

"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, November 23, 2019

Market Review

This issue comments on global stock markets (*S&Ps, *TSM, *ACWI, AON, *AAPL, Russell 2000, China A50, *PTON, XLV, AMZN, *EQH, Costco, *MSFT), *Gold, currencies (Brazilian Real, NZD/USD), interest rates (Fed Funds, Eurodollars, Canadian Bank Acceptances) 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"> • Costco • NZD/USD • Russell 2000 • XLV • AON 	<ul style="list-style-type: none"> • TSM • AAPL • ACWI • Microsoft • S&Ps • Gold • EQH • PTON
<p>The Factor Tracking Account is currently leveraged at 1.3X. Capital Utilization is at 54.2%. Note: Factor does not include the nominal value of interest rate futures contracts.]</p>	

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2019 – A year not easily forgotten

This year has been a real TURKEY. Oh, by the way, Happy Thanksgiving to Factor’s U.S. members.

Holiday markets (U.S. Thanksgiving week through Jan 1) are historically difficult. There is no reason to believe this year will be different. I will be glad when 2019 is over, only hoping that 2020 will bring some normalcy back to classical charting. Nevertheless, 2019 will remain a profitable year for me unless disaster hits – yet in many ways I feel the bruises of being banged around far more than I am accustomed. There have been years I have viewed as pretty and profitable – with profits accruing through wonderful chart patterns that performed according to script. I view 2019 as ugly and profitable – with profits coming from aggressive and often awkward trade management.



Might markets normalize in the months ahead after 14 months of choppiness? Of course, there is no way to predict this. Yet, I will say this as clearly as I know how: I remain committed to finding chart patterns that breakout decisively, without hesitation and with sustained trends to implied targets – exiting quickly those patterns that fail to perform accordingly. Without 15% or so of my trades meeting these criteria, 2020 is likely to be as frustrating as has been 2019.

