



"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 30, 2019

Market Review

This issue comments on global stock markets (*S&Ps, *TSM, *ACWI, *AAPL, *Russell 2000, *PTON, MDY, AMZN, *EQH, Costco, *MSFT), *Gold, currencies (NZD/USD, *NZD/JPY, *GBP/JPY, GBP/USD, EUR/USD), interest rates (Fed Funds, Eurodollars, Canadian Bank Acceptances), Wheat and *cryptos. *Signifies a position in the Factor \$200,000 Tracking Account.

<p><u>Developing signals</u></p> <ul style="list-style-type: none"> • Costco • NZD/USD • Eurodollars • Canadian Bank Acceptances • Chicago Wheat 	<p><u>Existing positions</u></p> <ul style="list-style-type: none"> • TSM • AAPL • ACWI • Microsoft • S&Ps • Gold • EQH • PTON • Russell 2000 • NZD/JPY • BTC • GBP/JPY
<p>The Factor Tracking Account is currently leveraged at 2.7X. Capital Utilization is at 32.5%. Note: Factor does not include the nominal value of interest rate futures contracts.]</p>	

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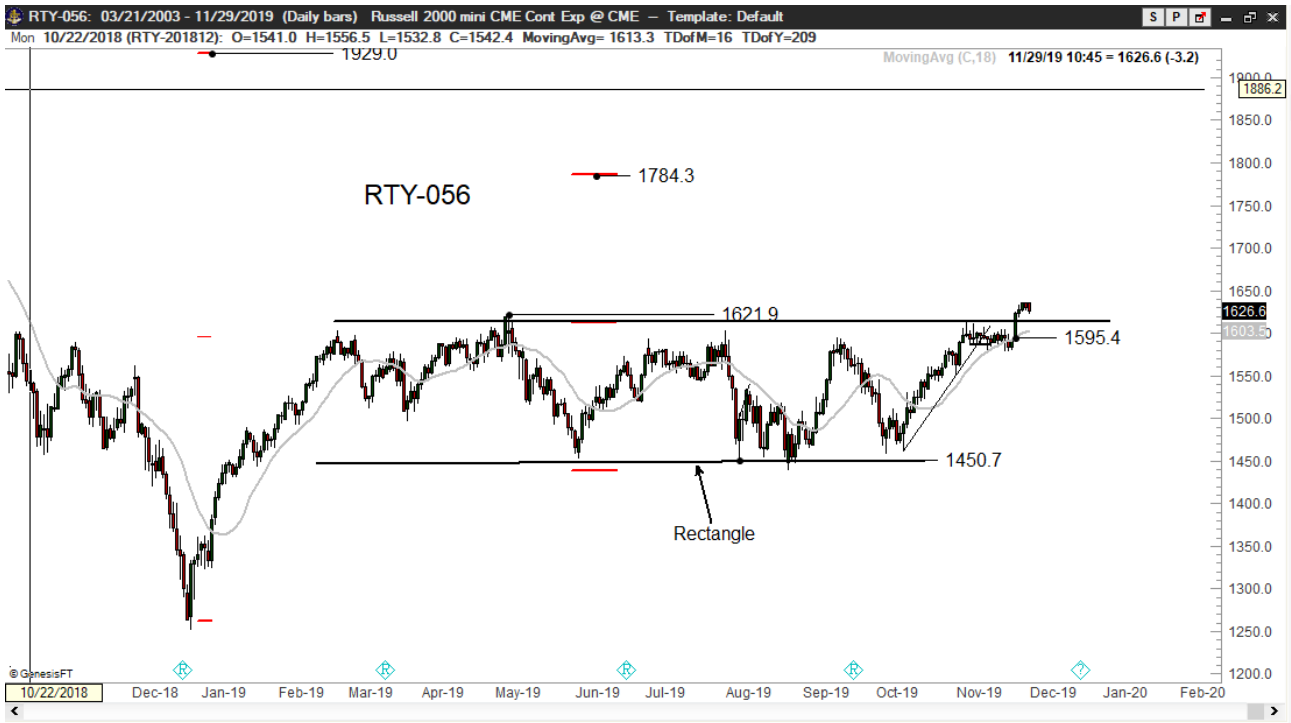
Global equity markets

The S&P 500 cumulative A/D line continues to display healthy market breadth. A correction is overdue, and I am adopting a defensive posture into next week.



Russell 2000 (CME)

Small caps have joined the parade. Factor is long.



