



August 15, 2021

Trading Commentary – What do I do when I cannot buy a winning trade?

The harsh reality is that all approaches to trading and investment have good times and bad times, trending times and choppy times, enjoyable times and miserable times. We could wish this not to be true, but “wishing” has never proven to be a dependable trading strategy.

In the early days of my career (early 1980s) the losing periods were frightening. Such thoughts would cross my mind as:

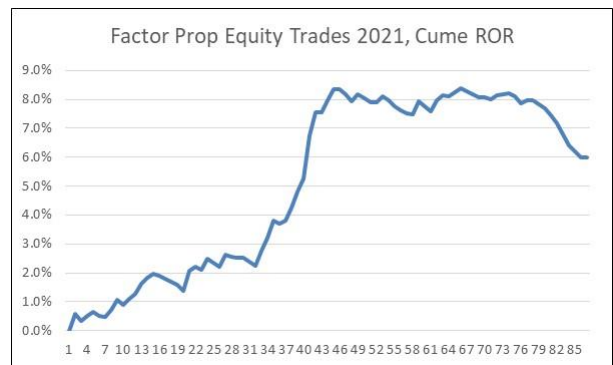
- *Will I have any money left when my trading plan starts to work again?*
- *Are my trading rules broken forever?*
- *Were my past successes a fluke?*
- *What do I need to change, and how quickly?*

I’ve learned that challenging times come and go ... and come and go ... and come and go. They are part of market speculation. In no way am I diminishing the need to take financial and emotional drawdown periods seriously. Two of the biggest skill sets a trader can develop are self-awareness and self-honesty.

A mature trader must develop (A.) the sense of being out-of-synch with one’s trading approach as well as (B.) the sense of when one’s trading approach is out-of-synch with the markets – and the wisdom to understand the difference between (A.) and (B.).

There are times when coming to terms with challenging times can be difficult. This is when taking extremely small losses becomes paramount. There have been times during my career when my trader’s “inner-ear” had extended vertigo – as recently as 2013 I encountered an 18-month period of vertigo. No fun. But as long as we can keep our pile of chips somewhat intact, we have the time to figure things out.

Such is my current engagement of the U.S. equity markets. The U.S. stock market has been on a steady climb, particularly tech stocks as measured by the NASDAQ. Yet, I have been a loser since mid-May (sequential closed trade basis). I have a hypothesis as to “why,” but at this time I have no certainty.



The emotional urge during challenging times is “*change something, change anything.*” This is the wrong response. Of course, there are legitimate reasons to make changes to one’s approach to market speculation. But the dangers of making constant adjustments to one’s trading approach outweigh the benefits, in my opinion. The exception to this is if a trader is “gushing blood.” I would define this (for myself) as regular daily asset volatility exceeding 100 BPs or a DD exceeding 500 BPs. I will leave a further discussion of this subject for another day

