



"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, February 16, 2019

Market Review

This issue comments on global stock markets (DJIA, \*AAPL, AMZN, Nifty, NVDA), grains (\*Soybean Oil, \*KC Wheat, Corn, Soybeans), forex (AUD/USD, NZD/USD, GBP/NOK, EUR/CHF), \*Sugar, interest rates (T-Bonds, T-Bills, 2-Yr Notes), energy (\*IPE Gas Oil, RB Gas, Brent Crude), metals (Gold, \*GLD, FCX, GOLD, Copper) and cryptos. \*Signifies a position in the Factor \$200,000 Tracking Account.

<p><u>Developing signals</u></p> <ul style="list-style-type: none"> <li>• GOLD (stock) – entry order</li> <li>• Sugar futures – alert</li> <li>• NVDA – monitor</li> <li>• Others – read Update</li> </ul>	<p><u>Existing positions</u></p> <ul style="list-style-type: none"> <li>• Soybean Oil futures</li> <li>• AAPL (stock)</li> <li>• KC Wheat futures</li> <li>• IPE Gas Oil futures</li> <li>• Sugar futures</li> <li>• GLD (ETF)</li> </ul>
<p>The Factor Tracking Account is currently leveraged at 1.0X. Capital Utilization is at 30.0%. This means that 70% 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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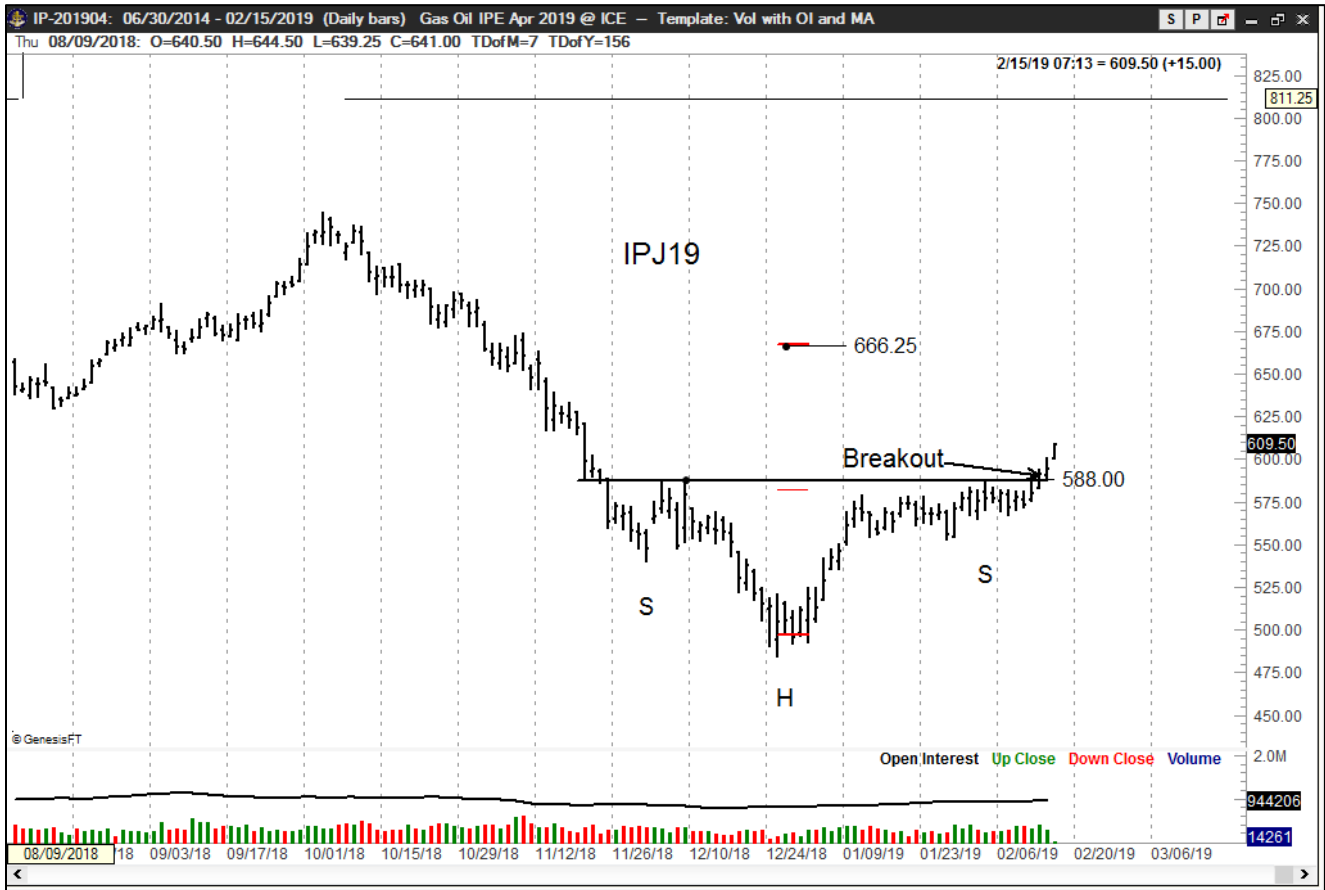
Notes

