bear narrative into doubt. The double top interpretation I have posited is still an outside possibility – retest rallies on completed double tops can travel as much as 50% into the double top. The retest rally initially took the form of a rising wedge. The rising wedge is characteristic of a sharp correction in a strong bear trend. According to Edwards and Magee, the completion of a bear wedge should result in an immediate and pronounced decline. This has obviously not occurred. Instead the daily chart appears to have completed a possible bull pennant. I have a feeling the U.S. equity markets are not going to make it easy to be a swing trader. I was tempted to act upon the pennant but my policy is to not trade a pattern on the same day I notice it. Factor is flat.



S&P 500 (CME)

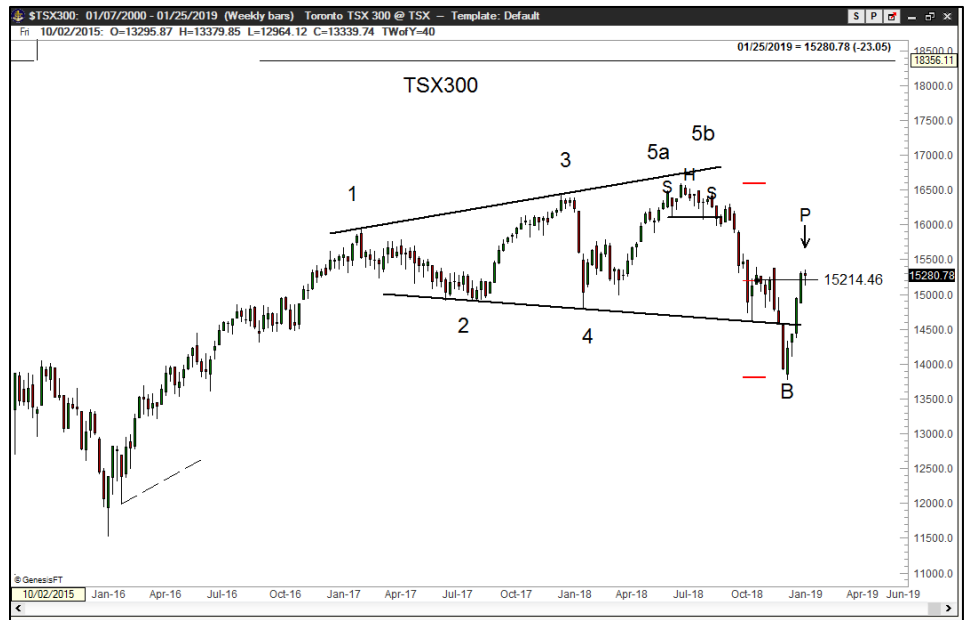
Ditto the DJIA. Factor is flat.



Toronto TSX 300 (TSE)

The weekly chart of this index displays a textbook broadening triangle top. The following is an excerpt from "Technical Analysis of Stock Trends," Edwards and Magee, 1948:

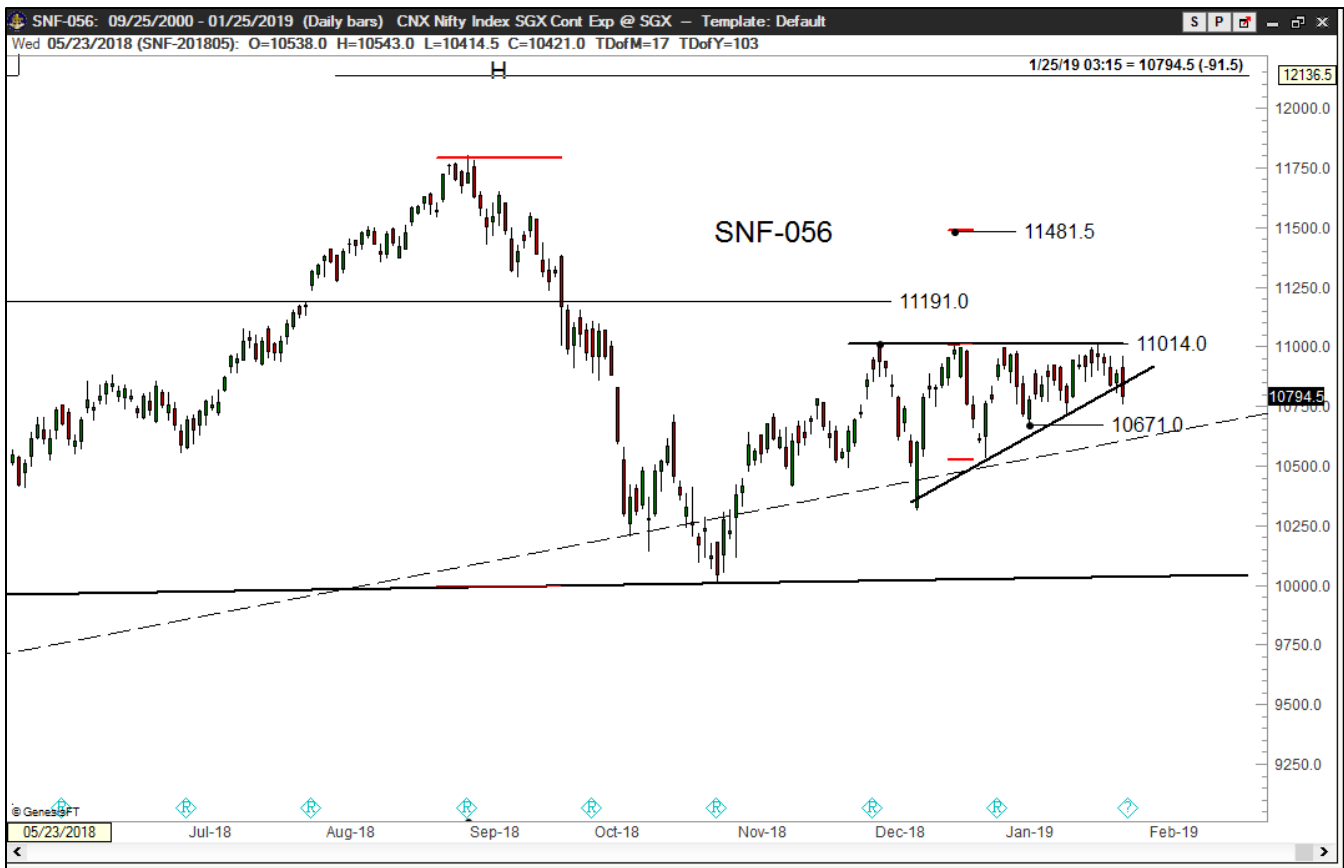
"...a development typical of Broadening Tops – a pull-back rally (to P) retracing about half of the ground lost between the last pattern top (5b) and the end of the initial breakout move (B)."



The rally has now carried to the 50% retracement level. I am not planning to trade this index but will continue to feature it in future Factor updates for educational purposes. It is not often we get to monitor in real time such a textbook example of classical charting principles.

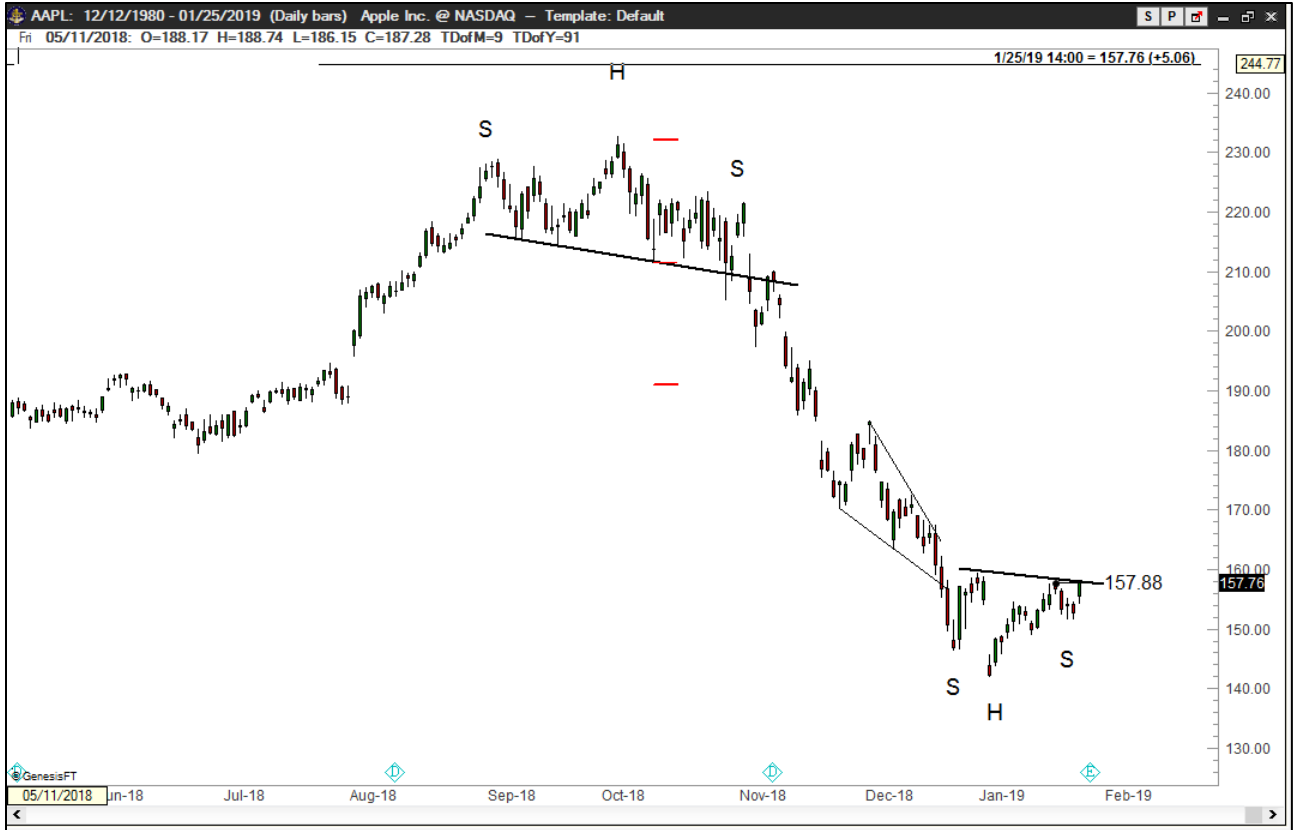
India Nifty 50 (SGX)

