

# CL05-11 Trading Journal (04/13/2011)

## More Liquidation & Short Covering Leave the 105.15 Gap Open

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....  
I see price as just a mere tool for me to use in order to trade Value....  
I must be as objective about the market and as honest with myself as possible....  
A great trading advantage is know the Market day type and to trade accordingly....

### Announcements.

- I took out the “Daily References for Today” section of this journal today as I never looked at them during trading hours, I never saw them as being beneficial other than on my 30-Minute chart and they took up a lot of my journaling time for information that I wasn’t using.
- “Daily Market Review for Crude Oil” section will be condensed. This is done for the reason of cutting down the time spent on market commentary and summary. Market summaries will still be issued, however, like the “Daily References for Today” section, too much time was allocated to this section while more time should have been allocated to the overall mechanics, reasoning, lessons learned and techniques of my trade entries for the day.

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 day will move to the business day immediately prior to that holiday.

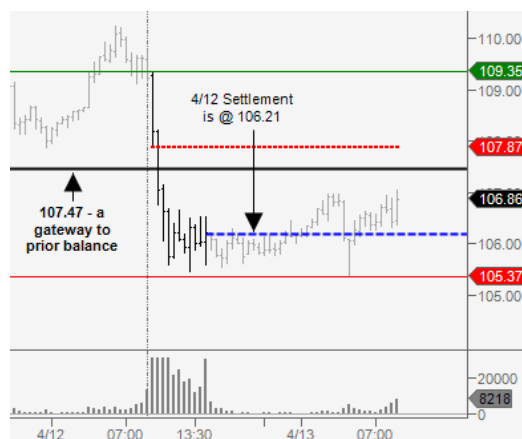
### Premarket Observations.

#### Reports Due Out:

@07:45 → ICSC Goldman Store Sales.  
@08:30 → International Trade.  
@08:30 → Import Export Prices.  
@08:55 → Redbook.  
@09:00 → BOC Announcement.

Today is April 13<sup>th</sup>, 2011; it is about 8:30 AM and the April 12<sup>th</sup> settlement price is 106.21. The overnight market is just about neutral, meaning that, as of now, there is a good chance that the market may at least open within the outer regions of yesterday’s balance area if not within yesterday’s Value. If this is the case, there is also a good chance that we may be facing a balancing day type – at least for the first few periods of today.

### 30 Minute Overnight Chart



I believe there is very little chance for the market to gap in any direction given the extensive drive down resulting from yesterday's liquidation break and considering the neutral bias the premarket session has been exhibiting up until now.

Considering that the market has a strong probability of opening within previous range I'm noting that the market, if opening outside of value may drive back towards yesterday's POC, Remember that yesterday's POC was in perfect alignment with that of 3/31 POC – a strong indication that this area may attract prices back to it sometime in the near future, possibly influencing price to balance around it for some days to become before price charts treks on to other places in search of Value or balance. If this is the case a short play from the upper region would be considered, especially if price attempts to move upward towards the 107.46 area in a noncommittal fashion and finally capitulates the other way to the downside - 107.46 is a former resistance area that had contained the previous balance of Crude before its recent break out above it into Blue Sky.

The major levels to watch for include:

1. **112.86** (Daily)
2. **105.15** (Daily Gap)
3. **102.98** (Daily)
4. **102.10** (Daily)
5. **100.36 – 100.41** (Daily Gap)
6. **97.76** (Daily)
7. **92.20 – 93.96** (Weekly Gap)

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

### **Guidelines For Trading the Open**

#### **Gap:**

*If the market gaps up above yesterday's range, which means that previous balance has been broken, I will wait until price is accepted above the previous day's high. Naturally one would expect responsive sellers in the market to attempt to fill the gap. If responsive sellers do attempt to fill the gap, I will continue to monitor the market to see if those responsive sellers are successful in driving the market back down to previous balance at which point I will confirm market weakness and trade the market short at the appropriate levels. If initiating buyers respond by keeping price above previous balance demonstrating strong market confidence I will trade the market long at the appropriate levels.*

