



Happy Thanksgiving Wishes to all U.S. members

November 21, 2021

Commentary on open trade equity (unrealized profits)

Unrealized profits are taken into account when calculating futures and forex trading profits for tax liability. Also, hedge fund managers calculate their performance based on closed trades in addition to changes in open equity (OTE) from one reporting period to the next.

Many traders monitor their asset balances, including unrealized profits/losses. While I report unrealized gains/losses in my annual tax statements, I ignore open trade equity in monitoring my Net Asset Value in real time. Open profits do not belong to me so why would I treat them as belong to me. The only Net Asset Value that I care about is Closed Trade Net Asset Value.

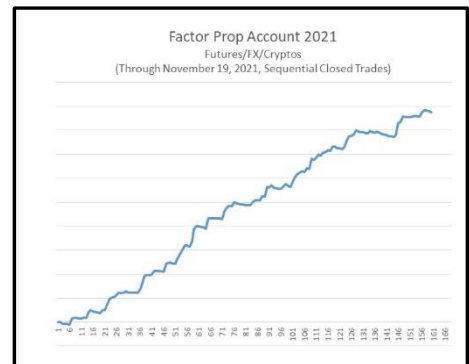
One of the tables/graphs I update regularly is my Closed Trade Net Asset Value – I have this figure going back to 1981 on a monthly basis and back to 2014 on a sequential closed trade basis.

In my opinion, how a trader considers open profits can GREATLY impact their emotional state – which can impact their trading disposition. A couple of examples – one hypothetical and one real time – illustrate this.

- Hypothetical: This morning you had a \$20,000 open profit in a futures contract but your trailing stop got hit, erasing \$10,000 of the profit. In your mind do you think/feel that you lost \$10,000 or that you made \$10,000?
- Realtime: I would have to figure out the exact amount, but I ended the week with less equity in my Prop Account than I had at the beginning of the week. Yet, closed trades this past week had a composite profit of 80 basis points. So, who cares how much in open profits slipped through the cracks?

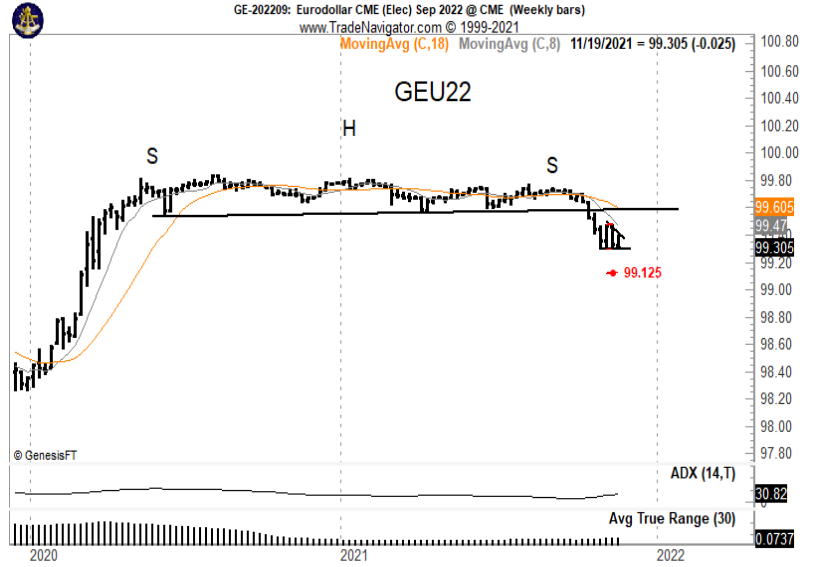
My focus (MY GOAL) is to keep advancing my Sequential Closed Trade NAV. The graph shown is for 2021 Futures/Forex/Crypto closed trades. For the purpose of this discussion the numeric values of the “Y” axis are unimportant. Of paramount importance to me is avoiding big losses so that the NAV curve is no more than a few good trades from a new ATH. Even right now I am in trades that based on current stop levels will push the NAV curve into a new ATH. In a nutshell, that’s my goal. I operate on the assumption which has proven itself to me that if I take care of losses, then winners will take care of themselves.

Trading is about managing capital and risk. That I need to enter and close trades is simply the plumbing by which that occurs. It is the big losses (for me this is any loss greater than 30 BP per tranche) that screw up the calculus of trading.

