



December 18, 2022

For a listing of all trades executed during the past week please see the table on page 10.

Trading commentary

2022 has been my best trading year since 2018 and the most frustrating year trading since 2013. The charts were extremely difficult to trade this past year, especially in the last half, with an extraordinary number of false breakouts and morphology.

The first half of the year was pure splendor, with grains and interest rates undergoing wonderful and sustained trends. My positive performance was stacked into the first half of the year. From Aug through Dec, I have felt a constant state of self-defense. The Aug-Nov markets made me feel like a complete idiot, especially a period in which only five in a string of 34 trades were profitable.

My take away from 2022 has been that daily charts are becoming less reliable than in the days of old. Why might this be? My guess?

- More traders relying on charts
- Markets have greater efficiency
- HFTs/algos growing ever better at picking the pockets of speculators

By contrast, weekly charts have shown their worth. Trading the daily charts with active and aggressive trade management protocols is, quite frankly, a lot more work than I want to engage at this transitional stage of my life.

Beginning in Jan 2023 I will be adding a new dimension/tranche in my trading – one devoted to and based on weekly price bars. For years I have felt the magnetic draw of weekly graphs and would like to isolate the pure performance profile of weekly-only charts for at least one year. In a future issue of the Factor I will share my five year plans (obviously God willing – the old saying is that when people plan, God laughs).

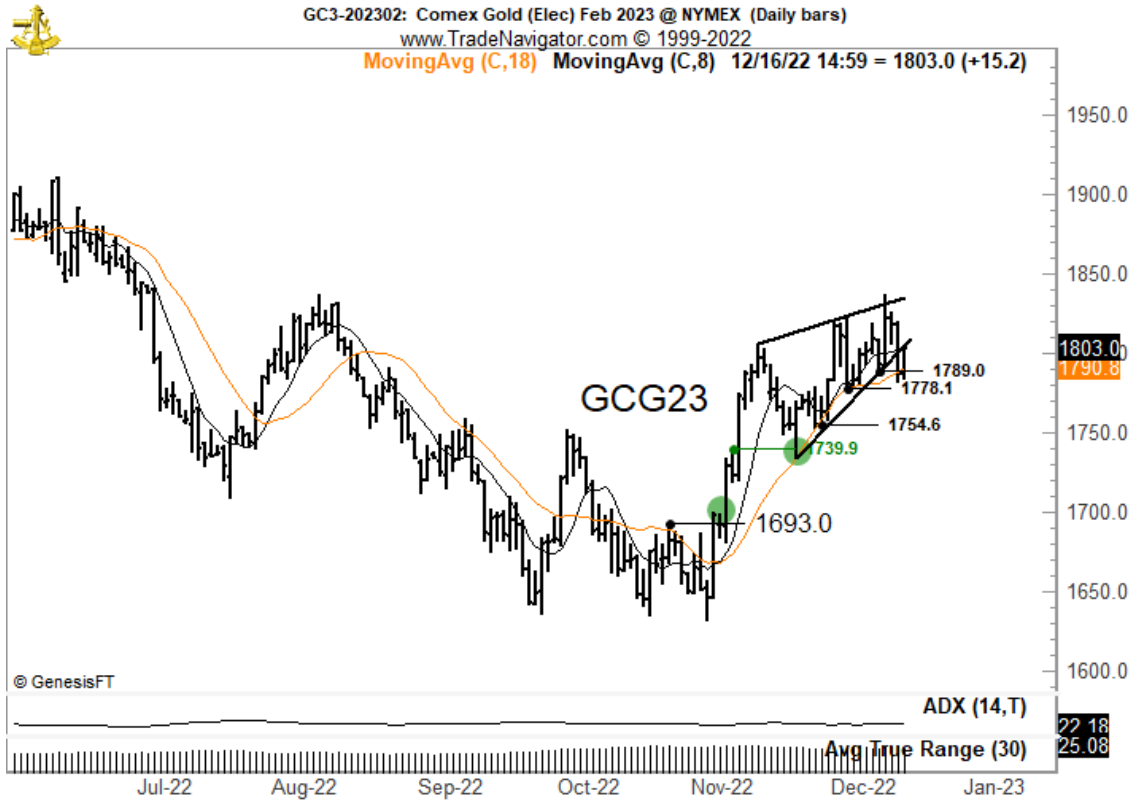
A separate sub-account within the Factor Prop account will be established for this approach because it is, IMO, almost impossible to execute multiple time-frame trading under the same roof (account). On the Factor consolidated trading records this tranche will be designated with the letter “W.”

I anticipate somewhere around 30 “W” trades in 2023, although I want the markets to determine the count rather than letting the count estimate rule decisions.

