



"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, September 28, 2019

Market Review

This issue comments on global stock markets (DJIA, S&Ps, China A50, *TSM, ACWI, DIS, Russell 2000), metals (Silver, Gold), forex (*USD/NOK, Brazil Real, Mexican Peso), grains (K.C. Wheat, Soy Meal), *EuroSwiss and cryptos. *Signifies a position in the Factor \$200,000 Tracking Account.

<u>Developing signals</u> <ul style="list-style-type: none"> • Gold • KC Wheat • ACWI 	<u>Existing positions</u> <ul style="list-style-type: none"> • EuroSwiss rates • USD/NOK • TSM
The Factor Tracking Account is currently leveraged at .8X. Capital Utilization is at 15.4%. This means that 84% of the nominal account balance is idle and not being used to carry trades. [Note: Factor does not include the nominal value of interest rate futures contracts.]	

Contents

Global equity markets 1

Currency markets 7

Interest rate futures 9

EuroSwiss 9

Metals 10

Grains 12

Cryptos 13

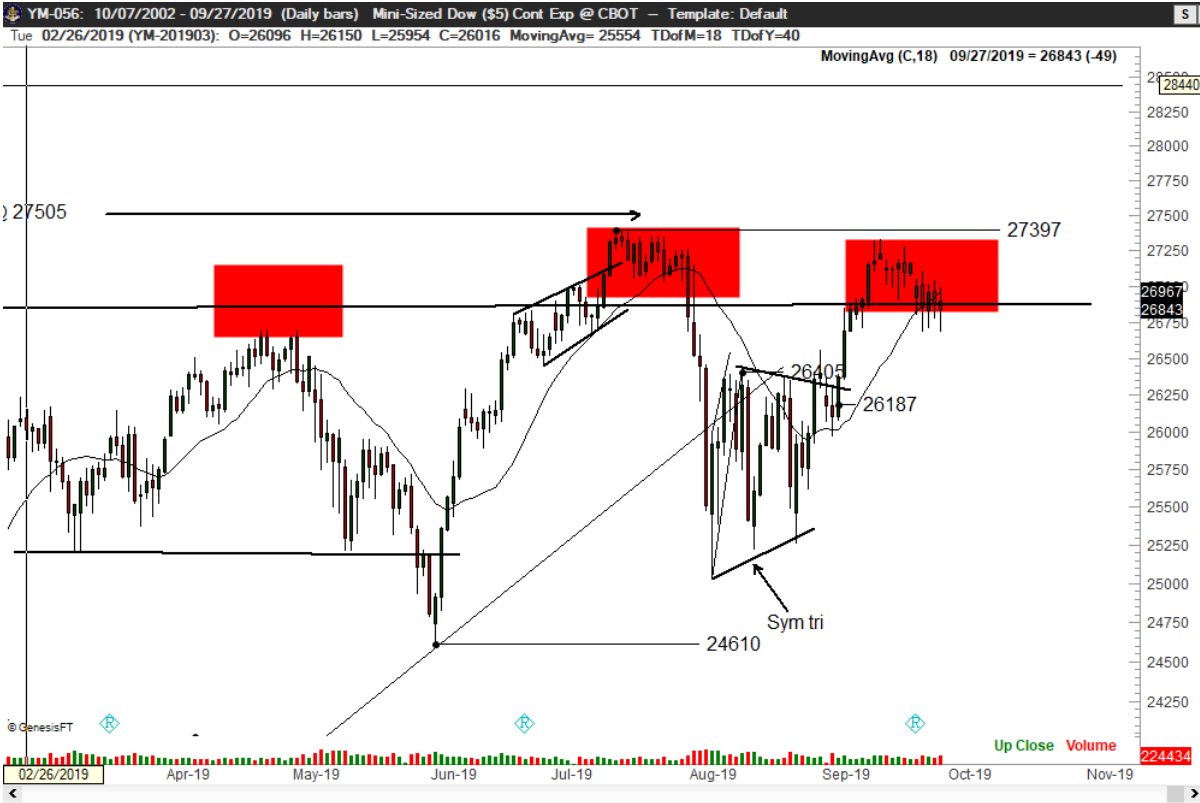
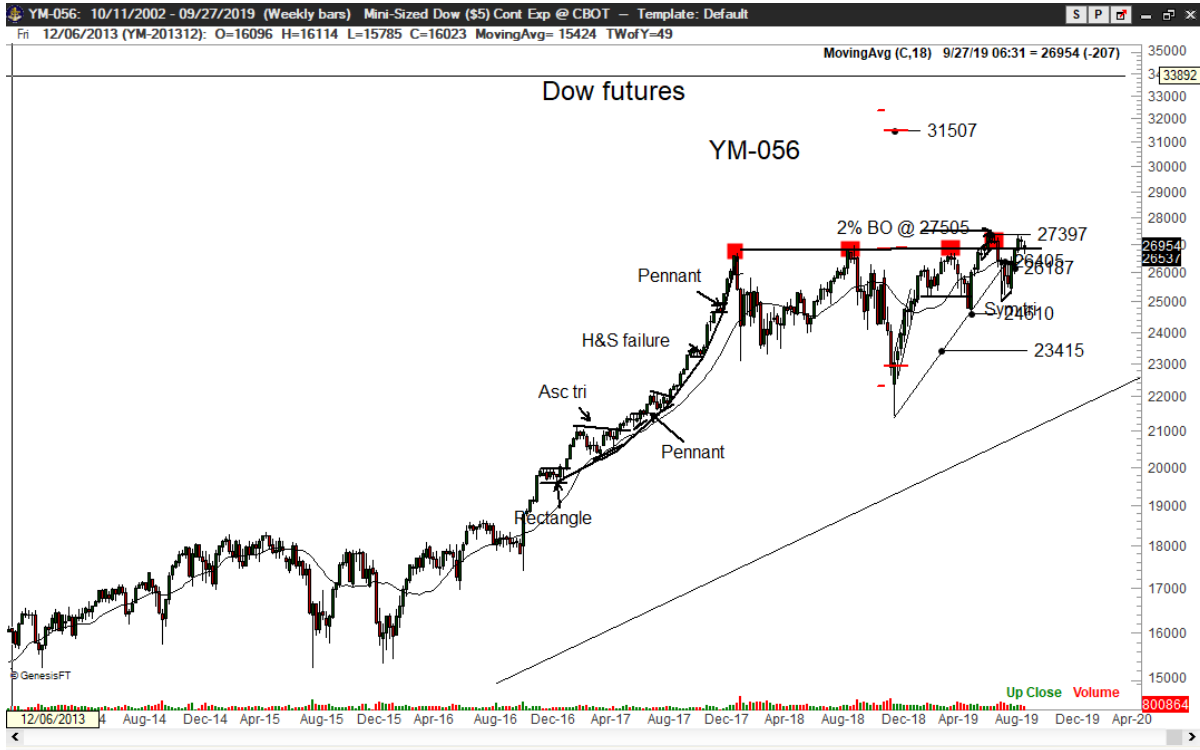
Global equity markets

The S&P cumulative A/D line continues to enjoy a healthy upwards trend. Yet, a decline below 1500 might suggest that further congestion is needed in order to assault new ATHs in the S&P Index.



DJIA (CBOT)

The Dow continues to struggle higher. Will resistance (red box) turn the market back once again?



China A50 (SGX)

The monthly chart exhibits a possible 4-year ascending triangle. The daily chart has arguably completed a continuation symmetrical triangle. Factor is long. I have an interest in pyramiding this trade. A decisive close above 14935 would be the big buy signal, but a stout close above 14080 would be encouraging enough to re-enter a long position. The daily chart appears to be forming a 3-week flag.