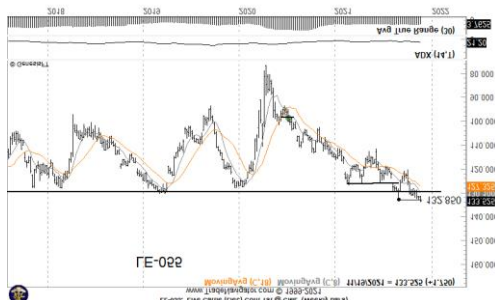


Markets of interest

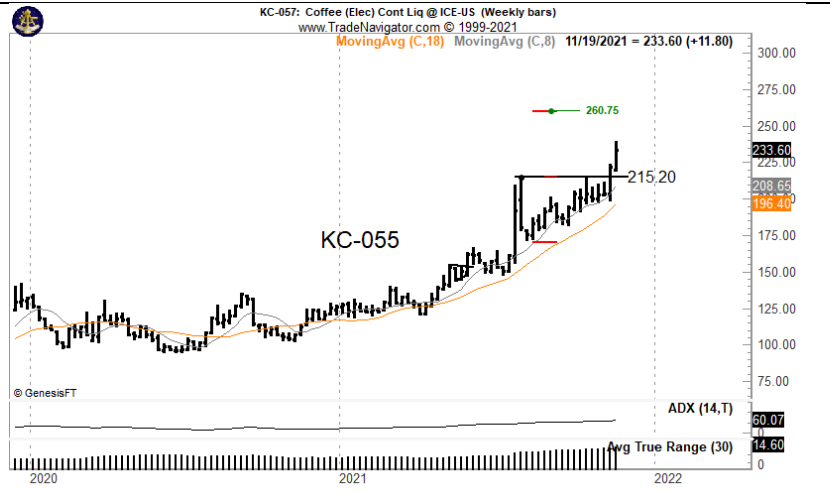
Eurodollars. This is an interesting set up. The weekly chart of the Sep 2022 contract has a massive overhead H&S top. The daily chart displays a 4-week pennant (descending triangle). I am presently flat. The more deferred contracts will likely decline more, but they do not have the same clarity.



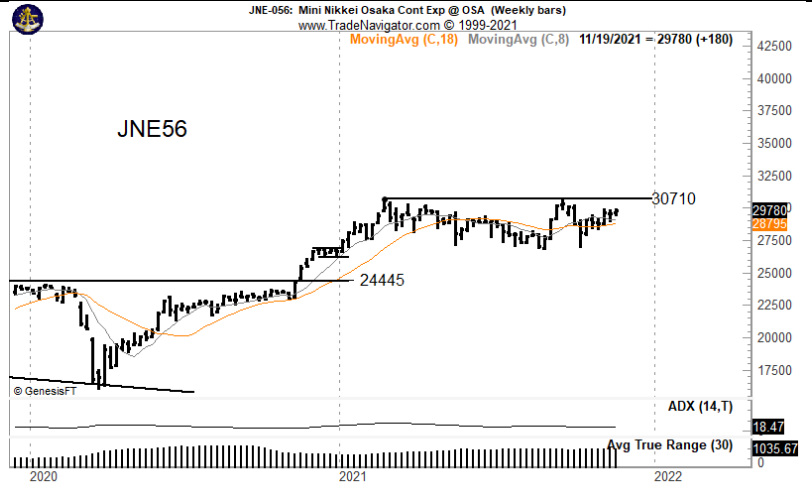
Live Cattle. The problem with trading Live Cattle is that every contract month takes on a different appearance. So, I am showing the cash Cattle chart in addition to the continuation graph. Both are on the verge of breaking out.



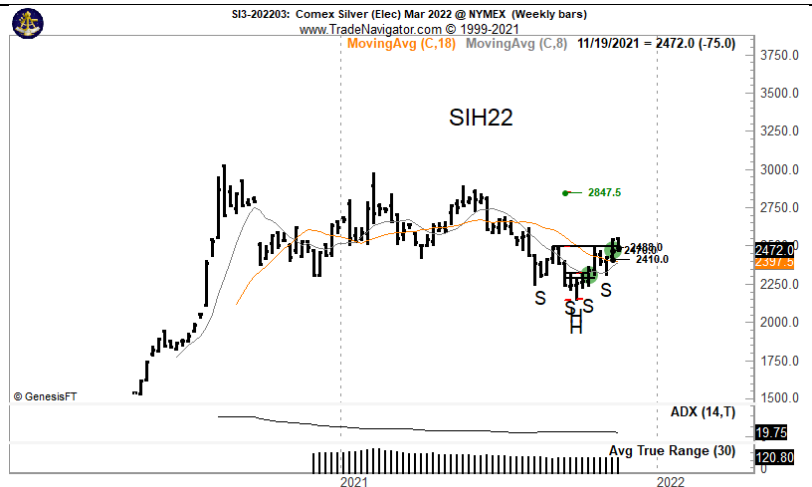
Coffee. Long 50%.