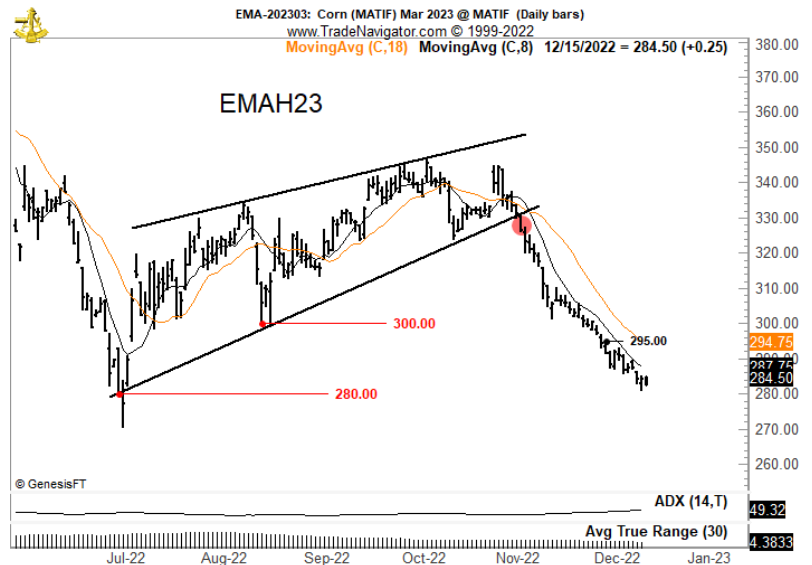
<p><u>Positions at end of week</u></p> <ul style="list-style-type: none"> • Long 75% Gold futures • Short 50% MATIF Corn futures • Short 100% USD/CHN futures • Long 50% (LT) Sugar futures • Short 50% Dow futures 	<p>Trades are setting up in Rapeseed, global interest rates, Sugar, Chinese Yuan, Live Cattle, Eurodollars, SOFR, Euribor, AUD/JPY, and Soybeans.</p>
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Markets with positions

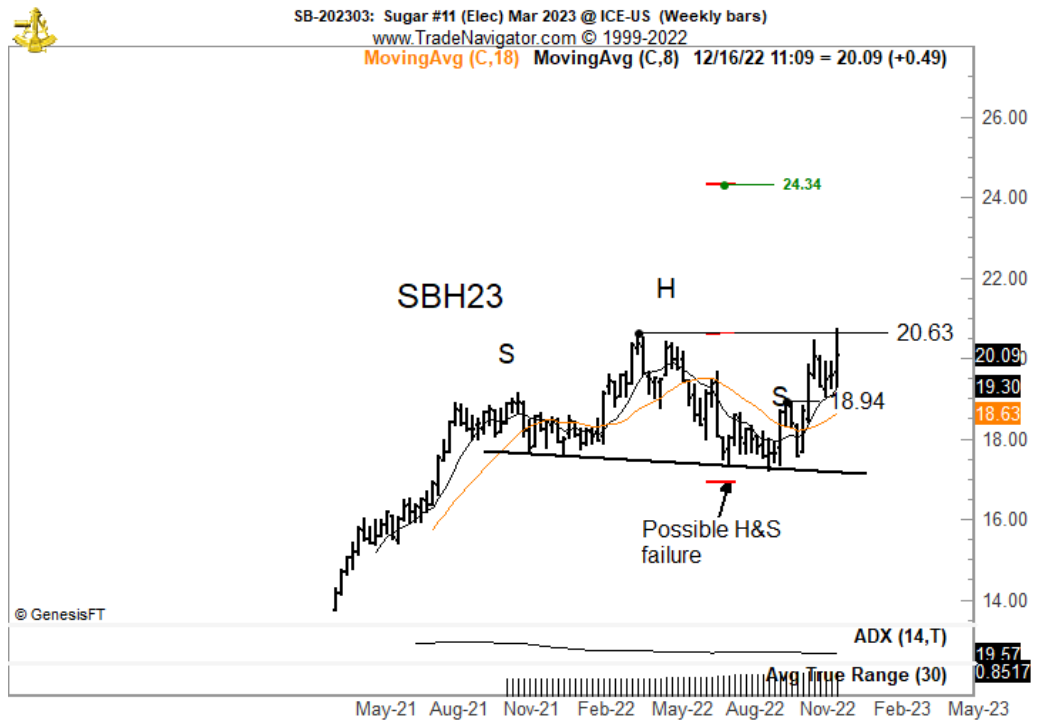
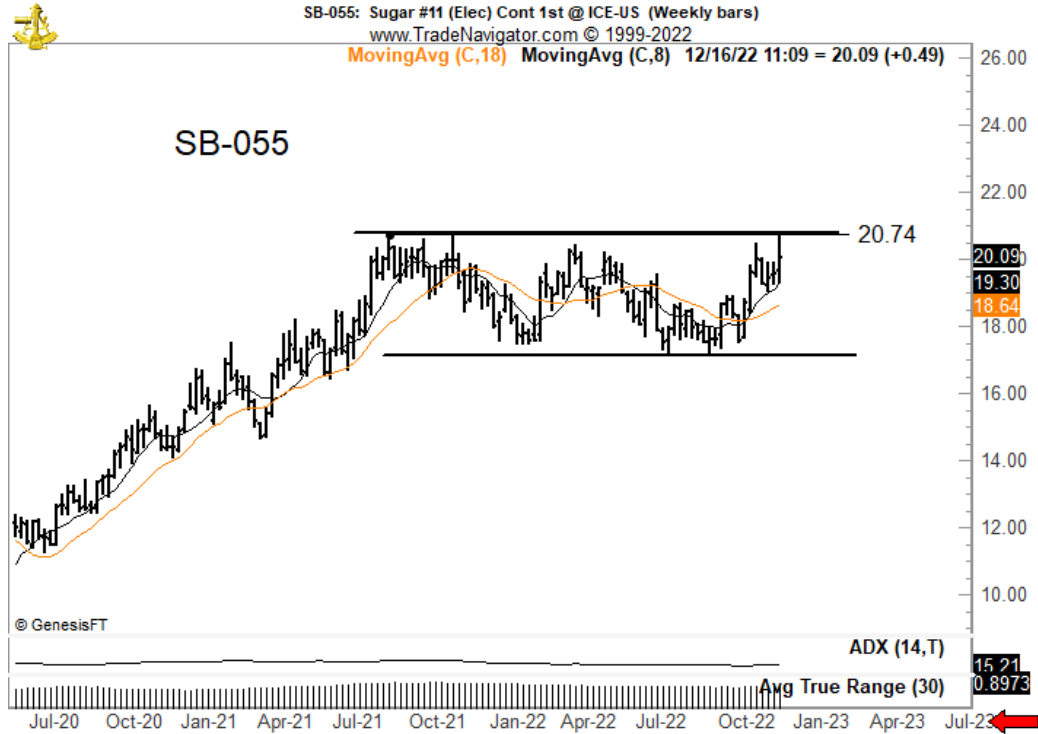
Gold. The Gold market continues to jerk higher. Thinking that a possible rising wedge was in play I advanced my stop on a 1/4th of my position, and the stop was hit on Thursday before prices resumed the rise on Friday. Prices should drop away immediately from a rising wedge, so my guess is that either the bull trend will resume next week, or the chart could undergo morphology. Should the wedge result in downside follow-through, a much larger inverted H&S bottom might be possible (left shoulder in Jul and Aug). Factor is 75% long.



