

CL05-11 Trading Journal (03/30/2011) – Liquidation Break and Excess

*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....
I see price as just a mere tool for me to use in order to trade Value....*

Announcements.

- None.

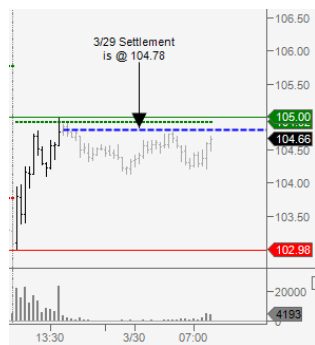
CME – CL Contract Specifications -Trading expires on the third business day prior to the twenty-fifth calendar day of the month. If the twenty-fifth calendar day of the month is a non-business day, expiration is on the third business day prior to the last business day preceding the twenty-fifth calendar 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.

03/30/2011 Pre-Mkt Analysis.

Reports due out:

- @ 7:00 MBA Purchase Applications
- @ 7:30 Challenger Job Cut
- @ 8:15 ADP Employment Report
- @ 10:30 Crude Inventories

Today is March 29th, 2011; it is about 8:45AM and the March 28th settlement price is 105.43. The overnight market is all neutral this morning on relatively typical overnight volume. I am seeing that although price is neutral the location of this neutrality is just above yesterday's POC area but at the upper part of the range of yesterday's range. I remember when I look at yesterday's price action that the "P" shaped profile has placed the POC at the upper end of the price range. This means that although price may open at this upper region or even gap up, that price would not be too far from the POC if I wanted to fade price back towards value. As it stands now with minutes before the open I believe that price will either gap up but may open at the upper region of yesterday's range as well.



If price gaps up, that means price has broken balance and I will assume that price will revert back to previous balance, unless price is accepted outside of balance at which point I will wait for it to pull back for optimal trade location to go long. If price opens in the upper range of yesterday's balance I will assume that it will revert back to the POC area of yesterday, however, in this case the POC is quite close to the POC so I would not consider it today since I believe that there is a good chance for price to break out early today given yesterday's climb up from yesterday's gap down.

If the market gaps down, which I don't think will happen, I will apply the normal gap rules with discretion.

If the market opens inside Value, 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 see price as just a mere tool for me 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
105.73 - 106.06 - the 3/23 POC
105.32 - 106.06 - the 3/25 POC
105.00 - Yesterday's High
105.00 - 30Min S/R
104.92 - Overnight High
104.78 - Yesterday's Settlement
104.13 - Overnight Low
104.78 - the 3/22 POC
103.75 - 30Min S/R
103.18 - 3/21 POC
102.98 - Yesterday's low
102.45 - 30Min S/R
102.10 - Daily
100.36 - Daily (Gap)
97.76 - Daily
93.96 - Weekly (Gap)

CL 05-11 Trade Entry Commentary for 03/30/2011

T#1 – Short // “A” period // Fade the Open // Entry @ 104.60 // Initial Stop: 104.81 // Target: ONL @ 103.98 // P&L: +23 Ticks.

Although in my premarket analysis I did mention that I wasn't going to enter a short trade to fade the Open because of the close proximity of Value and the POC to yesterday's upper range. This morning's open was a very low confidence morning as there were 5 things about the market that I noticed which led me to short the Open:

1. There were a lot of large sellers just before the open that had unloaded large lots. (I should've taken a picture of it).
2. The market speed was low – it was absolutely dead.
3. Volume was extremely low.
4. Price was still some distance above Value even though Value was stationed higher.
5. We opened below yesterday's short excess that was created in yesterday's last period, “K”.

I thought a short was favorable, but if I look at the trade from my 1250 chart it was obvious that I had I exited too soon because of the very same reasons why I had reservations about shorting to begin with.



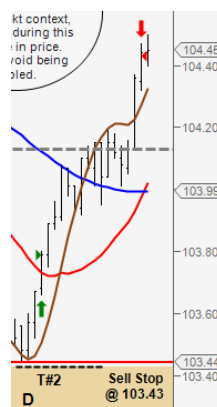
T#2 – Long // “D” period // RV off Excess // Entry @ 103.79 // Initial Stop: 103.43 // Target: 3/29 POC (@ 104.44) // P&L: +64 Ticks.

Again, there were 4 events that occurred that led me to take an entry long from the bottom bounce where price reversed from subsequently to start its trek towards higher ground:

1. The Crude Report.
2. The ensuing short term Liquidation Break that followed the Report.
3. Yesterday's excess area that held its territory.
4. The reaction I saw on my 1250 chart.