The market continues its parabolic advance. A H&S top is forming. The right shoulder exhibits a possible ascending triangle that could be failing – supply at the 11014 level has turned back several attempts to push higher. Failed right-angled triangles are not a pattern I generally trade. A close below 10671 would be the first suggestion that the right shoulder high is in place. I will monitor this market closely. Factor is flat.



AAPL (NASDAQ)

A possible small H&S bottom? I am willing to buy a breakout. I will not show past examples, but the H&S pattern has a glorious past in the history of AAPL. Edwards and Magee consider a 3% move through a pivot point or boundary to be a breakout. I generally use 2% for individual stocks – a 2% breakout would be 161.04.

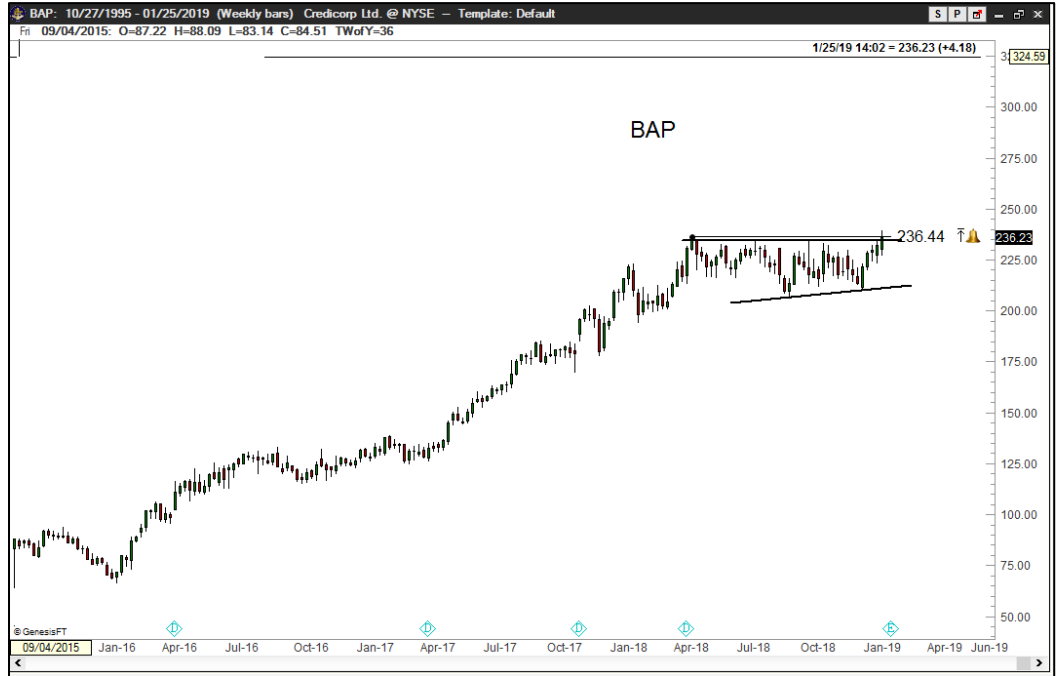


Google
H&S top? Too early to tell.



