



"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, October 19, 2019

Market Review

This issue comments on global stock markets (DJIA, S&Ps/SPY, *TSM, ACWI, Russell 2000, *AAPL, NY Composite, China A50), Gold, forex (USD/NOK, *Canadian Dollars, EuroFX)), grains (*Corn, *KC Wheat, *Soy Meal), interest rates (*EuroSwiss, T-Notes, Eurodollars) and cryptos. *Signifies a position in the Factor \$200,000 Tracking Account.

<p><u>Developing signals</u></p> <ul style="list-style-type: none"> • ACWI • 5-Year T-Bonds • Gold 	<p><u>Existing positions</u></p> <ul style="list-style-type: none"> • EuroSwiss rates • TSM • AAPL • Corn • Canadian Dollars • Soybean Meal • KC Wheat
<p>The Factor Tracking Account is currently leveraged at 1.4X. Capital Utilization is at 23.0%. Note: Factor does not include the nominal value of interest rate futures contracts.]</p>	

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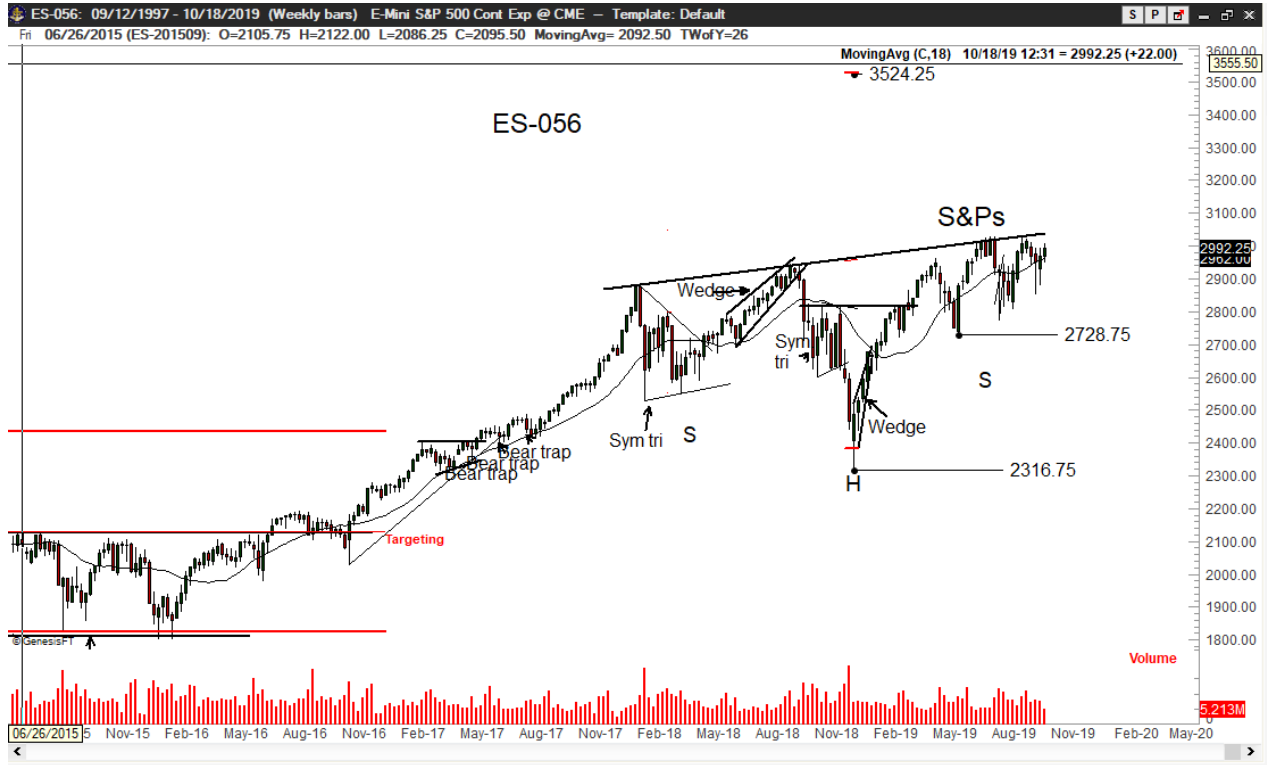
Global equity markets

The S&P cumulative A/D line has registered a new high – the S&P index should also trend higher. I am interested in establishing a composite risk of 200-250 basis points on the long side of U.S. stock indexes. My perspective on this type of trade is simple -- if I lose, I lose no more than 200 BPs (probably less than 100 BPs due to advanced stops), but I could win 500 to 1000 BPs if the trade works and the trend is steady.



S&P 500 (CME and NYSE)

S&Ps and SPY are forming a 3-month ascending triangle. Factor is flat.