Markets

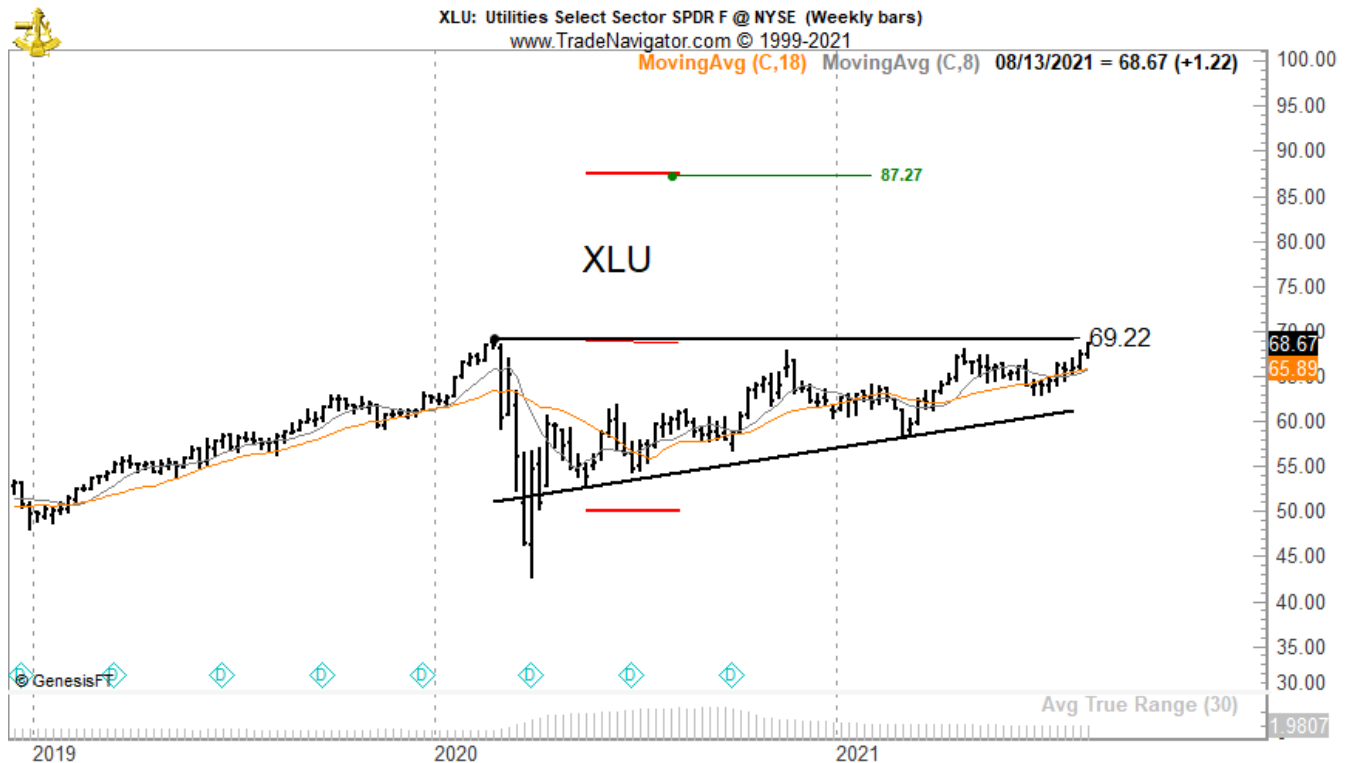
I am presently very light in my Prop Account trading deck – long cryptos, Mpls Wheat, Corn, Costco and short a small Canadian Dollar position.

The focus of my attention for the upcoming week will be:

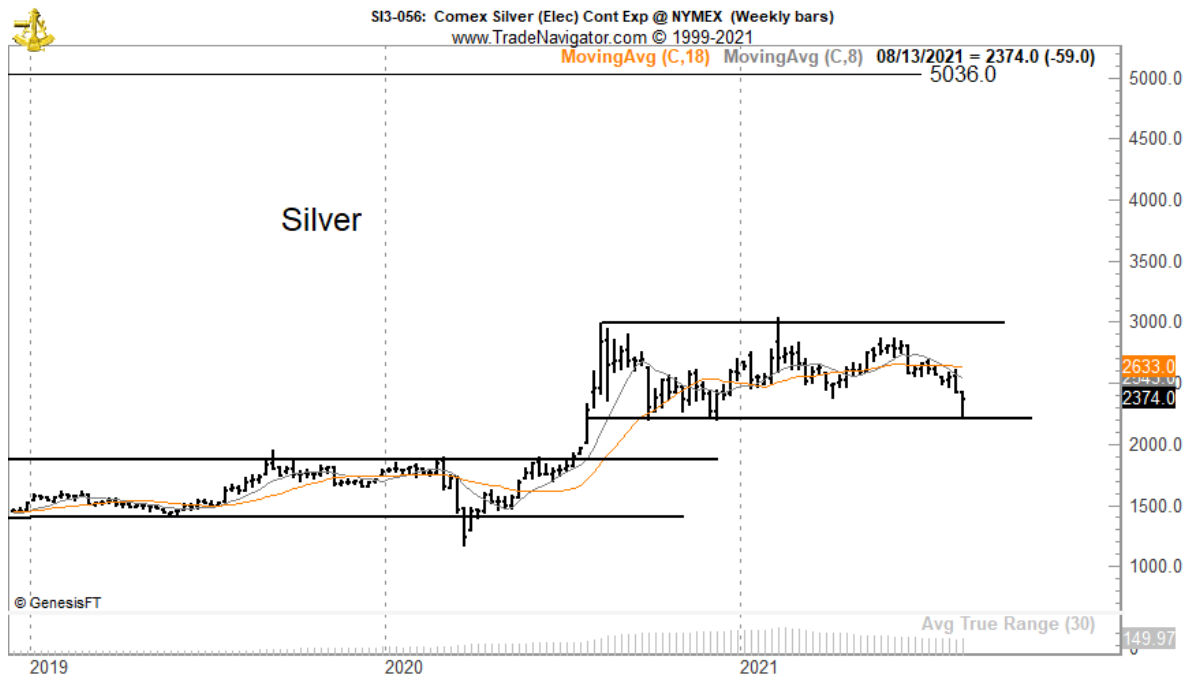
- Utilities
- Cryptos
- Silver
- T-Notes
- A couple of equity names