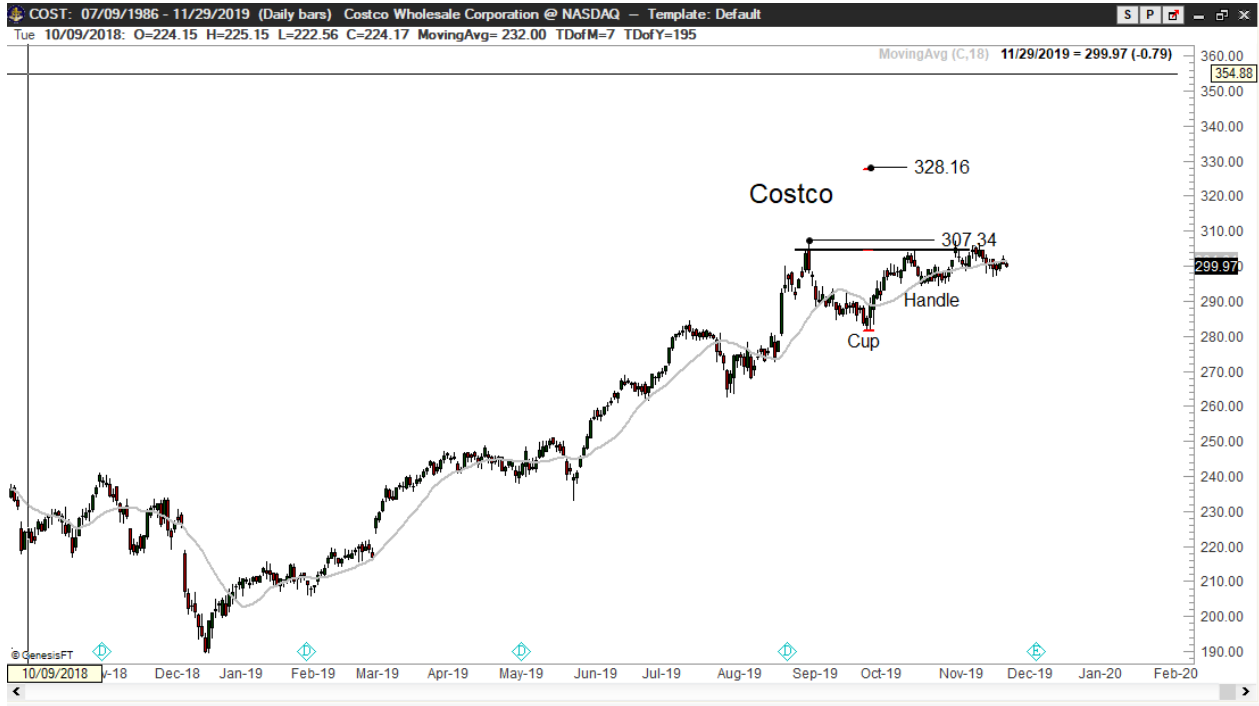
S&P 500 (CME)

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.

