



"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, December 7, 2019

Market Review

This issue comments on global stock markets (S&Ps, \*DJIA, \*TSM, AAPL, China A50, \*Topix, \*Osaka Dow, Russell 2000, \*PTON, \*EQH), currencies (\*NZD/USD, \*NZD/JPY, \*GBP/JPY, \*GBP/USD), interest rates (Fed Funds, Eurodollars, Canadian Bank Acceptances), Heating Oil, Crude Oil), metals (Gold, Silver, Copper) and \*cryptos. \*Signifies a position in the Factor \$200,000 Tracking Account.

<p><u>Developing signals</u></p> <ul style="list-style-type: none"> <li>• Canadian Bank Acceptances</li> <li>• Osaka Dow</li> <li>• China A50</li> </ul>	<p><u>Existing positions</u></p> <ul style="list-style-type: none"> <li>• TSM</li> <li>• EQH</li> <li>• PTON</li> <li>• NZD/JPY</li> <li>• GBP/JPY</li> <li>• GBP/USD</li> <li>• NZD/USD</li> <li>• Topix</li> <li>• Osaka Nikkei Dow</li> <li>• DIA</li> </ul>
<p>The Factor Tracking Account is currently leveraged at 2.8X. Capital Utilization is at 59.8%. Note: Factor does not include the nominal value of interest rate futures contracts.]</p>	

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Global equity markets

The danger in building an extended position, including levered instruments, is in getting shaken out during a quick and sharp correction. This happened to me. I was stopped out of much of my composite position on Monday and Tuesday. It is difficult to get right back on the horse that threw you, but it is a necessary skill to acquire. Recognizing a possible island bottom in the U.S. equity ETFs on

Wednesday, I began rebuilding a long position, although I entered the weekend with far less exposure than I held at the beginning of the week.



DJIA

It now appears that the decline on Monday and Tuesday was a near perfect retest of the underlying symmetrical triangle. The dragonfly doji on Tuesday and gap up on Wednesday left a one-day island bottom – this was potentially a very bullish signal (although gaps and island are much more common in equities and EFTs than they are in futures). Factor is long DIA.



Peter Brandt @PeterLBrandt

If this baby gets abandoned I think I will adopt it \$DIA

Responding to a market shock

A number of Factor members contact me this past week, seeking advice on how to respond to the type of market decline experienced on Monday and Tuesday. Everyone needs to work out for themselves their response to this type of market shock, but my practice is to exit positions immediately and ask questions later. More often than not, markets recover from such a shock, but sometimes a market keeps going. My first instinct is to live for another day.

Russell 2000 (CME)

Factor is flat, having been stopped out on Tuesday. The bullish pattern was recompleted on Friday.



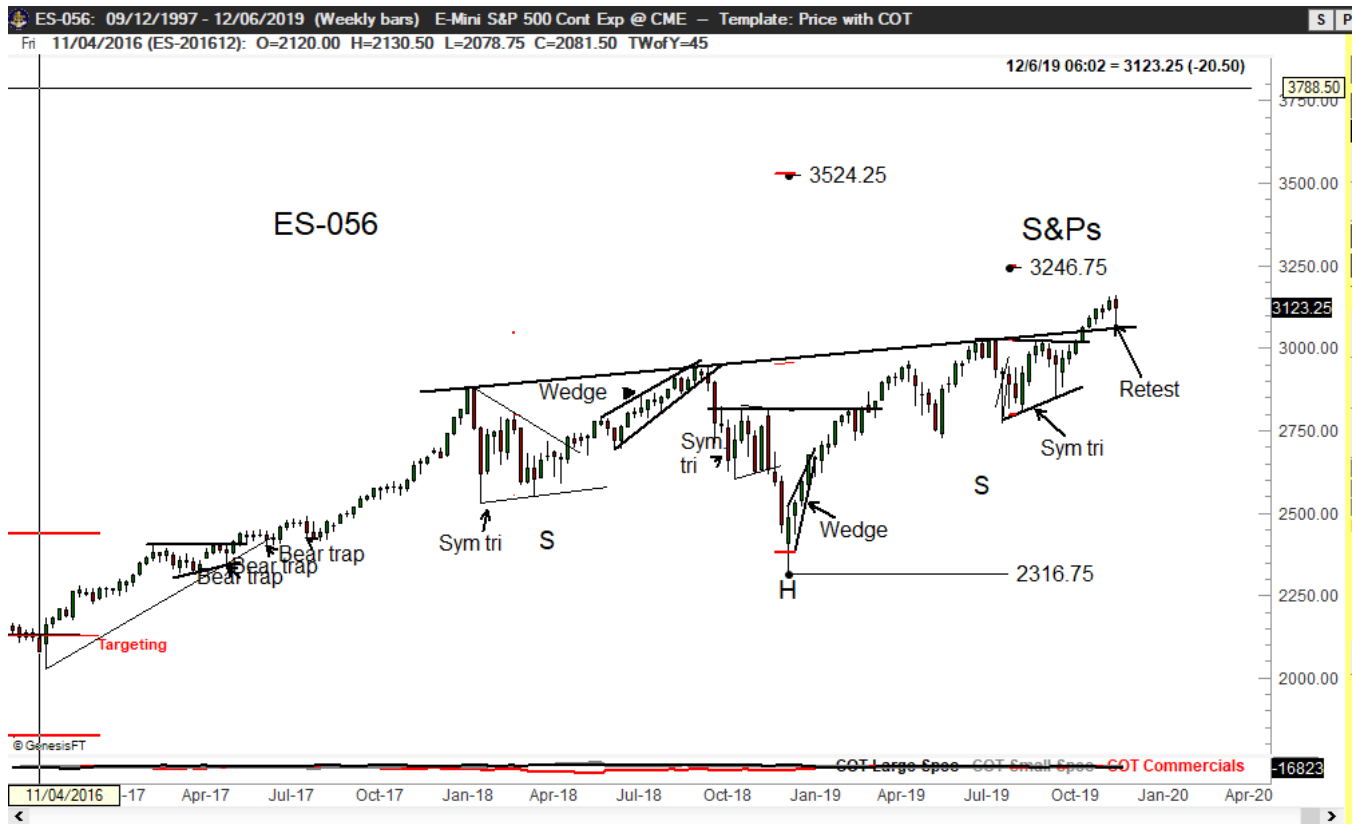
EQH (NYSE)

