



Factor Update, November 8, 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*

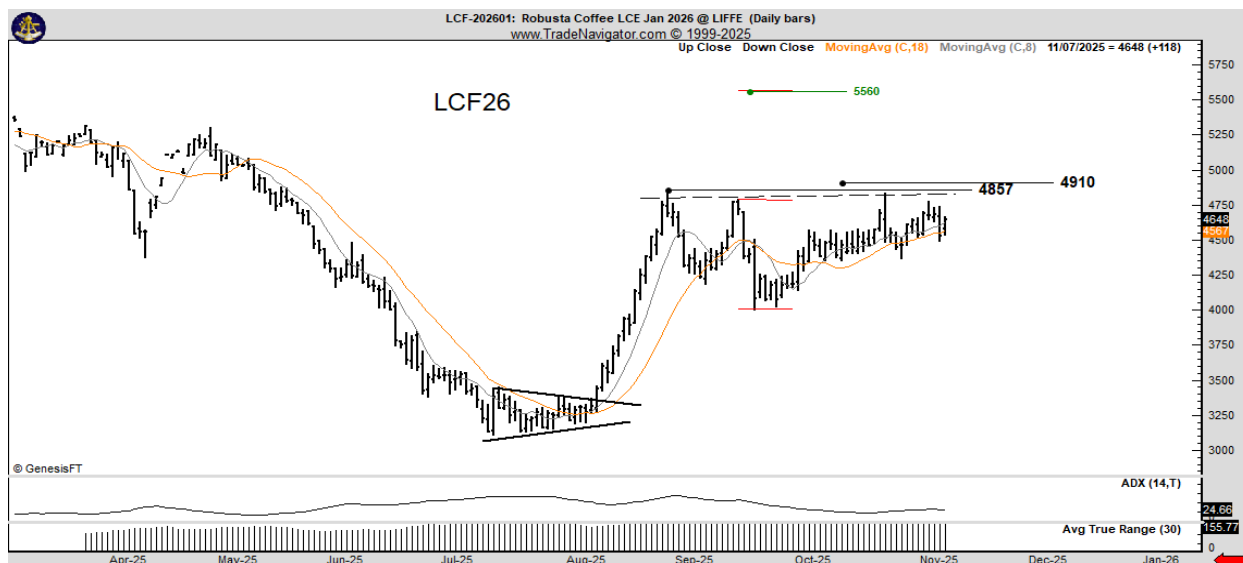
<p><b>Current Prop Account swing trade positions:</b></p> <ul style="list-style-type: none"> <li>• Long 50% BCI-etf</li> <li>• Long 100% Soybean futures</li> <li>• Long 50% Soybean Meal futures</li> <li>• Long 60% Gold futures / short NZD futures swaps</li> <li>• Short 50% S&amp;P futures</li> </ul>	<p><b>Weekly chart patterns (tranches were folded into the Prop account as of Jan 2025)</b></p> <ul style="list-style-type: none"> <li>• Long 50% BCI-etf</li> </ul>
<p><b>Markets considered for new initial positions (NIPs):</b></p>	
<ul style="list-style-type: none"> <li>• Robusta Coffee futures</li> <li>• Silver futures</li> </ul>	<ul style="list-style-type: none"> <li>• EuroStoxx Bank futures</li> <li>• Treasuries</li> </ul>
<p><b>Note:</b> 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 7/10<sup>th</sup> of 1% (70 basis points) of the nominal value of my trading account. A 50% position has (had) a risk of about 3 to 4/10<sup>th</sup> 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 = +5458 BPs as of Nov 7</p>	

## Tough week! This never changes!

Reminder to all Factor Members. Trading for me is NOT about having an opinion. Trading is all about risk management. Factor automatically covers trades that get into my pocket on Friday closes regardless of what I think of the charts. Accordingly, positions in the US Dollar (long) and Bitcoin (short) were covered Friday.

### London Robusta Coffee futures

The best set-up I see in the futures market is in London Robusta Coffee. I will buy-stop this market using an ATR-adjusted stop order. The pattern is a continuation inverted H&S. Note the symmetrical triangle at the low. Factor was fortunate to catch this pattern for a 335 BP gain.