MATIF Corn. Factor remains short 50% based on the completion of a rising wedge in the Nov contract on Nov 8. The target is 280.25 was almost kissed, but I may decide to simply lower my stops to above the low day's high if the trend continues as it has been. Including the 50% tranche covered on Nov 18, this trade is likely to be one of my 10 most profitable trades in 2022. European grains have trended extremely well this year.



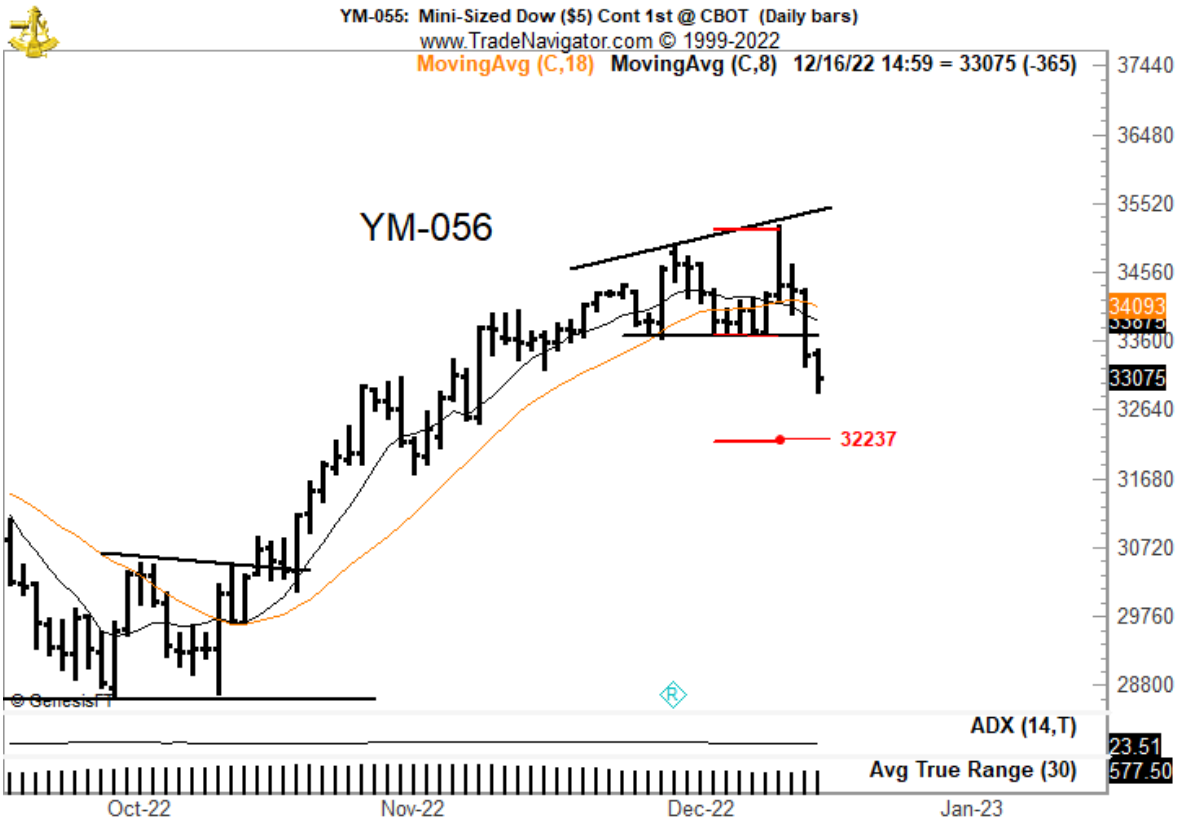
Sugar. Factor holds a LT position. The Mar contract has completed a possible H&S failure and the weekly continuation chart is forming a rectangle. The upper level of the rectangle was tested this past week.



