

HIGH IMPACT REPORT ALERT:

Friday, 10/3/14

GBP Services PMI - Trap Trade				RISK: 2	6B 12-14
4:30 am Eastern / 1:30 am Pacific			Forecast: 59.1		
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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Friday, 10/3/14

Unemployment Rate/Non-Farm Emp Change - Trap Trade		RISK: 2	ES 12-14		
8:30 am Eastern / 5:30 am Pacific		Forecast: +216K jobs / 6.1%			
Avg 1st Peak: 27 ticks (0:01-0:30 sec)	Min: 9 ticks (APR '14)	Max: 50 ticks (FEB '14)			
Avg Reversal: 31 ticks (0:30-3:00 after report)	Min: 12 ticks (APR '14)	Max: 104 ticks (FEB '14)			
Last 12 Reports:	3 : Tier 1	5: Tier 2	4 : DULL (no fill)	0 : DULL (fill)	0 : STOPPED
Recommended settings:		Tier 1: ~25 ticks	Tier 2: ~40 ticks	15 Tick Stop	

We now recommend a Trap Trade on the ES. The ES is the most traded index in the world so it will be a much more stable platform. The good news is that the ES tends to offer a great Trap Trade setup no matter how the results pan out. Most of the reports in the last several months have been mixed bags for the economy, with about 150-220K jobs added with the rate improving due to other circumstances or getting worse. About 125-150K jobs need to be created each month just to keep up with population growth. The last several months have offered many great opportunities with 4 spikes of 35, 39, 42, and 50 ticks to fill the outer tier and 3 spikes of 27, 27, and 31 ticks to fill the inner tier. The remaining few were just short of the inner tier. Sometimes it has made a spike of about 18 ticks after about 7 sec, then reversed for a fill on the opposite side around 25 sec, then backed off. **So cancel the order if not filled after 30 sec.**

Any drop in the rate has been primarily due to less people in the labor force or gains in part time labor, not sizable gains in normal hiring, so the jobs #s carry much more weight as the rate is discounted. This makes traders suspect of any positive news. The ADP report on 10/1 showed a slightly better than expected 213K jobs created earlier this week. There is little correlation between the BOLS report and the ADP report since the calculation metrics differ entirely.

HIGH IMPACT REPORT ALERT:

Friday, 10/3/14

ISM Non-Manufacturing PMI			RISK: 2	6J 12-14
10:00 am Eastern / 7:00 am Pacific		Forecast: 58.5		
Avg 1st Peak: 19 ticks (1 min after report)	Min: 10 ticks (JAN '14)		Max: 23 ticks (FEB '14)	
Avg 2nd Peak: 25 ticks (6-40 min after report)	Min: 22 ticks (AUG '13)		Max: 33 ticks (FEB '14)	
Avg Reversal: 18 ticks (23-74 min after report)	Min: 10 ticks (OCT '13)		Max: 47 ticks (FEB '14)	
Last 6 Reports:	0 : SPK/REV	3 : 2ND PK	2 : DULL	1 : INDECISIVE
Last 12 Reports:	0 : SPK/REV	9 : 2ND PK	2 : DULL	1 : INDECISIVE
Recommended BracketDistance setting:			3	8 Tick Stop

A medium mover, but influential and reliable report. This report will be released separately from 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 and August 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. We have also seen a trend lately where if we have a dull reaction (under 7 ticks), it has a strong chance of going for a 2nd peak in the next 15-40 min.