



July 10, 2022

Trading

This past week the following trades were made for the Factor Prop Account:

- Stopped out of two tranches (units) of short Sugar
- Stopped out of one tranche of short Aug Bean Oil
- Stopped out of two tranches of short DBA
- Shorted a third unit of short EUR/CAD, covered one unit
- Shorted a third unit of G6EU22 (EuroFX), covered one unit
- Shorted two units of London Coffee, stopped out of one unit

Books recommended in Jul 8 Webinar

A Complete Guide to the Futures Market: Technical Analysis, Trading Systems, Fundamental Analysis, Options, Spreads, and Trading Principles by Jack Schwager

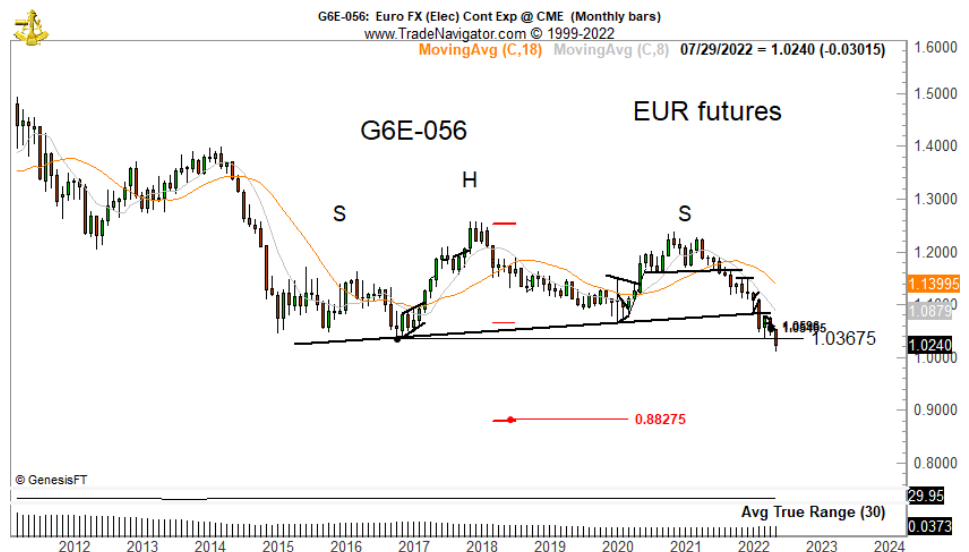
https://www.amazon.com/dp/111885375X?tag=onamzfactorll-20&linkCode=ssc&creativeASIN=111885375X&asc_item_id=amzn1.ideas.2NPQX8NMQQSFN