## Factor Service User Guide

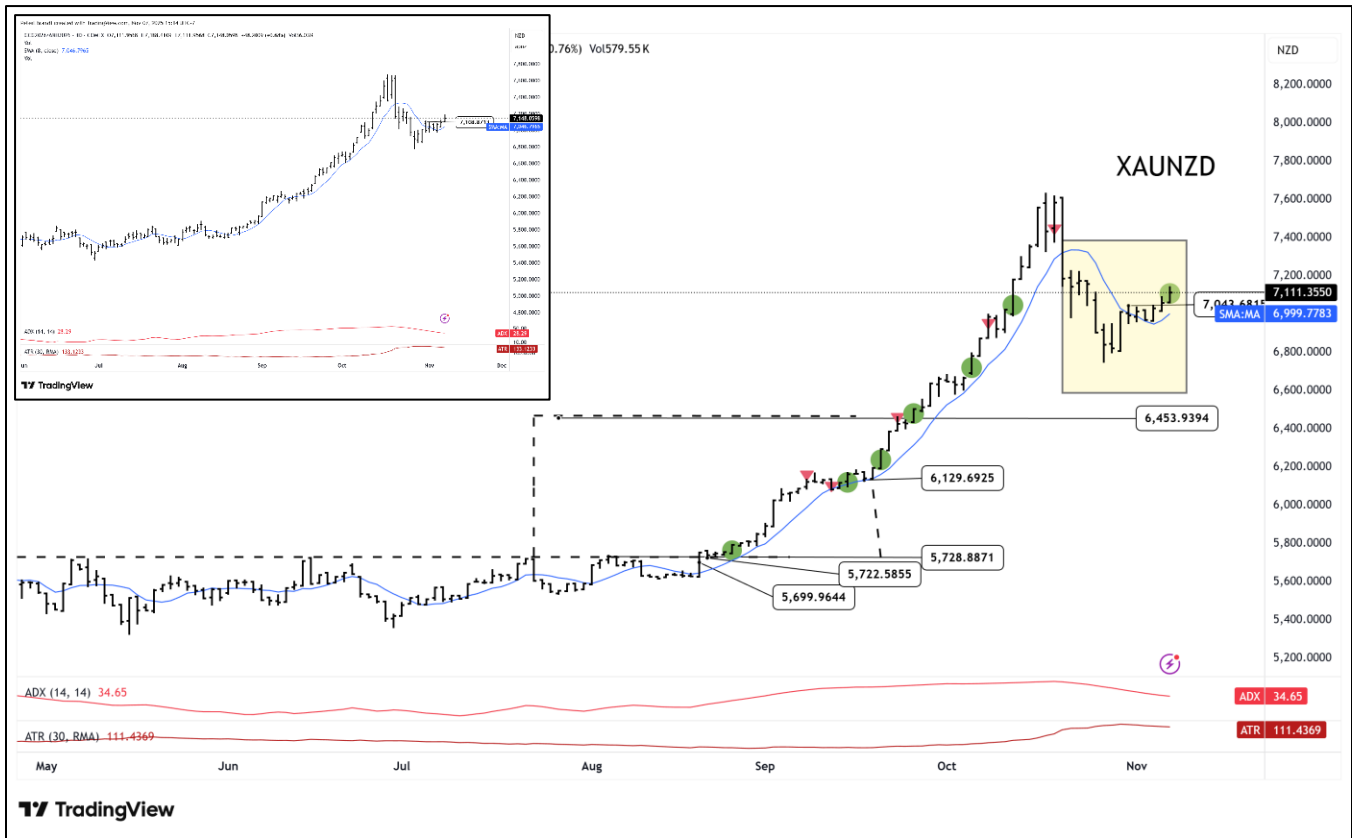
- The Factor Service issues content in several formats
  - Weekly Updates
  - Special Situation Reports (infrequent)
  - Special Reports (archived)
  - @factor\_members X stream
  - Annual Best Dressed List
  - Annual performance review and quarterly trade-by-trade detailed reports
  - Miscellaneous
- The Factor is **NOT NOT NOT NOT** a real time signaling service. I believe that all traders need to develop their own techniques and it is my intent to teach people to fish, not to provide meals
- The communications channels of the Factor attempt with as limited delay as possible to keep Factor Members informed of the trading activities in the Factor LLC house account
- Factor LLC conducts its trading activities via ADMIS for domestic futures and IBKR for global futures, IBKR for spot FX and crypto futures, Charles Schwab for equities and the treasury function and Paxos and Kraken for spot crypto. The Factor trading program is nominally funded at its brokers with excess funds being held in treasuries
- I advise Factor Members in general terms on current positions and markets under consideration for trades. Specific entry and stop prices are NOT announced because there have been past issues with professional trading operations trading against my orders. It happens, especially during night hours
- Factor primary trades leverage futures contracts, maintaining only the necessary funds to meet margin requirements at the Futures Commission Merchants (FCMs)
- Seldom will the Factor prop account hold more than seven or eight positions. Historically, 45% of trades close for a loss and 55% for a profit. About 15% of all trades typically account for 85% of all net profits each year. These are referred to as Pareto trades
- Factor limits the risk per trade to about 80 BPs (8/10<sup>th</sup> of 1% of total nominal capital), usually split between two tranches subject to slightly different trade management rules
- Factor's trading is 100% discretionary in terms of trade selection and 80% rules-based once a candidate trade is identified
- Factor uses classical charting principles for all trade selection with minimum consideration of indicators. Moving averages are used as a proxy for trend. Horizontal patterns of 8 to 26 weeks are preferred over all diagonal patterns. Continuation patterns are preferred above reversal patterns. The Factor makes no attempt to pick bottoms or tops, preferring to profit from mid-sections of trends
- Factor enters two-plus new trades per week. Most trading (entry and exit) are made using open GTC stop orders or target orders pre-entered prior to each new trading day and ideally prior to each new week
- Factor does NOT engage in day trading unless it is to exit losing trades. All trades carrying a loss at the end of the week are covered. Factor's policy is to not carry a loss into a weekend
- Factor uses active and aggressive trade management. The risk profile of a trade is moved to break-even as quickly as possible and protective stops are then advanced in the direction of a profitable trade. Profits are automatically taken at predetermined targets
- Swing overnight trading is engaged with losing positions typically closed within a week and profitable trades held from a week to several months in rare cases

Gold/New Zealand Dollar futures (EFF)

In my mind, Gold (and Bitcoin) are currency units. When I trade Gold, I wish to do so against the strongest major reserve currency (when short Gold) or the weakest global reserve currency (when long Gold). Long Gold against short the New Zealand Dollar using futures has been one of Factor's most profitable trading vehicles this year (as noted by green dots). I believe that the major trend in Gold will remain up, although I think a lengthier correction in Gold is likely. The rally in this currency pair on Thursday generated a small buy signal.

Factor established a long position via an Exchange for Futures (EFF) functionary. An EFF occurs when I execute a trade in the spot market with a dealer (such as Goldman or Wells Fargo, in my case) that becomes swapped for a futures position, often denominated in USD terms rather than standard contract units. If this type of transaction appeals to you my advice is to ask if your FCM might make this available to you. EFF's are often offered to institutional clients. The large chart is the spot ratio and small chart in the upper left-hand corner is the Feb Gold/Mar futures ratio.

For entering and exiting a trade such as this I set price alerts on two different platforms with the alerts sent to me via email, computer alarms and text alerts. There are times when I disconnect with this stream when traveling.



## How to understand Factor charts

When I have time to properly annotate a chart, the following items are marked:

Green dot – buy location

Red dot – sell location

Red line and number – target in the case of a short trade

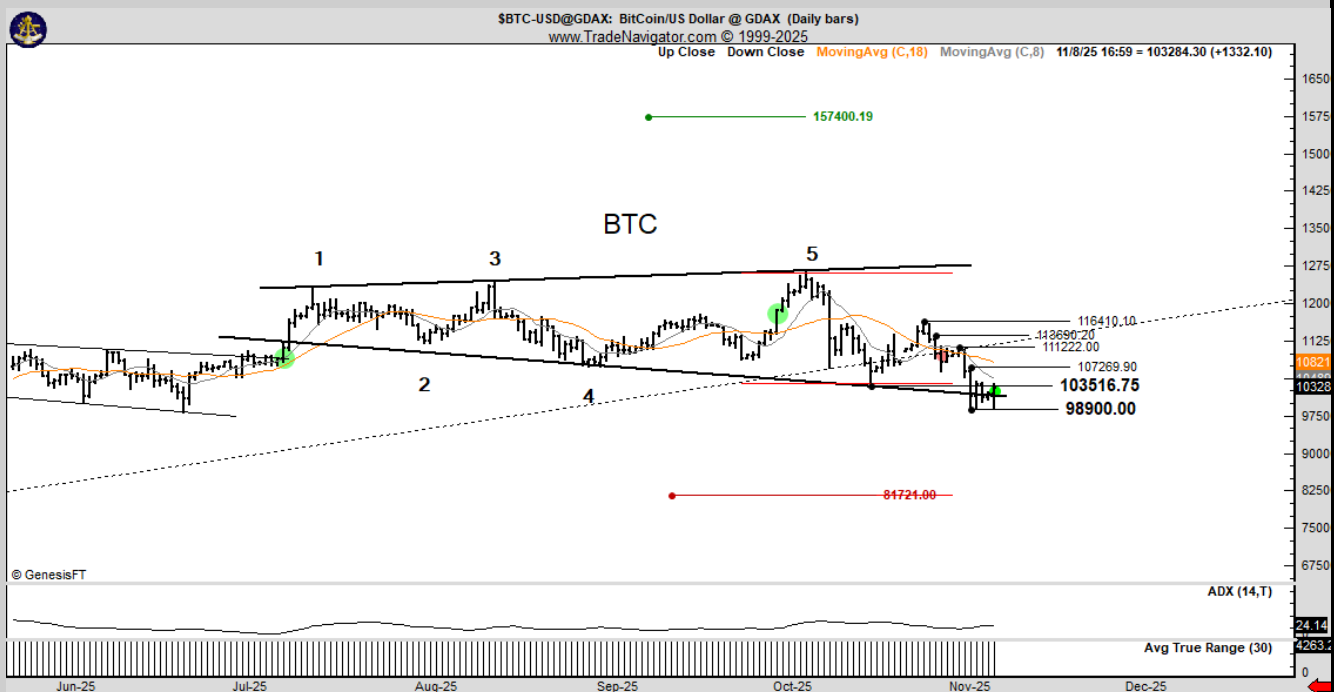
Green line and number – target in the case of a long trade

