

HIGH IMPACT REPORT ALERT:

Wednesday, 12/3/14

GBP Services PMI - Trap Trade				RISK: 2	6B 12-14
4:30 am Eastern / 1:30 am Pacific			Forecast: 56.6		
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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ADP Non-Farm Employment Change - Trap Trade		RISK: 2	6J 12-14		
8:15 am Eastern / 5:15 am Pacific		Forecast: 223K			
Avg 1st Peak: 16 ticks (0:03-0:18 sec)	Min: 9 ticks (MAR '14)	Max: 28 ticks (DEC '13)			
Avg Reversal: 14 ticks (0:30-3:00 after report)	Min: 6 ticks (AUG '13)	Max: 24 ticks (SEP '13)			
Last 7 Reports:	3 : Tier 1	1: Tier 2	3 : DULL (no fill)	0 : DULL (fill)	0 : STOPPED
Recommended settings:		Tier 1: 8-10 ticks	Tier 2: 18-20 ticks	12 Tick Stop	

A look at the last 6 months with reactions matching, small deviation, and large deviation, show a range of 9 to 28 ticks, with a quick acting reversal or naked tail/wick common.

*For the Trap Trade an activation time of about 1 min to 45 sec before the news release is recommended to allow time to reposition the orders to adhere to a nearby area of support/resistance. **If you are not filled in the first 30 sec, cancel the order.**

Look for the initial spike to occur normally by 5 sec, but if a small deviation, could be as late as 30 sec. The reversal usually retreats at least about 2/3 to 3/4 of the way back to the origin as early as 30 sec or up to 3 min after the report.

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ISM Non-Manufacturing PMI			RISK: 2	6J 12-14
10:00 am Eastern / 7:00 am Pacific		Forecast: 57.5		
Avg 1st Peak: 11 ticks (1 min after report)	Min: 4 ticks (MAY '14)		Max: 23 ticks (FEB '14)	
Avg 2nd Peak: 20 ticks (6-40 min after report)	Min: 11 ticks (JUN '14)		Max: 33 ticks (FEB '14)	
Avg Reversal: 15 ticks (23-74 min after report)	Min: 8 ticks (OCT '14)		Max: 47 ticks (FEB '14)	
Last 6 Reports:	1 : SPK/REV	4 : 2ND PK	1 : DULL	0 : INDECISIVE
Last 12 Reports:	1 : SPK/REV	8 : 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.

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CAN BOC Rate Statement / Overnight Rate - Trap				RISK: 3	6C 12-14
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:	2 : Tier 1	0: Tier 2	4 : DULL (no fill)	0 : DULL (fill)	0 : STOPPED
Last 11 Reports:	4 : Tier 1	0: Tier 2	6 : DULL (no fill)	1 : DULL (fill)	0 : STOPPED
Recommended settings:		Tier 1: ~15 ticks	Tier 2: ~25 ticks	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. We used 1 tier at 20-30 ticks up until we had 4 reactions of 15,12,15, and 15 ticks in a row. So we shifted to a 2-tier approach with 15 and 25 tick tiers and were filled perfectly in October with a 17 tick spike that reversed. This report is riskier though since it can vary 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 still keep the tiers conservative and large 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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Crude Oil Inventory			RISK: 4	CL 01-15
10:30 am Eastern / 7:30 am Pacific		Forecast(C/G/D): 0.83M/ 0.67M/ -0.67M		
Avg 1st Peak: 34 ticks (1-3 min after report)	Min: 11 ticks (3/27/13)		Max: 93 ticks (4/4/12)	
Avg 2nd Peak: 75 ticks (5-40 min after report)	Min: 25 ticks (10/11/12)		Max: 191 ticks (9/18/13)	
Avg Reversal: 65 ticks (17-44 min after Pk)	Min: 17 ticks (8/21/13)		Max: 211 ticks (5/15/13)	
Last 10 Reports:	2 : SPK/REV	5 : 2ND PK	2 : DULL	1 : INDECISIVE
Last 25 Reports:	7 : SPK/REV	14 : 2ND PK	1 : DULL	3 : INDECISIVE
Recommended BracketDistance setting:			10	15 Tick Stop

Trade with caution and ensure you understand the risk. Use a 10 tick buffer for this trade to avoid a premature fill in the wrong direction. This report is 3-pronged (Crude oil, Gasoline, and Distillates - Heating Oil)

Now as the weather is changing, we will see the Distillate reading gaining influence making the report less stable and safe as the reaction has to consider all 3 parameters. Quick and large reversals are common, so I recommend using a breakeven and profit target. Be sure and exit if you see the price action hovering for more than 5 sec as it will likely reverse strongly. Look for 10-20 ticks net on the spike, and 40-60 ticks on the reversal. If the initial spike pops for only a few ticks beyond your fill point and hovers, get out there if possible, because a reversal is likely forthcoming. Does not routinely abide by the laws of supply and demand.

It is also a safe play to wait out the initial reaction to check the results and enter a manual trade after a reversal about 3 min after the report breaks or use a Trap Trade with an offset of 20-25 ticks and look for a quick exit with around 5-10 ticks. Also look for trend lines on the swings to use for favorable entries. Paper trade this if you have not traded this report before.

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AUS Retail Sales / Trade Balance - Trap Trade				RISK: 2	6A 12-14
7:30 pm Eastern / 4:30 pm Pacific			Forecast: 0.1% RTL / -1.85B Trade		
Avg 1st Peak: 16 ticks (0:00-0:31 sec)		Min: 8 ticks (MAY '13)		Max: 31 ticks (APR '12)	
Avg Reversal: 25 ticks (0:11 - 0:52 after report)		Min: 10 ticks (OCT '13)		Max: 53 ticks (AUG '13)	
Last 6 Reports:	3 : Tier 1	1: Tier 2	0 : DULL (no fill)	1 : DULL (fill)	1 : STOPPED
Recommended settings:		Tier 1: 15-20 ticks	Tier 2: n/a		10 Tick Stop

We have 6 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. April saw a 19 tick spike followed by a reversal back to the origin in 29 sec. Sept saw a 11 tick spike followed by a 9 tick reversal. Then Oct filled both tiers and barely reversed for the dull fill and Nov spiked 22 ticks and reversed back to the origin in 2 min. The results vary greatly, so we are only recommending one tier of 15-20 ticks to minimize the risk. There is a good possibility that the reaction will not breach the trap tier, but if it hovers for about 5 or more sec on a level of support/resistance, manually moving the order closer is advisable. 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.

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