



January 2022

Each year at about this time, I publish the “Factor Best Dressed List,” showcasing outstanding examples of classical charting principles from the just-completed year.

The Best Dressed List (BDL) illustrates the types of swing trading situations Factor LLC ideally seeks in its proprietary account. These types of trading situations are a primary focus of Factor LLC’s trading.

Charting is a very subjective craft. Different chartists often disagree completely on the analysis of the same chart construction. What might be a bullishly biased chart to me could be just the opposite for another chartist. Importantly, each chartist needs to know his or her own signaling sweet spot and trading time frame.

The annual Best Dressed List features those patterns that landed right in the middle of my sweet spot. To qualify for the Best Dressed List a market must meet the following criteria:

1. A clearly defined (no doubt about it) classical chart pattern, preferably at least 10 to 12 weeks in duration, on the daily and weekly charts in a tradable market; or, a series of flags/pennants that occur in a strong trend launched by a larger recognizable pattern.
2. A decisive breakout that does not put the breakout entry trade into serious harm. Secondary breakouts are considered when an initial earlier breakout failed.
3. An intermediate trend to the implied target. I look for patterns that typically reach their targets in a matter of days or weeks (sometimes months).

Whether or not Factor LLC successfully captured the implications of a pattern is not a criterion for inclusion (at least not consciously). In reality, the list is probably biased toward the patterns traded by Factor LLC.

Constructing the BDL is different every year. There are years when I have had difficulty coming up with ten or so examples. Other years are replete with quality chart set-ups.

You may be a chartist who completely disagrees with my selection. I am perfectly OK if this is the case. No two chartists agree, just as no two Elliott Wave counters or macro economists agree on things. This disagreement is what makes a market. So, I admit that my selection of the best technical chart developments in 2021 are biased toward my way of looking at charts and style and time frame of trading – which could best be defined as intermediate or swing trading. If I was a day trader or trader who holds positions for many, many months my list would no doubt be very different.

Specific commentary on 2021

- Historically I have been a futures and forex trader almost increasingly. Since the outbreak of COVID in early 2020 I have migrated an increasing amount of trading to the equity markets. For this year’s list I was very selective in choosing equity charts for the BDL. As a result, I probably missed dozens of candidates with chart patterns far more compelling than some of the futures markets listed in this report.
- 2021 was a great year to be an agricultural markets trader. Hopefully this fact is reflected herein.
- The 2021 BDL is skewed toward cryptos, but cryptos provided outstanding chart construction and sustained trends. The same may not be true for future years.

A word on 19th Century economist, philosopher and scientist Vilfredo Pareto

It is great when the “hypothetical” and the “actual” are in harmony. Too often a concept sounds wonderful in theory, but just never plays itself out in reality. My experience is that the Pareto Principles holds true in theory and in practice – and applies to trading operations (profitable or not) and all endeavors in life. In fact, it is difficult to find circumstances in daily life that do not comply with the Pareto Principle.

The Pareto Principle (PP) stipulates that 80% of intended consequences are produced by 20% of events. Translated to market speculation, this implies that 20% of trading events (plus/minus 10% IMO) will produce 80% of profits (plus/minus 10%).

The history of Factor’s prop account completely validates Pareto. In fact, during the eight years we have been producing the Factor Service (2014-2021) 15% of trading events have produced 79% of net profits. Other professional traders have universally confirmed that their trading is also subject to Pareto.

This means that all traders MUST give tremendous unyielding attention to the PP and its implications on their trading operations. Why? It’s actually quite simple. To be consistently net profitable a trader needs to assure that the 80% of trading events do not overwhelm the Pareto trades – and thus, Pareto is all about limiting the negative offsetting effect of the 80% of trades.

In the experience of my trading, Pareto trades act differently than non-Pareto trades in some VERY important and practical ways. It is common for Pareto trades to work immediately and trend to their implied targets with a minimum of hesitation.

I recommend you pay attention to the market situations represented in this Best Dressed List. Note that the markets featured broke out decisively and seldom placed trades entered at the precise breakout into much doubt. In those cases when the initial breakout faltered or failed, a secondary breakout worked decisively.

Full disclosure: My most profitable trades in 2021 included Corn, Mpls Wheat, ETH, BTC, KC Wheat, Nat Gas, T-Notes, Gold and a few stocks (UPS, COST).

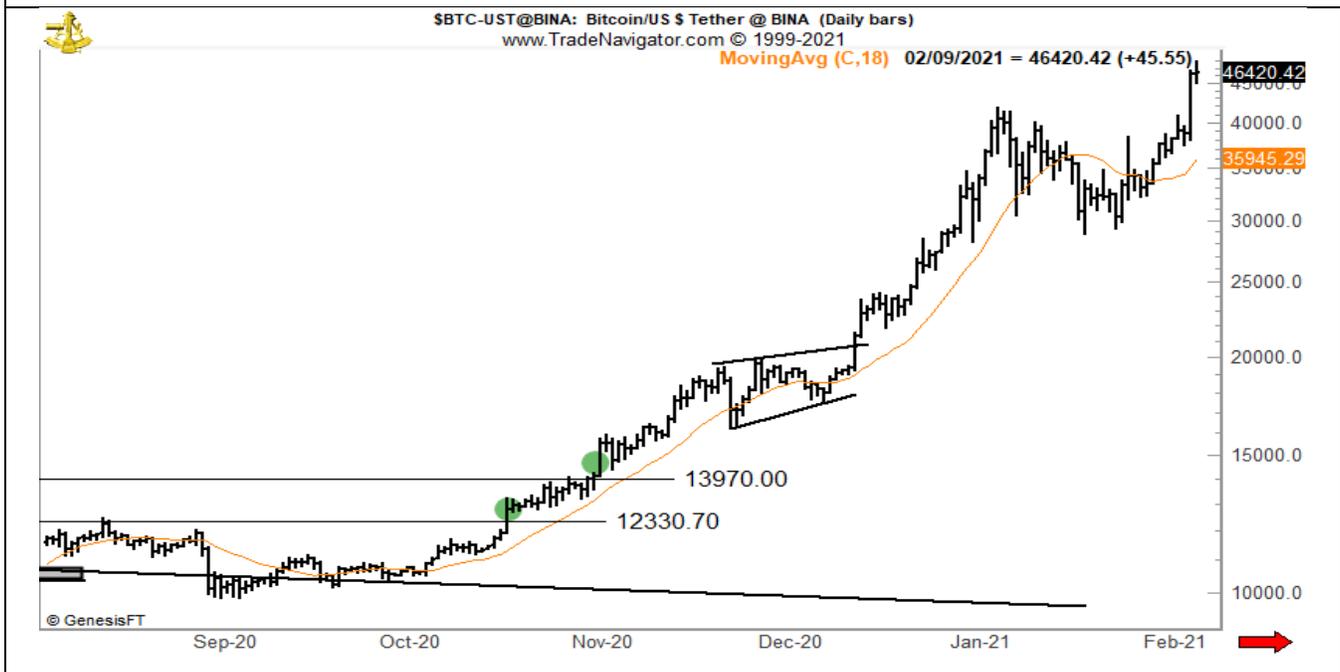
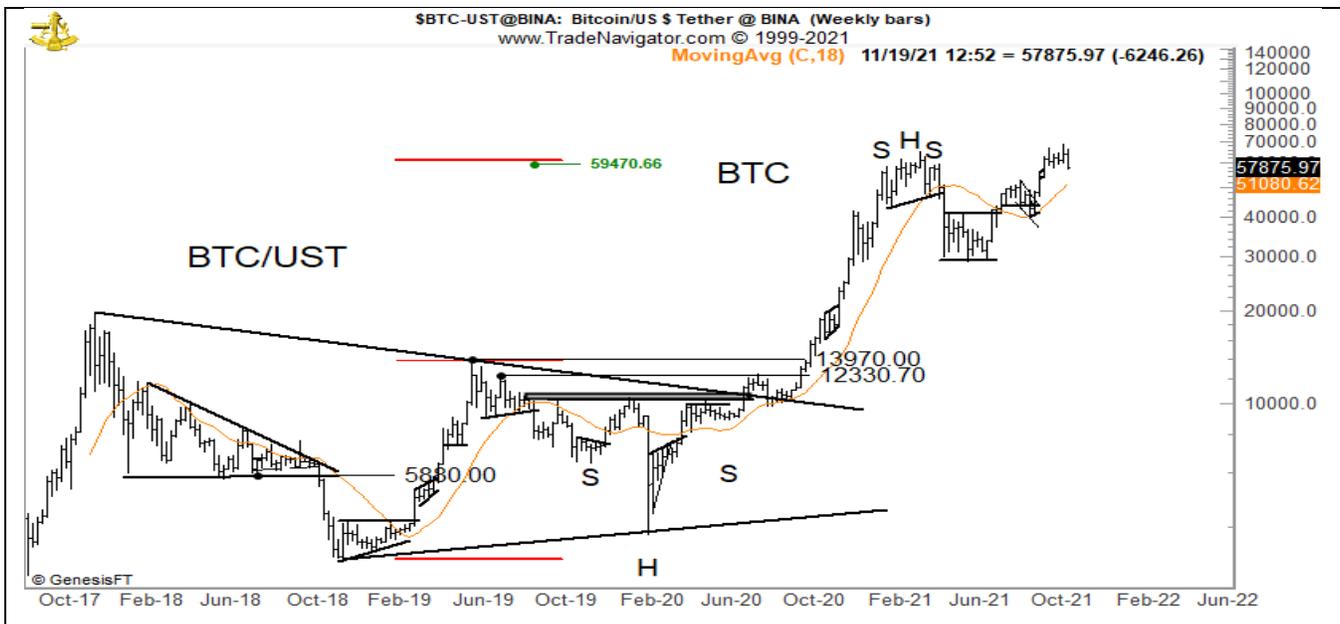