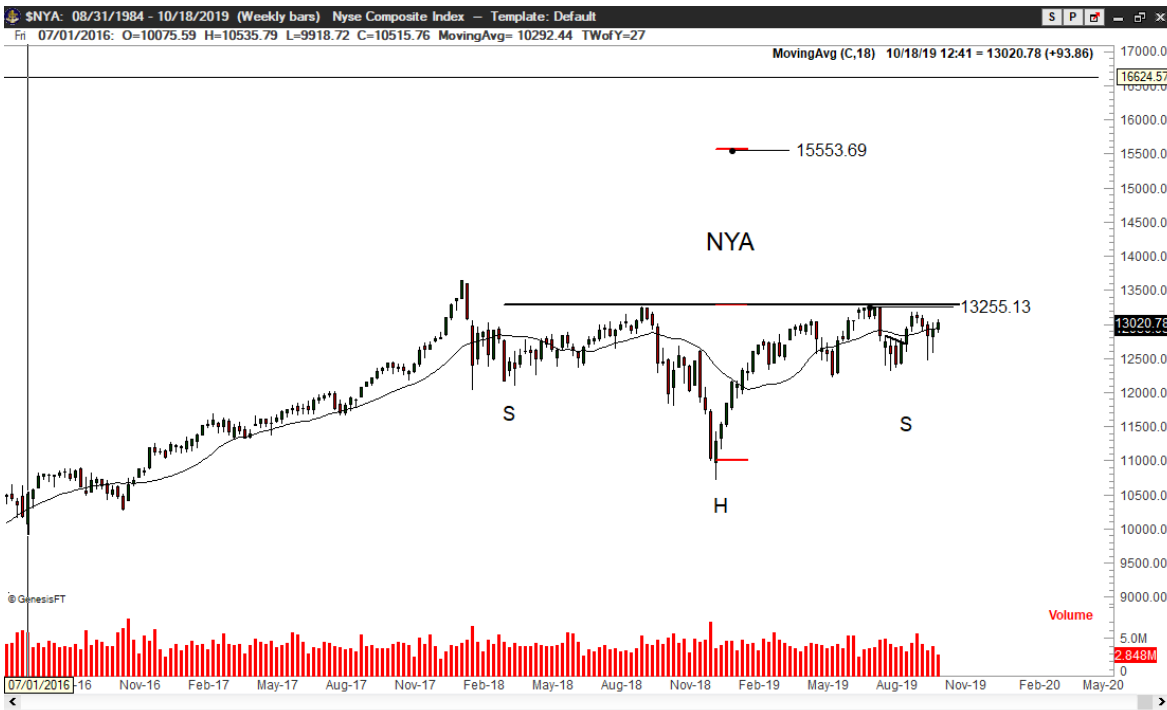
DJIA (CBOT)

The DJIA is within striking distance of a new ATH.