*If the market gaps down below yesterday's range, which means that previous balance has been broken, I will wait until price is accepted below the previous day's low. Naturally one would expect responsive buyers in the market to attempt to fill the gap. If responsive buyers do attempt to fill the gap, I will continue to monitor the market to see if those responsive buyers are successful in driving the market back up to previous balance at which point I will confirm market strength and trade the market long at the appropriate levels. If initiating sellers respond by keeping price below previous balance demonstrating weak market confidence I will trade the market short at the appropriate levels.*

#### **Balance:**

*If the market opens within previous balance or Value, I will wait for price to approach a level located at an area considered to be at the extreme edges of that balance. Once price is at such an area, I will then monitor market speed, volume, price action and responsive activity to determine the likelihood of the market to either reverse back to Value, or to break out of the existing balance area. If price breaks balance but fails back into current balance I will trade the market in the direction of that balance. If the market breaks out of current balance with enough confidence to possibly start a trend, I will wait for acceptance of these new price levels before trading the pullbacks. I will continue to trade the pullbacks until the market begins to show evidence that it is most likely beginning to form balance.*

## **Daily Market Review For Crude Oil**

**High:** 107.43

**Low:** 105.34 (105.15 Gap still not filled)

**O/N Inventory:** Neutral

**Open:** 107.10 (Gap Down of 20 Ticks)

**Close:** 107.05

**Short Excess:** -

**Direction:** Neutral

**Value Area:** Overlapping to Higher

**Profile Shape:** "p" Formation (Short Covering)

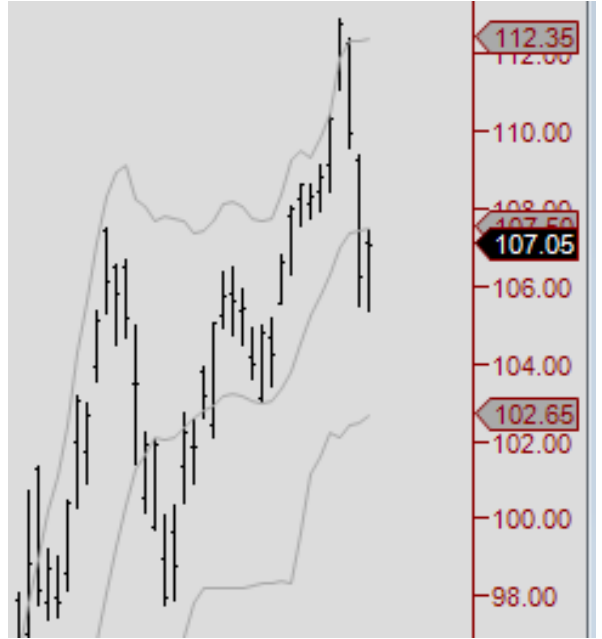
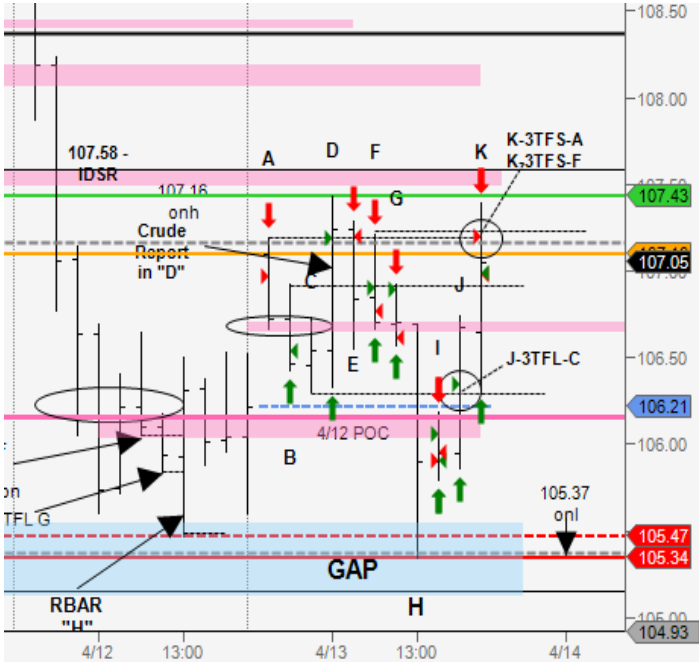
**Market Type:** Balance