2021 Best Dressed List



Market	Pattern (s)	Date completed	Target(s)
Corn futures	Monthly: 6-yr rectangle	Dec 29 at 4.74	5.79 met on Apr 1 7.01 met on Apr 27
	Daily: ZCK21 11-wk rectangle	Apr 8 at 5.79	6.53 met on Apr 23

The bull market in Corn in 2021 had two segments. The first was the completion of a 6-yr rectangle on the weekly chart. Targets at 5.79 and 7.01 were met. The second was the continuation 11-wk rectangle in the May contract.

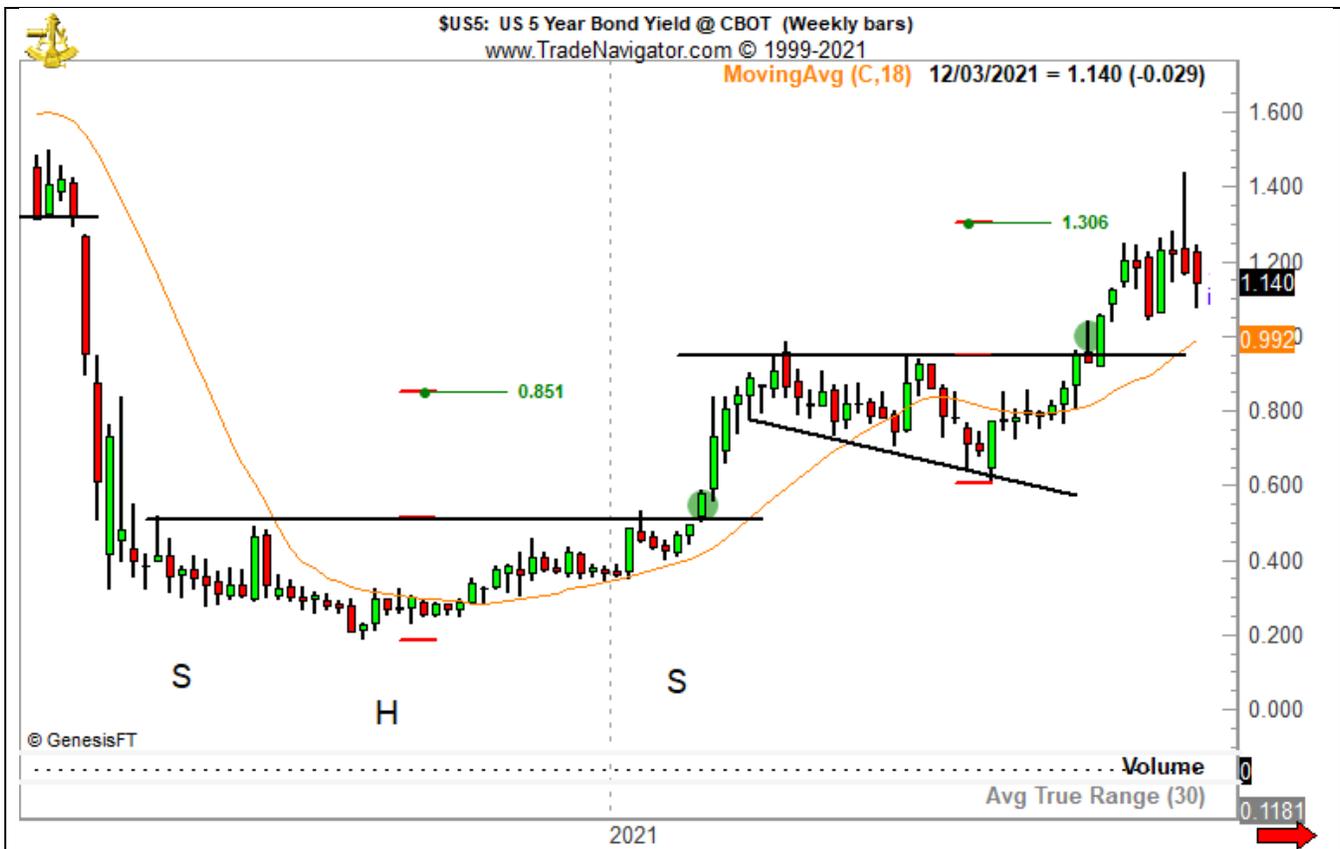


Market	Pattern (s)	Date completed	Target(s)
Bitcoin	3-yr sym triangle	Confirmed Nov 5, 2020 at 14,500	59,470 met on Mar 19

