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Factor Update, February 1, 2019

Market Review

This issue comments on global stock markets (DJIA, *BAP *AAPL), grains (European Milling Wheat, *Soybean Oil, Corn), *Crude Oil, *Gold and cryptos. *Signifies a position in the Factor \$200,000 Tracking Account.

<u>Developing signals</u>	<u>Existing positions</u>
<ul style="list-style-type: none"> • Corn – entry order • European Milling Wheat – entry order 	<ul style="list-style-type: none"> • Soybean Oil • Gold • BAP • AAPL
<p>The Factor Tracking Account is currently leveraged at 1.3X. Capital Utilization is at 40.6%. This means that 59% 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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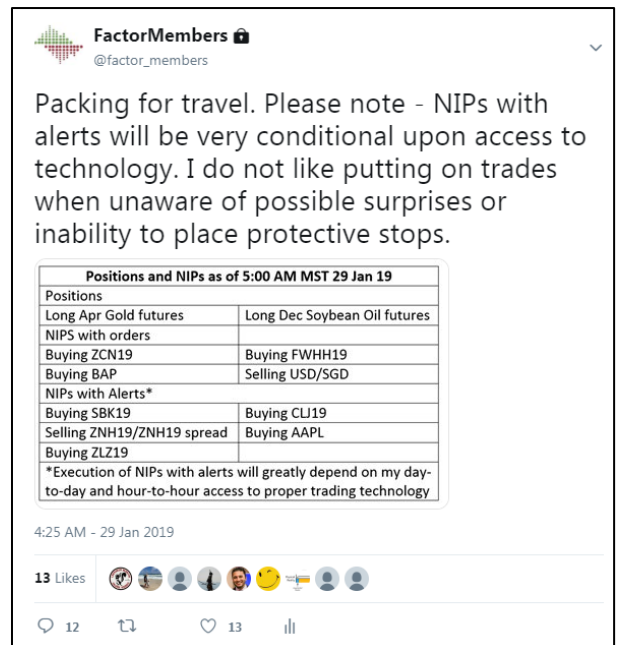
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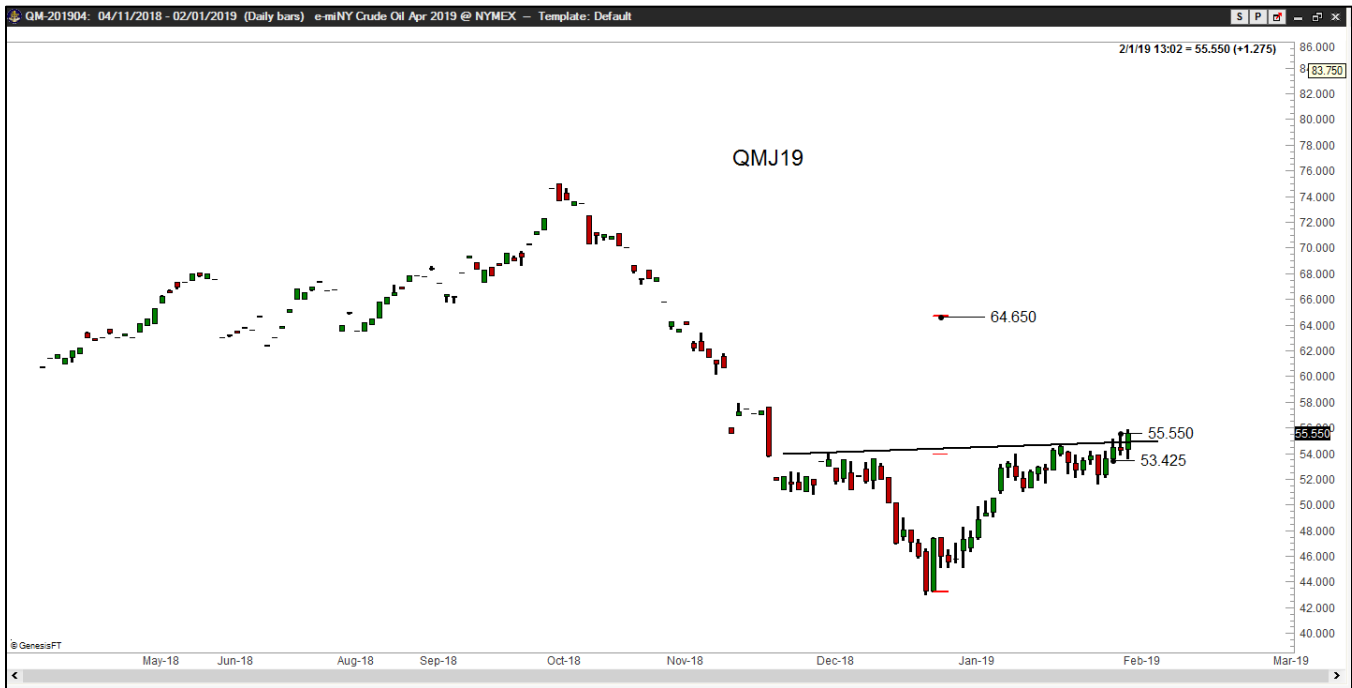
Abbreviated Factor Update, February 1, 2019

