

Advanced Order Flow Trading
Module 1
Principals of Order Flow

Michael Valtos – Orderflows.com

Disclaimer

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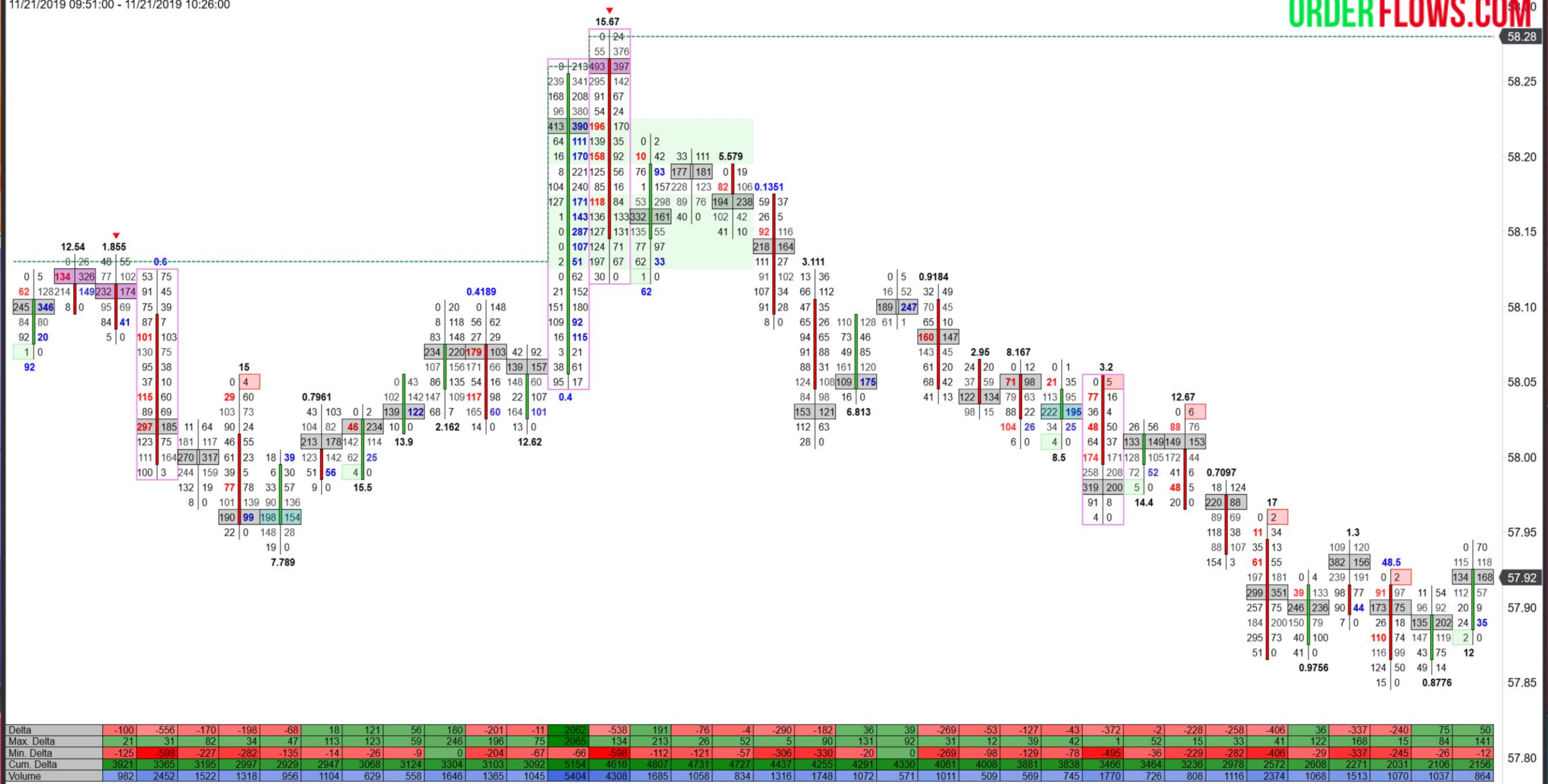
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The only thing easier than making money in the market is losing it.