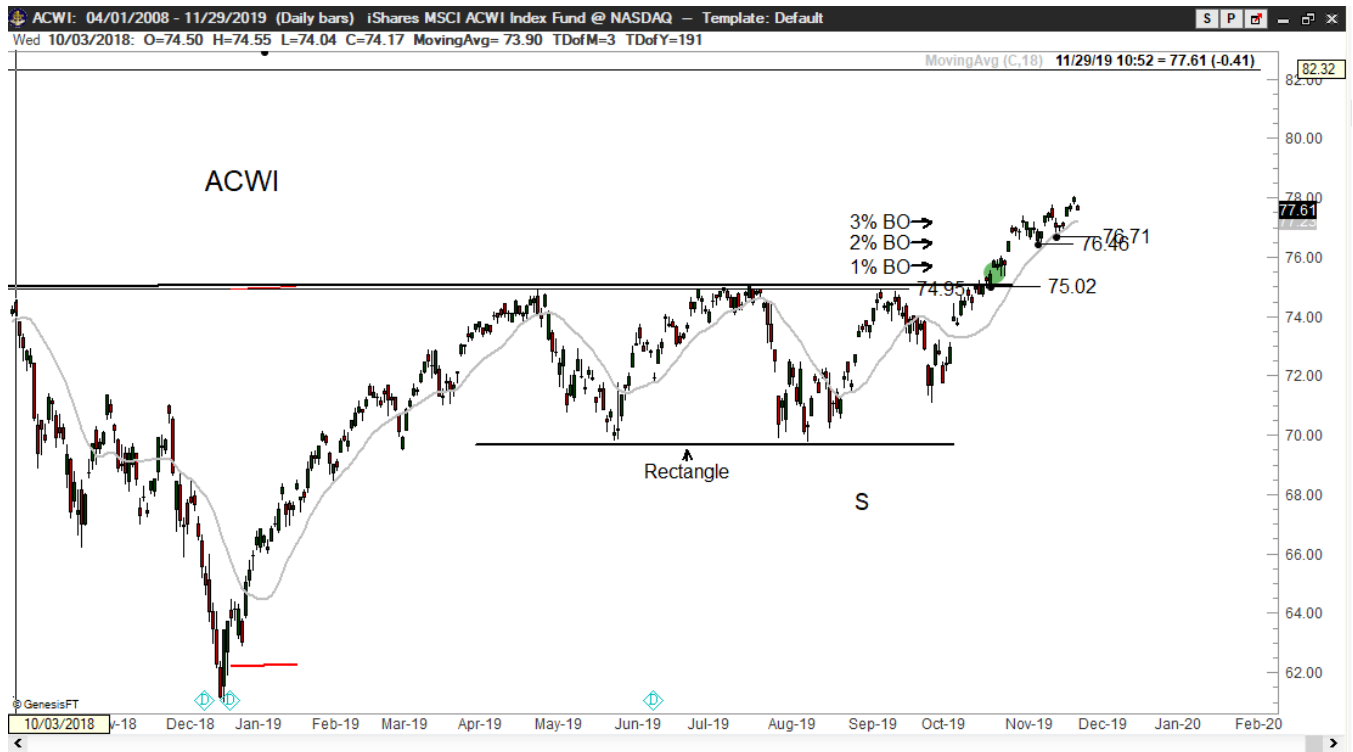
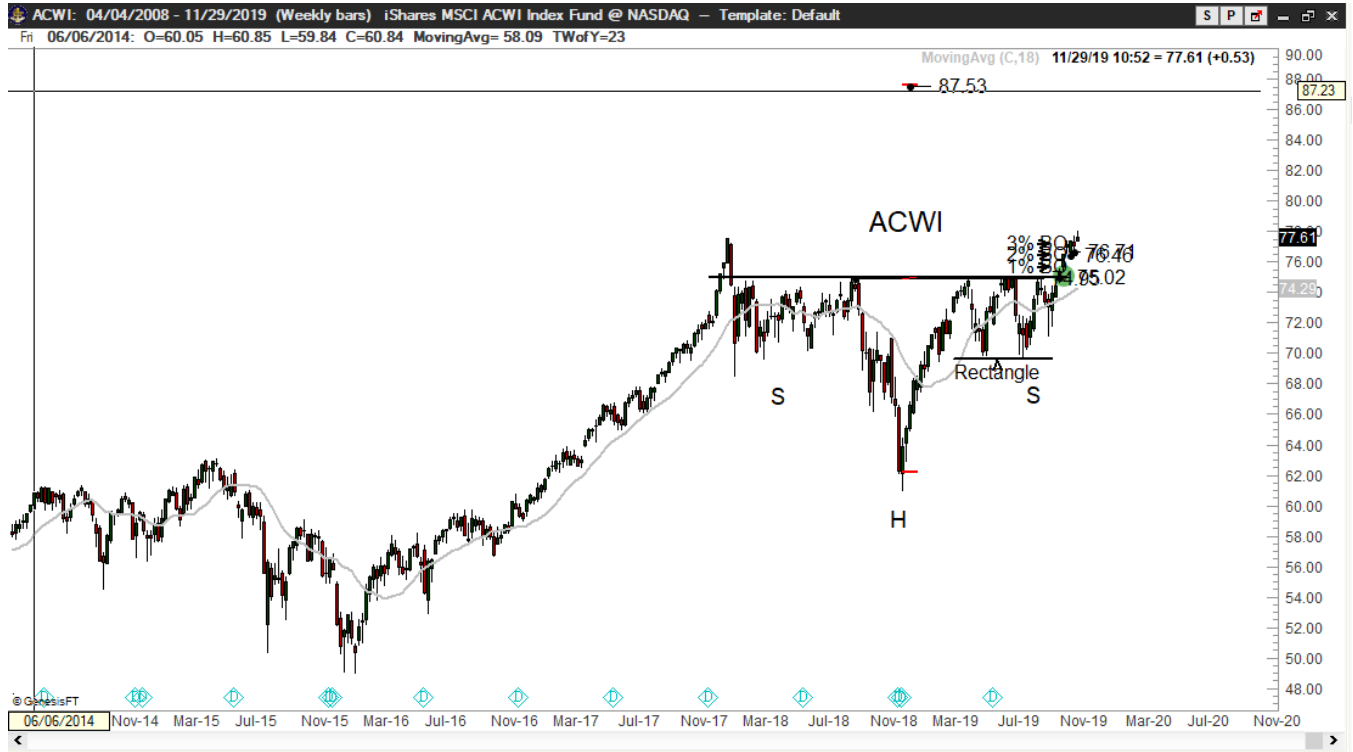


TSM (NYSE)

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



ACWI Fund (NASDAQ)
Factor is long.



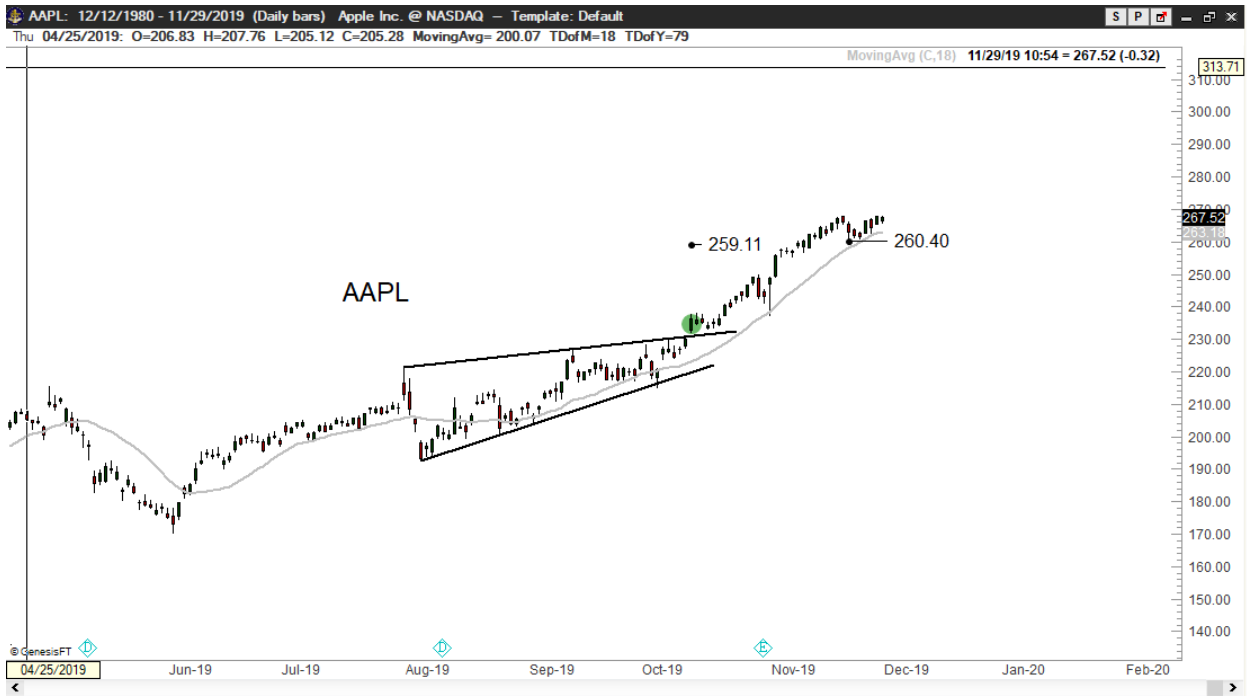
AMZN (NASDAQ)