Due to travel and the accompanying "on-again-off-again" access to technology this is an abbreviated Factor Update. Herein I cover only the markets in which I am carrying a position or considering an immediate trade entry. Shown to the right is a Tweet issued early AM on Tuesday indicating the trades I was prepared to make this week. I am willing to hold and take new initial positions (NIPs) when I am traveling, but it is important for me to be very specific in my own mind what trades will be considered. When traveling my only access to charts and trading platforms may be limited to a brief window in late afternoons. I will conduct a more thorough review of charts when I return to Arizona on Monday.



Crude Oil (NYMEX)

The daily Crude Oil chart has arguably completed a H&S bottom. While more definite right shoulder would be better from a tactical standpoint, right/left shoulder symmetry is not essential. I bought the intraday breakout on Wednesday (see discussion in this Update on intraday vs. closing price entry). I had initially desired to trade the CL contract, but due to risk management considerations I traded one mini QM contract for the Factor Tracking Account. The breakout lacked follow through and the Brent Oil contract did NOT confirm the questionable breakout in WTI. My advanced stop held fast on Thursday. The advance on Friday seems to be confirming the trade. Factor is long. Apr is not the active contract in Crude Oil.



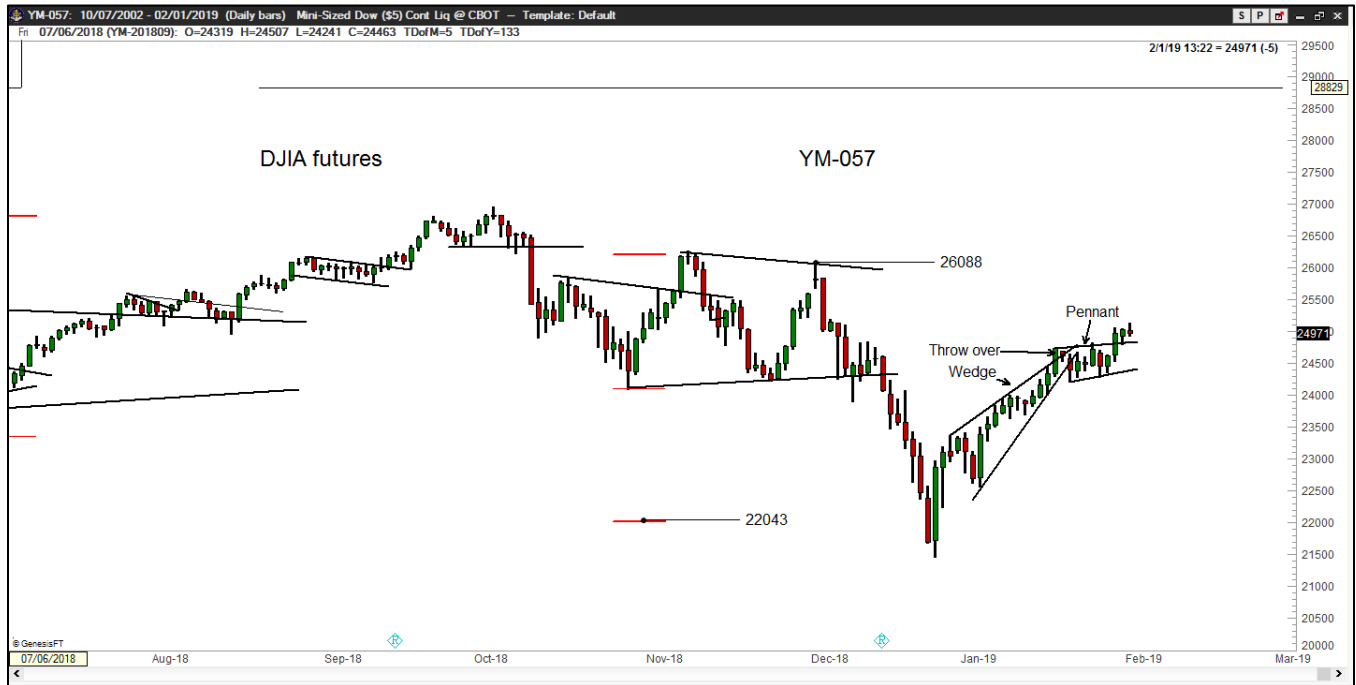
Global Stock index markets

I could be very wrong, but I personally believe the U.S. stock market will make the perma bears (both the global macro and technical varieties) look foolish in the months ahead. The S&P A/D line is making a new high, indicating strong underlying breadth. While U.S. equities are vulnerable in the short-term, declines should find good buying support (IMO).



