Factor Update, November 29, 2025

The Factor Update serves – along with the @Factor_Members X feed – as snippets into the trading of the Factor LLC Prop Account focused primarily on risk and trade management, trading processes and dealing with emotions

Current Prop Account swing trade positions: • Long 50% Soybean Meal futures • Long 50% Silver futures • Long 50% 5-Yr T Notes • Long 100% Gold/JPY futures	Weekly chart patterns (tranches were folded into the Prop account as of Jan 2025) • Long 50% BCI (re-entry)
Markets considered for new initial positions (NIPs):	
• London Coffee futures • SCHA-etf • Bitcoin futures	• SCHA-etf • NASDAQQ or S&P futures
Note: I express positions in relationship to the risk of total nominal capital I take on a trade. A full 100% position has (had) a risk of about 7/10th of 1% (70 basis points) of the nominal value of my trading account. A 50% position has (had) a risk of about 3 to 4/10th of 1% (30-40 BPs) of the account. I modify the nominal value of my account from year to year. PLEASE NOTE: The 2025 nominal value is $2.0M for the purpose of sizing and risk management. 2025 Sequential Closed Trade NAV performance to date = +5999 BPs as of Nov 28	

Tough markets – trading favors risk managers over gamblers

<u>Gold price denominated in Japanese Yen</u>

On Friday I went Gold futures denominated in Japanese Yen by purchasing February gold futures and selling March Japanese yen futures. The chart below shows the Gold price in Japanese Yen. There is no single contract to execute this trade. I have been monitoring this chart with alerts. I received an alert in the middle of Thursday night. I have received many questions about this trade from members of the Factor community. Maybe someday I can explain the rationale and details of this trait further but for now I think that only those members who completely understand this type of trade should be involved in it. The details of the execution and understanding of Gold as just another currency unit are too complicated for novice futures traders given the volatility that could occur in metals. The target is Gold priced at 696,000Y.

MUST READ FOR NEW FACTOR COMMUNITY MEMBERS

As a market speculator my primary goal is NOT NOT NOT to make the most amount of money possible. There was a time when this was true – like 40 years decades ago.

I entered futures trading Chicago Board of Trade with the idea that being an independent trader would be a really cool career. And it has been. I love being a market speculator. Trading for a living is a very deep dive into the human heart, soul and mind.

In the past decade my obsession has been trying to figure out what's needed to obtain an outsized rate of return with minimum asset volatility. What do I consider to be an outsized return on capital rate? Anything over 30% is my bar. And asset volatility? Based on sequential closed trade NAV my goal each year is to cap the worst DD at 200 BPs (2% of total nominal capital). Keep in mind that a 200 BP DD with sequential closed trade tracking might be as high as 6% to 8% if measured on a marked-to-market weekly basis.

Prior to 2013 I considered myself a pure swing trader for whom finding winners was important. In 2013 I experienced my worst single year of my career at (-13+%) as part of my longest peak-to-valley-to-new-peak DD (a year and a half below peak NAV). This experience led me to embrace trading as a giant math challenge. I embraced trading as an endeavor primarily in risk and trade management. Catching trades became simply a means to gather data.

I defined the changes to my trading in 2014 as Active and Aggressive Trade Management whereby the pursuit of "cut losses short/let profits run" entered a rabbit trail maize that continues to this day.

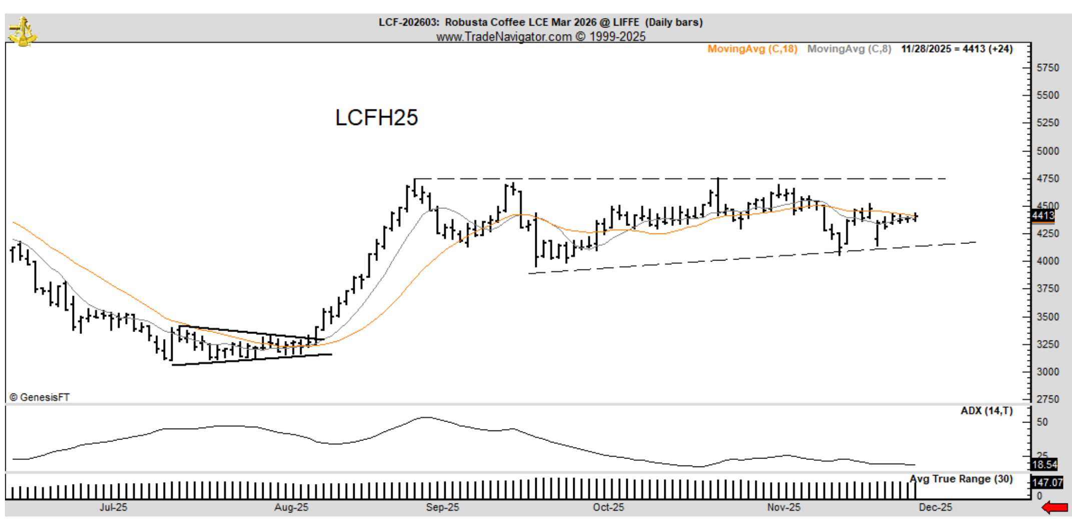
In all candor, I do miss the experience of catching a great chart pattern and playing it out for a big run. The implementation of the Weekly Chart Tranche was my effort in 2025 to bring me back to more of a directional emphasis in contract to positions held only according to algo rules.