A massive Cup and Handle is forming. Factor is flat.



AAPL (NASDAQ)

Factor remains long a tranche.



EQH (NYSE)

Factor is long. I covered a tranche on Wednesday just to lighten up my overall U.S. equity market exposure.



MSFT (NASDAQ)

Factor is long with tight stops on a tranche just below Friday's price action.



PTON (NASDAQ)

Factor is long a tranche. This stock is proof that a trader never has a large enough position on the really good trades.



MDY (NYSE)

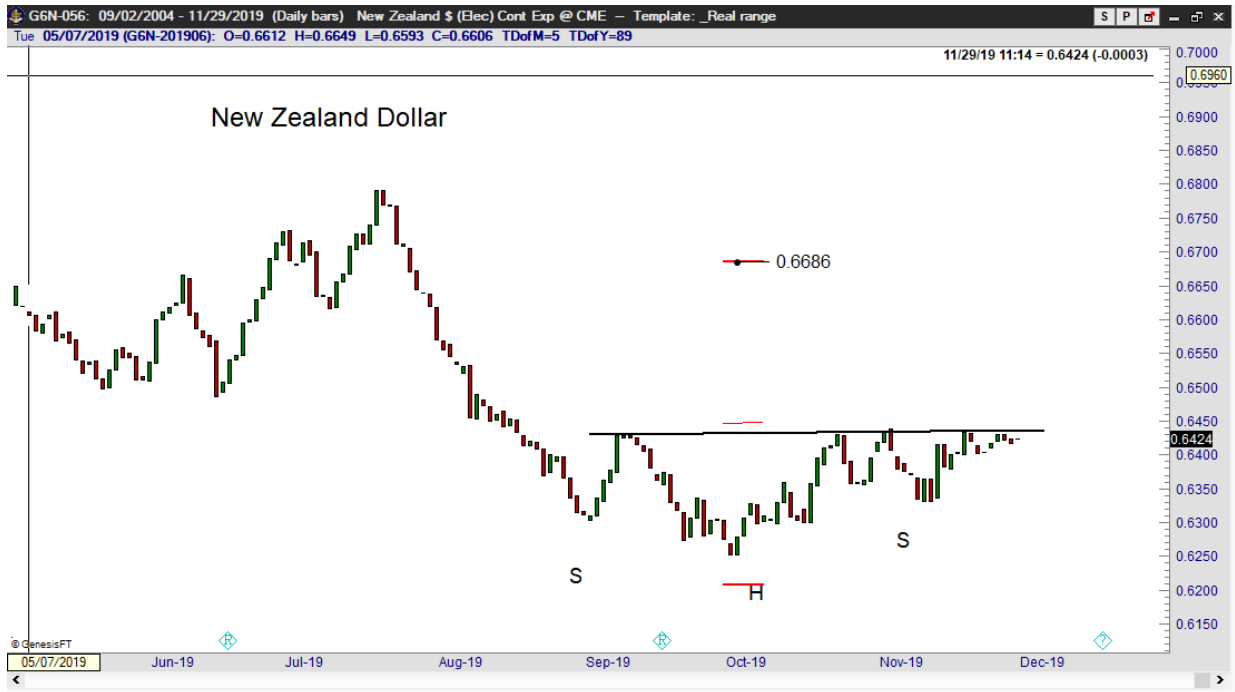
I bought the upside breakout of a small pennant on Tuesday (which served as a retest of a larger ascending triangle). My trading rules call to exit all losing trades on Friday. As of Friday's close this trade was a slight loser - and I bailed out. Factor is flat.



Foreign exchange

NZD/USD (CME)

I am interested in the long side of NZD. The chart is very clean without the spindles.