Several Factor Members have emailed me asking if I was backing away from equities and re-focusing on futures. The answer is YES. Futures and FX are my first loves. I have really only been active in equities in the Factor Prop account since early 2020 (and the onset of COVID). There are too many stocks and I believe my time will be better spent re-focusing on futures and FX (and cryptos). Of course, some stocks will catch me eye along the way.

XLU. An ETF that has my eye is Utilities. I see this as a possible longer-term hold for the Factor Prop Account if I can get successfully positioned by buying an upside breakout.



Silver. I hate sounding like a broken record, but I believe my attraction to Silver will pay off. I prefer to trade futures, although it is tough to have staying power in Silver futures, so I may consider the ETFs if a bottoming pattern forms on the daily chart. I believe bullion will hold above \$21.



ARKK. This stock is forming a continuation inverted H&S pattern. I may not show this chart again until an upside breakout occurs.



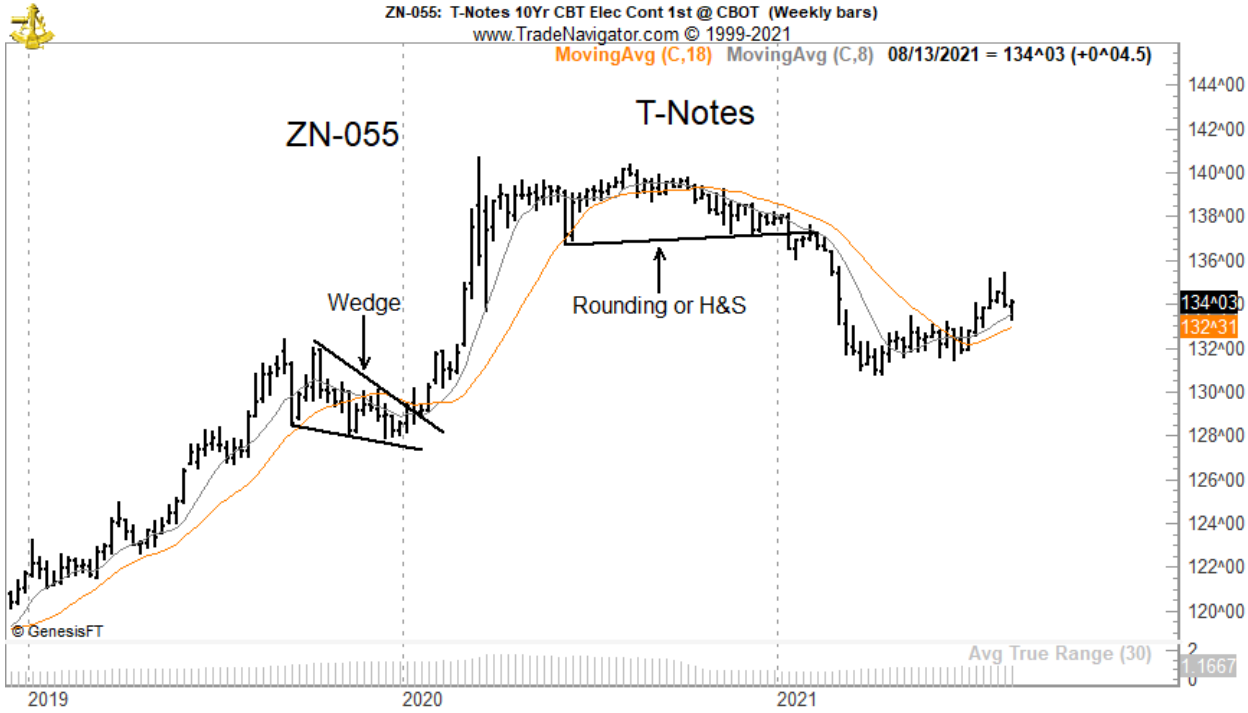
Mpls Wheat. A small continuation pattern was completed. Thursday and Friday's lows are now my "give-up" levels.