- This issue of the Factor Update has more charts than normal, but with abbreviated comments.
- The CFTC is releasing COT data in a staggered manner to catch up with the U.S. government shut down. COT reports remain a couple of weeks behind. I will again comment on COT when the reports return to a one-week lag time.

## Energy

### IPE Gas Oil

The daily chart of Apr Gas Oil (diesel) completed a H&S bottom on Wednesday. Factor is long. I entered this market because its horizontal neckline and right shoulder were clearer than the necklines and right shoulders on the Brent and WTI charts.



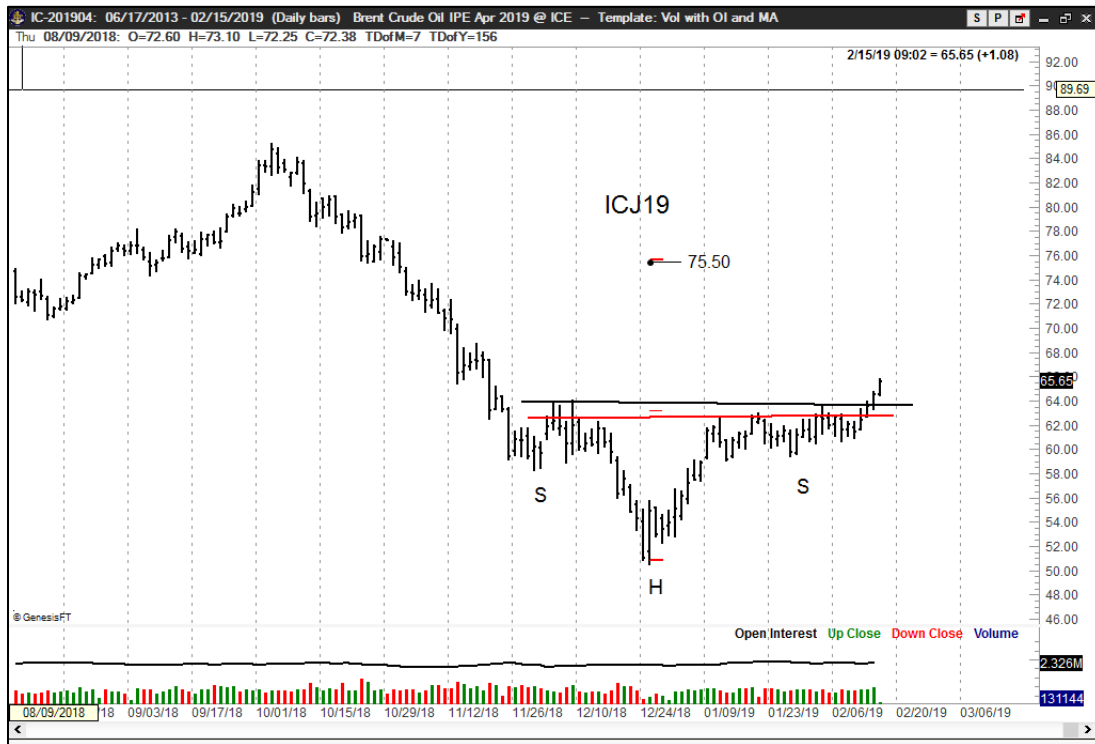
### RB Gas

I bought RB for the Factor Prop Account but believed additional risk would have been a bit rich for the Tracking Account.



### Brent Crude

Different charting techniques can provide slightly different tactical implementation. The RealRange neckline (red) was violated on Wednesday, the H/L/C chart on Thursday. Factor is flat.