Beginning in 2026 I will be "uplaying" major patterns and "downplaying" strict trade management (at least in a third tranche that be employed on a more regular basis.

So, what exactly will this look like? The Weekly Tranche will be governed to avoid net trade losses yet allowing profitable trades much more leeway to reach and then surpass price targets. As a norm, the Weekly Chart Tranches will be pulled out of the tool chest on horizontal patterns 8 to 26 weeks in duration. More to come.

London Coffee futures

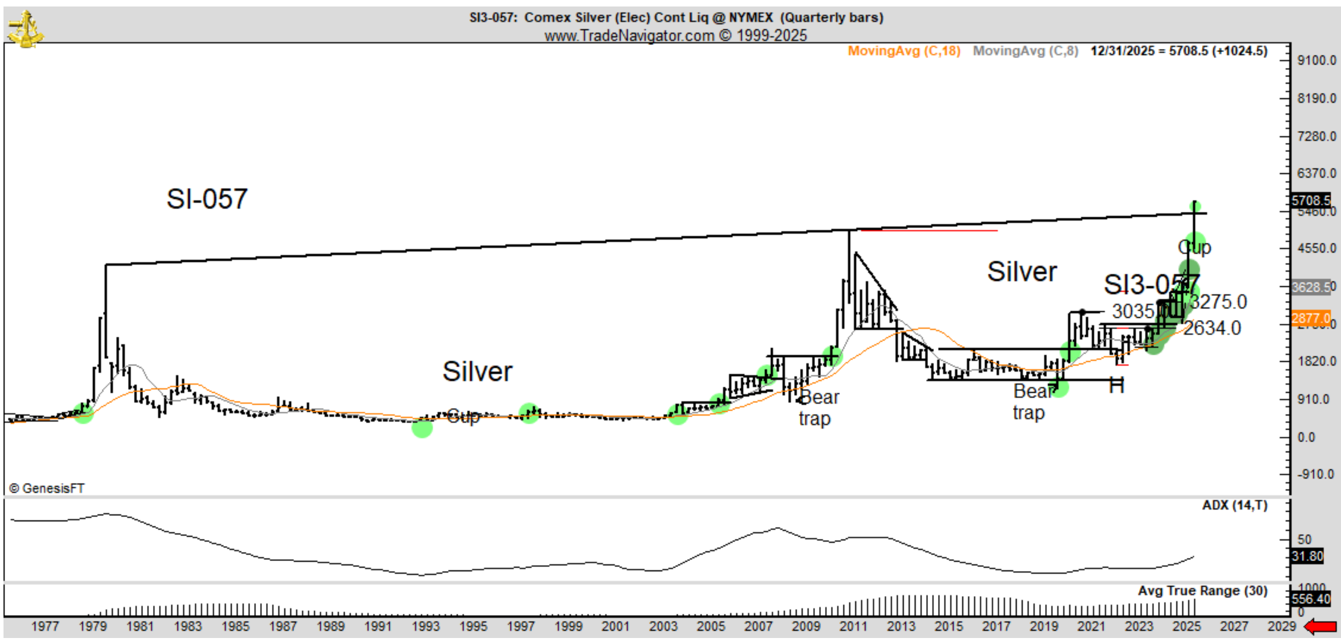
Factor is flat. The London Coffee futures display a horizontal-topped ascending triangle. This is trade for only well capitalized traders. How well capitalized might you ask? The likely risk could be $3,000 or more per contract.