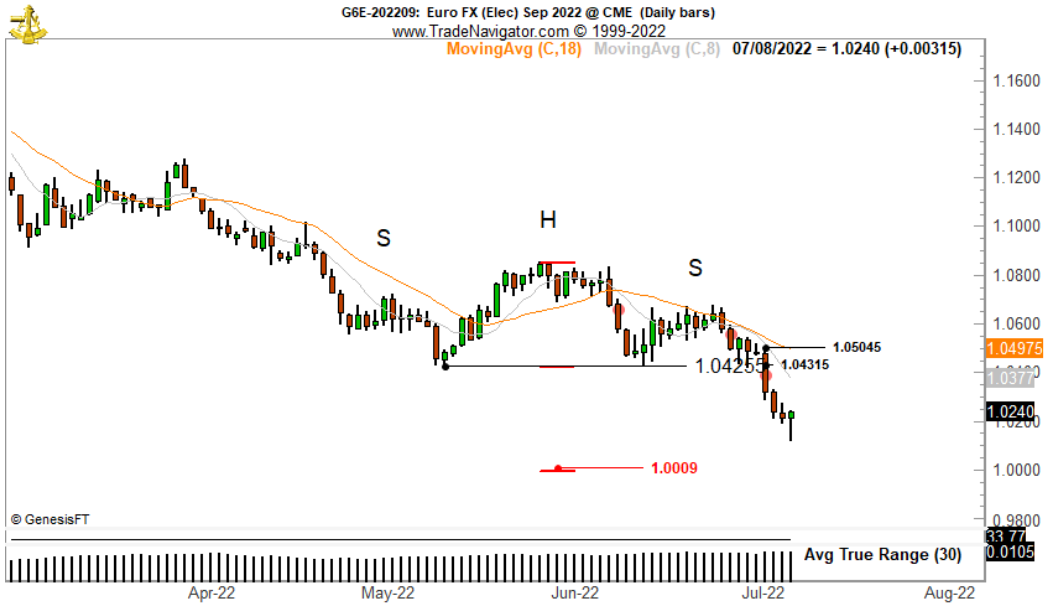
My Trading Bible by Mark Ritchie

https://www.amazon.com/dp/0964695200?tag=onamzfactorll-20&linkCode=ssc&creativeASIN=0964695200&asc_item_id=amzn1.ideas.3IVZAEBP772ZP

Markets of interest

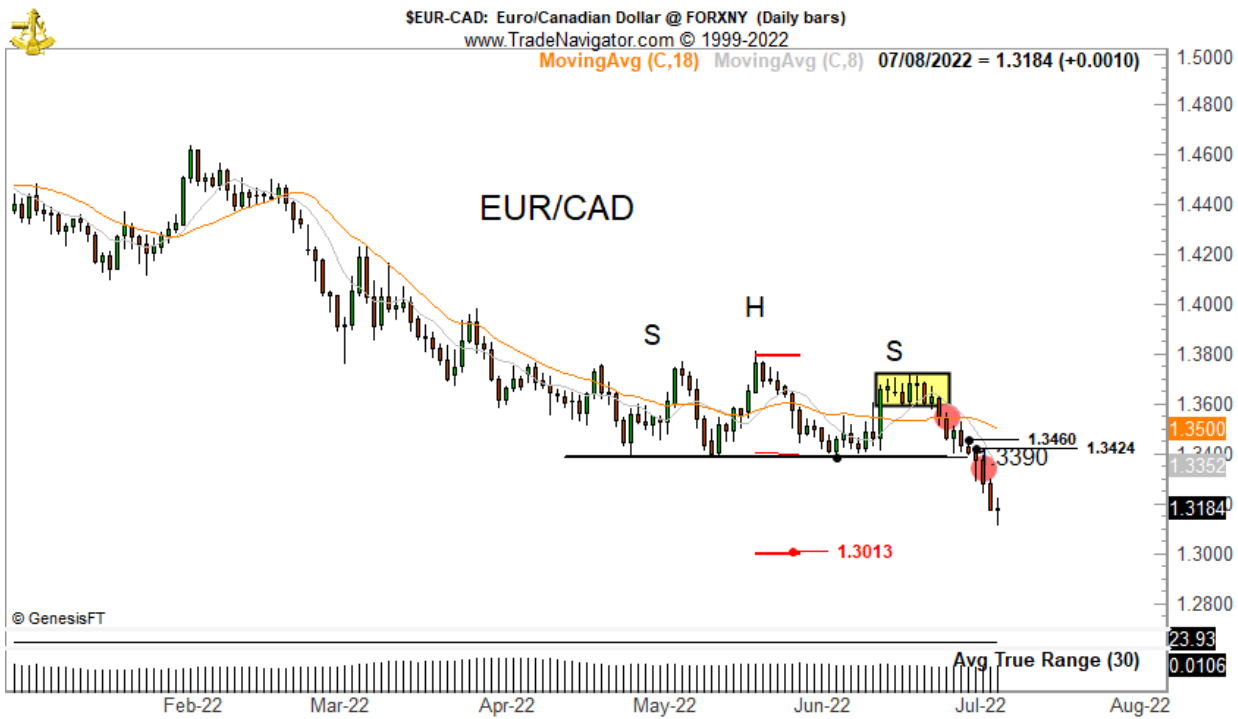
Eurocurrency. I entered the week short two units (tranches) of EuroFX and shorted a third unit Tuesday. I covered a unit on Friday when the chart established a “foot-shot” doji. With a three-tranche position I felt it was appropriate to lighten up given a candlestick bar that suggests a possible further correction. I am interested in returning to an extended short position. Longer-term the trend remains down with a target of .88 – only a close above the Mar high would alter the trend.