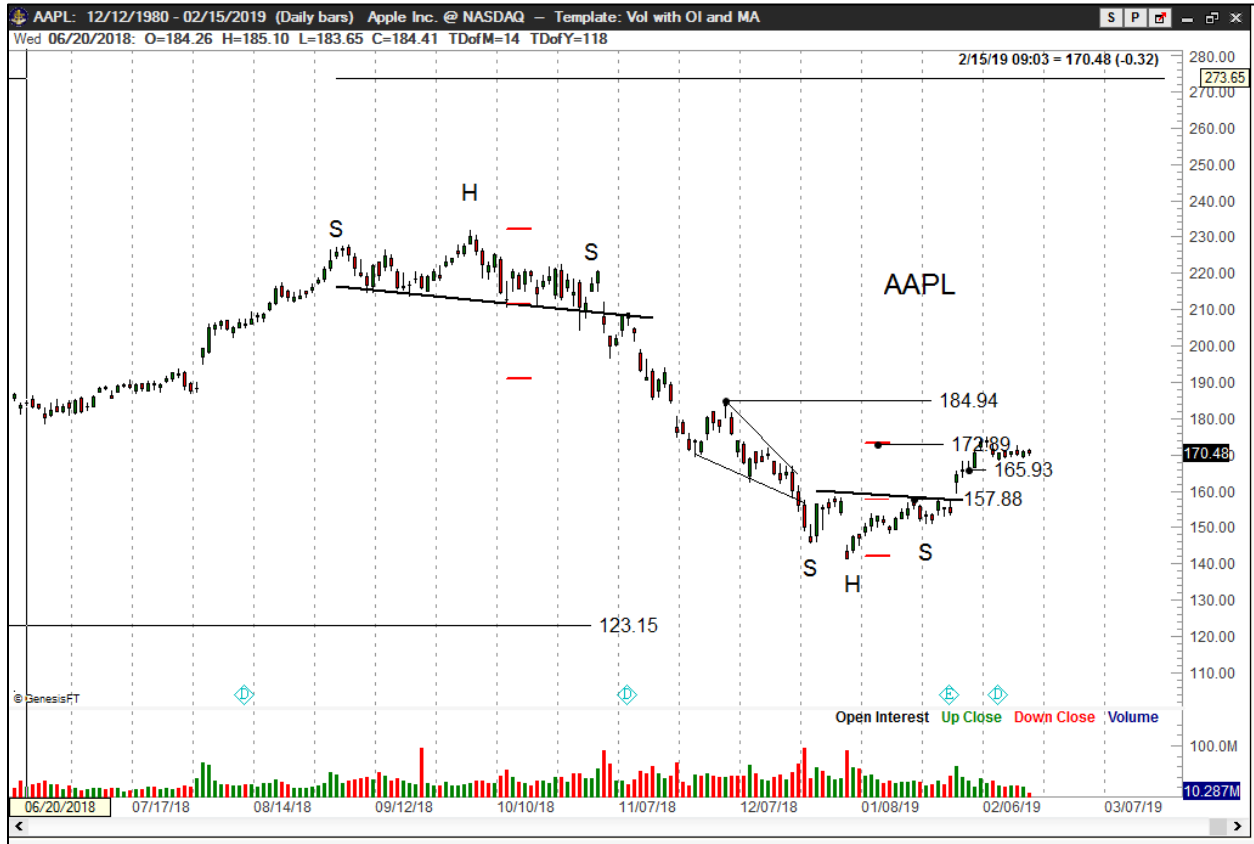
### Global Stock index markets

Same song, 20<sup>th</sup> verse. Breadth in the U.S. equity market is strong. I just wish the indexes would form continuation patterns. I am wishfully hoping for a bearish pattern and meaningful correction in order to gain long exposure. There is an old adage that *“there is nothing more constructive than sold-out bulls.”*



AAPL (NASDAQ)

Factor is long half of the initial position with an arbitrary target of 184.94.