You cannot just focus on price going up or down. You must take into account other factors such as volume, delta, imbalances, POC. Basically the order flow. Much in the same way as driving. You must drive with the flow of traffic. You have to trade with the flow of trading.

When you learn how to drive one of the most important parts of your education is defensive driving. You must be aware of what else is happening besides just focused on the car ahead of you.

Order Flows Trader(CL 01-20 (1 Minute)), Current day OHL(CL 01-20 (1 Minute))
11/21/2019 09:51:00 - 11/21/2019 10:26:00



Delta	-100	-556	-170	-198	-68	18	121	56	180	-201	-11	-2062	-538	191	-76	-4	-290	-182	36	39	-269	-53	-127	-43	-372	-2	-228	-258	-406	36	-337	-240	75	50
Max. Delta	21	31	82	34	47	113	123	59	246	196	75	2065	134	213	26	52	5	90	131	92	31	12	39	42	1	52	15	33	41	122	168	15	84	141
Min. Delta	-125	-598	-227	-282	-135	-14	-26	-9	0	-204	-67	-66	-598	-112	-121	-57	-306	-330	-20	0	-269	-98	-129	-78	-495	-36	-229	-282	-406	-29	-337	-245	-26	-12
Cum. Delta	3921	3365	3195	2997	2929	2947	3068	3124	3304	3103	3092	5154	4616	4807	4731	4727	4437	4255	4291	4330	4061	4008	3881	3838	3466	3464	3236	2978	2572	2608	2271	2031	2106	2156
Volume	982	2452	1522	1318	956	1104	629	558	1646	1365	1045	5404	4308	1685	1058	834	1316	1748	1072	571	1011	509	569	745	1770	726	808	1116	2374	1068	1513	1070	1037	864

Thinking ahead. Often, traders become overly focused on the past prices action. You must start thinking in terms of what can happen next.

For example, what can happen if prices don't break the highs? How are you going to set yourself to react?

How is a high or low made. The longer the market stays at the lows without taking them out, without downside follow through, the higher the chance that the market is going to rally off those lows because the shorts are getting nervous as they aren't getting paid on their shorts. The same is true at the highs of day.