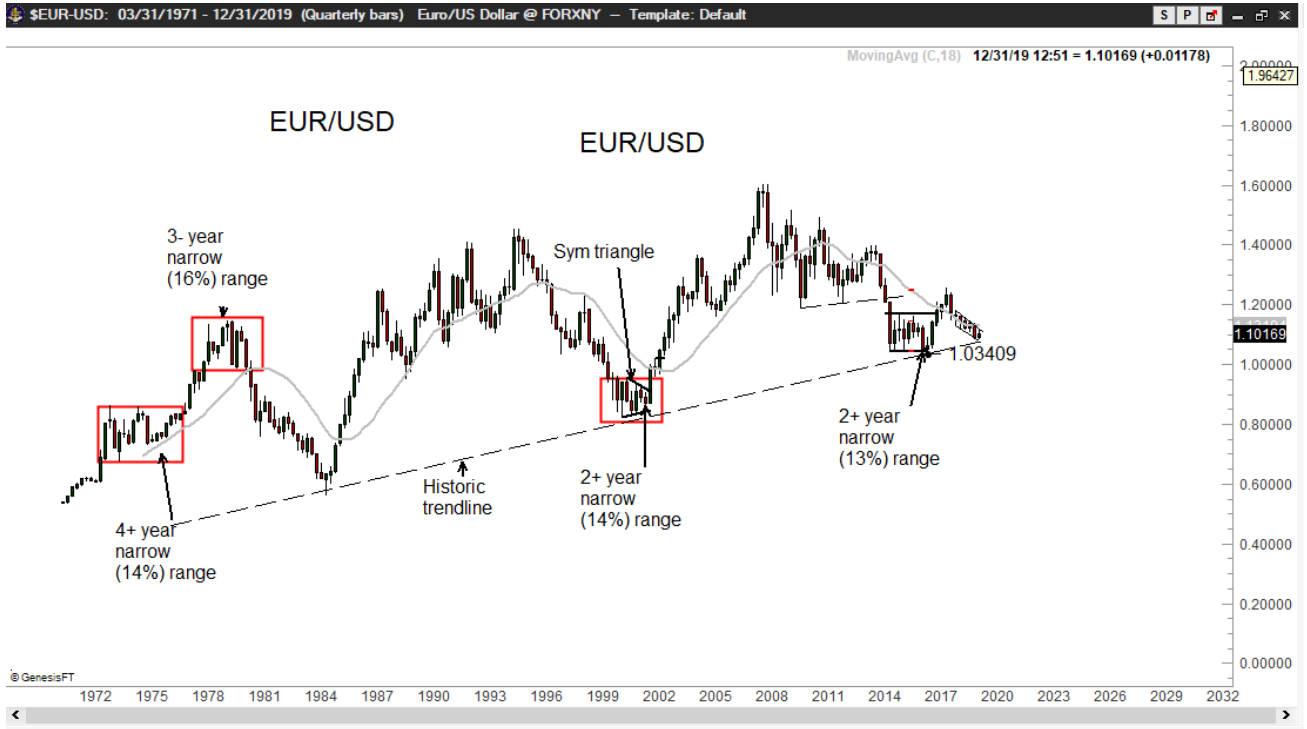
GBP/JPY

Factor is long (for the second time in recent weeks). I want to be out of all Pound exposure by the end of next week due to the uncertainty of Brexit.

