

CL05-11 Trading Journal (03/21/2011) – A Break Up From The Inside Day

*Go with the setups you know....
Wait for price to stray far from the pack (i.e. Value) before targeting opportunity....
As day a trader I must immerse myself in the longer term timeframe to capitalize on market strength....*

Announcements.

- I am making correction in my assumption on Friday 3/18 where I inaccurately attributed low volume in the CL 4-11 contract to other factors (market and non market related), when in fact, I failed to realize that the current contract was nearing its expiration and a volume crossover was taking place. Having too much focus on one thing, unfortunately, predisposes me to be oblivious to other things.
- There was no premarket analysis today and could not trade in the morning up until about 10AM. The problem I had today involved the rollover of the CL contract. There was no adjusted price data that coming through into my Ninja charts. The problem was eventually resolved.
- I decided to make the CL expiration rules listed directly below a permanent fixture in the *Announcements* section of my journal.

CME – CL Contract Specifications -Trading expires on the third business day prior to the twenty-fifth calendar day of the month. If the twenty-fifth calendar day of the month is a non-business day, expiration is on the third business day prior to the last business day preceding the twenty-fifth calendar day. In the event that the official Exchange holiday schedule changes subsequent to the listing of Crude Oil futures, the originally listed expiration date shall remain in effect. If the originally listed expiration day is declared a holiday, expiration will move to the business day immediately prior to that holiday.

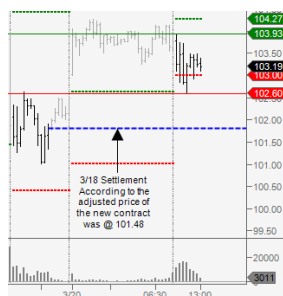
03/21/2011 Pre-Mkt analysis.

Reports due out:

@ 10:00 is Existing Home Sales.

This morning I had a difficult time adjusting for the new contract. I was unable to get the new contract to merge with the rest of the back adjusted historical data. Finally, after the 1st hour into the open, I was able to resolve the problem. As a result of this morning's technical problem, I did not do any of the premarket analysis and, therefore, did not enter into any trades until about 10AM. I will still give a rundown on this morning's premarket action and take the market up to the market open.

The March 18th settlement price according to the adjusted of the new contract is at 101.48. The overnight crude market was long from the overnight open and never receded back below settlement as price maintained a significant level above Friday's session.



Given this information, I would think that there would have been a strong open and a gap up at the morning open would've seemed most probable. Yesterday's high was at 102.52. So at the time of looking at the pre market right before this morning's pit session open, I would've tried to have kept my eye on basically 5 things:

- 1) Where price opens.
- 2) Friday's high.
- 3) Volume.
- 4) Speed of the market.

5) The immediate direction of price.

As I look to see what had transpired from the session day, it turned out to be a really weak market. My assumption about it being a strong market before the open would have been wrong; I would like to be hopeful in thinking that I would have saw the weakness and restrained from entering long immediately. My gap rules do call for waiting for price to be accepted before going in the direction of the break out or the gap. Ideally, I like to see price pullback to support, in this case, it being a gap up, I would like to have seen a pull back of price to around the previous pit session high and wait for a reaction before entering long. However, since it's a weak market and the market did gap up, I would suspect that there would be a good chance that the market will try to find some balance up by falling a bit towards Friday's low before balancing, or close the gap and recede back into Friday's value area.

There is always a chance that the longer timeframe buyers might come in and bring this market up to the weekly high of about 107+ during anytime of the day.

Trade Entry Commentary for 03/21/2011 CL 4-11

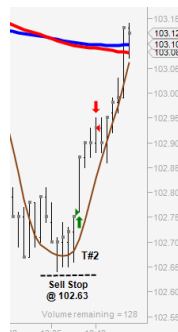
T#1 – Short // “C” period // Scalp @ RV // Entry @ 101.58 // Initial Stop: 103.73 // Target: 10+ Ticks // P&L: +25 Ticks.

This short trade was initiated at the upper region of resistance in anticipation for the market going lower after price was rejected in a 2nd attempt by “C” period to exceed “B”. This is a rotation away from the upper region of balance. The market approached today's open with no enthusiasm; a number of larger sellers came in to knock price down, further signaling the strong likeliness that price had topped out at that point. I thought I exited too quickly as I thought that this could've been more than just a scalp judging from my 30Min. Not having a great entry did not allow me to bargain.



T#2 – Long // “J” period // Scalp @ RV // Entry @ 102.76 // Initial Stop: 102.63 // Target: 10+ Ticks // P&L: +17 Ticks.

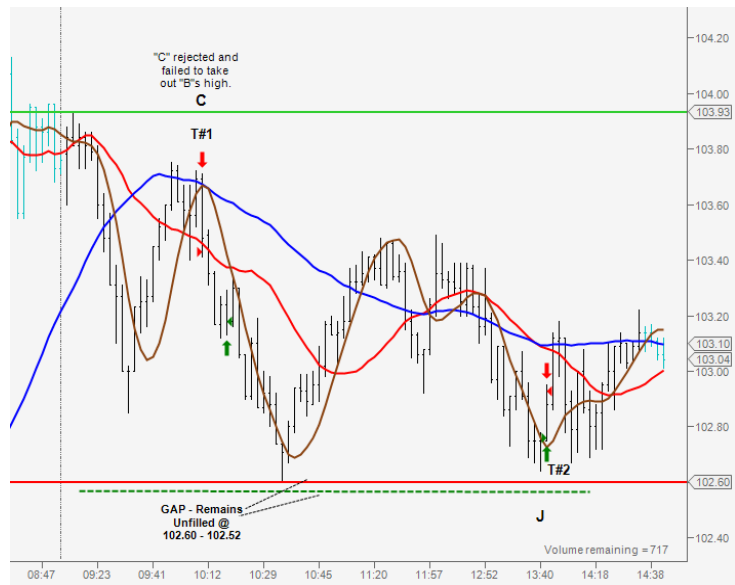
This short scalp trade was initiated at the lower extreme of today's balance that consisted of today's low and the previous session high. Also what added support to the entry was that there was (during the time of this entry) an 8 tick gap that held previously when it was challenged to be closed in “D” period. This is a rotation away from the lower region of balance. I exited the trade at time where I thought it was unlikely for price to trek all the way back up to the other end of the range, but maybe to at least the day's POC area.