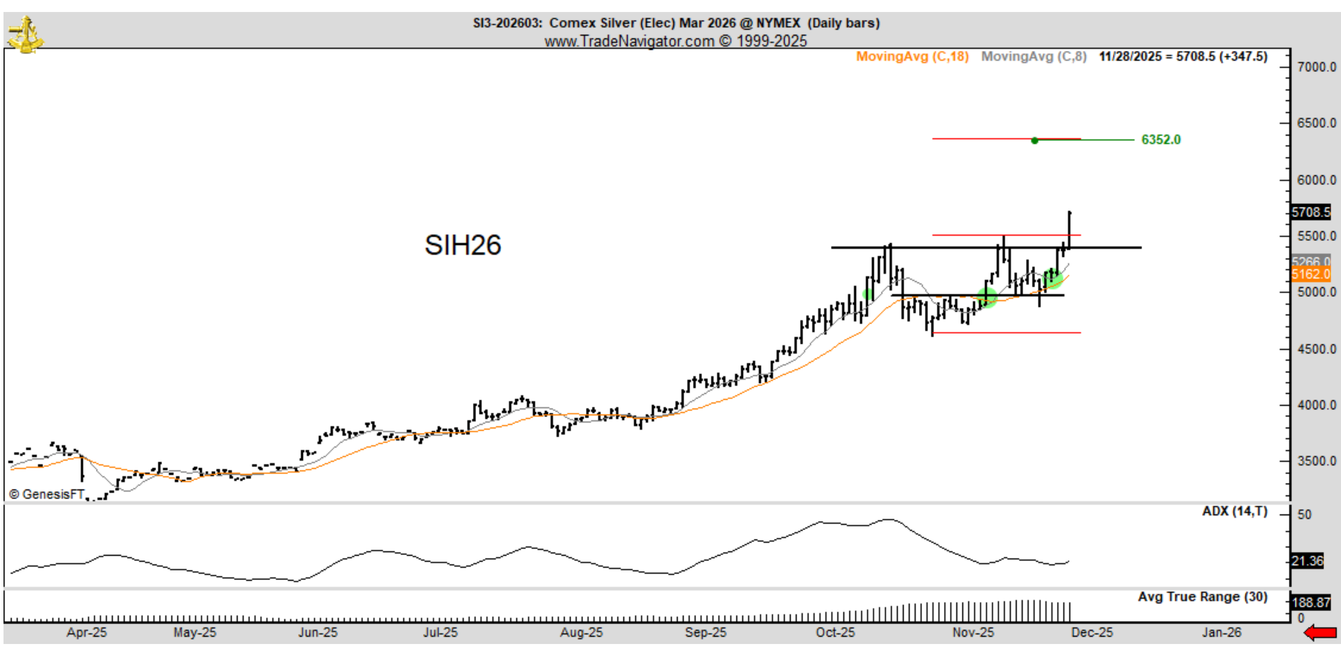


Silver futures

Silver for me at present feels like an out-of-body experience. It was the Silver market that launched me into futures. In 1974, still in the advertising business, I traded no longer available contracts of bags of pre-1965 Silver coins. That is where I caught the bug. I actively traded the huge bull markets of 1980 and 2011. My presence on Twitter was ignited when I called the top in Apr 2011 within a day and predicted an eventual decline to the teens.

The supply line connecting the 1980 and 2011 highs was fully vaulted on Friday. Only the deepest pocket and most experienced traders should be involved in Silver futures at this point. Some significant blood letting is in store for both the long-held shorts and "late-to-the-party"longs. There is no sane way to determine where Silver goes from here. Price could skyrocket to the $70s or $80s or fake everyone out by correcting back into the $30s. The Factor house account bought Silver futures late afternoon on Tuesday thinking that a Cup-and-Handle-type pattern was possible on the daily chart. This market is not overbought ala 1980 & 2011.



