



"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."

September 21, 2019

Part 3 – of 3

Due to fluid and complex scheduling, this week's Factor Update is being issued in sections. All of the sections will be combined and posted on the Factor Member site as a single document once they are completed and issued separately. This release schedule could continue through the end of Oct – we will inform Factor members accordingly.

If I had to do it all over again, what would I do differently?

I have been asked this question over and over throughout my career. It is not an easy question to answer – so I have mostly side-stepped answering it. After careful reflection, I will make an attempt to address the matter.

It is probably the wrong question, so I will reframe it as three separate questions:

1. What would I do differently if I wanted to make a comfortable career-long livelihood as a market speculator? This question focuses on trading as a lucrative long-term source of income.
2. What would I do differently if I wanted to make as much money as possible over a brief period of time? This question focuses on trading as a source of rapid wealth generation.
3. How would I approach investing as a supplement to a comfortable and secure livelihood from other pursuits? This question focuses on positioning one's invested capital for a pay-off later in life.

As part of this week's Factor Update, I will address the first question. I will pick up the other two questions over the next month or so.

Comfortable career-long livelihood as a market speculator

It is too late in my trading career to re-create myself, so there is little I will change. I am very comfortable with the way I have traded, especially in the most recent years. I love leveraged markets – futures and forex. Leveraged markets offer a very efficient use of capital. There is no way I would have been able to achieve similar career results trading the equity markets.

It took me decades to bleed asset volatility out of my performance profile – I wish I had pursued this goal earlier in my career. While getting stopped out of lots of trades has never been fun, I have grown in my appreciation for how important taking small losses is for a trader who seeks to pursue trading as a marathon and not as a sprint. The Gain-to-Pain (or Profit Factor) metric achieved through aggressive risk management would have likely doubled or tripled my career earnings had I adopted it in the early years. I did not always place prominence on achieving strongly positive-skewed risk-adjusted performance. I wish this had been my pursuit from the very beginning, but in all fairness to myself I am convinced that this goal gains proper clarity only with years of experience.

My achievements in controlling risk have not been equaled by achievements in letting profits run. My reference here is not about riding trades past established targets, but in employing more systematic schemes to allow profitable trades the ample opportunity to fulfill the implications of the chart patterns used to establish the trades in the first place.

Charting is a superb way to identify trades – I would not change being a chartist if I had to do it all over again. I can definitely see that settling on one or two indicators might have enabled me to more systematically screen chart patterns. This is not a pursuit in which I am interested at this point in my life, but I would encourage younger chartists to consider the use of indicators.

My appreciation for weekly charts is every growing, even at this stage in my career, even though I think all forms of technical analysis are trickier now than in previous decades. If I were to make a MASSIVE

alteration in my trading, it would be to limit myself to finding only one or two trades per year per market based on weekly chart (more on this point when I examine the final two questions raised).

For Factor members interested in a long-term career trading their own accounts, I recommend the following:

- Be adequately capitalized and reasonable about your expectations.
- Before quitting your day job, make sure you have at least one year of living expenses tucked away, separate from the capital in your trading accounts.
- If you strike out on your own, anticipate that the first year will be unprofitable.
- To be conservative, your trading account should represent profits accumulated from past trading. How would you expect to be profitable if you have not already been?
- Know exactly what a trade is for you.
- Understand that a trader's edge comes much more from process, managing emotions and risk management than from trade identification.
- Do not expect to make money following another trader. Your approach must be unique to you.
- I could go on for pages, but will end it here.