Numbers in larger **Bold font** – Key price levels for breakouts

Numbers in small font – sequential pivot levels for protective stop advancement

Red lines marking highs/lows of patterns – drawing tool for determining targets

**WARNING: I do not always update these items on posted charts depending on my schedule.**



Note on Bitcoin. I had been short throughout the week in the CME futures contract. In the case of a short futures contract I would need to hedge a position that moves into a loss during a weekend in the spot market. I prefer not to do this – thus covered my short position near Friday's close. I am willing to re-short a 50% futures position if spot advances to the spot 107,200-resistance level next week. I do NOT short spot crypto because I do NOT trust the counterparty risk. I've been burned too many times as a career trader by counter-party fraud or bankruptcy. As the saying goes, "Fool me once, shame on me,....."

### EuroStoxx Bank futures

A classic rectangle is forming in this futures market. Factor will buy an adjusted ATR breakout in this market. See the last page of this report for a brief explanation on how I adjust the 30-day ATR for entering trades. I do NOT use ATR protective stops.

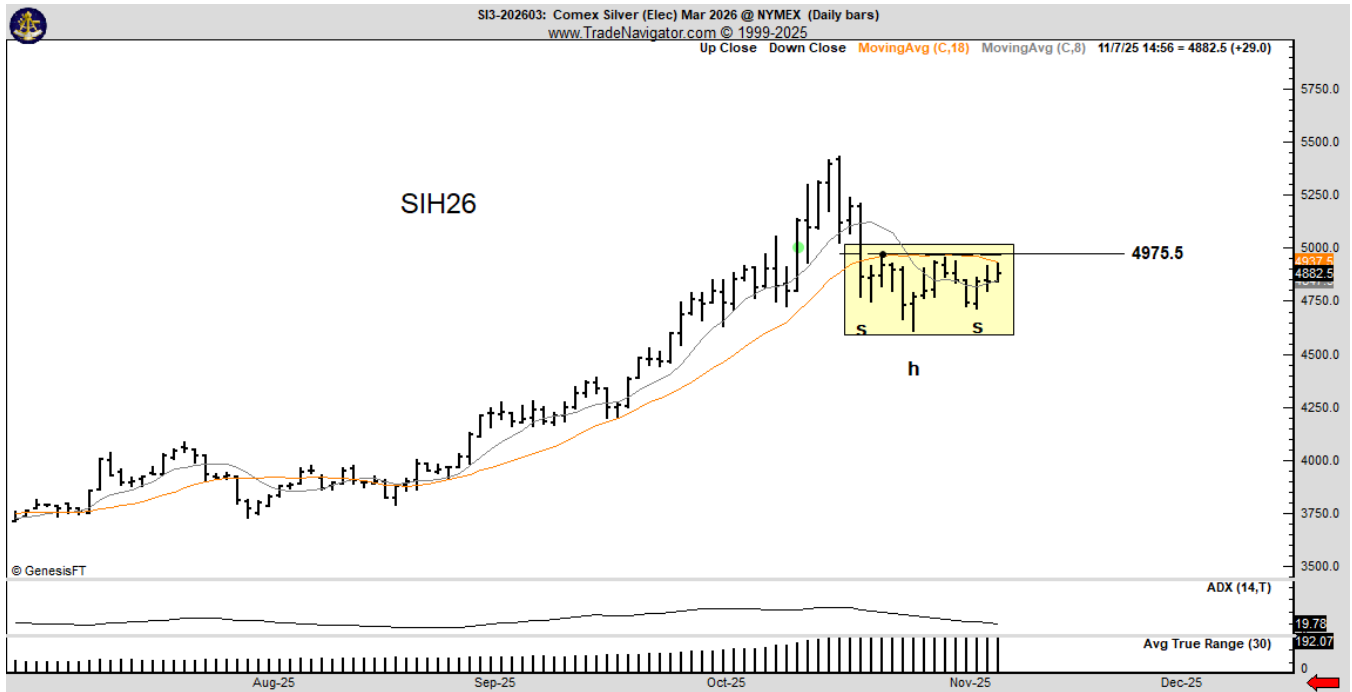
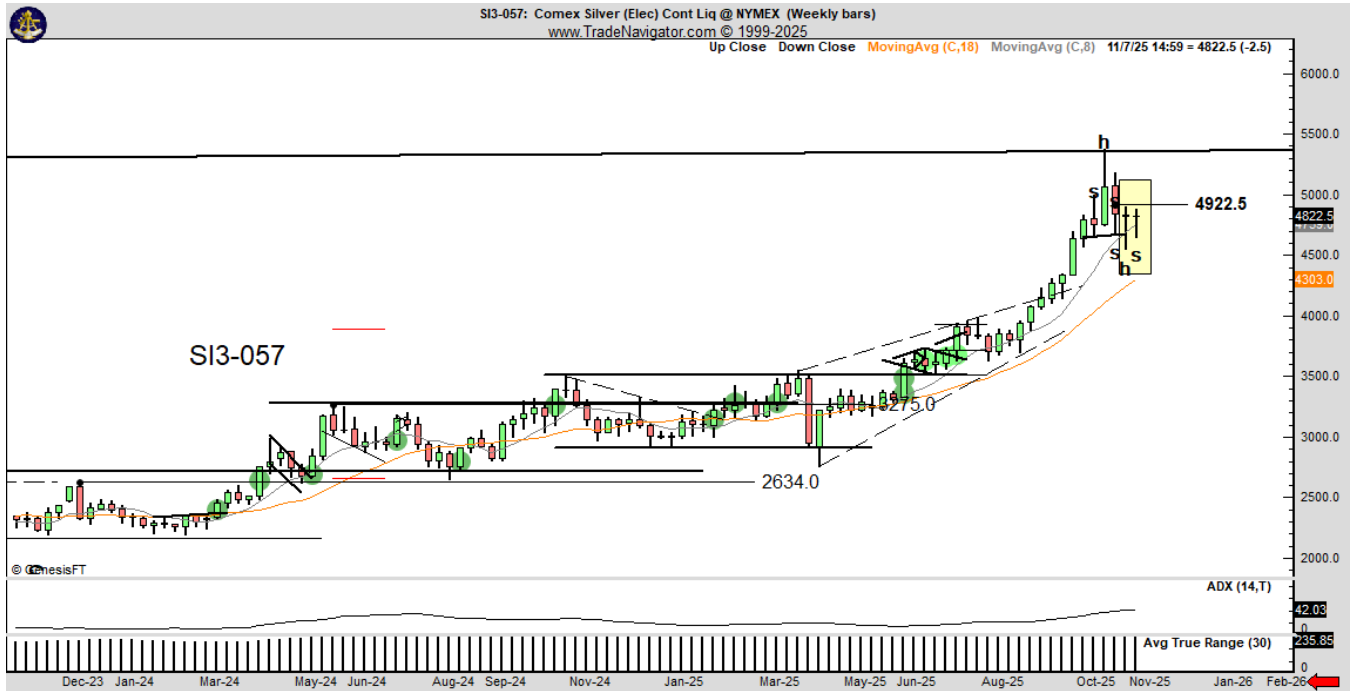