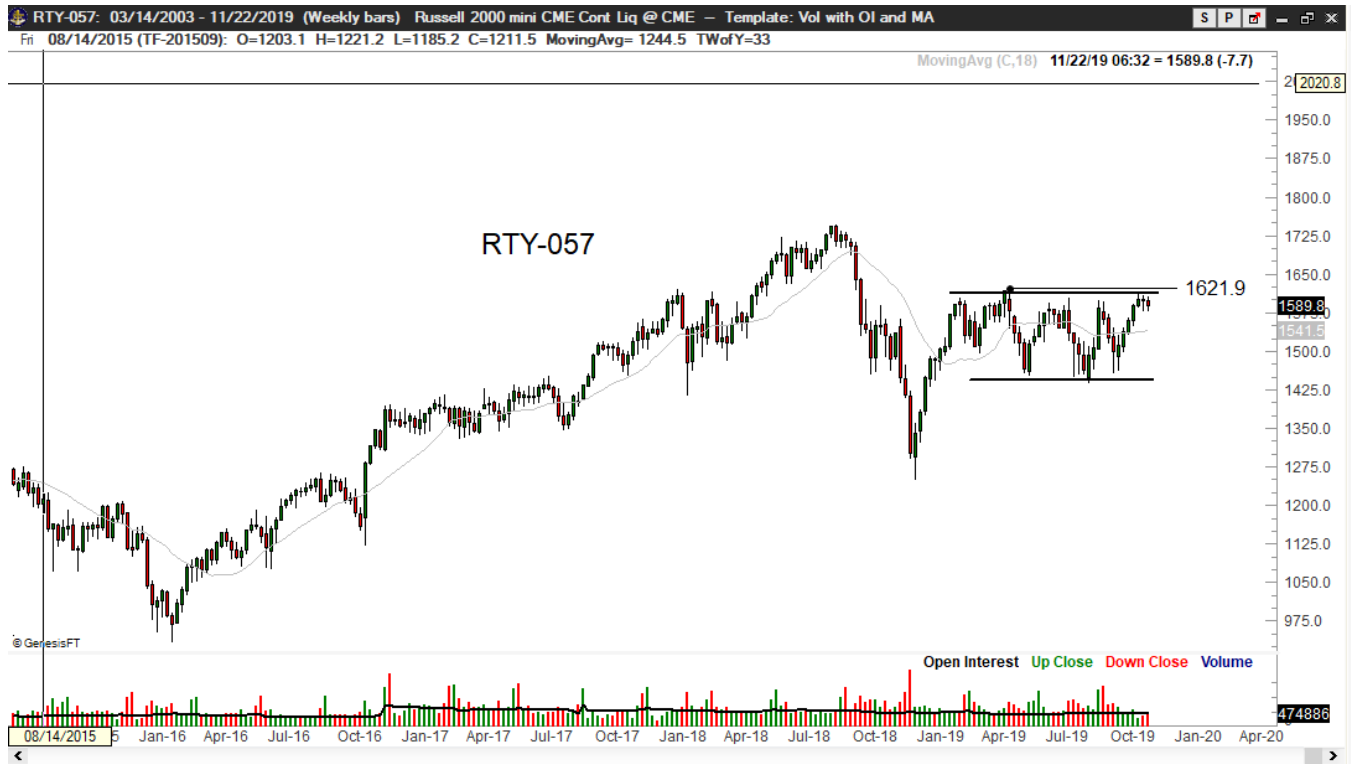
Global equity markets

The S&P 500 cumulative A/D line continues to display healthy market breadth. The Factor Tracking Account remains thoroughly invested in U.S. equities, although I took defensive action this past week in a tranche of S&P futures.



Russell 2000 (CME)

I am starting to think that the small caps could have a good run to the upside if the current 9-month trading range is resolved.



S&P 500 (CME)

Factor is long. The 3246 and 3424 targets remain in force for now.



Costco (NASDAQ)

The daily chart of Costco displays a possible Cup and Handle continuation pattern. I will buy a breakout if/when it occurs. Factor is flat.



TSM (NYSE)

Factor is long. The stock has reached 70% of its measured target.



China A50 (SGX)

There is not an immediate trade in the China A50, but I am including it in this Factor update as a reminder that this could be a huge trade in 2020 and beyond.



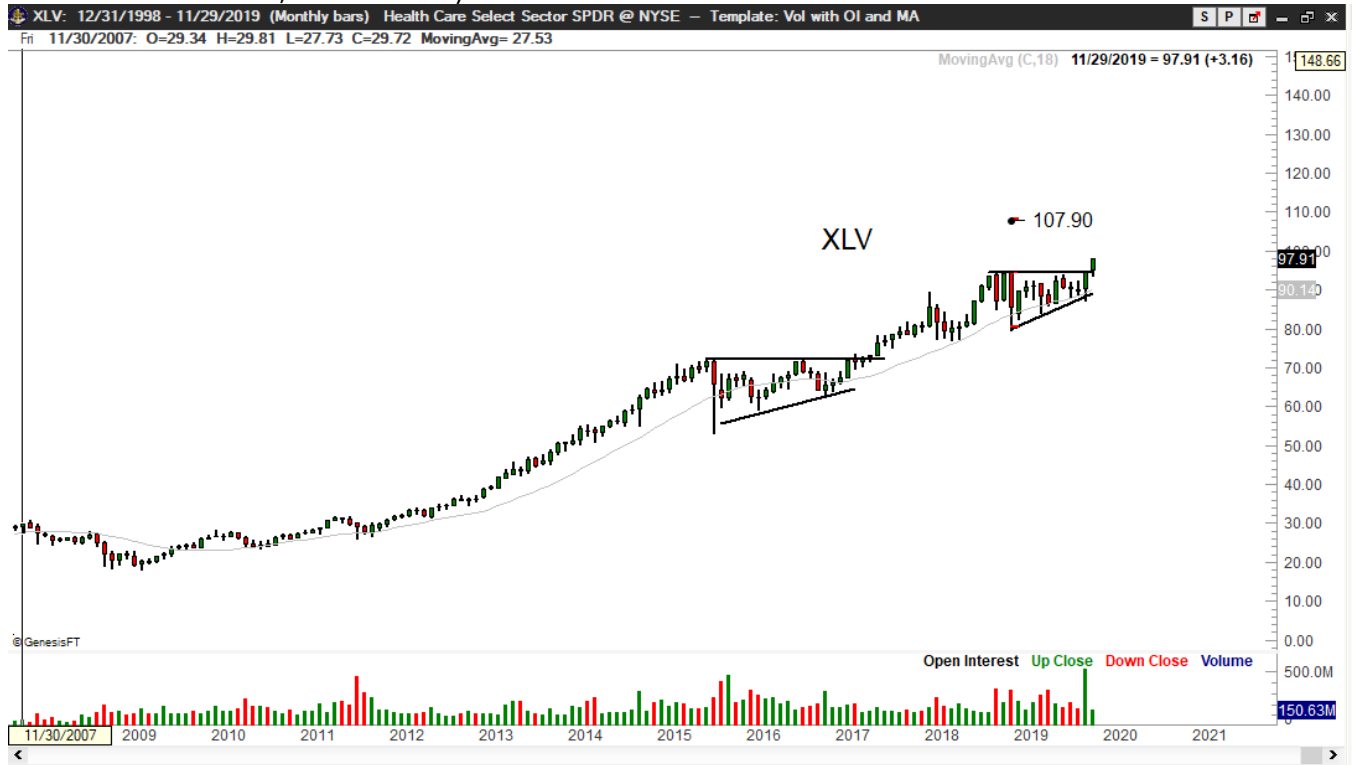
AMZN (NASDAQ)

