

CL05-11 Trading Journal (03/22/2011) – Longer Timeframe Takes Charge

*Go with the setups you know....
Wait for price to stray far from the pack (i.e. Value) before targeting opportunity....
As day a trader I must immerse myself in the longer term timeframe to capitalize on market strength....*

Announcements.

- None.

CME – CL Contract Specifications -Trading expires on the third business day prior to the twenty-fifth calendar day of the month. If the twenty-fifth calendar day of the month is a non-business day, expiration is on the third business day prior to the last business day preceding the twenty-fifth calendar day. In the event that the official Exchange holiday schedule changes subsequent to the listing of Crude Oil futures, the originally listed expiration date shall remain in effect. If the originally listed expiration day is declared a holiday, expiration will move to the business day immediately prior to that holiday.

03/22/2011 Pre-Mkt analysis.

Reports due out:

@ 7:45 is ICSE

@ 8:55 is Redbook

Today is March 22, 2011; it is about 8:45AM and the March 21st settlement price 103.15. The overnight markets are short and we are expecting a gap down in the opening price this morning. Gapping down would fill Yesterday's 8 tick gap that was started and left open by yesterday's session as yesterday's market was obviously dominated by the short term traders.



As we anticipate the market to gap down this morning, I will follow the usual gap rules. But it is important that I always assume that the market will try to close the gap rather quickly as price tries to revert back to its mean (original value area) that it has defined for itself the previous day (assuming of course). Therefore, if there is a gap, 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. If prices are accepted at these new levels I will then accept that fact and employ trades that are most appropriate at that new level.

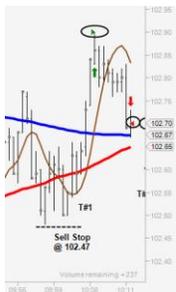
If premarket prices open within yesterday's range but above value the thought is to fade the open back to yesterday's POC. If the market opens within value I'll wait to see if price approaches any of the established levels at the outer fringes or the extremes of the previously established structure and 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 03/21/2011 CL 4-11

T#1 – Long // “C” period // B/O from Balance // Entry @ 102.90 // Initial Stop: 102.47 // Target: POC @ 103.18 // P&L: -20 Ticks.

This long trade was initiated from an initial day balance area at the lower region of where this new trading day was developing a new balance area. In this particular trade I could not have entered at the worst place - on top of a price spike that killed my confidence and had me worrying about risk the whole time – this lead me to exit the trade since I had no leverage that one would normally get when have great R/R. I felt confident that there was going to be a move up so after exiting I entered again at a more advantageous price. I was thinking that since yesterday's balance had a very long POC, that there was a good chance that the market would be attracted to it after the excess at the bottom of “A” period was formed by strong responsive buyers.



T#2 – Long // “C” period // B/O from Balance // Entry @ 102.70 // Initial Stop: 102.60 // Target: 10+ Ticks // P&L: +48 Ticks.

This is a retry of T#1 – I reentered another long @ the same price which I stopped out on in the T#1 trade to get a better R/R ratio. And finally there was a break out by “C” period from the early morning value formed by “A” and “B” periods. Although the market started slow without indication that the larger timeframe was going to set off a buy spree, large buyers came in and shot the market up to my target (yesterday's POC @ 103.18).



T#3 – Long // “E” period // Scalp off PB // Entry @ 103.81 // Initial Stop: 103.74 // Target: 10+ Ticks // P&L: +15 Ticks.

This is a simple pull back in a high speed up trend. Some of the best opportunities come when I know that the market (higher timeframe, specifically) is with me.



T#4 – Long // “F” period // Scalp off PB // Entry @ 103.91 // Initial Stop: 103.84 // Target: 10+ Ticks // P&L: +10 Ticks.

