



February 27, 2022

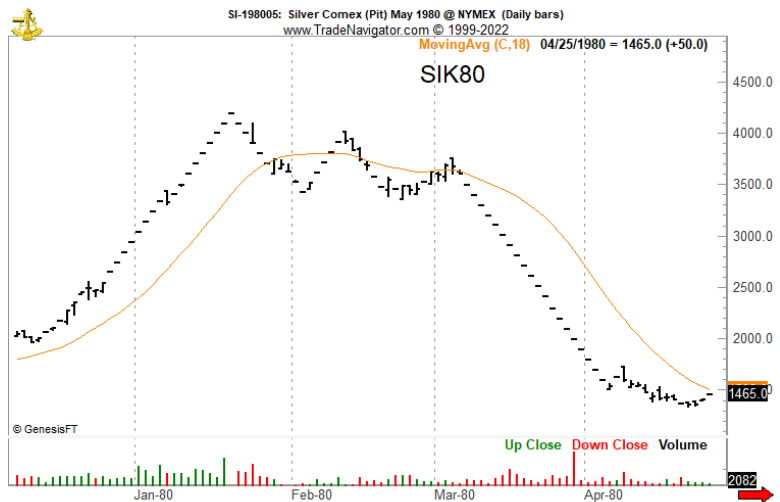
Trading commentary

There is nothing that exposes weaknesses in one's trading plan like the week that just ended. That was a week that was – and I am glad it's over. There were more limit ups and limit downs than I remember in many years. It reminded me of the grain and metal markets of the 1970s.

Commodity futures have daily price change limits. For example, the limit in Wheat on Friday was 75 cents per bushel (which was expanded from Thursday's 50 cent limit). May Chicago Wheat closed down the limit at 859-3/4. Shorts had little interest to buy at the limit down price, meaning short holders thought the market will be lower on Monday. Thus, buying dried up and traders stuck with long positions were not able to freely liquidate. The chart to the right shows that there were very few buyers at limit down.

Being trapped in a position rarely happens in futures trading, but it does happen. In some cases being trapped has continued for days, meaning that traders were ruined. Traders have a term for a series of limit moves – calling it “dotting the chart.”

The chart to the right is the May 1980 contract of Silver. Notice the series of limit up days in Jan 1980 due to the Hunt Brothers attempt to corner the market (meaning that shorts could not cut their losses), then the series of limit down days in May 1980 when the exchanges and CFTC forced the Hunts to liquidate their position (which they were unable to do during the series of limit down days). This, of course, is the extreme example of price limit moves.



Pareto on steroids

I have written and spoken extensively on the application of the Pareto Principle to market speculation – that the best trades (those 20% or so of trades that contribute the vast majority of net profitability) work immediately and often quite quickly. Chicago Wheat could remain my most profitable trade of 2022 at 421 BPs. I issued a series of Tweets to members about the set up – it was classic how it unfolded. The trading actions I took in Chicago Wheat are included herein. The success of this trade was due much more to persistence than to any particular mental capabilities.

FactorMembers @factor_members

Chart of interest - Chicago Wheat \$ZW_F \$ZWN22
Something to keep an eye on



7:13 PM · Feb 3, 2022 · Twitter Web App

FactorMembers @factor_members

Charts of interest - Chicago Wheat \$ZW_F
Weekly chart - major up trend
Daily chart - Possible inverted H&S
Right shoulder - possible inverted H&S
ADX currently 14.x

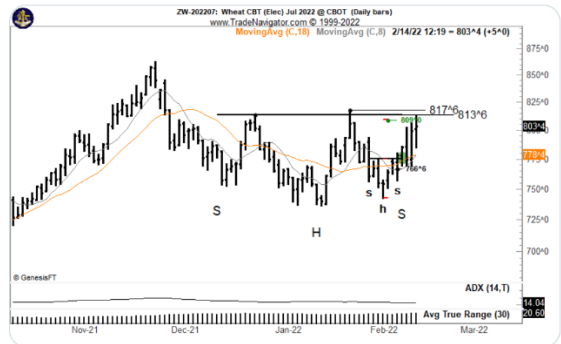


3:48 PM · Feb 8, 2022 · Twitter Web App

View Tweet activity

FactorMembers @factor_members · Feb 14

Chart of interest - July Chicago Wheat \$ZW_F \$ZWN22
Target of small HnS (the right shoulder of larger possible H&S) was 809, also likely neckline resistance level
Profits taken on tranche - will replace tranche above Jan 25 high