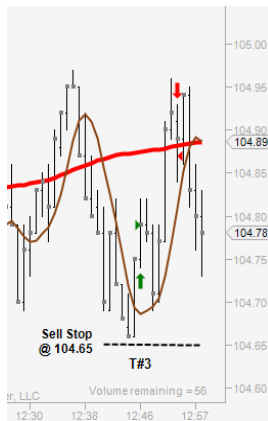
It started with the Crude Report – The report itself had very little impact on the traders' sentiment towards the value of Crude. But this tipped Short Term traders to liquidate their long positions who were not comfortable holding them after having them for some time without showing anything for it in what started out to be a neutral Overnight market and into a low confidence morning where the market was unable to take out the Overnight High in both the Overnight market and immediately after the pit session Open. The Liquidation Break slammed price down the to top of yesterday's excess where price immediately reversed from (almost to the tick) before there was a distinguishable 1250 trigger signaling a very high probability long entry. I had exited at my target at yesterday's POC.

There was too much price action for me to snap shot a picture of the 250 chart. Besides this trade was traded off the 30Min and 1250 charts only; 250 in these cases are useless.



T#3 – Long // “I” period // Scalp off PB to CO // Entry @ 104.79 // Initial Stop: 104.65 // Target: 10+ Ticks // P&L: +8 Ticks.

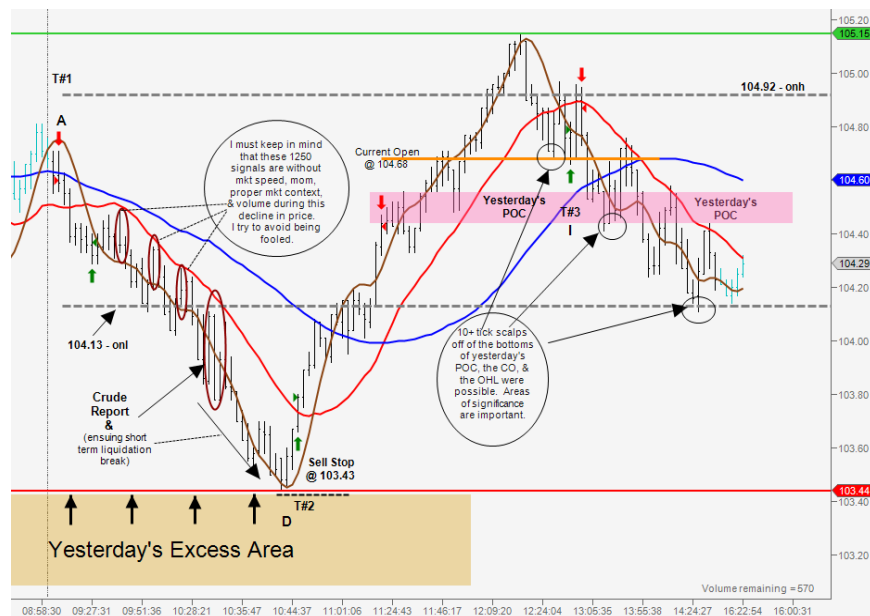
The 250 chart is good for quick scalps off of areas where one is anticipated. Unfortunately, I should have used the 250 more effectively than having used the 1250 for this entry as my entry was poor and risk big.



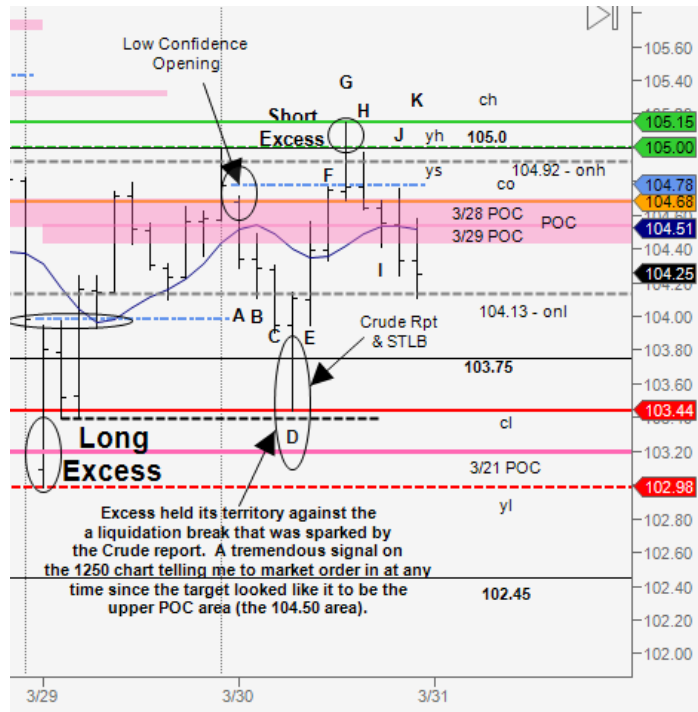
No more trades for today. Net Today: +95 Ticks.