Cup and handle.



XLV (NYSE)

I missed this breakout, but would buy a retest.



ACWI Fund (NASDAQ)
Factor is long.



AAPL (NASDAQ)
Factor remains long a tranche.



EQH (NYSE)
Factor is long.



MSFT (NASDAQ)
Factor is long.



PTON (NASDAQ)

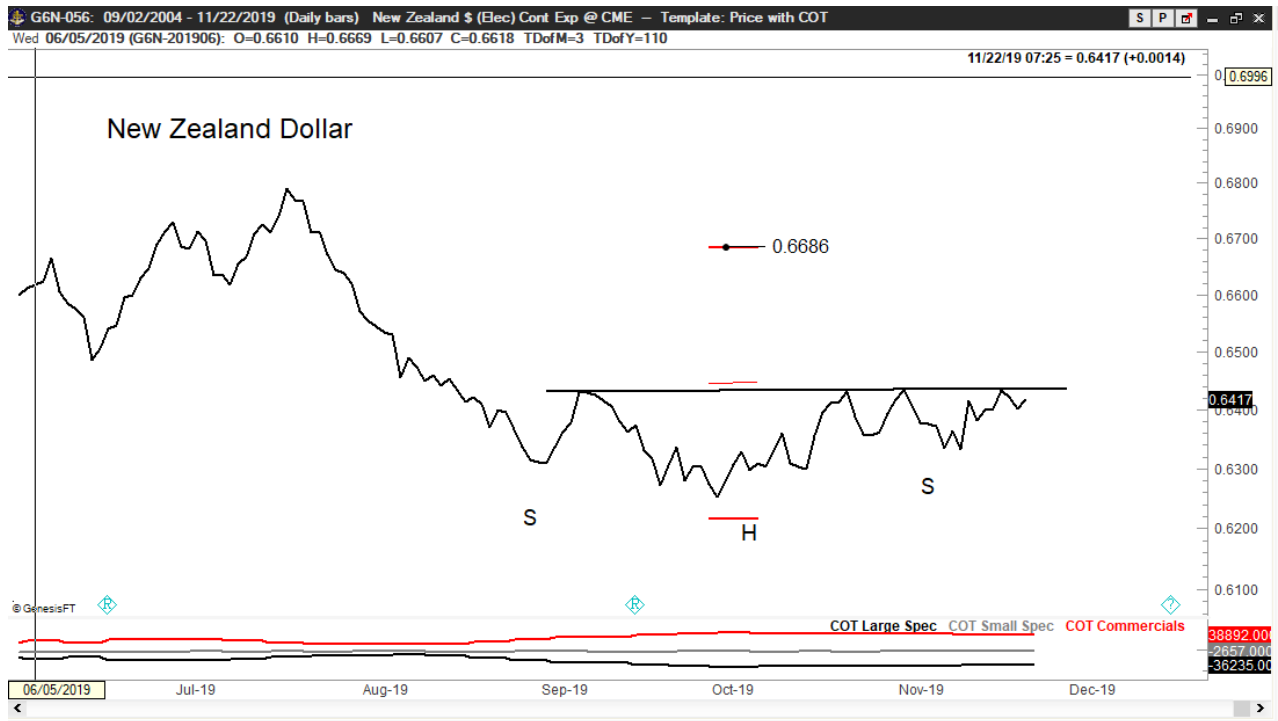
Factor is long. Having taken profits at the target on 50% of the position.