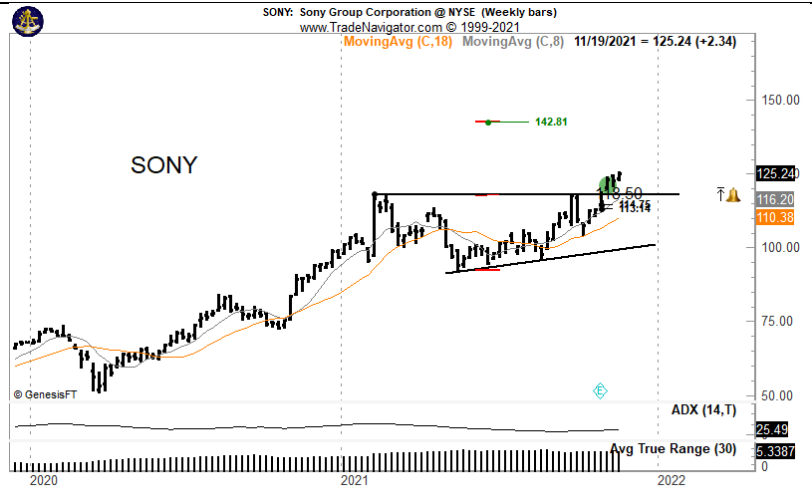
Nikkei Dow. I am presently flat and monitoring the market for buy signal.



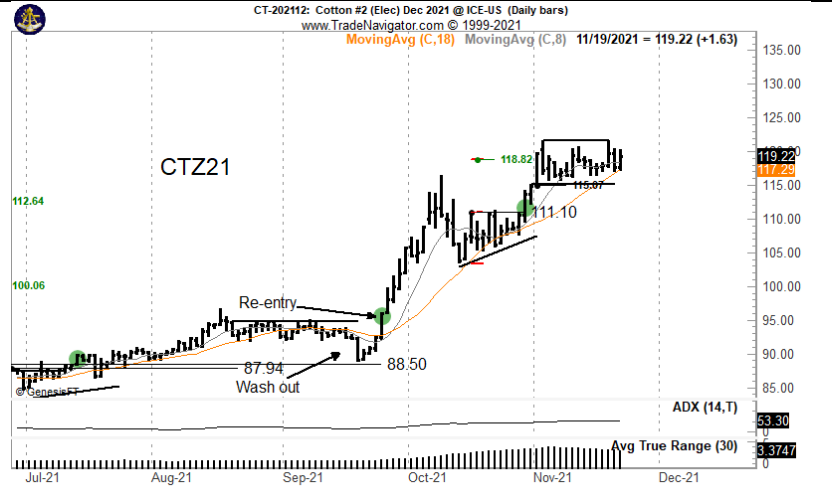
Silver. Long 50%. This has been an extremely frustrating market since Aug 2020. Yet, I have tried to pick my spots in such a way as to avoid any big losses. I feel the same way toward Silver as I felt about Corn for years prior to 2021. In the history of the Factor Service dating back to 2014 I never shorted Corn a single time because I believed a huge bull market would occur. But, I took every buy signal in Corn for years – small losses and small gains with a few decent gains. Then 2021 happened and Corn has been my most profitable market this year. I will continue to take every buy signal in Silver to come. You can join me – or not.



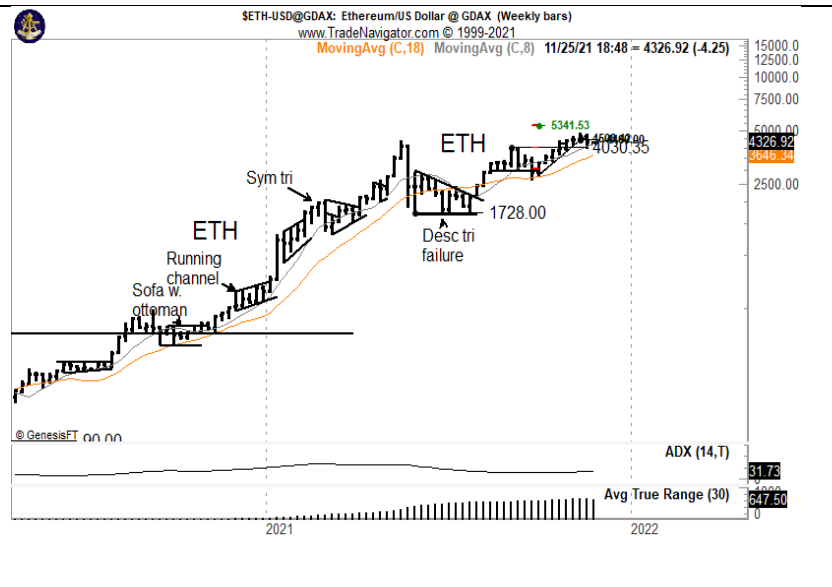
SONY. Long 100%.