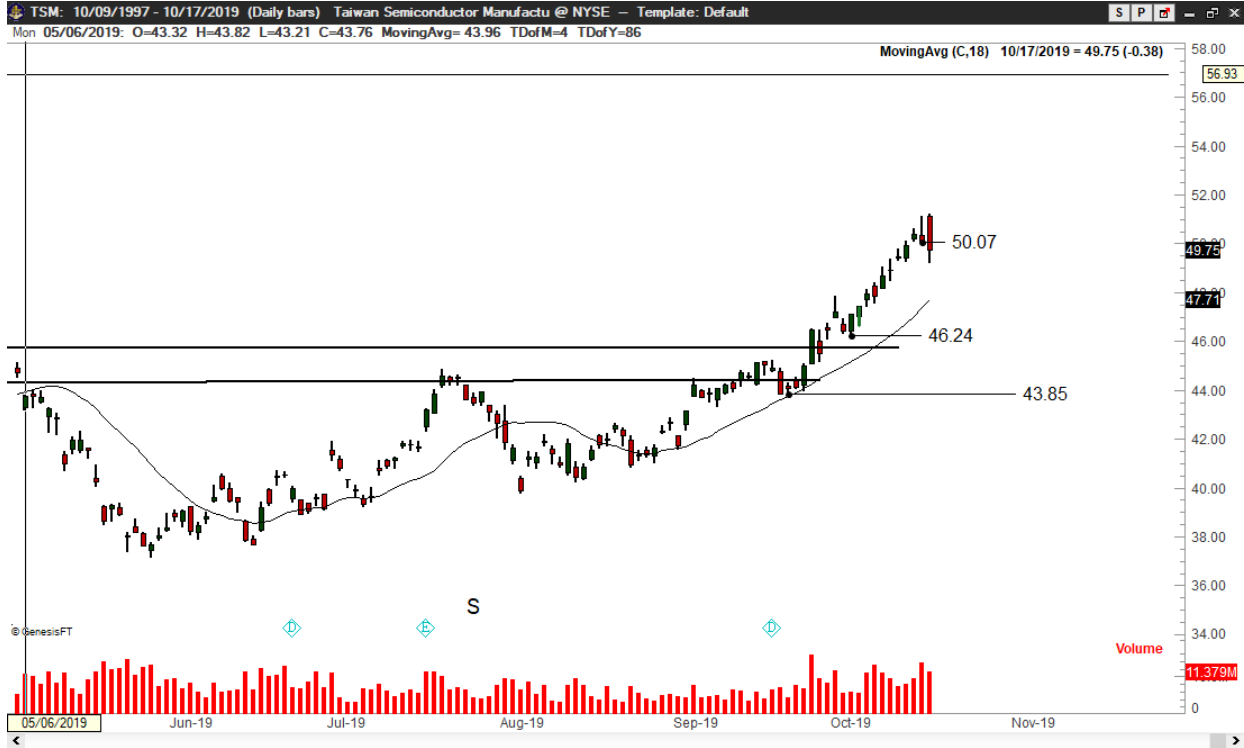
New York Composite Index

NYA is forming a continuation H&S pattern.



TSM (NYSE)

Factor remains long, but I was stopped out of a tranche on Friday.



ACWI Fund (NASDAQ)

The All-World ACWI Index Fund is poised for a major weekly chart breakout. The right shoulder displays a 5-month rectangle. Factor is flat – I have buy stops in place.



AAPL

Factor is long based on the completion of a possible running wedge.



China A50

The weekly graph continues to display a massive ascending triangle. The daily chart is attempting to break out of a 6-month consolidation. Factor is flat, but interested in the long side.



Russell 2000 (CME)

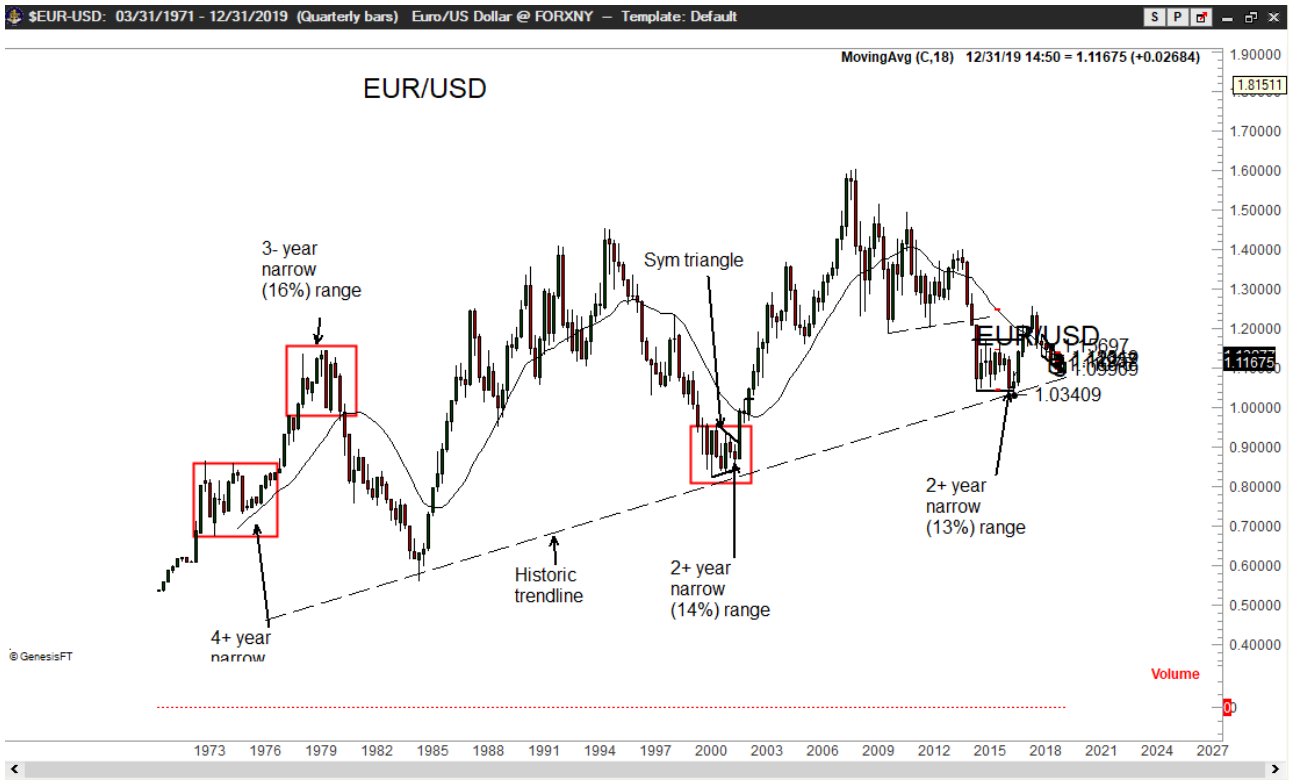
The Russell is the weakest among the major U.S. stock indexes. As such, this index would be my bet on the short side pending a chart sell signal. Factor is flat.

