

CL – Trading Journal (03/04/2011)

03/04 Pre-Mkt analysis.

It is 7:39AM. The 3/3 settlement is at 101.92 and overnight trading has been very long up to this point in time, in fact it had peaked above yesterday's overnight high and hit 103.30; A good chance of a gap up this morning.



I mentioned in the 3/3 journal that yesterday was an Inside Day. This is also something to consider when it comes to gaps. I look forward to inside days since it is this kind of day that is the fore runner of significant moves for price to break away from its original balance area to explore new territory.

If the market opens within balance, I will wait for price to approach extreme areas of the balance and see how it reacts to these levels. If the mkt gaps higher I will wait to see if price is accepted (spending some time up there) and if so, I will play long, if not accepted mkt will retrace to close the gap and sink into its previous balance at which point we'll play the rotation with longs and shorts. What makes these scenarios different from most is the fact that the mkt had an Inside Day.

Trade Entry Commentary for 03/04/2011 CL 4-11

T#1 – Long // “C” period // Fade @ Open // Entry @ 103.11 // Stop: 102.81 // Target: 104.40 (projected) // P&L: +28 Ticks.

A clear signal in “C” period allowed me to enter long. All parameters were favorable; price was being accepted in this gap-up area, price had retraced down to the current low, we had a higher low form right at the signal, and volume was validating the move. Feeling nice but a little too confident my price target was too generous and instead of taking profit after there were signs that the move up was a little shaky I stayed in and unwilling took a 28 tick gain. This gain was a far cry from a potential 95 tick gain. What made this a bad trade was not just my inability to accept what was given to me, but at that time, ignoring the warning signs that this was not your typical strong trend. I realized a while back that when the mkt treads in new price territory, the trend moves more in chunky spurts rather than a smooth consistent manner consisting of predictable pullbacks; I should have took the warning and had settled for whatever gains I had.

T#2 – Long // “H” period // PB off Reversal // Entry @ 103.48 // Stop: 103.20 // Target: 104.00 (PPOC) // P&L: +14 Ticks.

This was a long entry off the anticipated support level that I noticed on my 30Min chart it was a no brainer in terms of the play itself but did not have the legs for a good run.

T#3 – Accidental entry. Got out @ break even // P&L: 0 Ticks.

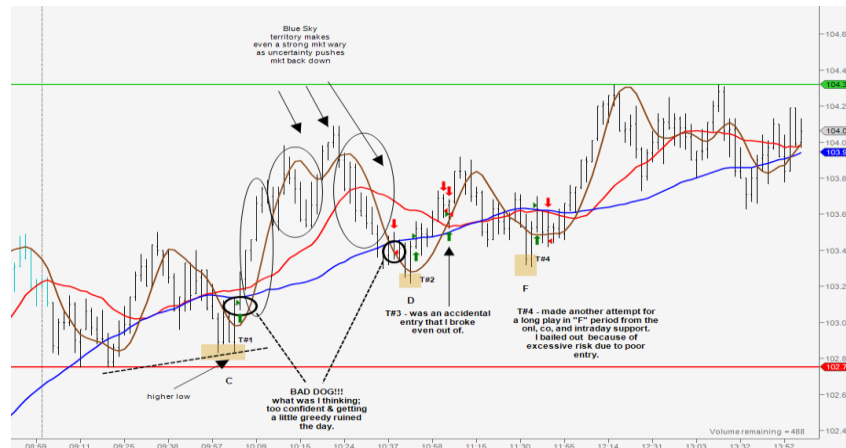
T#4 – Long // “J” period // PB off Reversal // Entry @ 103.65 // Stop: 103.30 // Target: 104.00 (PPOC) // P&L: -20 Ticks.

In short, I made another long attempt off the base of support (the same mechanics applied in T#2). Unfortunately I waited for a 1250 long signal which I received; the problem arose when I entered at the signal and I assumed too much risk – playing mind games with myself because of the gain potential that I blew in T#1, I didn't want to walk away with another losing trade to zero out my day. The signal proved fine; having my stop below the pivot, if I had stuck it out price would have eventually broke through a mini price pause and reached the target that I was attempting to reach all day. Having entered at the signal - and given my state of mind from T#1 - my entry was at a disadvantage: Price spent the whole time below my entry threatening to take out my stop 30 Ticks below. This prompted me to exit the trade.

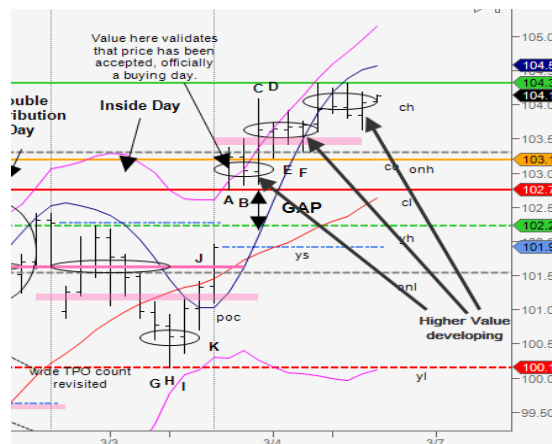
No more trades for today. Net Today (Ticks): +22 Tics.

1	Long	1	103.11	103.39	0.28	0.28	3/4/2011 10:06:43 AM
2	Long	1	103.48	103.62	0.14	0.42	3/4/2011 10:48:47 AM
3	Long	1	103.6	103.6	0.00	0.42	3/4/2011 11:04:12 AM
4	Long	1	103.65	103.45	-0.20	0.22	3/4/2011 11:32:18 AM

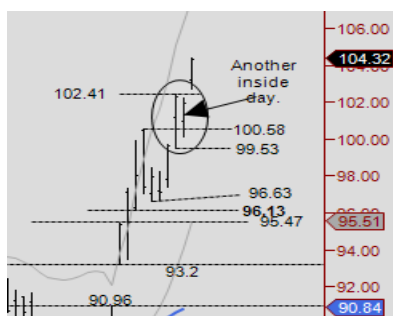
1250V Chart



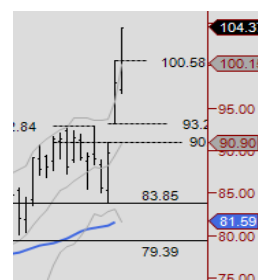
30Min



Daily



Weekly



General Commentary

The pre-mkt had given me a pretty good clue that not only was the market going to gap up, but the mkt was going to find higher value. This was supported in the last hour or so by how accelerated the mkt drove price up before it opened and the fact that yesterday was an Inside Day; a prelude to a breakout.

The opening mkt gapped u and opened @ 103.19; almost 100 tics from yesterday's high. Usually, when the market makes large gaps up, the chances of filling those gaps a very low. If in this case the mkt did gap up rather significantly which tells us that price will mostly be accepted; the question was would price continue through to newer highs, would the mkt retrace to find 2-sided auction. Today the mkt spent "A" through "C" periods validating its value as higher implying that there was very little chance of retracing back to yesterday's balance. At that point I thought today would be a buy day; in other words, if not a convincing trend day where I can buy the pull backs, then most likely a double distribution or some kind of day where once a bottom was established, I can be taking long trades against it.

This was a very frustrating trading day as I mismanaged the first trade of the day by being basically too greedy and confident. I need to ignore the blunders and to forge forward, otherwise, this can trigger bad psychology to enter my head and impede subsequent trading results that otherwise would have been positive. This is what happen today as it is something to learn by.