

CL05-11 Trading Journal (03/25/2011) – 3's A Balance

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

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.

03/25/2011 Pre-Mkt analysis.

Reports due out:

@ 8:30 is GDP Report

@ 9:55 is Michigan Sentiment

Today is March 25, 2011; it is about 8:30AM and the March 24th settlement price is 105.59. The overnight markets are neutral this morning with relatively low volume and we are expecting the market to open within the previous day's range or value area.



Yesterday, the short term traders were in charge of the market again just as they were on the previous day of 3/23 as both days were in balance. Both balance areas were overlapping as we had 2 days of straight overlapping balance.

I try to always think of Value and where it is in relation to price. I look at price as just a mere tool to use in order to trade Value.

The references from Yesterday's Settlement:

Blue Sky
106.68 - Daily
106.46 - Yesterday's High
105.88 - Overnight High
105.59 - Yesterday's Settlement
104.88 - Overnight Low
104.75 - Yesterday's low
104.48 - Daily
104.30 - the 3/22 POC
103.77 - S/R
103.18 - 3/21 POC
102.10 - Daily

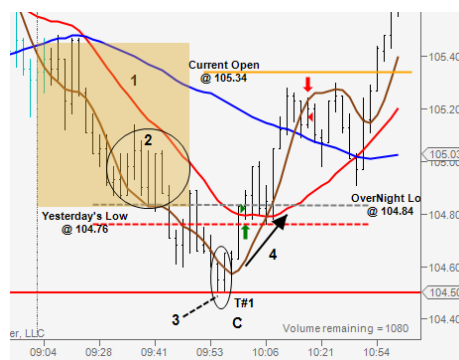
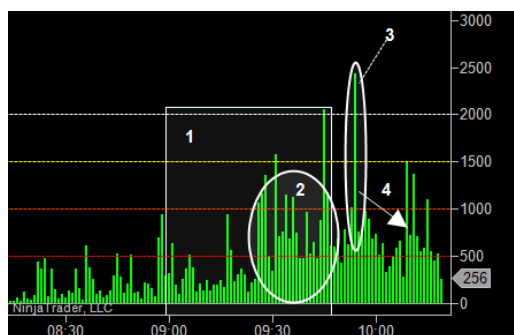
If the market opens within the previous day's Value Area or within the yesterday's range, I will wait to see what the market does regarding its departure from Value. I need to keep in mind about the significance of the role that Value and the POC play whenever price migrates away from them; when price migrates too far from them, it is a time of opportunity; to relate this activity to the different levels defined above help me know what price is attempting to do and

where it is trying to go. Any visitations by price to any extreme areas defined will be watched closely for reactions in price within the context of the market.

CL 05-11 Trade Entry Commentary for 03/25/2011

T#1 – Long // “C” period // RV from Balance // Entry @ 104.82 // Initial Stop: 104.50 // Target: CO @ 105.34 // P&L: +35 Ticks.

Several minutes before the break of Yesterday's Low there was increased down volume telling me to hold off fading any reaction long. On the volume chart below, I noticed in **box # 1** on both charts below, how volume was increasing as it approached Yesterday's Low from the time the market opened @ 9AM to just before the break down below Yesterday's low; a very significant area because if I look back 3 days ago to 3/23 on the 30Min chart I see a clear break up in price that created a clear support area right where Yesterday's low is (104 .76 to the tick). **Circle # 2** shows the real increase in volume at this lower level - this is what kept me from going long. What I further noticed is the volume spike pointed to by **# 3** which relates to the 2 pivot bars on the 1250 chart pointed to by **# 3** as well; the market is now taking out the all the 2-day old sell stops – that big spike in volume created by those 2 little price bars. In **# 4** we have price going higher while volume is decreasing – probably because the shorts done what they had to do and now since most of the sellers left the market because their job is now done (thus, reducing volume flow), the buyers are now left alone to reverse this move upward. Basically, that's liquidation (and short covering – its counterpart).



T#2 – Short // “G” period // RV off Balance // Entry @ 105.73 // Initial Stop: 105.96 // Target: CO @ 105.76 // P&L: +24 Ticks.