Reminder: The Excel file I use to log my trades in order to automatically generate basic metrics is available to all members for your own use. Please contact Jolleen Oleson to obtain a copy. I believe it is absolutely essential for traders to have a handle on some basic metrics such as win rate, Expected Value, ROR, Profit Factor, Pareto Ratio, etc. The lack of maintaining basic metrics is, in my opinion, a sign of trading immaturity.

Reminder – Factor enters and exists almost all trades using Open Order GTC stops

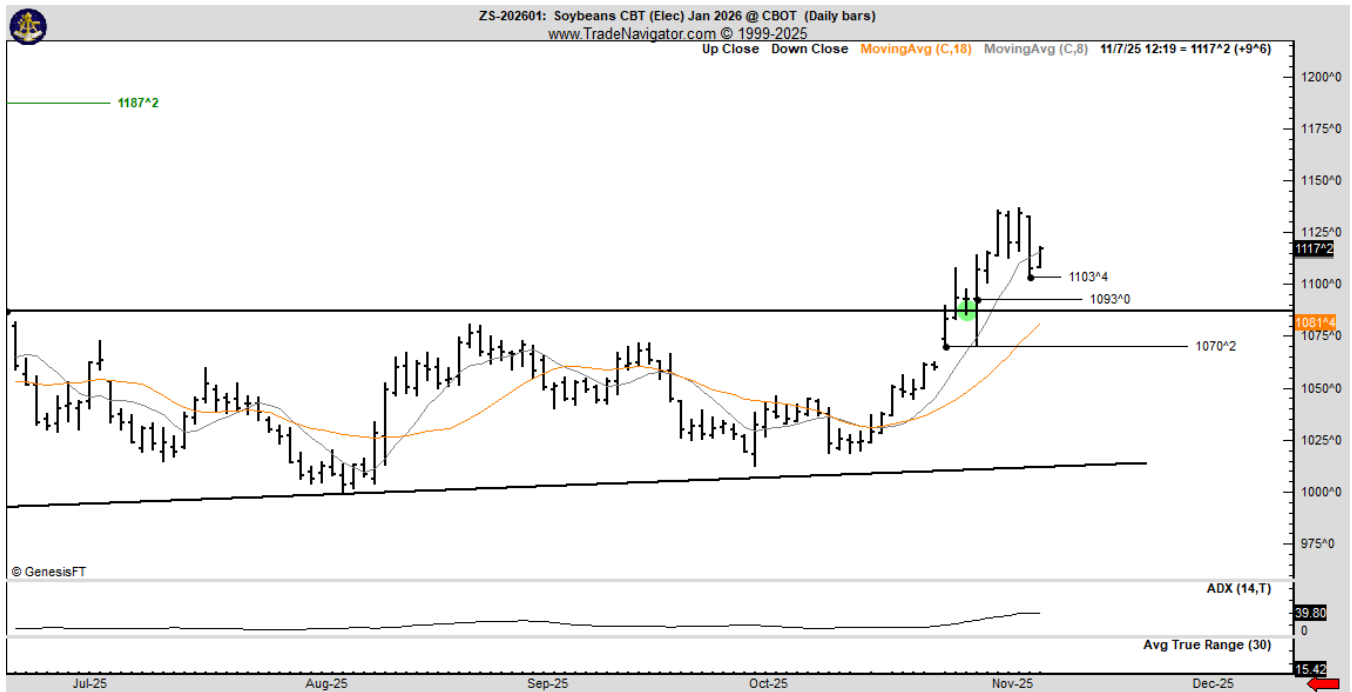
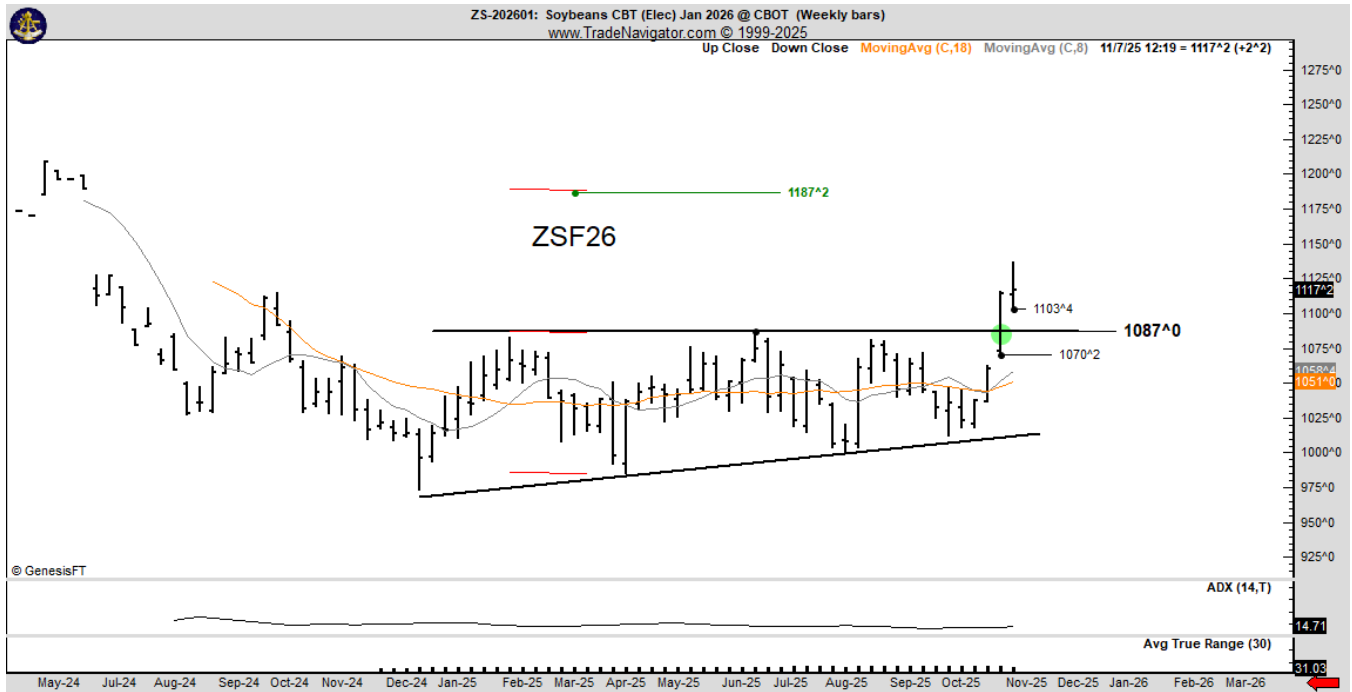
Silver futures