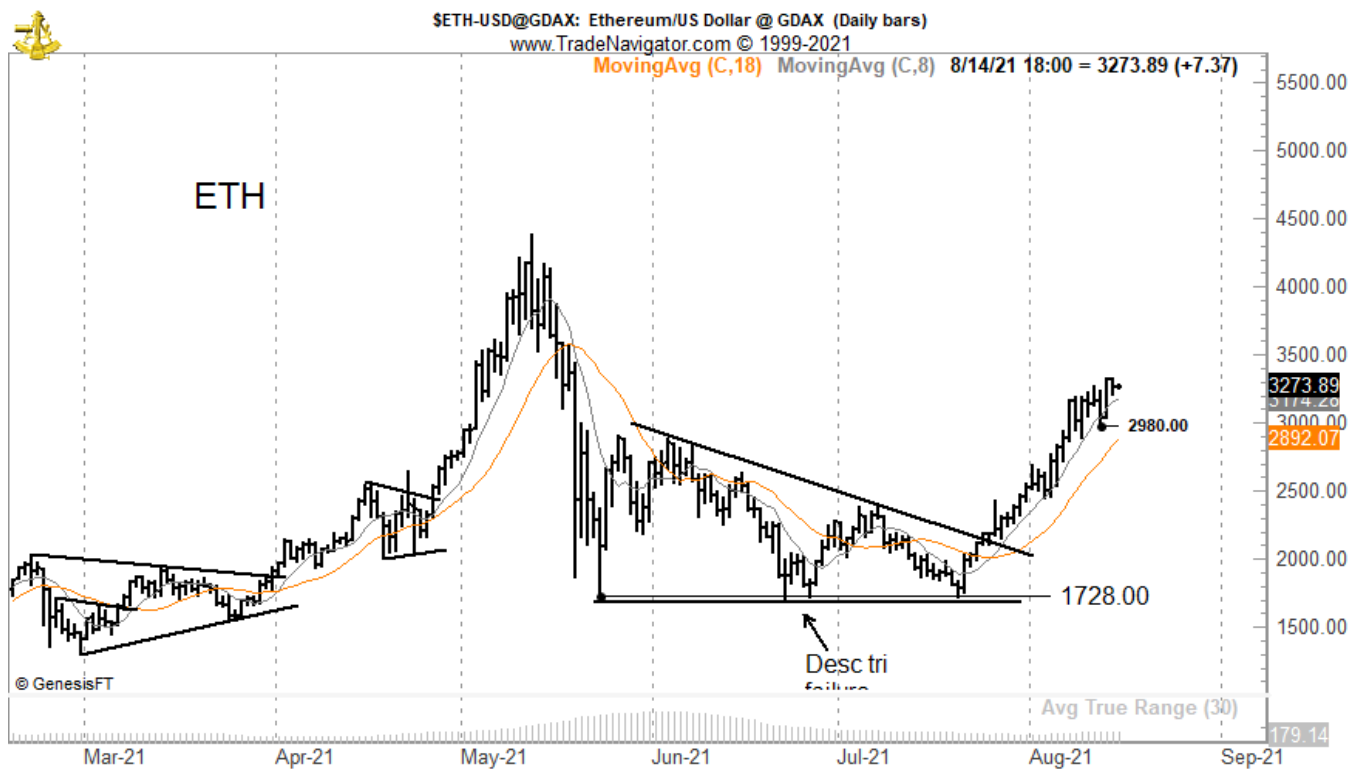
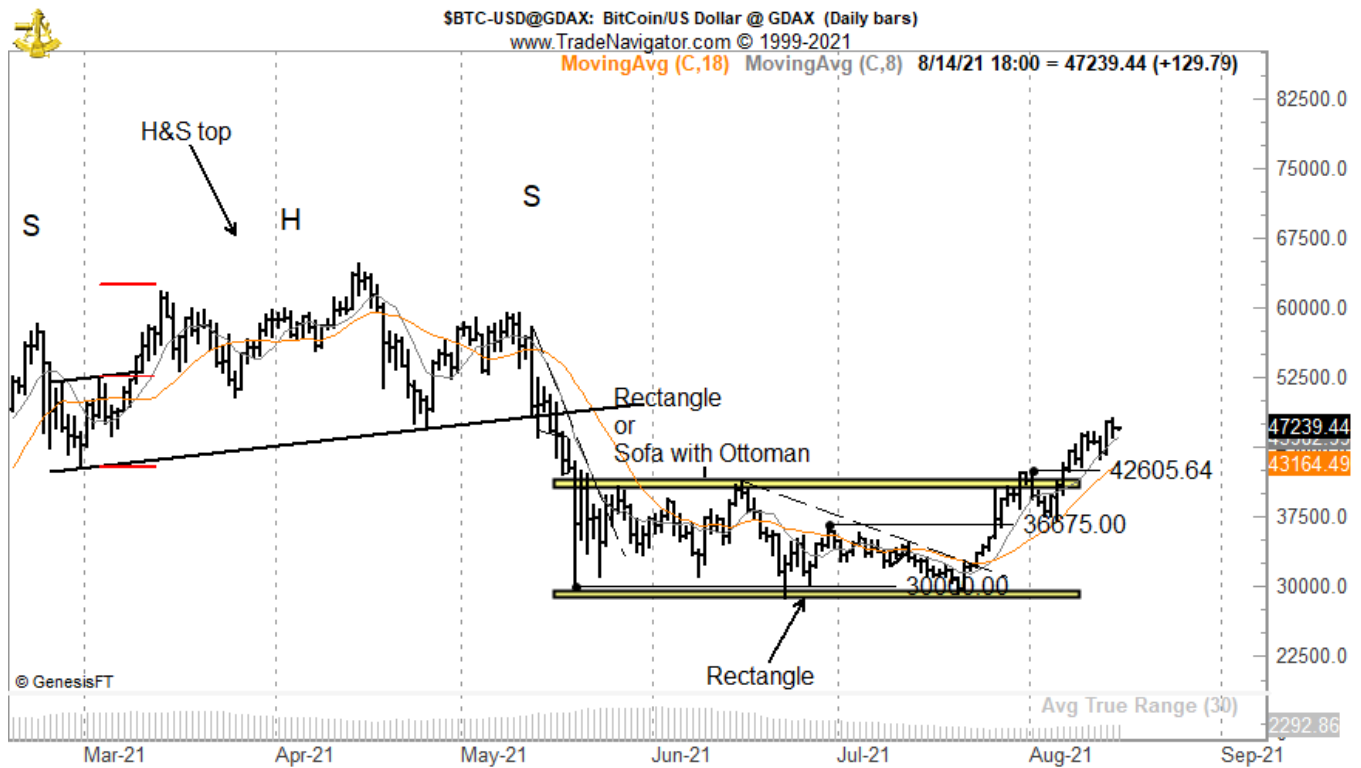
Corn. I bought Corn on Thursday, but covered half of it on Friday when the trade closed at a small loss. Not carrying a losing position into the weekend has saved me a ton of money over the years and I am not willing to question "Best Practices." There is a still a potential that the 3-month symmetrical triangle might come into play.



