

HIGH IMPACT REPORT ALERT:

Wednesday, 10/23/13

| | | | |
|--|-----------------------------|---------|--------------|
| Canadian BOC Rate Statement / Overnight Rate | | RISK: 3 | 6C 12-13 |
| 10:00 am Eastern / 7:00 am Pacific | Forecast: 1.00% (no change) | | |
| Trap Trade (JOBB not recommended) | | | |
| Recommended offset | | 20-30 | 20 Tick Stop |

This is the Bank Of Canada's periodic adjustment of monetary policy. As with other central bank news, we have shifted to the Trap Trade approach. This report is riskier though since it varies greatly on the size of its spikes. July fell about 50 ticks and then rebounded to recover all of it in 4 bars, but September only moved about 12 ticks on either side of the anchor point. I would still recommend a larger offset just to be safe, even though there is a good chance it will not fill.

Expectations are for no change to the rate or big policy changes with easing, so as usual any move will be subject to the minutia. Look for a span of up to 50-60 ticks on the :01-04 bars from the high point to low point.

| | | | |
|---|---------------------------------|---------------------------------|-------------------------------------|
| Crude Oil Inventory | | RISK: 3 | CL 12-13 |
| 10:30 am Eastern / 7:30 am Pacific | Forecast: 2.7M | | |
| Avg 1st Peak: 35 ticks (1-3 min after report) | Min: 11 ticks (3/27/13) | Max: 93 ticks (4/4/12) | |
| Avg 2nd Peak: 86 ticks (5-40 min after report) | Min: 25 ticks (10/11/12) | Max: 182 ticks (4/17/13) | |
| Avg Reversal: 65 ticks (17-44 min after Pk) | Min: 19 ticks (3/27/13) | Max: 211 ticks (5/15/13) | |
| Last 10 Reports: | 1 : SPK/REV | 7 : 2ND PK | 0 : DULL 2 : INDECISIVE |
| Last 25 Reports: | 5 : SPK/REV | 14 : 2ND PK | 1 : DULL 5 : INDECISIVE |
| Recommended BracketDistance setting: | | 10 | 15 Tick Stop |

Trade with caution and ensure you understand the risk. Use a 10 tick buffer for this trade to avoid a premature fill in the wrong direction. RISK lowered to "3" as of May due to the season shift. This report is 3-pronged (Crude oil, Gasoline, and Distillates - Heating Oil)

Now as we are transitioning from the summer months into fall, we will begin to see a transition where the Distillate reading gains in significance making the

HIGH IMPACT REPORT ALERT:

Wednesday, 10/23/13

report less stable and safe. This should not happen until the weather really changes after Halloween. The January through April reports were volatile, but relatively safe, with small yields and only 2 indecisive reports, but then the last 2 weeks in April were also indecisive with an initial move in the wrong direction. Only 4 reports of the last 20 were indecisive since April. Look for 20-50 ticks on the spike, and 40-60 ticks on the reversal. If the initial spike pops for only 15-20 ticks, get out there if possible, because a reversal is likely forthcoming. Does not routinely abide by the laws of supply and demand.

It is also a safe play to wait out the initial reaction to check the results and enter a manual trade 2-5 min after the report breaks. Paper trade this if you have not traded this report before.

| CNY HSBC Flash Manufacturing PMI | | | | RISK: 1 | HG 12-13 |
|--|-------------|-------------------------|----------------|-------------------------|----------|
| 9:45 pm Eastern / 6:45 pm Pacific | | | Forecast: 50.5 | | |
| Avg 1st Peak: 22 ticks (2-4 min after report) | | Min: 10 ticks (FEB '13) | | Max: 37 ticks (MAR '13) | |
| Avg 2nd Peak: 45 ticks (16-20 min after report) | | Min: 14 ticks (FEB '13) | | Max: 91 ticks (MAR '13) | |
| Avg Reversal: 29 ticks (26-62 min after report) | | Min: 8 ticks (FEB '13) | | Max: 55 ticks (APR '13) | |
| Last 6 Reports: | 1 : SPK/REV | 5 : 2ND PK | 0 : DULL | 0 : INDECISIVE | |
| Last 10 Reports | 3 : SPK/REV | 7 : 2ND PK | 0 : DULL | 0 : INDECISIVE | |
| Recommended BracketDistance setting: | | | 4-5 | 10 Tick Stop | |

This is a monthly early indicator of China manufacturing activity. Trade on the HG since there is no index for CNY and the Copper market has been outperforming the 6A recently. This report has really performed well since March on the HG delivering 24-37 ticks (except for June - 17 ticks) on the spike which often takes multiple bars to reach its peak. Prior to March, it has been a smaller but safe 10-20 ticks. 7 of the last 10 reports have achieved a 2nd peak of 2-6 ticks more than the 1st peak within 20 min after the release. Look for 20-50 ticks on the reversal.