It is my opinion that Silver is in a major bull trend. Whether the \$50-55 level is ready to be surpassed yet remains to be seen, but I am willing to take shots at the long side when a measured risk opportunity appears. Note on the weekly chart two doji weeks with closes in the upper half of the spindle. I view this as very instructive. The daily chart displays a 3-week inverted H&S pattern. While I prefer patterns longer than 8 weeks in duration, shorter patterns within a strong trend are also a consideration. If filled on a buy stop on Monday, my protective stop would be below Friday's low and perhaps below Friday's close depending on the nature of the breakout.



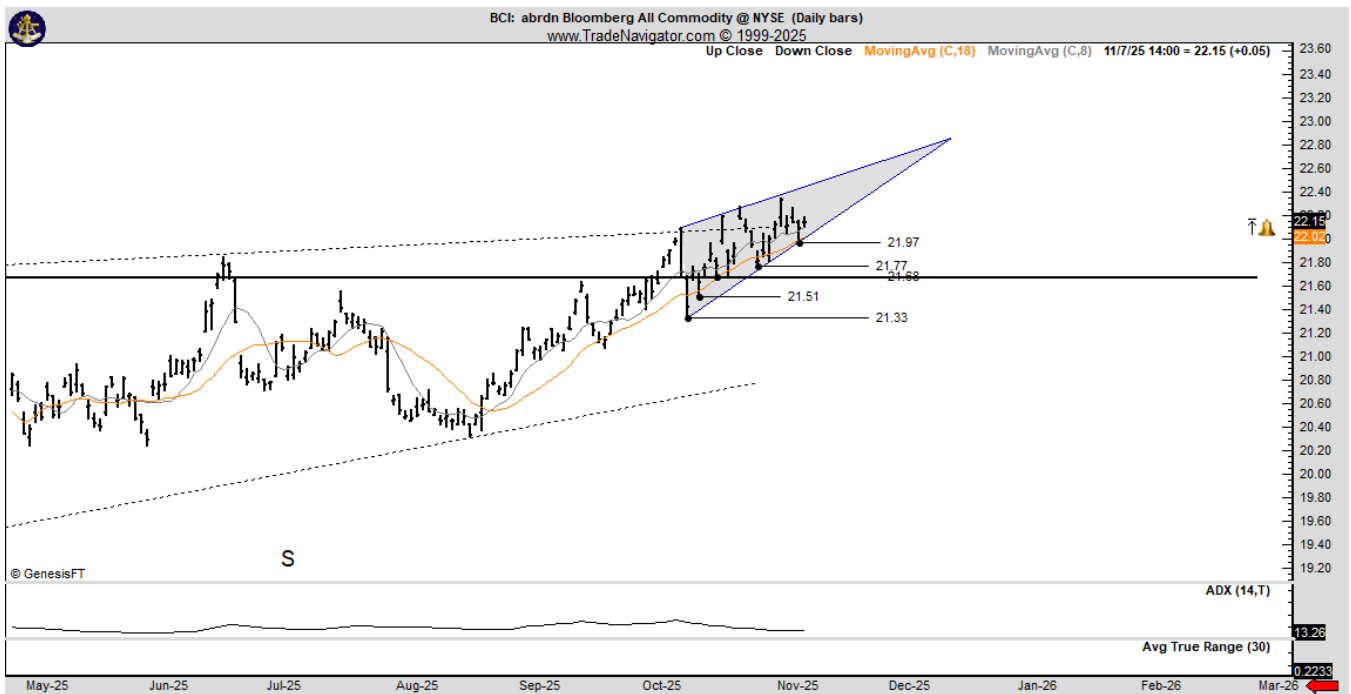
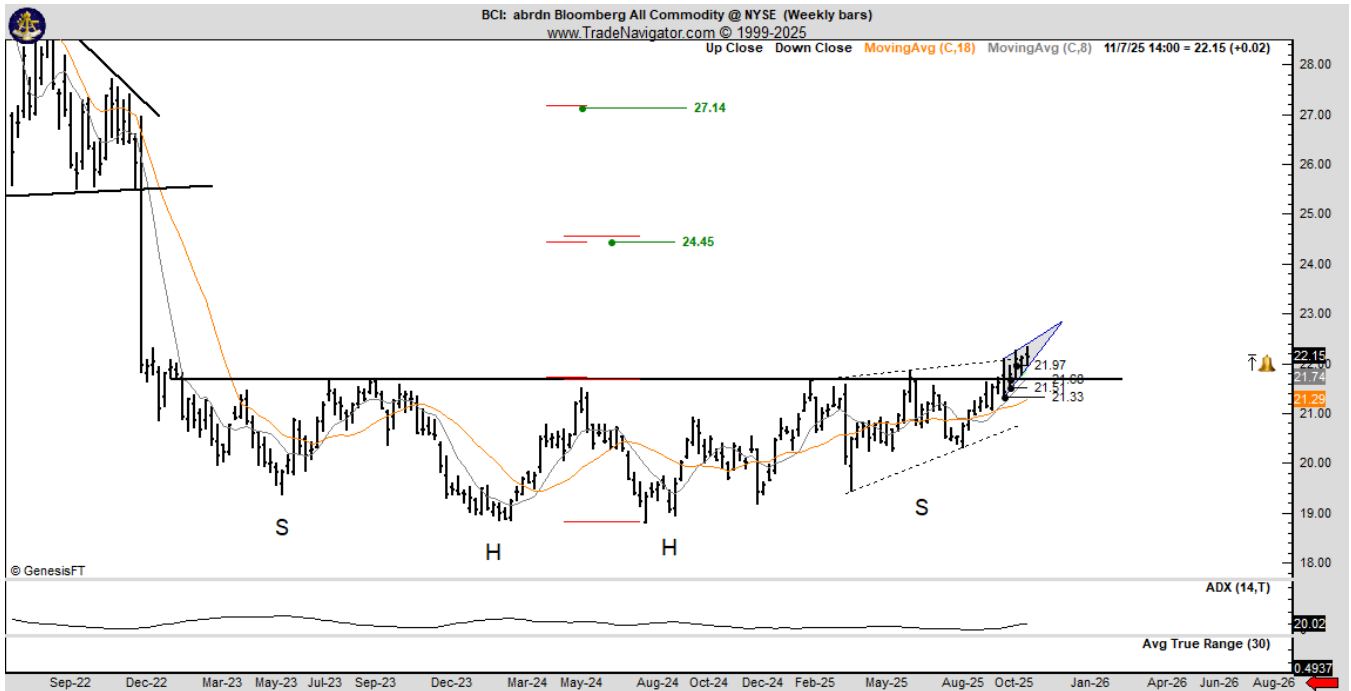
# Soybeans

You all need to know that I love grain markets as a former CBOT trader who specialized in Corn. The weekly chart of the January contract completed a massive ascending triangle bottom. The correction late in the week has now formed a possible three-day trailing stop rule whereby Thursday's close was below the high day's low. Factor remains long a 100% position.