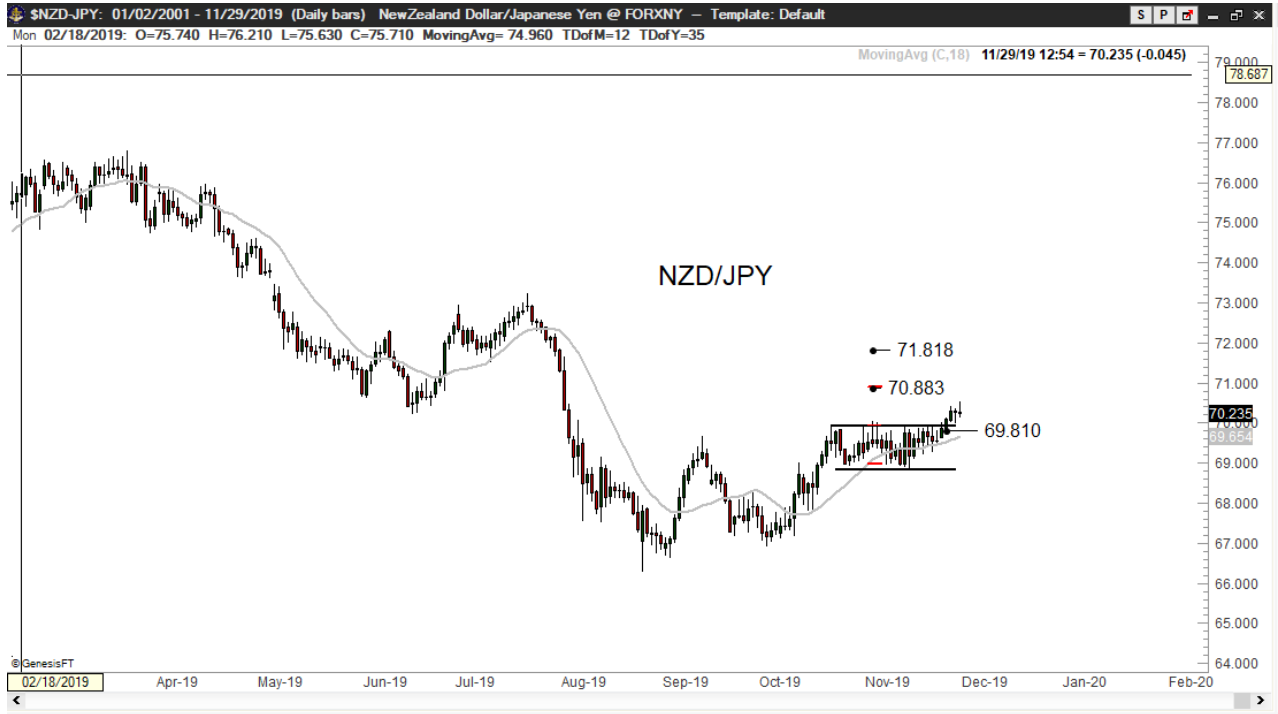


EUR/USD

There is a strong tendency for the EuroFX to make its annual low or high in January – something I call the January Effect. The EuroFX is approaching major support in the way of a multi-decade trendline on the quarterly chart. The weekly chart displays a possible 15-month falling wedge. For background on the January Effect, click here <https://www.peterlbrandt.com/factor-alert-december-28-2018-thoughts-to-end-the-year/>



NZD/JPY
Factor is long.



GBP/USD
A possible continuation inverted H&S is forming.



Interest rates

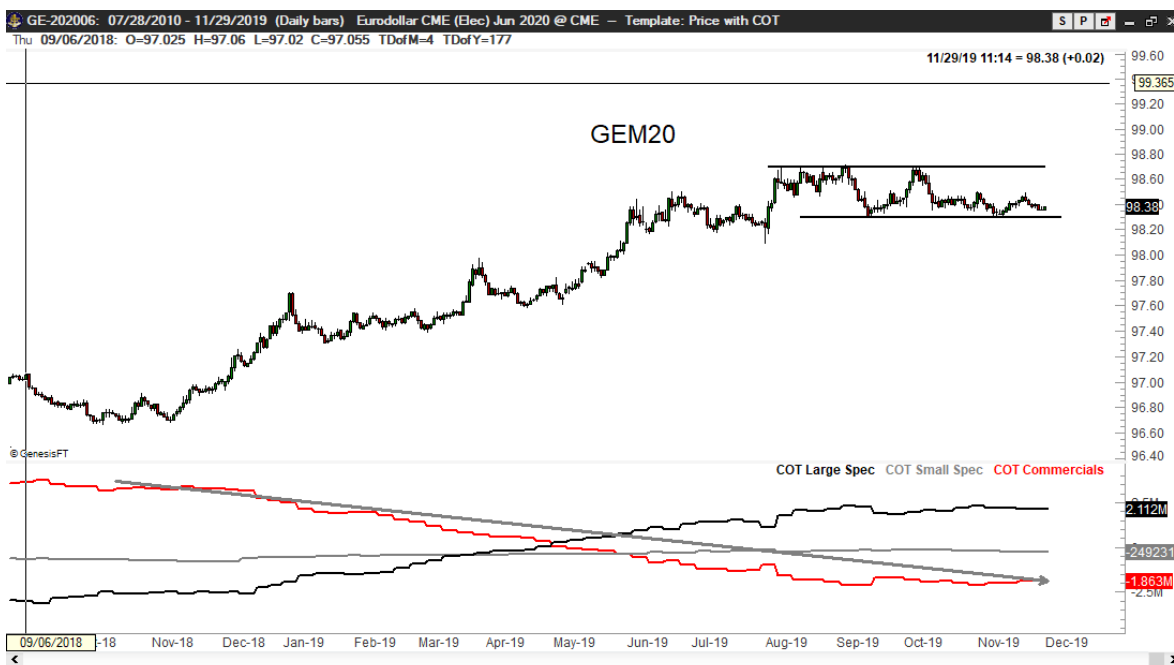
Fed Funds

A 4-month descending triangle is forming in the Jun 2020 contract. Commercials are holding a record short position. I am interested in the short side of this market.