Foreign exchange

NZD/USD (CME)

The daily closing price chart provides a clearer picture of the possible inverted H&S bottom than does the daily bar or candlestick chart. I am interested in the long side of NZD.



Brazilian Real (CME)

The Real is poised for a major downside breakout. I am interested in a trade in the futures contract if a clean breakout occurs.



Interest rates

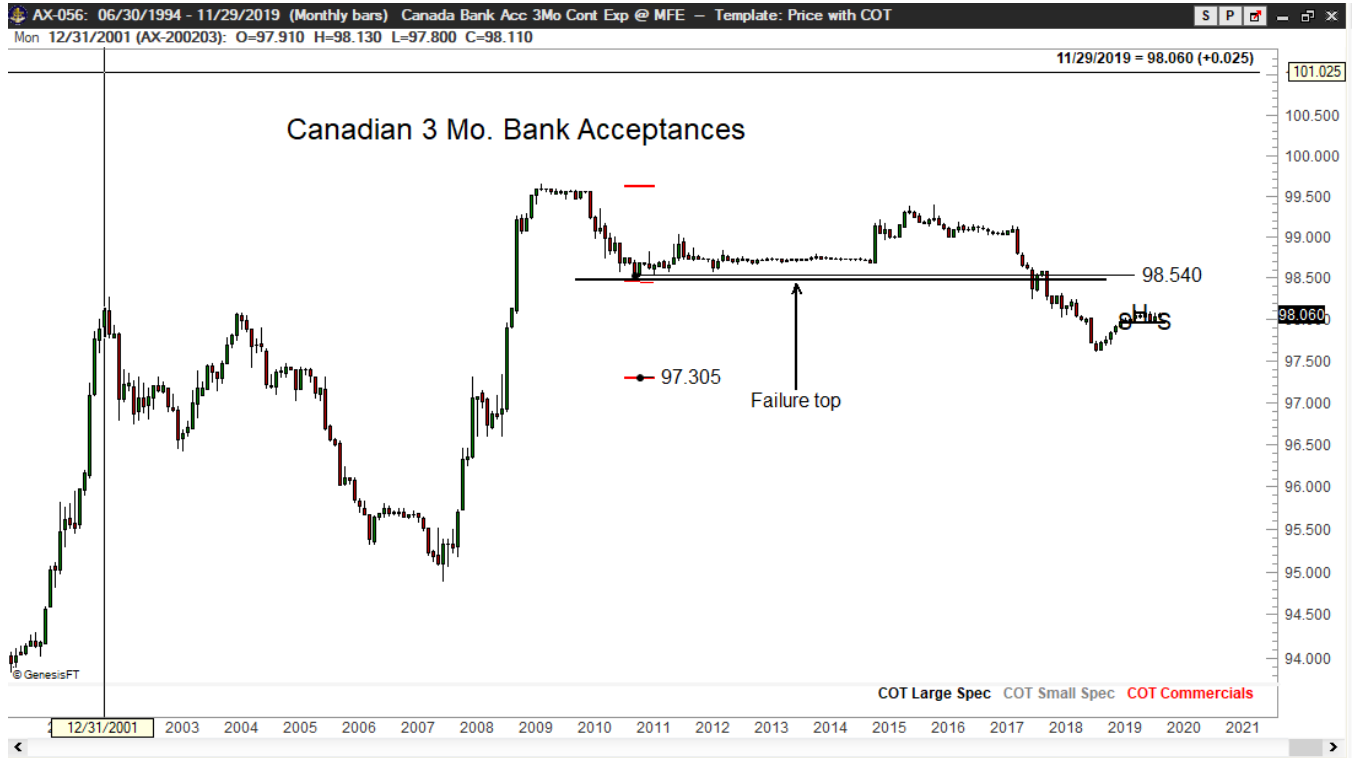
Fed Funds

Commercials are holding a record short position in Fed Fund futures. This has been one of the better trending markets in the past couple of years.