Factor is long.



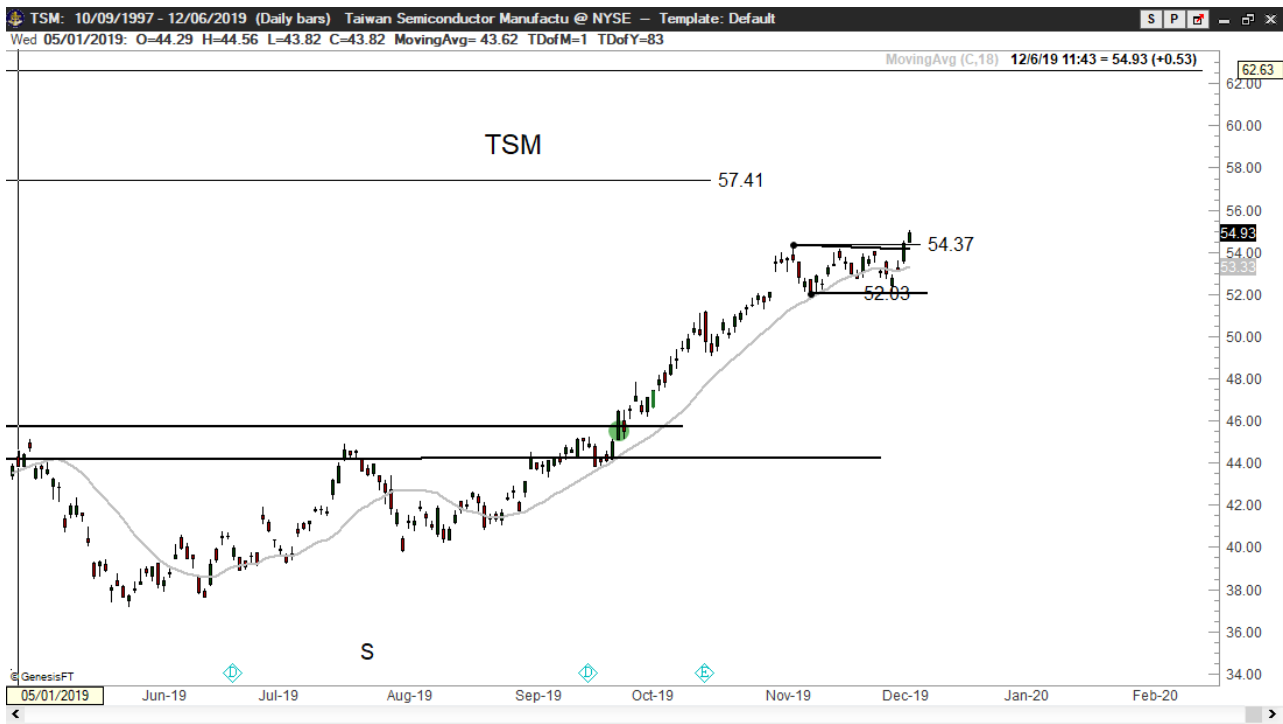
S&P 500 (CME)

Factor is flat, having been stopped out on Tuesday.