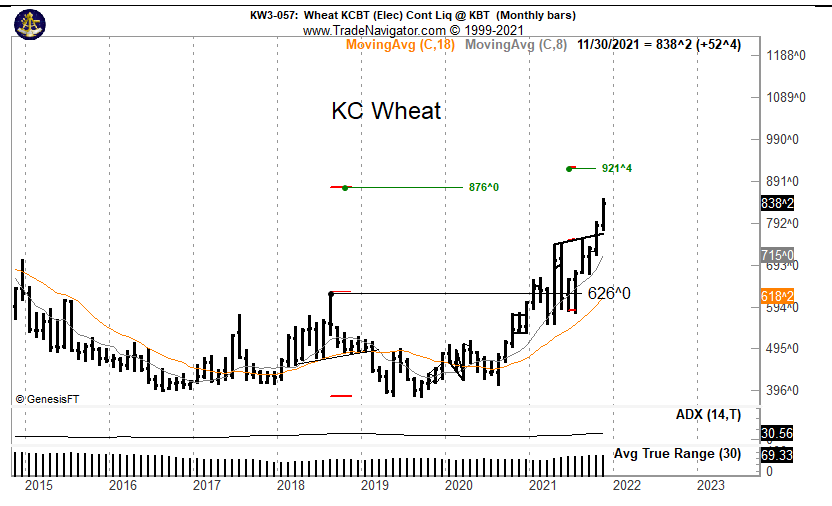
Dec Cotton. Long 50%. A small continuation pattern is forming. I will need to roll to the Mar contract soon.



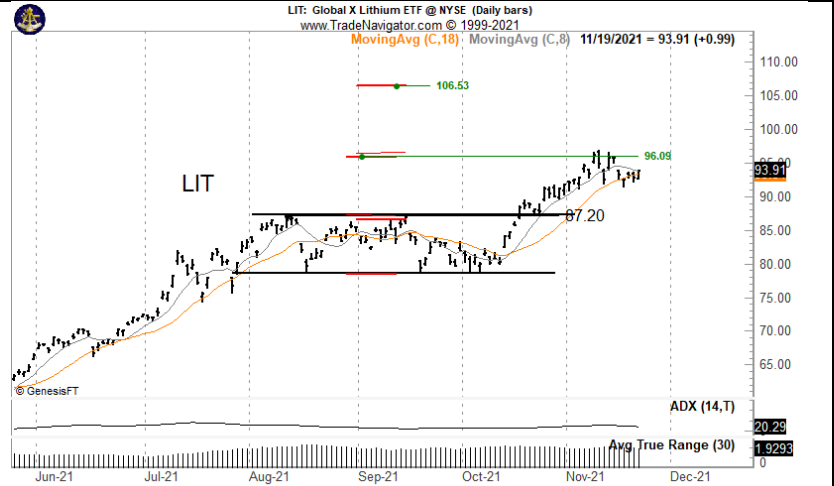
ETH. Ethereum has pulled back into support. I am interested in re-establishing a long position and will monitor price action to find a possible spot risking to the Oct 28 low. If the trade sets up - great. If not - I am ok with that as well.