Observations on markets not covered in Parts 1 and 2

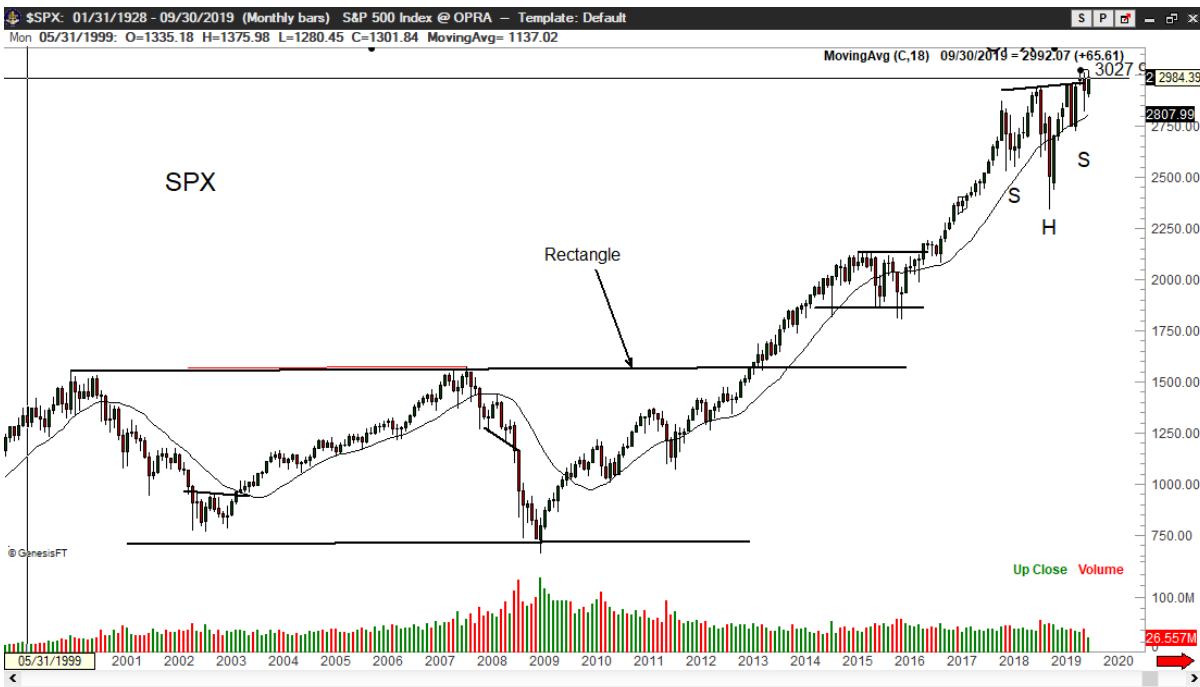
Platinum

I could be interested in this market if a continuation pattern forms. I do not view the current 3-week flag as a sufficient pattern for a risk position.



EuroStoxx 600

This index is poised to register new highs. This chart reminds me of the S&P chart in 2013. Is Europe on the verge of a massive stock market explosion?