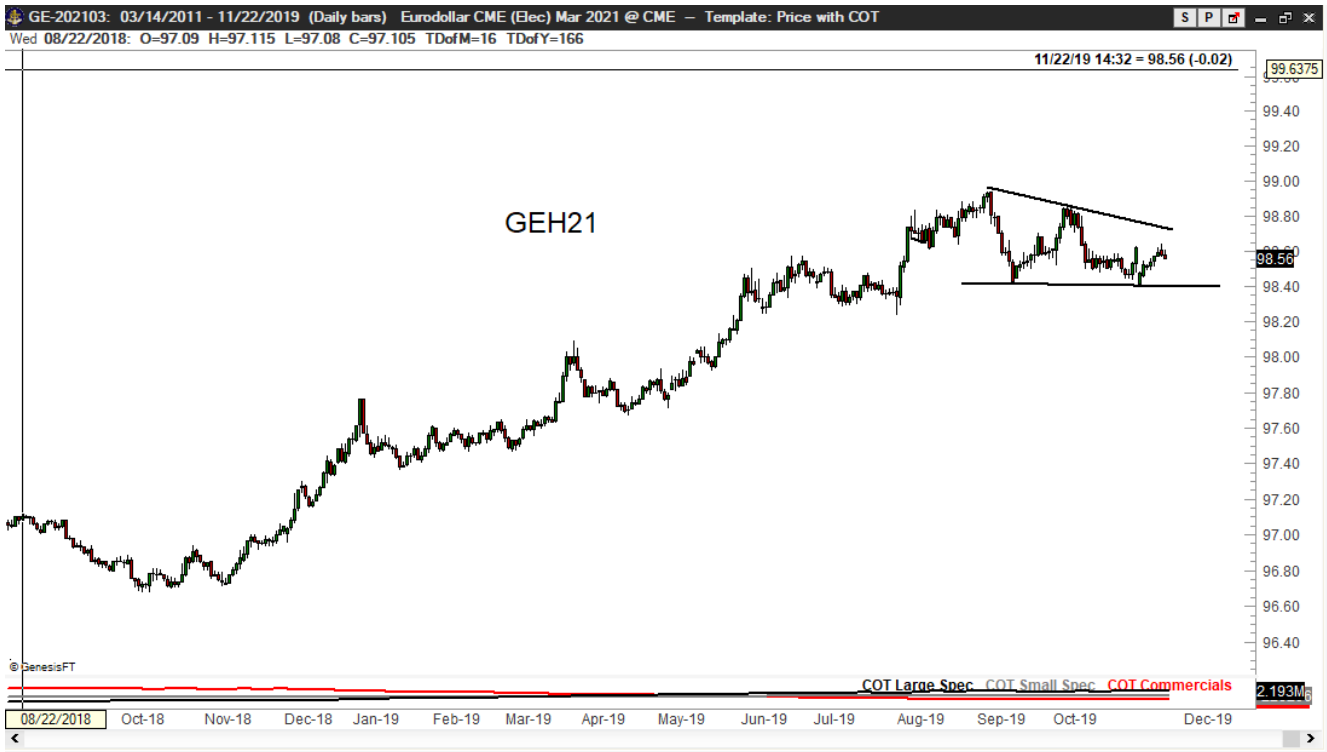
Canadian Bank Acceptances

The failure top in Bank Acceptances (equivalent of U.S. T-Bills) has an unmet target of 97.31 on the monthly chart. The daily chart is forming a continuation H&S pattern.