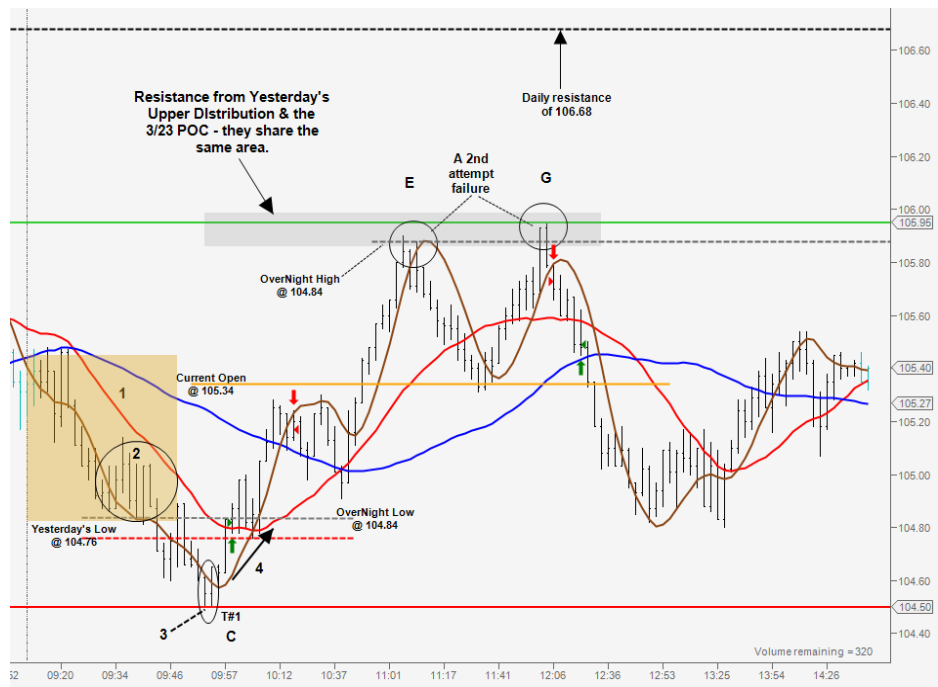
I faded a 2nd attempt failure off the upper balance extreme. I exited because of the price reaction reversing against me on the 1250. Also, since I was in the neighborhood on my target I really didn't want to give any of it back. The ONH and other resistance around that area (see 1250 chart) created opportunity for the market to go short.



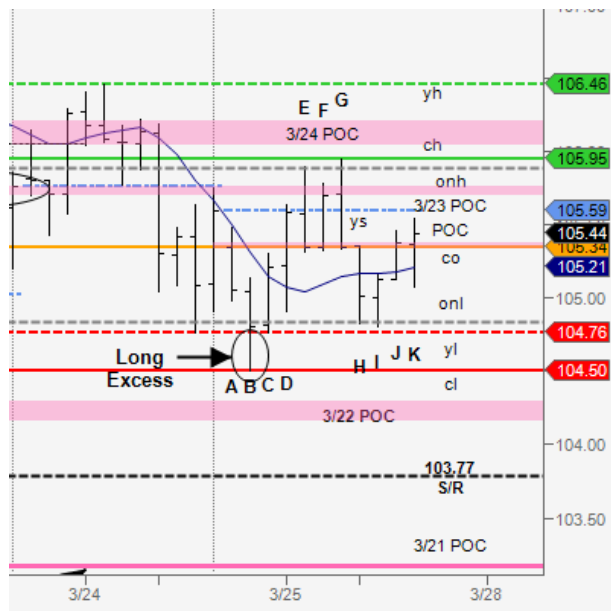
No more trades for today. Net Today: +59 Ticks.