Chinese Yuan. A small pennant has formed just below the neckline of the completed H&S top. Factor is short a 100% position and will add another tranche if the pennant is completed. Yet, should the neckline be penetrated I will bail out of the existing position. The expiring Dec contract is shown.

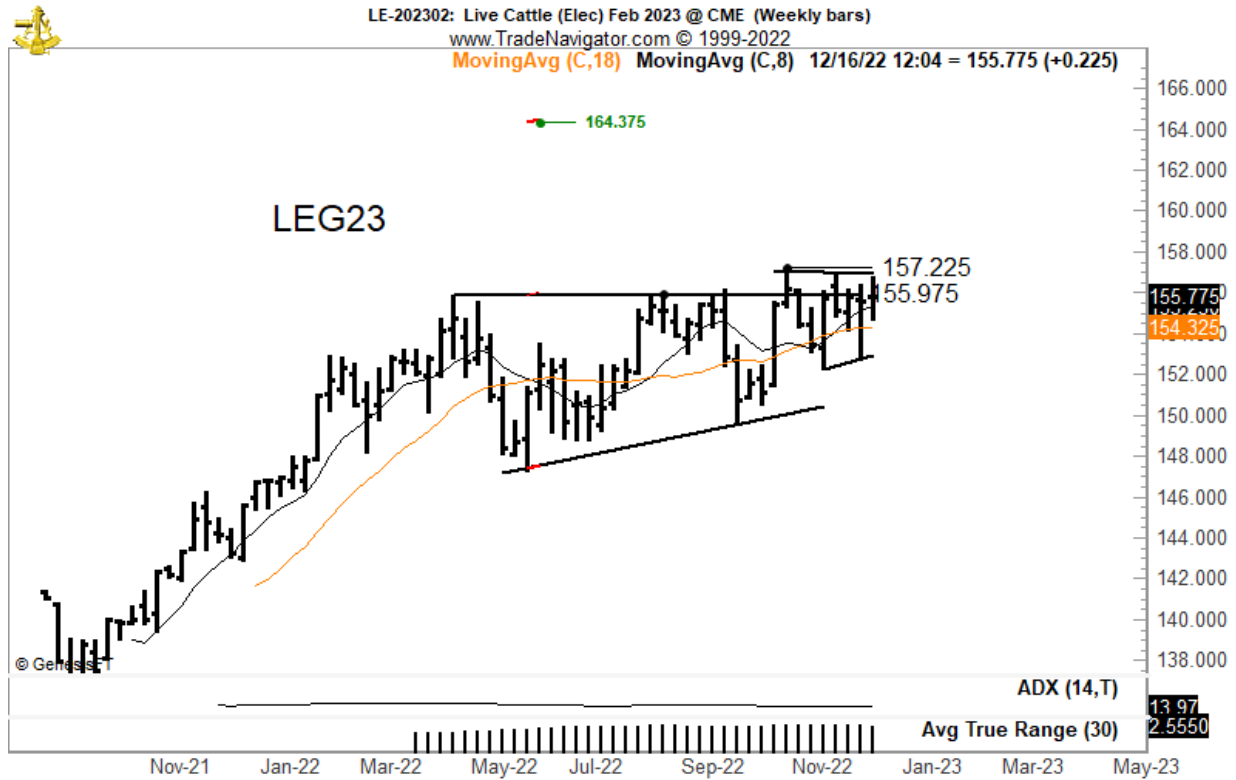


Dow Jones futures. The decline on Thursday completed a small right-angled broadening top. In that my bias toward U.S. stocks is negative I took the signal with a 50% position. My stop is above Friday's high.