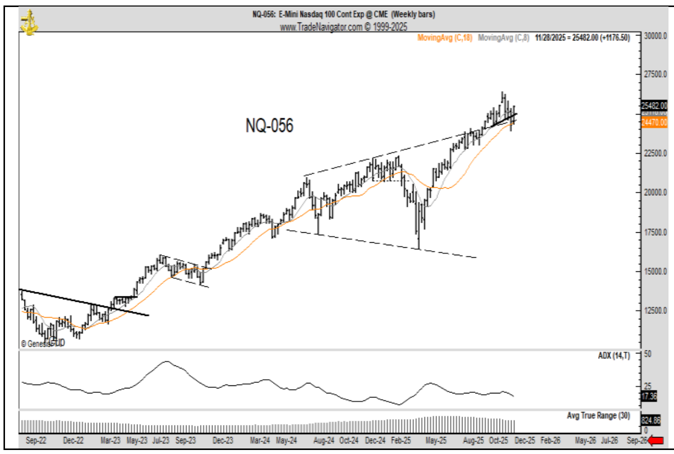


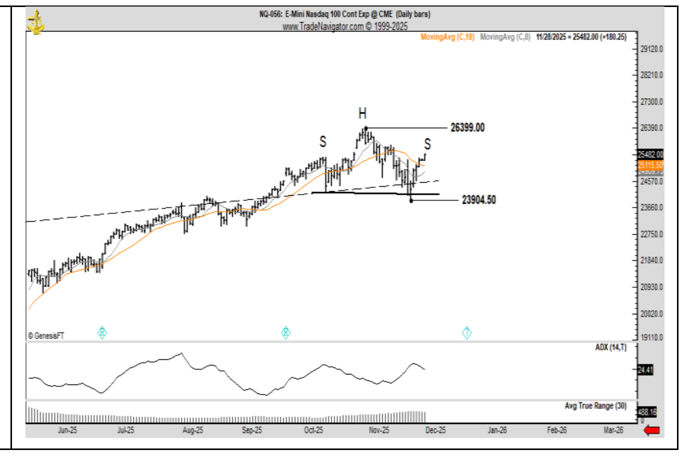
U.S. equities

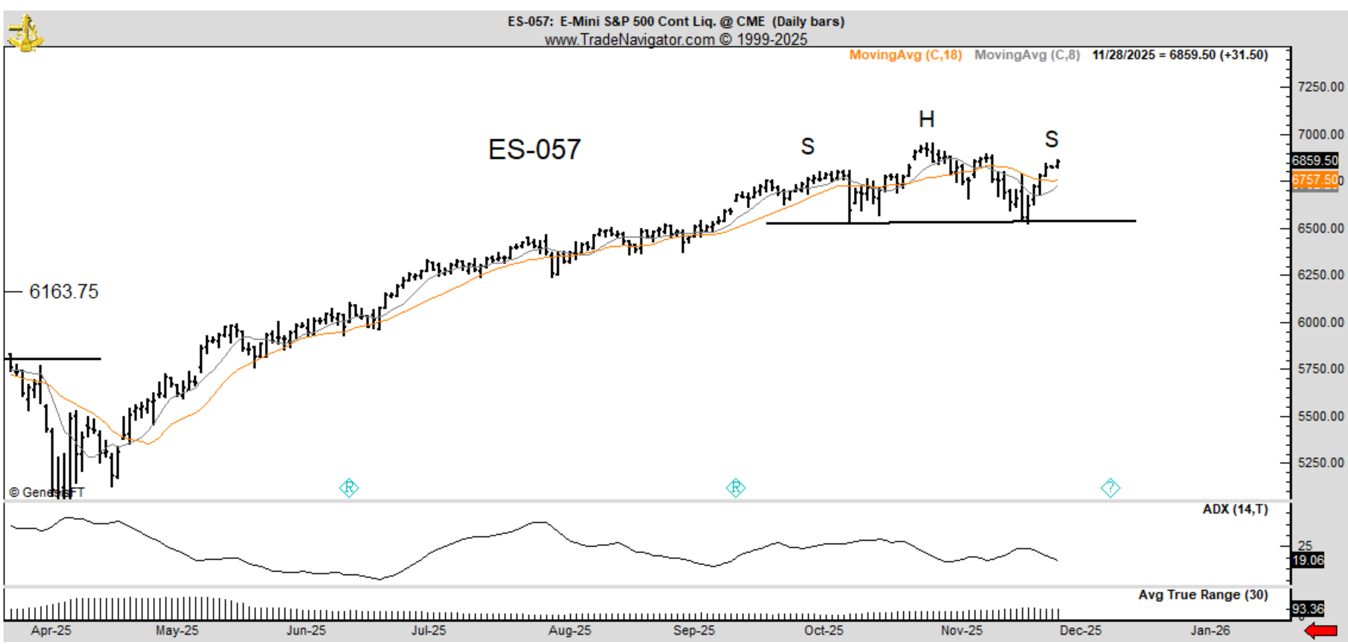
My history with stock index futures has been a "love/hate" relationship. Perhaps my largest profit ever was in stock indexes in 1987. It was a trade that solidified Factor Research and Trading, Inc. as a legit independent trading house. The last big year I had in equity futures was being short during the 2008 mortgage crisis. But in recent years my trading in U.S. stock indexes has been hit or miss. I've done much better in foreign stock indexes in the 2020s.

The charts in NASDAQ and S&Ps are stunning examples of the megaphone or broadening pattern. The broadening pattern typically results in bear markets but there have been some notable exceptions in stock indexes.

The weekly chart of the NASDAQ and S&Ps are at the upper boundary of the megaphone. My expectations are for a 30-50% correction of the broadening patterns or a blow-off through the upper boundary. As of Friday, both indexes displayed H&S top patterns on their daily charts. My sense (for what that might be worth) is that fireworks are about to be lit. Factor is completely flat.