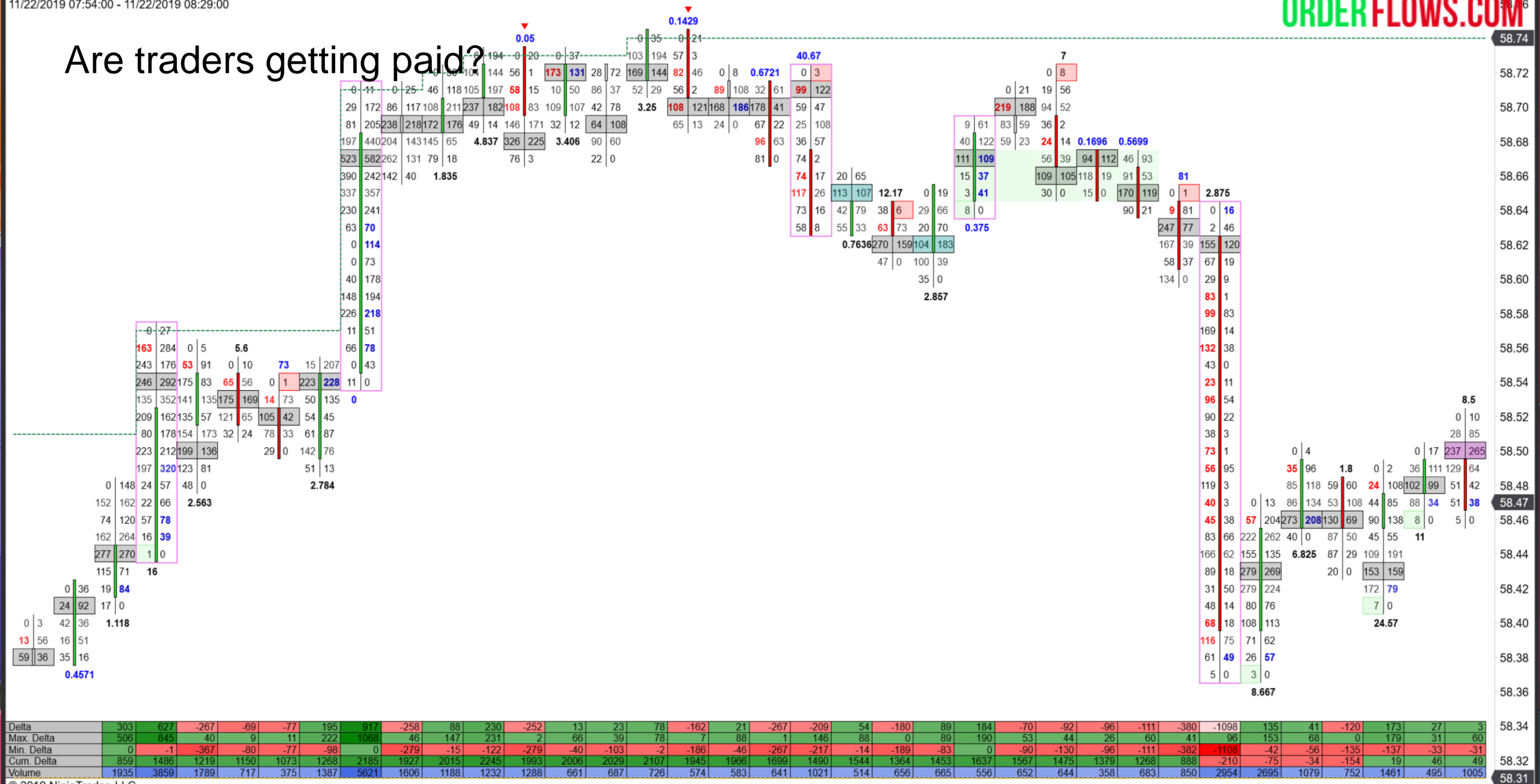
Watch what happens in the order flow. Delta, imbalances, volumes.

What is the pace of the market doing?

More importantly...