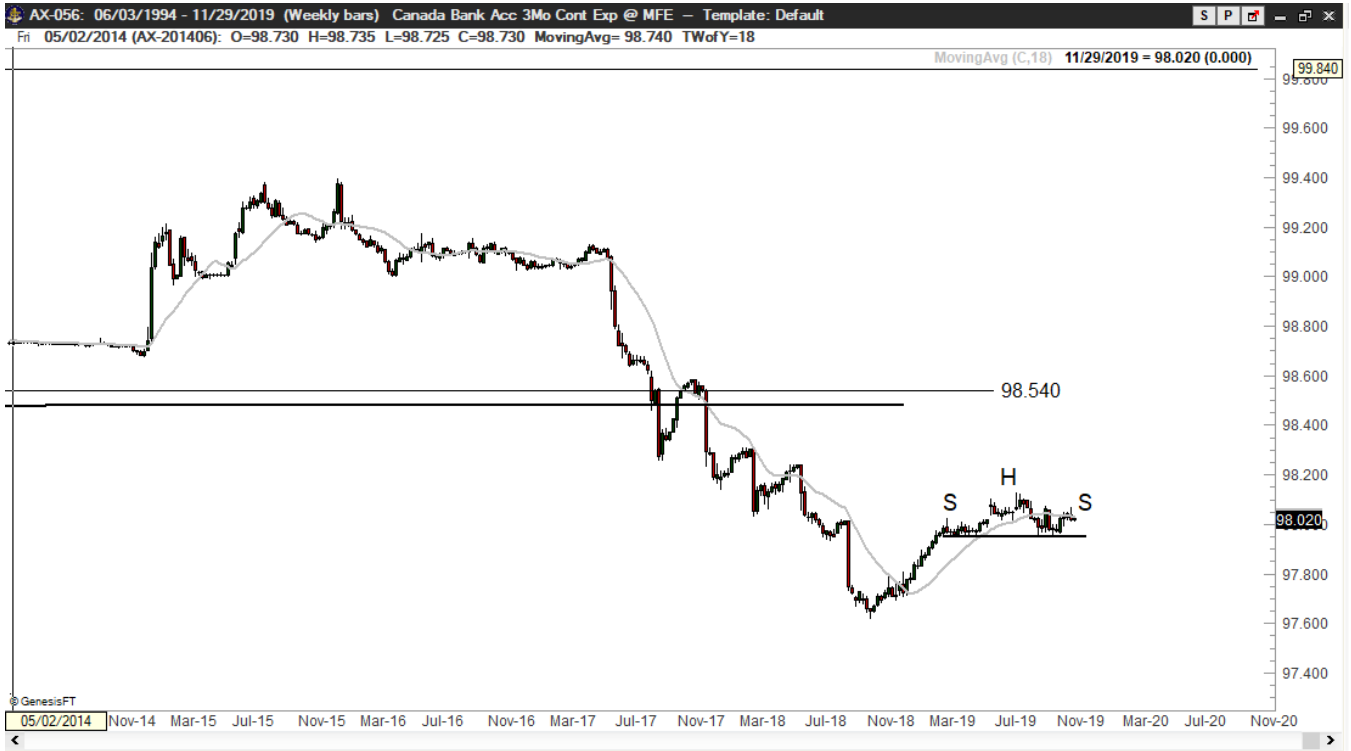
Eurodollars

The Jun 2020 contract is forming a possible top. Note the dramatic shift in the COT profile during the past year as commercials have moved from massive longs to massive shorts. I am monitoring this market for a selling opportunity.



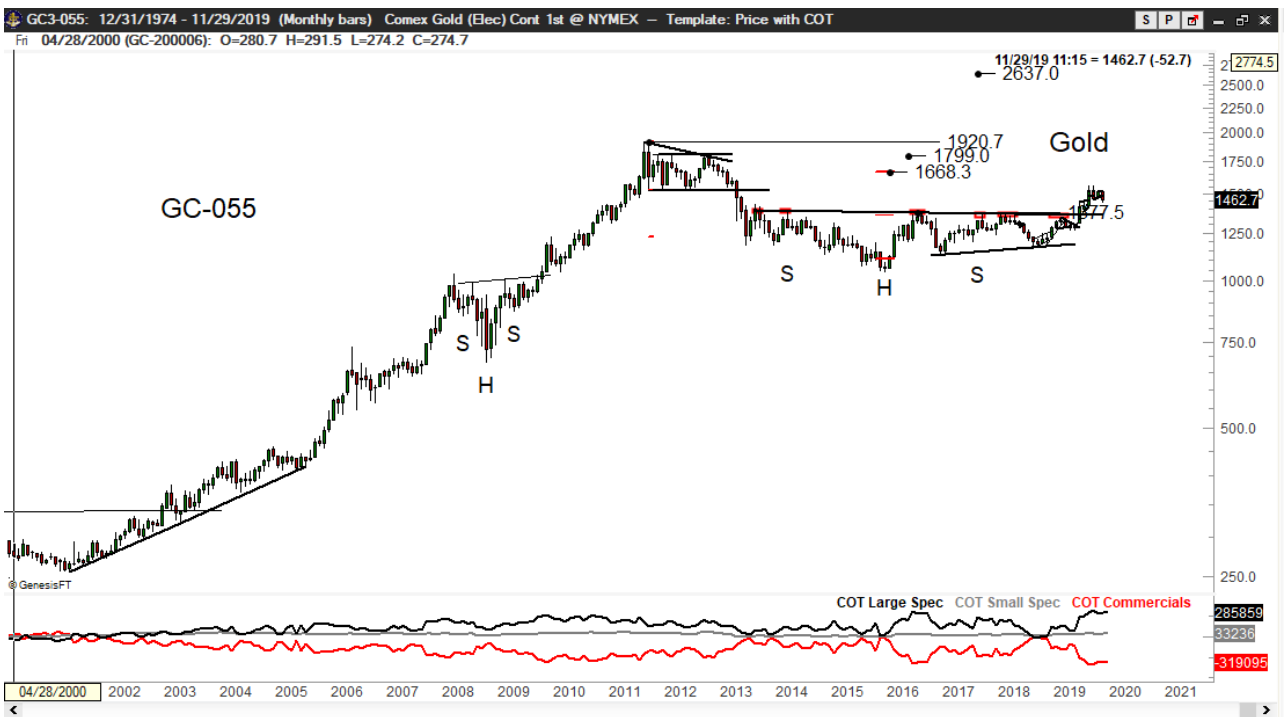
Canadian Bank Acceptances

This market appears to be forming a H&S top pattern for another down leg in a well-established bear trend.