BAP (NYSE)

I do not monitor individual stocks on a regular and systematic way. Rather, when I stumble upon a chart that catches my eye I put it on my radar screen. If I were to pursue a systematic approach to trade individual equities I would look for stocks making new 26-week or 52-week highs (or lows) coming out of recognizable chart patterns. BAP is forming a 9-month ascending triangle on the weekly and daily charts. I will buy a breakout in this stock. A 2% breakout is 241.17. Factor is flat.



What constitutes a breakout in futures and forex markets?

Breakouts in futures and forex markets are birds of entirely different color from the stock market. There is no simple 2% or 3% rule that can be applied. As a general rule I use much small margins to represent a breakout in leveraged markets. A 2% breakout in Dow futures would be about 500 full points. I might consider as little as 50 points (2/10th of 1%) to be a breakout in Dow futures. A 1% breakout in Soybeans would be 9 cents – that is just a little slim for me. A 1% breakout in Corn would be only 4 cents, and that is also a little slim for me. A 1% breakout in Bonds is almost 46/32nds, way too rich for me. I might use a breakout as small as ¼ of 1% in Bonds to enter a trade. So it depends greatly on the market, the exact nature of a pattern and the magnitude of the move expected.

Grains

All grain markets are basing in areas of historical support.

Corn (CBOT)

Jul Corn continues to develop a possible H&S bottom with the right shoulder displaying a separate inverted H&S pattern. Factor is flat.



European Milling Wheat (Matif)

IMO this is the most constructive grain chart on my scroll list because a long-duration base has already been completed. Factor is flat – I will go with a breakout.



Soybeans (CBOT)

The daily charts of the Mar and Nov contracts are shown. The case can be made that the Mar contract had an arguable breakout on Friday. Factor is flat, but interested.



Soybean Oil (CBOT)

I have coined a few chart patterns not identified by Schabacker or Edwards & Magee. The daily chart of Soybean Oil has completed what I call a "flying buttress pattern." Factor is long.



Precious metals
(NYMEX)

Gold

The massive inverted H&S on the monthly chart looms large. The recent correction retested the upper boundary of the channel on the daily chart cited in recent Factor updates. Factor is flat. I am impressed by Gold.



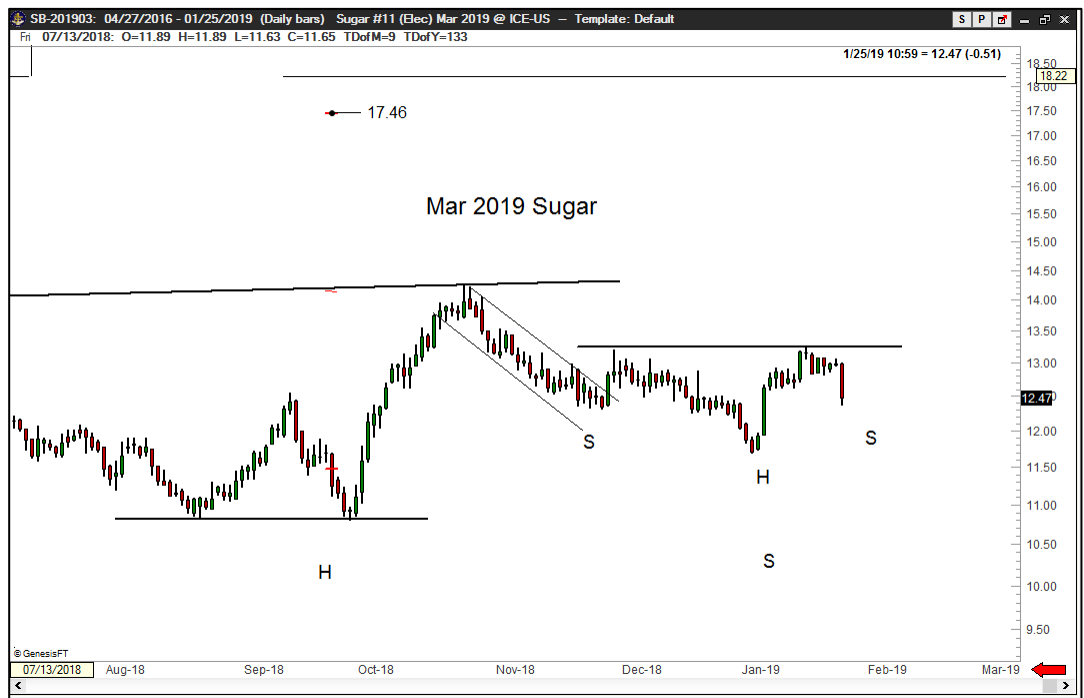
Silver

See my comments in the Jan 19 Factor Update about second guessing a trade. I had plans to re-purchase Silver below 15.40. I would not have been stopped out had I bought the correction in Silver. Oh, the beauty of "coulda, woulda, shoulda" trades. The bull trend in Silver appears to be getting back on track. Factor is flat.



