

# Newsflow Analysis for 22 Jan 19



## What's Due?

- UK Employment & Wages
- NZD CPI

## What's Expected?

- UK Employment Change is expected 20K vs 21.6K prior; wages are expected stable at 3.3%
- NZD CPI is expected at 0% QoQ vs 0.9% prior.

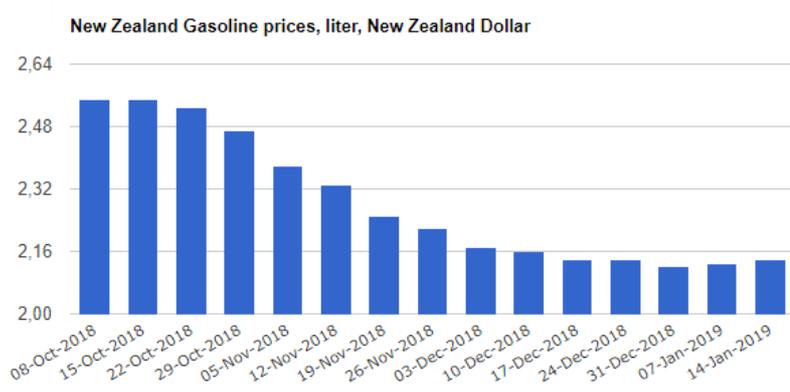
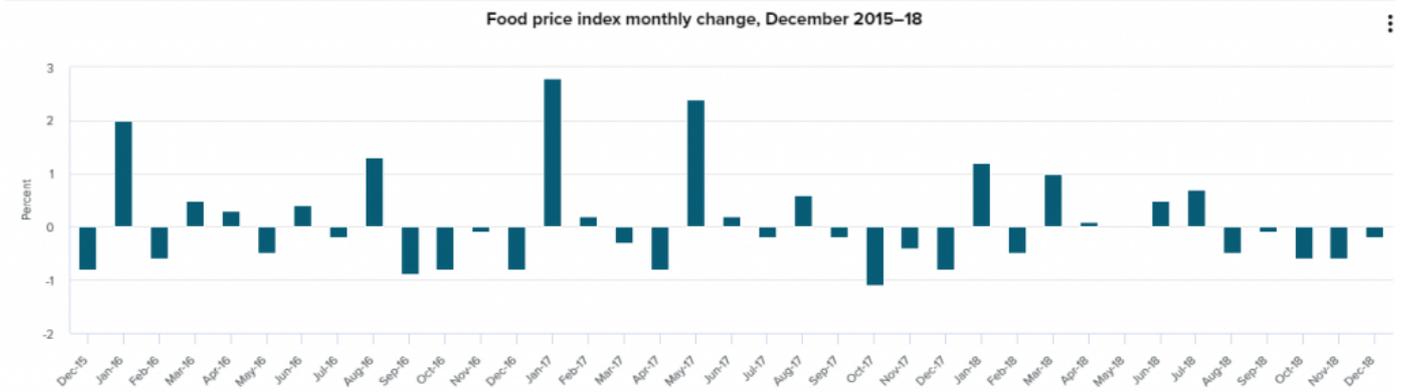
## A look at the Data:

UK Employment should disappoint. PMI readings would suggest lower employment across the board, but wages are expected to remain elevated.

- UK Report on Jobs: Permanent appointments rise at slowest rate since April 2017 as the supply of candidates falls sharply leading to further marked increases in starting pay.
- UK services PMI: Job creation eases to 29-month low
- Construction PMI: A solid rise in employment numbers was recorded across the construction sector in December. However, the rate of job creation eased from November's near three-year peak.
- Manufacturing PMI: Manufacturing will therefore be entering 2019 on a less than ideal footing with Brexit uncertainty having intensified considerably.

NZD CPI should also disappoint given lower gas prices and lower food prices, but it may be difficult to beat the market's expectation which is already 0.9% lower than previous. Newsflow Analysis for 22 Jan 19

GRAPH TABLE



## Trade Scenarios:

**Sell GBPJPY on a worse employment report accompanied by an evident directional move from the market. Keep stops 30 pips away and go for 30+ pips profit. The algos will digest the data quickly so act even after the first minute.**

**Sell NZDUSD on a worse CPI print accompanied by an evident directional move from the market. Keep stops 30 pips away and go for 30+ pips profit. The algos will digest the data quickly so act even after the first minute.**

\*Now onto a few preliminary warnings for those members that may be expecting magic formulas, holy grails & the like. Trading the reaction to certain market movers can offer an edge. This does not mean it always offers an edge. In particular, what we will be utilizing to stack the odds are:

- a significant deviation from expectations (over & above a threshold value that is unique to each release)
- an equally significant reaction from the market (so we expect the high frequency models to be doing the exact same work we are, and we use it as confirmation of our own hypothesis)
- the current trend of the market (one news event can't change the nature of an established trend, unless we're talking NFP or Central Bank meetings)
- volatility (in particular, the amount of space covered during the day/week)
- the trade management component of the equation. These intraday trades need to have a sufficient ex-ante risk-reward, and a quick trailing stop mechanism to lock in gains on the market's initial reaction.
- the money management aspect of these trades. Given that they are aggressive, short term opportunistic in nature, the risk per trade naturally needs to be small. Think 0.25% for starters.