

HIGH IMPACT REPORT ALERT:

Tuesday, 5/6/14

AUS Cash Rate / RBA Rate Statement - Trap Trade			RISK: 3	6A 06-14	
12:30 am Eastern / 9:30 pm Pacific (Mon)		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:	2 : Tier 1	2: Tier 2	0 : DULL (no fill)	1 : DULL (fill)	1 : STOPPED
Last 9 Reports:	3 : Tier 1	2: Tier 2	2 : 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 one of the riskier Trap Trade that presents some risk due to the tendency of the RBA to shock the market and do or say something completely unexpected, but is still reasonably safe as only 1 of the last 9 reactions would have stopped you out. 2 Months ago 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.

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GBP Services PMI - Trap Trade				RISK: 2	6B 06-14
4:30 am Eastern / 1:30 am Pacific			Forecast: 57.9		
Avg 1st Peak: 26 ticks (0:00-0:08 sec)		Min: 9 ticks (MAR '14)		Max: 46 ticks (FEB '14)	
Avg Reversal: 22 ticks (0:07 - 0:42 after report)		Min: 13 ticks (JAN '14)		Max: 38 ticks (FEB '14)	
Last 6 Reports:	3 : Tier 1	1: Tier 2	2 : DULL (no fill)	0 : DULL (fill)	0 : STOPPED
Recommended settings:		Tier1: 20 +/-3 ticks	Tier2: 35 +/-3 ticks	15 Tick Stop	

Newer Report for JOBB, as is all GBP news. This is the last of 3 PMI reports and least impacting of the three. It is also less stable and tends to have a shortly sustained peak and quick sizeable reversal making it a good candidate for the Trap Trade. Hence, the slippage that normally comes with the 6B is not a factor. In the last year, we have seen 6 reactions yield 20 - 32 ticks, 2 reactions of 35 and 46 ticks, and 4 reactions 8-15 ticks (gross). So we are going with large tiers to be conservative with the understanding that about a third of the opportunities will not cause a fill, but this factors out the risk of a large move stopping you with a small tier. If filled, look to exit after the reversal with 10-15 ticks net no later than 20 sec into the :31 bar as the reversal typically hovers and achieves max value at a point of support or resistance then pulls back in the direction of the original peak for at least 5-8 ticks after that.

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U.S. Trade Balance	RISK: 2	6J 06-14
8:30 am Eastern / 5:30 am Pacific	Forecast: -40.1B	
Recommended BracketDistance setting:	3	8 Tick Stop

Small moving US report that is often paired up with Unemployment Claims then has the Trap Trade approach used. We continue to trade this on the 6J after 5 times (JUN, AUG, SEP, DEC, JAN). JUN and AUG were nice for 14 and 16 tick spikes (gross), while SEP and DEC were both dull with no fill after 15 sec. JAN allowed about 2 ticks to be captured. Look for 5-10 ticks net on the spike in 1-2 min and a higher reversal of 10-15 ticks that is quick to rebound. 2nd Peaks are a rarity on this report.

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AUS Retail Sales			RISK: 3	6A 06-14
9:30 pm Eastern / 6:30 pm Pacific		Forecast: 0.4%		
Avg 1st Peak: 25 ticks (1-2 min after report)	Min: 8 ticks (APR '12)		Max: 53 ticks (AUG '11)	
Avg 2nd Peak: 37 ticks (12-28 min after report)	Min: 23 ticks (NOV '12)		Max: 62 ticks (AUG '11)	
Avg Reversal: 25 ticks (16-21 min after report)	Min: 10 ticks (OCT '13)		Max: 58 ticks (AUG '13)	
Last 6 Reports:	2 : SPK/REV	1 : 2ND PK	0 : DULL	3 : INDECISIVE
Last 12 Reports:	3 : SPK/REV	6 : 2ND PK	0 : DULL	3 : INDECISIVE
Recommended BracketDistance setting:			6	10 Tick Stop

Medium yield report that has been much more erratic lately, but the last 3 reports at the end of 2013 were safe. In 2014, this report has been paired up with Trade Balance each time, so we have used the Trap Trade for those. RISK rating raised to 3 after August 2013 had an indecisive report with no apparent cause. July was not traded due to concurrent release with Trade Balance, while June and September were also indecisive due to other smaller influence reports at the same time. This report will not be released with any other AUS news. Look for 10-15 ticks net on the first peak which can take more than one bar to be achieved. While November 2012 through March 2013 all had 2nd Peaks for about 6-20 more ticks than the first peak around 12-28 minutes after the report release, we have not seen a 2nd Peak since then with the exception of November. The Reversal usually yields 15-25 ticks in 16-21 minutes after the release; however if there is a second peak, look for the reversal to take 35-80 minutes.

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