Trade-#	Market pos.	Quantity	Entry price	Exit price	Profit	Cum. profit	Entry time
1	Short	1	104.6	104.37	0.23	0.23	3/30/2011 9:05:41 AM
2	Long	1	103.79	104.43	0.64	0.87	3/30/2011 10:45:29 AM
3	Long	1	104.79	104.87	0.08	0.95	3/30/2011 12:45:40 PM

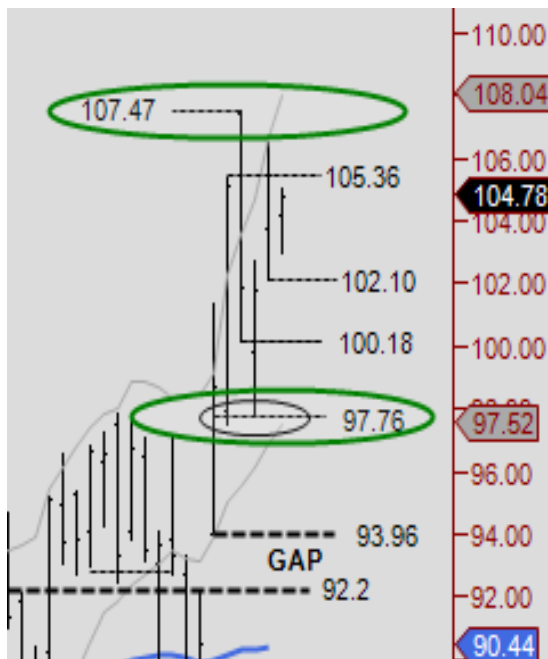
1250V Chart



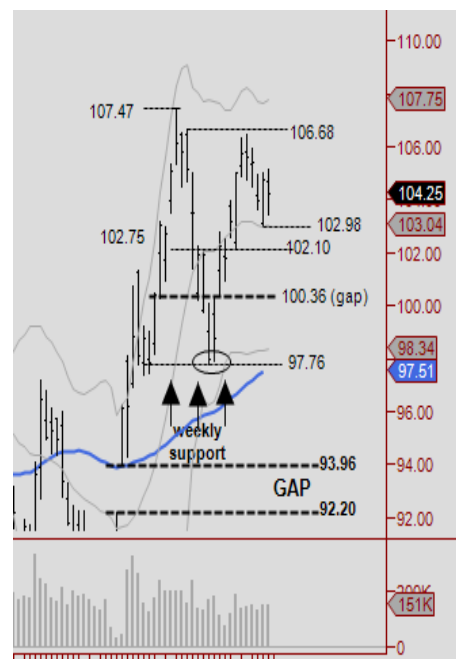
30Min



Weekly



Daily



General Market Commentary

Crude Oil - 05-11 Market Summary

High: 105.15
Low: 103.44
O/N Inventory: Neutral
Open: 104.68 (Upper Balance)
Close: 104.25
Short Excess: 105.15 – 104.97
Direction: Neutral
Value Area: Same
Profile Shape: Balance
POC: Same @ 104.41 – 104.56
Long Excess: 103.44 - 13.90
Volume: 151K
PVolume: 152K

The market day today was practically the same market type day as yesterday; let's see: The POCs for the last 3 days have been overlapping with each other, the Volume is only 1K difference, the Value Areas are overlapping, The profile shapes are almost the same but basically they are both balanced, both market days have extreme long excess, directions are both neutral and the ranges are not that much different in spread. Talk about a balancing with the previous day, not to mention that the 3 day old (3/28) market day falls within the range of the last 2 market days. This contraction means break out possibilities if not for tomorrow, then soon.

The market opened up with a low confidence opening. I was thinking that since price did some driving upward yesterday that maybe it would have enticed the longer time frame to join in with the short term longs if the short term traders had tried pushing price up further after the Open. This did not happen as the Open was about as non eventful as the premarket session itself. Due to the lack exuberance, volume, speed, and with major sellers coming in early just at the Open along with the Overnight traders' inability to even come close to taking out the Overnight High, day time excess created by yesterday's "A" period was a further discouragement to any thought about moving the market higher.

At this point, with no longer term buyers in the market, the only place for the market to go is down. Periods "A" through "D" did bring the market to its lowest point for the day to a daily low of 103.44. However, it was "C" period that reported the Crude Inventories and it was "D" period where a short term Liquidation Break followed that drove the market down to its lowest point of the day, ridding the market of the majority of the long liquidators and sparking a recovery back toward and eventually passing today's and yesterday's high, taking out the short excess made in yesterday's session. The market then settled into mid range of the day where it closed @ 104.87. Short excess was created in "G" periods reversal down from the day's high, however, on both days where both long and short excesses were created, the long excesses were much more responsive, larger in spread, and were never challenged. This is in contrast to the short excesses on top where both days had less responsive action, were smaller and yesterday's short excess was not only challenged by that day, but was taken out by today's bounce off of today's excess. This suggests more strength coming from the short term buyers than the short term sellers. The question is will the longer time frame come in on the longer or shorter side of the market.