EUR/CAD. See EuroFX. Similarly, I increased my position to 150% on Tuesday, but covered 50% on Friday based on the "foot-shot" candle.

Note: Because I took quick profits in EUR/CAD and EUR/USD this past week I have the luxury of at least a break-even trade.



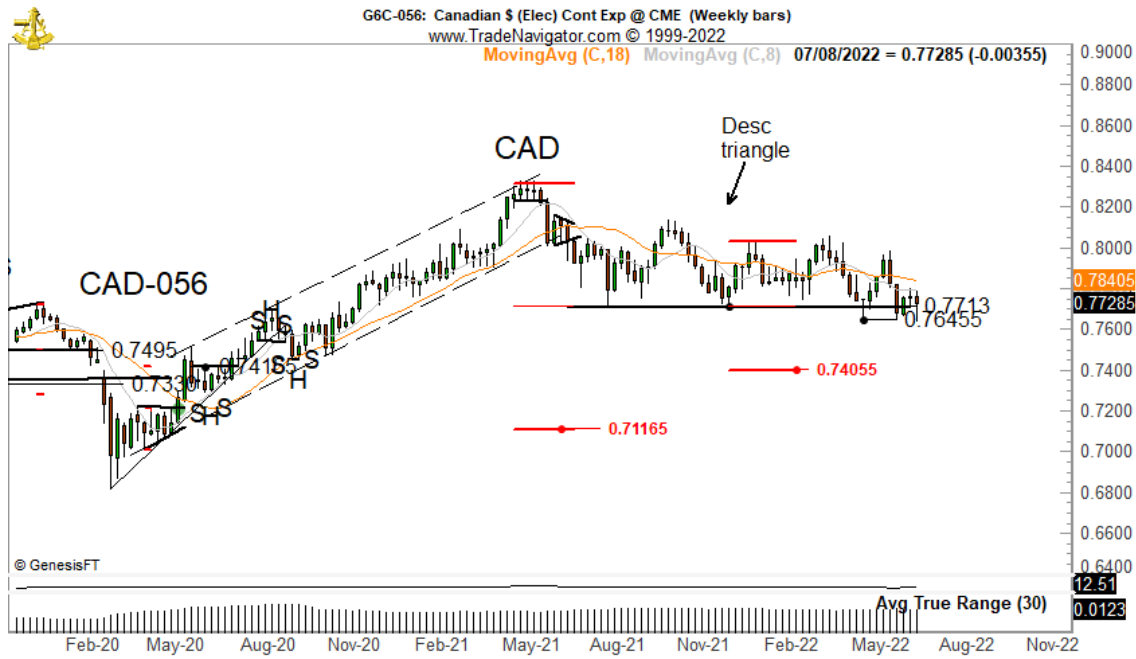
DBA (ag ETF). As of Friday, I am flat. I will short a 50% position if the ETF rallies back to the 18 DMA.



London Sep Coffee. Friday was an engulfing day (outside reversal), indicating demand. The only question is whether the buying represented strong hands or short-covering. I exited the week short a 50% position. I will re-sell if the May 10 low is retested.



