

# CL05-11 Trading Journal (03/23/2011) – Nearing Resistance

*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.

- None.

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.

## 03/23/2011 Pre-Mkt analysis.

### Reports due out:

@ 10:00 is New Home Sales

@ 10:30 is Crude Inventory Report

Today is March 23, 2011; it is about 8:40AM and the March 22<sup>nd</sup> settlement price 105.02. The overnight markets are neutral this morning with relatively low volume and we are expecting a possible gap up or an open within upper regions of the previous day's range.



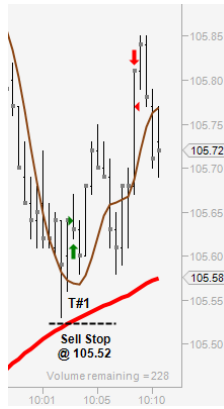
I am carrying my thoughts from yesterday in my end of day commentary forward to this morning. Yesterday, the longer timeframe buyer came in and moved price to up to weekly resistance. Yesterday's move up was with much volume and with sentiment like that I don't believe that there is much of a chance for price to decline back down toward yesterday's value, at least during today's session. On the contrary I think that price will at least hold the ground that it has gained by developing value around the 104 to 105 area or move even higher.

Today's upper references will be the overnight high and after that the 106.68 daily resistance area. I'm more likely to stand aside and let the market carve out its territory before taking trades. The market will need to decide what to do and then to define its borders around that decision - if the market shows a strong drive up or a strong drive down, I'll buy the pullbacks; if the market begins to balance, then I'll start to look for areas of weakness in order to fade the extremes, or, if there are sub trends within the overall balance then I'll buy/sell the pullbacks in those sub trends.

## CL 05-11 Trade Entry Commentary for 03/23/2011

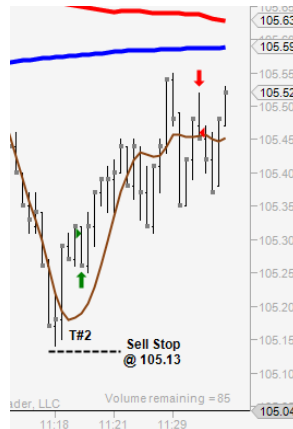
**T#1** – Long // “C” period // Scalp off PB // Entry @ 105.64 // Initial Stop: 105.52 // Target: CH @ 105.94 // P&L: +13 Ticks.

This was a scalp off the pullback to the 20ema. The market was also due to make a 2<sup>nd</sup> attempt in hitting the current high it just made at 105.94 at the time. The fact that the trend was of little strength, this was the first steep pullback to any moving average, however the long bias did play into one of the reasons for going long off this pullback. I exited when the drive up seemed to lack muscle and when price start to falter I exited.



**T#2 – Long // “E” period // RV of Balance // Entry @ 105.31 // Initial Stop: 105.13 // Target: CH @106.03 // P&L: +15 Ticks.**

This was the only solid trade I took all day. Price neared lower support of Yesterday’s High and Yesterday’s Settlement. Although not having given its usual signal, it did signal long with an early reversal bar in “E” period. In fact that reversal bar, reflective of the intensity of responsive buyers in that area, was the lowest turn in the market goint forward from “E” period that was not taken out. I waited for that reversal bar to close at which point immediately I entered long - the close happened to be at its exact high. I exited out because I’ve become impatient.



**T#3 – Long // “H” period // Scalp off PB // Entry @ 106.14 // Initial Stop: 106.03 // Target: +10 Ticks // P&L: -13 Ticks.**

I wanted to play the pullback for a quick scalp. Unfortunately intraday support (the 106.03 level) was hit but didn’t hold. I must come to realize that too thin of a support level are areas I do have to avoid scalping off of. I do need more than one reference level if the one S/R reference that I’m using is a weak reference.

See image posted in the T#4 section.

