

HIGH IMPACT REPORT ALERT:

Wednesday, 9/3/14

GBP Services PMI - Trap Trade				RISK: 2	6B 09-14
4:30 am Eastern / 1:30 am Pacific			Forecast: 58.6		
Avg 1st Peak: 23 ticks (0:00-0:08 sec)		Min: 8 ticks (MAY '14)		Max: 46 ticks (FEB '14)	
Avg Reversal: 20 ticks (0:07 - 0:42 after report)		Min: 13 ticks (JAN '14)		Max: 38 ticks (FEB '14)	
Last 6 Reports:	2 : Tier 1	0: Tier 2	3 : DULL (no fill)	1 : DULL (fill)	0 : STOPPED
Last 12 Reports:	6 : Tier 1	1: Tier 2	4 : DULL (no fill)	1 : DULL (fill)	0 : STOPPED
Recommended settings:		Tier1: 20 +/-3 ticks	Tier2: 35 +/-3 ticks	15 Tick Stop	

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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CAN BOC Rate Statement / Overnight Rate - Trap				RISK: 3	6C 09-14
10:00 am Eastern / 7:00 am Pacific		Forecast: 1.00% (no change)			
Avg 1st Peak: 28 ticks (0:00-0:59 sec)		Min: 12 ticks (DEC '13)		Max: 49 ticks (JUL '13)	
Avg Reversal: 32 ticks (0:03 - 2:40 after report)		Min: 10 ticks (SEP '13)		Max: 51 ticks (SEP '13)	
Last 6 Reports:	3 : Tier 1	0: Tier 2	3 : DULL (no fill)	0 : DULL (fill)	0 : STOPPED
Last 9 Reports:	3 : Tier 1	0: Tier 2	6 : DULL (no fill)	1 : DULL (fill)	0 : STOPPED
Recommended settings:		Tier 1: 20-30 ticks		Tier 2: n/a	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. For example, July 2013 fell about 50 ticks and then rebounded to recover all of it in 4 bars, but September 2013 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.

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AUS Retail Sales / Trade Balance - Trap Trade		RISK: 2	6A 09-14
8:30 pm Eastern / 5:30 pm Pacific		Forecast: 0.4% RTL / -1.77B Trade	
Recommended settings:	Tier 1: 20-25 ticks	Tier 2: n/a	15 Tick Stop

We have 3 booked results since the introduction of the Trap Trade with these reports double booked. Feb yielded a 16 tick spike, followed by a 50 tick reversal in 60 seconds as Retail matched and Trade Balance came in strongly bullish. Mar gave us a 43 tick spike to stop us out as both reports saw extremely strong consistent readings. Then April saw a 19 tick spike followed by a reversal back to the origin in 29 sec. We are only recommending the higher tier of 20-25 ticks to minimize the risk. We will continue to recommend the Trap Trade for this report as opposed to disqualifying it, but there is a good possibility that the reaction will not breach the trap tier. Aside from March, the largest spike on Retail sales has been 33 ticks in the last 18 months, and there is a cluster in the 17-20 range, then another cluster in the mid to upper 20s. This should either be a whipsaw, or have a sharp pullback in the intrabar.