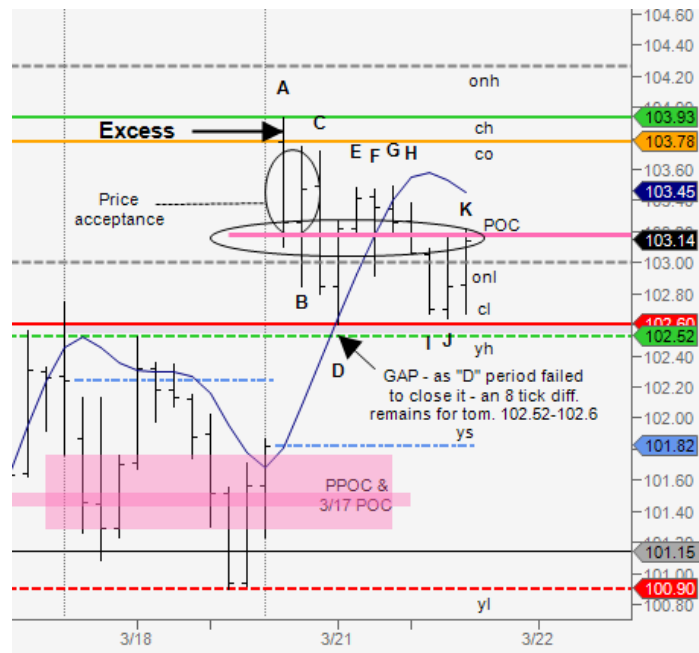
No more trades for today. Net Today: +42 Ticks.

| Trade-# | Market pos. | Quantity | Entry price | Exit price | Profit | Cum. profit | Entry time |
|---------|-------------|----------|-------------|------------|--------|-------------|-----------------------|
| 1 | Short | 1 | 103.43 | 103.18 | 0.25 | 0.25 | 3/21/2011 10:11:04 AM |
| 2 | Long | 1 | 102.76 | 102.93 | 0.17 | 0.42 | 3/21/2011 1:40:12 PM |

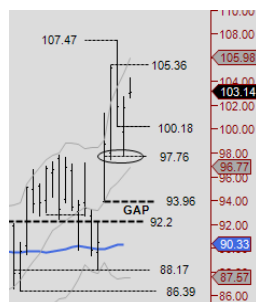
1250V Chart



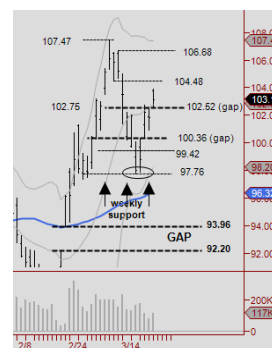
30Min



Weekly



Daily



General Commentary

CL Market Summary

Open: Gap Up @ 103.78

Close: 103.14

Day Type: Balance

Direction: Neutral

Value Area: Higher

Profile Shape: Wide

POC: 103.18

Daily Volume: 117k

When "A" opened the market this morning @ 103.78, the market seemed slow, volume was very low, and price had topped out at 103.93 in just a few minutes afterward. Price then started to recede downward past its morning open, creating excess in the form of a selling tail and never saw the 103.93 high again for the rest of the day.

After "B"'s failed attempt to reach today's open, and after "C"'s attempt to take out "B" had failed, I interpreted this as significant weakness. I thought that this would be a good short to take so I took it.

I try to remember that whenever price trades away from value, as in the case today when price opened out of balance, I'm to assume that price will always migrate back to previous value unless proven otherwise. Today, although volume was very light, price opened away from balance by gapping up a significant distance from Friday's value. But with light volume, the lack of enthusiasm in the market, and the immediate direction that price took almost immediately after the open made it likely that price was at least going to attempt to close the gap. As a matter of fact, price came to within 8 ticks from the bottom of today's gap (Friday's low) during "D" period before reversing back up into the new value area that it started to form since the open. But by the same token, regarding light volume, price did retrace all the way back down to just above the previous session close, failing to take out that low and proceeded upward almost in a "V" shaped manner. Right from the start of this event, at the very least, one would easily draw the conclusion that it was high odds that the market was going to balance at least a good portion of the day, if not the whole day. Having a good idea of what type of market day it was going to be can easily aid in the preparation that one would make in knowing not only what kind of trades would be taken but also most probably where on the char these trades will be taken.

The day wound up being a balancing day that had yielded excellent long and short plays to be played off the balance extremes. In fact, despite the event of gapping up, the market turned out to be so anticlimactic that there was not one attempt all day where price seriously challenged the 2 upper references of the day: today's high and the opening price. Periods "E" through "H" barely gave an effort before the market liquidated a bit down to seriously challenging the low again.

As mentioned in Friday's (3/18 journal), Friday was an Inside Day. Unfortunately, it wasn't playable since the break out from balance of that day occurred overnight and not during pit session hours. The market showed that it was very weak today with very little volume despite the gap up. I wouldn't be surprised to see the market liquidate further down or balance more before moving higher.