BCI-etf

Factor is long a 100% position in this etf, including a 50% position based on the weekly chart. Note that the daily chart is advancing within the boundaries of a rising wedge. I will use some key lows within this wedge for protection.



Note: If I were to only use one method to protect existing trades in a profitable position it would be the 8-day moving average

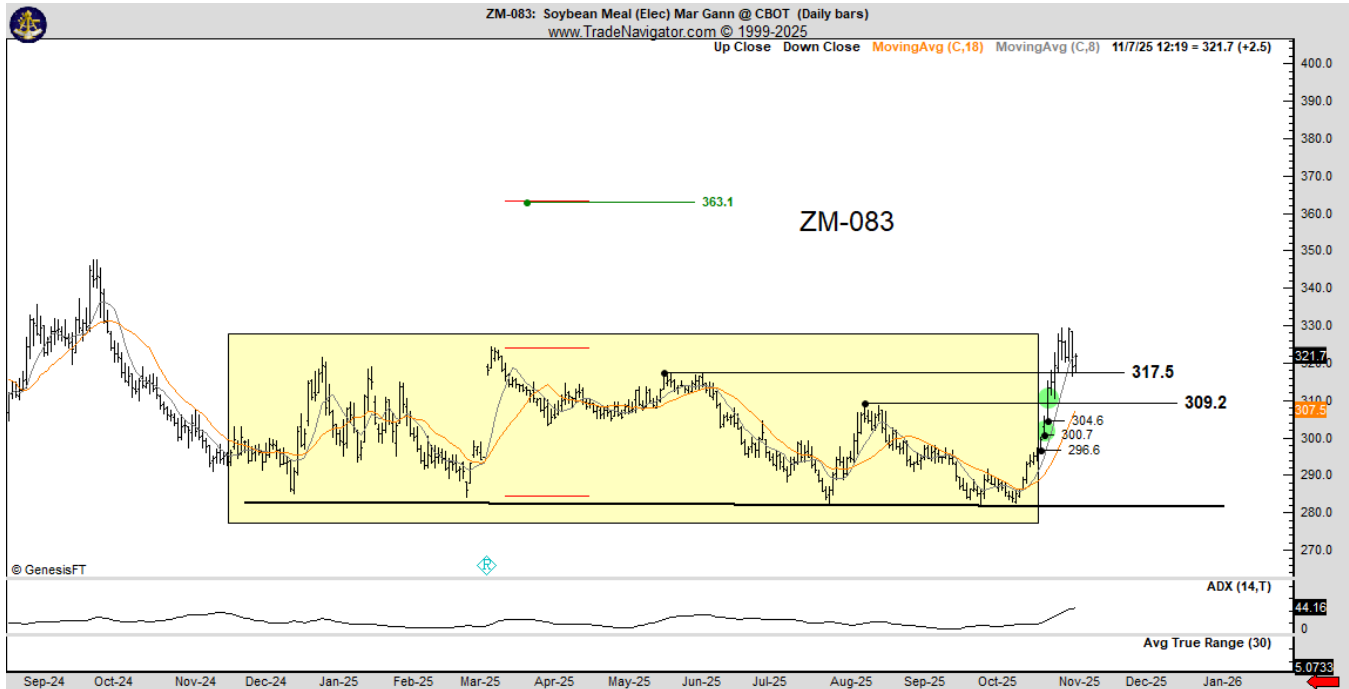
Soybean Meal futures

Factor is long a 50% position in Soybean Meal, having been prematurely stopped out of a tranche. The long position was based on the completion of a falling wedge on the weekly chart and a compound fulcrum on the continuation chart of previous March Soybean Meal contracts. I will use this stop-out to point out a feature of the 3-day trailing stop rule. I advanced the stop on a tranche to just below Wednesday's low when in fact the 3-day trailing stop rule would have required me to use Thursday's low for the stop. My bad! I want to find a place to re-enter a tranche.



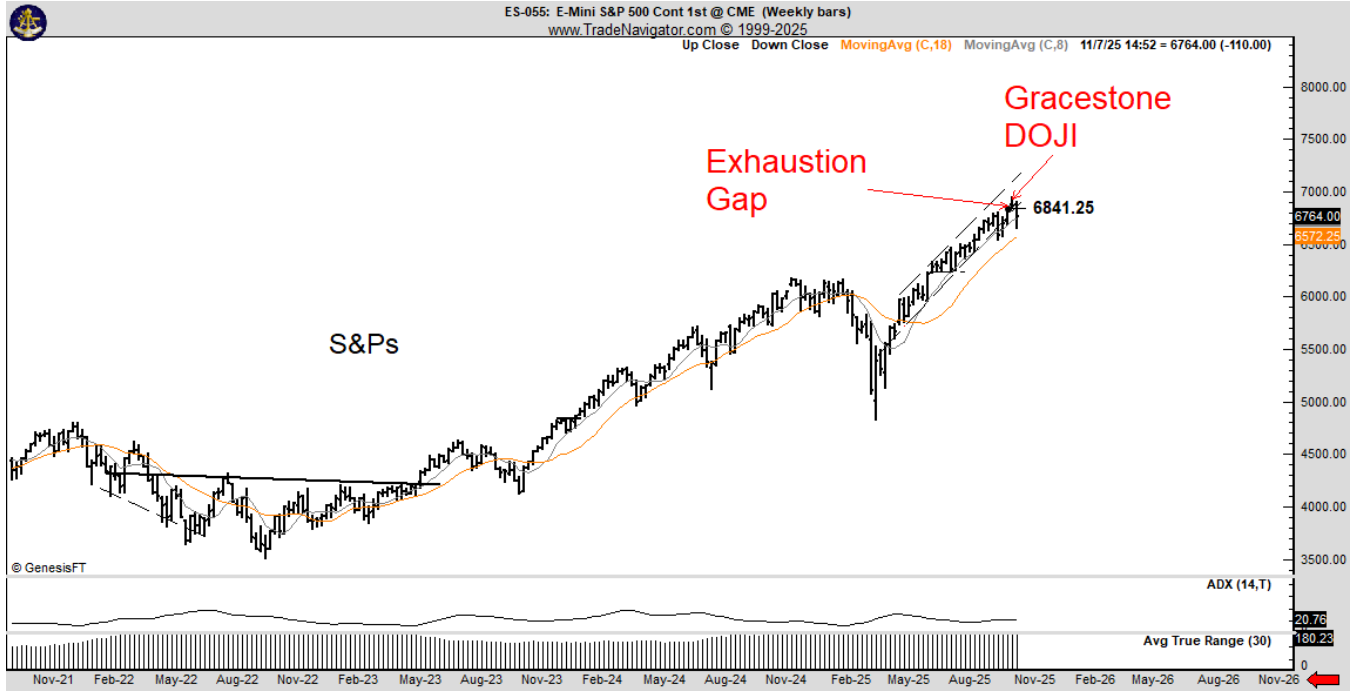
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The compound fulcrum takes on the appearance of a complex continuation head and shoulders top pattern that forms a market bottom pattern.