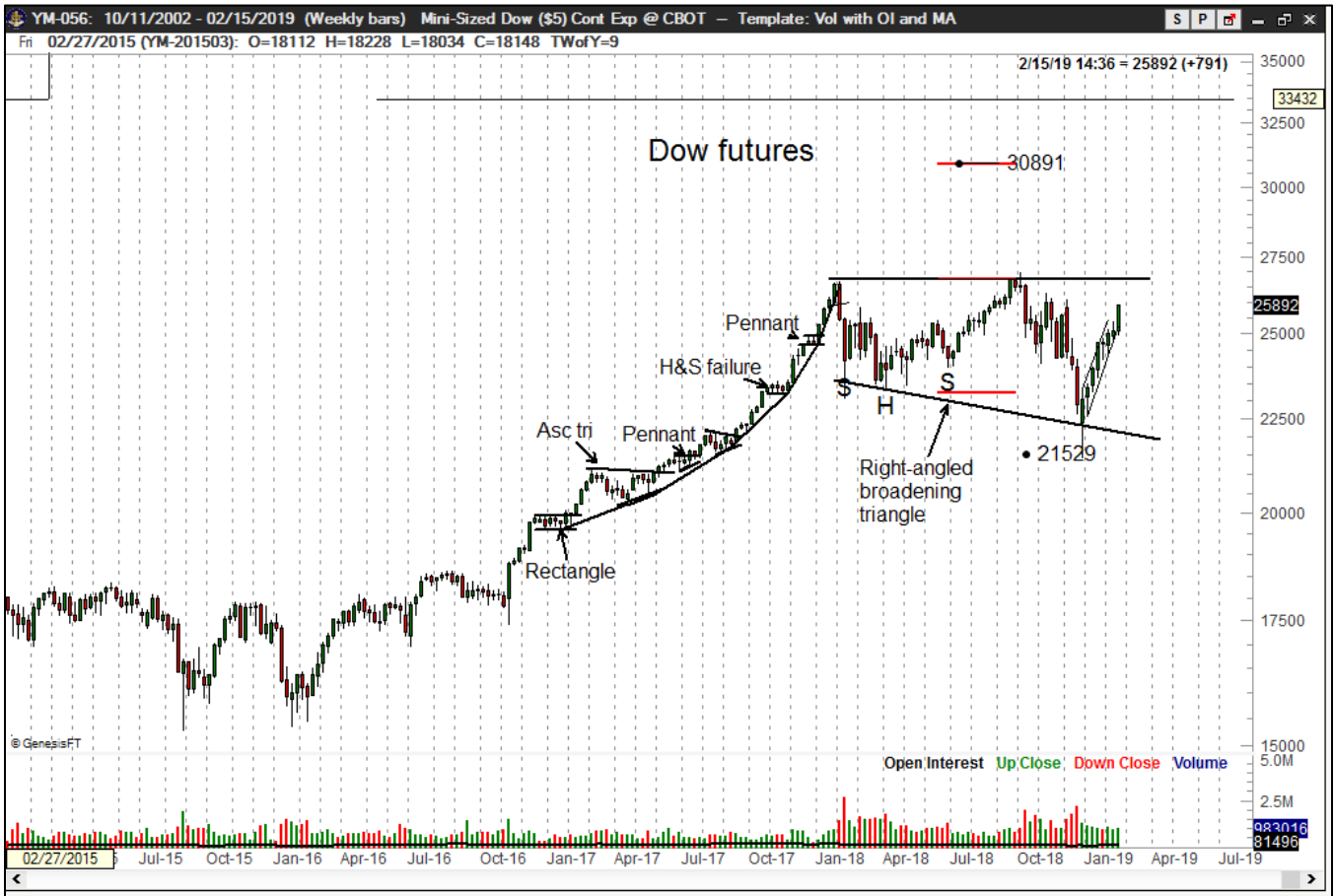
AMZN

Factor is flat. Might AMZN be forming an inverted H&S? The right shoulder development is awkward and the neckline is downsloped, but the H&S construction is there.



**DJIA (CBOT)**

The weekly chart displays a possible right-angled-broadening triangle. While this is typically carries bearish implications regardless of which boundary is horizontal, there are exceptions. The daily chart is advancing within the boundaries of a channel. Factor is flat.



### Nifty

The parabolic advance remains the dominant chart construction. I continue to believe a H&S top is forming, but the nature of the right shoulder makes it difficult to zero in on the entry of a leveraged short position. Factor is flat, but interested. In hindsight, a short established on the close of Feb 8 when the ascending triangle failed would not have been challenged. Could ... woulda ... shoulda!!!



NVDA

This stock is forming a possible inverted H&S bottom. A 2% breakout would be 164.11. Factor is flat, but interested.



