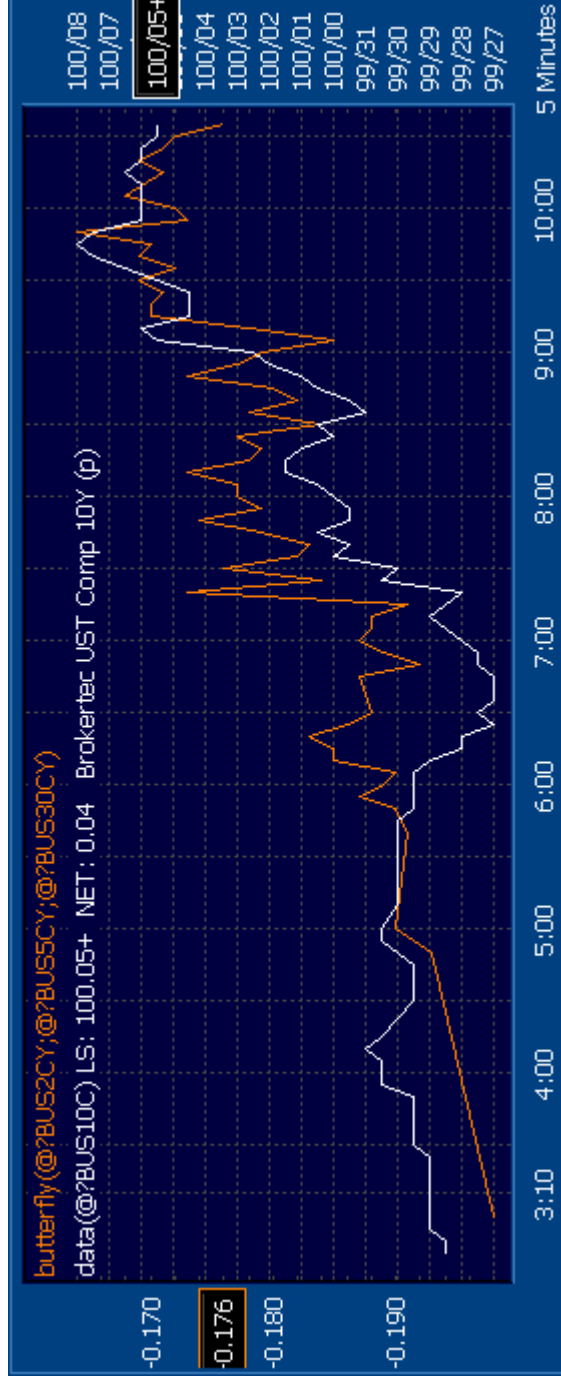


research note

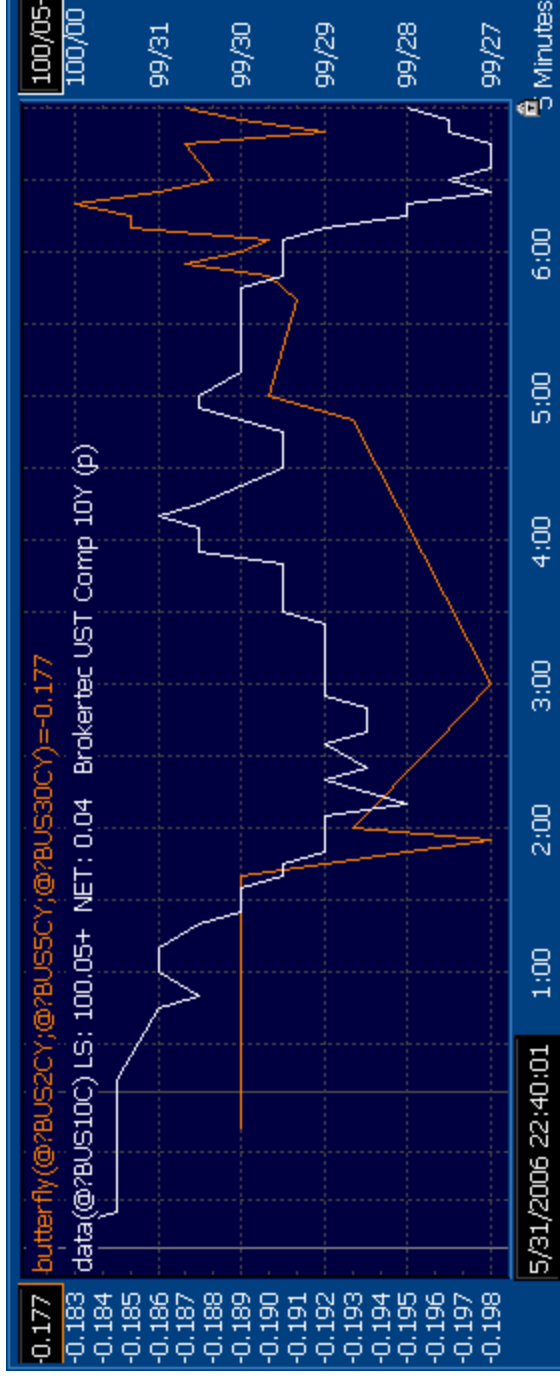
Correlation Trade; 2/5/30 Fly vs. 10y cash

2-5-30 yield fly, no weighting (1-1-1) & 10y cash



We've done this trade before. It stopped working for a while, now, it's working again [June 2006]. You have to do some work before trading this.

1. build a 5 min chart.
2. go back in time, to some arbitrary day; like two days ago, or last week.
3. get the time frame up to the front of the chart, like this:



- a. you can see that I have 6:00 am pushed to the right of the chart
 - b. then you move the cursor back to the right side
 - c. now, use your arrow key to click through the time frame and watch the divergences between the fly and the 10y
 - d. the fly is leading the 10y
4. Is this 100%?
- a. No. That's why you use stops.
 - b. perhaps you can use an ATR set to 7, for a stop
 - i. if ATR is showing 1.2 tics, then your stop is $1.2 + 0.5$ or 1.7 tics
 - ii. I always add a half tic to any volatility indicator (like the ATR) when I use the indicator for a stop
 - c. what about a profit target?
 - i. I can give you and indicator to use, but in my experience, traders just get out where they want to. So, get out of the profit where you want.
 - d. if you get 2-3 losers in a row, stop using it. In a day or two, take another look and see if it's working.