Sugar (ICE)

The sharp decline on Friday in Sugar could represent the beginning of the right shoulder of an inverted H&S bottom on the continuation chart. I will continue to monitor this market.



Forex

GBP/NOK (spot)

The weekly chart displays a massive ascending triangle. Extended patterns such as this are much less reliable (and greatly more difficult to trade) than well-defined and tight 10- to 26-week ascending triangles. I hope this chart drifts sideways for another month or so before breaking out. Factor is flat.



USD/SGD (spot)

A H&S top (or rounding top) has been completed on the daily chart of USD/SGD. I will place an order to sell a rally in this cross.



Interest rates

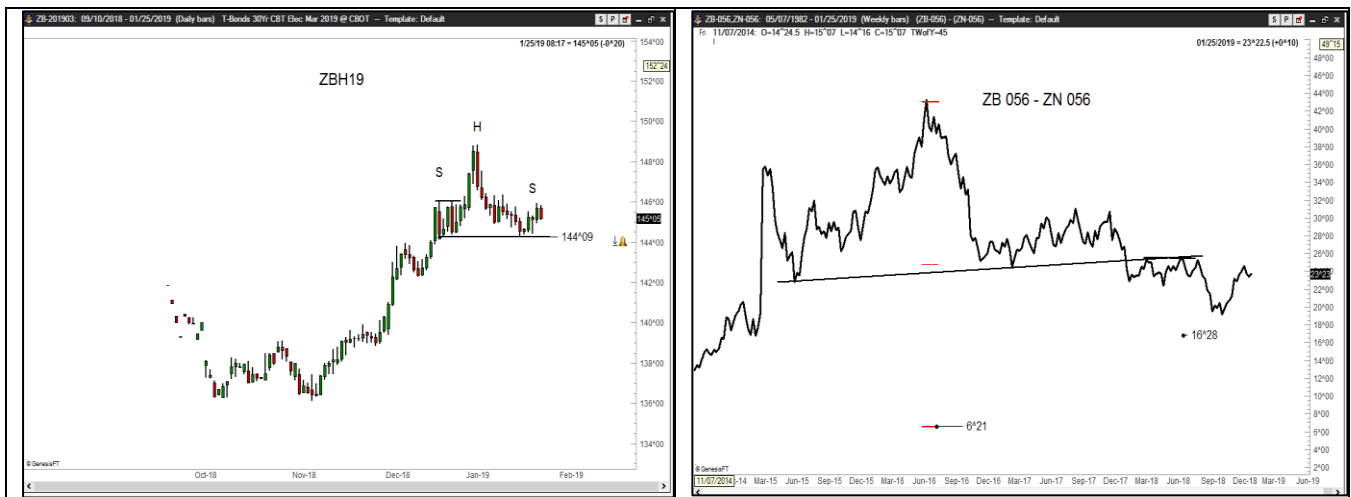
T-Notes (CBOT)

The recent rally in Notes has tested the mid-point low of a massive double top on the monthly graph. Factor is flat.



