

HIGH IMPACT REPORT ALERT:

Monday, 3/3/14

ISM Manufacturing PMI		RISK: 1	ZB 06-14	
10:00 am Eastern / 7:00 am Pacific		Forecast: 52.3		
Avg 1st Peak: 15 ticks (1-4 min after report)	Min: 6 ticks (JUL '13)	Max: 26 ticks (SEP '13)		
Avg 2nd Peak: 24 ticks (39-60 min after report)	Min: 10 ticks (OCT '13)	Max: 37 ticks (SEP '13)		
Avg Reversal: 12 ticks (6-35 min after report)	Min: 8 ticks (OCT '13)	Max: 16 ticks (JUL '13)		
Last 6 Reports:	1 : SPK/REV	5 : 2ND Peak	0 : DULL	0 : INDECISIVE
Last 8 Reports:	3 : SPK/REV	5 : 2ND Peak	0 : DULL	0 : INDECISIVE
Recommended BracketDistance setting:		3	5 Tick Stop	

Parameters	
BracketDistance	3
Entry CancelledIfGap	False
Entry Slippage Ticks	16
Entry StopLimit Orders	True
Entry Time	09:59:57
Mode	StrategyInternal

Be sure to select "Strategy Internal" mode in the JOBB settings to ensure your stop loss is not rejected on the ZB. It is also recommended to use limit orders with a slippage setting of 16 or less to bypass the CME restrictions.

Good medium impact report to trade. We continue to trade this on the ZB after a healthy yield in the last several months of 6-26 ticks and mostly 2nd peak reactions. Now with the tapering of QE3, the ZB should be highly sensitive to all US economic news. Unless the result deviates less than 1 point from the forecast, look for 10+ ticks on the initial spike and about 10 on the reversal as it usually delivers about the same as the spike. A potential 2nd peak should deliver 5-15 more ticks than the initial peak. A weak reading will cause the ZB to rally and strong reading will cause the ZB to fall.

HIGH IMPACT REPORT ALERT:

Monday, 3/3/14

AUS Cash Rate / RBA Rate Statement - Trap Trade		RISK: 3	6A 03-14	
10:30 pm Eastern / 7:30 pm Pacific		Forecast: 2.50% (no change)		
Avg 1st Peak: 16 ticks (0:00-0:31 sec)	Min: 10 ticks (DEC '13)	Max: 24 ticks (DEC '12)		
Avg Reversal: 25 ticks (0:11 - 0:52 after report)	Min: 16 ticks (JUL '13)	Max: 29 ticks (AUG '13)		
Last 6 Reports:	3 : SPK/REV	1 : DULL (no fill)	1 : DULL (fill)	1 : STOPPED
Recommended settings:		Tier 1: 10-13 ticks	Tier 2: 20-24 ticks	15 Tick Stop

This is probably the only Trap Trade that is presents some risk due to the tendency of the RBA to shock the market and do or say something completely unexpected. Last month we had a very decisive bullish reaction due to the RBA saying no further cuts to short term interest rates were being considered, even though no actual policy changes were implemented. I recommend using a two tier Trap Trade approach to trade the breakouts with a 15 tick stop loss. Since April 2012, the RBA has executed 6 rate cuts for a total of 175 BP. This includes the surprise cut in May 2013 down to 2.75% and the expected cut to 2.50% in August 2013. The RBA is common to act in an unexpected manner, so the moves are rarely priced in. With a forecast rate cut, there will be more volatility and swings are expected. In this case, the tone is expected to be more hawkish in line with the comments from last month.