THE FACTOR REPORT

July 29, 2023

Factor Trade Set-Ups for Week of July 30, 2023
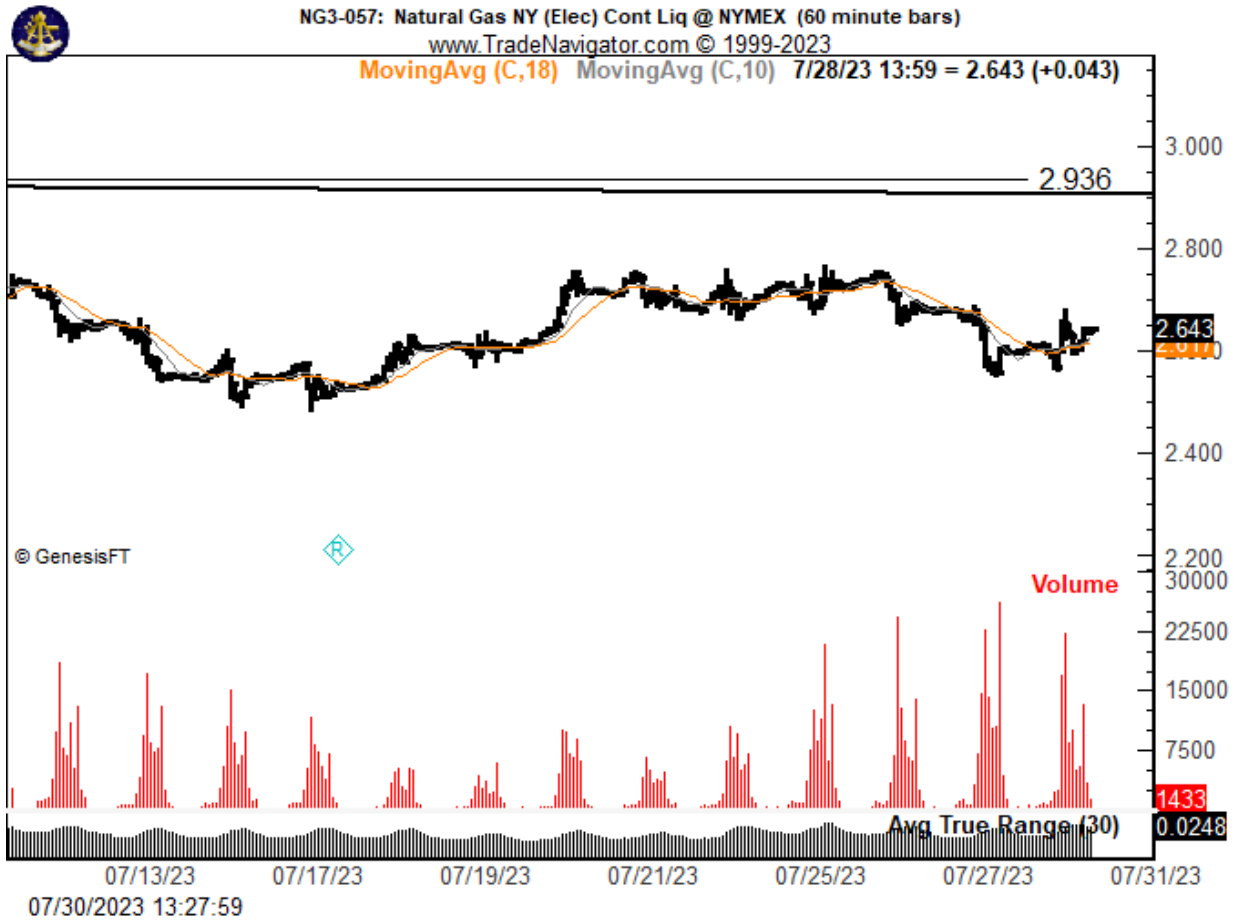
As of Sunday, Jul 30, three set ups being considered.
- Natural Gas futures
- EuroStoxx futures
- Ultra 10-Yr Note futures

Natural Gas. The weekly chart displays a possible inverted H&S bottom. I like the Nov contract for the trade because it has a relatively horizontal boundary line (with a slight out-of-line movement at the left shoulder high). The right shoulder shows a rectangle pattern. My max risk on the trade will be 70 or so BPs, broken down into two or three tranches TBD after the entry. My initial protective sell stop attached to the entry buy stop will be just under Friday's close. I will actively look for ways to reduce risk after entry.

