

# CL05-11 Trading Journal (03/29/2011) – CL Gaps Down But Has A Strong Finish

*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.

## 03/29/2011 Pre-Mkt Analysis.

### Reports due out:

- @ 7:45 ICSC-Goldman Store Sales
- @ 8:55 Redbook
- @ 9:00 S&P Case-Shiller HPI
- @ 10:00 Consumer Confidence
- @ 10:00 State Street Investor Confidence Index

Today is March 29<sup>th</sup>, 2011; it is about 8:30AM and the March 28<sup>th</sup> settlement price is 105.43. The overnight market is all short this morning on relatively typical overnight volume. However, we are expecting the market to gap down today at the session open.



Yesterday Crude has also gapped down and wasted very little time to fill the gap subsequent of its open. It seems to me that whenever a market gaps in the opposite direction of the longer timeframe trend that the gap should be watched carefully and I believe that in this situation there is a high probability that the gap has a pretty good chance of being filled that same day. Besides, even with the trend, a gap open to the upside or down side should be assumed until proven wrong that the market will seek out the most recent value area and attempt to move towards it, unless there is large volume in favor of moving price away from Value.

If the market gaps down which I think will most likely happen. I will wait for the price to be accepted before thinking about shorting any pullback to any area as that pullback could be the result of strong longer timeframe volume that has come into the market to purposefully drive price back to Value. If price is accepted as indicated by the behavior of the market and by being patient, I will then look for the appropriate time to short the market at areas that are significant regarding the likelihood of price reacting strongly around them. Also, it is beneficial to enter trades with excellent trade location in order to minimize risk and for the benefit of being better able to manage the trade since I would be at a more leveraged position to stick the trade out longer.

If the market opens inside Value or inside the previous days range, I will wait for price to make a move that would challenge the status of the balance and evaluate price's reaction along with market speed and volume to determine if it would be appropriate to enter the trade.

The major support areas to look out for include:

1. **107.47** (Daily)
2. **106.68** (Daily)
3. **102.10** (Daily)
4. **100.36 – 100.41** (Daily & Unfilled Gap)
5. **97.76** (Daily)
6. **92.20 – 93.96** (Weekly & Unfilled Gap)

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.

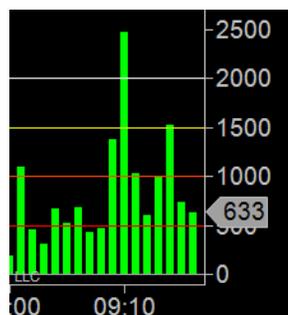
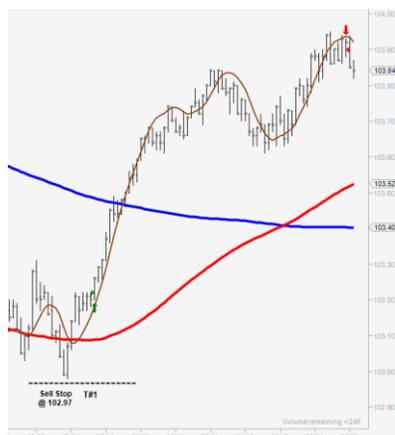
The references around Yesterday's Settlement:

- Blue Sky
- 107.47 - Daily
- 106.68 - Daily
- 106.18 - 106.06 - the 3/24 POC
- 104.92 - Yesterday's High
- 104.08 - Overnight High
- 103.98 - Yesterday's Settlement**
- 104.78 - the 3/22 POC
- 104.48 - 30Min S/R
- 104.30 - the 3/22 POC
- 103.75 - 30Min S/R
- 103.60 - Yesterday's low
- 103.18 - 3/21 POC
- 102.48 - 30Min S/R
- 102.10 - Daily
- 100.36 - Daily (Gap)
- 97.76 - Daily
- 93.96 - Weekly (Gap)

## CL 05-11 Trade Entry Commentary for 03/29/2011

**T#1** – Long // “A” period // Fade the Open // Entry @ 103.22 // Initial Stop: 102.97 // Target: YS @ 103.98 // P&L: +68 Ticks.

I entered long to fade the open. With the failure of price to take out the Overnight High, A surge of buy volume that has been heavier than in recent times, a price spike on the 1250 chart and the 3/21 POC there for added support, I thought it would be a good R/R to take a shot at the expected response of going the other way. When the market gaps I always assume that price is more likely to fade a reversal back towards Value unless I'm proved otherwise, especially, since I noticed that the gap was against the longer term trend. I exited just before my target which just under Yesterday's Settle price of 103.98. Volume was unusually high at the open considering that recent opens were non enthusiastic. The volume spike below confirmed that I should stay in the trade.