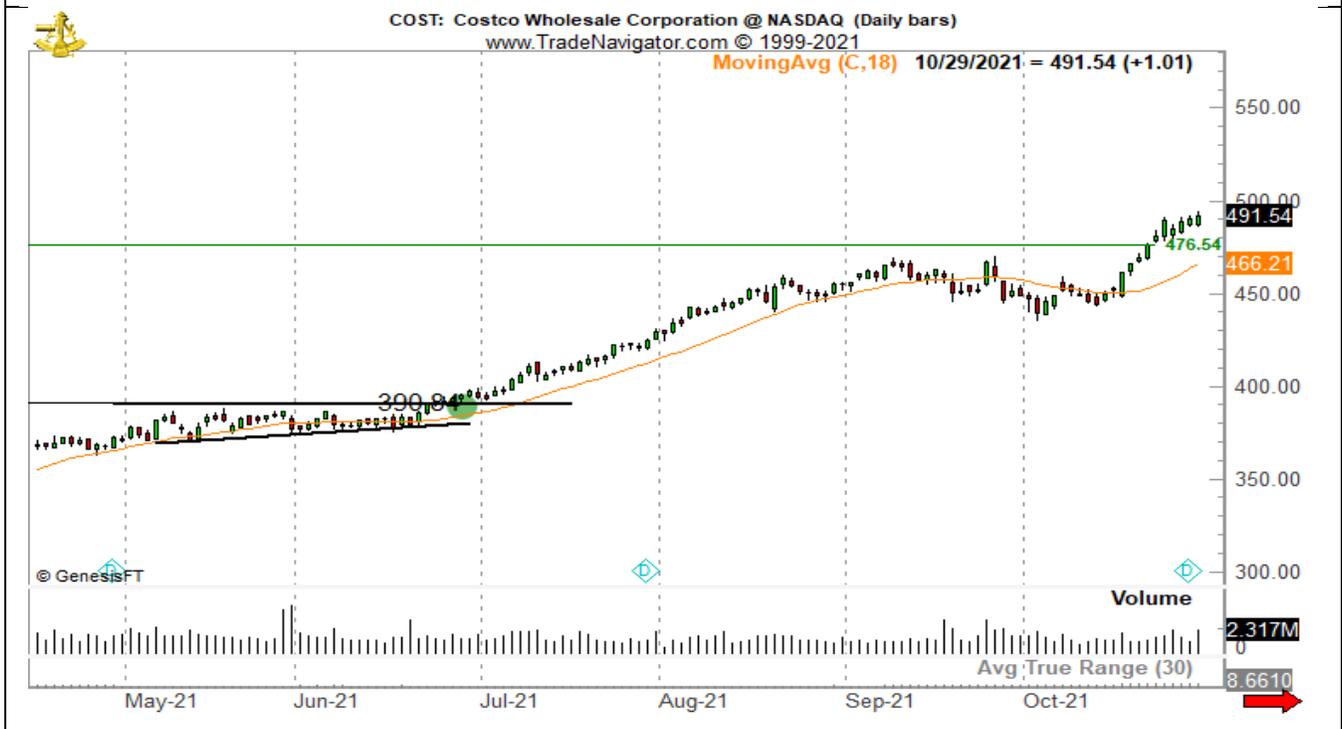
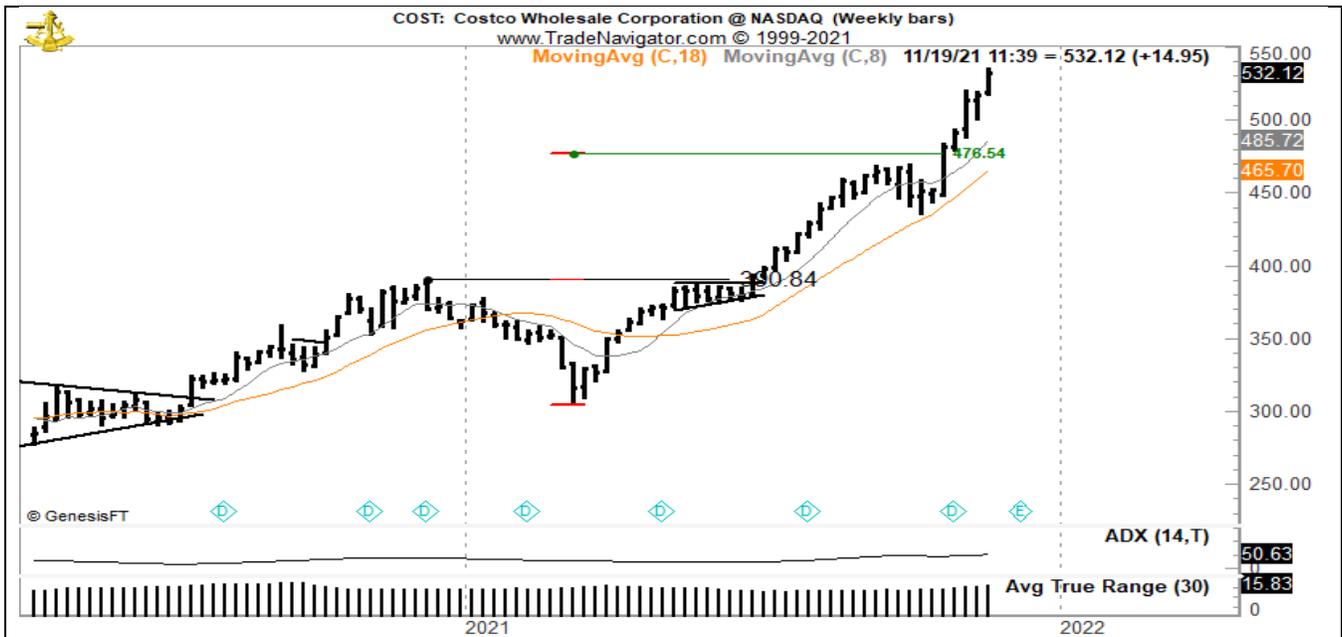
This chart pattern is presented in the 2021 BDL because the target has not yet been met as of Dec 31, 2021.



Market	Pattern (s)	Date completed	Target(s)
Bitcoin (part 2)	14-wk H&S top	May 15 at 46,762	30,591 met on May 19

