

CL – Trading Journal (03/07/2011)

03/072011 Pre-Mkt analysis.

It is almost 8AM, March 7. The pre market has been showing extraordinary exuberance in pushing CL higher. There is very little doubt in my mind at this point that the market will gap up. This will be the 4th gap up since problems had started in North Africa.



The basic scenarios for me would be the following:

- If the market gaps up we'll wait for acceptance in that area before we wait for pullbacks to Friday's high to go long off of. Keep in mind, it does not necessarily have to be Friday's high, it is wherever the mkt happens to establish its bottom above Friday's high.
- If the market retraces below Friday's high (very unlikely), we will wait for acceptance below that level and find acceptance within Friday's trading range before playing the rotations for long and shorts.
- If the market gaps and proceeds to higher ground we will stand aside and evaluate as this is uncharted for me and I do not what to get chopped.

Just a note on gaps - I've seen time and again when markets gap up excessively high, it tends to be a no brainer about those gap types to be immediately accepted and trade above the previous trading day without any doubt on the gap being filled. The gap in the market this morning is highly unusual in that there's been such a run up the last couple of weeks that I would not be surprised for it to pullback to Friday's high or even below in order to rebalance itself for a while before shooting higher in subsequent days, if that's what it might do.

Given this uncertainty there is a very good chance that I may stand aside during the morning pit session hours just to see exactly what it is trying to do and until it's gained back it's sense normalcy.

Trade Entry Commentary for 03/07/2011 CL 4-11

T#1 – Long // “B” period // Reversal off Prior High // Entry @ 104.55 // Stop: 104.99 // Target: 105.60 (above POC) // P&L: +29 Ticks.

Price showed signs that it was less likely for it to retreat into Friday's balance area when the 2 periods “A” and “C” both met at the same price point of 105.25. This development alerted me that long of lower support was more likely. I had a bad entry as I entered before a pullback was established. After my entry a pullback did form and retraced quite low, it had given the higher low that I normally wait for and almost taking out my stop which would have been a significant loss. Because I was impatient and didn't wait for the pullback, I had bad reward/risk, and I had to sit around sweating while watching my trade finally become a winner. A poor entry for the right reasons equates to a bad trade.

T#2 – Long // “C” period // Scalp // Entry @ 105.38 // Stop: 104.97 // Target: 10+ Ticks to 106.05 (POC) // P&L: +25 Ticks.

A higher low from “B” to “C” gave me favorable conditions to go with a scalp long and getting a 1250V trigger. However, the risk was too much when considering the reward. This was not a trade to scalp and if I was looking only to scalp, this trade should not have been taken. I was impatient and nervous going into this trade and got lucky that it went with me before deciding to exit @ b/e or @ a small loss. I would have taken this trade, given the 1250 trigger and the way it had setup off the low because I would have wanted the target to have been to opposite end of the range but for this day, that would have been out of the question since excess dominated on the top of the profile, resulting my long targets to be limited in range.

T#3 – Long // “E” period // Scalp // Entry @ 105.56 // Stop: 105.42 // Target: 10+ Ticks // P&L: +12 Ticks.

A break above the pullback following a bounce off the 50MA (higher low) on the 1250V gave me a 1250v and a 250V reaction to scalp long. In this trade I had managed my stop from my 250V.

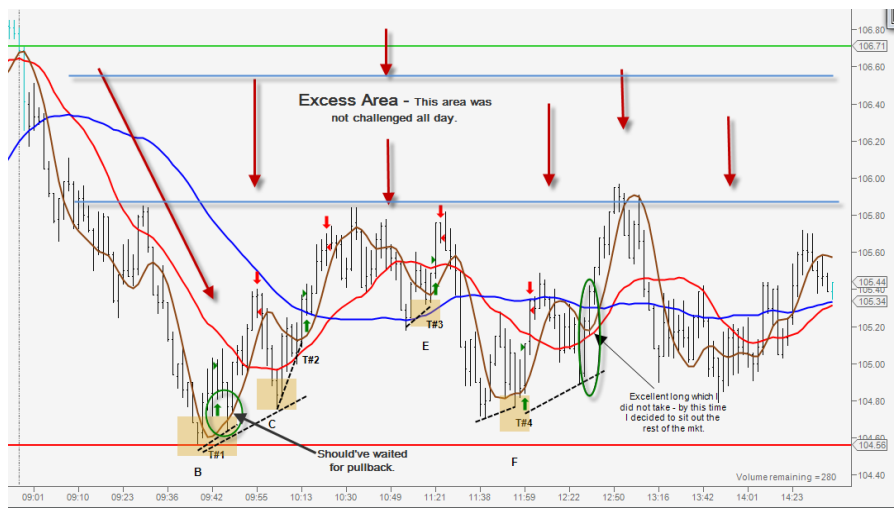
T#4 – Long // “F” period // PB off Reversal // Entry @ 105.09 // Stop: 104.98 // Target: 105.65 (Top of POC) // P&L: +20 Ticks.