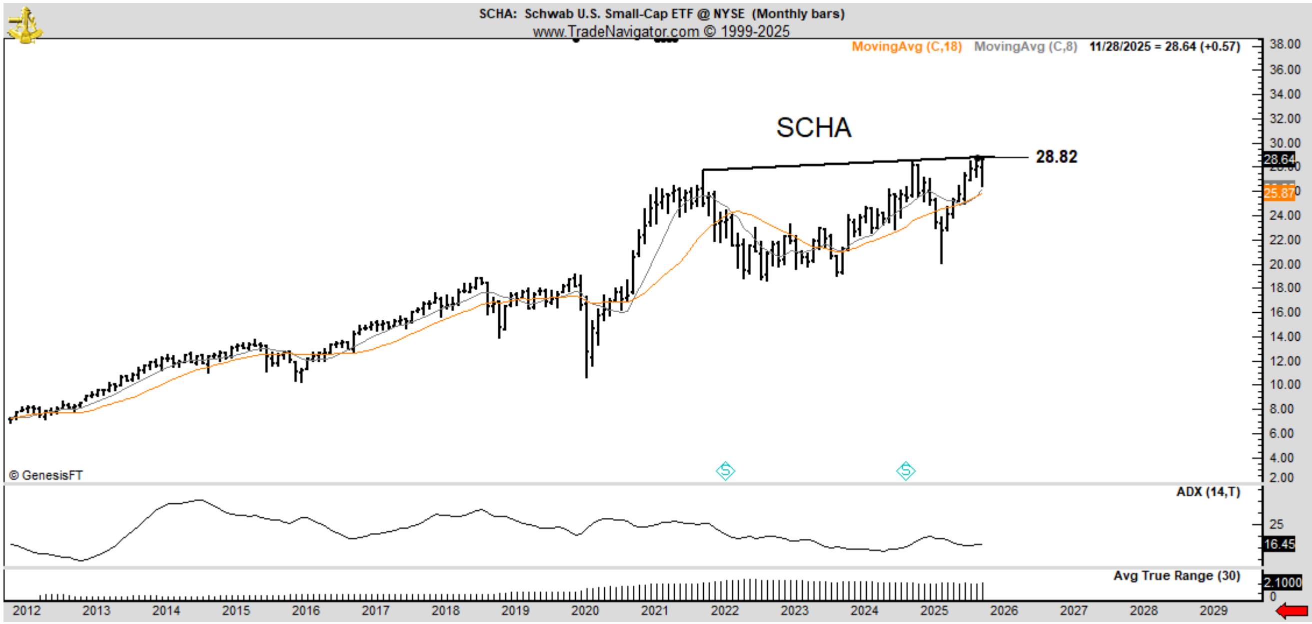






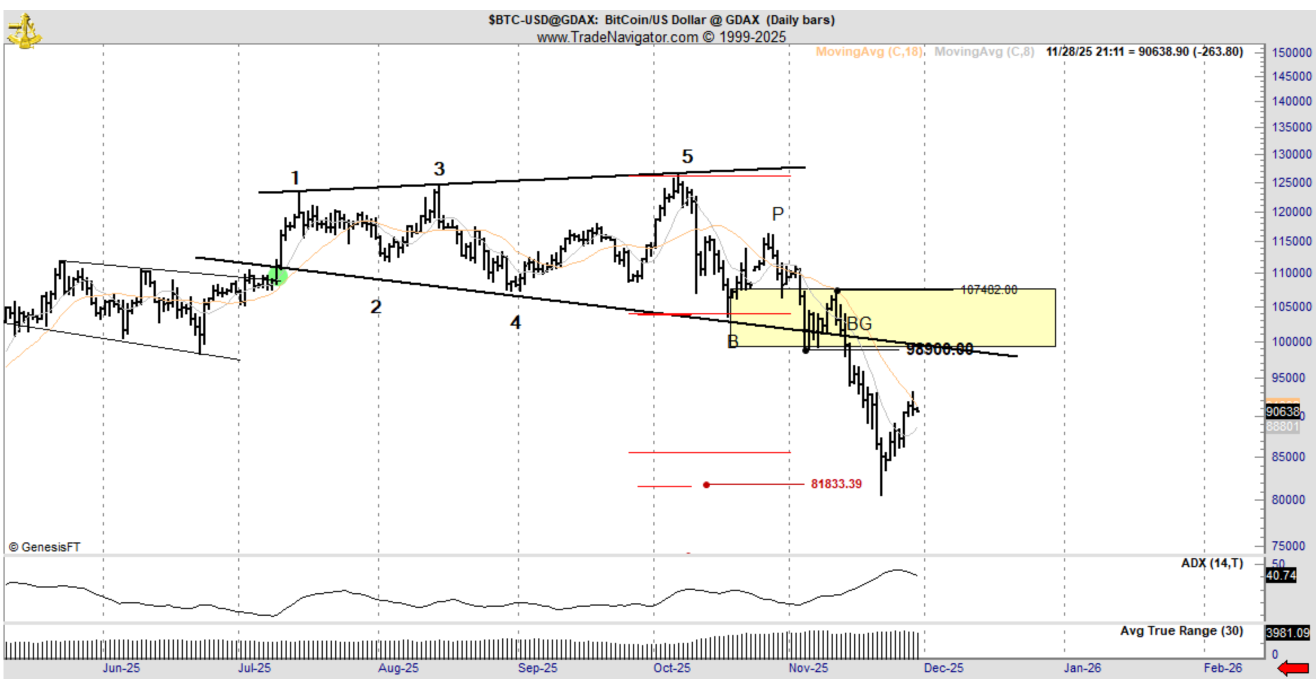
SCHA-etf

I have been battered around trading the Russell futures contract in 2025, although not with any meaningful losses. I really like the long side of this etf and will buy a breakout for the Factor house account. Just for context, the Factor account is the second largest chunk presently in the family trunk. Factor is flat. BTW, my buy stop is in 29.50 to 30.00 zone (full 20-week ATR).