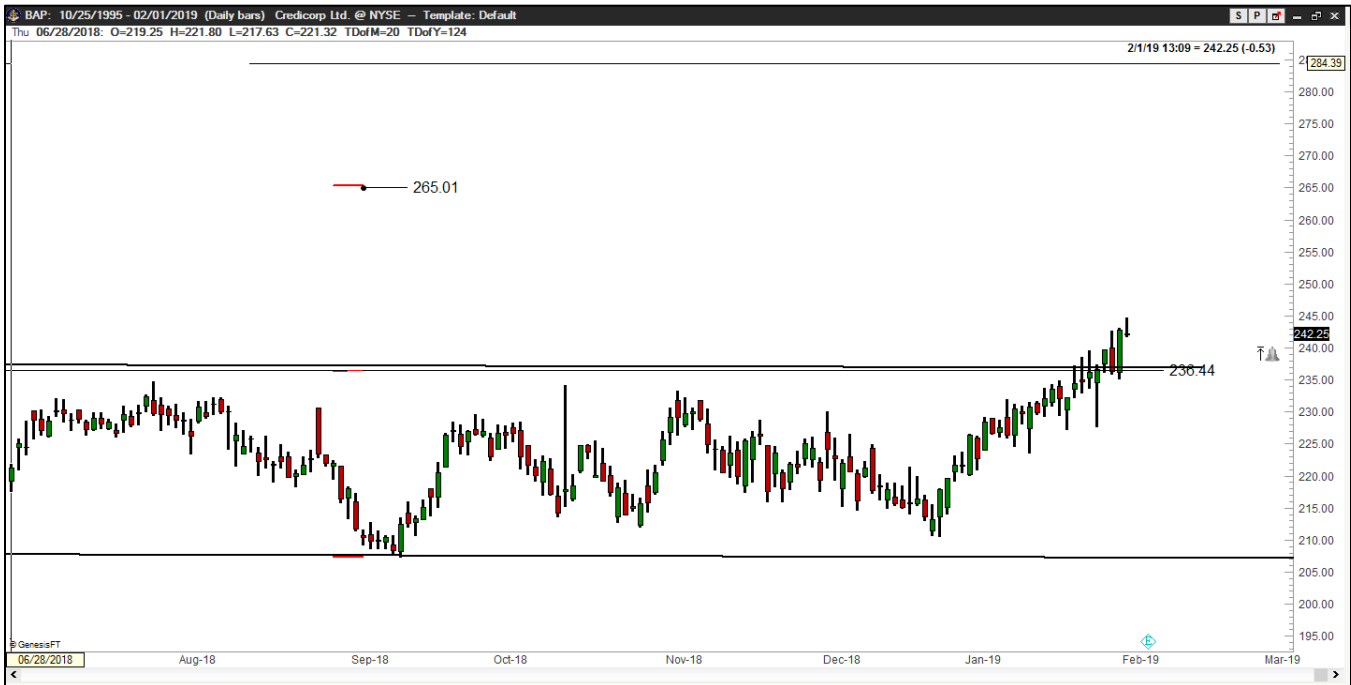
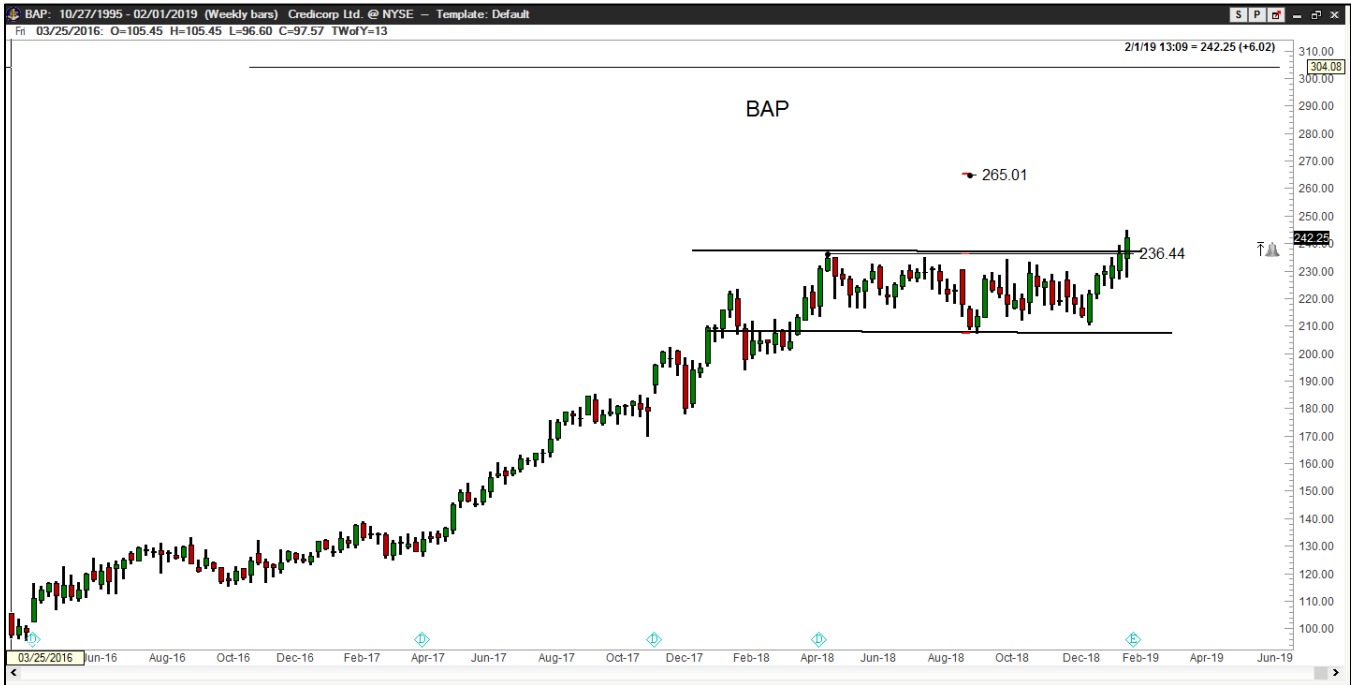
DJIA (CBOT)

- I am constructive on this index.
- I do not believe the sold-out bulls will get a double bottom.
- There are no patterns for me to base a long position.