Gold (NYMEX)

Factor remains short a tranche of Gold. The COT profile remains negative for the short term. However, the longer-term chart in Gold is very constructive. I am fully expecting a \$300-plus advance sometime in the next year or two.



Wheat (CBOT)

The advance this past week in Mar Chicago Wheat completed a massive compound fulcrum bottom. This is a strong buy signal based on the chart. Yet, it was difficult for me to justify being long Soft Red Wheat at a \$1 premium to Hard Red Wheat for the Factor Tracking Account coming into a weekend. I will revisit this chart on Monday.



Post Mortems	
<p><u>Brazilian Real</u> I shorted the Real at new ATLs on Tuesday, but chickened out of the trade on Wednesday. Loss = -3 MPs</p>	<p>FX_BRLUSD, LW 0.2356 ▼ -0.0027 (-1.13%) O:0.2381 H:0.2381 L:0.2341 C:0.2356</p> <p>0.5000</p> <p>0.4800</p> <p>0.4600</p> <p>0.4400</p> <p>0.4200</p> <p>0.4000</p> <p>0.3800</p> <p>0.3600</p> <p>0.3400</p> <p>0.3200</p> <p>0.3000</p> <p>0.2800</p> <p>0.2600</p> <p>0.2400</p> <p>0.2200</p> <p>0.2000</p> <p>0.1800</p> <p>0.1600</p> <p>0.1400</p> <p>0.1200</p> <p>0.1000</p> <p>0.0800</p> <p>0.0600</p> <p>0.0400</p> <p>0.0200</p> <p>0.0000</p> <p>2015 Jun 2016 Jun 2017 Jun 2018 Jun 2019 Jun 2020</p>
<p><u>MDY</u> Loss = -2 BPs</p>	
<p><u>Gold</u> The position was rolled from the Dec to the Feb contract. Gain = +50 BPs</p>	
<p><u>EQH</u> I exited half of the position on Wednesday to lighten my U.S. equity exposure. Gain = +17 BPs</p>	

plb
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The Factor Crypto Corner

Cryptos

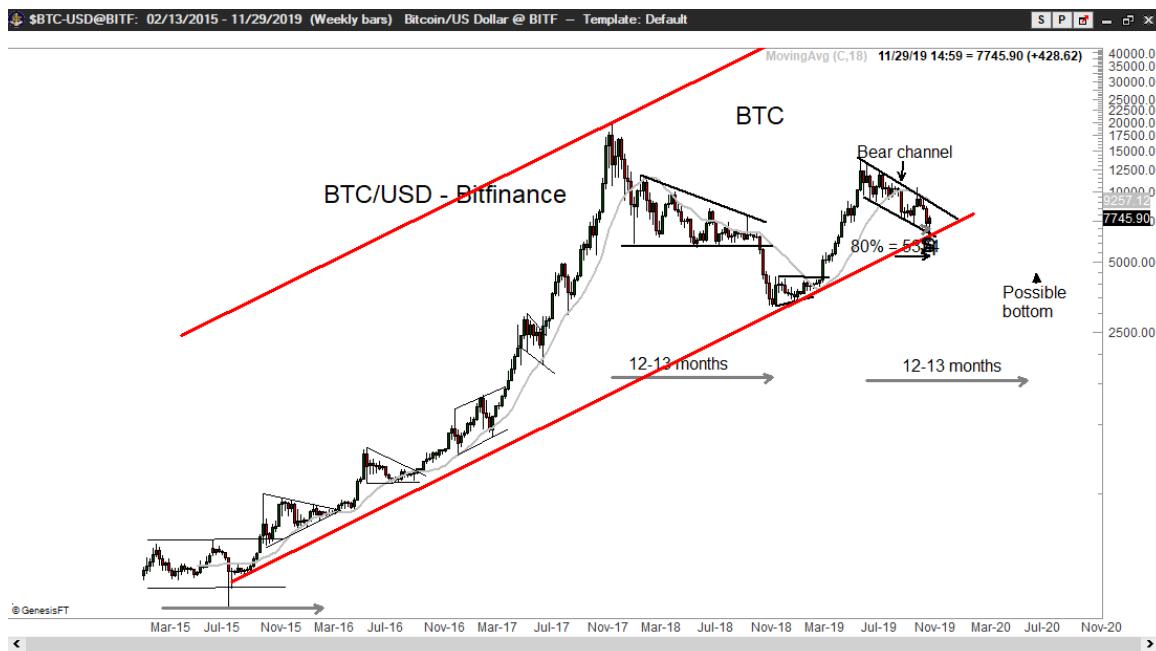
Bitcoin

In a Factor Special Report issued on Nov 24, I provided a detailed chart analysis of Bitcoin. Included were two bullish possible interpretations. One of the two views can be summarized as follows:

The dominant chart construction in BTC is the channel originating at the 2013 high.



The recent decline has found support at the lower boundary of this channel (red support line).



The market has bounced from the lower boundary of the bear channel dating back to the Jun 2019 high.



A small H&S bottom has been completed on the intraday chart.



Might all of the above add up to a meaningful bottom in BTC? That is doubtful, but stranger things have happened in my trading career. Factor is long BTC with tight stops.