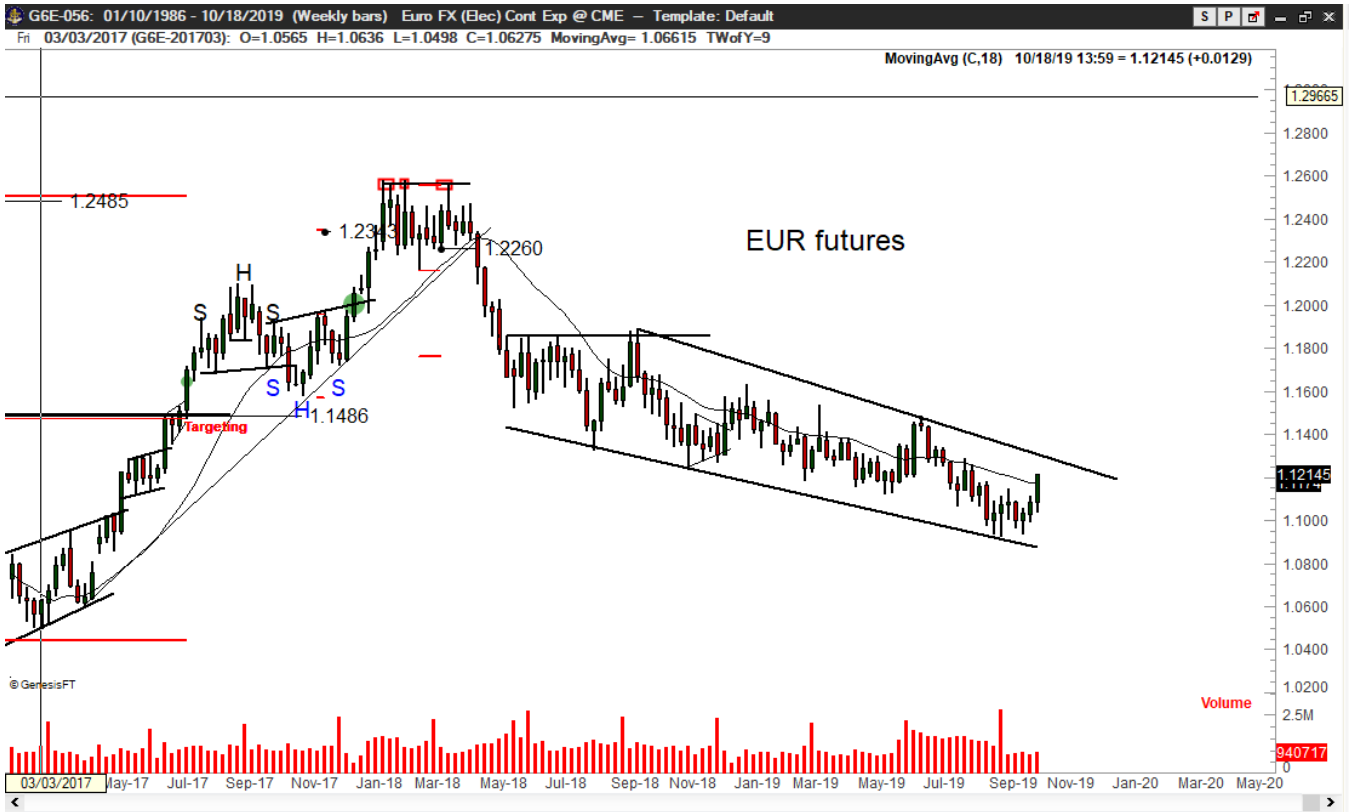


Currency markets

Eurocurrency

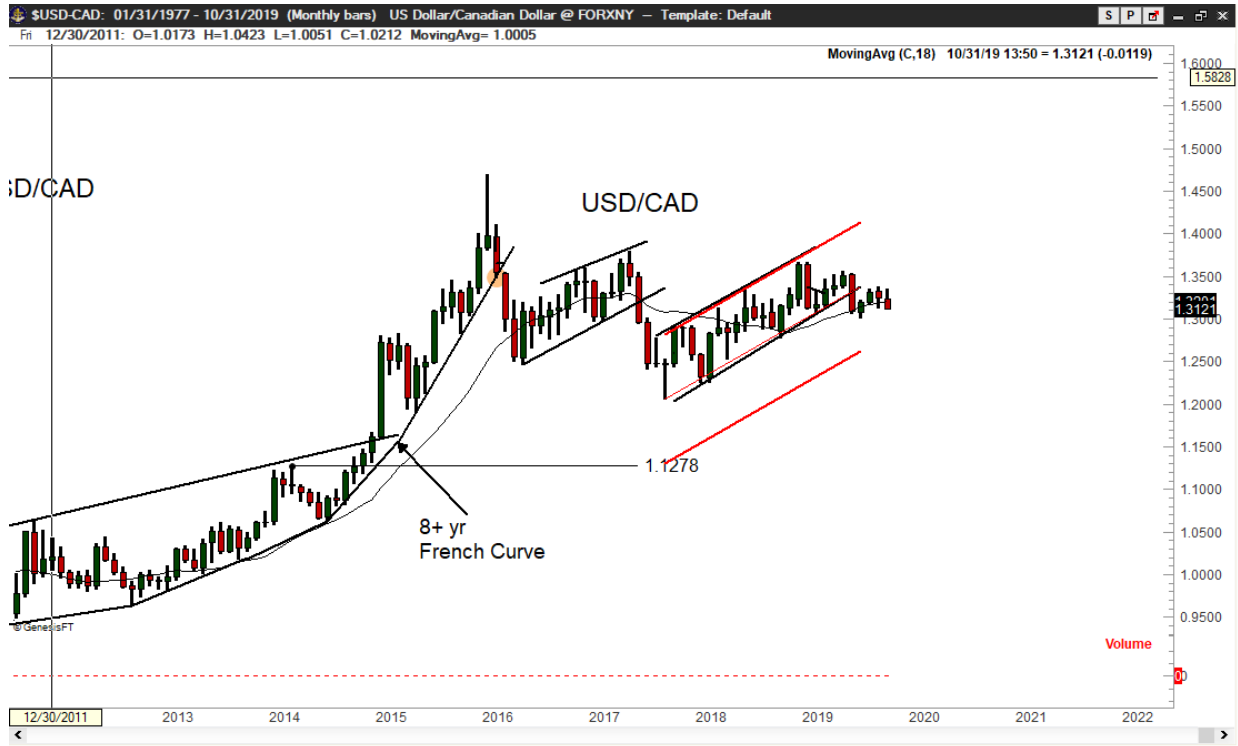
The EuroFX found support near the dominant multi-decade trendline. The weekly futures continuation chart displays a possible 14-month falling wedge. The daily futures chart displays a possible completed 6-week "W" bottom. In the busyness of my travels, I missed the bottom in this market. See additional charts, next page.





Canadian Dollars (USD/CAD)

The Canada \$ has the tendency to form channels. The decline in Jun completed a 21-month channel. I viewed the decline this past week as confirmation of a decline to come. Factor is long futures (the equivalent of being short USD/CAD). I only wish there was a more tangible daily chart pattern in this trade – this is not the case.



Trading spot vs. futures forex

Two venues are available for trading major forex currency units against the U.S. Dollar – the spot (or dealer) market and the futures market. It is easy for newcomers to forex trading to become confused by the pricing structure of some (but not all) currency units.

Futures are priced as the USD value of the currency being traded and expressed with the foreign currency listed first as the primary unit and the USD listed second as the secondary unit.

For example:

Futures market	Spot market
EUR/USD Value of the EuroFX in USD	EUR/USD Same
GBP/USD Value of the Pound in USD	GBP/USD Same
AUD/USD Value of the Aussie \$ in USD	AUD/USD Same
JPY/USD Value of the Yen in USD	USD/JPY Number of Yen per one USD
CHF/USD Value of the Swiss in USD	USD/CHF Number of Swiss per one USD
MXN/USD Value of the Peso in USD	USD/MXN Number of Pesos per one USD

