

CL05-11 Trading Journal (03/28/2011) – Then Next Leg Down for a Longer Term Balance?

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

Announcements.

- None.

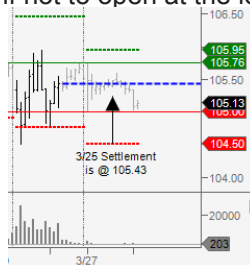
CME – CL Contract Specifications -Trading expires on the third business day prior to the twenty-fifth calendar day of the month. If the twenty-fifth calendar day of the month is a non-business day, expiration is on the third business day prior to the last business day preceding the twenty-fifth calendar 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.

03/28/2011 Pre-Mkt Analysis.

Reports due out:

@ 10:00 is Pending Home Sales

Today is March 28th, 2011; it is about 8:30AM and the March 25th settlement price is 105.43. The overnight markets are short this morning with relatively higher volume coming in at about the last hour of the overnight hours and we are expecting the market to at least gap down if not to open at the lower regions of Friday's balance area.



On Friday, short term traders were in charge of the market again just as they were on 3/23 to 3/25 as all 3 days were in balance. The last 3 balancing days were overlapping so that means leading up to today's session we had 3 days of straight overlapping balance. We have to assume that the balance trend will continue unless we see signs that the market may either break upward or downward. The fact that as of now, about 10 minutes from the open, we see that there is a chance for the market to gap down at the open. The last gap down that hasn't been filled on the same day the market occurred on January 25th of this year. This could be the first of a series of moves in the following days to come where price may retrace back to major support areas down to one of the major support areas. The major support areas to look out for include:

1. **102.10** (Daily)
2. **100.36 – 100.41** (Daily & Unfilled Gap)
3. **97.76** (Daily)
4. **92.20 – 93.96** (Weekly & Unfilled Gap)

I try to always think of Value and where it is in relation to price. I look at price as just a mere tool to use in order to trade Value.

The references around Yesterday's Settlement:

Blue Sky
107.47 - Daily
106.68 - Daily
106.18 - 106.06 - the 3/24 POC
105.95 - Yesterday's High
105.76 - Overnight High

105.43 - Yesterday's Settlement

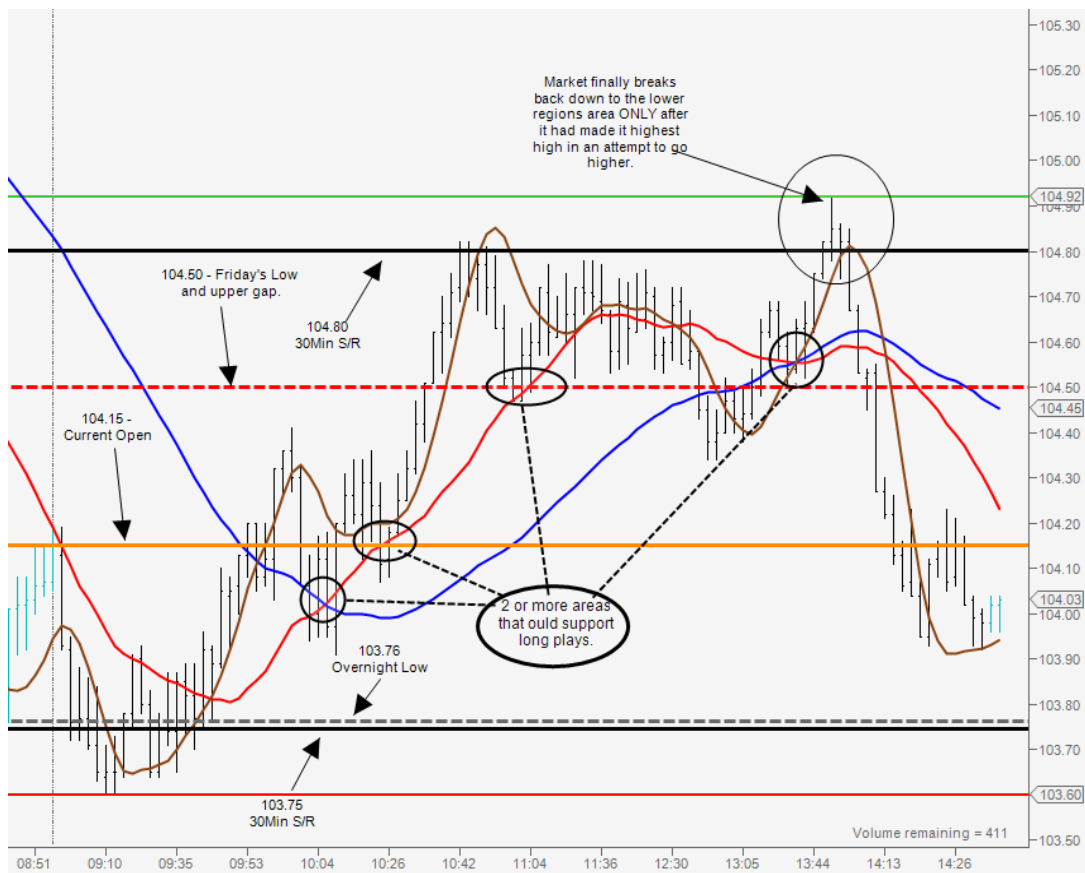
104.50 - Yesterday's low
104.48 - Daily
104.30 - the 3/22 POC
103.76 - Overnight Low
103.75 - 30Min S/R
103.18 - 3/21 POC
102.48 - 30Min S/R
102.10 - Daily
100.36 - Daily (Gap)
97.76 - Daily
93.96 - Weekly (Gap)