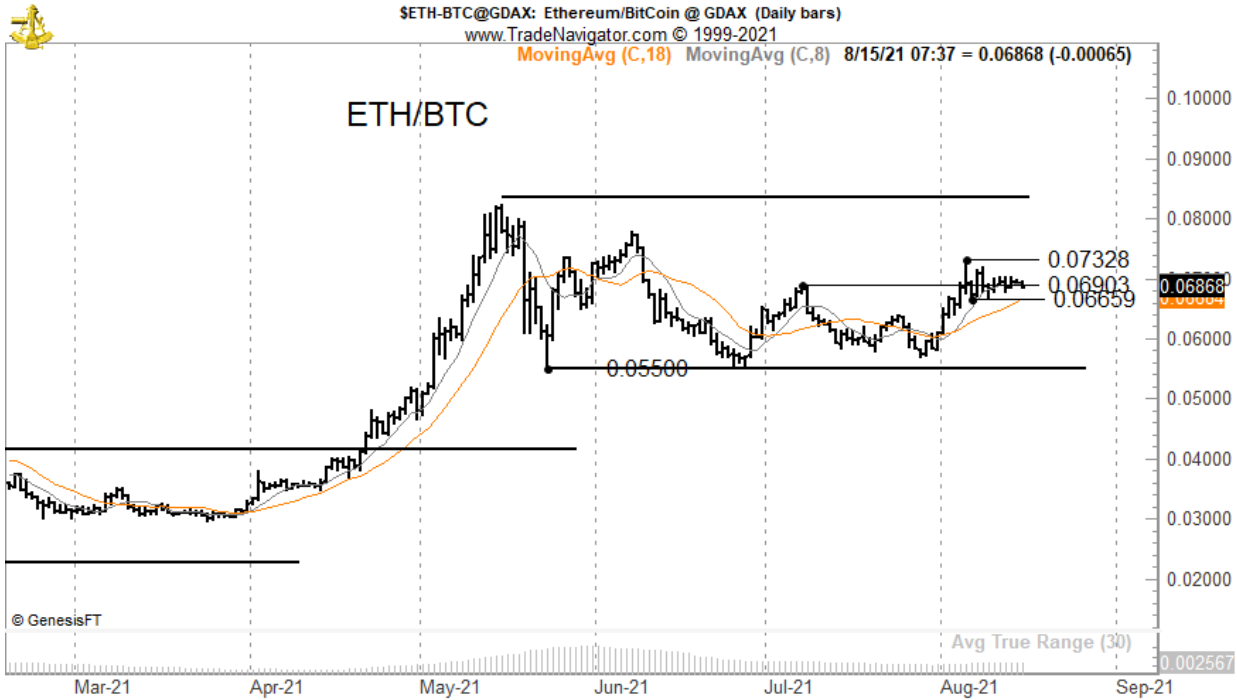
Treasuries. The real story in T-Notes is the possible major top on the weekly chart. I had orders in last week to short Sep 10-Yr Notes upon a retest of its 18 DMA. I will NOT have orders working in this market starting off the week. Rather, I would like to see additional signs of a top on the daily chart. My hesitation to short Notes presently is that the daily chart does NOT display a recognizable top.