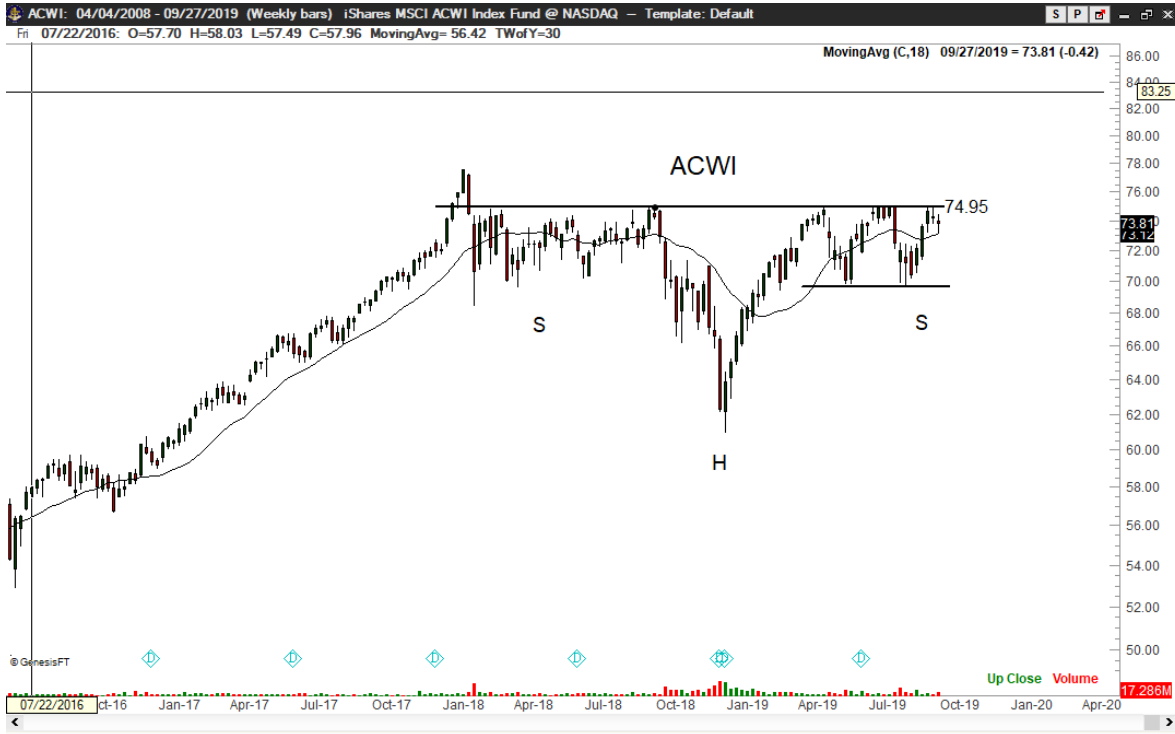
TSM (NYSE)

Factor is long. The advance on Sep 26 cleared the neckline of an inverted continuation H&S on both the total-return and ex-div charts (total return chart is shown). The lack of immediate follow through on Friday was disappointing because the week-ending close was below 45.64.