Eurodollars

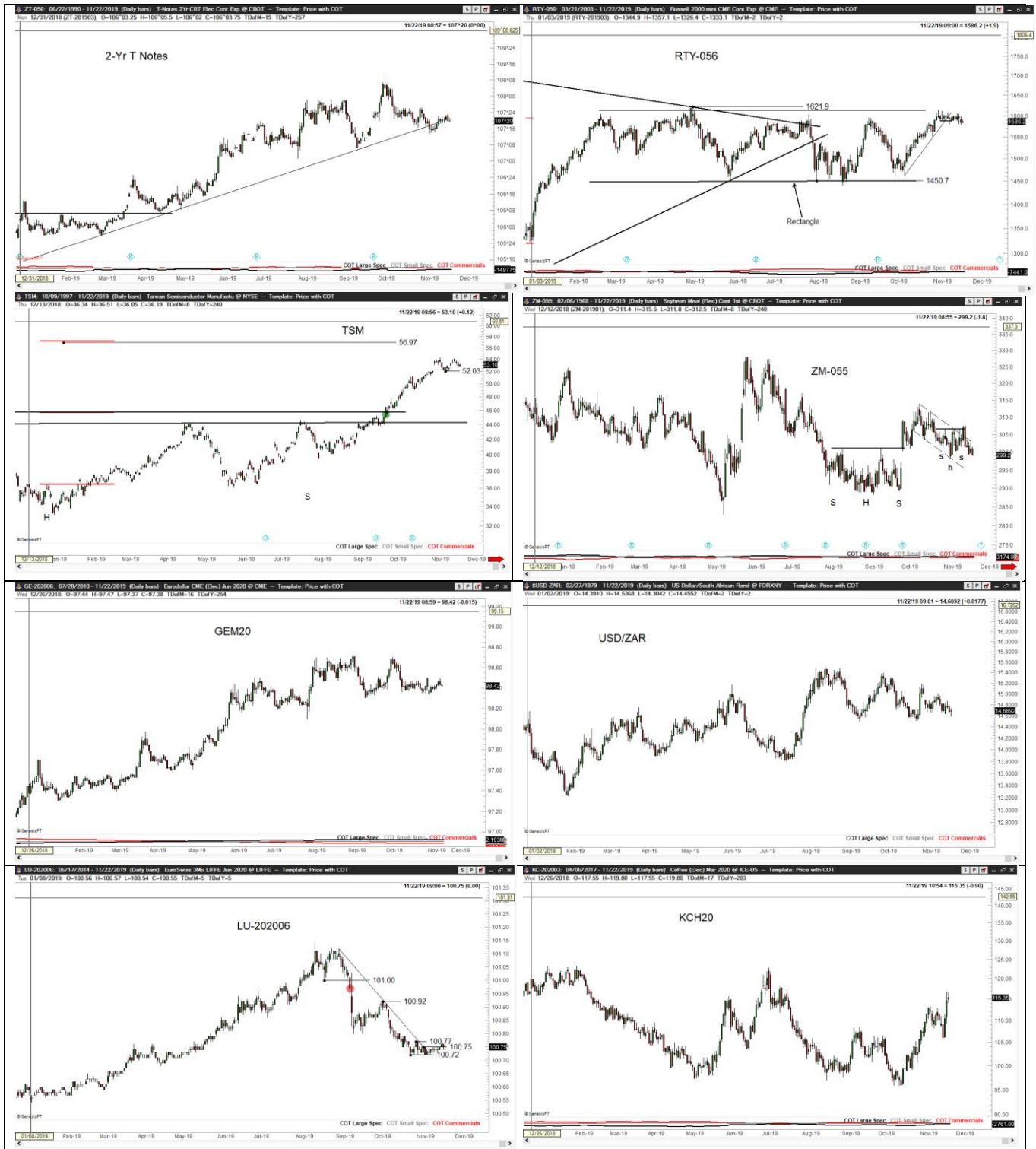
This is NOT a forex market, but rather reflects the interest paid on U.S. Dollar holdings in Europe. The present price of 98.55 for Mar 2021 Eurodollars represents an interest rate of 1.45% (100 - 98.55). A possible descending triangle is forming.



Charts - the good, the bad and the outright ugly

With the benefit of hindsight, the best trending charts in 2019 were in the interest rate markets, Gold and individual equities. I am contrasting the trending nature of these markets with the choppiness of other markets. I need charts such as those shown on the left to best utilize classical charting principles.





Gold (NYMEX)

Factor remains short a tranche of Gold. The COT data suggest that a significant decline should occur. The weekly/monthly charts suggest that a major bull trend will occur in 2020.



Post Mortems

Soybean Meal

I must admit, looking at Meal as a buy signal was a stretch. Yet, I am committed to taking anything that looks like a buy signal in grains at these price levels.

Loss = -22 BPs



GBP/JPY

The breakout of a pennant quickly failed.

Loss = -18 MPs



EuroSwiss

A progressively lowered protective stop was triggered.

Profit = +88 BPs



GBP/CAD

The breakout of an ascending triangle failed

Loss = -9 BPs



PTON

The initial target was met. 50% of the position was covered.

Profit = +39 BPs



S&Ps

A trance was stopped out.