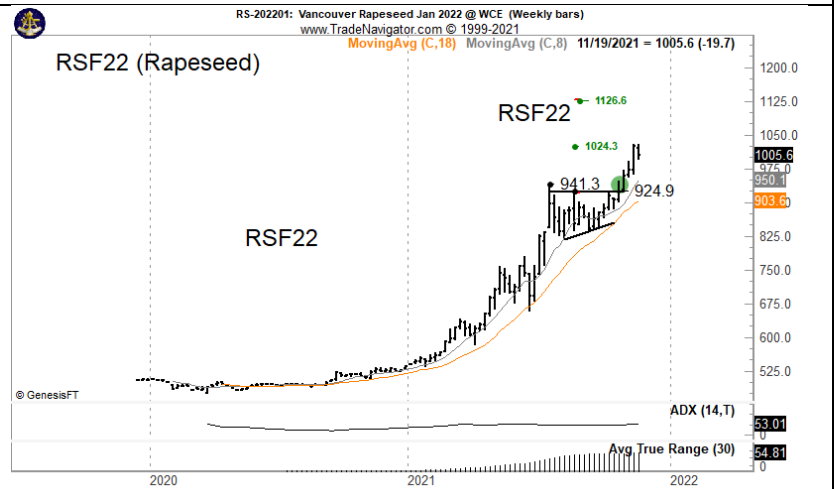
KC Wheat. Long 100%.



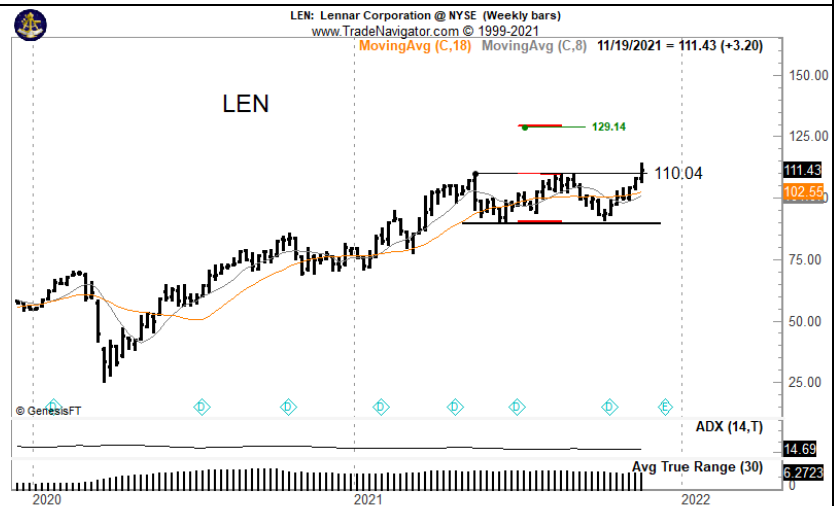
LIT. Long 50%.



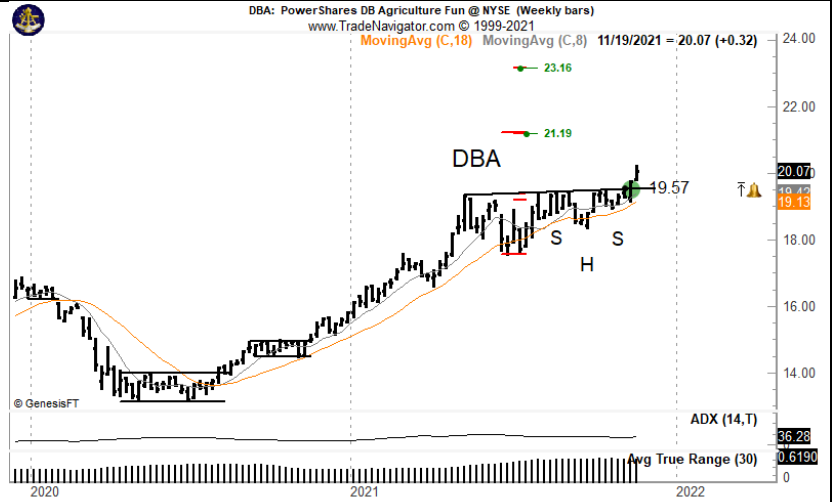
Canadian Rapeseed. Long 100%. A 2X target exists but this bull market is getting long-in-the-tooth.



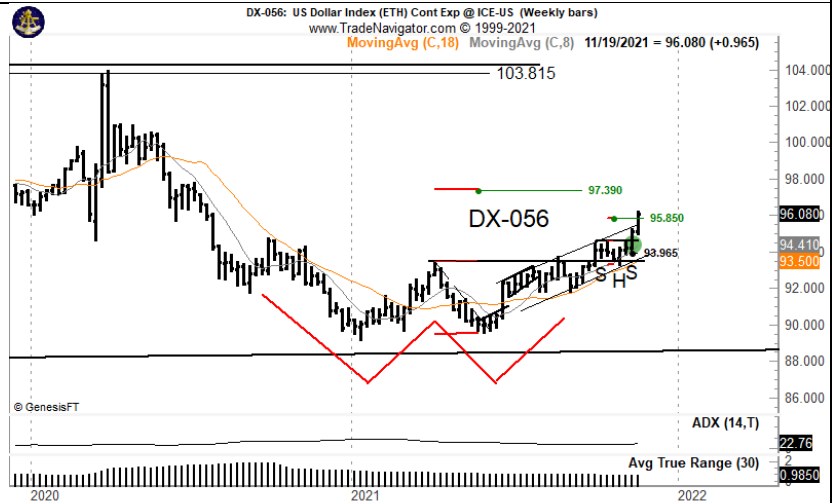
LEN. Long 100% as of this week. I get my best stock ideas from Factor Members.