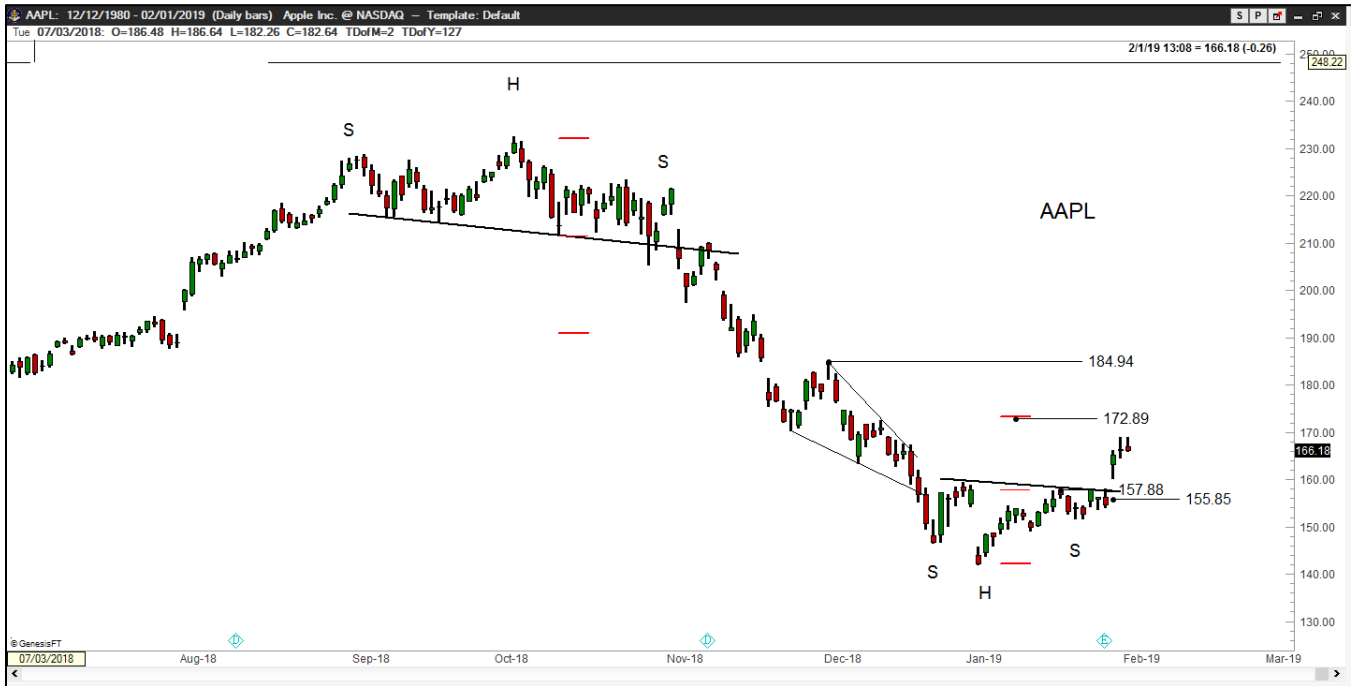
BAP (NYSE)

This stock is another example of intraday vs. closing price entry strategies. The advance on Wednesday completed a 9-month rectangle on the weekly and daily charts. I entered a long position using an intraday stop at 240.07. The market pulled back hard on Wednesday – if I would not have entered the trade on Wednesday had my strategy been to wait for a closing price confirmation. The closing price advance on Thursday confirmed the breakout. Had my strategy been to buy a closing price confirmation my entry would have been made on Thursday at 242.78. Factor is long with a target of 264.97. Friday's candlestick bar looks ugly.



