

CL – Trading Journal (03/11/2011)

03/11/2011 Pre-Mkt analysis.

Reports due out:

@ 8:30 is Retail Sales.

@ 9:55 is Consumer Sentiment.

@ 10:00 business Inventories.

I've decided to add and display all meaningful economic reports to my journal going forward. Although, my wife is the one who's been giving me a heads up every morning on all world events and econ reports, I thought that by adding them to my journal would give it more context and completeness.

It's around 8:30AM, March 10, just before the open. The Overnight crude market is short again, the market dipped to a low of 99.01 so far. Much shorting activity has occurred between 6AM and 7AM this morning but price has regained some of this territory as it went back up to about just below yesterday's low of 100.62 to 100.54. What's important here is that price has dipped below the 2nd support area (@ 99.50), an area that I noticed in yesterday's pre market report. This is significant because price may retrace back up if there is a gap down in the market this morning. Below also is a compressed 30Min chart showing the 2 s/r areas and their potential significance in this morning's open.

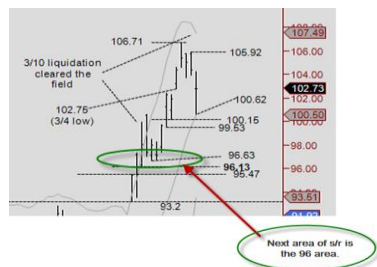


If there's a gap down, we will usually follow the usual gap rules:

- 1) On a gap, we'll wait to see if price is accepted or rejected.
- 2) If price is accepted trade in the direction of the.
- 3) If price is rejected and the gap is filled trade in the direction of rejection.
- 4) If extenuating circumstances dictate that an opportunity exists to fade the gap @ or soon after the the market opens enter accordingly.

If the market does not gap down, the probability is high that the short term (30Min) market will either balance for the rest of the day between 101 and yesterday's POC @ 101.5, or it will start its ascent back up to 105 which would be the upper range for an intermediate (Daily) term balance.

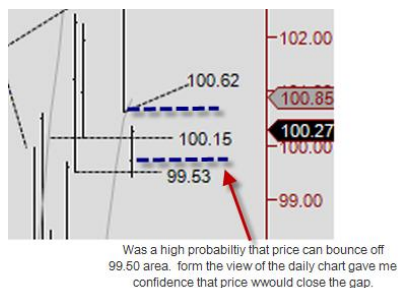
If the market gaps down and continues to go down on a heavy drive of long term volume, the next major s/r area would be the 96 area; see below:



I don't think price will be going that low today; it would be too drastic of a move and some big event in the world would probably have to have happened for that to occur today.

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

T#1 – Long // “A” period // Fade @ Open // Entry @ 99.88 // Initial Stop: 99.40 // Target: (Close Gap – 100.62) // P&L: +77 Ticks.

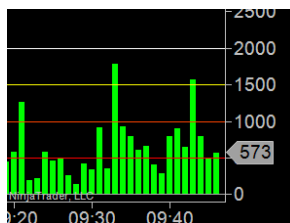


The same first trade as yesterday except for that this trade long occurred at the next s/r level down from yesterday's at the 99.50 area. Yesterday, this 99.50 area was mentioned as a the next level of a possible support area. With the market gapping down this far, my school yard reaction kicked in to take over a bit. I thought right before the open that gapping as low as I thought it might, that price had come down just a little bit too much given the distance that price has fallen during the past 3 days. With price breaking down through one s/r area yesterday and now gapping down further breaking the 2nd support area, the gap down was just below the 2nd s/r area (99.50) would have been an excellent opportunity to fade back up. The visuals were all lined up for it on my daily and 30Min charts. What I needed to see to enter long was the following:

- 1) The lack of exuberance on the part of sellers at the open in the form of low volume.
- 2) The lack of speed in the market monitored on the T/S windows.
- 3) A reversal of the direction of price to the upside.

The other factor in deciding to fade the open was the probability (with most long term traders out of the market as it seemed at the time) that many short term traders had shorted many contracts during yesterday's down market as well as in the overnight market. Some probably were trapped at shorting at overnight prices from 99.50 and below. When the market opened and refused to participate in a further fall downward, much of the short covering came from short traders getting in too late at disadvantageous prices and from those shorts from yesterday and early overnight who were either taking profit or breaking out at about even.