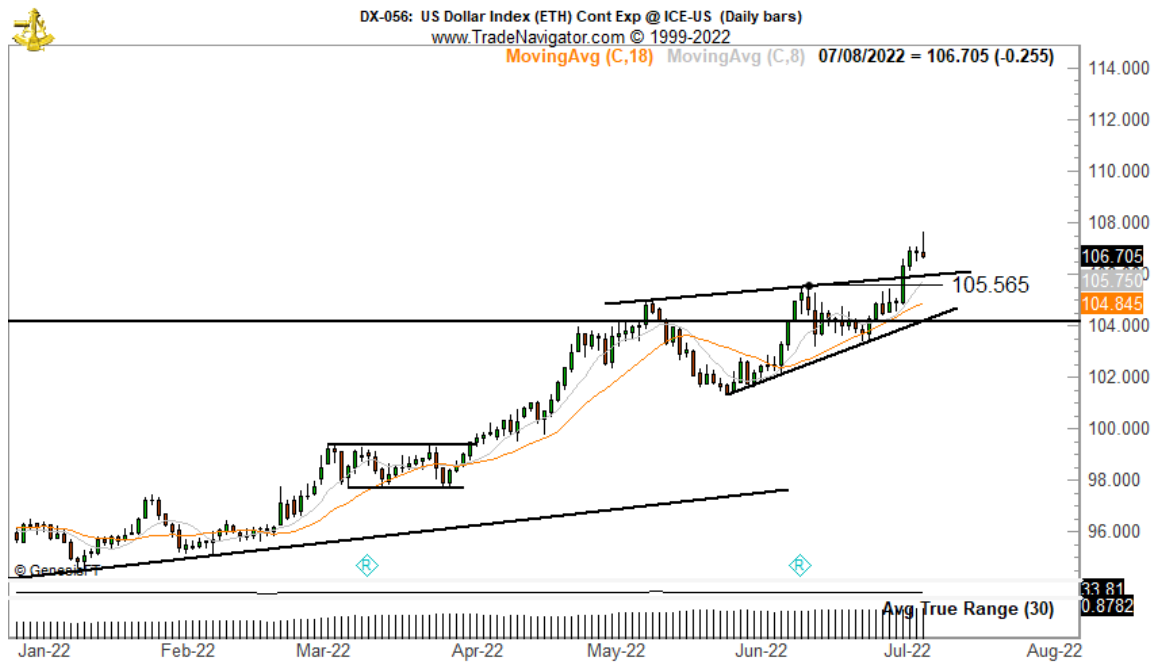
Canadian Dollar futures. I continue to view this chart as a descending triangle that has already experienced two false breakouts. I will short a new low.



Sep Soybean Meal. The daily chart displays a rectangle that could go either way.



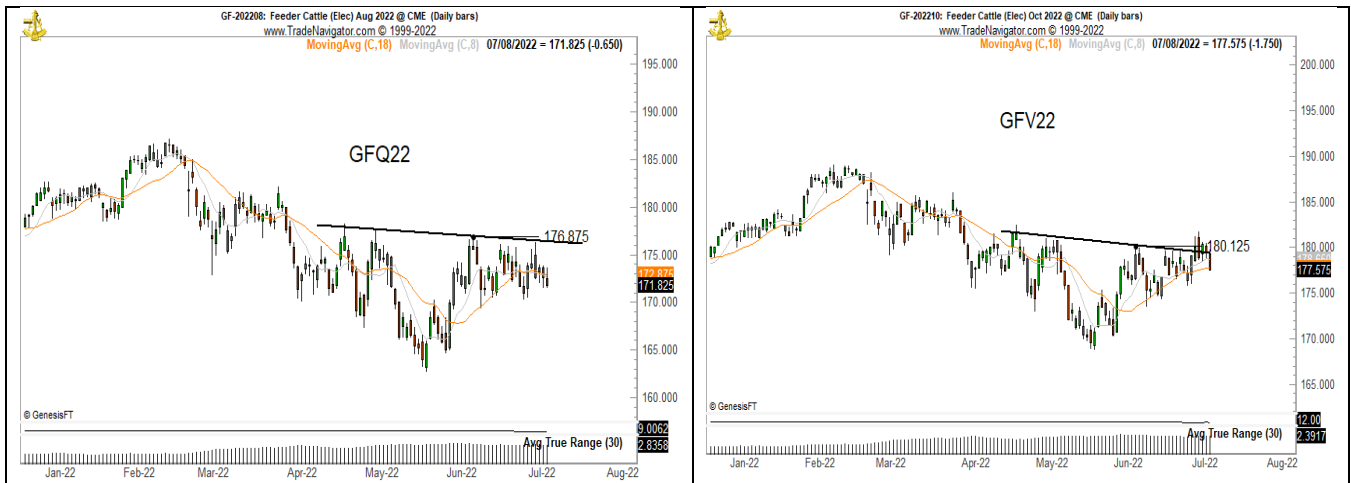
U.S. Dollar Index. The rally this past week completed a possible running wedge. I cancelled my breakout orders this past week but may be interested in buying a hard retest of the running wedge. Friday's candle was a bearish "head-shot" doji.