ZWN22	P	Chicago Wheat	2/8/22	L	7.783	3	7.55	35	8.970	2/24	#	8.95	Possible 11-wk inv H&S	Possible RS low	25-Feb	8.95	\$ 17,513
ZWN22	T	Chicago Wheat	2/8/22	L	7.783	4	7.64	28	MOC	2/14	#	8.09	Possible 11-wk inv H&S	Possible RS low	14-Feb	8.04	\$ 5,150
ZWN22	T	Chicago Wheat	2/22/22	L	8.210	2	7.96	13	Mkt	2/24	#	Open	14-wk inv H&S	14-wk inv H&S	24-Feb	9.17	\$ 9,585
ZWN22	T	Chicago Wheat	2/22/22	L	8.210	3	8.04	17			#	8.87	14-wk inv H&S	14-wk inv H&S	24-Feb	8.87	\$ 9,885

Markets of interest

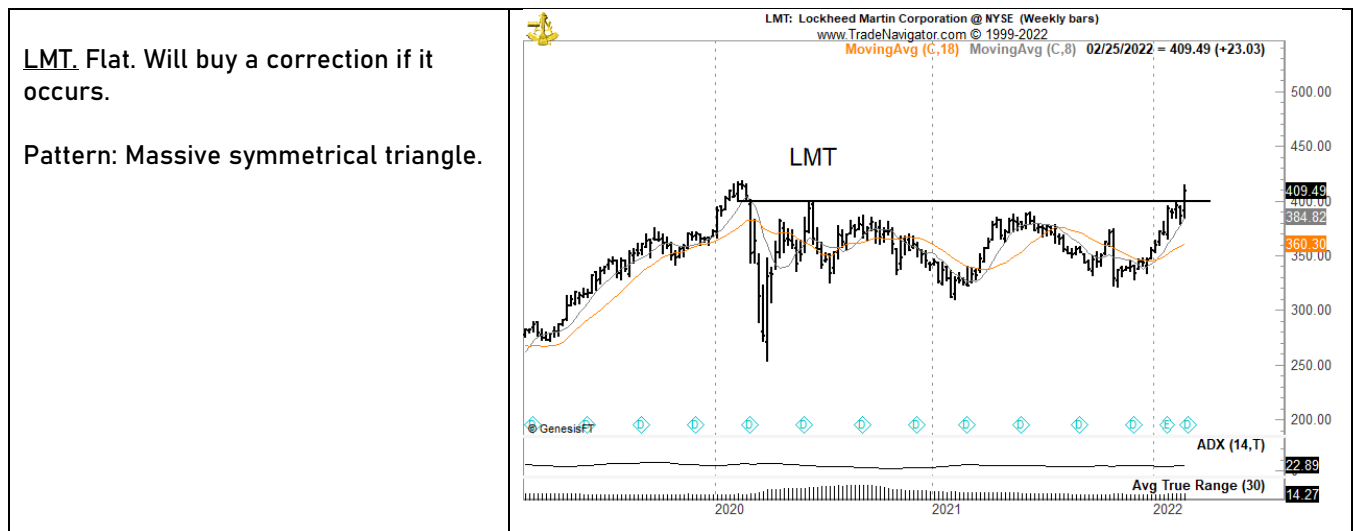
The blow-off advance this past week against the backdrop of the Ukraine invasion by Russia created a classic textbook example of “Buy the Rumor, Sell the News” (in the case of stocks it was “sell the rumor, buy the news”). Shown is a Factor Member Tweet issued on Wednesday. I did a good job “selling the news” in grains, but not so in precious metals.

I am perfectly fine if I never experience another week with as much volatility (and active trading on my part) as was the case this past week. I am ready for calmer waters.