**POC:** Higher @ 106.66 -106.69

**Long Excess:** 45 Ticks

**Volume:** 200K  
**PVolume:** 320K

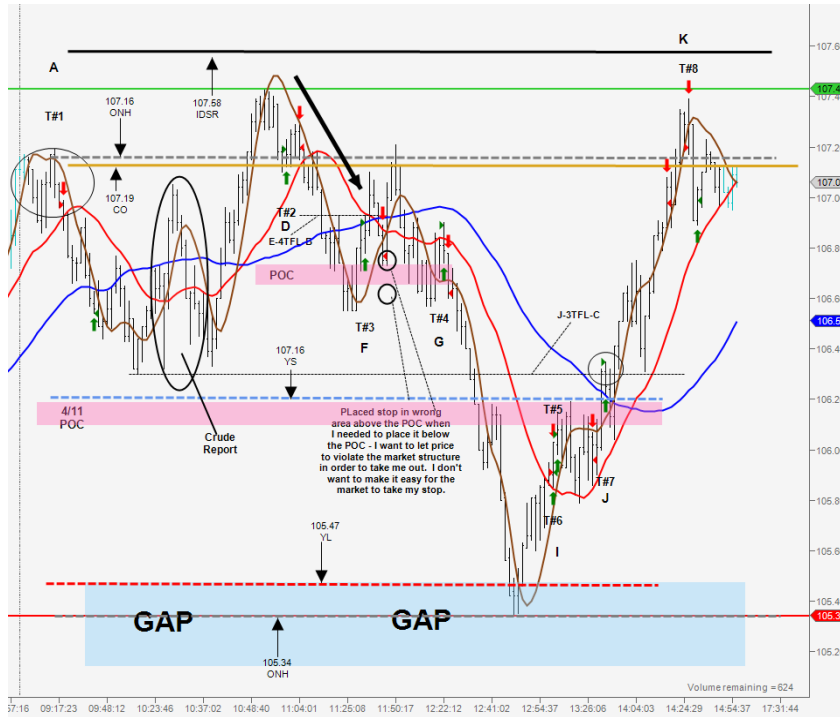
### **30 Minute Pit Session & Daily Charts**



## Trade Entry Commentary

| Trade-# | Market pos. | Quantity | Entry price | Exit price | Profit | Cum. profit | Entry time            |
|---------|-------------|----------|-------------|------------|--------|-------------|-----------------------|
| 1       | Short       | 1        | 106.97      | 106.54     | 0.43   | 0.43        | 4/13/2011 9:17:54 AM  |
| 2       | Long        | 1        | 107.19      | 107.2      | 0.01   | 0.44        | 4/13/2011 10:57:13 AM |
| 3       | Long        | 1        | 106.9       | 106.77     | -0.13  | 0.31        | 4/13/2011 11:32:03 AM |
| 4       | Long        | 1        | 106.89      | 106.62     | -0.27  | 0.04        | 4/13/2011 12:18:23 PM |
| 5       | Short       | 1        | 105.91      | 105.91     | 0.00   | 0.04        | 4/13/2011 1:00:17 PM  |
| 6       | Long        | 1        | 106.06      | 105.96     | -0.10  | -0.06       | 4/13/2011 1:03:54 PM  |
| 7       | Long        | 1        | 106.35      | 106.98     | 0.63   | 0.57        | 4/13/2011 1:40:23 PM  |
| 8       | Short       | 1        | 107.2       | 106.99     | 0.21   | 0.78        | 4/13/2011 2:25:17 PM  |

### 1250 Volume Chart



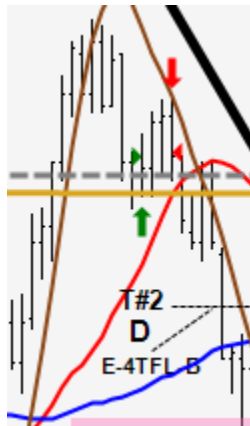
**T#1 – Short // “A” period // Fade the Open // Entry @ 106.97 // Initial Stop: 107.22 // Target: YS @ 106.21 // P&L: +43 Ticks.**

The market opened with an *Open Test and Drive* morning as conviction was low, low volume, stable movement in price and the market began to falter as weakness starting to settle in as price approached another go at trying to move further up:



**T#2** – Long // “D” period // PB to ONH, CO // Entry @ 107.19 // Initial Stop: 107.09 // Target: IDSR @ 107.58 // P&L: +1 Tick.