**T#4 – Short // “I” period // Scalp from RV // Entry @ 105.97 // Initial Stop: 106.25 // Target: ONH @105.62 // P&L: +17 Ticks.**

After getting stopped out of my T#3 trade, “H” period had just ended and it was the start of “I” period. I took a look at my 30Min chart and noticed that “H” was officially a period containing excess and that it had closed on its low signifying weakness. I decided to go short immediately. I exited too quickly as the market bounced and I took that as a signal to take profit. Indeed I need to turn off the 1250/250 charts and just watch the 30Min. If I’m trading the 30Min chart I should only focus on the 30Min until either the target is hit or the market happens to be taking too much time.



When "H" completed and then "I" started I could see that excess has formed and that "H" closed near its bottom indicating market weakness and more downward action to come.

The likelihood that the market will come above "H" before making a significant move downward is highly minimal.

**T#5** – Short // “I” period // Scalp from PB // Entry @ 105.76 // Initial Stop: 105.89 // Target: POC 10+ Ticks // P&L: +6 Ticks.

This was a short trade I took as I waited of a pullback in price. This was the continuation of the T#3 short that took. I saw price struggling; it seemed that it was determined to hit the Overnight Low of 105.61. The problem with this trade was that I didn't place a buy stop order at 105.61 and before I even realized price did bounce off it that price level pretty hard so I settled for 6 ticks. I exited with the intention of scalping at that point.

See image posted in the T#7 section.

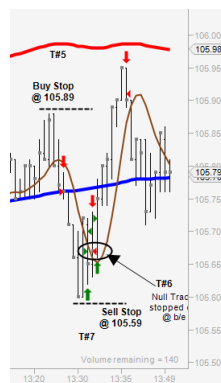
**T#6** – Unintended Long Entry and exited @ Break Even // P&L: -0 Ticks.

This entry was a mistake; as I went to cover my T#4 short trade, I inadvertently double entered a Buy order and before I was able to cancel it, it had executed. I was able to exit it out of the trade @ B/E.

See image posted in the T#7 section.

**T#7** – Long// “J” period // Scalp off S/R // Entry @ 105.72 // Initial Stop: 105.59 // Target: CH @106.0 area // P&L: +19 Ticks.

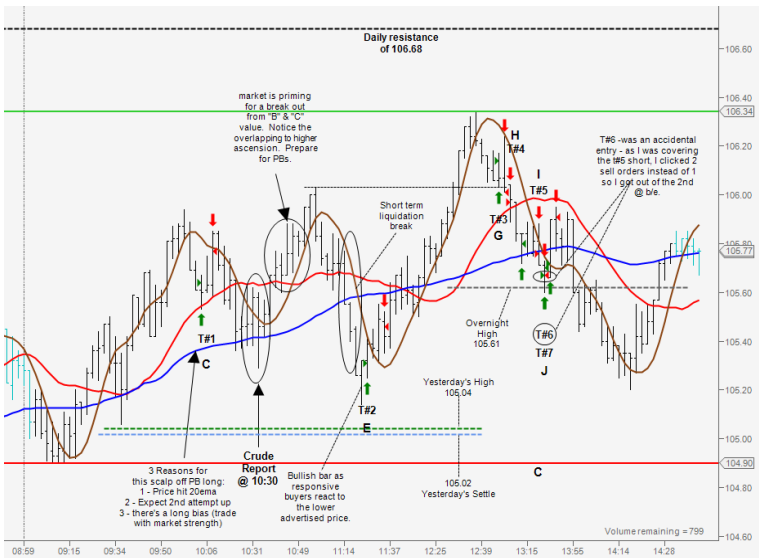
This was a long entry intended to be played off the bounce of the Overnight High. Amazingly, the T#6 order that I exited out of @ B/E had a better price entry going long than the T#7 Buy order did. Although I was intending to go long after I had exited the T#5 short trade anyway, I deemed it necessary to still exit the T#6 trade since I couldn't justify the reason for the entry ( other than being unintended) without a Long signal. See image below.