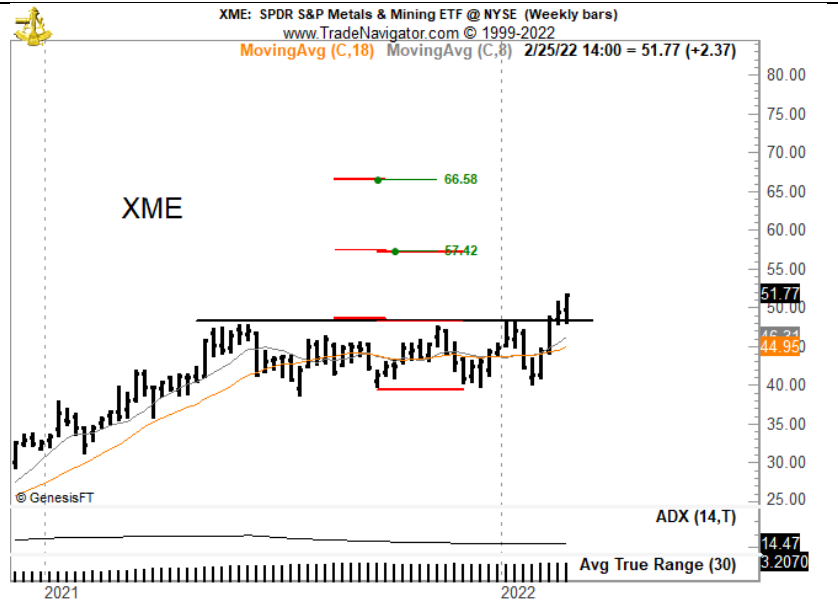


A key stock market strategy

Some of my best stock trades over the years have been in stocks that made important new highs immediately following a sharp general market correction. Pay attention to this phenomenon in the future. The first few charts featured in the following are such examples. I have purchased the first two of these stocks in my retirement accounts and will attempt to do so on slight corrections in the Factor Prop Account.

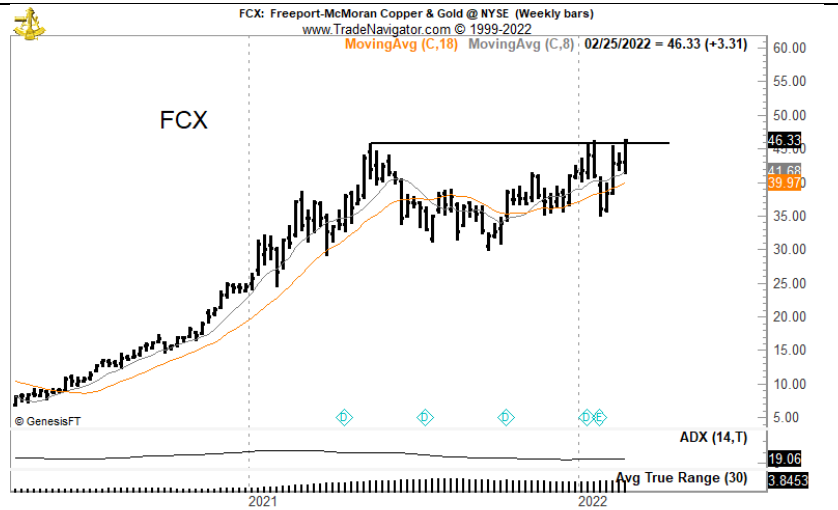


XME. Flat. Credit to a Factor Member for posting this chart on the Member Twitter stream. I love this chart and will buy weakness if given the opportunity, risking to this past week's low.



FCX. Flat. The futures contracts for PMs have been volatile. Playing the metals through stocks may be a calmer way to go.

Pattern: 9-mo saucer



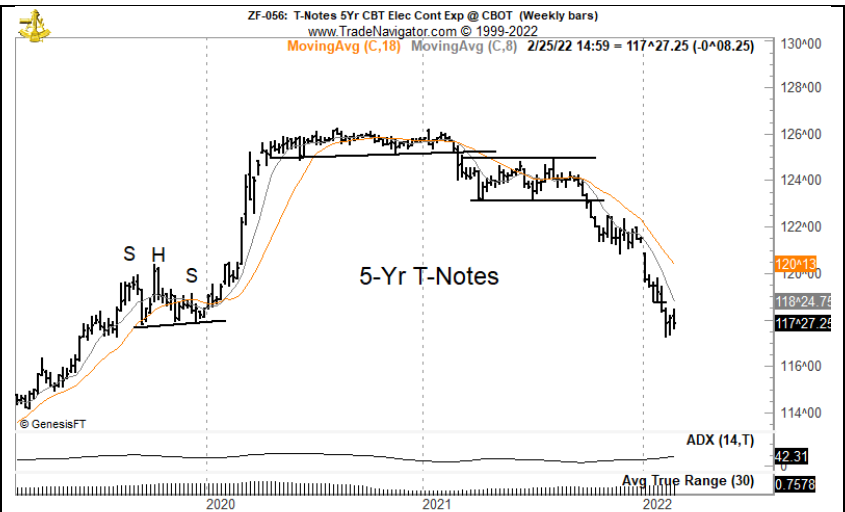
SCCO. Flat. This will be my second attempt at Southern Copper, having taken a shot at the long side in January.

Pattern: A 7-week descending triangle as a deep retest of the underlying H&S bottom



5-Yr T Notes: Short 50%. I Texas-legged out of the Mar into the Jun contract this past week. I am thinking (hoping) that a more serious bear market correction could be coming. But I will ride this horse for as long as it has legs.