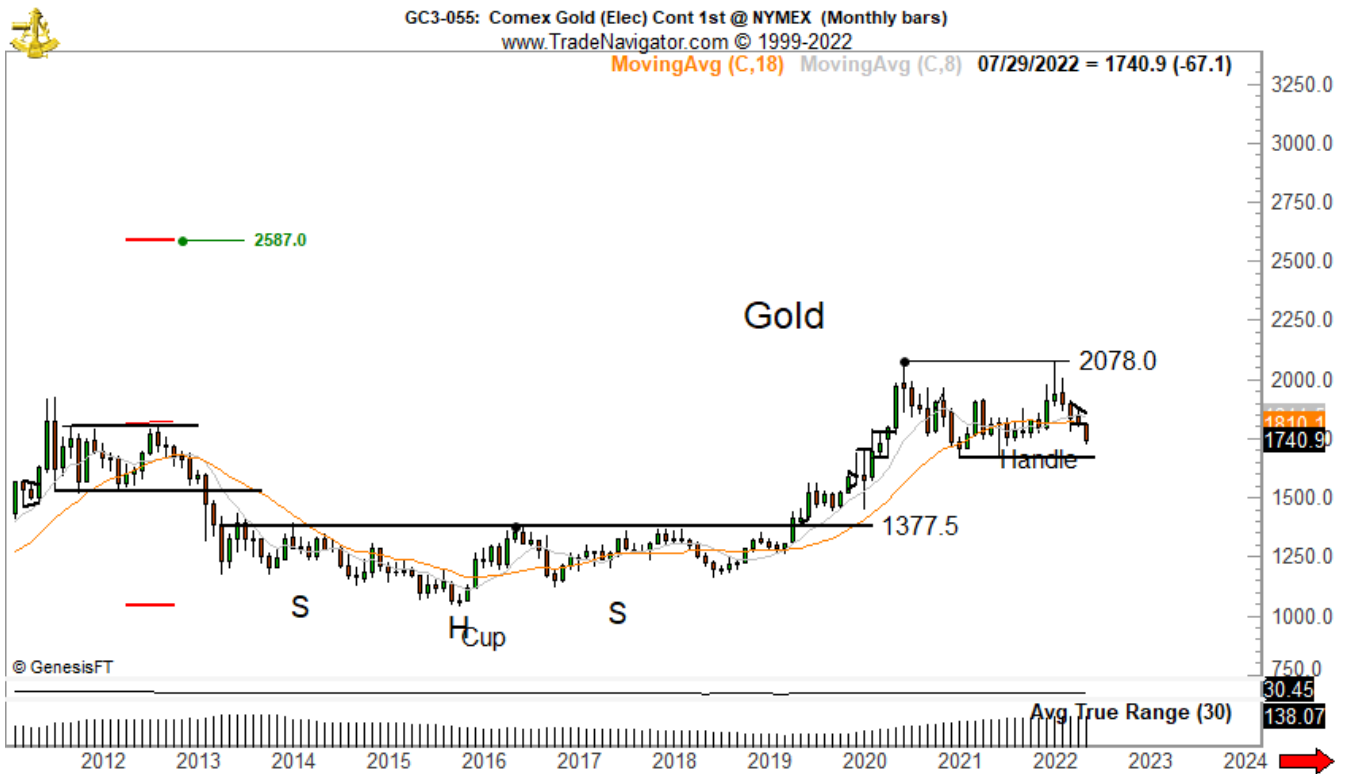
Oct NY Sugar. I have taken two different shots at short Sugar. I have a "two strikes, I'm out" rule. Periodically I will take a third shot, but this is rare.



Feeder Cattle. This is a thinly traded market with fewer than 10,000 lots traded per day. So, enter at your own risk. The daily charts present a possible inverted H&S bottom. The challenge is that the nearby Aug is weaker than the deferred contracts.



Precious Metals. I will monitor Gold for a buying opportunity based on the daily chart. The only question I have is whether the market penetrates the 2021 lows.