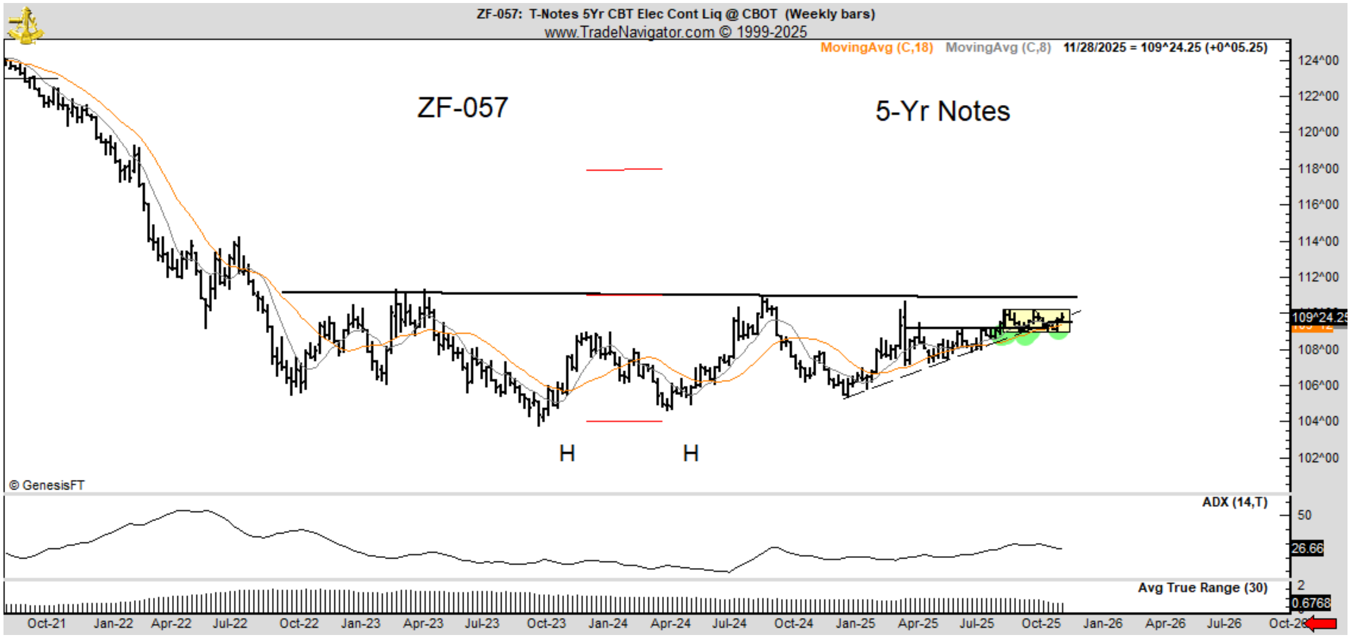
Bitcoin spot

Adamant traders become ex-traders, usually exiting with far less money than they started with. So, I never want to become dogmatic about any market outlook. Yet, I am as close to sure as I get to believing that BTC is in a bear market. In fact, as a Bayesian I can make an argument that an all-time-forever high has been made in Bitcoin, albeit with low probability. The 1X target of the broadening peak has been met. The 2X target would be next should the decline continue. Factor is flat. Should a rally toward 98,000 unfold I will closely consider a short trade.



Treasury futures

Factor is long a 100% position as of last Friday in the 5-Yr contract. The longer it takes for the massive underlying H&S pattern to be completed the more I am considering the short side (it would be in the Bonds if short).

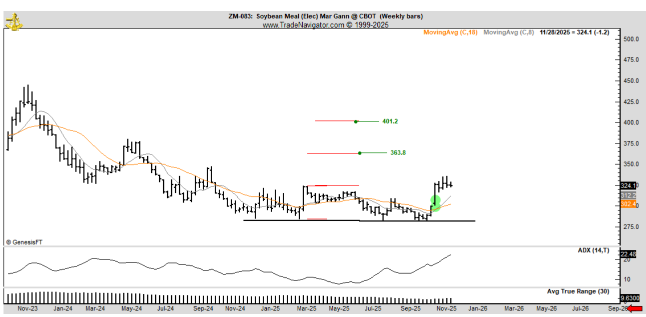


Soybean Meal futures

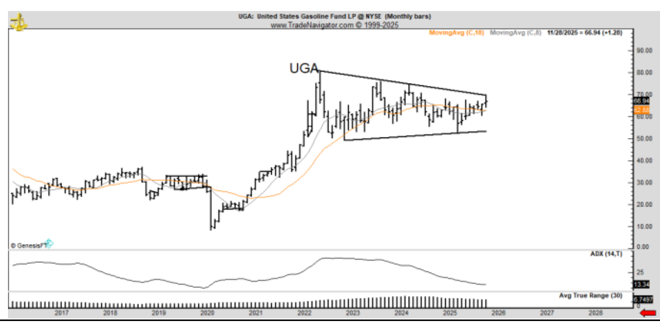
Factor remains long a 50% position (Weekly Tranche). The dominant underlying pattern is a completed compound fulcrum on the ZM-083 Gann chart. I have an interest in regaining a position in Soybean futures.