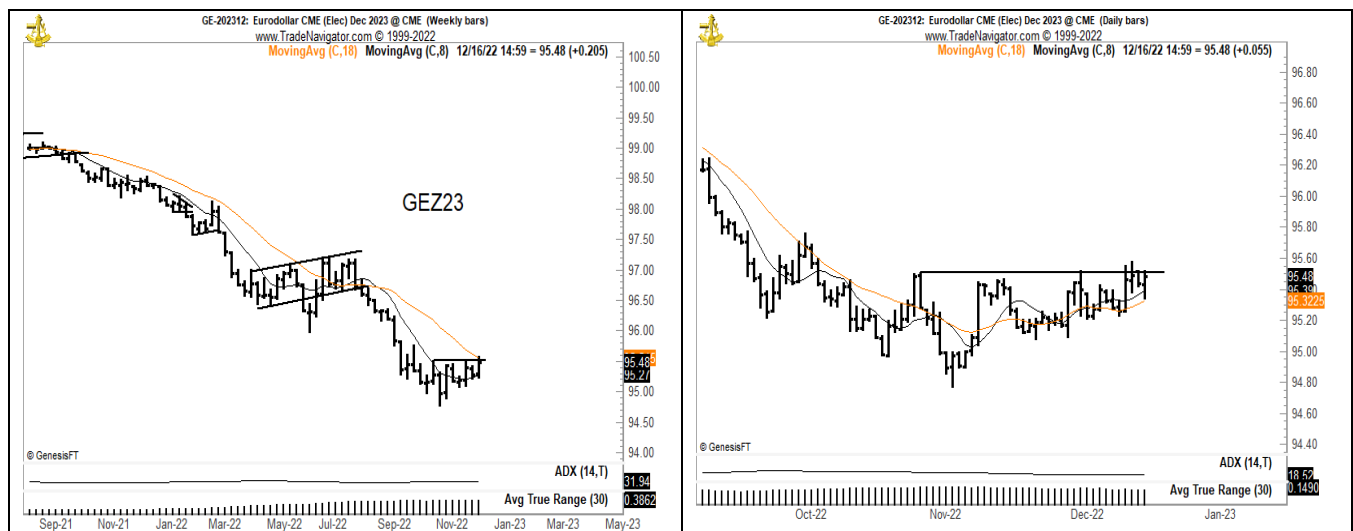


Markets under consideration

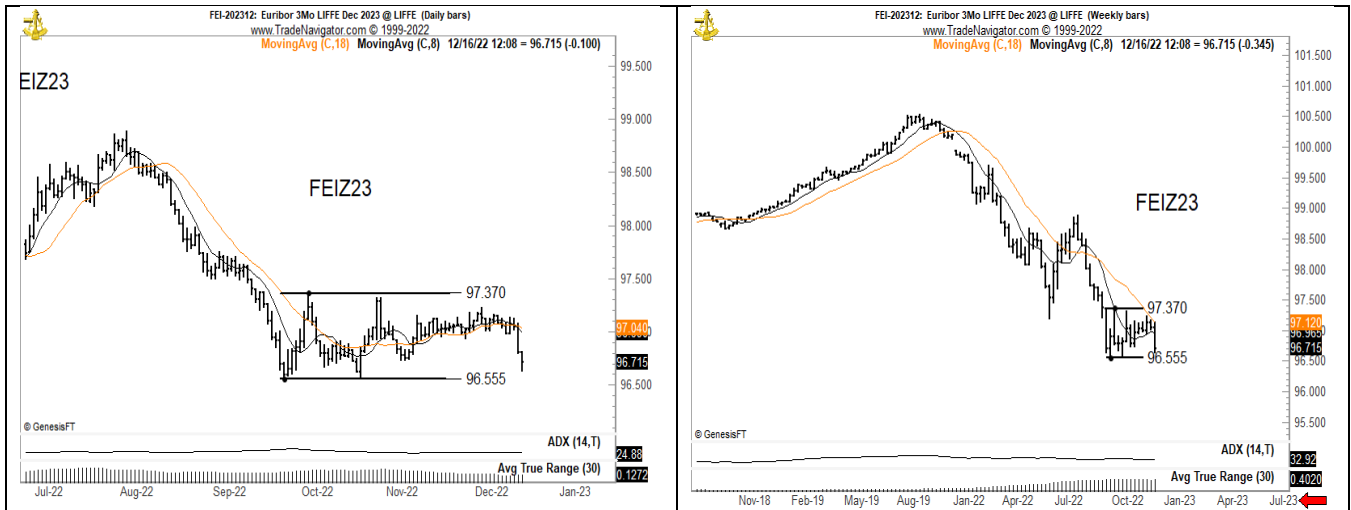
Live Cattle. A move into new highs by the Feb contract will complete an 8-week symmetrical triangle and confirm an 8-month ascending triangle.