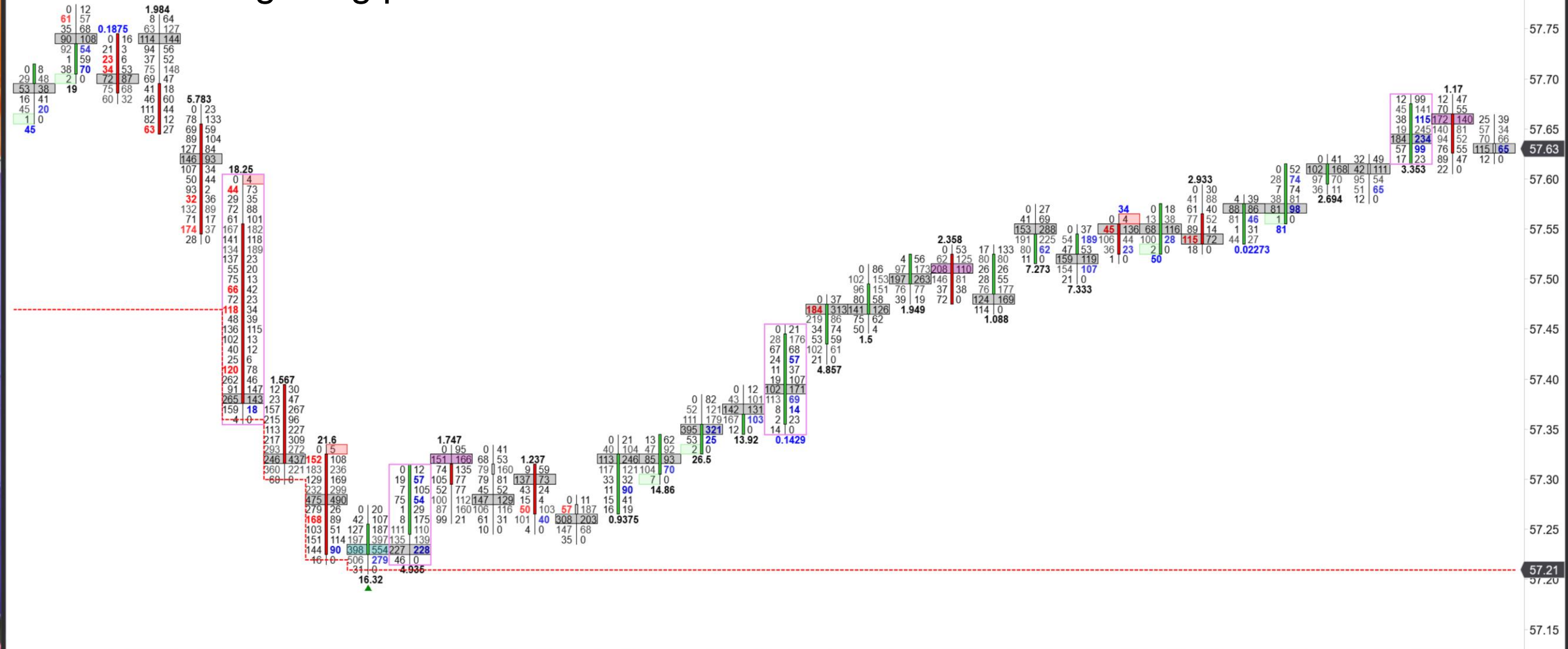
Order Flows Trader(CL 01-20 (1 Minute)), Current day OHL(CL 01-20 (1 Minute))
11/22/2019 07:54:00 - 11/22/2019 08:29:00

Are traders getting paid?



Order Flows Trader(CL 01-20 (1 Minute)), Current day OHL(CL 01-20 (1 Minute))
11/25/2019 07:58:00 - 11/25/2019 08:33:00

Are shorts getting paid?



Delta	-20	-4	-441	-861	210	-355	243	280	175	68	-56	-78	329	61	115	-17	355	17	96	175	-118	175	195	70	19	17	-105	11	224	55	47	584	-198	-75
Max. Delta	18	266	75	143	220	20	255	282	177	86	32	1	343	63	177	73	355	106	148	183	71	197	263	172	70	65	99	47	225	84	86	584	42	44
Min. Delta	-68	-5	-457	-925	-152	-417	-87	-42	-102	-48	-75	-148	-16	-22	-6	-27	-8	-50	-84	-24	-124	-62	-1	-25	-29	-112	-32	-6	-8	-55	0	-223	-86	
Cum. Delta	-1033	-1037	-1478	-2339	-2129	-2484	-2241	-1961	-1786	-1718	-1774	-1852	-1523	-1462	-1347	-1364	-1009	-992	-896	-721	-839	-664	-469	-399	-380	-363	-468	-457	-233	-178	-131	453	255	180
Volume	550	1602	1951	3985	3602	3709	2845	1538	1511	1258	662	1016	1019	573	1341	711	1131	1243	1184	1001	932	1105	1147	940	395	383	697	447	534	525	511	1328	1152	483

57.10

Breakouts – when the market breaks a level, there needs to be acceptance. If there is no acceptance, then price will most likely revert back into the range.

What is acceptance? Follow through.