Other interesting charts

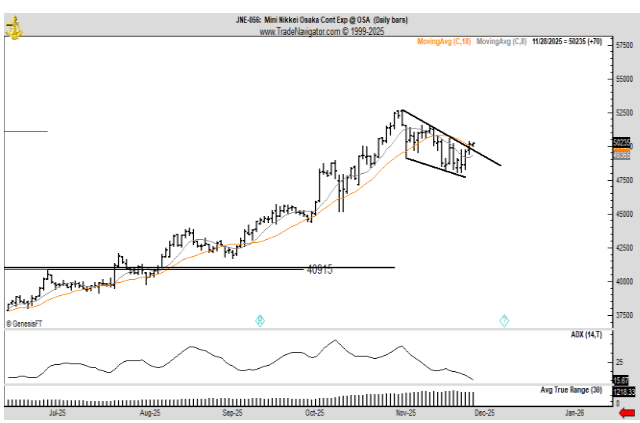
Completed flag in Platinum



Monthly triangle in UGA



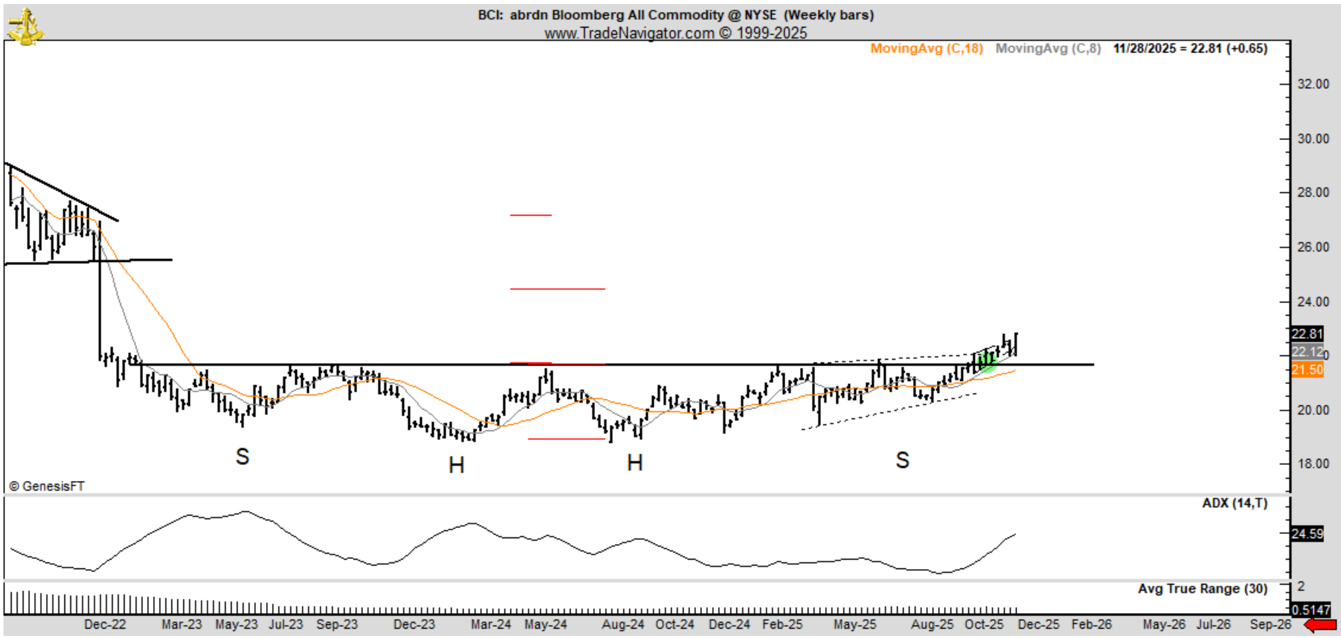
Flag in Nikkei Dow (Osaka is where I trade this)