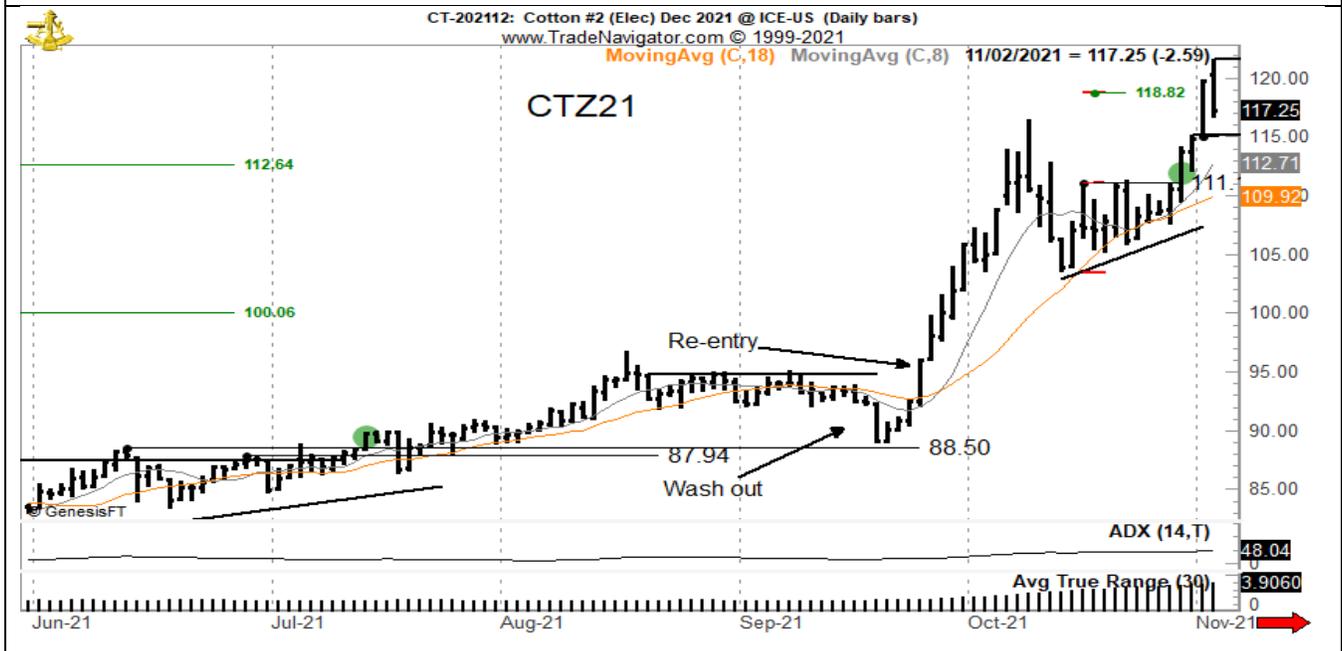
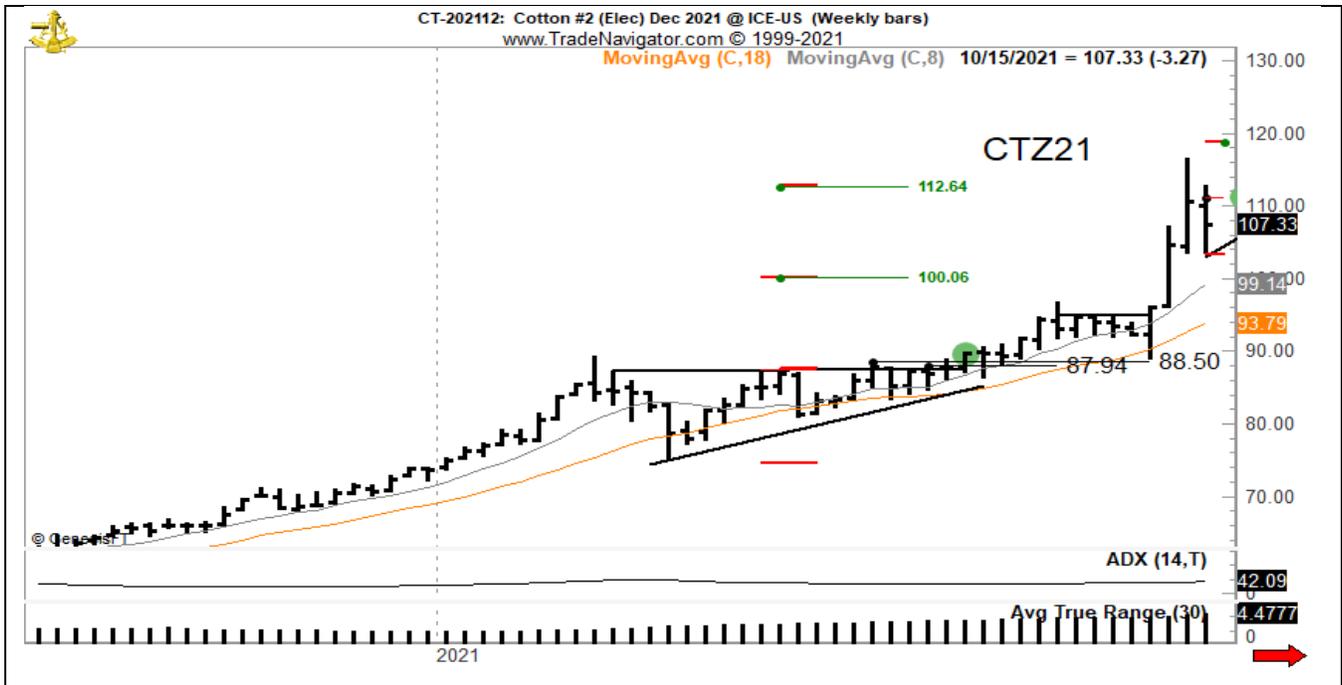


Market	Pattern (s)	Date completed	Target(s)
U.S. 5-Yr Notes (yield)	11-mo inv H&S 6-mo inverted triangle	Feb 16 at .541 Sep 27 at .988	.85 met on Mar 8 1.306 met on Nov 22



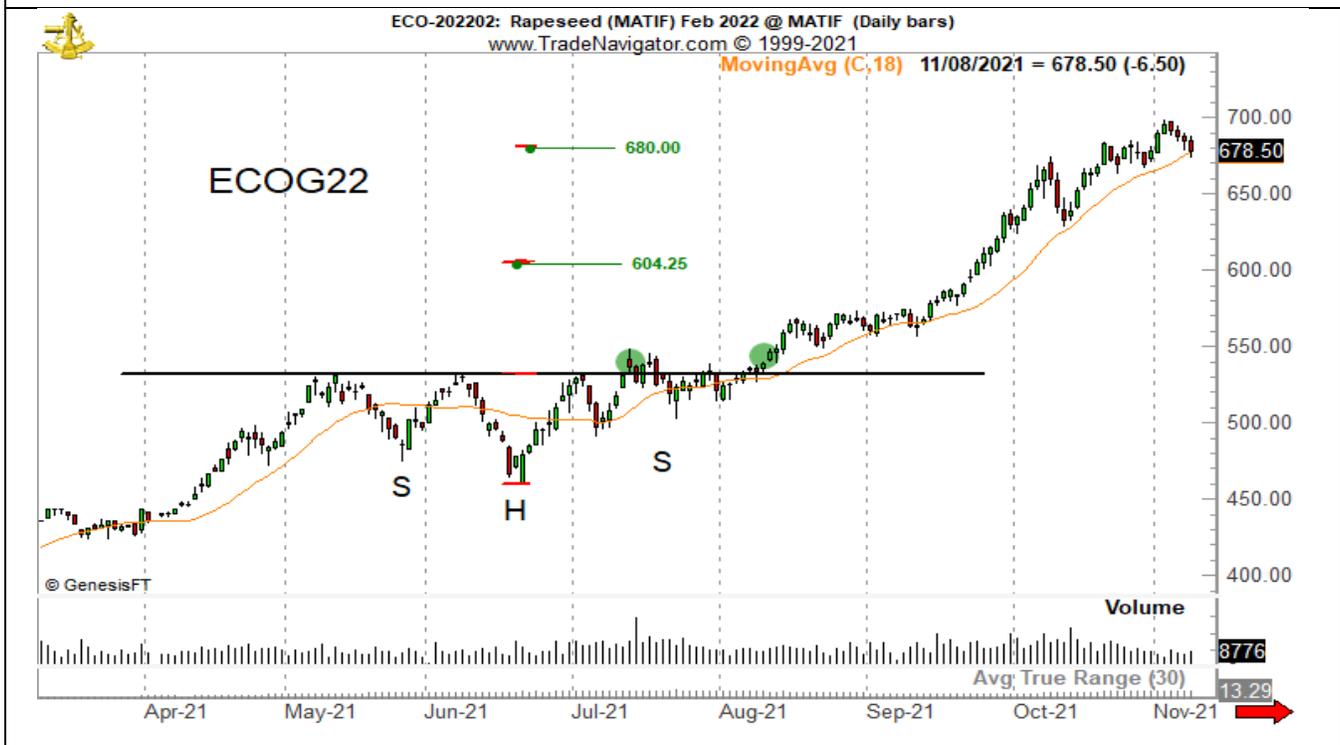
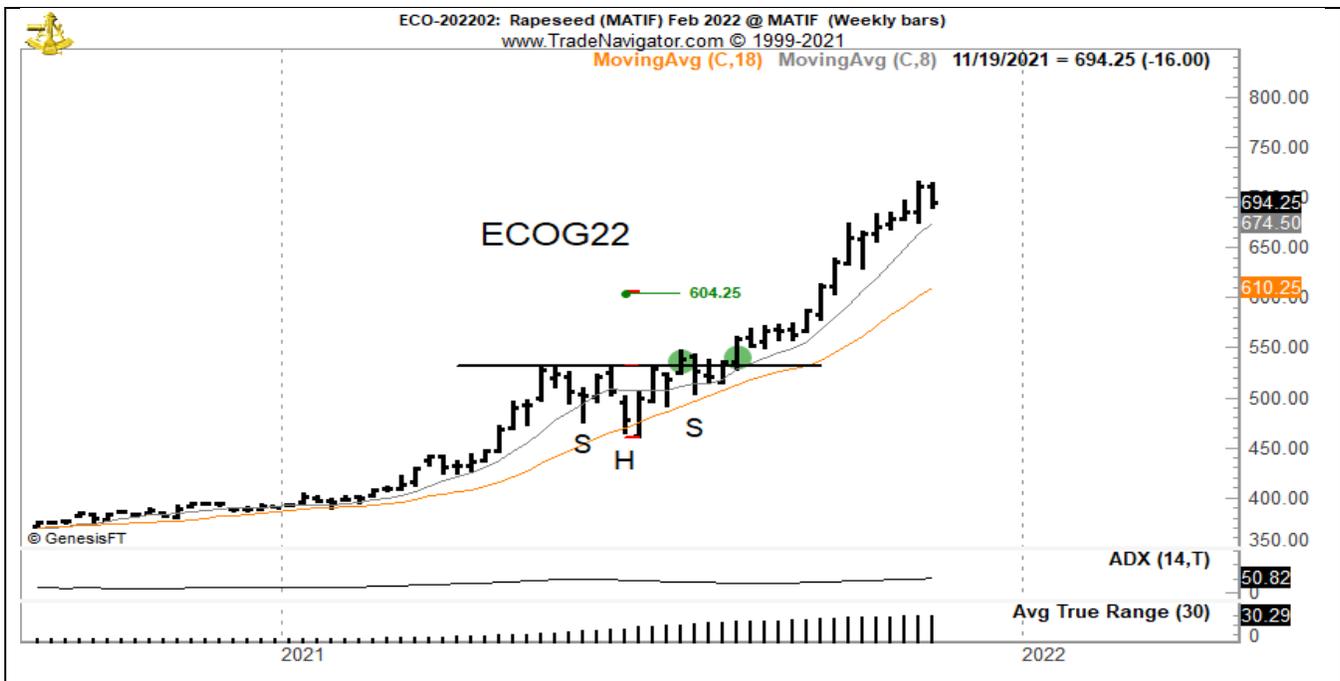
Market	Pattern (s)	Date completed	Target(s)
COST	8-mo. flat correction w/ 8-wk. pennant	Jun 28 at 395	476 met on Oct 21