In the case of the Yen, Swiss and Peso, the futures and spot prices are roughly the reciprocal of each other. In other words, 100 divided by the value of the Peso expressed in USD (futures terms) roughly equals the number of Pesos per USD. I use the word “roughly” because the precise reciprocal value only occurs at the expiration of the Mar, Jun, Sep and Dec contracts.

It is important to remember that a bet placed for the CHF/USD to go down is the same as a bet placed for USD/CHF to go up. When I state an opinion on a spot forex pair – bullish (constructive) or bearish (negative) it always is in reference to the first (or primary) currency listed. For example, if I state I am bullish on USD/JPY, it means I believe the USD/JPY spot rate will increase. An equivalent statement would be that I am bearish or negative on Yen futures.

Introducing an old trading tactic

Over the years I have used numerous trading techniques and methods to identify, execute and manage trades. I have put on the back shelf many of these methods in pursuit of my primary trading goal – that is, to maximize Calmar, Gain-to-Pain and Profit Factor ratios. In many respects I have abandoned absolute profitability in favor of risk-adjusted performance. [Note – I detest the Sharpe Ratio, the preferred risk-adjusted metric used by those managing OPM as a means to defend their relative lack of profitability.]

Almost exclusively, I now enter trades when markets break out of an identifiable chart pattern – that is, buying strength and selling weakness. This has not always been the case. During several periods of my trading career I have used moving averages as a means to buy price weakness and sell rallies.

After months of consideration, I will once again very selectively introduce this method into the Factor Tracking Account. This trading signal will occur with the following conditions.