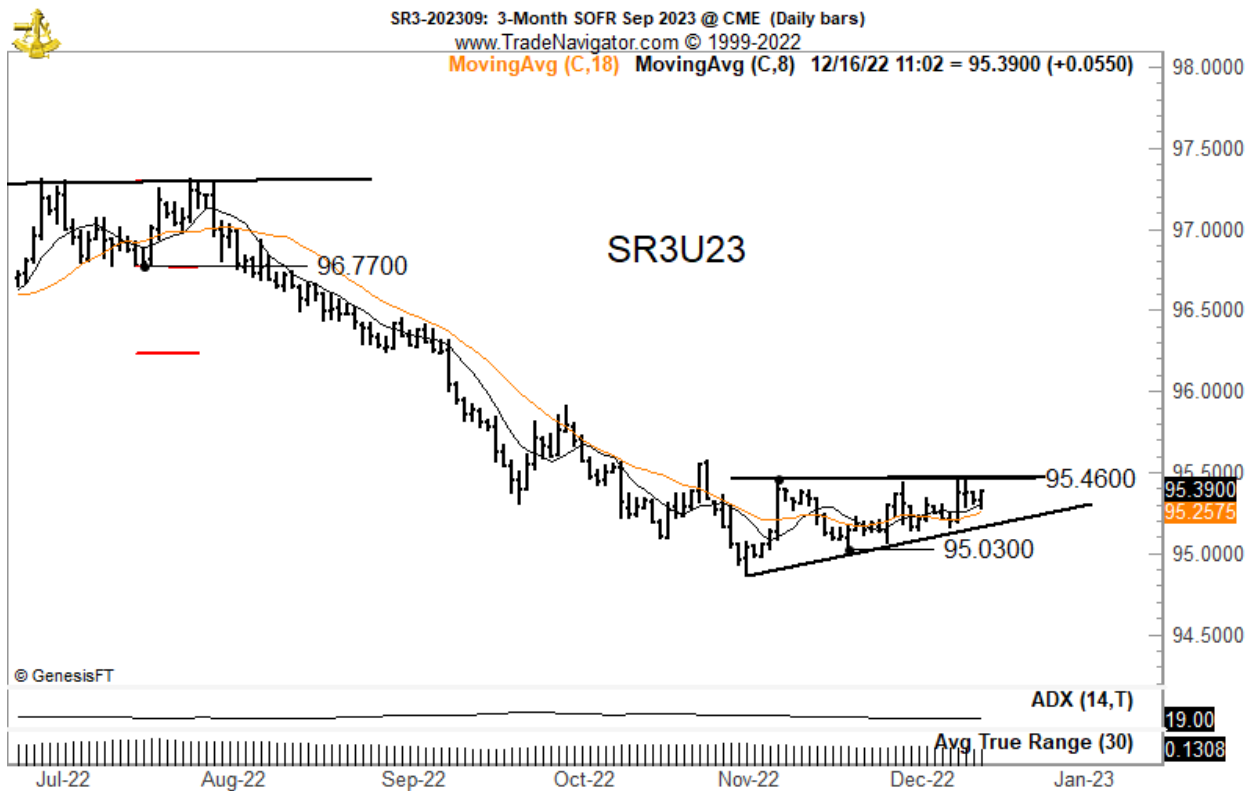
Eurodollars. My bias is the inflation is more entrenched than most believe and that the Fed will remain hawkish. Yet, I do not fight price. The Dec 2023 contract is forming a H&S bottom. I will buy a new recovery high.



Euribor. The Dec 2023 contract is forming a rectangle. I will monitor this market for a trading opportunity, and it is my instinct it will be a sell signal. I think the weakness on Thursday might be a tell.