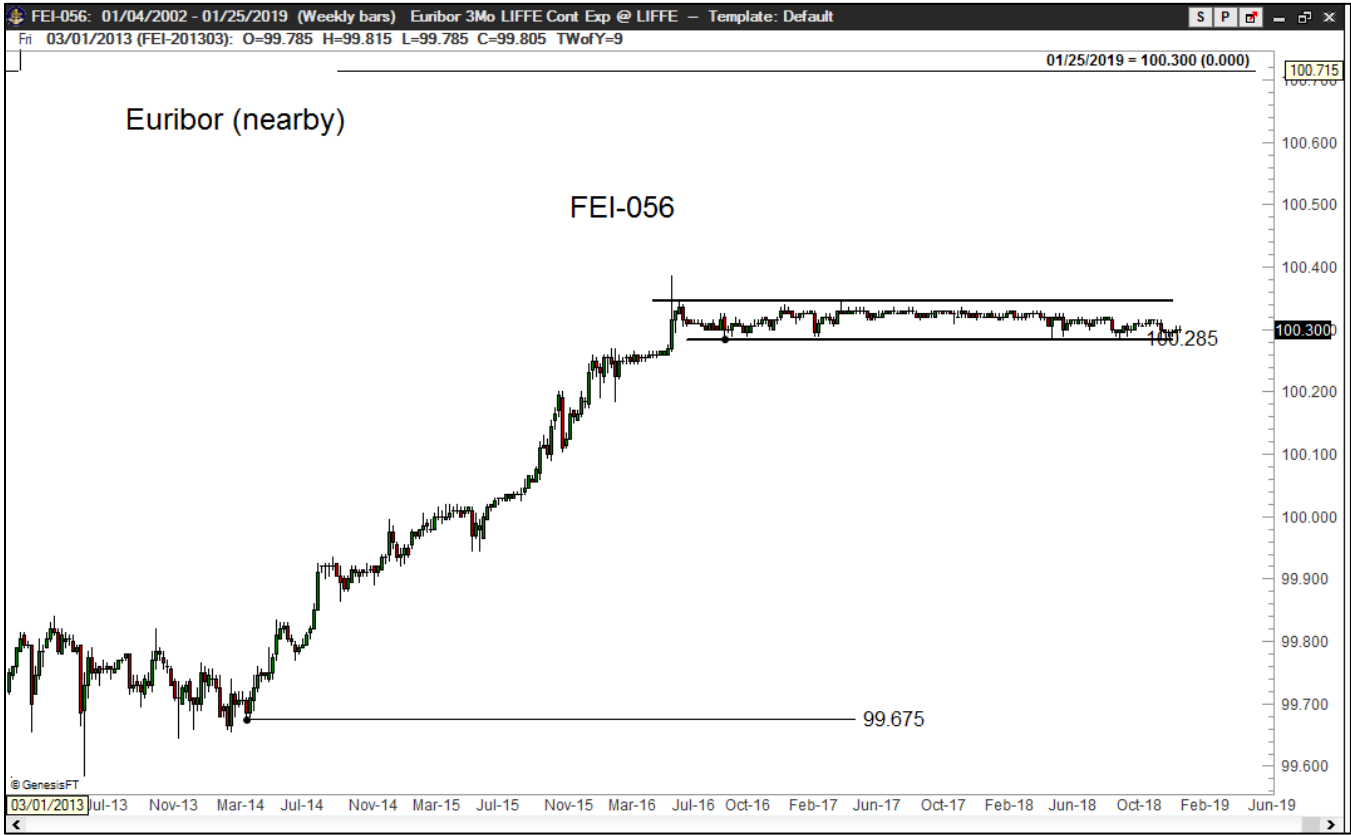
T-Bonds (CBOT)

A H&S top is forming on the daily chart of Bonds. I am very interested in this pattern. Factor is flat. A chart of the T-Bond minus T-Note spread is also shown (on a one contract-to-one contract basis).



Euribor (LIFFE)

As much as I love the short side of this market, I am going to take a pass on it for the Factor Tracking Account. The trade could be a multi-year endeavor and is a bit esoteric for the swing-trading nature of the Factor Service.



Energy

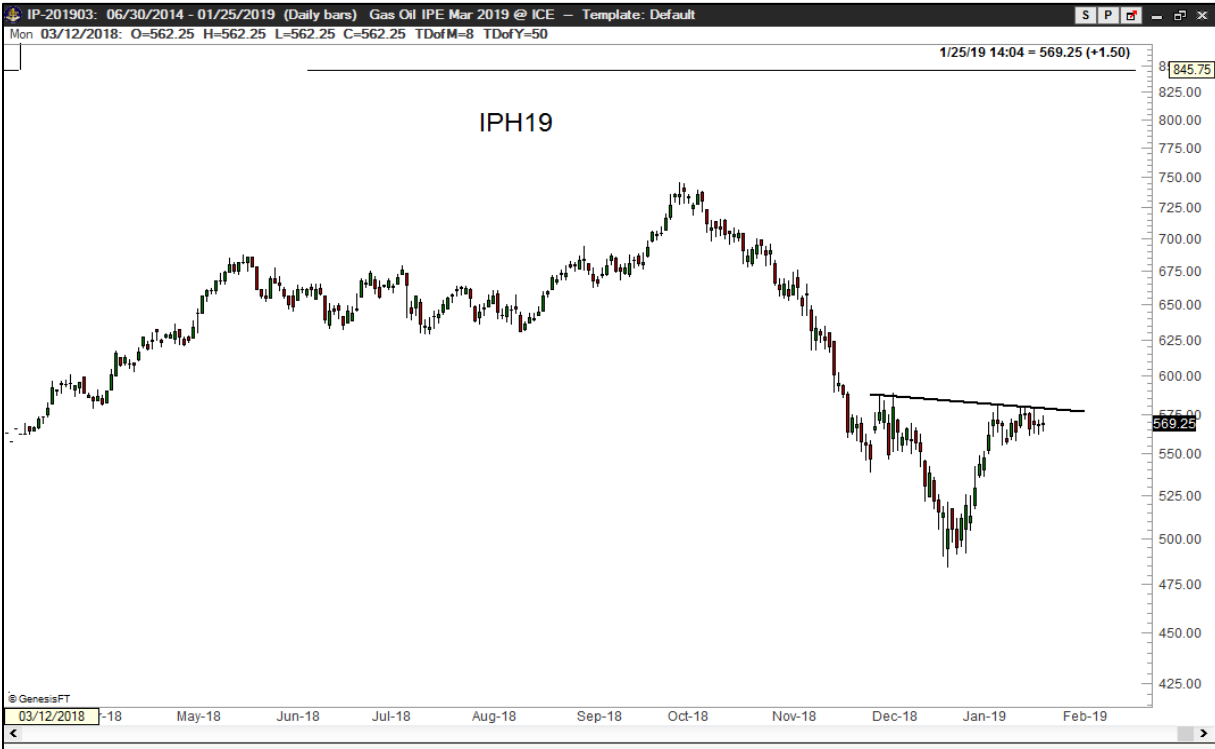
Crude Oil (NYMEX)