- A significant chart pattern has already been completed
- Price remains a meaningful distance from target zones
- The market is correcting or has stalled, but the slope of the MA continues to support the trend
- The 18-DMA has caught up with price – i.e., the market is retesting the MA

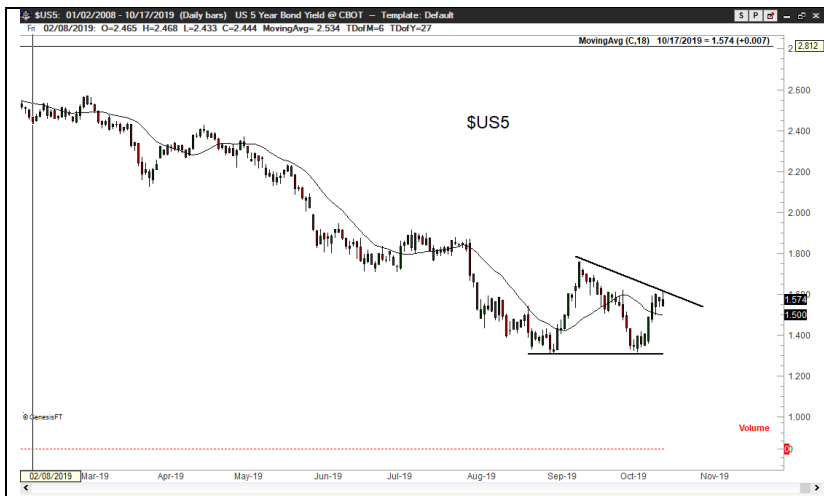
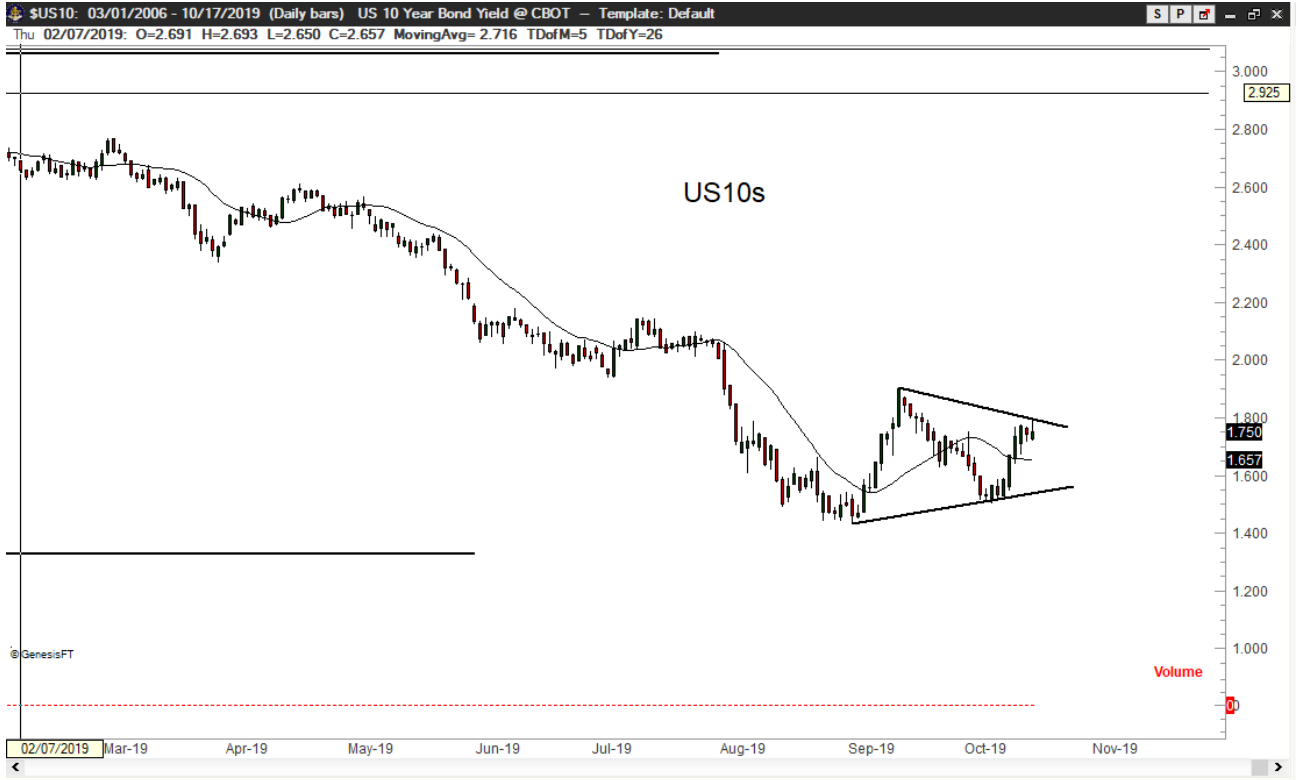
In such cases, I may announce that I will be buying or selling a retest of the 18-DMA. In the months to come, and related to specific trades, I will explain the trade/risk management protocol for such trades. This is NOT a revolutionary change in my trading. Breakout trades will remain the dominant trade entry tactic. In almost every case the markets selected for the use of this moving average trade entry tactic will be the same markets highlighted by the Factor for their chart construction. The following charts graphically display this concept – the black dots market the “look-back” entry points (repeating – exact entry and exit guidelines will be explained in the months ahead).