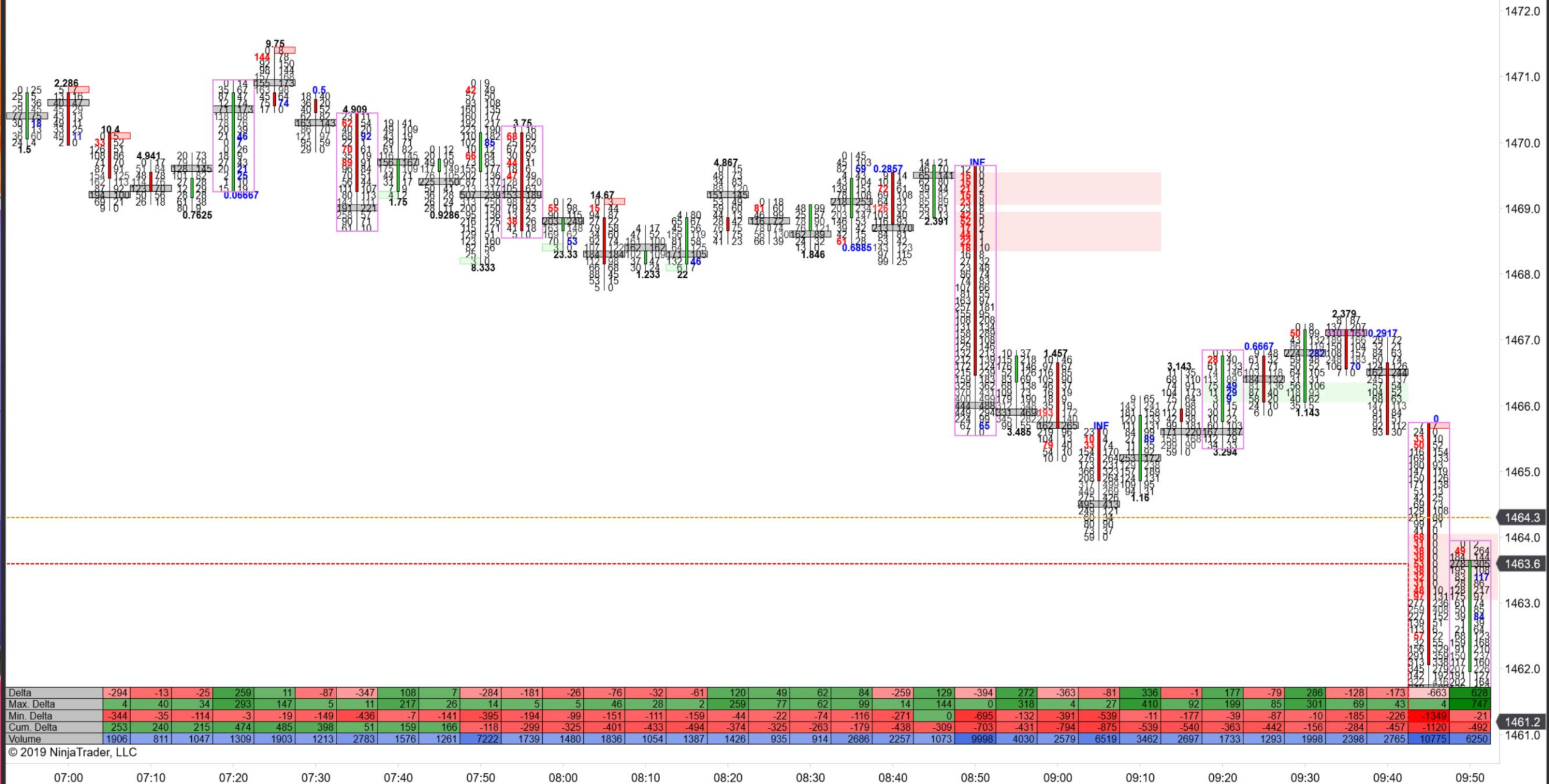
It can be seen in volume – is there decent volume going through.

It can be seen in imbalances – is there aggressive trading going on.

It can be seen in POCs – are POCs migrating.

It can be seen in delta – is delta strong or weak?