My entry stop will be above the May 19 high. My entry and exit stops will be valid for Regular Trading Hours (RTHs). I do NOT like the Nat Gas ETF – UNG – because the market is currently in a contango, meaning that each successive contract is trading at a higher premium. Raw material ETFs are most advisable when the underlying futures markets are in an inverted pricing structure.
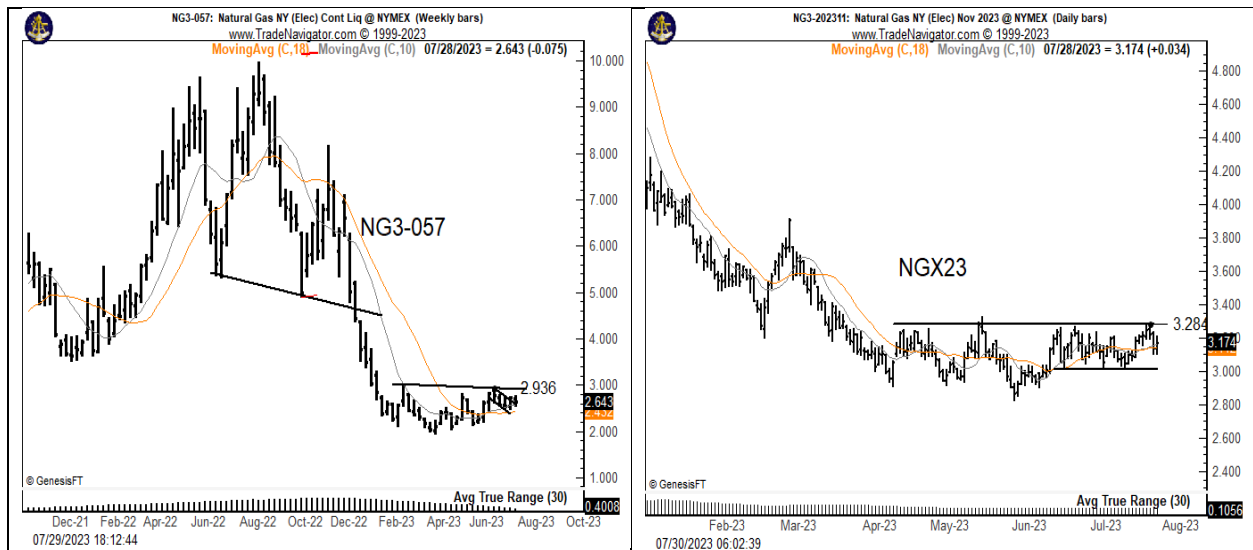
This chart shows the volume of Nov Natural Gas by 60–minute segments. Note how volume builds during regular trading hours (RTHs) and greatly contracts during overnight hours.

NG3-057: Natural Gas NY (Elec) Cont Liq @ NYMEX (60 minute bars)
www.TradeNavigator.com © 1999-2023
MovingAvg (C,18) MovingAvg (C,10) 7/28/23 13:59 = 2.643 (+0.043)

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Volume

Avg True Range (30)

2.936
3.000
2.800
2.643
2.400
2.200
30000
22500
15000
7500
1433
0.0248

07/13/23   07/17/23   07/19/23   07/21/23   07/25/23   07/27/23   07/31/23
07/30/2023 13:27:59

