

## HIGH IMPACT REPORT ALERT:

Tuesday, 8/5/14

<b>AUS Cash Rate / RBA Rate Statement - Trap Trade</b>			<b>RISK: 3</b>	<b>6A 09-14</b>	
<b>12:30 am Eastern / 9:30 pm Pacific (Mon)</b>		<b>Forecast: 2.50% (no change)</b>			
<b>Avg 1st Peak: 17 ticks (0:00-0:31 sec)</b>	<b>Min: 10 ticks (DEC '13)</b>		<b>Max: 24 ticks (DEC '12)</b>		
<b>Avg Reversal: 22 ticks (0:11 - 0:52 after report)</b>	<b>Min: 6 ticks (JUL '14)</b>		<b>Max: 53 ticks (AUG '13)</b>		
<b>Last 6 Reports:</b>	<b>3 : Tier 1</b>	<b>1: Tier 2</b>	<b>1 : DULL (no fill)</b>	<b>0 : DULL (fill)</b>	<b>1 : STOPPED</b>
<b>Last 12 Reports:</b>	<b>6 : Tier 1</b>	<b>2: Tier 2</b>	<b>2 : DULL (no fill)</b>	<b>1 : DULL (fill)</b>	<b>1 : STOPPED</b>
<b>Recommended settings:</b>		<b>Tier 1: 10-13 ticks</b>	<b>Tier 2: 20-24 ticks</b>	<b>15 Tick Stop</b>	

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 12 reactions would have stopped you out. 6 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, but none since. The RBA is common to act in an unexpected manner, so the moves are rarely priced in. If there is a forecast rate cut, there will be more volatility and swings are expected. In this case, the tone is expected to be more neutral in line with the comments from last month.

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Tuesday, 8/5/14

<b>GBP Services PMI - Trap Trade</b>				<b>RISK: 2</b>	<b>6B 09-14</b>
<b>4:30 am Eastern / 1:30 am Pacific</b>			<b>Forecast: 58.1</b>		
<b>Avg 1st Peak: 23 ticks (0:00-0:08 sec)</b>		<b>Min: 9 ticks (MAR '14)</b>		<b>Max: 46 ticks (FEB '14)</b>	
<b>Avg Reversal: 20 ticks (0:07 - 0:42 after report)</b>		<b>Min: 13 ticks (JAN '14)</b>		<b>Max: 38 ticks (FEB '14)</b>	
<b>Last 6 Reports:</b>	<b>2 : Tier 1</b>	<b>1: Tier 2</b>	<b>3 : DULL (no fill)</b>	<b>0 : DULL (fill)</b>	<b>0 : STOPPED</b>
<b>Last 10 Reports:</b>	<b>5 : Tier 1</b>	<b>1: Tier 2</b>	<b>4 : DULL (no fill)</b>	<b>0 : DULL (fill)</b>	<b>0 : STOPPED</b>
<b>Recommended settings:</b>		<b>Tier1: 20 +/-3 ticks</b>	<b>Tier2: 35 +/-3 ticks</b>	<b>15 Tick Stop</b>	

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.

## HIGH IMPACT REPORT ALERT:

Tuesday, 8/5/14

<b>ISM Non-Manufacturing PMI</b>			<b>RISK: 2</b>	<b>6J 09-14</b>
<b>10:00 am Eastern / 7:00 am Pacific</b>		<b>Forecast: 56.6</b>		
<b>Avg 1st Peak: 19 ticks (1 min after report)</b>	<b>Min: 10 ticks (JAN '14)</b>		<b>Max: 23 ticks (FEB '14)</b>	
<b>Avg 2nd Peak: 25 ticks (6-29 min after report)</b>	<b>Min: 22 ticks (AUG '13)</b>		<b>Max: 33 ticks (FEB '14)</b>	
<b>Avg Reversal: 18 ticks (23-74 min after report)</b>	<b>Min: 10 ticks (OCT '13)</b>		<b>Max: 47 ticks (FEB '14)</b>	
<b>Last 6 Reports:</b>	<b>0 : SPK/REV</b>	<b>3 : 2ND PK</b>	<b>2 : DULL</b>	<b>1 : INDECISIVE</b>
<b>Last 12 Reports:</b>	<b>0 : SPK/REV</b>	<b>9 : 2ND PK</b>	<b>2 : DULL</b>	<b>1 : INDECISIVE</b>
<b>Recommended BracketDistance setting:</b>			<b>3</b>	<b>8 Tick Stop</b>

A medium mover, but influential and reliable report. This report will be released with Factory Orders this time. We have been trading this on the 6J since July 2013 with all reactions except April being safe. With only 0.4 pts offset, the near match caused an indecisive situation. Then May saw a dull reaction that would have allowed an exit at breakeven and July would have been cancelled before a fill happened. All others have been safe, profitable, and achieved a 2nd peak of a few more ticks. Look for 10-15 ticks net on the spike, and if it hovers and reverses after about 20 sec, be sure to exit at or better than break even. Look for 10-25 ticks on the reversal and a 2nd Peak for an additional 5-10 ticks normally around 5-7 min is probable.