Grains

Soybean Oil (CBOT)

Factor is long a third of the initial position, having been stopped out of a tranche this past week. I have lowered the protective stop. A test of 30.45 is possible.



KC Wheat

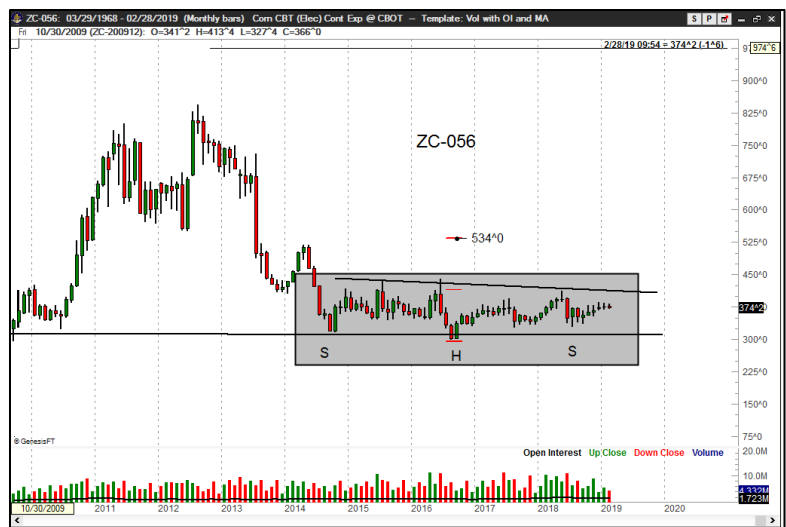
Factor is short. Generally I do not like symmetrical triangles – especially extended duration (multi-year) symmetrical triangles. Clearly defined symmetrical triangles of shorter duration are tradeable, especially when the market “checks-up” or pauses at the lower boundary before penetrating the last major pivot point within the triangle (487.25 in this case). This trade will need to be rolled into the Mar contract within the next two weeks. I have split targets.

For weeks/months I have been commenting on the possible bottoms in grains. Do not miss the irony that I might profit from a short-side trade. My expectations for markets are not positively correlated with directional outcomes.