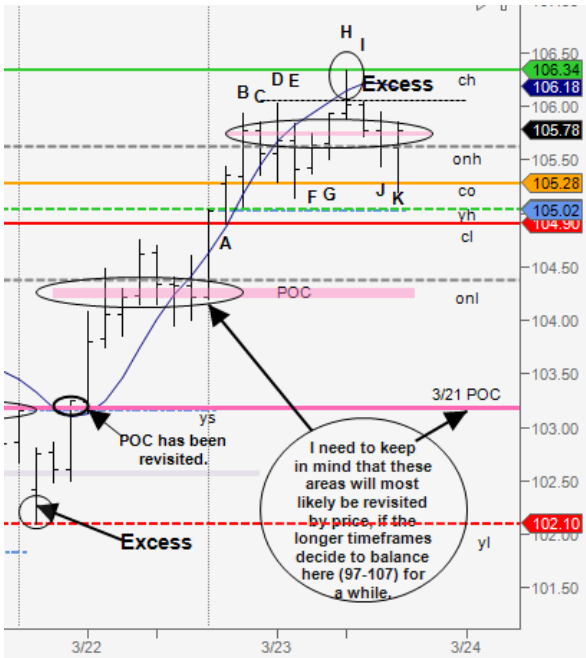
No more trades for today. Net Today: +57 Ticks.

Trade-#	Market pos.	Quantity	Entry price	Exit price	Profit	Cum. profit	Entry time
1	Long	1	105.64	105.77	0.13	0.13	3/23/2011 10:02:58 AM
2	Long	1	105.31	105.46	0.15	0.28	3/23/2011 11:19:18 AM
3	Long	1	106.14	106.01	-0.13	0.15	3/23/2011 12:50:20 PM
4	Short	1	105.97	105.8	0.17	0.32	3/23/2011 1:00:54 PM
5	Short	1	105.76	105.7	0.06	0.38	3/23/2011 1:28:15 PM
6	Long	1	105.67	105.67	0.00	0.38	3/23/2011 1:30:50 PM
7	Long	1	105.72	105.91	0.19	0.57	3/23/2011 1:32:35 PM

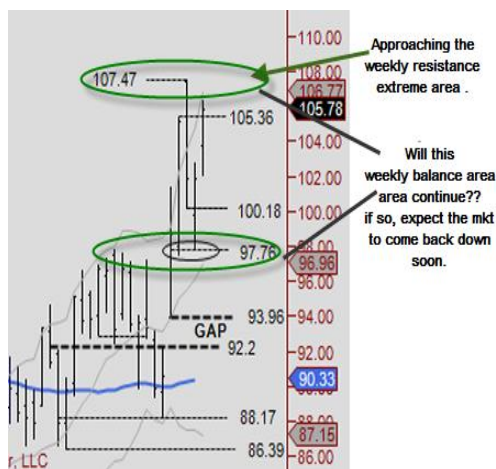
**1250V Chart**



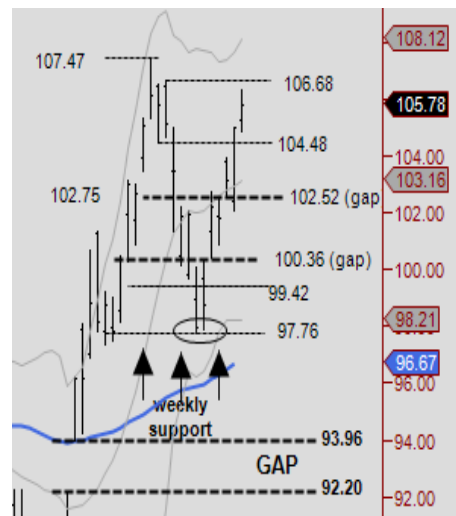
**30Min**



## Weekly



## Daily



## General Commentary

### CL Market Summary

**Short Excess:** 106.34 – 106.04  
**High:** 106.34  
**Low:** 104.90  
**Open:** Gap Up @ 105.28  
**Close:** 105.78  
**Day Type:** Balance  
**Direction:** Up  
**Value Area:** Higher  
**Profile Shape:** Wide  
**POC:** 105.72 – 105.75  
**Long Excess:** -  
**Volume:** 142k