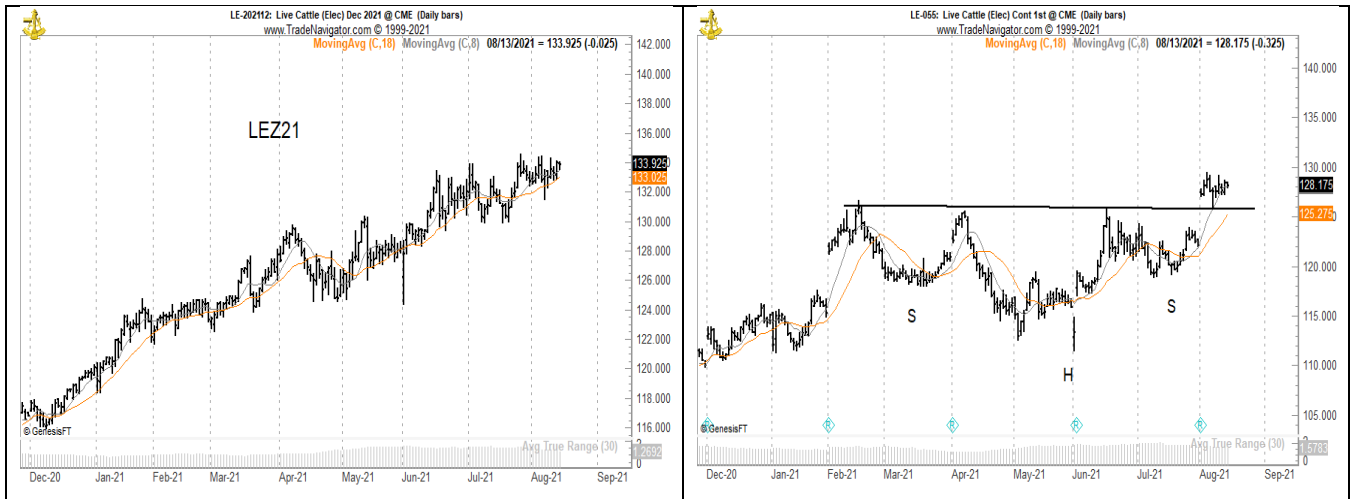
Cryptos. I remain long BTC and ETH. The 3-day trailing stop rule is in effect for ETH. I am involved in cryptos because they have offered strong trends and outstanding patterns in recent years – my involvement is not because I am a crypto maximalist.