Corn (CBOT)

Factor is flat. I have commented a number of times over the years just how exhausting the bottoming process in grains can be. Perhaps you might now appreciate this fact. I am committed to taking any and all classical chart buy signals in grains.





Soybeans

When the charts of individual contract months provide confusion it can sometimes be clarifying to look at a chart of the cash market.



Sugar (ICE)

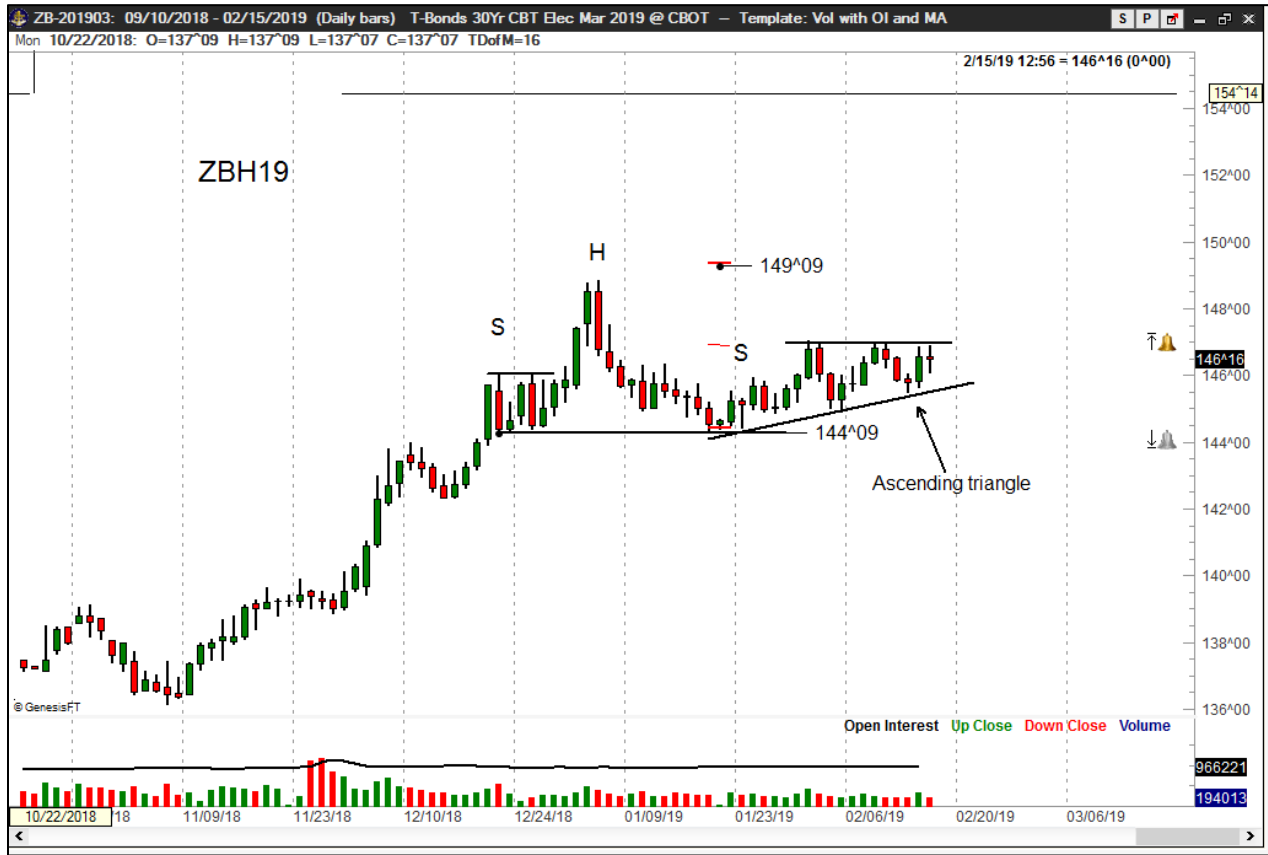
Will Friday's advance prove to be a SOS for an immediate breakout of the 14-week inverted H&S bottom? Time will tell. The continuation and May contract charts are shown. Factor is lightly and interested in extending leverage upon a breakout.