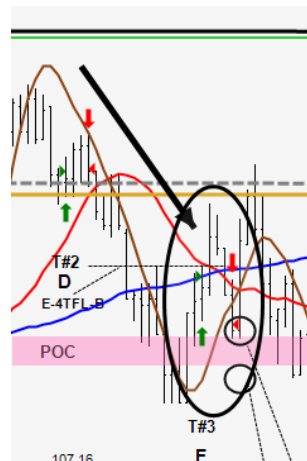
I was playing off support - off the ONH and the CO - but I miscalculated when I mistakenly thought that price was accepted above both the CO and the ONH. It turned out to be nothing but a simple range extension that failed back into balance and afterwards price eventually did not take out this high as it made its way down to the gap.



**T#3** – Long // “F” period // \*\*\*NOT DEFINED\*\*\* // Entry @ 106.90 // Initial Stop: 106.77 // Target: IDSR @ 107.58 // P&L: -13 Ticks.

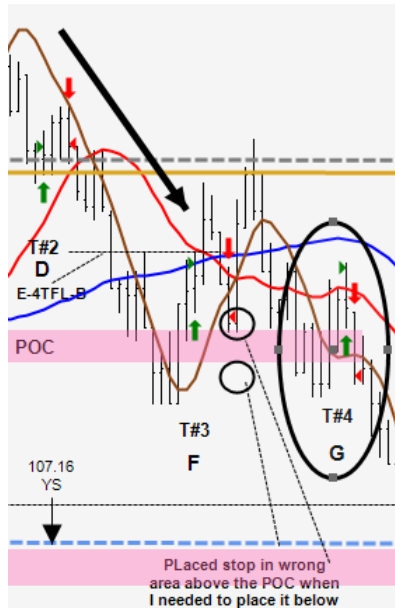
I was looking to play a 2<sup>nd</sup> attempt up to the high but 3 things were against me.

1. My entry was too late – I should have used the 125/10o to find an early entry.
2. My stop should have been beneath the POC.
3. Support was too close limiting reward.



**T#4** – Long // “G” period // // \*\*\*NOT DEFINED\*\*\* // Entry @ 106.89 // Initial Stop: 106.62 // Target: CO @ 107.10 // P&L: -27 Ticks.

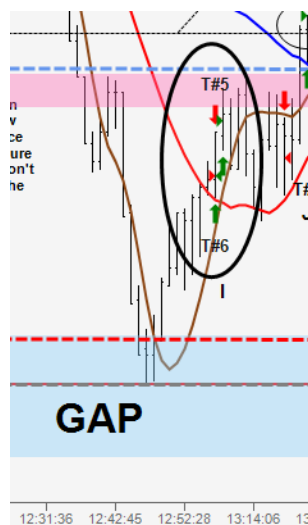
This trade should have never happened. Price had already proven to me that it was most likely heading down: the big rejection at the top and the 2<sup>nd</sup> attempt that had failed. This was a mistake.



**T#5** – Unintended trade

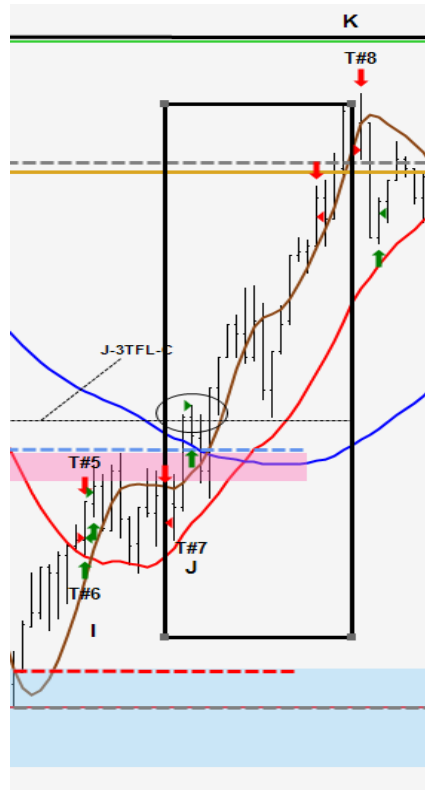
**T#6** – Long // “I” period // RBAR off Balance // Entry @ 106.06 // Initial Stop: 105.95 // Target: CO @ 107.10 // P&L: **-10 Ticks**.