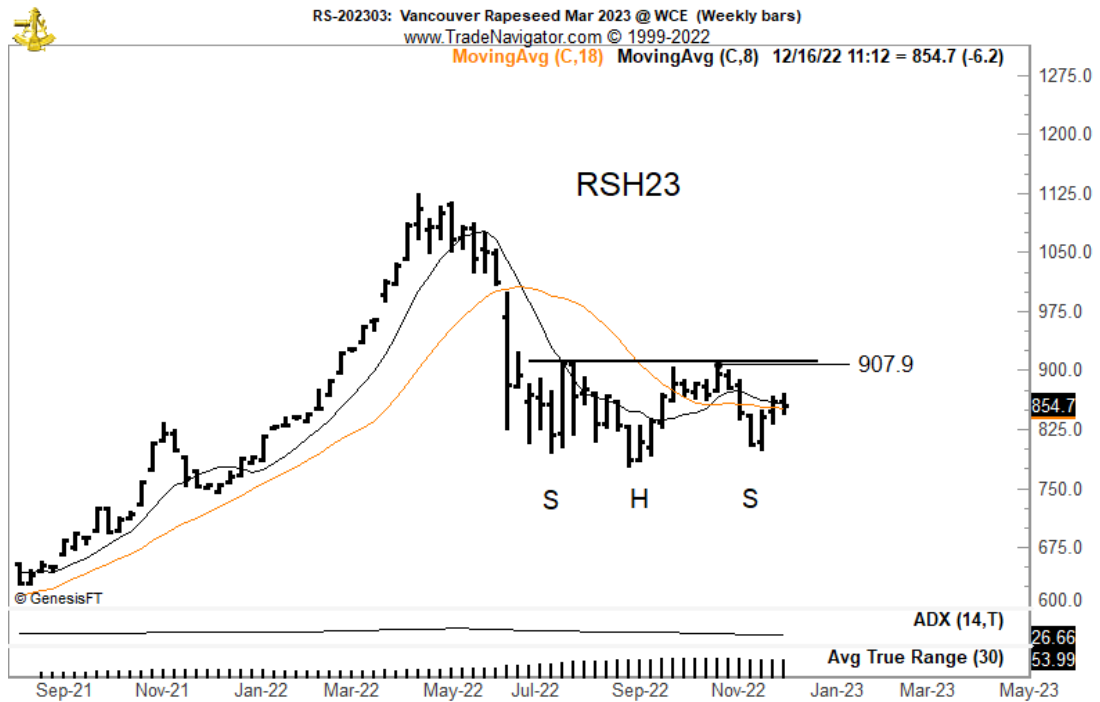
SOFR. This contract will replace Eurodollars in the coming year. The Eurodollar mechanism was the center of much controversy about fixed trades, and SOFR apparently resolves the controversy. I am focused on the Sep 2023 contract. I have buy stops in both Sep 2023 SOFR and Dec 2023 Eurodollars on an OCO basis (one-cancels-the-other).



Soybeans. The new crop Nov contract presents a possible continuation ascending triangle.



Vancouver Rapeseed. The inverted H&S bottom will be closely monitored for either completion or failure. It is common for a well formed pattern to offer possible trading signals in either direction. The Mar contract is shown.

