

# CL04-11 Trading Journal (03/18/2011) – An Inside Day

*Go with the setups you know....  
Wait for price to stray far from the rest of the pack for opportunity....*

## Announcements.

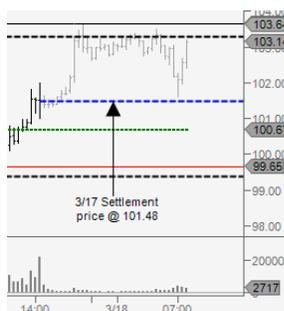
- Today's Quadruple Witching.
- G7 announced that they would intervene to stabilize the Yen (Pre-Open).
- Libya declares a cease fire after the No-Fly-Resolution (Post-Open).

## 03/18/2011 Pre-Mkt analysis.

### Reports due out:

**No reports due out for today.**

It's around 7:50AM on March 18, 2011. The March 17<sup>th</sup> settlement price is at 101.48. The overnight crude market is long. Yesterday's high is at 101.99. Current Crude futures price is about 102.80. Chances are good that there will be a gap up in the Crude futures today.



The premarket price of Crude has been in the 103 range since early evening yesterday. I will keep in mind several things this morning:

- Today's Quadruple Witching day and there is a good chance that I'll stay out of the market in the early part of the morning.
- Yesterday was a significant drive back up to the 2<sup>nd</sup> level of intermediate term resistance of 101.47.
- Yesterday's volume was not huge, only 179K, indicating that the drive up lacked of much of the potential buyers in the market.

If there is a gap up, there are a couple of points iterated above that I need to keep in mind. Regarding the last 2 points, I remember that on 3/11, as the price of crude opened with a gapped down, I had in mind the previous day of 3/10; I remembered that on that day there was a big break down from the 104 support area that drove price a couple of points down. The next day the market gapped down even further but wasted very little time reverting back up to the previous day's range to balance for the rest of the day. Usually a gap in the direction of a previous break out day will likely recede back into the previous day's balance, especially if the market is forming balance against the prevailing trend. Therefore I'm more inclined to think that a gap up at this time would have very little steam to it and recede back into yesterday's range.

I'm looking for the market to gap up again. If there is a gap up, I will follow the usual gap rules. I will wait to see where the market opens, then I will see if prices are eventually accepted by measuring time spent there as well as measuring the speed and committed volume supporting price at those levels. However, I will also keep the other considerations mentioned above in mind so that I'm aware of what would most likely happen during the gap and to trade accordingly.

If premarket prices open within yesterday's range but above value the thought is to fade the open back to yesterday's POC. If the market opens within value I'll wait to see if price approaches any of the established levels at the outer fringes or the extremes of the previously established structure and see how price reacts and trade accordingly.

During the course of the day, if the market breaks out of balance, I will 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, I will go with the trade in the direction opposite of the attempted break towards the other side of today's range or balance or towards the

POC. 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 accumulating along with price action.

### Trade Entry Commentary for 03/18/2011 CL 4-11

**T#1** – Short // “E” period // Scalp @ RV // Entry @ 101.58 // Initial Stop: 99.77 // Target: 10+ Ticks // P&L: +11 Ticks.

This short scalp trade was initiated at the upper extreme. This is a rotation away from the upper region of balance but because the market is so dead, a shorter term scalp had to be taken. It really wasn’t worth getting in or staying in longer than I had to. The market approached yesterday’s high with no enthusiasm; the market gave a small blast of a volume consisting about 4,500 contracts that was spread over 6 minutes (not that great of a push) but pushed price further up to its high for the day at that time to 101.76; volume then quickly receded with no follow through at which point a rash number of larger sellers came in to knock price down, further signaling the strong likelihood that price had topped out at that point.

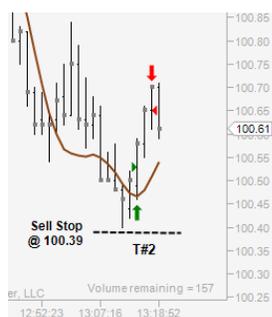
I exited when price was too slow in its decline down and took what I was able to get.



**T#2** – Long // “I” period // Scalp @ RV // Entry @ 100.53 // Initial Stop: 100.39 // Target: 10+ Ticks // P&L: +12 Ticks.

This short scalp trade was initiated at the Lower extreme. This is a rotation away from the lower region of balance. I anticipated that this was going to be literally a quick scalp unlike to what I expected in T#1.

I exited knowing that this had to be quick given how price was acting all day (jagged and tight) and there is very few in the market as I watch my DOM.

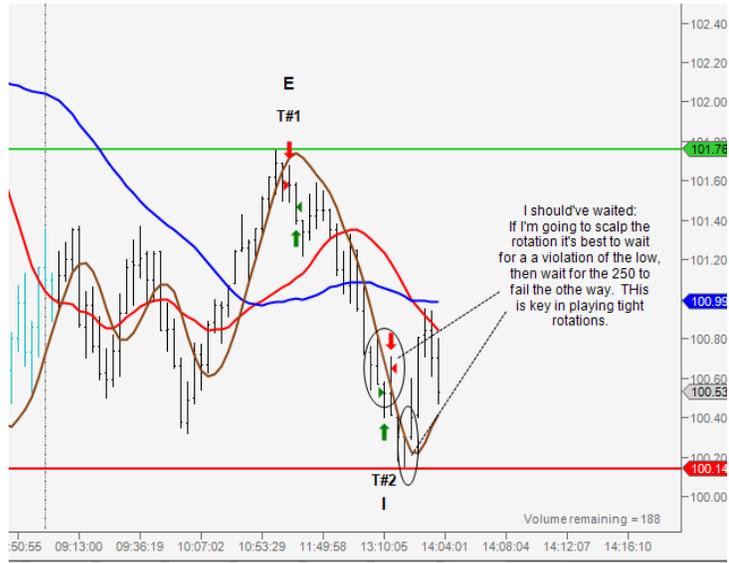


100.73	
100.72	
100.71	7
100.70	9
100.69	2
100.68	5
(1) 100.67	2
100.66	
12	100.65
8	100.64
8	100.63
6	100.62
6	100.61
100.60	
100.59	

No more trades for today. Net Today: +23 Ticks.

Trade-#	Market pos.	Quantity	Entry price	Exit price	Profit	Cum. profit	Entry time
1	Short	1	101.58	101.47	0.11	0.11	3/18/2011 10:59:41 AM
2	Long	1	100.53	100.65	0.12	0.23	3/18/2011 1:10:03 PM

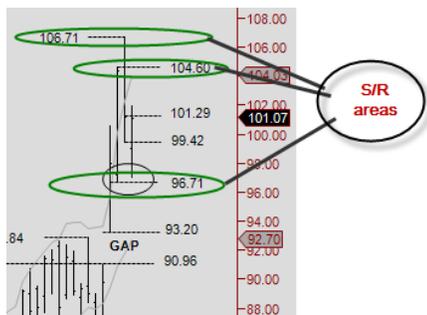
## 1250V Chart



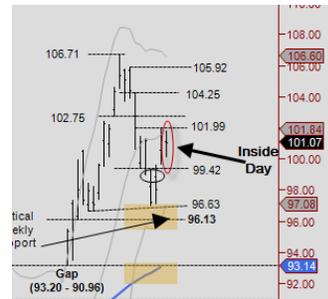
## 30Min



## Weekly



## Daily



## General Commentary

### CL Market Summary

**Open:** Within Value @ 101.10

**Close:** 101.07

**Day Type:** Balance

**Direction:** Neutral

**Balance Area:** Same

**Profile Shape:** Wide & Inside Day

**Daily Volume:** 170k

The market surprised me just before the open: When news from the G7 conference about stabilizing the Japanese Yen hit the air waves there was a mass premarket sell off of about 28,000 contracts in about 15 minutes. At that point my whole perspective on the open had changed. The level of almost certainty about price gapping up, has reversed to the same level of certainty but about the likeliness that the price will open within the previous day's range. That's what occurred.

Today was a meandering, slow day where the short term traders were back in charge. Not much happened of the day and nothing new to report as the day balanced all day long. However, because quadruple witching, international events, G7 and it being Friday, the day after St; Pat's, it may have kept a lot of people out of the market today.

Trading today amounted to just 2 scalps. It would have been wiser not to trade at all. The lesson learned for the day was regarding fading the extremes of balance areas: It is better to allow a level of s/r to be first violated then allowing it to fail the other way before entering a trade to go with that reversal.

It is important to note that the market day closed as an inside day. The rules for the inside day are to go with the break of that day. Inside days are very significant and imply contraction to that specific timeframe that has a high probability to a break out in the direction of whatever side the inside day is taken out.