The ETH/BTC spread is at an interesting juncture. The potentially negative chart construction has not been bullishly resolved similar the case in ADA or ETH. I am watching the range of .06659 to .07328 to guide determine my relative opinion of ETH vs. BTC.




Live Cattle. One of the challenges of trading ag markets, especially “perishable” ag markets, is that the charts of the individual contracts may look completely different from the continuation charts. This is presently true of Live Cattle. The Dec contract is in an orderly (but choppy) uptrend while the daily continuation graph has completed a classic continuation inverted H&S pattern. If there was similarity between the two charts, I would be eager to trade Cattle. I have no current interest.




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Tracking sheet for the week of Aug 8 as of Friday, Aug 13

			Weekly position/symbol tracking - Prop ONLY	
W/O Aug 8				
Starting trade	Starting positions	Starting radar list	Symbols / orders added during week	Actions, End of week position
BTC	L 50%			Hold
CADU21	S 25%	Canadian \$		Hold
COST	L 50%	Costco		Hold
ETH	L 66%			Hold
MWEU21	L 50%	Mpls Wheat		B 50% Th 9.1625, long 100%
NGZ21	L 50%	Natural Gas		S 50% Th 4.173, flat
		ARKK		Unable
		AVGO		Unable
		MWEZ21		See above
		XLU		Unable
		GEZ24		Unable
		RTYU21		Unable
		WFC or XLF		Unable
		USDX or CHF		Unable
			ZNU21	Unable
			ZCZ21	B 100% 5.74, S 50% F 5.724, long 50%

Tracking sheet for the week of Aug 15

			Weekly position/symbol tracking - Prop ONLY	
W/O Aug 15				
Starting trade	Starting positions	Starting radar list	Symbols / orders added during week	Actions, End of week position
BTC	L 50%			
CADU21	S 25%	Canadian \$		
Corn	L 50%	Corn		
COST	L 50%	Costco		
ETH	L 66%			
MWEU21	L 100%	Mpls Wheat		
		ARKK		
		Silver		
		XLU		
		ZNU21		

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