AAPL (NASDAQ)

The advance on Wednesday completed a small H&S bottom on the daily chart. I am willing to purchase stocks intraday. I knew on Tuesday afternoon that Wednesday would be crazy in AAPL due to Tuesday's earnings report so I used a stop-limit order at the 2% breakout level of 161.29. Had I waited for closing price confirmation of a breakout my entry would have been 165.25. Factor is long.



Breakout orders – 24-hour orders, day-time orders or closing-price orders

What works for one trader may not work for another trader. This is why each trader must work out the tactical issues for themselves. I know some traders who wait for chart patterns to be completed by a closing price before entering a trade. This is a perfectly acceptable tactic and makes the most sense for longer-term swing traders or position traders in futures and forex markets. I am willing to enter intraday stop orders to enter trades. There are times when a trade almost immediately returns back into the chart pattern resulting in an open trade loss and a breakout that has not been confirmed. I often immediately exit a trade in this category – or attempt to identify tighter stop protection. Other times a market may explode through a breakout level converting the breakout entry into an immediate winner. In such cases it is a disadvantage to wait for closing price confirmation. I enter multi-contract positions and quite often will enter a tranche with an intraday entry order and another tranche based on the closing price confirmation of a pattern.

Which tactic is the right tactic – using an intraday entry stop or waiting for confirmation that a pattern has been adequately completed? In my opinion there is no right answer applicable to all traders. This is an aspect of trading that each chartist must work through. There is one tactic that I advocate against – using entry stop orders in overnight markets except for in Asian markets or global markets with extraordinary overnight volume (such as Gold, Eurodollars, major/major FX crosses and a few others). Using entry stop orders in lesser liquid markets is an invitation for HFT operators to rob a trader blind.

Grains

Soybean Oil (CBOT)

Factor is long. Friday's sharp decline places the near-term trend in Soybean Oil into some question. I was stopped out of a trance on Friday and have advanced stops on the existing trances.



Corn (CBOT)

Factor is flat. I will continue to work a buy strategy in Corn.



European Milling Wheat (Matif)
Factor is flat – I will go with a breakout.



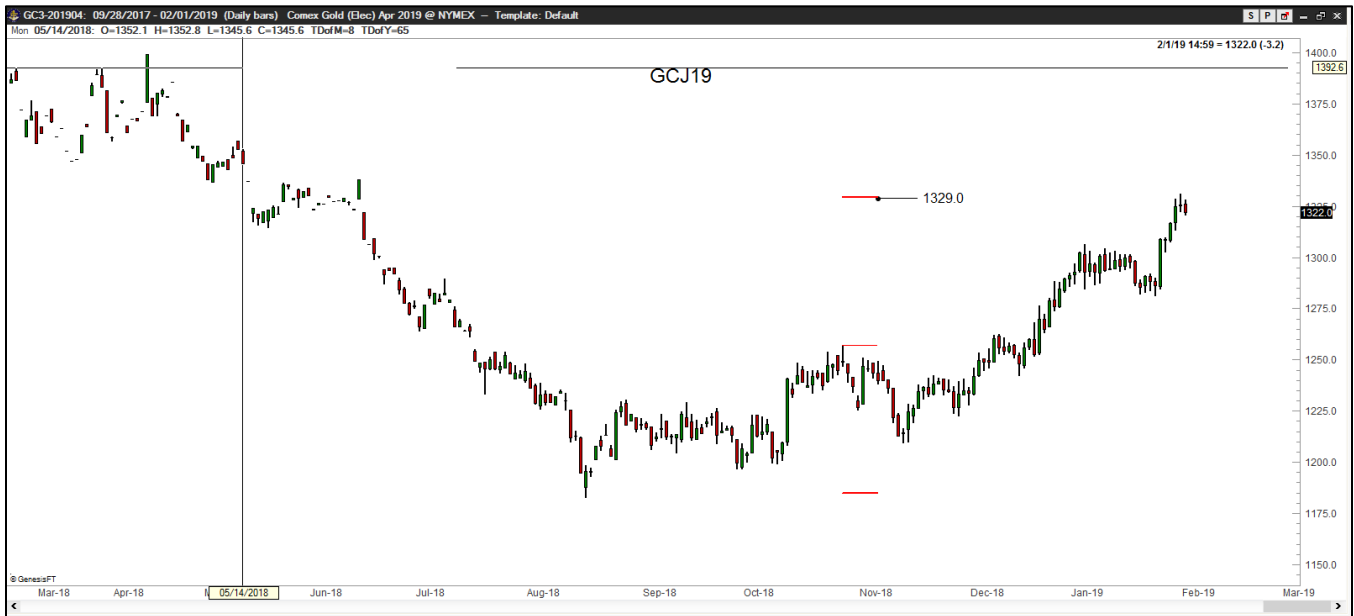
Sugar (ICE)