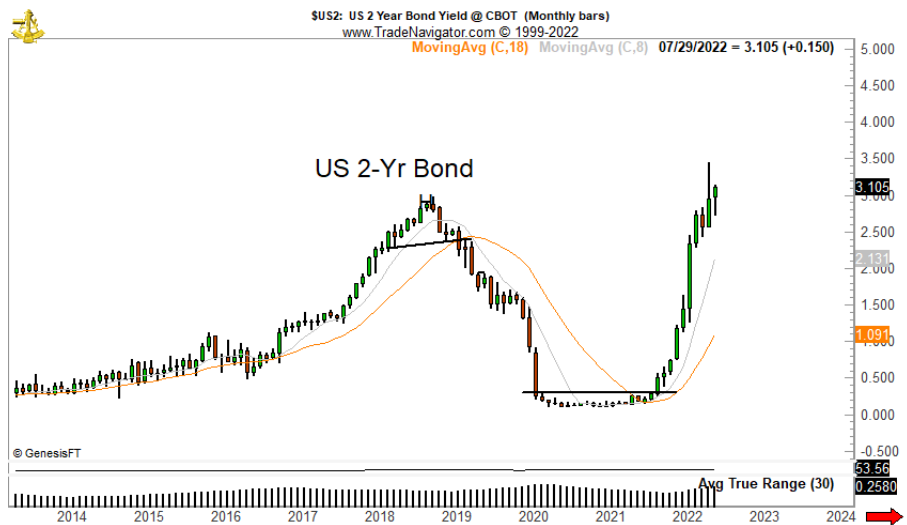
U.S. equities. The trend is solidly down. Sentiment is as negative as it gets. The only pattern I see that might be tradeable is a falling wedge in the Dow futures. Falling wedges are very challenging to trade. A section of Schabacker's book is also shown.

Up-turned and Down-turned Wedges Compared


Figure III.15 shows a Down-turned Wedge which formed in the daily chart of Electric Auto-Lite in the Spring of 1932. Compare the volume picture and price action following the completion of the Wedge in this chart, with the New York Central chart (Fig. III.14). Note the indecisive and dull period which followed the turn of prices out of the Down-pointed Wedge pattern before the new upward trend really started; this is typical of the price (and volume) action to be expected following a Down-turned Wedge, and is, as we have seen, quite different from the characteristic action following the Up-turned formation. Each presages a reversal of trend, but the move is delayed for an indefinite period in the case of many Down-turned Wedges. The practical trader will therefore take prompt action when his chart shows a break-out from an Up-Pointed Wedge Top; whereas he may safely delay action at a Bottom until the price and volume action indicate that the new uptrend is really started.



Interest rates. The current Fed Funds rate is 1.75%. The free-market rate (based on 2-Yr Notes) is 3.1%. If the Fed is responsible (which it is not) the next hike would be 100 basis points.




Tracking sheet for the week of Jul 4 ending Jul 9

			Weekly position/symbol tracking - Prop ONLY		
W/O July 4					
Beginning Trades	Beginning Positions	Starting radar list for New Initial Positions	Symbols / orders added during week	Actions, End of week position	BP +/-
G6EU22	S 100%	EuroFX		Hold	
SBV22	S 100%	Sugar		B 50% Th 18.34 & 50 F 18.62, flat	-38
DBA	S 100%	Ag ETF		B 50 Tu 60.58, B 50% F 20.18, flat	119
ZLQ22	S 50%	Aug Bean Oil		B 50% Tu 60.58, flat	84
EURCAD	S 100%			Hold	
		LCFU22	Lnd. Coffee	S 100% Tu 1986, B 50 F 1977, short 50%	7
		GFQ22 or GFX22	Feeders	Unable	
		USDX	\$\$\$s	Cxld	
		EURCAD		S 50% Tu 1.33650, B 50% F 1.31412, see above	52
			G6EU22	S 50% Tu 1.0391, B 50% F 1.0218, see above	32
			ZMU22	Unable	
			G6CU22	Unable	
			GFQ22	Unable, Cxld	
					256