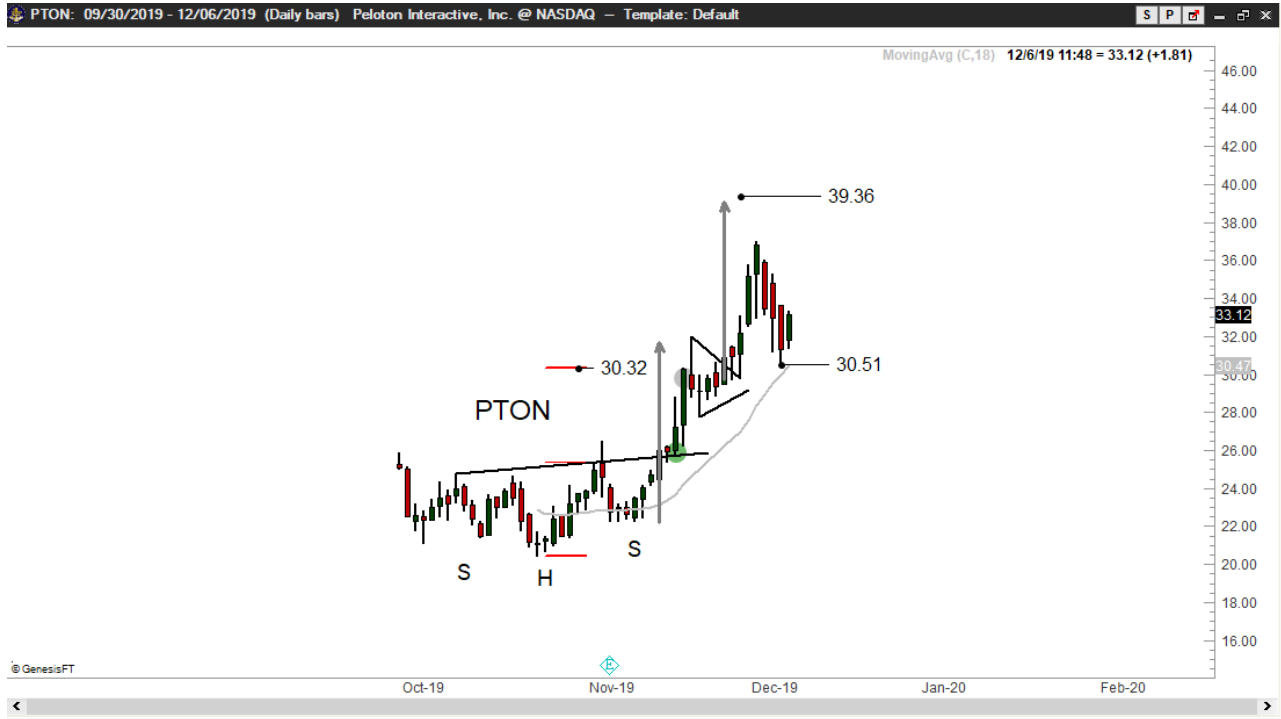
### TSM (NYSE)

Factor is long. The decline on Monday and Tuesday was unable to violate the Nov 12 low (this was constructive). The advance on Thursday completed a continuation pennant.



PTON (NASDAQ)

Factor is long a "skinny" position.



Topix (TSE)

Factor is long. The advance on Friday completed a pennant.



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### Osaka Dow (TSE)

The quarterly chart of the Nikkei Dow speaks for itself. Of course, there are some macro reasons why Japanese equities remain well under the late highs made in late 1980s. The daily chart is attempting to complete a small continuation pennant. Factor is long, having bought an anticipatory position on Thursday.



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OSE\_DLY:NK225M1, 1D 23540.0 ▲ +120.0 (+0.51%) O:23415.0 H:23560.0 L:23335.0 C:23540.0



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China A50 (SSG)

The daily chart is forming a possible ascending triangle. Factor is flat, but interested.





AAPL (NASDAQ)