Pattern: Strong trend



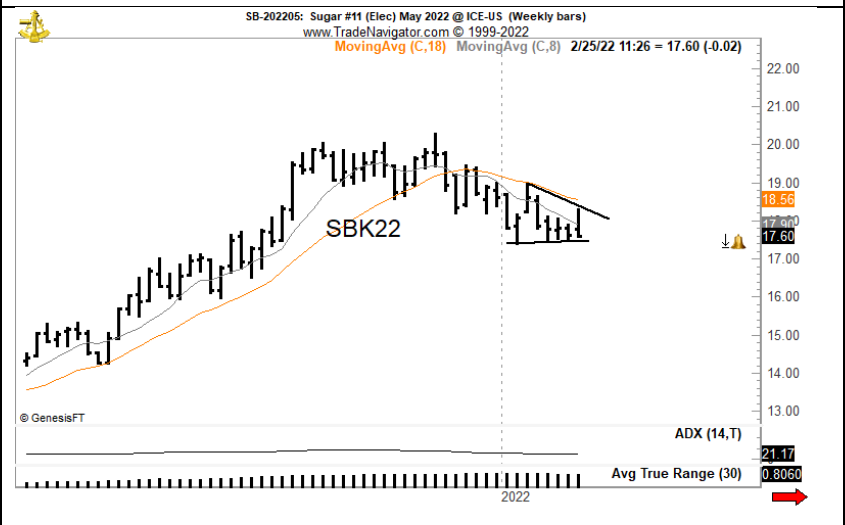
S&Ps. Flat. I think there is a good chance this past week's breakdown through the neckline of a H&S pattern may prove to be a huge bear trap. Time will tell. I MIGHT consider buying a retest of the neckline, but the risk would have to be Thursday's low, and that is a bunch.

Pattern: H&S failure, bear trap



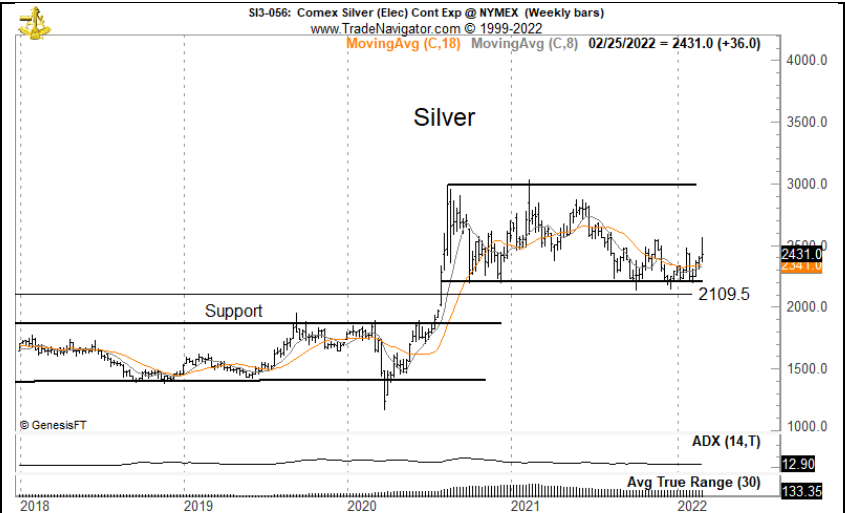
Sugar. This chart is setting up for a short trade.

Pattern: Rounding top with descending/symmetrical triangle

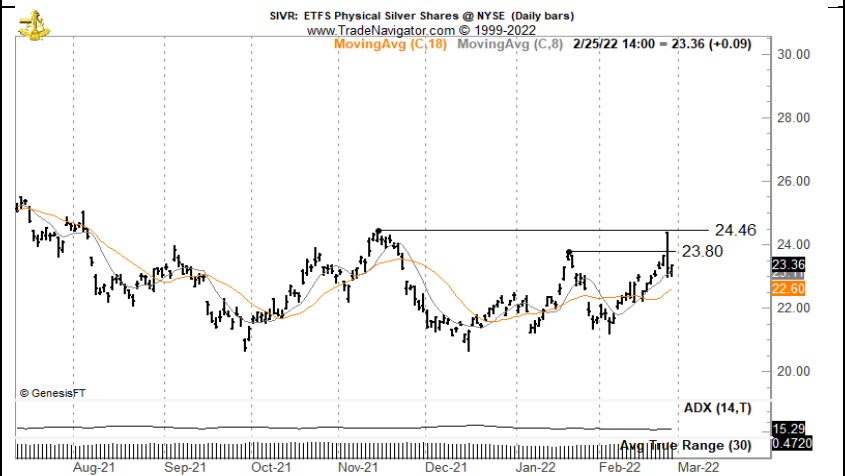


Silver. Flat, having taken another spin on the merry-go-round from hell.