Ultra 10-Yr Notes (or TLT-ETF). My preference is the Ultra 10-Yr Note futures. The weekly chart displays a possible continuation 9-month "M" pattern, requiring a decisive close below the Mar mid-point low for completion. The 100% ATR is 29/32nds for a breakout. My sell orders at 114^19 will be worked during CME's Regular Trading Hours (RTHs). The initial protective buy stop attached to the entry sell stop is Friday's close, or at 117^03, to be modified if the entry order is filled with the goal of reducing risk. Thus, the initial risk per contract will be approximately $2,500. The trade size for the Factor Prop Account will be three contracts with a total initial risk of 75 BPs. TLT is an appropriate ETF trade for stock accounts.
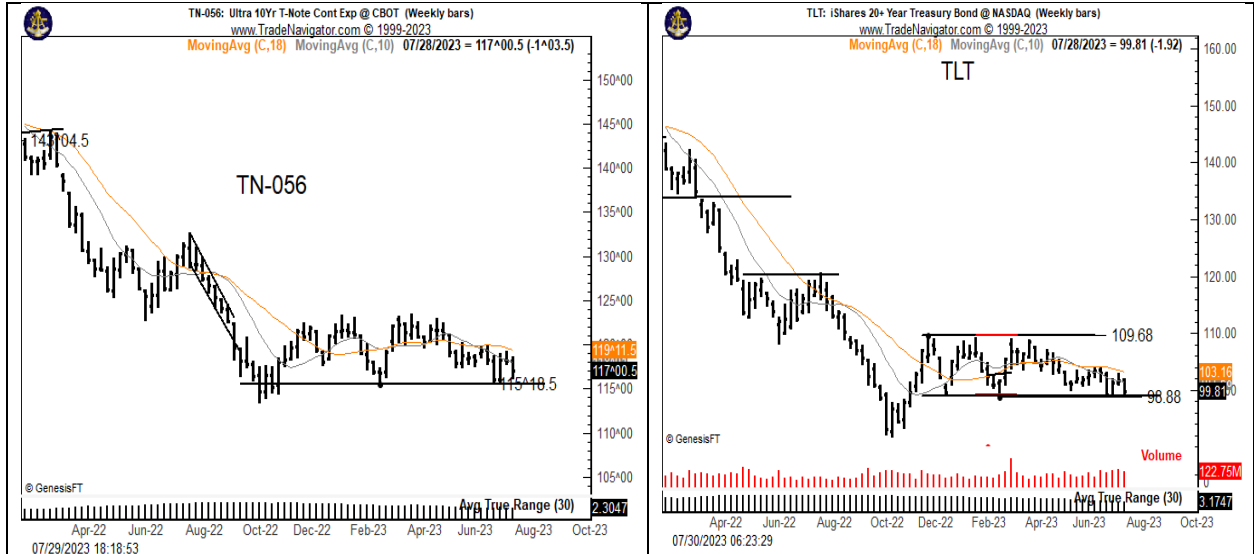

The graphics below show this order structured so that the GTC sell stop during regular trading hours would, if filled, instantly enter the GTC RTHs protective buy stop. As the week proceeds the tactics of this trade might change daily as more precise entry and exit levels become apparent.

| TN Sep20'23 @CBOT			♦ 117'005	+0'170	142	♦ 117'000	117'005 ♦	28	117'075	116'065	0'000	
	2	⊗ GTC	3	Transmit	STP		CBOT		SELL	U351661		114'190
	2.1	⊗ GTC	3	Transmit	STP	2054798243	CBOT		BUY	U351661		117'030

EuroStoxx. A breakout of a 15-week right angled broadening triangle occurred on Friday.
I will attempt to buy a 100% position (meaning a 60 or so BP risk against total nominal capital) on a retest at 4471 in Sep futures.

- The 30-day ATR on Jul 27 (the last day within the pattern) was 51 points.
- I use a 45% ATR BO for a 15-week pattern, thus 23 points. (See the graph on the last page.)
- Add 23 to the Jul 3 high of 4447 and we get 4471.
- Protective stop levels will be below Friday's low (tight stop) and below an intraday reaction low from Friday on the 4-hour chart (loose stop).
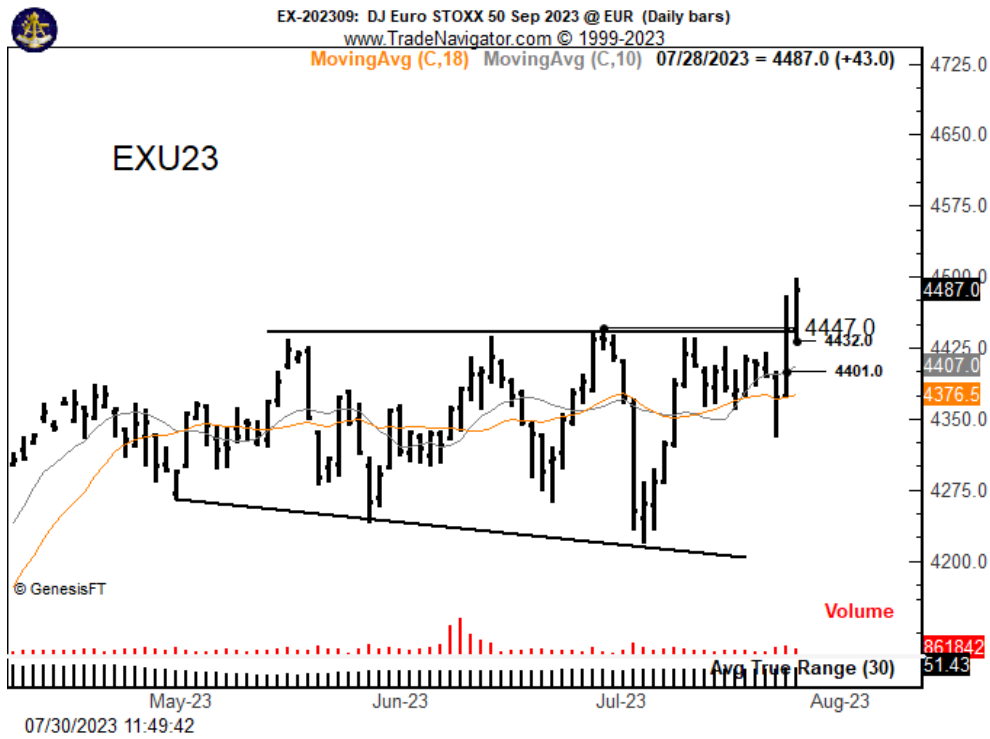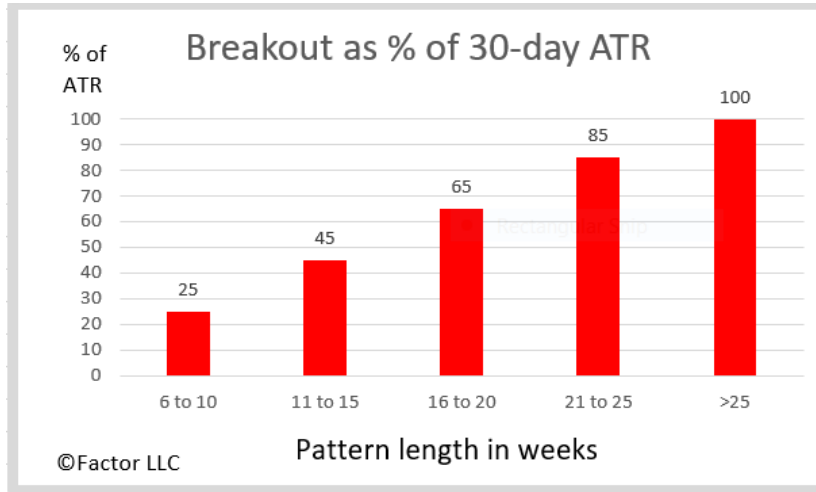
Copper. Upon further consideration over the weekend my eagerness to trade Copper has been removed. I will not have orders in for Copper.