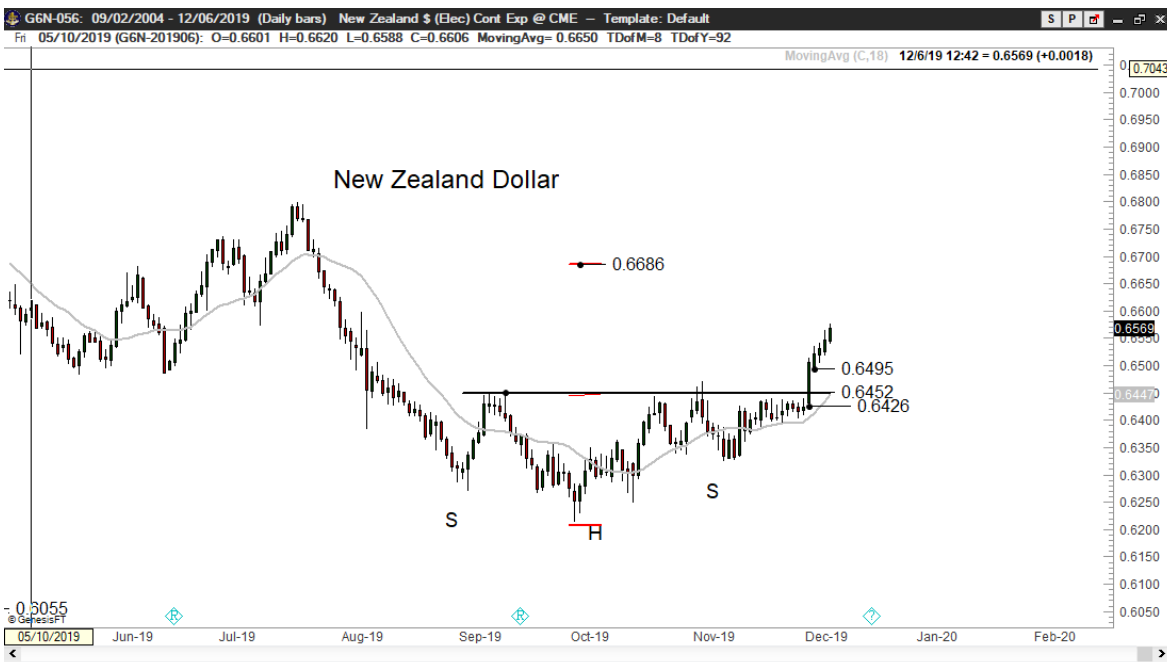
The sharp decline on Tuesday followed by the advance into new ATHs completed a "J-hook" or "fish-hook" pattern. Factor is flat, having been stopped out on Tuesday.



Foreign exchange

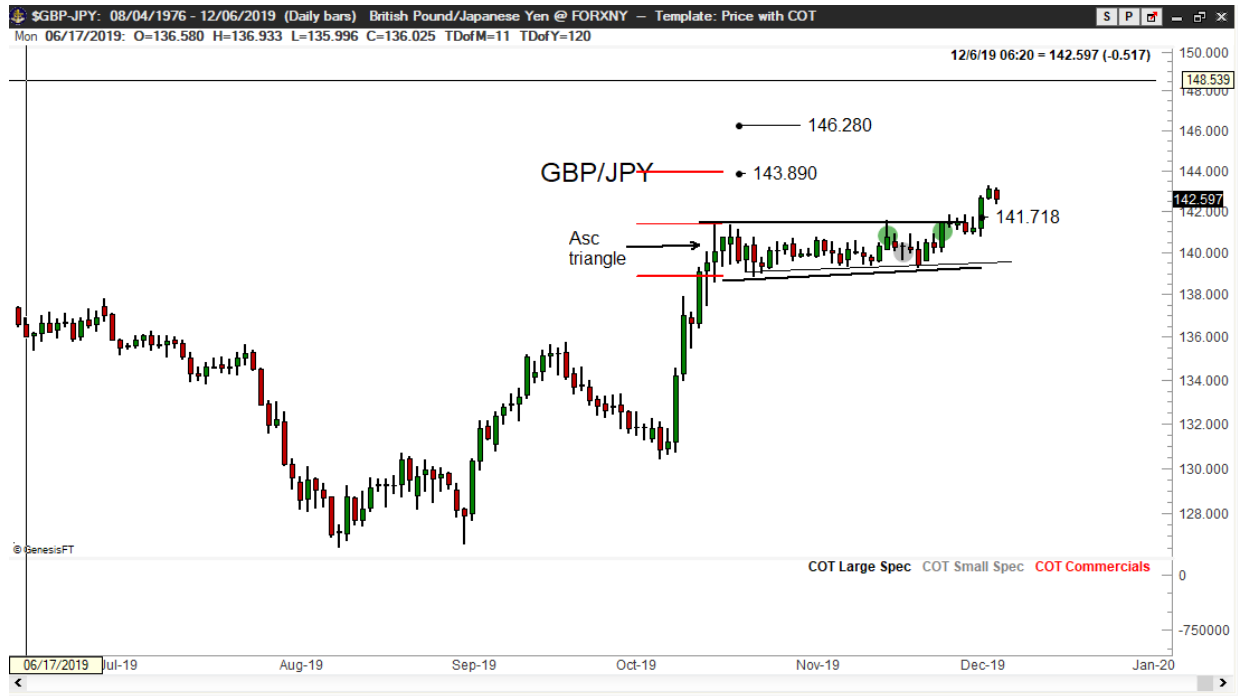
NZD/USD (CME)

Factor is long futures. Positions need to be rolled to the Mar contract.



### GBP/JPY

Factor is long. I want to exit this position by the EOB Tuesday.