Key: B = buy, S = sell, M = Monday, Tu = Tuesday, W = Wednesday, Th = Thursday, F = Friday, Sa = Saturday

Tracking sheet for the week of Jul 10 2022

			Weekly position/symbol tracking - Prop ONLY		
W/O July 10					
Beginning Trades	Beginning Positions	Starting radar list for New Initial Positions	Symbols / orders added during week	Actions, End of week position	BP +/-
G6EU22	S 100%	EuroFX			
EURCAD	S 100%				
LCFU22	S 50%	London Coffee			
		GFQ22 or GFX22	Feeders		
		USDX	\$\$\$s		
		ZMU22	Meal		
		G6CU22	Canadian \$		
		DBA	Ag ETF		
					0

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Unanswered questions from July 8 Webinar

Question 22: *I remember reading that on a given weekend, you review about 50 markets for trades. Do you tend to stay with the same 50 markets, or are you actively looking for new markets to trade? If the latter, could you talk about your process for finding new markets to trade?*

A: I monitor all CFTC approved futures contracts, at least the nearby continuation charts and the charts of the lead contracts. This list does not change from week to week although periodically a new contract is approved. I do not conduct a regular and organized review of stock charts, although from time to time I see a chart on social media that draws my interest.

Question 23: *What was your total rate of return in 2021?*

A: Prop Account ROR closed trades = 49.3%

Question 24: *What rules should I write down and follow for grains regarding weather/growing season, e.g.*

1. Charts mean nothing June/July (though you did trade bean oil recently)
2. Don't trade the September contract (why is this?)
3. Anything else?

And to what agri does this apply (e.g. wheat, Soy, meal, oil?)

A. Jun and Jul are important because of weather, especially rain. The Sep contract in Beans and Corn is a transitional contract – not really Old Crop and not really New Crop. The Sep contract is primarily traded by commercial interests (exporters, commercial users, grain elevators).

Question 25: *When trading a smaller account, understand stops will have to be tighter, etc, but curious for something like Soybean for example- if you wanted to use the mini contract for risk management purposes, would you still base your trading/charting off the main Soybean chart?*

A: Actually, I would not use a tighter stop with a smaller account unless it was necessary. Rather, I would reduce the number of mini contracts traded. My entry, stops and targets would be based on the 5,000-bushel contract.

Question 26: *Looking at your results so far this year, it's clear that your tolerance for limiting losses stands out from the data. Is that part of your trading your focus more so than anything else in your approach to trading?*

A: I believe that my job is to deal with losses and if I do so the profits will take care of themselves. Successful trading = successful risk management.

Question 27: *Can you maybe include in a weekend update or a post a short discussion on the implications of HFT trading—a little more depth than what you just discussed?*

HFT operations use many different strategies so I do not want to over-simplify matters. HFTs pay the exchanges millions of dollars to receive price quotes milliseconds before the rest of us. A millisecond advantage is huge. Read the book *Flash Boys* by Michael Lewis.

Question 28: How do you find the early entries in anticipation of greater breakouts?

A: Early entries are not always possible. There are several ways I use:
Smaller pattern (sometimes on intraday chart) in the later stages of a larger pattern
Sign-of-strength (SOS) or sign-of-weakness (SOW) in the later stages of a pattern. A SOS and SOW are usually indicated by three side-bodied red or green bars suggesting that supply or demand is dominating price.

Question 29: Looking at the Euro futures chart today...how do you deal with the price action? Jam stops as it is a foot shot?

A: I covered one-third of my position. One day does not make a market. I would rather not have this trade be break-even or a small profit, but that is always possible. For now, I hold a 100% position. Next week may provide additional clues and that would include a 3-day trailing stop rule.

Question 30: I'm experimenting with looking at ADX in conjunction with my trading - what's your take? Any past experiences that cause you to look at it?

A: I like the ADX indicator. But its usefulness for me is limited to times when the ADX daily reading of less than 12 turns up in conjunction with a breakout of a recognized pattern. In this case the ADX tends to be a confirmation of the breakout.

Question 31: Take a look at China please? A50 and Hang Seng

A: Looks constructive