If the market opens within the previous day's Value Area or within the yesterday's range, I will wait to see what the market does regarding its departure from Value. I need to keep in mind about the significance of the role that Value and the POC play whenever price migrates away from them; when price migrates too far from them, it is a time of opportunity; to relate this activity to the different levels defined above help me know what price is attempting to do and where it is trying to go. Any visitations by price to any extreme areas defined will be watched closely for reactions in price within the context of the market.

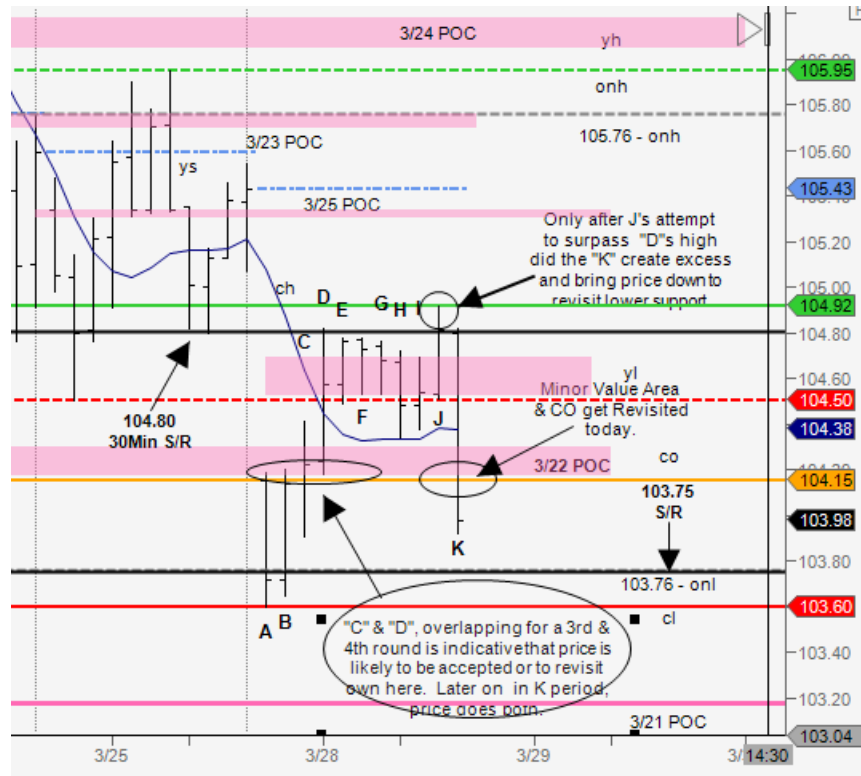
CL 05-11 Trade Entry Commentary for 03/28/2011