Interest rates

T-Notes and T-Bonds

The charts shown are the yields on the 10-year T-Notes and 5-Year Bonds. The 5-Year Bond chart displays a possible descending triangle. I prefer right-angled triangles over symmetrical triangles. I will monitor U.S. interest rate futures for a trading opportunity (most likely long futures of the 5- or 2-year Bonds).



EuroSwiss

Factor remains short this market.



Grains

Corn

Factor is long the remaining tranche after reaching the target of the underlying H&S at 401-1/2. The advance appears to have stalled.



Kansas City Wheat

Factor is long as of Friday. I missed the low-risk buying opportunity on Wednesday (dang). I acknowledge that I am chasing this move.



Soybean Meal (CBOT)

Factor is long, having been stopped out of half my position on Wednesday.



Metals

Gold

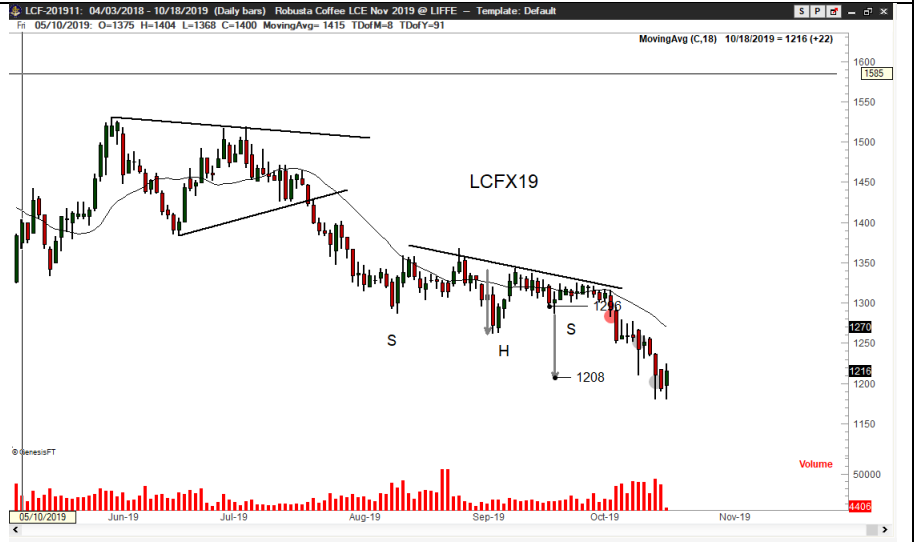
The underlying inverted H&S on the long-term charts remains in force. The daily chart displays a possible channel. The COT data is negative. Factor is flat. I will consider buying Gold depending upon the precision of a penetration of the upper boundary of the channel.



Post Mortems

London Coffee

The target in London Coffee was met on Wednesday. I covered half of my position late last week and half at the target. In a year of rare large profits, I will take a 200 BP gain anytime.