Will Crude Oil, like the U.S. stock market, go right back up?
This market is on my radar.
Factor is flat.



Gas Oil (ICE)

Gas Oil has a similar pattern to Crude Oil. The daily chart of the Mar contract displays a possible H&S bottom. The right shoulder in Gas Oil is better formed than is the right shoulder in Crude Oil. See the intraday graph inset on the daily chart.



Factor Member Private Twitter Page - How to follow, blocked, or not accepted yet?

- **TO FOLLOW:** Steps to follow the Member Twitter are listed on the website here - <https://www.peterlbrandt.com/factor-communications-factor-members-private-twitter/> Please complete **ALL** steps for successful access.
- **BLOCKED:** If you are trying to follow and get a “blocked” message (or the follow button is not visible), please email Jolleen@PeterLBrandt.com. She had to block everyone who was following previously so we’d know only members were in now. After she unblocks you, you’ll need to click follow on the Member Twitter @Factor_Members. Your status will switch to “pending”. She will then manually accept you. If you haven’t been accepted after 24hours please email Jolleen@PeterLBrandt.com.
- **PENDING:** If you have requested to follow the Member Twitter page @Factor_Members and haven’t been accepted yet. Please double check that your Twitter handle (@example) is updated on the Member site under Support / My Account. Jolleen needs to cross reference each member manually to grant access to the private Twitter. Please email Jolleen@PeterLBrandt.com when it’s complete.
- **STILL PENDING AFTER 24HRS:** If your status is “pending” for more than 24hours, please email Jolleen@PeterLBrandt.com.

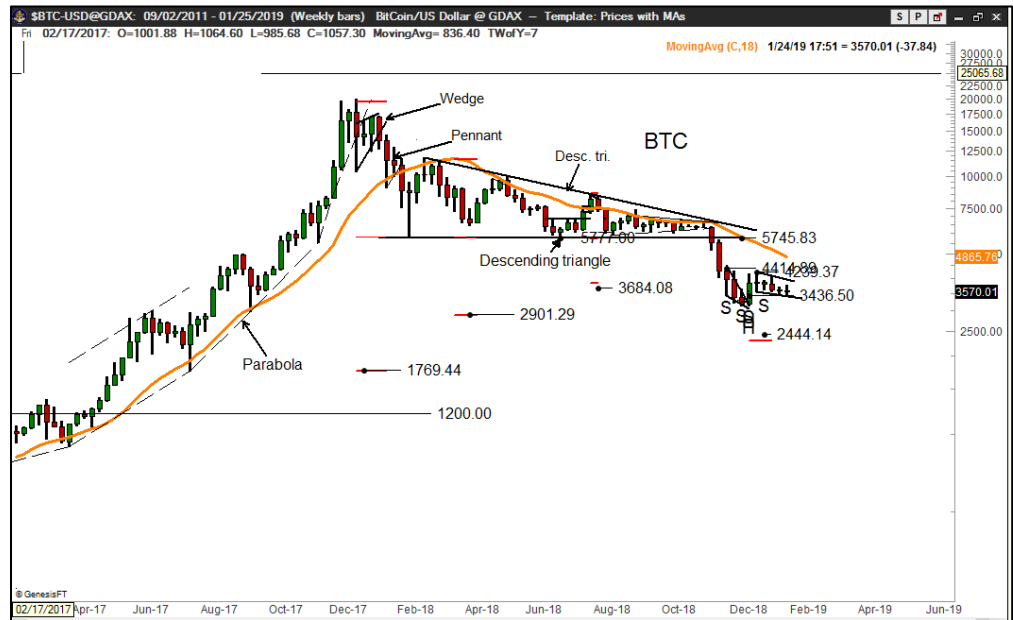
Thank you!

plb
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The Factor Crypto Corner

Cryptos

My focus is on BTC and there is just no trade for me right now. The dominant weekly and daily trends in BTC are down. The Gold market is a possible analog to the current BTC market. See the analog on the next page. Keep in mind that the time scale of each chart is different – it is the chart structure that matters in analog research. If the Gold analog holds true it means that BTC will chop sideways at least for another 18 months.