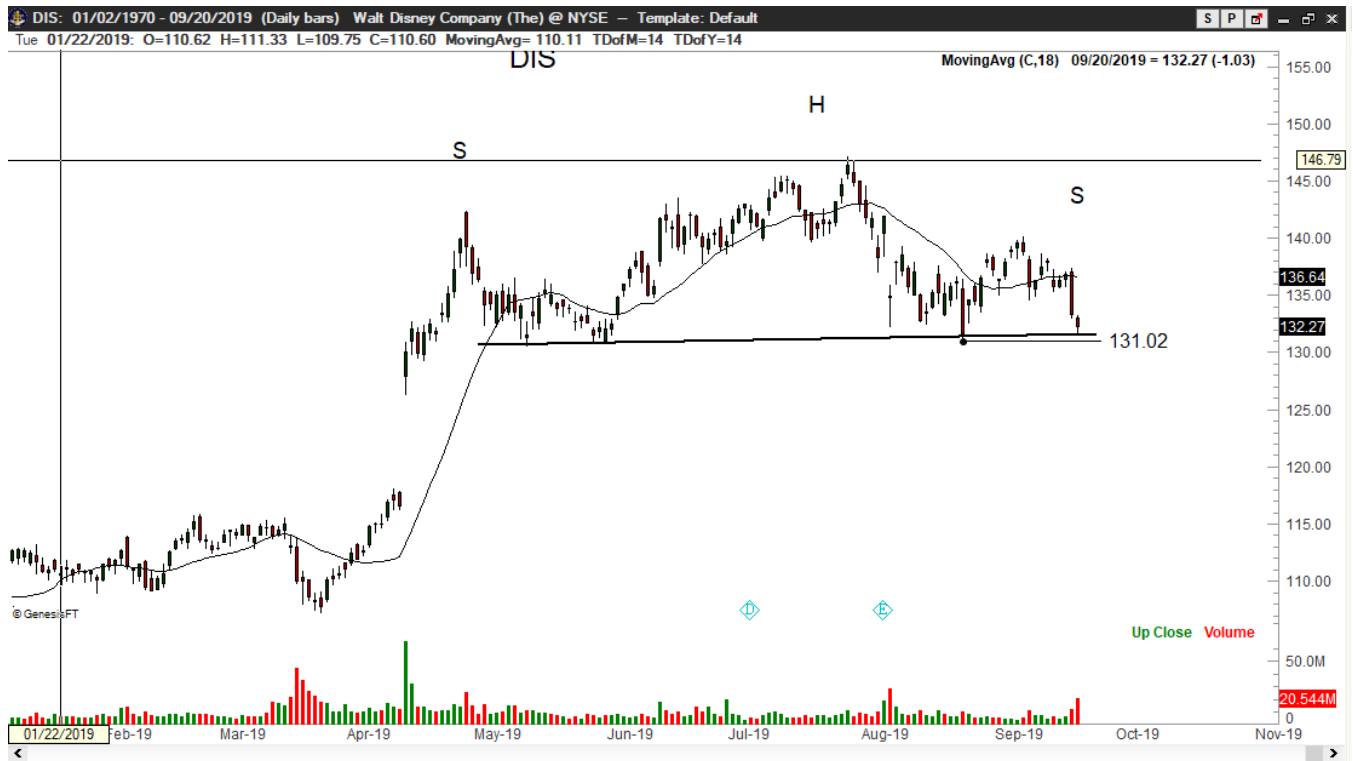
All-World Equity Index

This index is on the verge of a major breakout.



DIS

I do not trade individual equities from the short side – too complicated and an inefficient use of trading capital. This is a really well developed H&S top – and I am academically interested in monitoring this stock.



Factor Tracking Account, September 20, 2019

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

Factor LLC																		
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				
XINA50U19	China A50	9/4/19	L	13680.0	2	13447.5	24	13745.0	9/10	15887.5	Poss 4+ yr asc triangle	8-day pennant	17-Sep	13730.0	\$ 40	Closed	-	
XINA50U19	China A50	9/4/19	L	13680.0	2	13447.5	24	13655.0	9/13	15887.5	Poss 4+ yr asc triangle	8-day pennant	17-Sep	13640.0	\$ (50)	Closed	-	
MESU19	Micro S&Ps	9/5/19	L	2969.5	2	2919.0	26	MOC	9/18	3369.0	Poss 17-mo cont. H&S	5-wk rectangle	18-Sep	3007.00	\$ 369	Closed	-	
ZWZ19	Wheat	9/10/19	L	4.7450	1	4.5900	40	4.7875	9/20	5.110	10-wk wedge type	10-wk wedge type				\$ 1,600	\$ 23,725	
LUM20	EuroSwiss	9/11/19	S	100.97	1	101.050	10	100.95	9/20	100.76	Record NIRP	5-wk dbl top				\$ 212	NA	
LUM20	EuroSwiss	9/11/19	S	100.97	3	101.050	30	101.04	9/12	100.66	Record NIRP	5-wk dbl top				\$ 636	NA	
MESZ19	Micro S&P (RO)	9/18/19	L	3009.75	2	2970.00	40	2958.50	9/20	3369.0	Poss 17-mo cont. H&S	5-wk rectangle				\$ 1,380	\$ 30,098	
XINA50Z19	China A50	9/18/19	L	13735.00	2	13530.0	20	13630.00	9/19	15887.5	Poss 4+ yr asc triangle	19-wk sym tri				\$ 4,080	\$ 27,470	
Trades as of															\$ 359	\$ 7,908	\$ 81,293	
Indicates open position value as of																Levered at	0.41	
PAST RESULTS ARE NOT NECESSARILY INDICATIVE OF FUTURE PERFORMANCE															ROR YTD	28.32%	Cap utiliz.	4.0%
<i>r = revised RO = Rollover A = Alert</i> The Factor Service \$200,000 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 \$200,000 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 \$200,000 block of capital, and these trades are not executed in the Factor Service \$200,000 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 \$200,000 Tracking Account may hold 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 \$200,000 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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