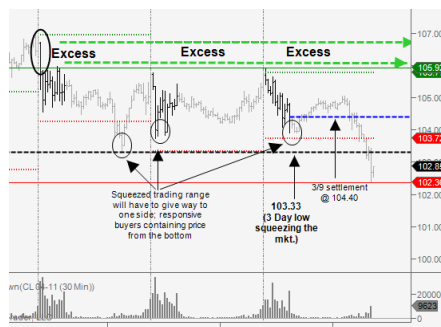


CL – Trading Journal (03/10/2011)

03/10/2011 Pre-Mkt analysis.

I will note first that a Natural Gas Report is due out @ 10:30AM. Not as critical as the Crude Inventory report, however, I've seen crude react strongly to this report and it's a good idea to at least be aware of it.

It's around 7:20AM, March 10. Overnight trading is short. The March 9th settlement is at 104.40 and the current price of the overnight market is at 102.75. Considerably lower, there is a very good chance that the CL market may gap down out of the previous 3 day balance area where price was being squeezed between responsive buyers and top heavy excess. See below.



If there's a gap down, or let's say that CL opened right now at about the 102.40 area; the mkt will either continue to trend lower until it hits support and then balance for a while or start retracing immediately back up as price may be pulled back to the previous 3 day balance area (or use that previous balance area as resistance). The first line support, as I see it looking at my daily chart, is around the most recent major gap around the 102.30 area. *Just a side not - I need to remind myself that support and resistance areas (however they are defined) are exactly that, just areas, and not precise price points represented by thin lines on the chart; if I didn't write that down now it would have left my head not have been documented anywhere today; it is important to rehash these thoughts no matter how minor they may be so that it starts to become part of our nature to think this way.* Continuing on, if the market opened now it would open @ about where that unfilled gap is, from here price may continue on to close the gap or retrace like I already said.

The next of support would be about the 99.50 to 100 area:



If the market in overnight trading retraces back to the previous day's balance then we'll wait and see how the market reacts when in trades to those extremes in that balance. But if the market does do this, again, there is that chance that the market will proceed even higher, possibly breaking into new highs.

Trade Entry Commentary for 03/10/2011 CL 4-11

T#1 – Long // “A” period // Fade @ Open // Entry @ 102.72 // Stop: 102.36 // Target: (Resistance: Prev. Balance - 103.91 area) // P&L: +43 Ticks.

When the market gaps and throws price out of its previous day's balance, it's for the reason that, possibility, something in the market has changed. Despite a significant gap down I had to think that, with a 3-day balance

underneath the belt, the Crude Oil market would at least make an attempt to climb back up to that balance. The 1250 chart gave me a signal that price would at least make an attempt in that location; I got in long immediately after the 1250 signal to avoid incurring any more risk. Although my risk was at 36 Ticks, I factored in the reward part – about 140 Ticks - to justify the risk. As I was monitoring the trade I saw that market's move back up to previous balance was just taking too long and strength was waning. Having learned my lesson about staying in a profitable trade too long I decided to exit the trade earlier than anticipated to collect the whatever the profit level at that time.

T#2 – Short // “D” period // Scalp // Entry @ 101.99 // Stop @ 102.13 // Target: 10+ Ticks // P&L: +14 Ticks.

A simple pullback during a strong drive down caused by a break down in price as the market was in search of lower value.



T#3 – Short // “G” period // Scalp // Entry @ 104.46 // Stop: 104.52 // Target: 10+ Ticks // P&L: -8 Ticks.

This was a long pullback from the bottom. In hopes of riding a short to about 101.20 I got in at the wrong time as Price decided to balance and it wound up that price was setting up to move higher. I got out before my stop was hit because of the excessive time that it was taking to make its move downward. When time is a factor for exiting I have to think that something in the market either wasn't the way I thought it was or something in the market has changed. The reasoning for entry is no longer consistent with current market conditions. I notice below how much rotation accumulated before getting out of this trade.



T#4 – Short // “I” period // Scalp // Entry @ 101.53 // Stop: 101.68 // Target: 10+ Ticks // P&L: +15 Ticks.

This was a continuation of T#3 trade going short. Price finally broke down and got in too late which caused me to place a stop at a very disadvantage place; at this time of the game I don't want to have large risks if I'm coming away with winnings. It would be such a psychological blow to lose all gains that were accumulated through out the whole day. The other bad thing was chasing the trade, I felt that I was too eager to get in and was quite evident just from looking at the 250 chart to see where my entry was. Fortunately, this made me exit just as quick and missed the mass drive upward literally seconds after my exit.



No more trades for today. Net Today: +64 Ticks.

General Commentary

The market, after 3 days of balancing in a relatively tight range, broke to the downside in a committed fashion as lower prices were accepted below previous balance; in fact the market stopped and started to balance at the March 3rd's POC and balance area:



Today prices broke through the first support level where it basically opened - around the 102.73 area (2 ticks below the 3/3/11 low of 102.75) – continued down and stopped just above the 2nd support area at about the 100.60 area where price recovered a bit off a bounce @ 100.62 in the early part of the day. The market spent periods “E” through “H” balancing in a tight range before late day short covering took center stage forcing price to retrace all the back to its open and proceeded to close the gap; the gap was defined by the “A” period’s high and Yesterday’s Low. This could be the final liquidation break that the market’s been waiting for. “D” period showed 2 important things: A reversal formation after its completion, and the 2nd was excess. I thought that the possibility of the market remaining below at its lows was very high, but short covering was not unexpected to the astute observer; I did not expect it.

Tomorrow I would expect balancing for at least most of the day since today’s range was quite wide, and the overnight markets would need to do a lot of work in order to push price beyond today’s daily range. I did hold open the possibility for the market to balance between 96.50 and 104 as I imagine that would be the rough area at which I can imagine price balancing.

Today’s trade entries were of a fair rating and not good as I refused to be as aggressive as I should’ve been in holding my short positions longer and accepting that my targets need to be given a chance.