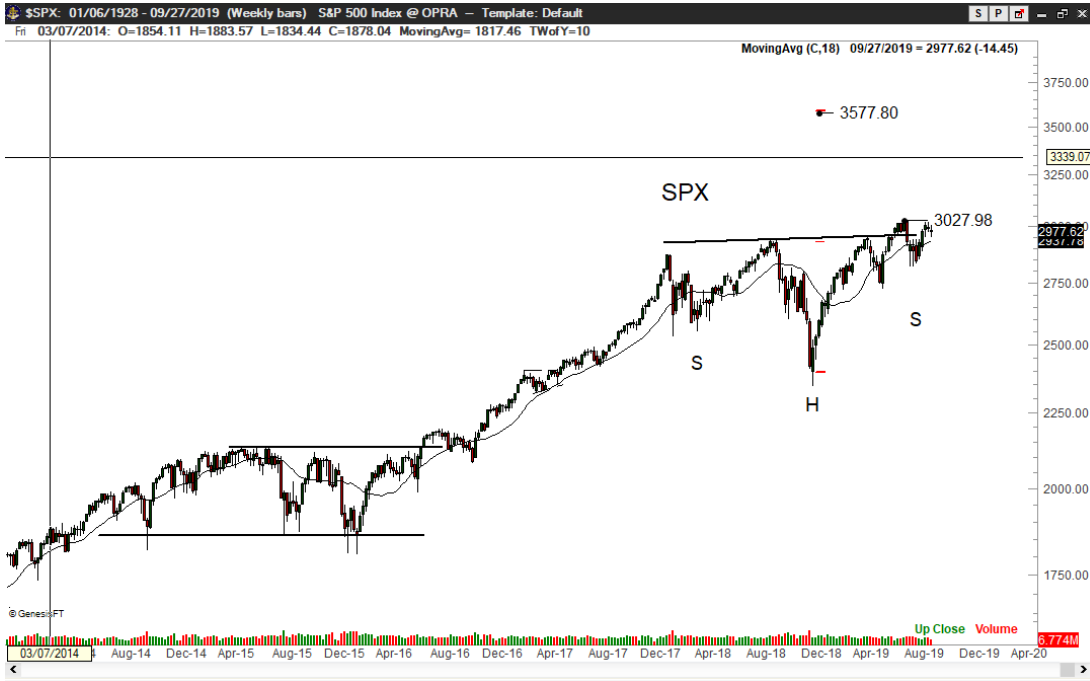
ACWI Fund (NASDAQ)

Note: As a fund, there is a penalty for holding a trade for less than 30 days. The All-World MCWI Index Fund is poised for a major breakout. The right shoulder displays a 5-month rectangle.



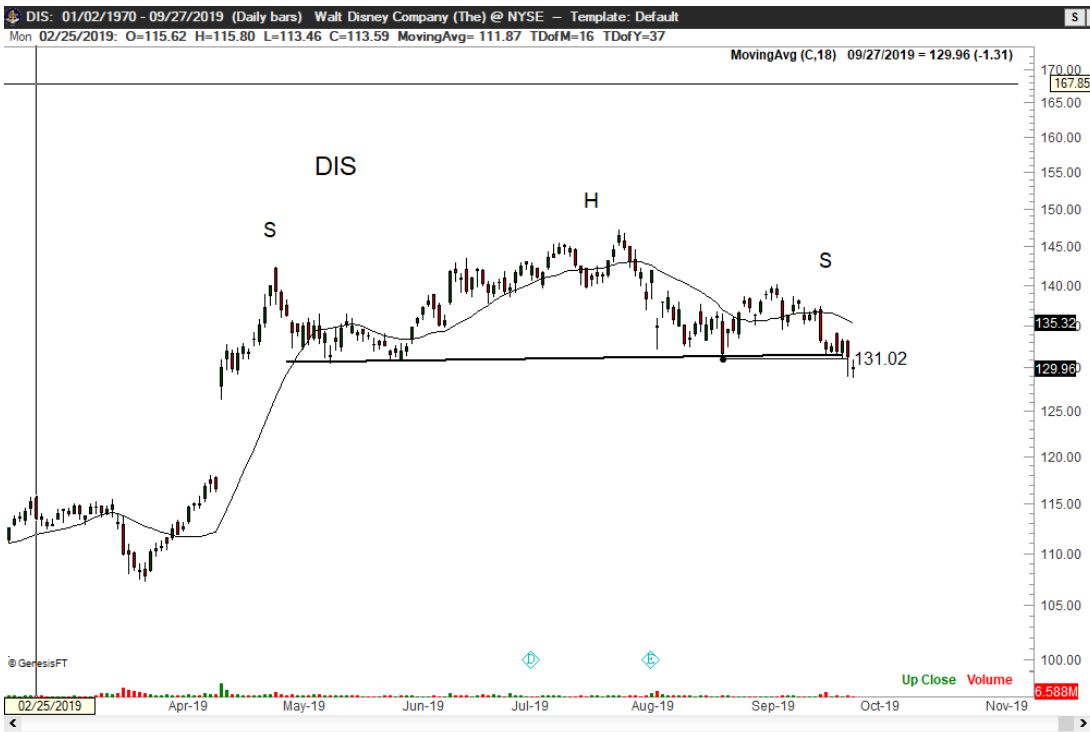
S&P 500 (CME)

S&Ps are challenging the neckline of a possible 18-month inverted continuation H&S pattern. I am biased in favor of an upside breakout with a target of 3577 (spot index is shown).