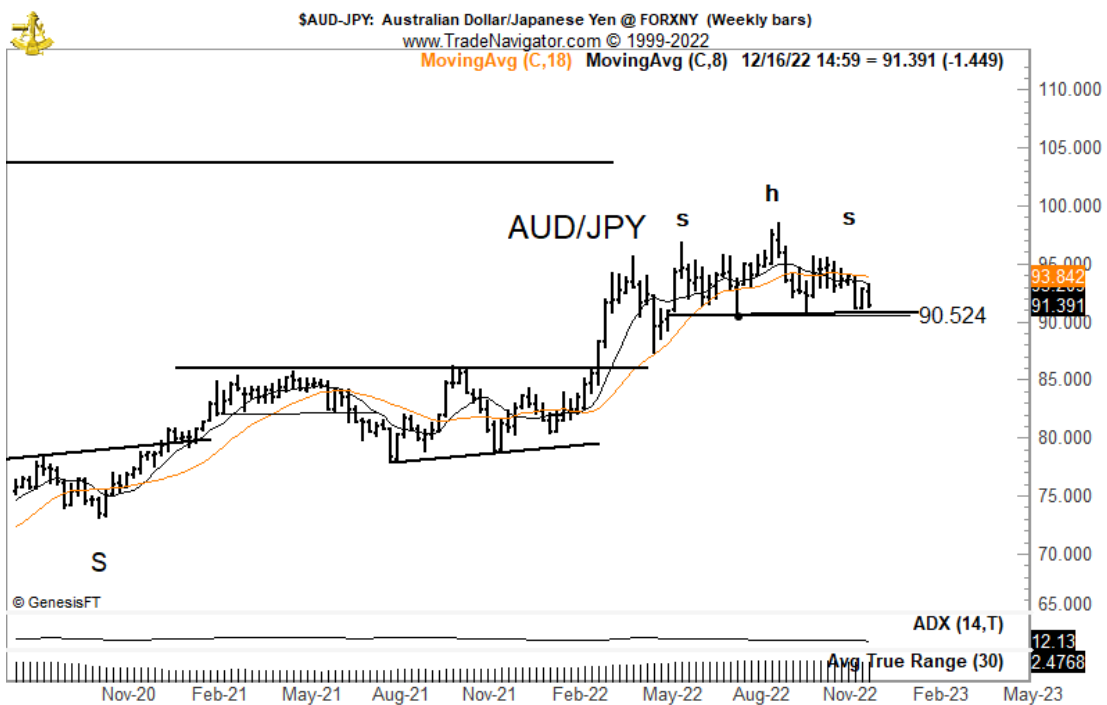


Other charts of interest

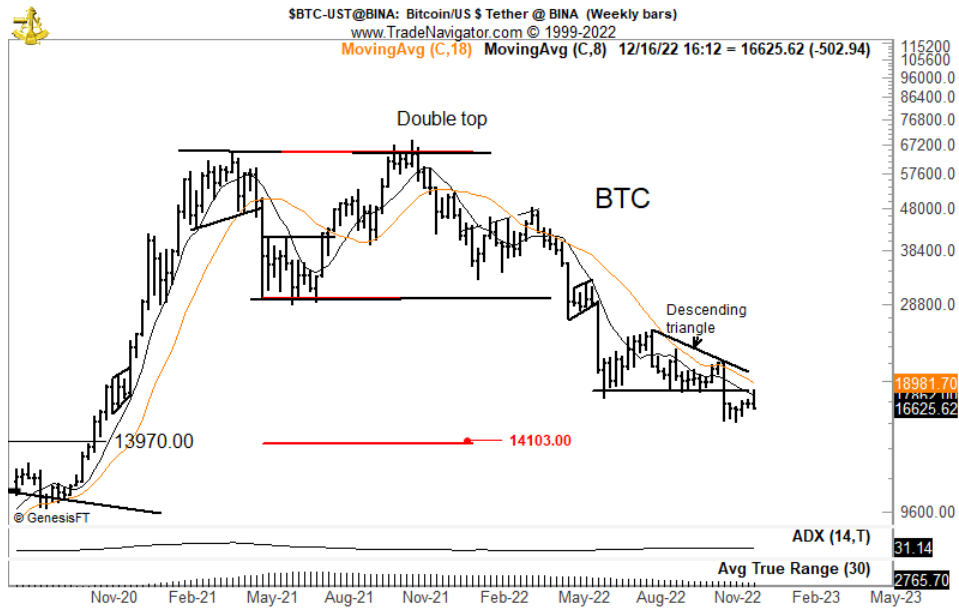
Platinum. The Apr contract displays a very well-defined ascending triangle. I will place an alert in this market next week in lieu of an order.



AUD/JPY. This FX cross displays a 6-month H&S top pattern.



Bitcoin. The weekly and daily charts remain in down trends. The strong majority of congestion areas prove to be continuation in nature. Thus, the odds favor that the current 6-week congestion will be resolved on the downside. The rally this past week retest the undercarriage of the previously completed 20-week descending triangle. The log chart has a target around 13,000 from both the double top and descending triangle. Remember, though, targets are just guidelines and are not sacred.




Russell 2000. The resolution of the trading range since May might be quite interesting. The 1640 level is obviously important.




plb
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Tracking sheet for the week of Dec 11 ending Dec 16

			Weekly position/symbol tracking - Prop ONLY		
W/O Dec 11					
Beginning Trades	Beginning Positions	Starting radar list for New Initial Positions	Symbols / orders added during week	Actions, End of week position	BP +/-
GCG23	L 100%	Feb Gold		S 25%Th 1786.4; long 75%	32
EMAH23	S 50%	MATIF Corn		Hold	
KWH23	S 50%	KC Wheat		B 50% M 8.55; flat	88
CNHF23	S 100%	Yuan		Hold	
SBH23	L 50% LT	Sugar		Hold	
		SR3U23	SOFR	Unable	
		RSH23	Rapeseed	Unable	
		ZSX23	Soybeans	Unable	
		FEI23	Euribor	Unable	
			SBH23	Unable	
			ESH23	Cxld	
			YMH23	S 50% Th 33555, short 50%	
					120
		Closed trades YTD	57.7%		

Key: B = buy, S = sell; M = Mon., Tu = Tu., W = Wed., Th = Thurs., F = Fri., Sa = Sat.; LT = Long-term position

Tracking sheet for the week of Dec 18

			Weekly position/symbol tracking - Prop ONLY		
W/O Dec 18					
Beginning Trades	Beginning Positions	Starting radar list for New Initial Positions	Symbols / orders added during week	Actions, End of week position	BP +/-
GCG23	L 75%	Feb Gold			
EMAH23	S 50%	MATIF Corn			
MYMH23	S 50%	Micro Dow			
CNHF23	S 100%	Yuan			
SBH23	L 50% LT	Sugar			
		SR3U23	SOFR		
		RSH23	Rapeseed		
		ZSX23	Soybeans		
		FEI23	Euribor		
		SBH23	Sugar		
		GEZ23	Eurodollars		
		M2KH23	Russell		
		CNHF23	Yuan		
		LWG23	Cattle		
		AUD/JPY	FX pair		
					0
		Closed trades YTD			

Key: B = buy, S = sell; M = Mon., Tu = Tu., W = Wed., Th = Thurs., F = Fri., Sa = Sat.; LT = Long-term position