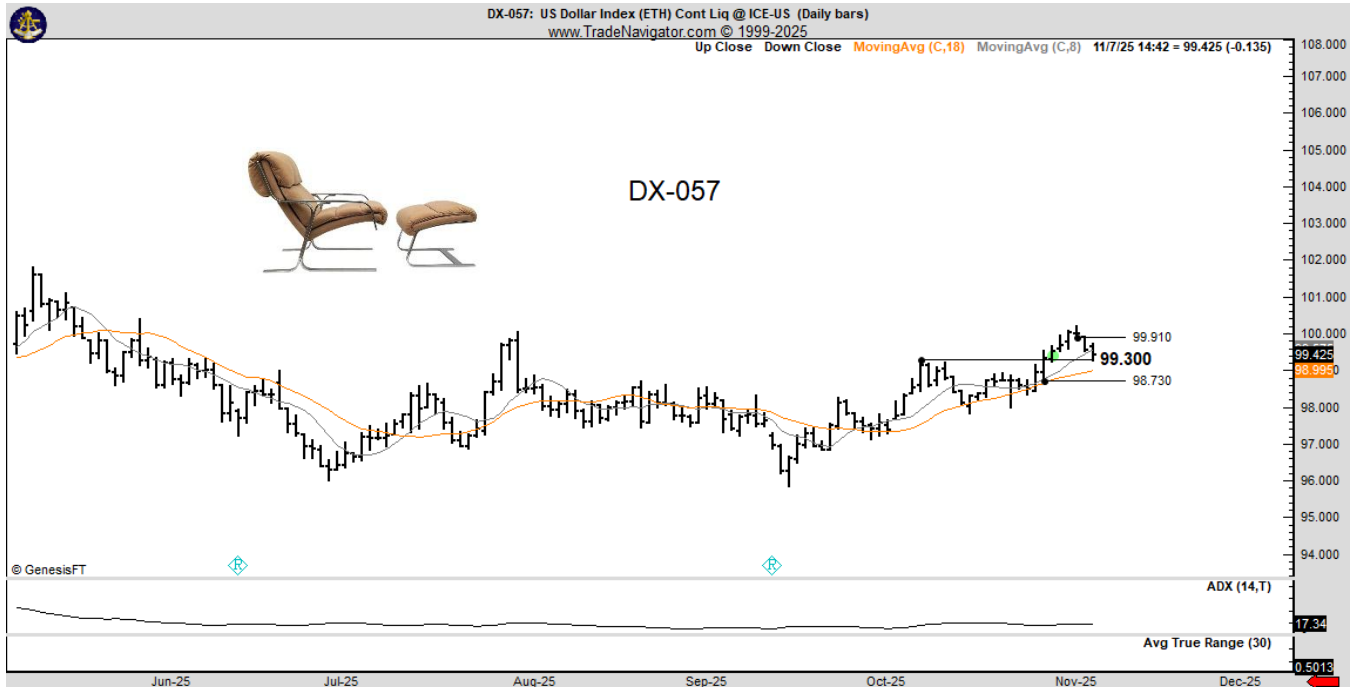
### S&P futures

Factor is short a 50% position established on what I believed to be the closing of an exhaustion gap. The daily chart formed a doji candle on Friday and I debated covering the position but decided to stay with it and use Friday's high to protect.