The market gapped up today but did so in such an anemic way; with low volume, price action looked as though it just could not decide what to do, whether to go higher or lower, it actually looked like a drunken sailor staggering out of a pub. After opening, price immediately closed the gap and did nothing after closing the gap. It proceeded down and tested to about the 104.90 low of the day then lumbered back to the up side passing above the open and went higher to where "A" period was able to close on its high. It seemed slow because there were quite a bit of time that went by for all of this to happen. However, as lazy as "A" period seemed, this 30 minute time period as a whole told me a lot about what was about to happen: it informed me that it tested the bottom first to see if there were any sellers joining in on a possible reversal downward through to yesterday's range; secondly, after the test failed not only did the market bring price back above yesterday's high but also above today's open of 105.28 where more buyers started to join in on the drive upward. I believe we all heard the trading principle about how the market needs to test one way and fail in order to test and go the other way. With what just happened, and, as already mentioned, with "A" closing on its high, it was a clear sign to me that at least there were going to be further attempts in today's market to go higher.

"B" period had a steep pullback to Yesterday's high before the market started to make its general way up to the daily resistance level of 106.68 (check out the Daily chart). By the way, it is good to note that "B"'s pullback was not only to Yesterday's High but to as Yesterday's Settle price as well; so this gave that reference area extra layer significance. Yesterday's settlement was at 105.02.

The market had built some value during “B” through “F” periods. “H” tried to move the market high and did so by bringing it further up to just shy of its daily resistance extreme to 106.34. However, responsive sellers slapped “H” down as it closed near its bottom resulting in the creation of excess on top thus revealing exhaustion in the market; this was a signal to short the market down to the Overnight High area of 105.62. Did I heed my own warning? No! I tried to long a scalp trade, T#3, and the market just push against me until I stopped out for a loss. I will try not to trade against the 30 Minute chart, it’s a longer timeframe chart that tells the bigger picture – I don’t want to fade what could be the bigger picture telling me to go the other way. I then shorted right after my stop was hit from my long trade to make up for the loss.

This was a higher value day but still, it was a day of balance. It seems that the longer time frame pushed price up more to a new and higher value area for the shorter term trader could kick the ball around a bit. It’s important to note where price is and where value is when looking at the longer term charts such as the daily and weekly. With this latest move upward we are nearing weekly and daily resistance areas. We already virtually hit the daily resistance area and are nearing the weekly resistance area as well. Price topped out at 106.34. If we look at the daily chart we see that the 1<sup>st</sup> line of resistance is at 106.68, then, after that, we top out at 107.47 before hitting Blue Sky again.

With less volume than yesterday, about 45,000 less contracts traded, it does say little about this market breaking out of the weekly and daily balance areas that we’re in. I tend to feel that if the market goes up tomorrow on the same kind of volume or less than today’s, it’s likely that there may be a reversal the other way. So we may be looking at a gap up and a reversal down; a gap down or a break down to a lower balance, or an open in value that will hang up here and stay or descend lower in the day.

If the market is going continue to balance it is due for a correction, even if the market climbs tomorrow, if it’s not ready to break out higher, it is likely to reverse. As a trader, I know nothing is certain. If the market shoots higher on whatever kind of volume it can go into Blue Sky only to be rejected back down. The next few days will be crucial. The last 7 days, as a short term trader, I’ve seen mostly balance days and long days; now we may see short days again.

Also, I would like to keep my eye on the news. It is news events where the market looks to to find an excuse to do what it needs to do anyway.