

CL04-11 Trading Journal (03/15/2011) – The 4th Gap Down Along With The Fill

Go with the setups you know....

03/15/2011 Pre-Mkt analysis.

Announcements:

For non-market related reasons I will stop trading @ about 12 noon today.

Reports due out:

- @ 8:30 is Empire State Mfg Survey.
- @ 8:30 is Import/Export Prices.
- @ 8:55 is Redbook.
- @ 10:00 Housing Mkt Idx.
- @ 2:15P FOMC Rate Decision

It's around 8:30AM, March 14, settlement price is are at 101.18. The Overnight crude market is very short with considerable pre-market volume. The big story is with this considerable volume and overnight prices reaching the top of the next level of resistance @ 96.71, there may be more significant changes as evidence by the overnight market behavior hint to possibly more change that can occur today in the market; a good example is that the market may be trying to find a lower value bottom area from which to balance.



If there's a gap down, I will follow the usual gap rules. At this point I will wait to see where that market will open, where the market will go to (if it will reach its overnight low, for example), and how much time it will spend there. I did not expect the market to go further down so I will do more observing this morning to get an idea what the market will try to do before trading it.

If the market retraces back into yesterday's balance area and 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.

Trade Entry Commentary for 03/15/2011 CL 4-11

T#1 – Short // "D" period // Fade Balance // Entry @ 97.92 // Initial Stop: 98.22 // Target: (POC – 97.48) // P&L: +33 Ticks.

I kept a close eye on the 30Min and saw that as price climbed to today's 98.21 open. The open is a good reference area to as s/r and as price was heading further up there was little volume in play. After checking and making sure that the volume levels stay rather moderate I waited for 1250 signal short and that's where price broke down after attempting to reach higher.



T#2 – Long // “F” period // 1250 PB // Entry @ 98.56 // Initial Stop: 98.24 // Target: Yesterday’s Low (98.96) // P&L: +12 Ticks.

This was a long trade where I was waiting for a pullback to today’s opening price @ 98.21. Remember, what was resistance has now become support. In “E” period price broke the intraday resistance of 98.21 held there by today’s open with convincing and strong volume, see below. Also, using traditional technical analysis, I noticed almost a perfect trend alignment between all the time periods except for “A”, I used that in support of my entry; if it’s available why not use it. It reminds me that I should keep my mind open all the time to notice the small details on the charts that can make a big difference.



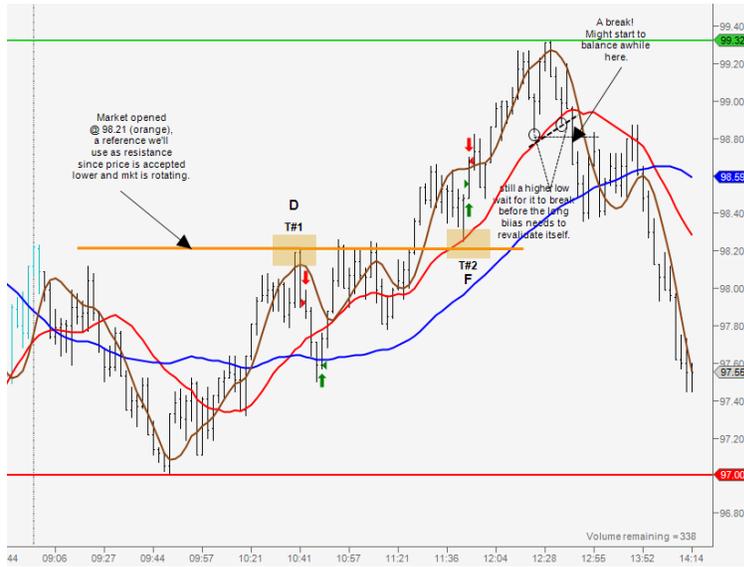
As a result of the convincing push up in price I thought that it probably will be accepted above the open; so now the open, formerly resistance, will now become my support to make trades off of. Although my thinking was correct and the destination was reached, the initial bounce up from where I anticipated to enter, was quick and took me by surprise, I entered late into the trade thereby not having any negotiating room to wait it out. I exited out of the trade with a small profit.



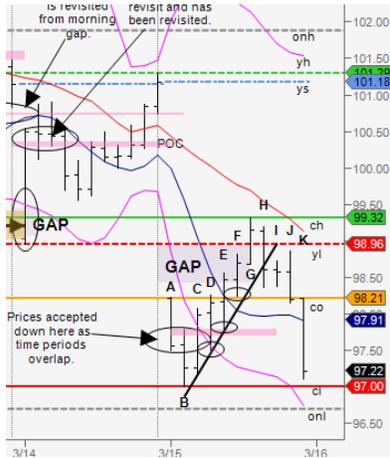
No more trades for today. Net Today: +45 Ticks.

Trade-#	Market pos.	Quantity	Entry price	Exit price	Profit	Cum. profit	Entry time
1	Short	1	97.92	97.59	0.33	0.33	3/15/2011 10:41:47 AM
2	Long	1	98.56	98.68	0.12	0.45	3/15/2011 11:46:19 AM

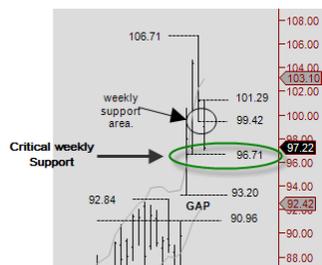
1250V Chart



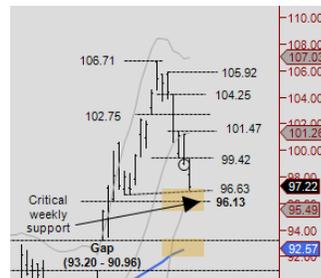
30Min



Weekly



Daily



General Commentary

CL Market Summary

Open: Gap Down @ 98.21

Close: 98.22

Day Type: Trend

Direction: Up

Balance Area: Lower

Daily Volume: 150k

I was little surprised to see the market brush against the top of the 3rd level support level @ the 96 area. Not breaking through the 96 support level with the intention of bouncing off to go back up with excessive buy volume left me to think that there is still a good chance that it may go down further before real strong responsive buyers come in and take it to at least its near highs again. The overnight market had a lot more volume (almost as comparable to a weak day session day. Overnight prices went down as far as 96.71. The market gapped down lower as it opened @ 98.21 was out of balance, and as consistent as the previous 3 gap downs, was able to eventually fill its gap which occurred in the "G" period. By "V" period, the market's lower prices were accepted as the 1st 3 time periods overlapped. This indicated to me that price had a good chance of balancing down there, if not trending further down. That being the case, it has given me the green light for taking rotational trades that will play off of the intraday s/r areas of the new balance area.

I was aware that the 98.21 open was going to be resistance, at least for a short time. However, during "E" period, the market broke thru with convincing volume; an indication that price was to be accepted above the now defunct resistance area of the opening price of 98.21 and to now become support off of which there may be opportunities to long. Having this in mind, I must be aware that any target would not be for the longer distance, since observing that volume, up to now, has been as light as the previous 2 trading sessions. I did have yesterday's low in mind as a target of a possible long play. This is be the 4th consecutive where the previous sessions day's low was targeted for the same reason: To fill the gap. You can't make this stuff up. I guess the market has its own reasons for doing these things.

The market closed @ 97.22; 22 ticks shy of its daily low, and 1 tick shy of its open; like I said, you can't make this stuff up. I will keep in mind that just below this area @ about 96 to the 97, there is critical weekly support lurking – it's good to be aware of it, and it will keep me from being too confident in any short trades that I may take tomorrow.