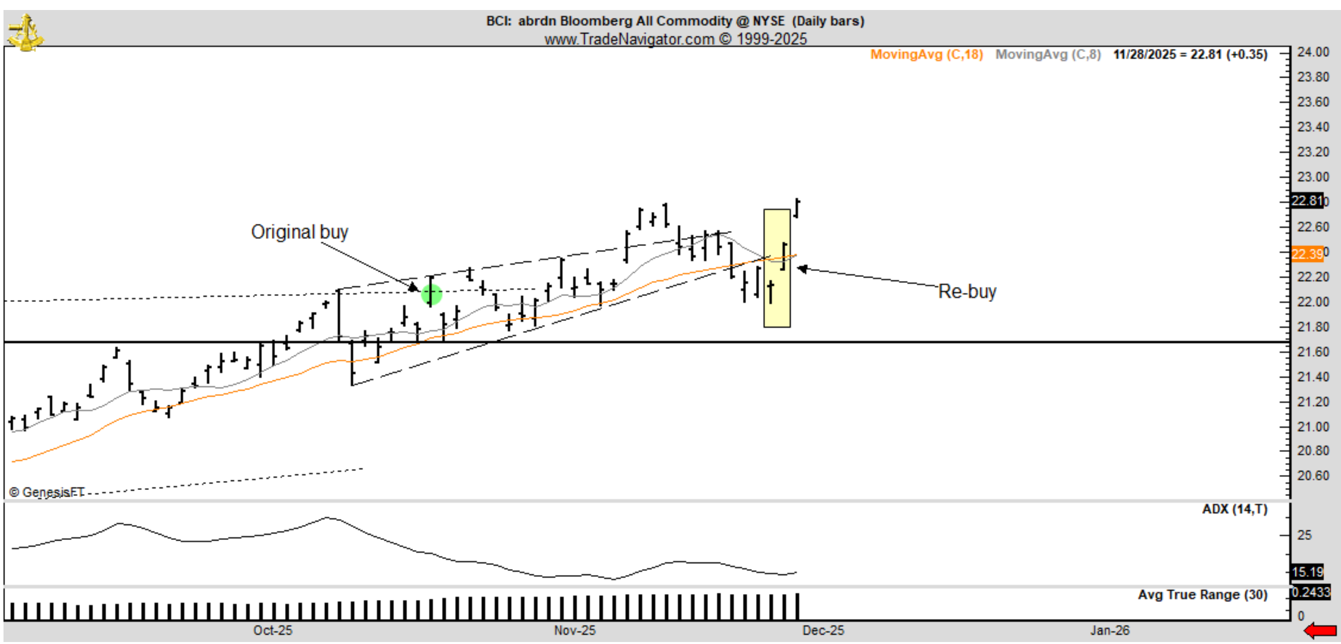


Massive rectangle in Mar Corn Gann chart. I am highlighting the Yellow box through most of the 2010s to emphasize how long real bottoms can take to form in grains. The current bottoming process is still in its infancy.

BCI-etf

During the expiring year or so of my public involvement in markets I do not mind explaining in more detail some of my trading rules in case you have an interest. In October I established a 150% long position in BCI as it completed a 30-day ATR breakout of the underlying massive, inverted H&S. My active and aggressive trade management rules bumped me out. This does not bother me. I really have very little patience for trades that lollygag. This is especially true of etfs that gobble cash deposits held with brokers handling the company accounts. This trade gobbles more than $220,000 or actual trading deposits. I was too quick in exiting and should have held more faith in the charts. The hinge "foot-shot" day on Tuesday – thus serving as a Low and Set-Up Day for the 3-Day Trailing Stop Rule (3DTSR), triggered on Wednesday. I re-established the Weekly Chart Tranche.



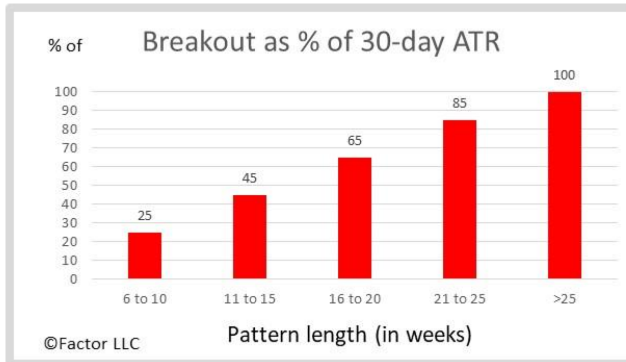


For the video version of this Factor Update Video click here:
https://www.loom.com/share/27424c11df5c4fa4a9b4872b0e5a0ff3

Just a reminder about ATR breakout levels.

To determine an entry stop order I undergo the following process:

1. Identify the breakout level (e.g., a right shoulder high of a H&S bottom)
2. Determine the length of the pattern (in **weeks**)
3. Find the 30-**day** ATR of the latest day within the pattern
4. Multiply the 30-**day** ATR by the appropriate % of the weekly length of the pattern (e.g., the adjusted ATR for a 13-**week** H&S bottom would be 45% of the 30-**day** ATR)
5. Add (long pattern)/subtract (short pattern) the adjusted 30-**day** ATR to the breakout level. This becomes the entry stop level.



Trading commentary – Swing trading

People have different definitions. As for myself as a swing trader in the futures markets, swing trading looks like this:

- Positions held from a few days (for losses) to a few weeks and even a few months in rare exceptions.
- Intent is to catch sustainable short-term trends and then move onto the next trade.
- Targets on trades are seldom more than 10-15% of the underlying asset value.

I evolved as a swing trader for three major reasons:

- As a new trader with limited capital, I could not afford to tie up trading capital in markets that were not moving.
- I hate having to make the same dollar again. Risk-adjusted RORs is my compulsion. I like to make profits – I hate giving money back (I am referring here to closed trade NAV).
- Trading was the source of my living starting in 1981. I had to take money from my account to pay bills. The possibility of 50% drawdowns was something I had to purge from my trading approach.

Why my focus is on Profit Factor, Calmar and limited drawdowns rather than on maximizing ROR?

It's easy folks. If you shoot for the moon to upwardly explode the value of your trading account, then plan for the to make the same $$ over and over and over again. It is far easier to build the value of an account in incrememts over time by holding onto to gains. It is easy to make money trading – the challenge is to keep what you make.