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COMEX_DL:GC1!, 1W 1279.8 ▼ -0.2 (-0.02%) O:1280.7 H:1286.0 L:1275.3 C:1279.8



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factorco published on TradingView.com, January 25, 2019 00:34:40 UTC
BITSTAMP:BTCUSD, 1W 3570.43 ▼ -0.30 (-0.01%) O:3537.42 H:3620.23 L:3401.36 C:3570.43



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Factor Tracking Account, January 25, 2019

A complete listing of the Factor Tracking Account for 2019 is updated monthly.

Factor LLC		1/25/2019																
Model Tracking Account Trade History and Portfolio																		
Constant nominal capitalization: \$200,000																		
(See disclaimers and notes below)																		
Market		Entry							Stop Date Δ	Target	Pattern		Exit		Net	Capital to carry trade	Value of trade (entry)	
		Date	L/S	Price	Size	Initial stop	BP risk	Current Stop			Weekly	Daily	Date	Price				
Positions open as of 12/31/18																		
CCH19*	Cocoa	12/18/18	L	2229	2	2163	66	2338	12/28	2788	Possible H&S bottom	Right shoulder SOS	4-Jan	2337	\$ 2,150	Closed	-	
SIH19*	Mini NY Silver	12/26/18	L	1509.50	3	1487.00	32	1498.00	12/28	1589.50	16-wk dbl bottom	16-wk dbl bottom	4-Jan	1589.5	\$ 2,385	Closed	-	
SIH19*	Mini NY Silver	12/26/18	L	1509.50	3	1487.00	32	3DTSR		1574 r	16-wk dbl bottom	16-wk dbl bottom	3-Jan	1574	\$ 1,920	Closed	-	
*Sizing adjusted to \$200k Tracking Account																		
Total -- Carry in positions															\$ 6,455	\$ -	\$ -	
2019 forex roll charges and FX losses on foreign margin deposits; day trade P/Ls on repositioned trades															\$ (37)			
ZCN19	Corn	1/3/19	L	3.9325	2	3.8725	30	3.94	1/8	4.29	Historic support	Possible 7-mo H&S	10-Jan	3.94	\$ 65	Closed	-	
ZCN19	Corn	1/3/19	L	3.9325	1	3.8725	15	3.94	1/9	4.29	Historic support	Possible 7-mo H&S	10-Jan	3.9375	\$ 20	Closed	-	
LTC/USD	LiteCoin	1/5/19	L	34.48	100	31.97	38	35.19	1/8	46.94	7-wk inv H&S	7-wk inv. H&S	10-Jan	35.18	\$ 65	Closed	-	
LTC/USD	LiteCoin	1/6/19	L	37.01	100	33.49	36	34.59	1/8	40.49	7-wk inv H&S	7-wk inv. H&S	8-Jan	40.49	\$ 343	Closed	-	
EUR/USD	EUR/USD	1/9/19	L	1.15141	40k	1.1417	20	1.1476	1/10	1.1819	January Effect	11-wk asc tri	11-Jan	1.14748	\$ (156)	Closed	-	
EUR/USD	EUR/USD	1/9/19	L	1.15141	40k	1.1417	20	1.1476	1/10	1.1819	January Effect	11-wk asc tri	11-Jan	1.14748	\$ (156)	Closed	-	
RTYH19	Russell	1/23/19	S	1468.7	1	1478.3	25	1468.30	1/24	1204	Retest H&S	H&S ID	25-Jan	1468.4	\$ 10	Closed	-	
ZLZ19	Soy Oil	1/24/19	L	30.51	2	29.83	42	30.28	1/25	33.14	Flying buttress	Flying buttress			\$ 990	\$ 36,612		
ZLZ19	Soy Oil	1/24/19	L	30.51	1	29.83	21			33.14	Flying buttress	Flying buttress			\$ 495	\$ 18,306		
Trades as of															\$ 6,609	\$ 1,485	\$ 54,918	
Indicates open position value as of																Levered at	0.27	
PAST RESULTS ARE NOT NECESSARILY INDICATIVE OF FUTURE PERFORMANCE															ROR YTD	3.30%	Cap utiliz.	0.7%
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. Pete'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.																		
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