- The weekly chart trend based on the 18 WMA (not shown) is down
- The weekly chart lacks a recognizable bottoming pattern
- The daily chart symmetrical triangle pattern is diagonal, not horizontal
- Price action is undependably volatile outside of regular trading hours (RTH) 8:30-15:15 CT
- If I was planning to trade Copper, my protective stop would be below the low of the last full 6-hour bar (the 391.8 as noted on the chart below)
- I really like the chart of Southern Copper for my retirement account
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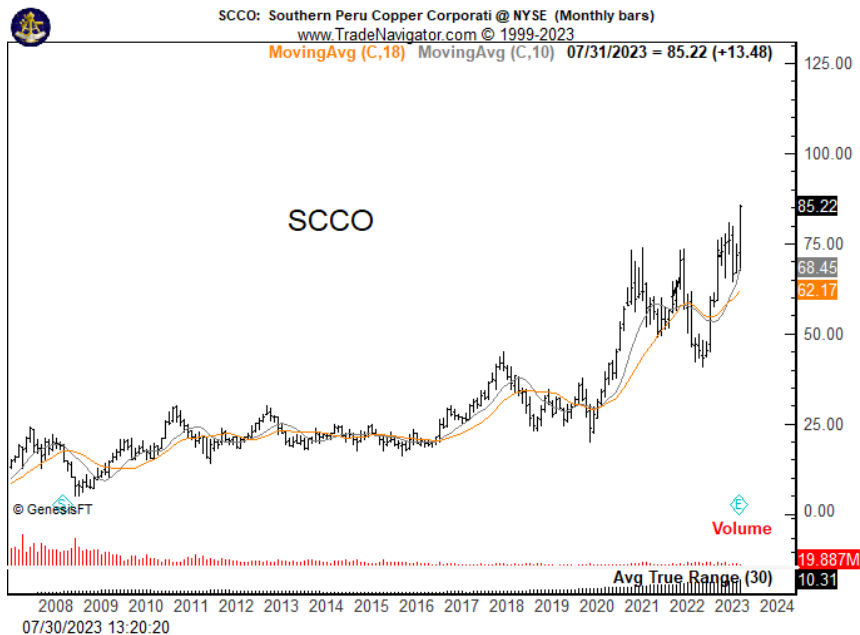
Factor Avg. 30-Day Trading Range Breakout Guidelines
These guidelines are NOT cut into stone and can change from trade to trade based on my views of the clarity of a pattern, spindling issues, history of the market under consideration and the trading environment.

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