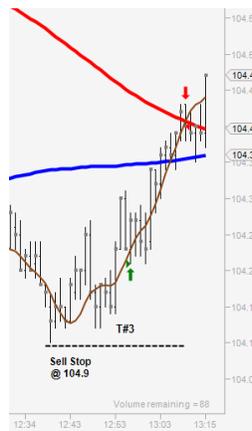
**T#2** – Long // “B” period // PB off 50sma & YL // Entry @ 103.53 // Initial Stop: 103.38 // Target: CH @ 104.79 // P&L: +37 Ticks.

A pullback off the 50sma and a dipi below Yesterday’s low made this a pretty good R/R trade. I thought that price pulled back enough (and the way it pulled back) gave clues that at the 50sma would be a good place for a long particularly considering what had happened in “A” period: it was a strong drive up that still had much energy to make a 2<sup>nd</sup> attempt at the most recent high that it just made. 2<sup>nd</sup> attempts are always something for me to watch for; price almost always try to go for a higher level especially if its during the first couple pullbacks of a strong trend. I exited just shy of my target.



**T#3** – Long // “F” period // PB off ONH // Entry @ 104.21 // Initial Stop: 104.09 // Target: 10+ Ticks // P&L: +19 Ticks.

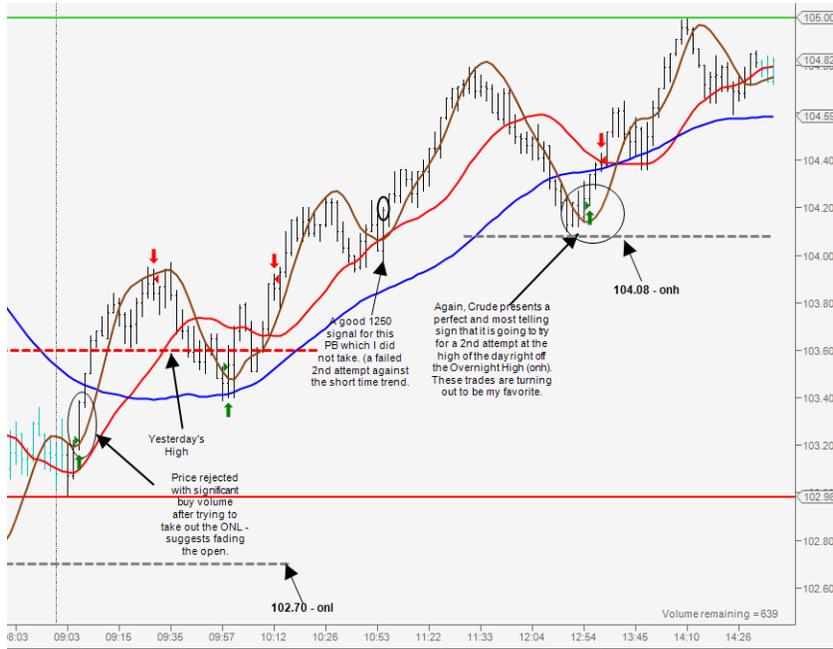
Price was due for another attempt up because all of the previous attempts had made higher highs and higher lows. This trade was a little tricky because my 1250 didn’t give off that much of a signal but the Overnight High was a good area for price to reverse for another attempt higher. Every attempt up on my 1250 chart have been very successful up to now. A good R/R trade is I had stayed in a bit longer but at this point I thought that I was pushing it with waning volume and slower ascension with price.



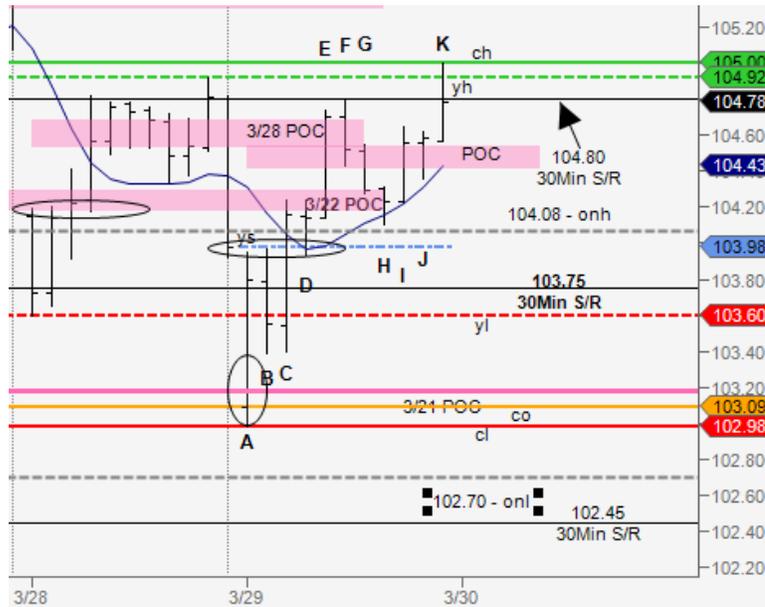
No more trades for today. Net Today: +124 Ticks.