## U.S. interest rates

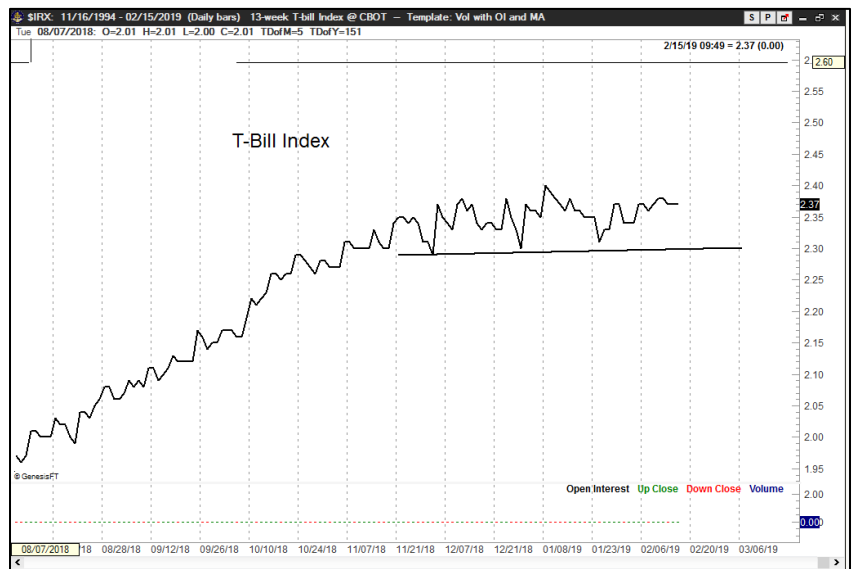
### T-Bonds

The daily chart appears to be forming an ascending triangle. Factor is flat. This pattern is too short in duration for me to consider it for the Factor Tracking Account, but it might make for a nifty swing trade.



### T-Bills

There was a wonderful T-Bill futures contract back in the "good old days." No more. Factor is flat. What does this pattern look like to you?



2-Yr T Notes

Factor is flat. Possible H&S bottom on weekly chart.



Metals

GOLD (stock)

Factor is flat – I will buy a breakout.



**Gold (NYMEX)**

A completion of the underlying H&S bottom would be one of the major chart events of 2019 – whether it be a legitimate upside breakout or a bull-trap-to-end-all-bull traps would be the question. The close on Friday was the highest close in 10 months. I struggled throughout the session on Friday on if and how to position myself. I considered trading two mini contracts per \$200k, but the mini Gold contract lacks liquidity. The 100 oz. contract was more meat than I wanted to chew for the Tracking Account. I finally decided to take the chicken-little way out and buy GLD. If I could have figured out a way to limit my risk to less than 40 BPs in a liquid leveraged vehicle I would have done so.



FCX

Factor is flat – but for how long?



Copper

Factor is flat. I like the broad-based "W" bottom in Copper. I will NOT carry a buy stop during the night session. My focus is the May contract.



## Forex

### GBP/NOK

The ascending triangle is one of my three favorite patterns. But, I do not like patterns that extend over multiple years. Yet I am attracted to this pattern with the understanding that Brexit will insert additional volatility and risk. Thus, if I take this trade it will be with very small sizing.



### AUD/USD

One way to read the daily chart of AUD/USD is as a continuation H&S with a massive one-day out-of-line movement.



NZD/USD

Should the USD trend turn down, NZD/USD would be a good short USD candidate. Remember, the phrase "long NZD/USD" implies long NZD and short USD and the phrase "short NZD/USD" implies short NZD and long USD. In spot forex trade the terms "long" and "short" always refers to the primary currency unit – the first currency listed in the pair.