DIS (NYSE)

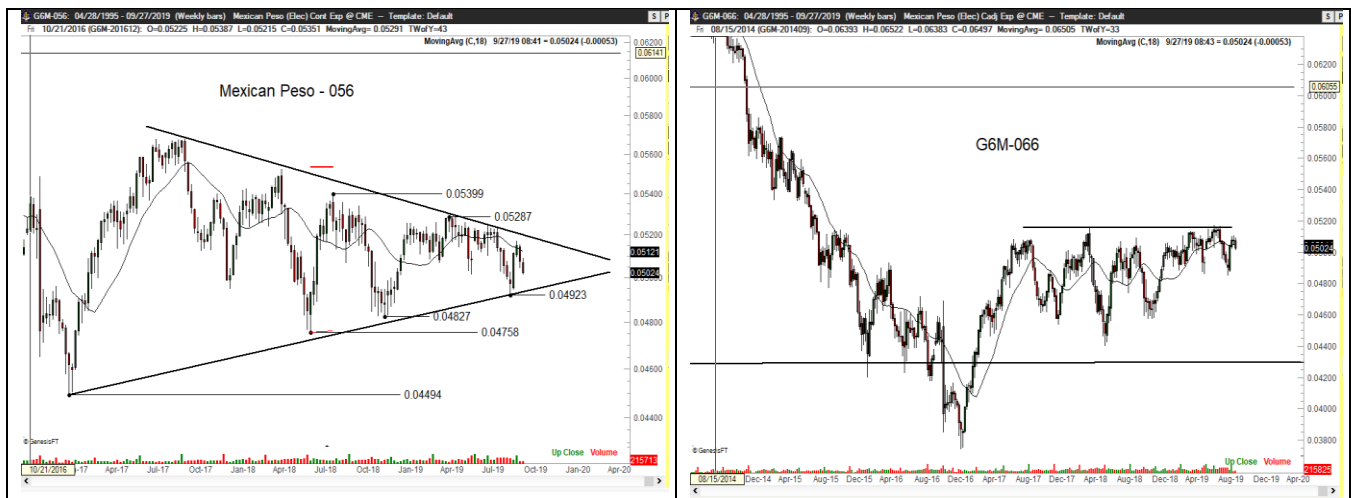
The decline on Friday closed below the neckline of a possible reversal H&S top. As a general rule, I do not short equities, especially those that pay dividends. There is a large gap below the market.



Currency markets

Mexican Peso futures

Peso futures have been in a bear trend during my entire trading career. The decline on the long-term charts has taken the form of repeated symmetrical triangles. The weekly futures chart is coiling. There are two caveats to a short side trade: Symmetrical triangles that continue past the 70% market toward the apex should not be trusted and this is an extremely negative carry trade with each successive futures contract priced at a lower price. The G6M-066 chart shows that traders constantly long the nearby Peso contracts and rolling at expiration have a positive return since early 2017. I will monitor this market, but prefer the Brazilian Real.



Brazilian Real futures

I have a greater interest in the Real than in the Peso. The weekly chart displays a massive descending triangle on the futures chart, traded in terms of the USD value of the Real (and a Cup and Handle on the spot graph, traded in terms of the number of Real per one USD). Based on CME settlement data as of Sep 26, the theoretical negative carry is approximately -300 BPs annualized.

factorco published on TradingView.com, September 27, 2019 13:47:03 UTC
 CME_DL:6L11, 1W 0.23940 ▲ +0.00005 (+0.02%) O:0.23885 H:0.24130 L:0.23765 C:0.23940