Pattern: Compound fulcrum bottom on daily chart, massive rectangle on weekly graph

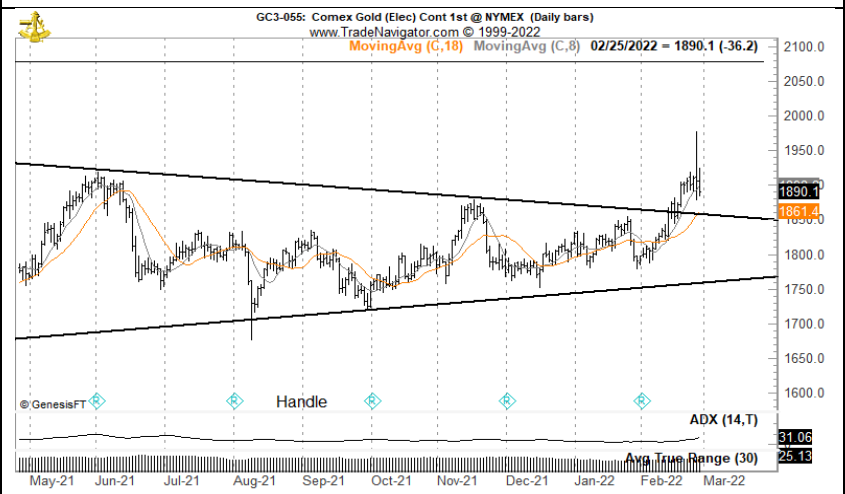


SIVR. Long 100%. I bought the SIVR thinking that I would have more staying power with an ETF than with the futures, which may end up being the case.



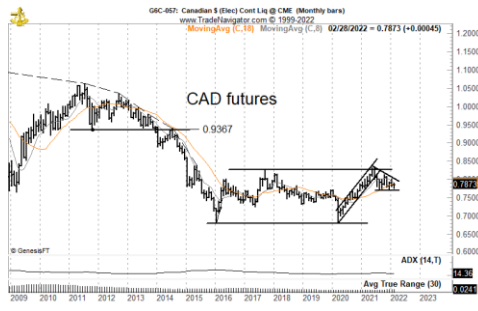
Gold. Long 50%. The symmetrical triangle remains intact despite the sharp reversal this week.

Patterns: Possible Cup and Handle on the monthly graph and symmetrical triangle on the daily chart




Canadian Dollars. Flat. Faked out by H&S pattern.

Pattern: The possible 8-mo descending triangle is still in play, but I am starting to think the C\$ might be forming a massive double bottom on the longer-term chart




plb
 ###

Tracking sheet for the week of Feb 20 ending Feb 25

			Weekly position/symbol tracking - Prop ONLY		
W/O Feb 20					
Beginning Trades	Beginning Positions	Starting radar list for New Initial Positions	Symbols / orders added during week	Actions, End of week position	BP +/-
ZLH22	L 50%	Bean Oil		S 50% Th 74.47, flat	127
ZLK22	L 50%	Bean Oil		S 50% F 71.47, flat	80
CORN	L 100%	ETF		S 100% F 23.725, flat	81
ZFH22	S 50%	5-Yr Notes		B 50% F 117^25, still short Jun contract	59
ZWN22	L 50%	Chi Wheat		S 50% Th 8.95, flat	175
GCM22	L 100%	Jun Gold		S 50% F 1913.6, long 50%	49
		G6CM22		S 100% Th .7804, B 100% F avg. .7848, flat	-39
		MNQH22		S 50% M 14028.5; B 50% Th 13492, flat	64
		G6EM22		Cxld	
		ZWN22		B 50% (in 2 tranches) Tu 8.21; S 25% Th 8.87 and 25% 9.17, flat	195
			RTYH22	S 50% M 1997.20, B 50% F 2012.5, flat	-10
			ZFM22	S 50% Th 117^28, short 50%	
			SIVR (etf)	B 100% W 23.52, long 100%	
			SIM22	B 50% W 24.605, S 50% Th 24.56, flat	-2
			ESM22	Cxld	
					779

Tracking sheet for the week of Feb 27, 2022

			Weekly position/symbol tracking - Prop ONLY		
W/O Feb 27					
Beginning Trades	Beginning Positions	Starting radar list for New Initial Positions	Symbols / orders added during week	Actions, End of week position	BP +/-
ZFM22	S 50%				
SIVR (etf)	L 100%				
GCM22	L 50%	Jun Gold			
		LMT			
		XME			
		SCCO			
		Sugar futures			
		FCX			
					0