It is time to pay attention when a shorter tight congestion (in this case the 8-week pennant) forms near the terminus of a larger pattern (the 8-month congestion).



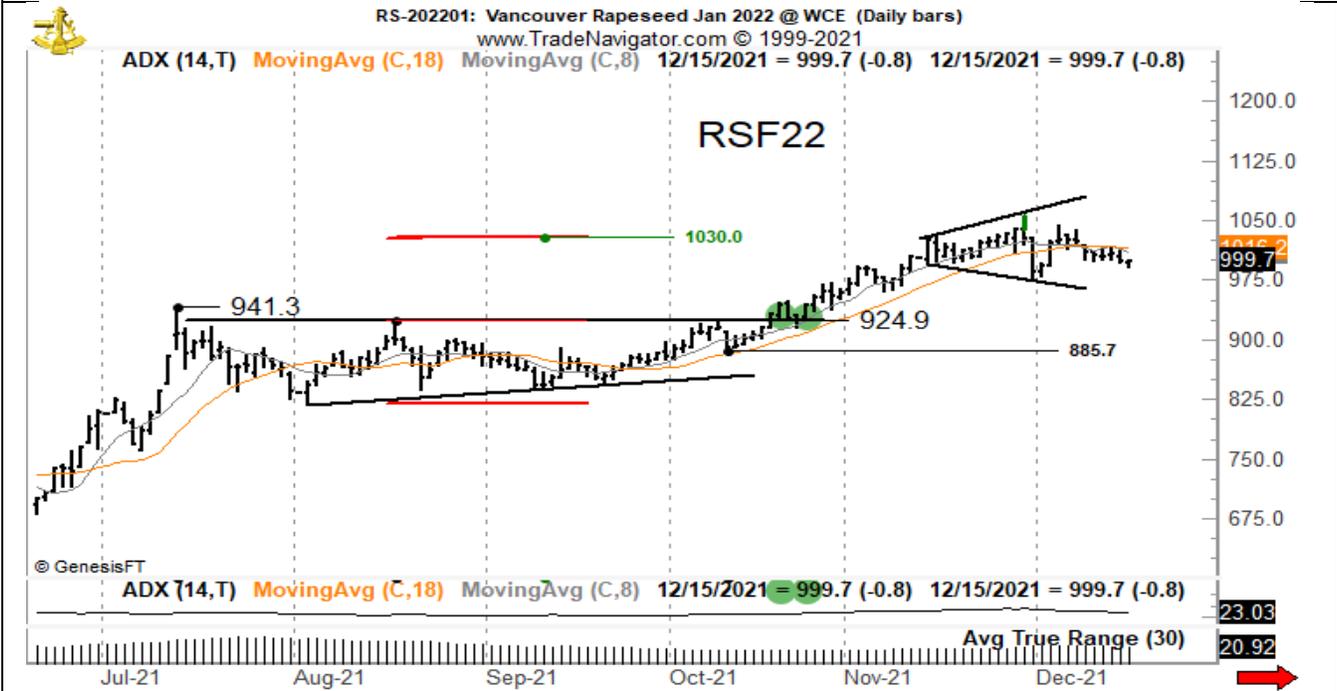
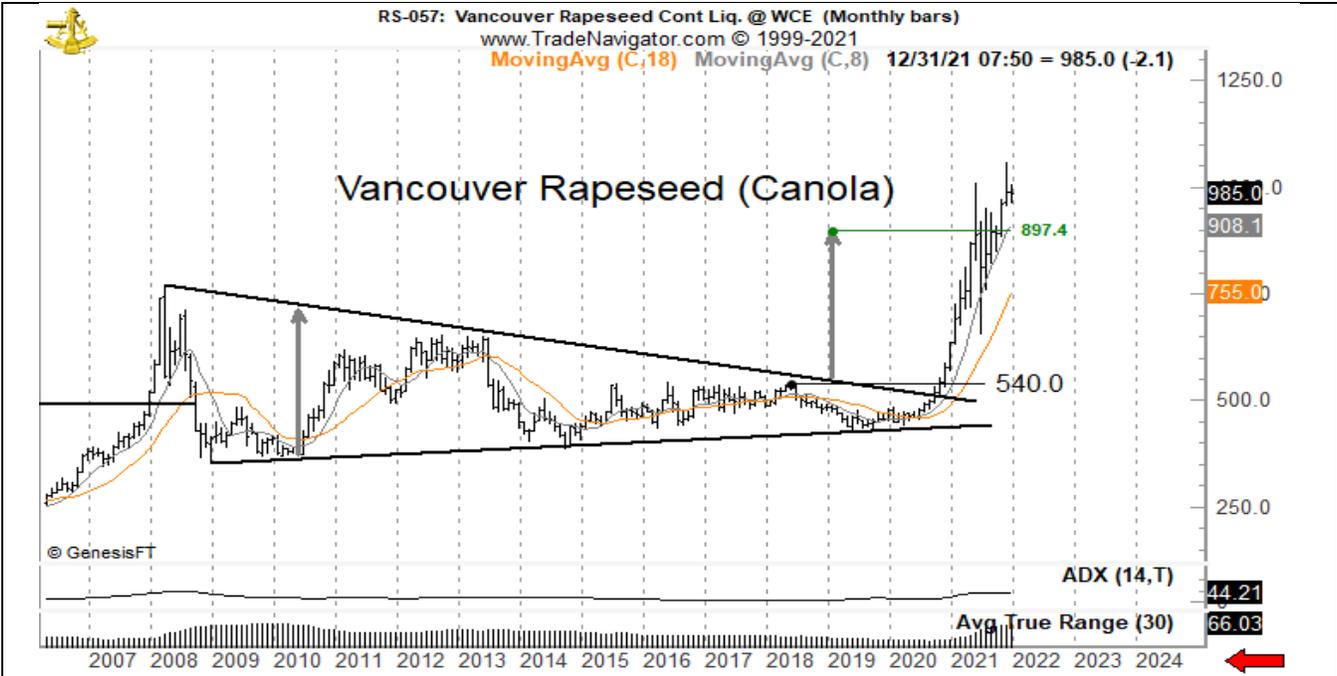
Market	Pattern (s)	Date completed	Target(s)
Cotton	20-wk asc triangle	Jul 7 at 89.81 (re-entry on Sep 24 at 95.99)	100.26 met on Sep 28 112.64 met on Oct 6

The initial breakout in Jul retested the ascending triangle in late Sep. Thus, trading the initial breakout would have been fraught with tactical challenges. Yet, following the retest, the upsurge on Sep 23 and 24 quickly put the market back on track to reach the upside targets.