Profit = +9 BPs



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The Factor Crypto Corner

Cryptos

Bitcoin

The sharp decline Thursday and Friday tested the lower boundary of the well-established bear channel. Price is likely to bounce or drift sideways.

factorco published on TradingView.com, November 22, 2019 16:13:41 UTC
COINBASE:BTCUSD, 1D 7158.26 ▼ -458.20 (-6.02%) O:7616.48 H:7720.00 L:6775.47 C:7158.26



Created with TradingView

Factor Tracking Account, November 22, 2019

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

Factor LLC		11/22/2019																	
Model Tracking Account Trade History and Portfolio																			
Constant nominal capitalization: \$200,000		(See disclaimers and notes below)																	
Market		Entry									Pattern				Exit		Capital to carry trade	Value of trade (entry)	
		Date	L/S	Price	Size	Initial stop	BP risk	Current Stop	Stop Date Δ	Target	Weekly	Daily	Trade date	Price	Net				
LUM20	EuroSwiss	9/11/19	S	100.97	3	101.050	30	100.76	11/18	100.66	Record NIRP	5-wk dbl top	20-Nov	100.76	\$ 1,575	Closed	-		
AAPL	Apple	10/14/19	L	235.6	50	227.2	21	257.78	11/22	Open/MA	11-wk running wedge	11-wk wedge				\$ 11,778	\$ 11,778		
MESZ19	Micro S&P	10/28/19	L	3031.00	3	2995.00	27	3072.50	11/18	3235.00	Poss 21 mo cont H&S	3-mo sym tri				\$ 2,100	\$ 45,465		
MESZ19	Micro S&P	10/28/19	L	3031.00	3	2995.00	27	3031.50	11/15	3235.00	Poss 21 mo cont H&S	3-mo sym tri				\$ 2,100	\$ 45,465		
ACWI	All World Fund	10/28/19	L	75.712	200	74.19	31	74.87	11/15	87.53	20-mo cont H&S	6-mo rectangle				\$ 15,142	\$ 15,142		
ACWI	All World Fund	10/28/19	L	75.712	200	74.19	31	76.27	11/15	87.53	20-mo cont H&S	6-mo rectangle				\$ 15,142	\$ 15,142		
MGCZ19	Micro Gold	11/7/19	S	1479.2	4	1493.2	28	1476.2	11/15	1416.2	13-wk failure top	5-wk sym tri				\$ 2,700	\$ 59,168		
MSFT	Microsoft	11/7/19	L	144.19	100	140.73	18	143.77	11/20	152.97	13-wk asc tri	13-wk asc tri				\$ 14,419	\$ 14,419		
MSFT	Microsoft	11/7/19	L	144.19	100	140.73	18	147.87	11/20	163.47	13-wk asc tri	13-wk asc tri				\$ 14,419	\$ 14,419		
MEZ19	Micro S&P	11/13/19	L	3082.5	4	3061.5	20	3092.5	11/19	3235	20-mo cont H&S	Pyramid	20-Nov	3092.0	\$ 178	Closed	-		
EQH	AXA Equitable	11/14/19	L	23.17	300	22.19	15	22.89	11/22	26.48	28-mo cont H&S	28-mo cont H&S				\$ 6,951	\$ 6,951		
EQH	AXA Equitable	11/14/19	L	23.17	200	22.19	10	23.19	11/20	26.48	28-mo cont H&S	28-mo cont H&S				\$ 4,634	\$ 4,634		
PTON	Peloton	11/15/19	L	26.41	200	25.19	13	26.14	11/18	30.29	6-wk H&S	6-wk H&S	18-Nov	30.29	\$ 776	Closed	-		
PTON	Peloton	11/15/19	L	26.41	200	25.19	13	25.88	11/20	Open	6-wk H&S	6-wk H&S				\$ 5,282	\$ 5,282		
GBP/JPY	GBP/JPY	11/17/19	L	140.77	60k	139.89	28	140.14		143.84	5-wk pennant	5-wk pennant	18-Nov	140.132	\$ (353)	Closed	-		
GBP/CAD	GBP/CAD	11/17/19	L	1.7106	40k	1.7019	15	1.7108	11/20	1.7387	5-wk pennant	5-wk pennant	22-Nov	1.7105	\$ (3)	Closed	-		
GBP/CAD	GBP/CAD	11/17/19	L	1.7106	40k	1.7019	15	1.7049	11/18	1.7387	5-wk pennant	5-wk pennant	22-Nov	1.7047	\$ (179)	Closed	-		
ZMF20	Soybean Meal	11/18/19	L	308.7	2	306.8	21			316.2	3-wk H&S	Poss 16-wk fail bot	18-Nov	306.6	\$ (430)	Closed	-		
Trades as of															\$ 1,564	\$ 94,667	\$ 237,866		
Indicates open position value as of																Levered at	1.19		
ROR YTD															0.78%	Cap utiliz.	47.3%		

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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