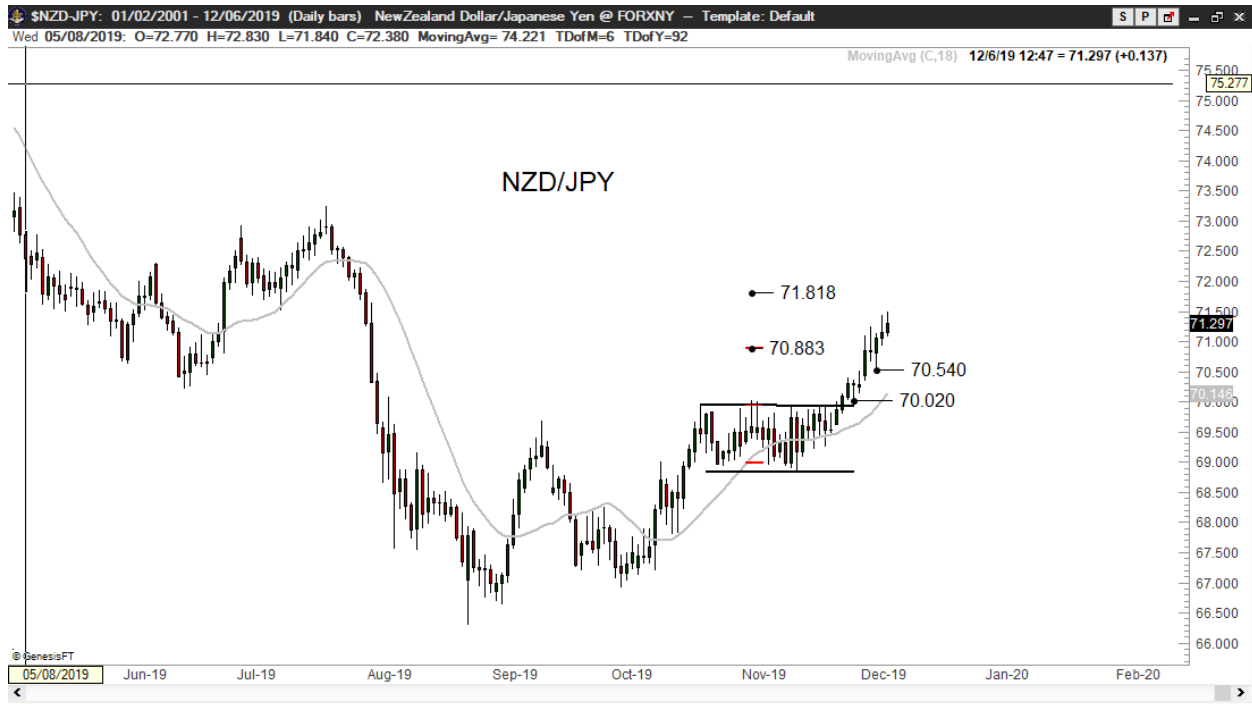
### GBP/USD (CME)

Factor is long. I want to be out of this trade early next week. If the Brexit vote results in an upside explosion in GBP my early exit will look foolish. So be it.



### NZD/JPY

Factor is long. Price has reached 70% of the distance to the target. The 3DTSR is now in effect.



### Interest rates

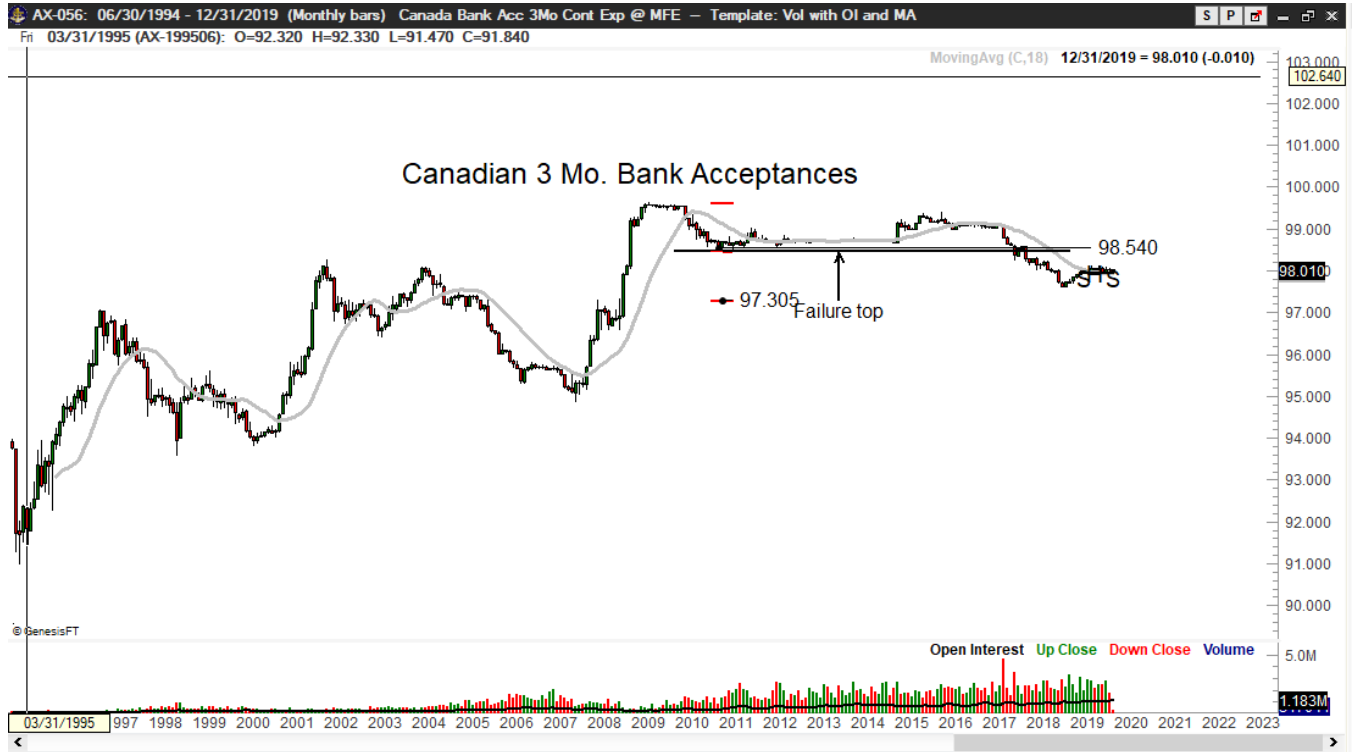
#### Fed Funds (CME)