An attempt to go below the last 1250V pivot @ 104.71 failed and a 1250 reaction took place. I had unintentionally exited this trade after a volume spike caused price to hit my initial target and took me out. In this trade I had managed my stop from my 250V.

No more trades for today. Net Today (Ticks): +86 Tics.

Trade-#	Market pos.	Quantity	Entry price	Exit price	Profit	Cum. profit	Entry time
1	Long	1	104.99	105.28	0.29	0.29	3/7/2011 9:42:44 AM
2	Long	1	105.38	105.63	0.25	0.54	3/7/2011 10:14:13 AM
3	Long	1	105.56	105.68	0.12	0.66	3/7/2011 11:20:13 AM
4	Long	1	105.09	105.29	0.20	0.86	3/7/2011 11:59:34 AM

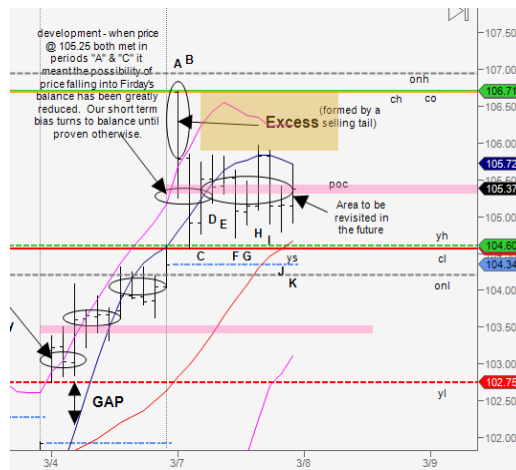
1250V Chart



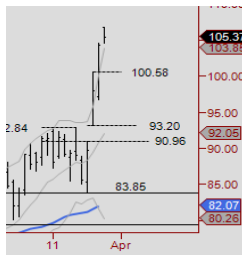
250V Chart



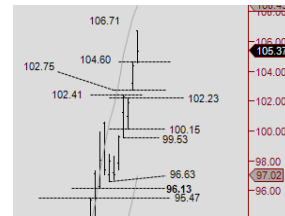
30Min



Weekly



Daily



General Commentary

Today the CL market developed serious selling excess allowing us to know that there was a pretty good chance that the high for today (established right at the open) was not going to be taken out to the up side. I must remind myself that every time I see an excess area how important excess is regarding the kind of support or resistance they provide the trader and to give the trader clues as to how to trade the area of excess. Today was a perfect example. This is an area on the chart where price has spent very little time. In the case of today we had excess imposed from above at the start of the open. Early excess developed in "A" period in order to push and contain price below a certain level of the day and in this case it kept price below that area for the rest of the day.

Today we also witnessed a long liquidation break. This was probably the reason why excess came into existence today. The market did have a large run up from 93.20 for 11 days. When price extends too far in one direction for a sustained period of time, the market then needs a break in the opposite direction in order to rebalance or readjust in its positioning. This is what I saw here. In this case it was a liquidation break from the long side. Sometimes in order for price to continue in one direction, it needs to break the other way. Long liquidation involves long term buyers absorbing all of the short term selling that was going on today as short term traders were liquidating their positions from all the accumulation they did in the overnight markets. This suggests that there is a strong possibility that the market may climb a bit more:

- We had long liquidation of short term sellers unloading their positions to long term holders (weaker hands are getting shaken out of the market)
- The "B" period low was never challenged all day to be taken out to the downside.
- The close for today's pit session was higher than expected (exactly inside of today's POC).
- Strong support still exists below Friday's high.

The market found balance at the low of Friday's high at 104.60 closing the gap but not going any lower. The market actually took out this low by 4 ticks for only a split second before it shot back up, not seeing any price below that level for the remainder of the day. With Friday's support supporting today's low and selling excess pressing resistance from above, today's price range was compressed into a narrow trading range of no more than 150 ticks wide. These clues were all out by the beginning of "C" period. I drew the conclusion that today has a good chance of being a scalping day for the rest of the day or until market conditions had changed. This entailed scalping from the long side while keeping targets small and stops tight. I was able to keep targets short and manageable but I was a long way away from keeping my stops tight.

Another phenomena that developed today that told us that the today's POC level is highly likely to be revisited again in the future was an anomaly that formed at the end of the day. By that time all 11 time periods had overlapped at a common price range of 105.31 to 105.42. This is significant in telling me that price will probably see this area very soon.

Because of long liquidation the market may move up a bit, if it does I have no idea how much of a move. The conflicting information is that strong excess will also affect the next trading days usually so it's important not to anticipate trades until the market show proof first.