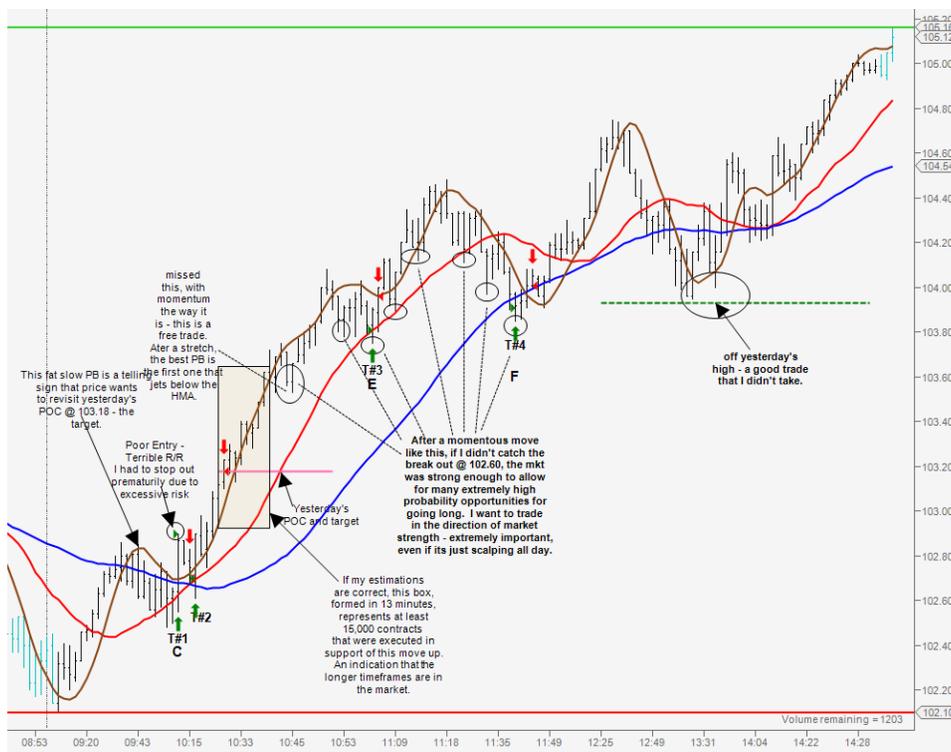
Another scalp off another pullback. Here I might have entered a little too soon because on these scalp off the pullback I really want to wait longer for the 250 to start to turn upward.



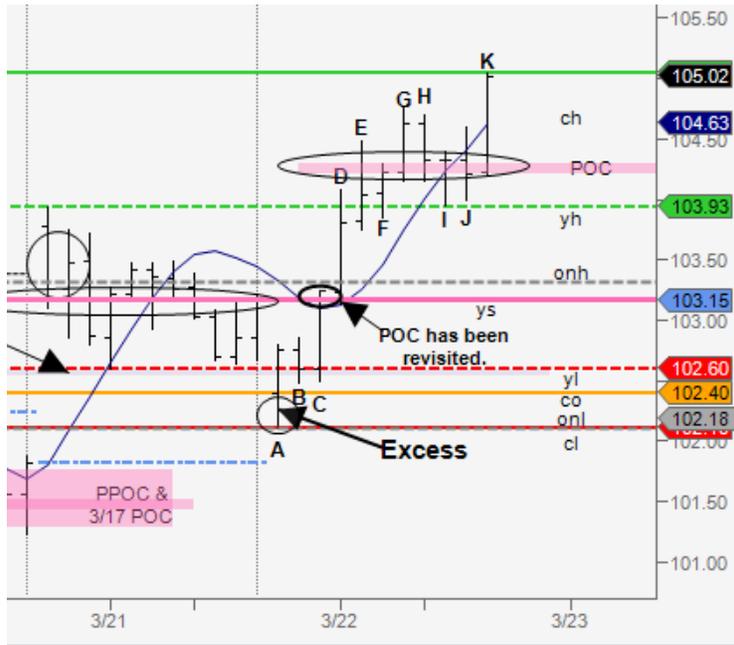
No more trades for today. Net Today: +53 Ticks.

Trade-#	Market pos.	Quantity	Entry price	Exit price	Profit	Cum. profit	Entry time
1	Long	1	102.9	102.7	-0.20	-0.20	3/22/2011 10:08:25 AM
2	Long	1	102.7	103.18	0.48	0.28	3/22/2011 10:17:29 AM
3	Long	1	103.81	103.96	0.15	0.43	3/22/2011 11:02:23 AM
4	Long	1	103.91	104.01	0.10	0.53	3/22/2011 11:37:42 AM