Created with TradingView



USD/NOK

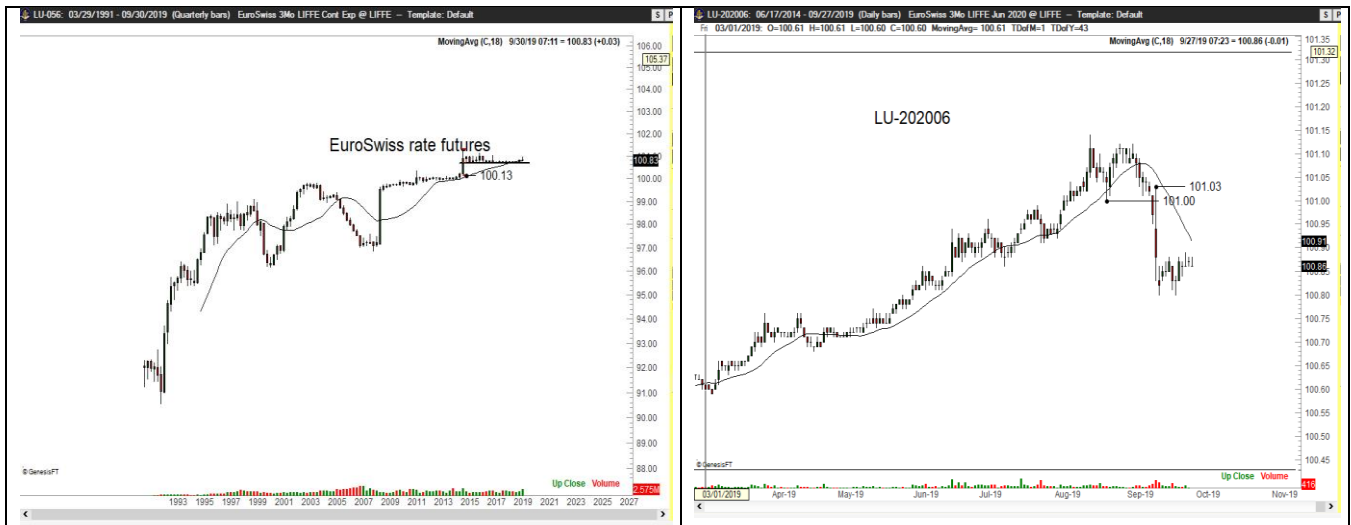
Factor is long (again).



Interest rate futures

EuroSwiss

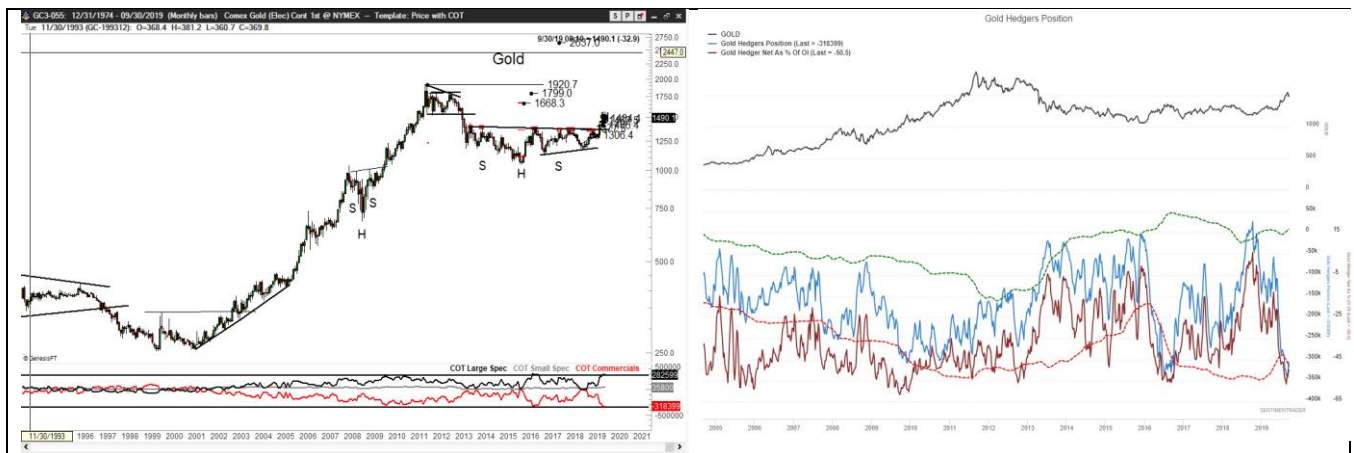
Factor is short a multi-tranche position.