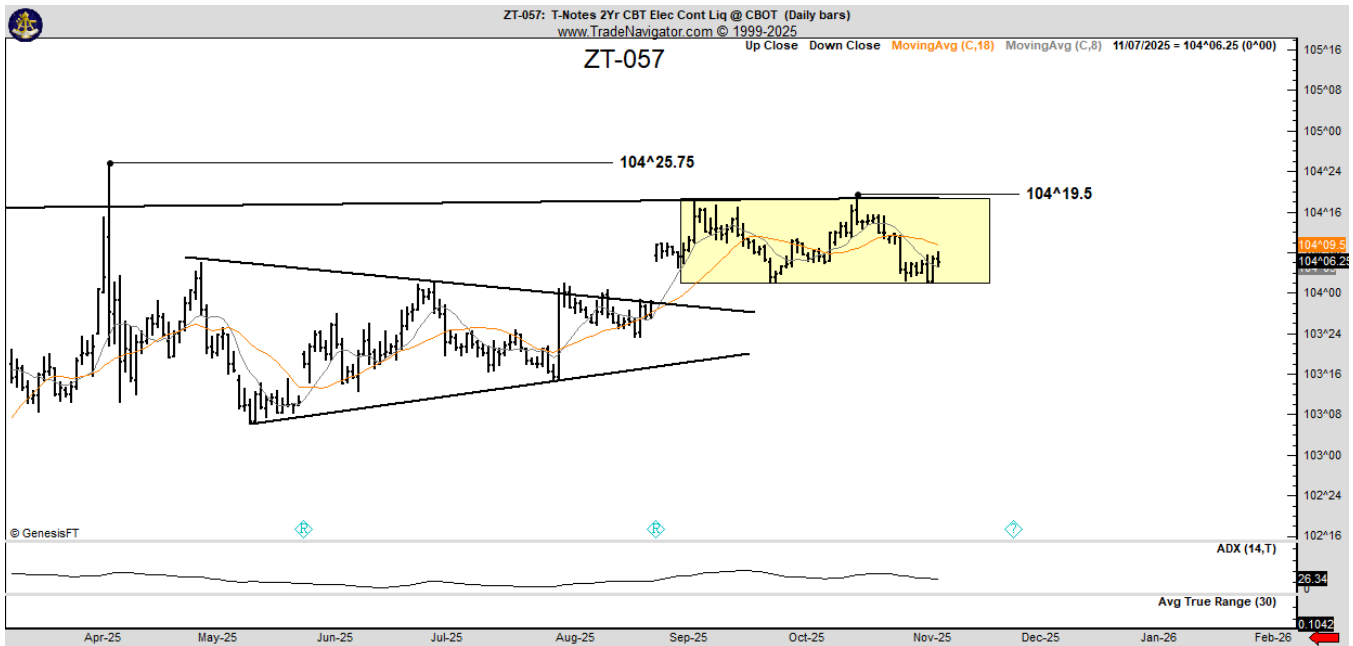
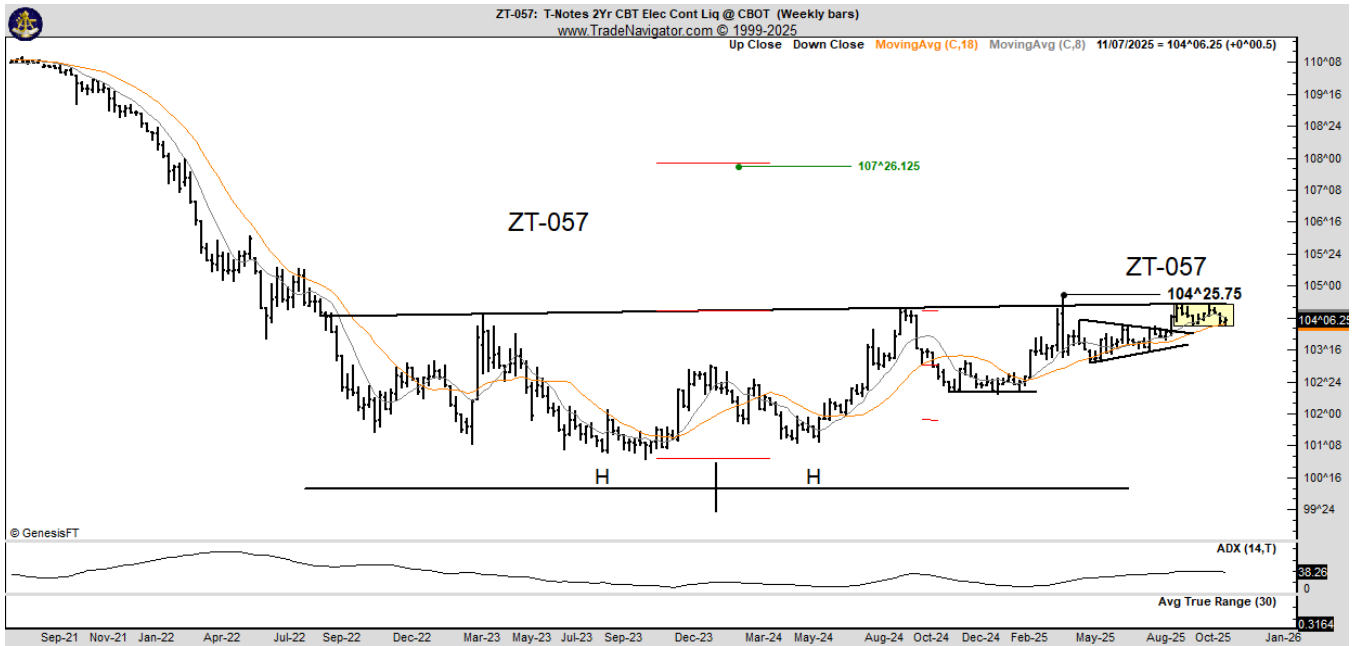
### U.S. Dollar Index futures

I exited a long 50% position on Friday based on the Friday closing-loss rule. This trade was established based on the completion of a classic chair with Ottoman pattern. I will monitor the daily chart for a re-entry.



## Treasury futures

The 2-Yr Note has the potential of being a fabulous trade in the months ahead **if** the massive H&S bottom is ever completed. I have tried an early entry in this market several times in recent months without success. I will consider trades across the yield curve. The rectangle formed in recent weeks (yellow box) will be my trigger for an adjusted ATR breakout.

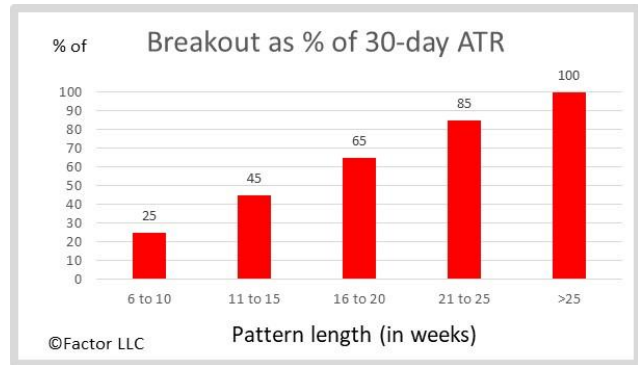


For the video version of this Factor Update Video click here:  
<https://www.loom.com/share/9fb8415a16244c6186496ae89f11882>

### 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 increments over time by holding onto to gains. It is easy to make money trading – the challenge is to keep what you make.



## Futures markets monitored for trades by Factor LLC's Proprietary Account

Markets most likely to be traded each year are in Bold/Yellow

### Grains

- **Corn U.S.**
- Corn Europe
- **Soybeans U.S.**
- **Soybean Meal U.S.**
- **Soybean Oil U.S.**
- Wheat U.S. soft (Chi)
- **Wheat U.S. hard winter (KC)**
- Wheat U.S. hard spring (Mpls)
- Canola Canada
- **Canola Europe**
- **Milling Wheat Europe**

### Currencies

- **Australian Dollar**
- **U.S. Dollar Index**
- **British Pounds**
- **New Zealand Dollar**
- **Canadian Dollar**
- **Eurocurrency**
- **Japanese Yen**
- Chinese Yuan offshore
- **Swiss Franc**
- Mexican Peso

### Livestock

- **Live Cattle**
- Lean Hogs
- Feeder Cattle

### Metals

- **Gold NY**
- **Silver NY**
- Copper NY

### Indexes

- DAX and/or EuroStoxx
- **Dow Jones Industrials**
- **S&Ps**
- **NASDAQ**
- **Russell**
- **EuroStoxx 50**
- **Nikkei Dow Osaka and SGX**
- China A50 SGX
- **Topix**

### Interest rates

- **2 Yr Note U.S.**
- **5 Yr Note U.S.**
- **10-Yr Note U.S.**
- 30-Yr Note U.S.
- **Euribor**
- Canadian Bank Acceptances 3 mo.
- German Bund
- German Bobble
- German Schatz
- EuroSwiss 3 mo.
- **Secured Overnight Financing rates 3 mo.**

### Cryptos

- **Bitcoin (spot and futures)**
- **ETH (spot and futures)**

### Softs

- **Arabica Coffee NY**
- **Robusta Coffee London**
- **Cocoa NY**
- **Cocoa London**
- **Sugar NY**
- **Sugar London**
- Cotton
- Lumber

### Energy

- **Crude Oil U.S.**
- Crude Oil Brent
- Heating Oil
- RBOB Gas
- Gas Oil
- Natural Gas