

## HIGH IMPACT REPORT ALERT:

Monday, 10/6/14

<b>AUS Cash Rate / RBA Rate Statement - Trap Trade</b>				<b>RISK: 3</b>	<b>6A 12-14</b>
<b>11:30 pm Eastern / 8:30 pm Pacific</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>2 : DULL (no fill)</b>	<b>0 : DULL (fill)</b>	<b>0 : 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. 8 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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