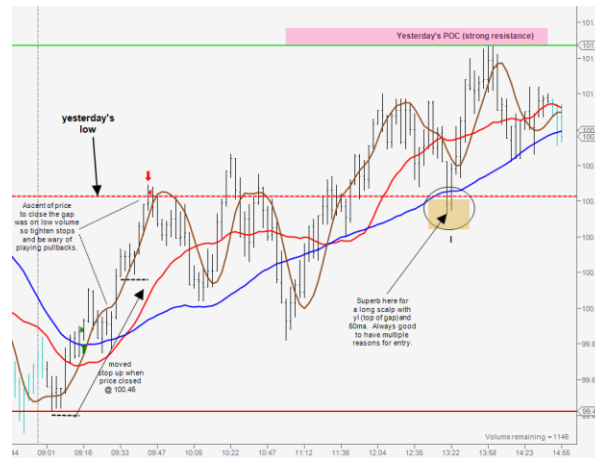
But monitoring the trade I thought that the speed and enthusiasm in the market to close the gap would be present, and it was not, at least not as much as I thought there would be. Volume was on the light for this move up side (see below); on my 1250 when the 1250 bar closed @ 100.46 I then moved my stop up to 100.18 and kept it there until the target was reached. Leaving too much profit on the table while keeping risk large is something I'm trying to improve on. In this case, if price failed and stopped at my trailing stop I would've been more satisfied that I would have been if I had instead stopped out @ break even.



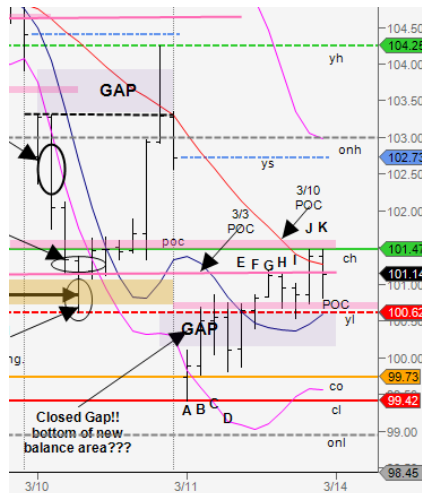
No more trades for today. Net Today: +77 Ticks.

Trade-#	Market pos.	Quantity	Entry price	Exit price	Profit	Cum. profit	Entry time
1	Long	1	99.88	100.65	0.77	0.77	3/11/2011 9:15:31 AM

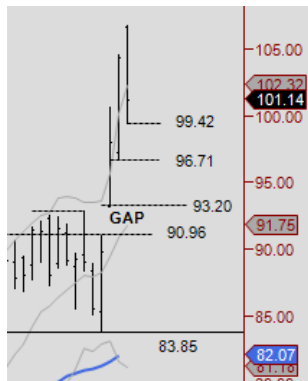
1250V Chart



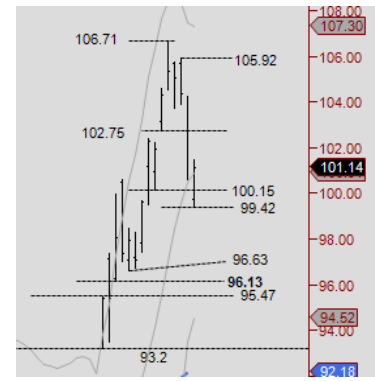
30Min



Weekly

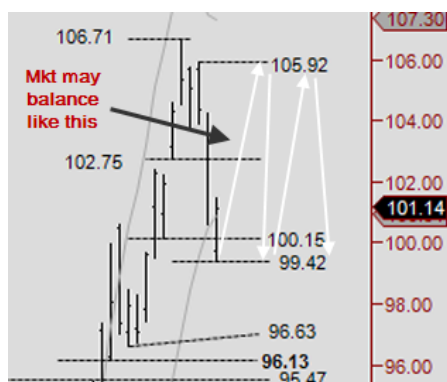


Daily



General Commentary

The market has been balancing since 4 days ago. If the market maintains its balance, it may portray the type of pattern shown below.



The daily chart above shows 1 probable possibility as there can be more, but it's important to go with the most likely one.. It is important that as a trader, I imagine what may happen in the market before it happens. This will give me a jump on which areas seem important and how we may use those areas to our advantage as price approaches and reacts to them, giving signals and clues about which side of the market to take. From the simple picture above I can see that 105 and 100 are important areas to trade off of. The same will be done with all charts except for the high timeframe entry charts since I don't get from them enough of the longer term perspective of what the market may do in a broader sense.

The gap down presented a great opportunity to fade it. This was the 2nd consecutive gap down. The first one which occurred yesterday was a gap from the bottom of a 3 day balance. Gapping down from a fresh or new multi day balance, clearing all support, is more likely to have more downward follow-through because this was a clean break from balance that is still fresh in minds of everyone. The other factor that made fading the gap today a good idea was that this was the 2nd gap, and usually after the 1st gap, any subsequent ones will have a tinge of doubt as the question was posed in my mind, at least, if not in the minds of other short term traders: How far can the price of Crude go down in only 2 days? Price had fallen relatively far for just a pullback or even for just starting to balance. Besides this, any references to any support areas are references to areas that are days old as opposed to breaking from an immediate support area. The same principals, I believe also apply to the long side.

I have had only one trade today. The first trade gave me a good profit so I decided not to struggle for the rest of the day. My improvements were staying in the trade longer to allow price to reach the target, but at the same time avoid staying in a market that tells me that it has now become highly unlikely that the target will be reached.