Metals

Gold

The Gold market is caught between a rock and a hard place. The underlying H&S bottom on the long-term charts suggest much higher prices. But, a H&S top pattern on the daily chart combined with a near-record commercial short position indicates a sharp correction is possible. A H&S failure pattern on the daily chart is a consideration now that the right shoulder has rolled over toward the neckline. The COT data is biased in favor of the short side, but I remind us all again that a similar COT profile resulted in the massive 2009-2010 bull market during which commercials were forced to capitulate.



Silver

The possibility of a massive double bottom in Silver still exists. Commercials hold a near-record short position. I would not be surprised if Silver retests the double bottom on the daily graph as 1620.



Grains

KC Wheat (KCBOT)

Grains are at historically low prices, so I am always alert for bottoming patterns. One of these days/years we will experience another bull market in grains. I love bull markets in grains. The Dec KC Wheat daily chart exhibits a possible H&S bottom. I am interested.



Soybean Meal (CBOT)

Commercials are holding a rare net long position in Meal. I will monitor the daily charts for a possible measured-risk buying opportunity.



The Factor Crypto Corner

Cryptos

BTC

It is very unfortunate that a viable Bitcoin futures contract has not been created – both the CME and ICE contracts are next to worthless. It would have been possible for the CME to construct a contract to dominate the BTC market. Instead, like other exchanges (such as CBOE), it rushed to introduce a contract during the late 2017 bubble. The decline on Tuesday completed a classic descending triangle top. I actually had an order in the CME contract that went unfilled. Oh well. I would not be surprised if BTC attempts a rally next week. Might BTC turn on a dime and explode upwards? Anything is possible. Yet, I believe enough damage has been done that BTC will need to form a recognizable bottom pattern if/when another strong upward cycle occurs.



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Factor Tracking Account, September 27, 2019

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

Factor LLC																	9/27/2019		
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					
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	24-Sep	4.785	\$ 195	Closed	-		
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	101.01	9/27	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	2974.50	9/23	3369.0	Poss 17-mo cont. H&S	5-wk rectangle	24-Sep	2974.00	\$ (364)	Closed	-		
XINAS0219	China A50	9/18/19	L	13735.0	2	13530.0	20	13630.0	9/19	15887.5	Poss 4+ yr asc triangle	19-wk sym tri	24-Sep	13600.0	\$ (290)	Closed	-		
USD/NOK	USD/NOK	9/25/19	L	9.0161	70k	8.9629	22	8.9849	9/25	9.2274	7-mo rectangle	Re-entry			\$ 3,500	\$ 70,000			
USD/NOK	USD/NOK	9/25/19	L	9.0161	70k	8.9629	22	9.0317	9/27	9.2274	7-mo rectangle	Re-entry			\$ 3,500	\$ 70,000			
TSM	Taiwan Semi	9/26/19	L	46.032	200	43.730	23			56.970	20-mo cont H&S	20-mo cont H&S			\$ 9,206	\$ 9,206			
TSM	Taiwan Semi	9/26/19	L	46.032	300	43.730	33	44.120	9/27	56.970	20-mo cont H&S	20-mo cont H&S			\$ 13,810	\$ 13,810			
																Trades as of	\$ (459)	\$ 30,864	\$ 163,016
																Indicates open position value as of		Levered at	0.82
																ROR YTD	28.09%	Cap utiliz.	15.4%
PAST RESULTS ARE NOT NECESSARILY INDICATIVE OF FUTURE PERFORMANCE																			
<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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