This was the right idea with the right move but at the wrong time. Price had just plunged down to the gap where it had moved YL down further from 105.47 to 105.34, 7 ticks lower, and responsive buyers were obvious that they weren't letting price come down further. At the least, I could've waited for price to pop its head back above the top of the gap and the entered, if not take have gotten in sooner than that. The R/R was just too good to have waited for so long. Moreover, I not only waited too long but I waited extra too long as I entered at the top of where price was to pullback causing more me pressure to stay in the trade. This resulted in exiting the trade with a loss.



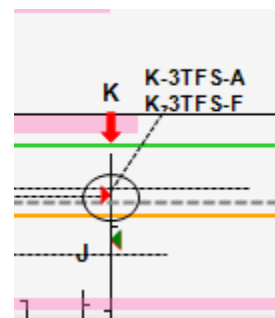
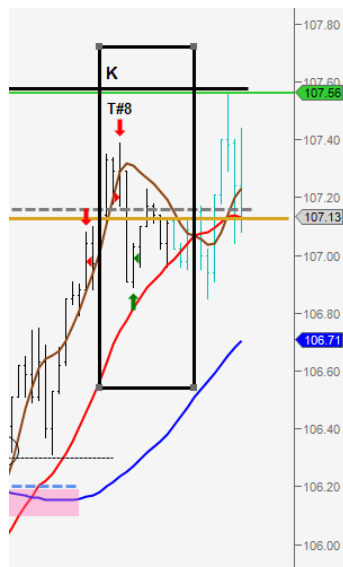
**T#7** – Long // “J” period // RV off Balance, J-3TFL-C // Entry @ 106.35 // Initial Stop: 105.76 // Target: CO @ 107.10 // P&L: +63 Ticks.

If I played the T#6 correctly with a good entry, I wouldn't have sweated this trade out as well. Again, entering at the top of the pullback, I placed some pressure on myself as price retraced against me. This trade I decided to stick out as I bore an unusually high risk of 50+ ticks since buyers showed resilience and determination to push price to the other end of the range, especially after crossing the J-3TFL-C line which added a 3<sup>rd</sup> timeframe as the market adds more reason for price to gravitate higher if not more reason for it to at least keep away from the lows which at this point is now excess (1TF).



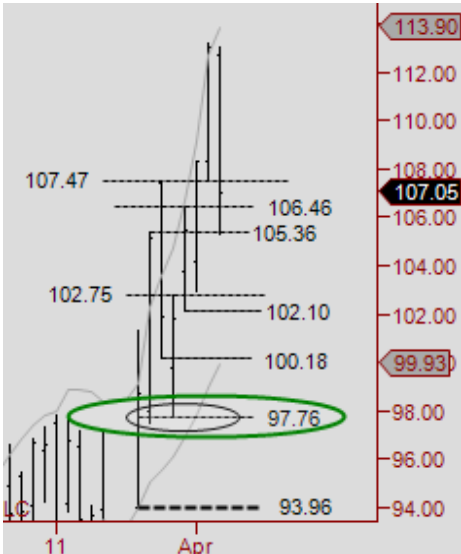
**T#8** – Short // “K” period // RV off RE, K-4TFS-A // Entry @ 107.20 // Initial Stop: 107.46 // Target: K-7TFS-G @ 106.92 // P&L: +21 Ticks.

I wanted to short price for a quick scalp as price drove pretty extensively upward towards the 107.43 high, established in “D” period, but not taking out that high. A pullback was due and I entered short when price violated the K-3TFS-A line and stayed in the trade until I exited at the K-3TFS-F line.



No more trades for today. Net Today: +78 Ticks

Weekly



Daily