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.



Canadian Bank Acceptances

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



### Eurodollars (CME)

The Jun 2020 contract is forming a possible top. This contract month is pricing in a Fed rate drop.



### Metals

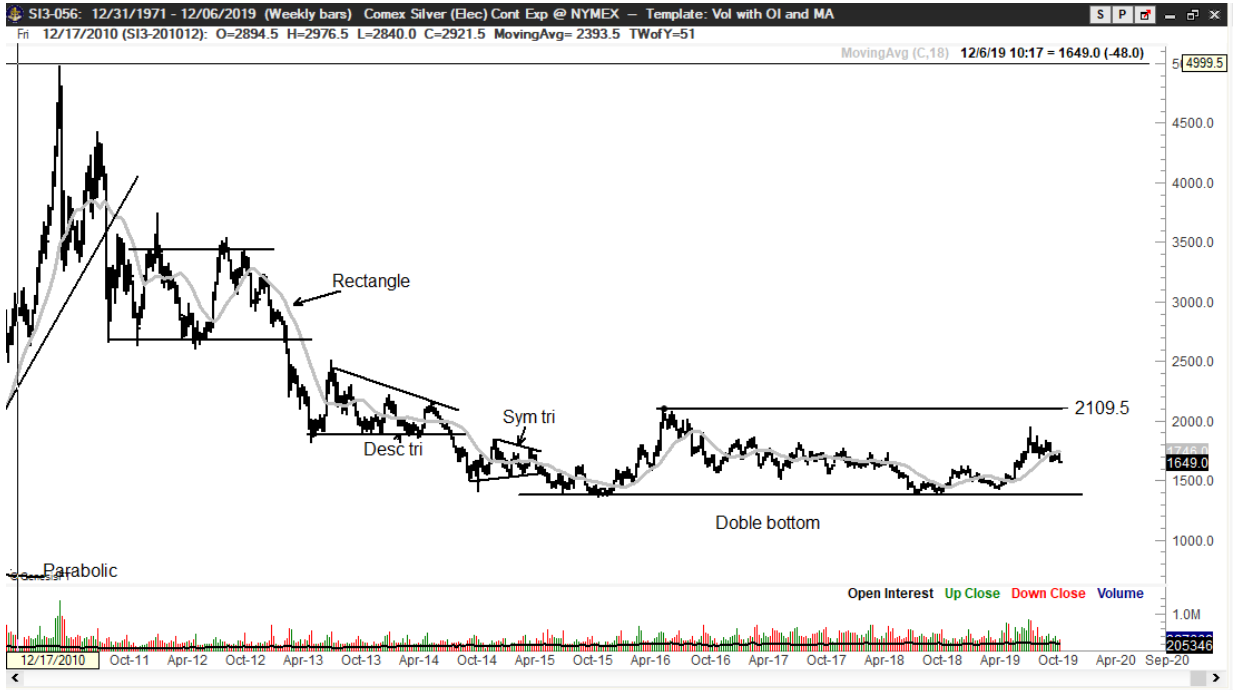
#### Gold (NYMEX)

Factor is flat, having been stopped out of a short position this past week. The decline on Friday may be the first sign that the near-record commercial short position will drag Gold lower, perhaps down to support at 1380. The surprise could be that prices will fall much lower than 1380.



**Silver**

Silver currently has a major COT problem with Commercials holding a near-record short position and hedge funds holding a near-record long position. It is difficult to imagine Silver in a bull trend given this COT profile. Yet, the charts present a very compelling story for a major bull move. The weekly chart displays a possible 4-year double bottom, pending a decisive close above 2109. Needless to say, I have no desire to wait for this confirmation prior to establishing a long position. The daily chart is forming a possible falling wedge. Note that this wedge could terminate as a test of the underlying double bottom with a mid-point low at 1620. Factor is flat.



## Copper

This market has one of the most dependable seasonal tendencies of all raw material. Copper often advances from a Nov low to an Apr high. Friday's rally might indicate that the season move has begun. Copper is way too spicy for my blood, but JJC (Copper ETF) is an acceptable alternative. I will take a fresh look at JJC next week.



## Heating Oil

Sub 12 ADX readings often precede the beginning of a strong trend. It is extremely rare for a sub 12 reading on both the weekly and daily charts of a market. This is currently the case in Heating Oil. I will monitor this market.





Post Note to a crazy week

After almost a year of carrying very light positions and remaining mostly in cash, I stepped up to the betting window in recent weeks. I entered this past week with a heavy position in U.S. equities and equity futures. I was shaken out of the trees by the sharp break early in the week. Yet, I sense that substantial upside remains, so I jumped back in starting Wednesday. The result is that I made far more trades than I feel comfortable making in recent days. It could be that a further correction in U.S. equities is ahead. If I am shaken out again I will wait a week or two before dipping my toes back in the water.

Post Mortems	
ACWI Gain = +11 BPs	Chi Wheat Loss = -10 BPs
Micro Gold Loss = -26 BPs	Bitcoin Gain = +5 BPs
NZD/JPY Gain = +35 BPs	Micro Russell Loss = -19 BPs
MSFT Gain = +50 BPs	TSM Gain = +36 BPs
AAPL Gain = +75 BPs	Micro S&Ps Gain = +98 BPs

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# The Factor Crypto Corner

## Cryptos

### Bitcoin

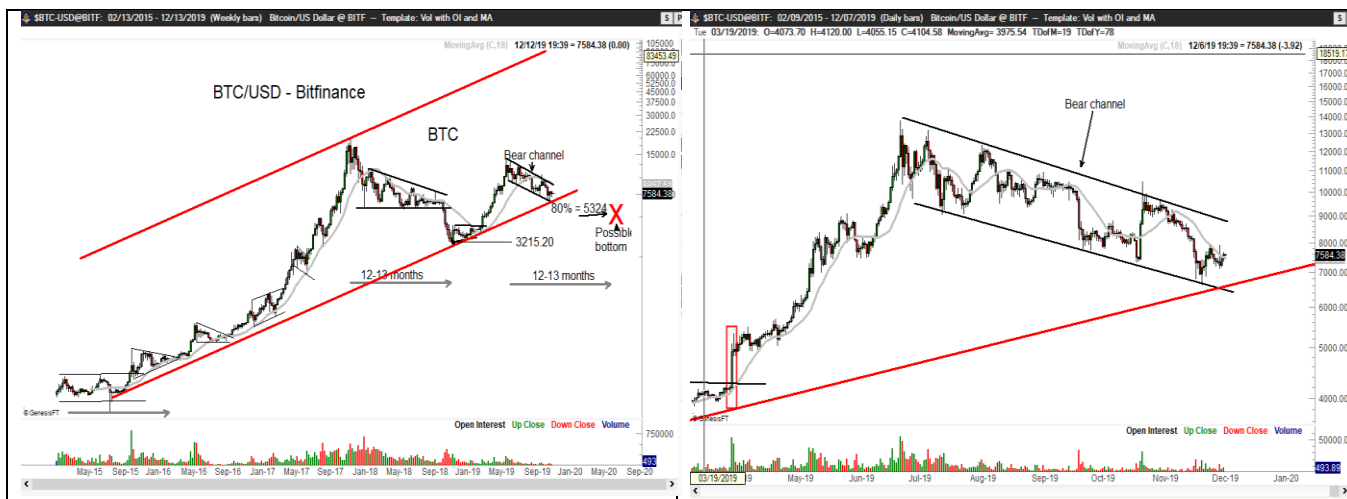
BTC is retesting the lower boundary of a multi-year up channel (red line). The daily chart displays a bear channel from the Jun high. The upward penetration of this daily chart bear channel would be an indication that a sharp advance could occur. I will monitor this market closely for a buying opportunity.

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BNC:BLX, 1W 7394.53 ▲ +199.24 (+2.77%) O:7408.57 H:7742.22 L:7099.24 C:7394.53



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Factor Tracking Account, December 6, 2019

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

Factor LLC															12/6/2019			
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	Trade date	Price				
TSM	Taiwan Semi	9/26/19	L	46.032	200	43.730	22	53.290	12/6	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	100	43.730	11	52.590	11/29	56.970	20-mo cont H&S	20-mo cont H&S	3-Dec	52.35	\$ 631	Closed	-	
AAPL	Apple	10/14/19	L	235.6	50	227.2	21	259.87	11/27	Open/MA	11-wk running wedge	11-wk wedge	3-Dec	257.43	\$ 1,512	Closed	-	
MESZ19	Micro S&P	10/28/19	L	3031.00	3	2995.00	27	3087.50	11/27	3235.00	Poss 21 mo cont H&S	3-mo sym tri	3-Dec	3087.25	\$ 837	Closed	-	
MESZ19	Micro S&P	10/28/19	L	3031.00	3	2995.00	27	3107.50	12/2	3235.00	Poss 21 mo cont H&S	3-mo sym tri	3-Dec	3106.75	\$ 1,129	Closed	-	
ACWI	All World Fund	10/28/19	L	75.712	200	74.19	16	76.47	11/27	87.53	20-mo cont H&S	6-mo rectangle	3-Dec	76.31	\$ 119	Closed	-	
ACWI	All World Fund	10/28/19	L	75.712	200	74.19	16	76.27	11/15	87.53	20-mo cont H&S	6-mo rectangle	3-Dec	76.26	\$ 109	Closed	-	
MSFT	Microsoft	11/7/19	L	144.19	100	140.73	18	150.97	11/27	152.97	13-wk asc tri	13-wk asc tri	2-Dec	150.945	\$ 676	Closed	-	
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	3-Dec	147.35	\$ 316	Closed	-	
EQH	AXA Equitable	11/14/19	L	23.17	300	22.19	15	23.39	12/3	26.48	28-mo cont H&S	28-mo cont H&S				\$ 6,951	\$ 6,951	
PTON	Peloton	11/15/19	L	26.41	200	25.19	13	30.27	12/5	39.27	6-wk H&S	6-wk H&S				\$ 5,282	\$ 5,282	
M2KZ19	Russell	11/25/19	L	1609.1	10	1589.9	50	1603.7	12/2	1764.2	9-mo rectangle	9-mo rectangle	3-Dec	1601.7	\$ (380)	Closed	-	
NZD/JPY	NZD/JPY	11/26/19	L	70.054	100k	69.57	22	69.78	11/27	70.83	5-wk pennant	5-wk pennant	2-Dec	70.83	\$ 711	Closed	-	
NZD/JPY	NZD/JPY	11/26/19	L	70.054	100k	69.57	22	70.39	12/5	71.78	5-wk pennant	5-wk pennant				\$ 3,214	\$ 64,280	
BTC (GDAX)	Bitcoin	11/26/19	L	7396.68	2	7129	27	7361	11/29	8237	5-mo channel	6-day H&S	1-Dec	7358.9	\$ 96	Closed	-	
GBP/JPY	GBP/JPY	11/26/19	L	141.272	60k	140.248	28	142.24	12/6	143.77	6-wk pennant	6-wk pennant				\$ 3,872	\$ 77,430	
MCGG20 (RO)	Micro Gold	11/27/19	S	1461.0	3	1487.2	RO	1477.9	12/3	1424.7	13-wk failure top	5-wk sym tri	3-Dec	1478.0	\$ (519)	Closed	-	
NZDZ19	New Zealand \$	12/2/19	L	0.6453	1	0.6398	28	0.6422	12/2	0.6667	16-wk H&S	16-wk H&S				\$ 1,320	\$ 64,530	
NZDZ19	New Zealand \$	12/2/19	L	0.6453	1	0.6398	28	0.6479	12/6	0.6667	16-wk H&S	16-wk H&S				\$ 1,320	\$ 64,530	
ZWH20	Chi Wheat	12/2/19	L	5.3725	1	5.2775	25	5.335	12/2	6.08	20-mo fulcrum	20-mo fulcrum	3-Dec	5.335	\$ (193)	Closed	-	
DIA	DIA ETF	12/4/19	L	277.06	200	273.37	37	275.47	12/6	318.44	Retest 15 wk asc tri	Island				\$ 55,412	\$ 55,412	
GBPZ19	British Pound	12/4/19	L	1.3026	1	1.2928	31	1.3087	12/6	1.3287	7-wk H&S	7-wk H&S				\$ 2,880	\$ 81,413	
JNEH20	Osaka Mini Dow	12/5/19	L	23330	3	23015	38			26845	Historic bull trend	Possible pennant				\$ 4,855	\$ 64,507	
TSM	Taiwan Semi	12/5/19	L	54.41	400	53.39	20	53.74	12/6	57.39	20-mo cont H&S	4-wk pennant				\$ 21,764	\$ 21,764	
JIMH20	Topix mini	12/6/19	L	1718.0	3	1699	25			1838	24-mo cont diamond	4-wk pennant				\$ 3,595	\$ 47,502	
															Trades as of	\$ 5,044	\$ 119,671	\$ 562,807
															Indicates open position value as of		Levered at	2.81
PAST RESULTS ARE NOT NECESSARILY INDICATIVE OF FUTURE PERFORMANCE															ROR YTD		Cap utiliz.	59.8%
r = revised RO = Rollover A = Alert																		

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