Trade-#	Market pos.	Quantity	Entry price	Exit price	Profit	Cum. profit	Entry time
1	Long	1	103.22	103.9	0.68	0.68	3/29/2011 9:07:02 AM
2	Long	1	103.53	103.9	0.37	1.05	3/29/2011 9:59:52 AM
3	Long	1	104.21	104.4	0.19	1.24	3/29/2011 12:55:36 PM

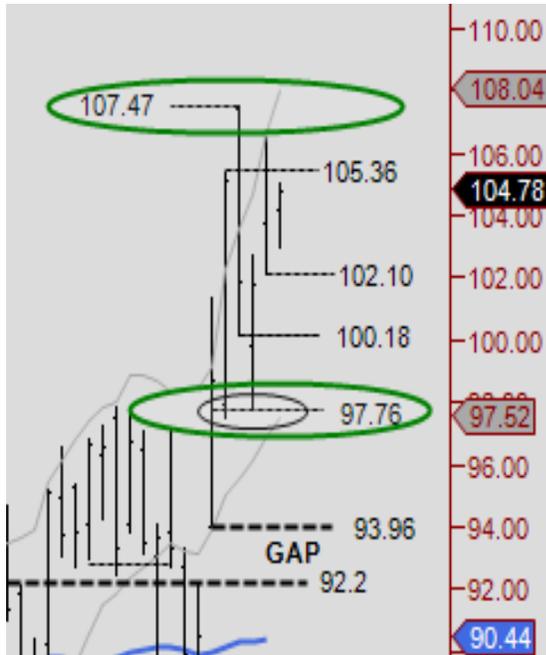
### 1250V Chart



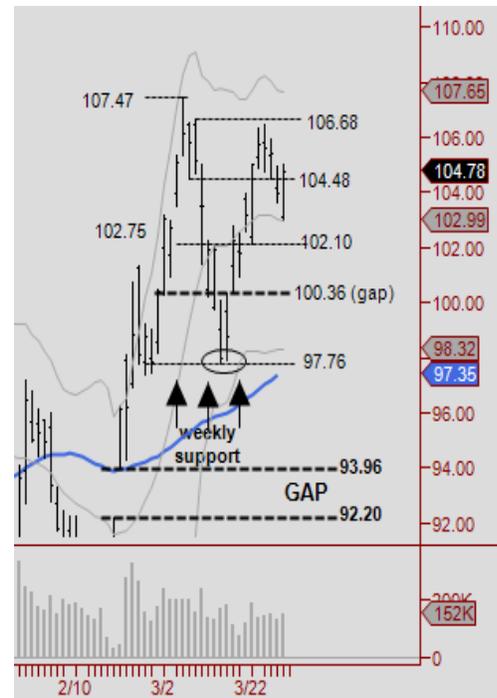
### 30Min



## Weekly



## Daily



## General Market Commentary

### Crude Oil - 05-11 Market Summary

**High:** 105.00

**Low:** 102.98

**O/N Inventory:** Short

**Open:** Gap Down @ 103.09 (51 Ticks below the Previous Low)

**Close:** 104.78

**Short Excess:** -

**Direction:** Neutral

**Value Area:** Same

**Profile Shape:** "P" Shaped (Short Covering)

**POC:** Higher @ 104.43 – 104.55

**Long Excess:** 102.98 – 103.39

**Volume:** 152K

**PVolume:** 131K

Today the market gapped down this morning @ 103.09 which was 51 ticks lower from Yesterday's High of 103.60. "A" period opened up and tested 11 Ticks down @ 102.98 and was not able to take out the 102.70 Overnight Low. Not able to take out the Overnight Low, with a 1250 reaction upward, increased volume at the Open, a rejection after a test lower, and an opening at the 3/21 POC that provided an extra level of support, I thought that the market had a good chance of moving upward to close the gap and to at least hit Yesterday's Settlement price of 103.98. I noticed from yesterday's session that the market did the same thing; it opened in the morning and retraced to close the gap rather quickly (by "D" period). I also remember 2 to 3 weeks ago, when the market was starting its 1<sup>st</sup> retracement down from its 107.47 high, there were around 4 consecutive days of gapping lower only so the market can retrace back up to close those gaps. This seems to be a typical pattern made by the market when the market gaps in the opposite direction of the longer timeframe trend. Can this be the longer term timeframe buying up all the short term shorting going on in the