EUR/CHF

This pair could be forming a descending triangle. I will continue to monitor this chart.



## Post Mortems

### Gold

Misdiagnosed pattern. Bought what I thought was a brief flat. Stopped out quickly.



plb  
###



# The Factor Crypto Corner

## Cryptos

I have previously mentioned that the BTC market of 2013-2015 could be the analog to the present. The duration of the present #1-#10 decline in BTC is now equal to the duration of the 2013-2015 decline.



plb  
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**Factor Tracking Account, February 15, 2019**

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

Factor LLC																	2/15/2019		
Model Tracking Account Trade History and Portfolio																			
Constant nominal capitalization: \$200,000																			
(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					
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	\$ (37)				
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	31.34	2/7	33.14	Flying buttress	Flying buttress	11-Feb	31.34	\$ 493	Closed	-		
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	30.79	2/15	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	4-Feb	1318.7	\$ 1,535	Closed	-		
BAP	BAP	1/30/19	L	240.07	100	233.97	21	240.78	2/5	264.97	8+ mo rectangle	8+ mo rectangle	7-Feb	240.71	\$ 61	Closed	-		
BAP	BAP	1/30/19	L	240.07	100	233.97	21	239.87	2/5	264.97	8+ mo rectangle	8+ mo rectangle	7-Feb	239.84	\$ (26)	Closed	-		
QMJ 19	Mini Crude	1/30/19	L	55.30	RO	1	53.275	50	54.050	64.45	10-wk H&S	10-wk H&S	4-Feb	54.00	\$ (655)	Closed	-		
AAPL	Apple	1/30/19	L	161.29	80	155.84	22	165.680	2/4	172.89	6-wk H&S bottom	6-wk H&S bottom	5-Feb	172.89	\$ 923	Closed	-		
AAPL	Apple	1/30/19	L	161.29	80	155.84	22	164.780	2/7	184.94	6-wk H&S bottom	6-wk H&S bottom			\$ 12,903	\$ 12,903			
SNFG19	Nifty	2/6/19	L	11062.0	2	10932.0	26	11036.0	2/7	11481.0	10-wk asc tri	10-wk asc tri	8-Feb	11036.0	\$ (124)	Closed	-		
SNFG19	Nifty	2/6/19	L	11062.0	2	10957.0	21	11048.0	2/6	11481.0	10-wk asc tri	10-wk asc tri	8-Feb	11047.5	\$ (78)	Closed	-		
GCJ19	Gold	2/11/19	L	1316.1	1	1312.4	19			1357.0	Major trend	8-day flag	11-Feb	1312.3	\$ (385)	Closed	-		
IPJ19	IPE Gas Oil	2/14/19	L	591.25	1	582.25	45	587.25	2/15	6658	12-wk H&S bottom	12-wk H&S bottom			\$ 4,780	\$ 59,125			
KWH19	KC Wheat	2/14/19	S	487.00	1	492.5	28	490.50	2/14	460.25	Major down trend	11-wk sym tri			\$ 1,625	\$ 24,350			
KWH19	KC Wheat	2/14/19	S	487.00	1	492.5	28	485.25	2/15	450.75	Major down trend	11-wk sym tri			\$ 1,625	\$ 24,350			
SBK19	Sugar	2/15/19	L	13.010	1	12.65	21			14.67	Possible H&S	Wyckoff SOS			\$ 1,200	\$ 14,571			
GLD	Gold ETF	2/15/19	L	124.810	300	123.73	34			128.47	Possible H&S	Pennant			\$ 37,443	\$ 37,443			
Trades as of															\$ 8,690	\$ 60,071	\$ 191,048		
Indicates open position value as of																Levered at	0.96		
PAST RESULTS ARE NOT NECESSARILY INDICATIVE OF FUTURE PERFORMANCE																Cap utiliz.	30.0%		
ROR YTD															4.35%				
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 Services \$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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