The Factor Crypto Corner

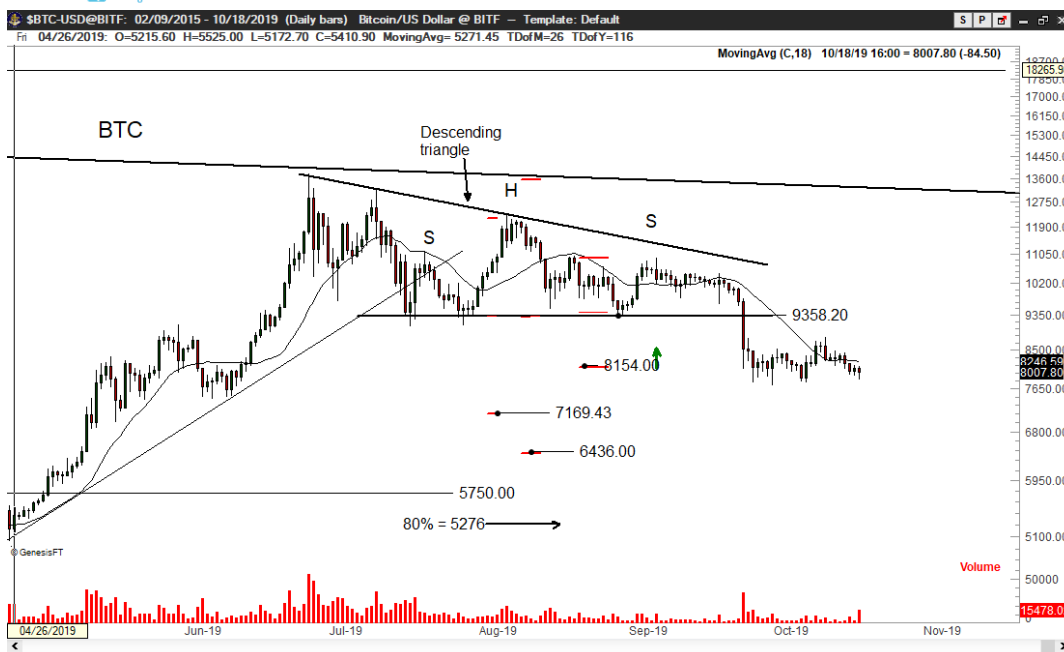
Cryptos

Bitcoin

The daily chart lends itself to two interpretations.

Bearish

- The decline in mid Jul violated a parabola. While not all violated parabolas lead to an 80%, one must always become aware that such a correction could occur. An 80% correction would take BTC to 5276.
- The decline on Sep 24 completed a descending triangle with targets of 7169 and 6436.
- There is no daily chart signs of a bottom at this point.



Bullish

- The long-term bull trend remains very much in force, as shown on the weekly chart.
- An amended parabola should form on the daily chart at any time, whether or not the 7700 low holds.
- The daily chart could be forming a possible channel. The upside completion of this channel will usher in a trend to ATHs.

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Factor Tracking Account, October 18, 2019

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

Factor LLC																	10/18/2019		
Model Tracking Account Trade History and Portfolio																			
Constant nominal capitalization: \$200,000																			
(See disclaimers and notes below)																			
Market		Entry								Stop Date Δ	Pattern			Exit		Net	Capital to carry trade	Value of trade (entry)	
		Date	L/S	Price	Size	Initial stop	BP risk	Current Stop	Target		Weekly	Daily	Date	Price					
LUM20	EuroSwiss	9/11/19	S	100.97	3	101.050	30	100.94	10/18	100.66	Record NIRP	5-wk dbl top				\$ 636	NA		
TSM	Taiwan Semi	9/26/19	L	46.032	200	43.730	23	49.880	10/17	56.970	20-mo cont H&S	20-mo cont H&S	18-Oct	49.87	\$ 768	Closed	-		
TSM	Taiwan Semi	9/26/19	L	46.032	300	43.730	33	46.190	10/8	56.970	20-mo cont H&S	20-mo cont H&S				\$ 13,810	\$ 13,810		
ZCZ19	Corn	9/30/19	L	3.790	1	3.7075	21	3.7725	10/17	Open r	6-wk H&S bottom	6-wk H&S bottom				\$ 1,350	\$ 18,950		
LCFX19	Robusta Coffee	10/7/19	S	1290.0	2	1311.0	20	Mkt	10/14	1208.00	10-wk H&S failure	10-wk H&S failure	14-Oct	1247.0	\$ 846	Closed	-		
LCFX19	Robusta Coffee	10/7/19	S	1290.0	4	1311.0	41	1295.1	10/7	1208.00	10-wk H&S failure	10-wk H&S failure	16-Oct	1208.00	\$ 3,248	Closed	-		
ZMZ19	Soy Meal	10/8/19	L	304.8	2	300.8	40	307.2	10/16	317.20	9-wk H&S	Re-entry	16-Oct	307.10	\$ 225	Closed	-		
ZMZ19	Soy Meal	10/8/19	L	304.8	2	300.8	40	302.9	10/17	317.20	9-wk H&S	Re-entry				\$ 1,300	\$ 30,480		
AAPL	Apple	10/14/19	L	235.6	50	227.2	21	229.79	10/18	258.87	11-wk running wedge	11-wk wedge				\$ 11,778	\$ 11,778		
AAPL	Apple	10/14/19	L	235.6	50	227.2	21			258.87	11-wk running wedge	11-wk wedge				\$ 11,778	\$ 11,778		
KWZ19	KC Wheat	10/18/19	L	4.2775	2	4.170	27	4.22	10/18	4.490	9-wk H&S	9-wk H&S				\$ 1,600	\$ 21,388		
KWZ19	KC Wheat	10/18/19	L	4.2775	2	4.170	27			4.490	9-wk H&S	9-wk H&S				\$ 1,600	\$ 21,388		
G6CZ19	Canadian \$	10/18/19	L	0.7616	2	0.7567	49			0.8273	Monthly chart channel	11-wk "W"				\$ 2,200	\$ 152,320		
Trades as of															\$ 5,087	\$ 46,052	\$ 281,891		
Indicates open position value as of																Levered at	1.41		
ROR YTD															31.02%	Cap utiliz.	23.0%		
PAST RESULTS ARE NOT NECESSARILY INDICATIVE OF FUTURE PERFORMANCE																			
r = revised RO = Rollover A = Alert																			
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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