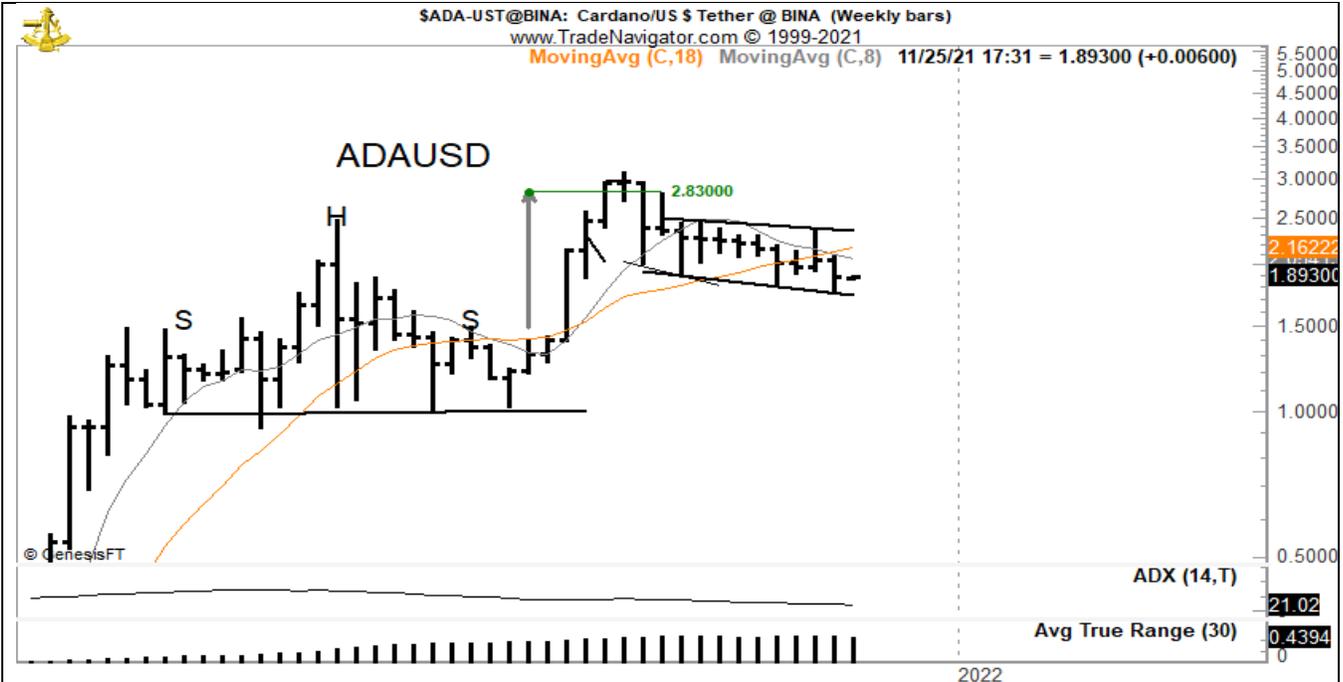
Market	Pattern (s)	Date completed	Target(s)
Matif (European) Rapeseed	3-mo. Continuation H&S	Aug 11 at 546	604.25 met on Sep 23 680 met on Oct 20

The advance in mid-July was a perfect example of a premature breakout. After returning to the pattern, the advance on Aug 1 was the real deal. It is not uncommon that patterns with a height less than 20% of the underlying value to produce a 2X target, which was subsequently met in Matif Rapeseed.



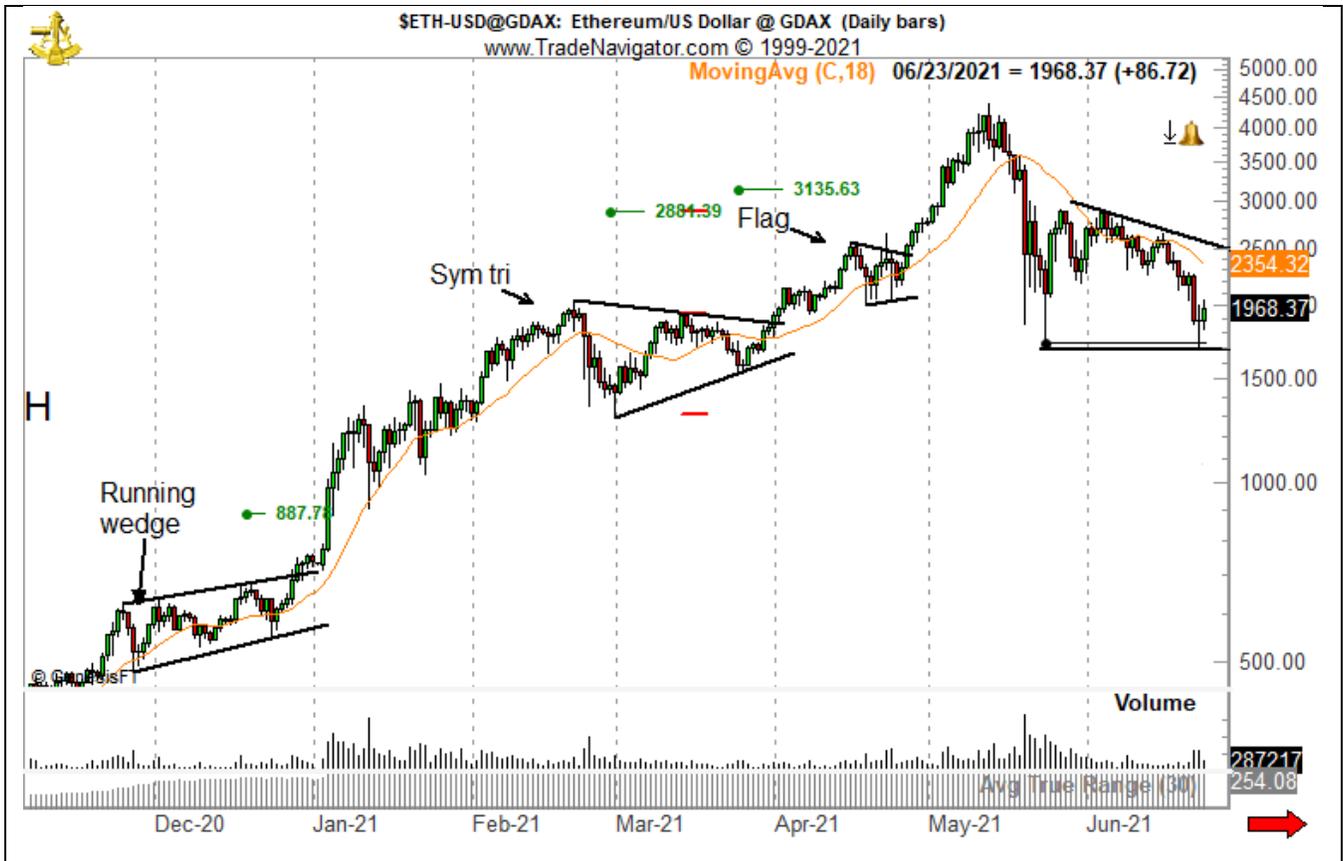
Market	Pattern (s)	Date completed	Target(s)
Vancouver Rapeseed	12-yr sym triangle (mo.) 14-wk asc triangle (RSF22))	Nov 13, 2020 at 560 Oct 20 at 944	897 met on May 5 1030 met on Nov 15

Canadian Rapeseed joined European Rapeseed for a 2021 bull trend. A massive symmetrical triangle on the monthly chart was completed in November 2020. There were several daily continuation patterns during the bull move, including the ascending triangle completed in Oct 2021.