***** **No trades taken today on March 28, 2011.** *****

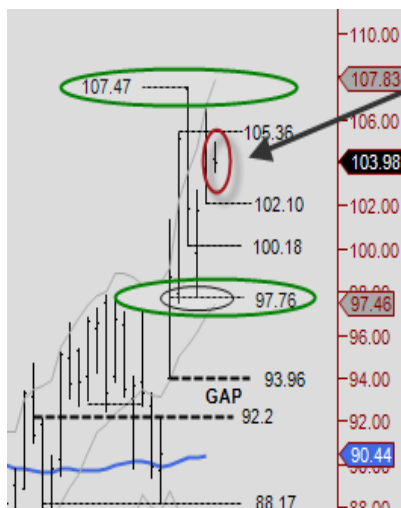
1250V Chart



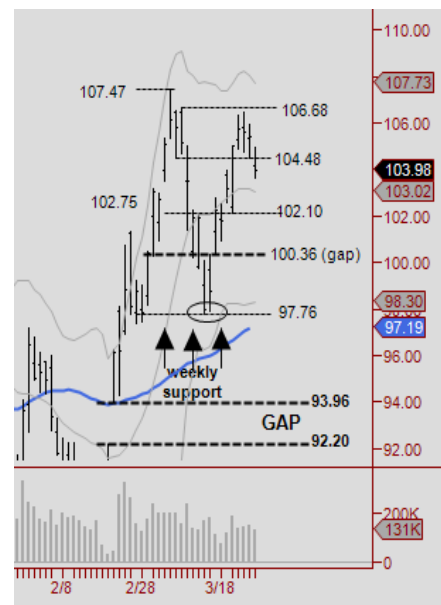
30Min



Weekly



Daily



General Market Commentary

Crude Oil - 05-11 Market Summary

High: 104.92

Low: 103.60

O/N Inventory: Short

Open: Gap Down @ 104.15 (-35 Ticks) Below

Close: 105.44

Short Excess: 104.53 - 104.69

Direction: Lower

Value Area: Lower

Profile Shape: "P" Shaped

POC: Lower @ 105.33 – 105.35

Long Excess: -

Volume: 131K

PVolume: 151K

The Market opened up with a 35 Tick Gap lower today @ 104.15. The market proceeded downward and hit its low for the day early in "A" period @ 103.60 before starting to climb back up to the upper regions of its new balance area. The market clearly created a new but lower balance area. I would call it a "Trader's Fade Long" day because, although the market's attempt to establish a clearly lower balance area, a lower Value area and a lower POC were successful, today's trend for the most part was up. This was evidenced by how easier it was to go long than short in today's market.

By the time "B" period completed it had already retraced from today's early established low up past today's open and even exceeded the high of "A" to close on its high. Whenever the Open starts out with an elongated stretch in one direction only for it to, rather quickly, retrace back towards its open where it would spend some time there to close a 30Min time interval, it's highly probable that price will continue to further explore in that direction until the market is met with a strong enough opposing response to contain the drive from going further. This is exactly what had occurred in "C" & "D" periods as those periods push price farther up to an intraday high of 104.80 (a 30Min S/R area) where responsive sellers contained price for 6 more boring periods; almost as little as a 20-30 tick range for 6 periods. It wasn't until "J" period attempted to drive price further up, creating a new intraday high @ 104.92 (when Columbus discovered America) when short term sellers then responded more aggressively by driving price down to its near lows for the day in "K" period where the session for the day ended.

As mentioned the market was structured more for the short term buyers as the day, although lower than yesterday's market structure, was trending up consistently, yielding long scalps to be taken from within neat little pockets of support where there were multiple reasons for entering a long trade; I highlighted these areas on the 1250V chart above.

Being under the weather with flu-like symptoms today, I decided to stay out of the market and to not take any trades for the day until it was clear to me that price was taking a clear direction accompanied with the strength and enough volume convincing me that there would be a drive in price within which I would feel more comfortable getting in on. I did not see any such strength in the market all day today resulting in no trades taken for the day.

Going forward, I would not exclude the market falling a little further since "K" period ended with more volume than any period today – however, one must keep in mind that:

- The short term traders were in control today, not the longer timeframe traders.
- Overall volume today was extremely low so I don't want to overemphasize the amount of increased sell volume in "K" the market today had only 131K.

However, I will keep "K" period in mind as I look at the increased volume and the direction of price on the Overnight 30Min chart when the market opens tomorrow:

