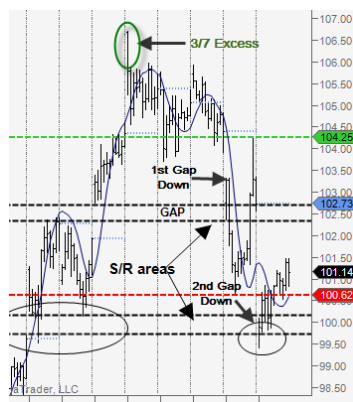


# CL – Trading Journal (03/14/2011)

## 03/14/2011 Pre-Mkt analysis.

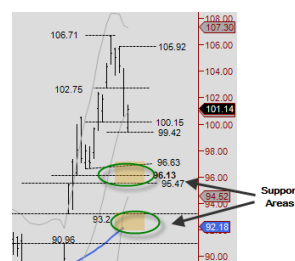
No Reports due out today.

Crude recap from last week – It seems now that crude has decided to balance after a strong surge up from 83.85 since Feb. 17, 2011. We are in the midst of a major throw back in price; crude, having topped out at 106.71 last Monday on 3/7, liquidated many of its long held positions making prices retrace back to 99.47. Crude futures gapped down 2 consecutive times and both times filling the gaps almost immediately, signaling that the market is not rushing to start a down trend so fast. If crude continues to balance, and I'm not sure if the lower price range was even established yet, and won't know until it has actually formed.



Looking at a compressed 30Min chart above, I see that the 3/11 opening gapped down and opened right at the 2<sup>nd</sup> support area. As price opened, it tested downward a little further to 99.42 before responsive buyers jumped in and starting to push prices back up where price eventually closed the opening gap in "B" period. The market did spend the rest of the day last Friday recovering some of the losses occurring in Thursday's overnight market and reached its daily high of 101.47 which was the exact bottom of the 3/10 (prior) POC. This was accomplished in more of a balancing way and on very light volume (only 139k for the whole day).

It's around 8:40AM, March 11, settlement prices are at 101.14. The Overnight crude market is very short with considerable pre-market volume. The lowest price reached by the pre-market was 98.47 and to quickly state the 2 major support areas are 96 and the 93.20 areas.



If there's a gap down, we will 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 market opens, enter accordingly.

If the long term sellers come into the market early into the day to push price down further than it's established low price might go as low as down to the 96+ area. I would be looking long instead of looking for anything short regarding large gains. In other words, if this market goes down further I would be wary to place shorts for the longer haul other than scalps on the pullbacks. I must remain aware that with the geopolitical climate the way it is as well as the distance that

price has already travelled from the 106 area, crude futures should start balancing towards the other end of the range once the lower side of the range is formed; that's why I'm waiting for price to form some kind of excess at a bottom to show that a potential bottom has formed.

If the market opens within value we will wait to see price first approach the outer fringes or the extremes of the previously established balance area and see how price reacts. If the market breaks out of balance, wait for price to be accepted and go with the trade in that direction, if price attempts to break out of the existing balance and fails back into balance, go with the trade in the direction towards the other side of the range of the balance area. The difference between a break out that is accepted and one that fails can be sought by clues given by the speed or exuberance of the market at the time, and the amount of volume along accumulating as well as with price action.

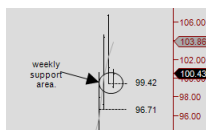
If the market opens within the outer fringes of the balance area and the market is low on enthusiasm, volume and volatility, fade that market towards the other end of the balancing range or at least to its POC. I must remember to keep in mind the most important thing about market profile and that is that I always must keep in mind where the most recent value area is. It is regarding this where I try always to ask myself whether price will draw value to itself or whether the most recent value area will attract (or gravitate) price back to itself. If the market opens lower regardless of it gapping down, and the market seems unenthusiastic about going down further, there is a good chance that price will be thrown back up towards Friday's value area (POC area) which is about the 100.70 area.

## Trade Entry Commentary for 03/14/2011 CL 4-11

**T#1** – Long // “A” period // Fade @ Open // Entry @ 99.11 // Initial Stop: 98.94 // Target: (3/11 POC – 100.74) // P&L: +118 Ticks.

The same first trade as Friday's gap down as it opened as a gap down within the same general support of the 99.50 area, specifically, below Friday's low of 99.42 and opening at 99.02. In prior days this area was targeted as a destination to which price could descend to from the recent 3-4 day balance from above; now it seems that it possibly can become support for a new balance area that appears to be forming as it looks as though that the market has found a temporary bottom.

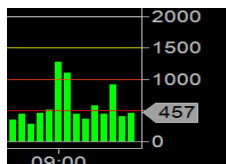
Another reason for going long in this area besides daily support is weekly support. Failing to mention it in my pre-market analysis as well as being unaware of it at the time of this entry, this adds to the support at the 99.50 area because now we have the intermediate time frame traders looking at the same area as the short term traders are. And perhaps, that's why there seemed to have been a stronger reaction by responsive buyers after today's open when pushing price up, as opposed to the past 2 openings where they were more sluggish in their trek up towards their previous balance areas.



The last factor in deciding to fade the open was again, just as how it factored in Friday's price reaction at the open, I believe there was much shorting occurring during the overnight hours. When the market opened and refused to participate in a further fall downward, much of the short covering came due to from short term traders being squeezed out of their short positions after having gotten in too late and at disadvantageous prices.

The exact same technical reasons for me entering long at the open of Friday's open, also applies here:

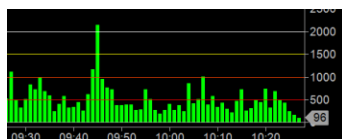
- 1) The lack of exuberance on the part of sellers at the open in the form of low volume.



- 2) The lack of speed in the market monitored on the T/S windows.
- 3) A reversal in the direction of price to the upside.

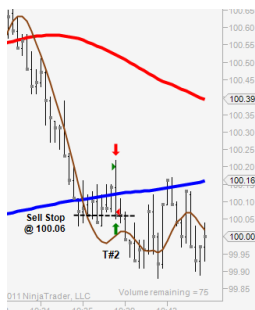


Monitoring the trade I thought, just as in Friday's "Fade @ The Open Trade", that the speed and enthusiasm in the market to close the gap would be present, and it was not, at least not as much as I thought there would be. Volume was on the light for this move up side (see below); I saw that I was in very good profit standing so I decided to exit the trade as I placed a tight stop at an area where I saw price faltering a bit.



**T#2 – Long // "D" period // Scalp // Entry @ 100.20 // Initial Stop: 100.06 // Target: 10+ Ticks // P&L: -13 Ticks.**

I thought that in "D" that there would be an ideal pullback to make a long entry. That's ok; anticipating what can happen in the market is one of the most important insights to have, even if I am dead wrong; that's what stops are for. What I did to make this a very bad trade was not anticipating what could have happened but anticipating the signals, not letting the market play out, and not keeping in mind that I always could've gotten in on a pullback. Anticipating the move before a signal is has been one of my biggest devastating problems as a trader other than not having reasons for getting in or out of trades. In this trade specifically, when I look at my 1250 to see what I had done entering this trade, I could immediately see, according to the markers on the chart that I was guessing where the turn in the market would occur. Guessing without an edge is just like throwing darts blind folded after having been spun around a couple of times.

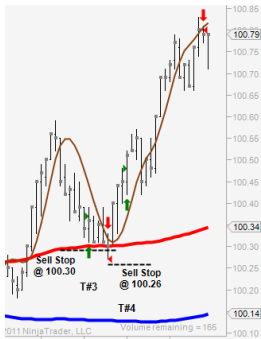


**T#3 – Long // "I" period // 1250 PB // Entry @ 100.37 // Initial Stop: 100.30 (20ema) // Target: 10+ Ticks // P&L: -10 Ticks.**

Just as in T#2, I got in too soon although I did wait until I saw 1250 signal though it was a little weaker than I was looking for; thus, the reason why I tightened my stop. Having realized that while I was in this trade, price did regain ticks up to my entry, at which point I could've entered at break even and tried again later. **AN IMPORTANT LESSON HERE** - If the trade fizzles out to something that I no longer want to be in, and price hovers back up to where there is a grace exit for me to exit, I need to have enough **DISCIPLINE** to take that exit – it's costing me nothing and I got a free ride back from a potential loss to at least attempt the trade again or to forget about it altogether. However, I didn't want to miss the move as I was almost certain that price was pulling back just for the purpose of allowing the market to make a 2<sup>nd</sup> attempt to reach and pass today's high (which at the time was @ 101.90).

**T#4** – Long // “J” period // 1250 PB // Entry @ 100.48 // Initial Stop: 100.26 // Target: Current High (101.9) // P&L: +32 Ticks.

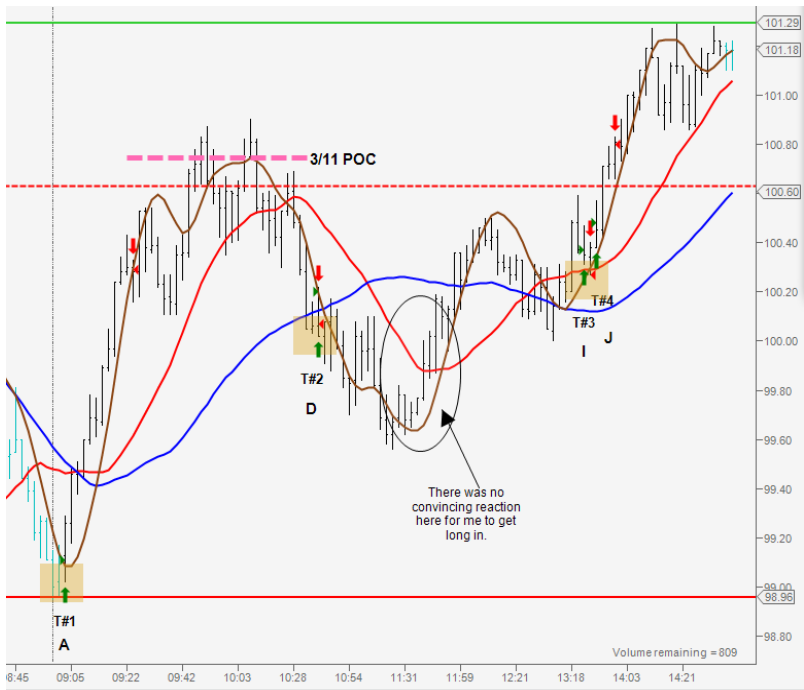
This is a retry of T#3. Soon after entry price gained momentum as buy volume started increasing. Although this did reach my target of the daily high of 101.90 and even beyond that, price showed volume fading and took what I was able to get when price started to show a characteristics of starting to pullback.



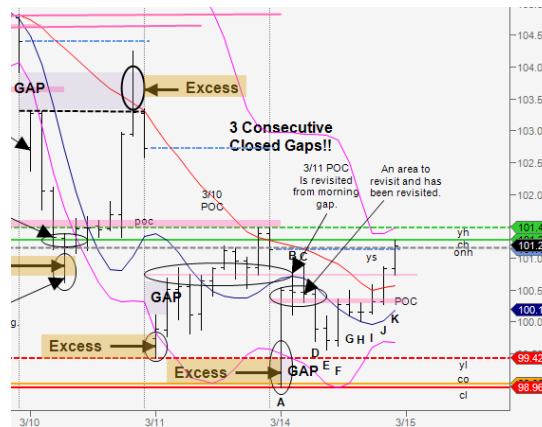
No more trades for today. Net Today: +127 Ticks.

Trade-#	Market pos.	Quantity	Entry price	Exit price	Profit	Cum. profit	Entry time
1	Long	1	99.11	100.29	1.18	1.18	3/14/2011 9:02:37 AM
2	Long	1	100.2	100.07	-0.13	1.05	3/14/2011 10:39:03 AM
3	Long	1	100.37	100.27	-0.10	0.95	3/14/2011 1:27:17 PM
4	Long	1	100.48	100.8	0.32	1.27	3/14/2011 1:41:25 PM

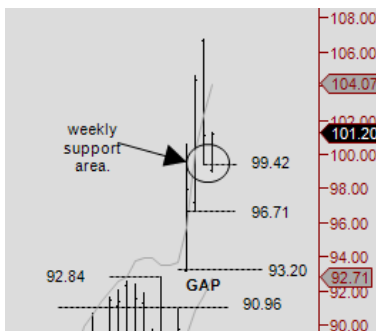
**1250V Chart**



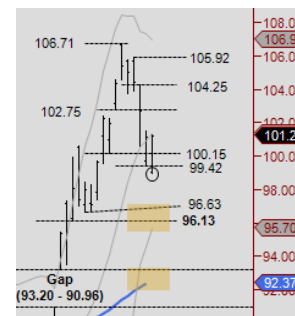
### 30Min



### Weekly



### Daily



## General Commentary

Since last Thursday there have been three consecutive gaps down and all three of them were filled within their respective pit sessions. This may be an indication that the market is trying to establish a bottom to a balance area that it is presently forming. This last gap down was the 3<sup>rd</sup> consecutive gap down; and with each of the gap downs there has also been successful filling of these gaps. In each of these 3 pit sessions, there has also been a successful retracement of price back to the previous day's value area. It is extremely important that I'd always assume that price, either opening out of balance or breaking out of balance during the course of the session day, will be drawn back to value or at least balance. If, however, price is accepted out of balance in new territory then as a trader I will accept it as well and trade it accordingly.

The 3 gaps illustrated how Thursday's gap retraced back to Wednesday's value; how Friday's gap retraced back up to Thursday's value; and how Monday's (today's) gap retraced back up to Friday's value. These fading gaps gave me tremendous opportunities to fade to the long side. We also have 3 excesses; one for each day and although the 1<sup>st</sup> 2 were taken out by the subsequent day today's excess seemed the strongest by some of the intermediate term buyers coming into the market. However, the short term traders were still in control of the market as price gyrated were taken back down "B" through "D" to 99.55 where excess prevented price from moving further down. The market then was auctioned back up again by the short timeframe buyers where it ended on its near high of 101.20

Tomorrow, we'll see if the short term traders are still in control. It is more likely, I believe, that the longer timeframe will push price further up tomorrow close to about the 104.25. The most important thing is that whatever I expect or anticipate may happen in the market, the market itself must to show me strong evidence of that.