Market	Pattern (s)	Date completed	Target(s)
ADA/USD	5+ mo H&S failure	1.58 on Aug 8	2.83 met on Aug 23

The target of a H&S failure is the height of the H&S projected upwards from the high of the right shoulder. A H&S is completed when the right shoulder high is violated.



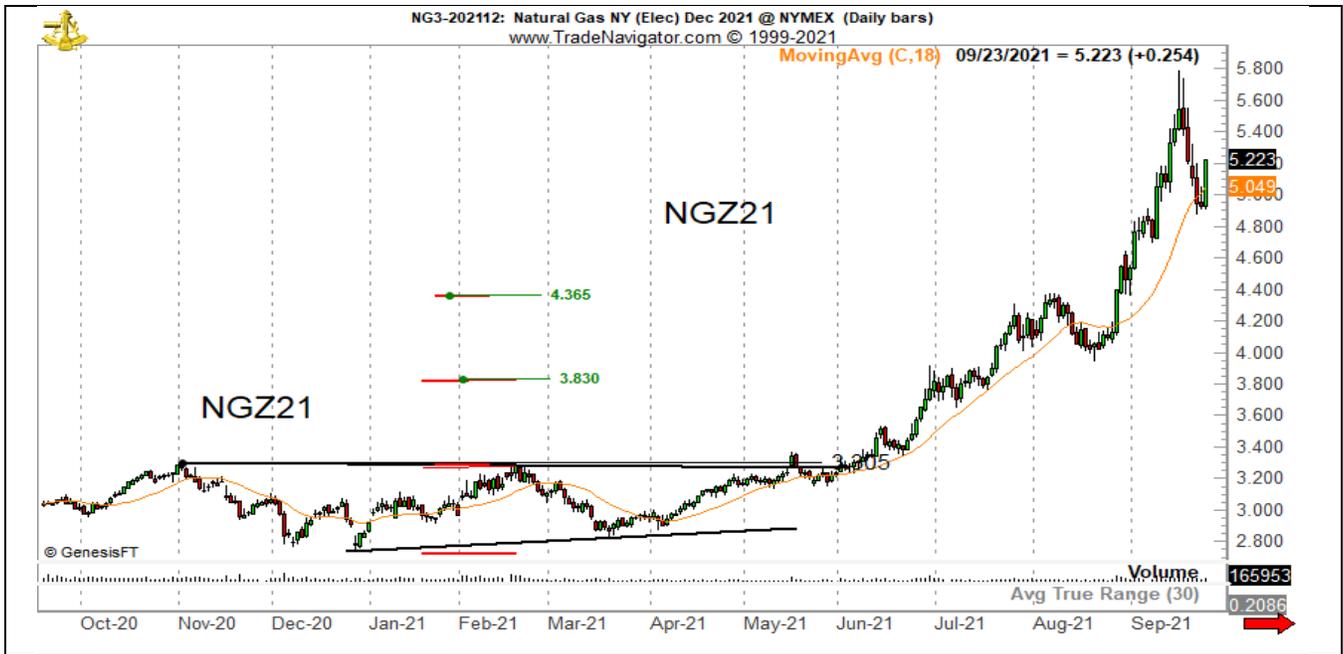
Market	Pattern (s)	Date completed	Target(s)
ETH (Part 1)	5-wk running wedge	Dec 28, 2020 at 729	887 met on Jan 3
	6-wk sym tri	Apr 1 at 1968	2881 met on May 1
	2-wk flag	Apr 26 at 2534	3135 met on May 3

Major bull trends characteristically can feature a series of well-defined but brief continuation patterns. This was the case of ETH From Jan through May.



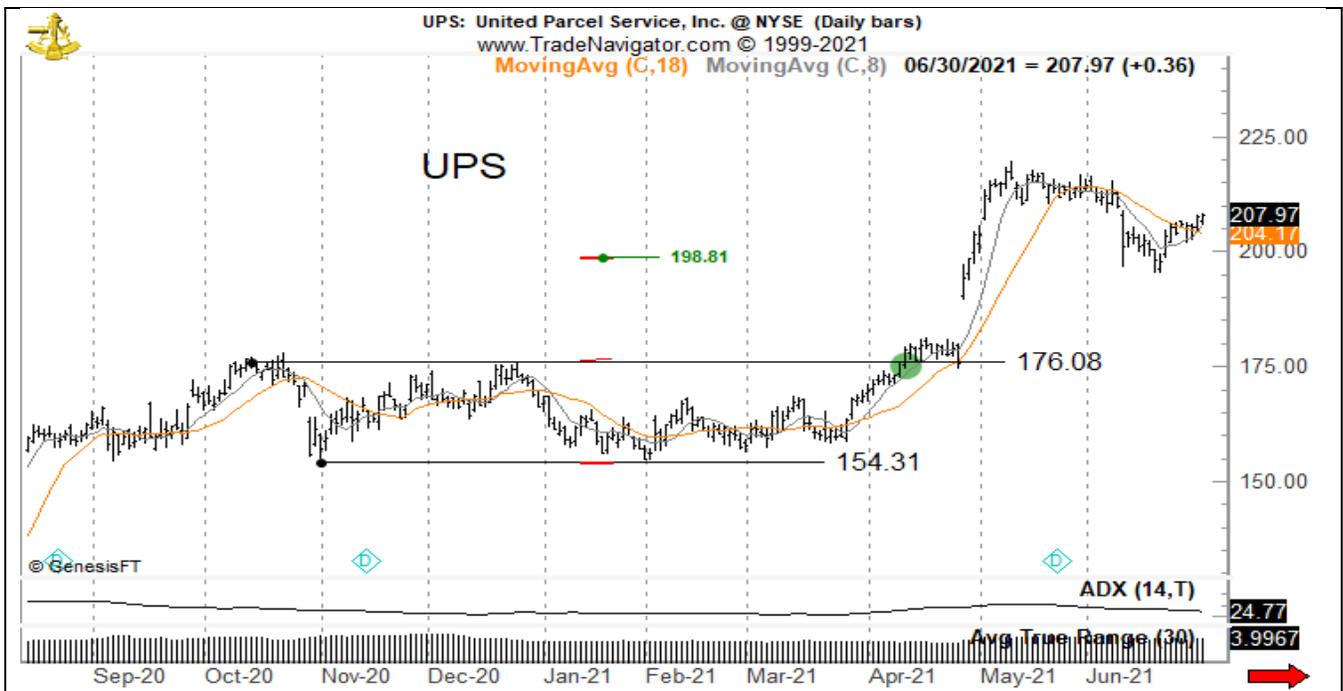
Market	Pattern (s)	Date completed	Target(s)
ETH (Part 2)	9-wk desc tri failure	Jul 30 at 2463	3669 met on Sep 1
	7-wk H&S failure	Oct 1 at 3311	4747 met on Nov 8

The advance in the last half of 2021 in ETH took place via the failure of two patterns normally associated with pending price declines. The failure of a pattern is often more revealing than the completion of a pattern. The descending triangle in May-Jul failed when the early Jul high was penetrated – this was a buy signal. In Aug-Sep ETH formed a H&S top, briefly completed on Sep 21. However, the decline halted and a 5-point reversal symmetrical triangle formed at the neckline of the H&S top. The wide-bodied bar advance on Oct 1 was a strong buy signal.