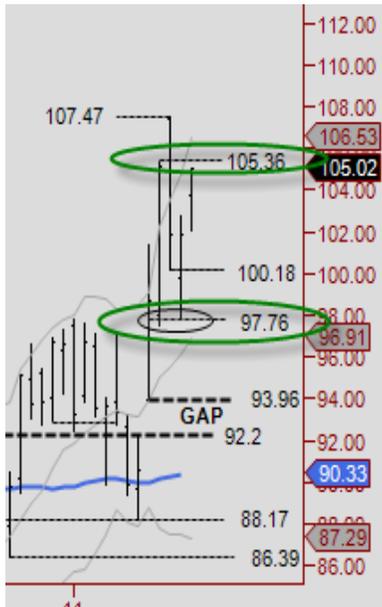
1250V Chart



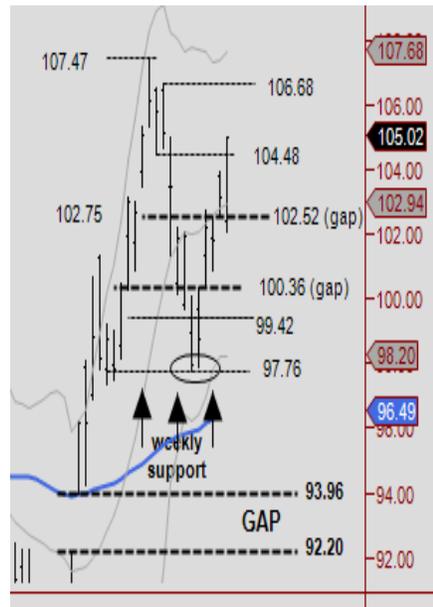
30Min



Weekly



Daily



General Commentary

CL Market Summary

Open: Gap Down @ 102.40

Close: 105.02

Day Type: Trend

Direction: Up

Value Area: Higher

Profile Shape: Elongated

POC: 104.22 – 104.30

Daily Volume: 181k

After the market showed that it was short during the overnight hour right before the today's open, it was certain that there was going to be a gap down; the question was whether this will be a gap of strength where the market will continue to proceed further downward toward the 100.36 gap that is still open,; will the market value in this general area, or will it be a gap down only to recover back upwards as the gap might attract the longer timeframe. In its gap down, yesterday's gap created by yesterday's session gap up was filled in overnight trading, however, it was "A" period that now, after opening, filled the gap down that "A" just created. In indication whether prices were being rejected but responsive buyers or if price was going to start finding balance in between yesterday's and today's balances.

The clue provided in "A" was given when responsive buyers came in to reject price back up to close yesterday's gap. This created excess at the bottom of "A". "B" was beginning for form value and acceptance, but in an area that was in limbo between the 2 previous balances areas. After "B"s completion without violating "A"s excess, there was a better chance for subsequent period to take the market up higher. One reference that caught my eye was yesterday's POC which was at 103.18 that had almost all the time periods pending time there. This is a strong indication that price would revisit that area, didn't have to be today but maybe tomorrow. But with excess below now, I was looking to go long with a target to about the POC area.

My first trade today yielded a big weakness of mine, and that is to get to excited whe a spike of volume spurts forth price in a way that I was expecting it to. The problem I get so ahead of myself and allowed the market to entice me in too soon. I need to wait with focus, not with hope and hastiness. I picked the worst spot to go long, at the top of the spike, allowing the market to dictate that I exit my trade before it brings me down to my catastrophic stop of about -40 ticks. I would rather have settled for a 20 tick loss so I forced myself out of the trade as I had no leverage when it comes to poor entries.

I finally reentered soon after, actually at the same price where I had stopped out, and improved on my R/R ratio. I felt so much more at ease with this 2nd entry. I need to try to enter at the bottom NOT the top of any pullback or price cluster unless its obvious where the market will go. Finally "C" period showed that the longer timeframe buyers came into the market and felt confident that the POC was a reasonable target at which point I exited my trade. At this point the market moved too quick for me to realize that these were the longer timeframe buyers that were in the market otherwise I would've tried to trail my stop up a little more, maybe to yesterday's high, instead of taking my target.

The result was that the market achieved to go as high as to just shy the weekly resistance extreme level of 105.36 in "G" period; see weekly chart. The market spent the rest of the day in the new higher value area it now has set for itself.

One of the benefits of a day like this is that once the market is moved by the higher timeframe buyers or sellers, there happens to be, during this time, quite a few other opportunities for me to in with the trend. It always is so much easier to trade with strength of the market when the market is trending in such a way. This allows the increased probability of the market to go into win territory rather quickly after entering trades. It provides me so much more confident about staying in the market to let the reade play out even if I happen to be in the red during that time, in most cases it's just a matter of waiting it out.

After my Break Out trade, I just spent the rest of the day scalping north until "H" period gave an indication that there was a good chance that the market was about to balance at the higher levels.

The market ended much higher, this was a trend day with 181K of volume, a clear sign that the longer timeframe traders were in the market. In fact, these traders brought price all the way up to their weekly resistance area of 105. There is a good chance tomorrow that the market will maintain its ground if not attempt to go higher and maintain balance in even higher territory. The elongated profile shape is convincing and it's been a while since we had one like this; the market ended @ 105.02 almost on it highest of the day being 105.04; what strength.