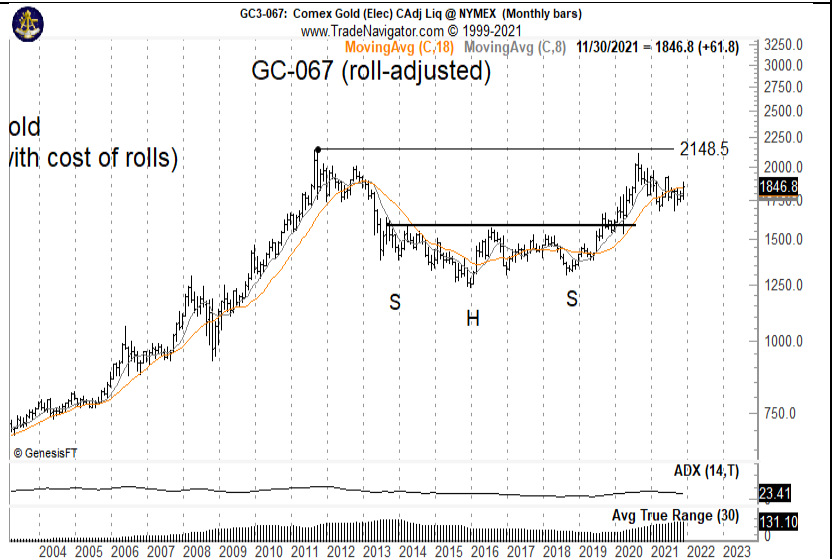
DBA. Long 100%.



U.S. Dollar Index. The initial target was met this past week. Long 50%.



Gold. I am really starting to like Gold. But I have no desire to pay up (see comments on timing in the section on Silver). I think Gold began a major bull move in 2018 and that the trend has plenty of room to run. The COT profile is a bit unconstructive.




plb
###

Tracking sheet for the week of Nov 14 ending Nov 19

			Weekly position/symbol tracking - Prop ONLY		
W/O Nov 14					
Beginning Trades	Beginning Positions	Starting radar list for New Initial Positions	Symbols / orders added during week	Actions, End of week position	BP +/-
AMAT	L 100%			S 50% F 150.01; long 50%	11
CTZ21	L 50%			Hold	
ETH	L 100%			S 50% M 4451.25; S 50% Tu 4429.01; flat	68
EWQ	L 150%			S 150% F 39.67; flat	-19
KWH22	L 100%			Hold	
LIT	L 50%			Hold	
M2KH22	L 100%			S 50% W 2374; S 50% F 2336.5; flat	-11
RSF22	L 100%			Hold	
SIH22	L 100% r			Sold 50% F 24.67, long 50%	-15
SONY	L 100%			Hold	
VYM	L 100%			S 50% Th 109.66; S 50% F 109.18; flat	1
DBA	L 100%			Hold	
DXH22	L 100%			S 50% Tu 95.84; long 50%	45
KCH22	L 50%			Hold	
		Live Cattle		Cxld	
		Nikkei Dow		Unable	
		Gold futures		Unable	
		LTC		Cxld	
			LEN	B 100% Th 111.53, long 100%	
			GEU22	Unable	
					80

Tracking sheet for the week of Nov 21

		Weekly position/symbol tracking - Prop ONLY			
W/O Nov 21					
Beginning Trades	Beginning Positions	Starting radar list for New Initial Positions	Symbols / orders added during week	Actions, End of week position	BP +/-
AMAT	L 50%				
CTZ21	L 50%				
DBA	L 100%				
DXH22	L 50%				
KCH22	L 50%				
KWH22	L 100%				
LEN	L 100%				
LIT	L 50%				
RSF22	L 100%				
SIH22	L 50%				
SONY	L 100%				
		Live Cattle			
		Nikkei Dow			
		Gold futures			
		GEU22			
					0

plb

end