Trade-#	Market pos.	Quantity	Entry price	Exit price	Profit	Cum. profit	Entry time
1	Long	1	104.82	105.17	0.35	0.35	3/25/2011 9:57:54 AM
2	Short	1	105.73	105.49	0.24	0.59	3/25/2011 12:05:53 PM

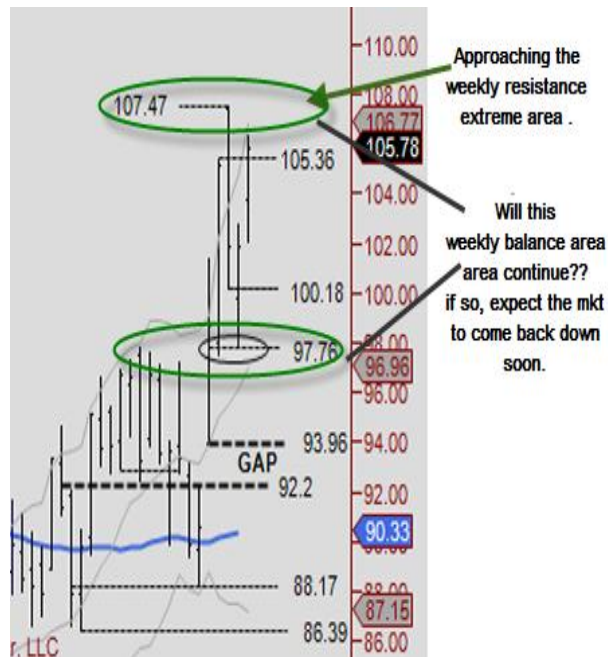
1250V Chart



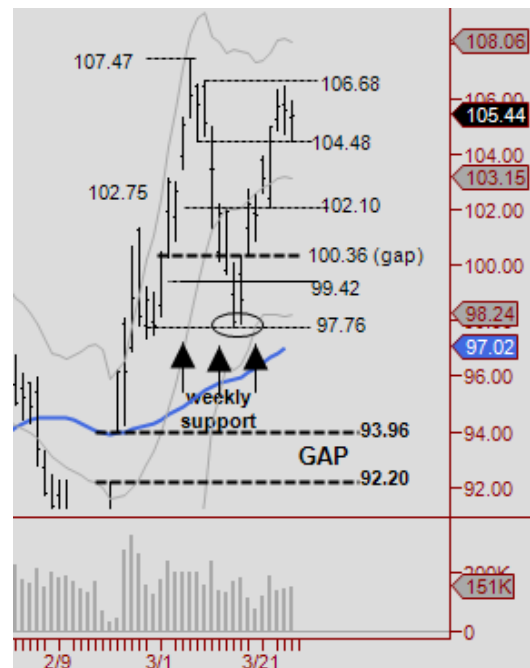
30Min



Weekly



Daily



General Commentary

CL Market Summary

High: 105.96

Low: 104.50

O/N Inventory: Neutral

Open: Within Value @ 105.34

Close: 105.44

Short Excess: -

Direction: Same

Value Area: Within Yesterday's Lower Distribution

Profile Shape: Wide

POC: Lower @ 105.33 – 105.35

Long Excess: 104.50 – 104.76

Volume: 151K

PVolume: 146K

The market opened within the previous balance of yesterday's lower distribution this morning. The overnight market sentiment was neutral and, therefore, gave good indication that the market would open in one of the 2 distribution areas as it displayed no real attempt either in price or in volume, that there was going to be anything unexpected.

The market, though sleepy at the open, liquidated further down in “B” period as it took out stops that were left under a 2-day support line by overnight long position holders. The market then rebounded back up past its initial morning high made in “A” period as was expected during periods “C” through “G”. It was “G” period that made a 2nd attempt up past the intraday high that was created by “D” period. I know that 2nd attempts to exceed the current balance extremes, made at price boundaries of markets that are balancing that fail (as usually noted on the 1250 chart), offer a high probability opportunity to fade the move the other way. “G” then descended downward toward the top of today’s excess that was earlier created by “B” as it was liquidating the market.

This is the 3rd consecutive balance day in a row. Could this mean that a flag on the Daily chart is starting to form where price may be able to catapult itself longer into Blue Sky territory? Again, I can’t overemphasize news events, particularly news coming from the Mid East and Northern Africa. But a few situations can develop from here as 2 are shown below.