Market	Pattern (s)	Date completed	Target(s)
Natural Gas (Dec)	7+ mo. Symmetrical tri	Jun 8 at 3.34	3.83 met on Jun 29 3.84 met on Aug 6

A bottom pattern with a height less than 20% of the underlying value typically produce a 2X target.

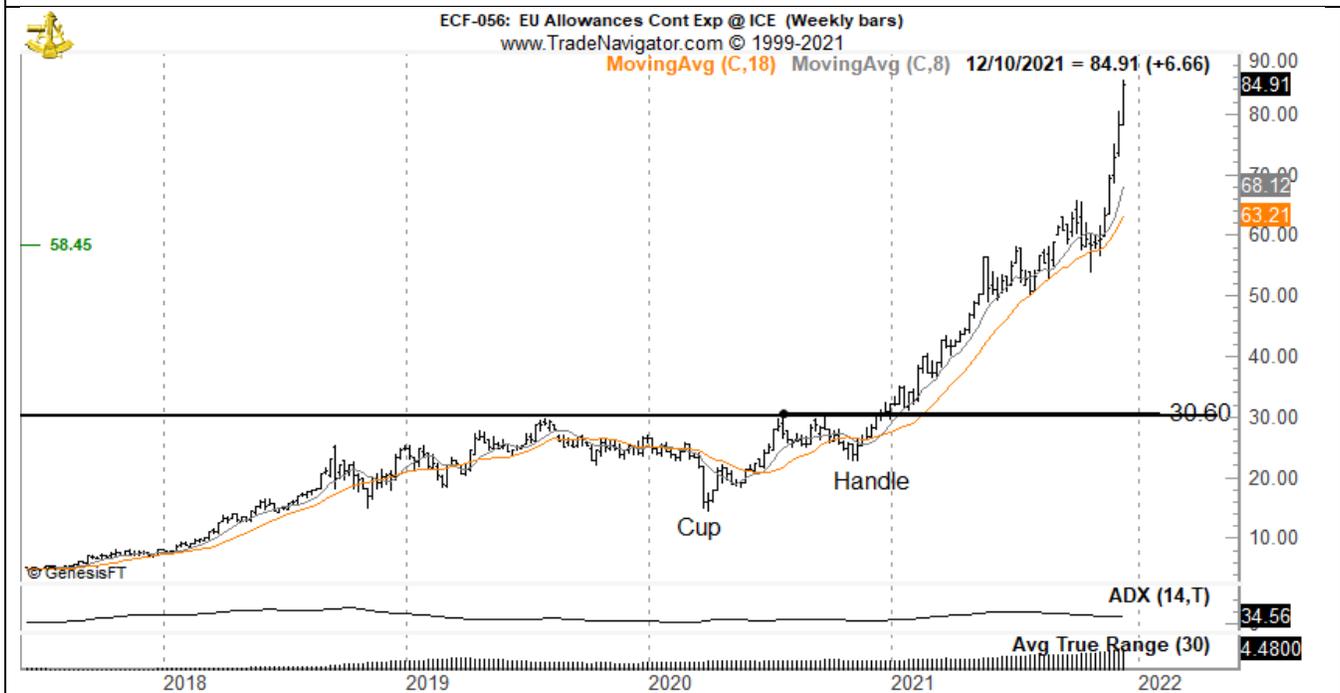


Market	Pattern (s)	Date completed	Target(s)
UPS	6-mo rectangle	Apr 13 at 179.42	198.81 met on Apr 29

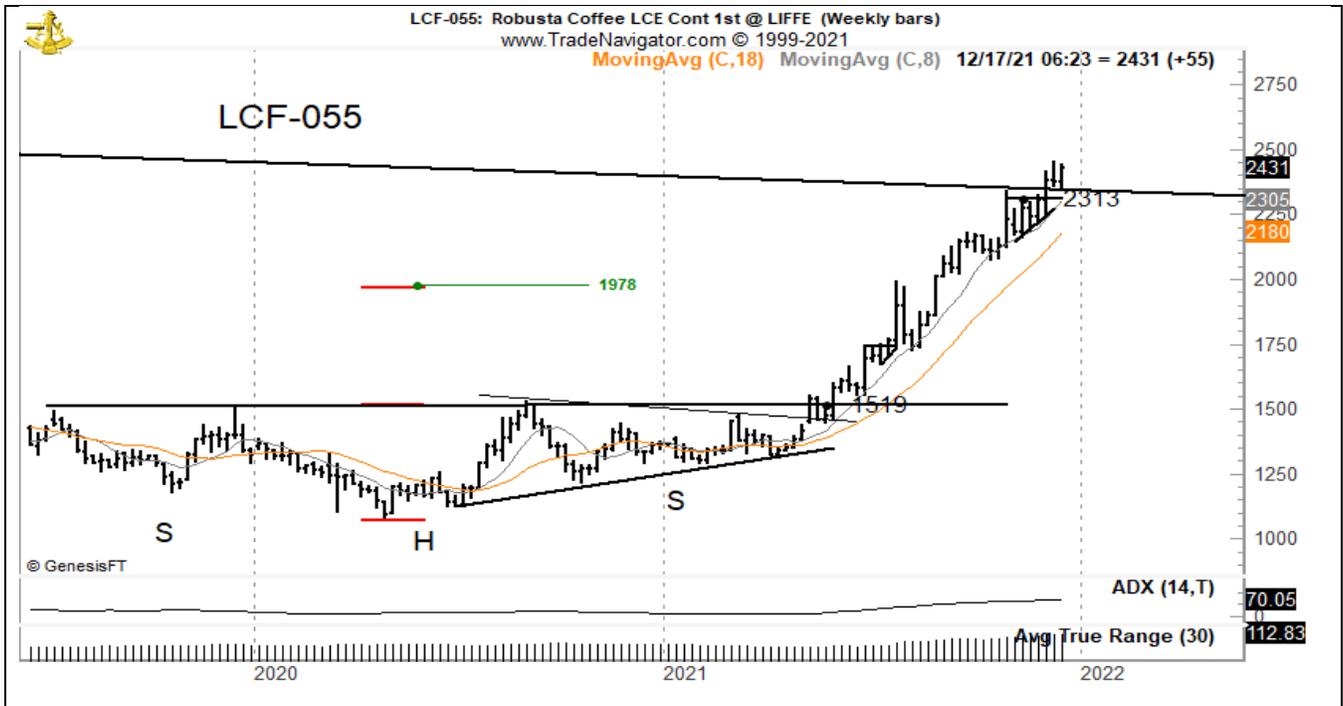


Market	Pattern (s)	Date completed	Target(s)
Mpls Wheat (Mar)	4-yr rounding bottom (weekly chart)	Apr 9 at 6.81	8.68 met on Jul 15
	6-wk running wedge	Jul 15 at 8.62	9.57 met on Oct 15
	11-wk Darvas Box	Oct 8 at 9.35	10.04 met on Oct 25

The 2022 bull market in Mpls Hard Spring Wheat consisted of three major chart events. The advance in April completed a massive base on the weekly and monthly charts. The 6-week running wedge stalled for three months, yet did not do any damage to the pattern. Lastly, an 11-week trading range launched the final thrust.



Market	Pattern (s)	Date completed	Target(s)
European Carbon Emission Offsets	Massive base (monthly) Cup & Handle (weekly)	Dec 15 2020 at 32.05	58.45 met on Aug 30



Market	Pattern (s)	Date completed	Target(s)
London Robusta Coffee	2-yr H&S bottom	May 28 at 1583	1978 met on Jul 23

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