I will wait for a closing price completion of the inverted H&S before taking action. Factor is flat.



Gold (NYMEX)

Factor is long. Thursday's candlestick bar was a sign of short-term exhaustion of the uptrend. Gold has met its revised target. Apr Gold is developing a 3-day trailing stop rule (3DTSR). Thursday was the high day – Friday was the set up day. I have jammed my stop.



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The Factor Crypto Corner

Cryptos

The BTC chart is spectacularly unspectacular.



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Factor Tracking Account, February 1, 2019

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

Factor LLC																		2/1/2019	
Model Tracking Account Trade History and Portfolio																			
Constant nominal capitalization: \$200,000																			
(See disclaimers and notes below)																			
Market	Date	L/S	Price	Entry				BP risk	Current Stop	Stop Date Δ	Target	Pattern		Exit		Net	Capital to carry trade	Value of trade (entry)	
				Size	Initial 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																			
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	1	29.83	21	30.28	1/25	33.14	Flying buttress	Flying buttress			\$ 495	\$ 18,306			
ZLZ19	Soy Oil	1/24/19	L	30.51	1	29.83	21	31.09	1/31	33.14	Flying buttress	Flying buttress	1-Feb	31.08	\$ 337	Closed	-		
ZLZ19	Soy Oil	1/24/19	L	30.51	1	29.83	21	30.87	2/1	33.14	Flying buttress	Flying buttress			\$ 495	\$ 18,306			
GCJ19	Gold	1/28/19	L	1303.30	1	1293.4	50	1318.80	2/1	1329 r	Sloping bottom	Flag			\$ 3,740	\$ 130,330			
BAP	BAP	1/30/19	L	240.07	200	233.97	41			264.97	8+ mo rectangle	8+ mo rectangle			\$ 48,014	\$ 48,014			
QMJ19	Mini Crude	1/30/19	L	55.30	RO	53.275	50	54.050		64.45	10-wk H&S	10-wk H&S			\$ 2,565	\$ 27,650			
AAPL	Apple	1/30/19	L	161.29	80	155.84	22	156.740	2/1	172.89	6-wk H&S bottom	6-wk H&S bottom			\$ 12,903	\$ 12,903			
AAPL	Apple	1/30/19	L	161.29	80	155.84	22			184.94	6-wk H&S bottom	6-wk H&S bottom			\$ 12,903	\$ 12,903			
Trades as of															\$ 6,946	\$ 81,115	\$ 268,412		
Indicates open position value as of																			
ROR YTD															3.47%	Cap utiliz.	40.6%		
PAST RESULTS ARE NOT NECESSARILY INDICATIVE OF FUTURE PERFORMANCE																			
f = 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.																			
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