

HIGH IMPACT REPORT ALERT:

Monday, 12/1/14

GBP Manufacturing PMI			RISK: 2	6B 12-14
4:30 am Eastern / 1:30 am Pacific		Forecast: 53.1		
Avg 1st Peak: 31 ticks (1-2 min after report)	Min: 7 ticks (NOV '13)		Max: 46 ticks (DEC '13)	
Avg 2nd Peak: 41 ticks (9-33 min after report)	Min: 31 ticks (APR '14)		Max: 64 ticks (FEB '14)	
Avg Reversal: 22 ticks (6-35 min after report)	Min: 12 ticks (NOV '13)		Max: 34 ticks (NOV '14)	
Last 6 Reports:	3 : SPK/REV	3 : 2ND Peak	0 : DULL	0 : INDECISIVE
Last 12 Reports:	5 : SPK/REV	6 : 2ND Peak	1 : DULL	0 : INDECISIVE
Recommended BracketDistance setting:			5	15 Tick Stop

Parameters	
BracketDistance	5
Entry CancelledIfGapped	False
Entry Slippage Ticks	12
Entry StopLimit Orders	True
Entry Time	04:29:59
Mode	StrategyInternal

Due to the potential for high slippage, I am recommending the Limit Orders with settings to the left. The banding limit for the 6B is 20 ticks.

This is the first of 3 PMI reports and the most impacting. **Due to the shifty nature of the 6B, and bid spread issues, set your activation time for xx:29:59 and ensure you have a precise clock synch.** 9 of the last 12 reports have generated 28-46 gross ticks, and the remaining 2 have yielded 7, 10, and 22 ticks with near matching forecasts. An offset above 0.3 should cause a reaction of at least 20 ticks. 3 of the last 6 reports have achieved a 2nd Peak, but most garnered just a few ticks more while only 2 yielded about 30 ticks more than the initial peak 9-64 min after the report. This is a good report to trade a reversal with about 20 ticks being surrendered after the initial peak or 2nd peak by 24 min.

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Monday, 12/1/14

ISM Manufacturing PMI		RISK: 2	6J 12-14	
10:00 am Eastern / 7:00 am Pacific		Forecast: 57.9		
Avg 1st Peak: 16 ticks (1-2 min after report)	Min: 9 ticks (MAY '14)	Max: 37 ticks (FEB '14)		
Avg 2nd Peak: 26 ticks (10-21 min after report)	Min: 13 ticks (AUG '13)	Max: 52 ticks (FEB '14)		
Avg Reversal: 18 ticks (6-35 min after report)	Min: 11 ticks (NOV '13)	Max: 21 ticks (FEB '14)		
Last 6 Reports:	2 : SPK/REV	2 : 2ND Peak	2 : DULL	0 : INDECISIVE
Recommended BracketDistance setting:		4	8 Tick Stop	

Good medium impact report to trade. Unless the result deviates less than 1 point from the forecast, look for 10-20 gross ticks on the initial spike and about 15 on the reversal as it usually delivers close to what the spike yields. A deviation of less than 1 pt should offer about 8-15 ticks gross. A potential 2nd peak should deliver about 10-15 more ticks than the initial peak on a large deviation. The peak can be shortly sustained, so a profit target is strongly recommended of about 7-10 ticks.

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Monday, 12/1/14

AUS Cash Rate / RBA Rate Statement - Trap Trade				RISK: 3	6A 12-14
10:30 pm Eastern / 7:30 pm Pacific			Forecast: 2.50% (no change)		
Avg 1st Peak: 17 ticks (0:00-0:31 sec)		Min: 10 ticks (DEC '13)		Max: 24 ticks (DEC '12)	
Avg Reversal: 22 ticks (0:11 - 0:52 after report)		Min: 6 ticks (JUL '14)		Max: 53 ticks (AUG '13)	
Last 6 Reports:	2 : Tier 1	1: Tier 2	3 : DULL (no fill)	0 : DULL (fill)	0 : STOPPED
Last 12 Reports:	6 : Tier 1	2: Tier 2	2 : DULL (no fill)	1 : DULL (fill)	1 : STOPPED
Recommended settings:		Tier 1: 8-12 ticks	Tier 2: 18-22 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 12 reactions would have stopped you out. 10 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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