Order Flows Trader(GC 12-19 (5 Minute)), Current day OHL(GC 12-19 (5 Minute))
11/22/2019 06:55:00 - 11/22/2019 09:50:00



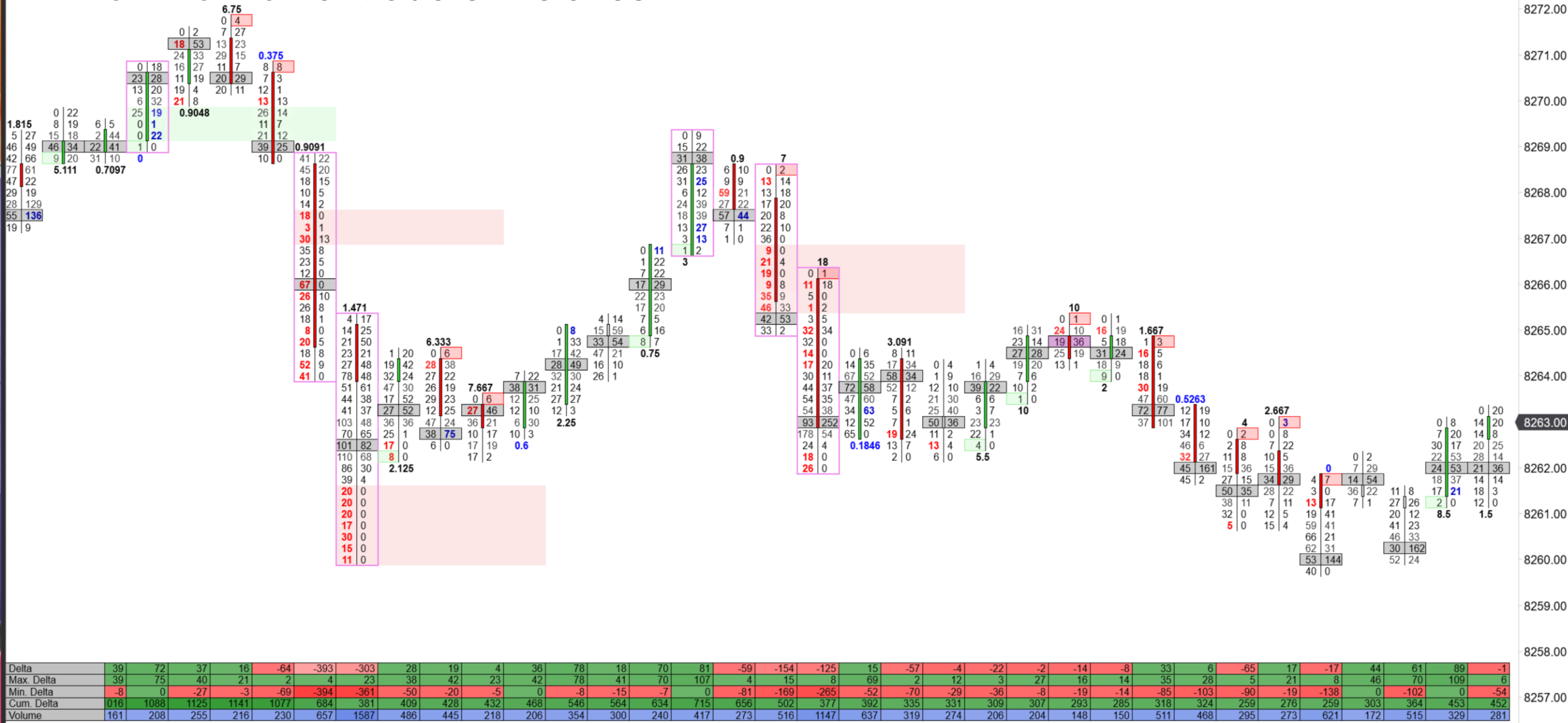
Profiting from places where other traders are wrong.

Failed breakouts. Watch the trend lines. When the market pierces through a trend line, all the price action traders rush in to get long, but often they get trapped.

What is happening in the order flow that you can profit from?

Order Flows Trader(NQ 12-19 (1 Minute)), Current day OHL(NQ 12-19 (1 Minute))
11/22/2019 12:43:00 - 11/22/2019 13:18:00

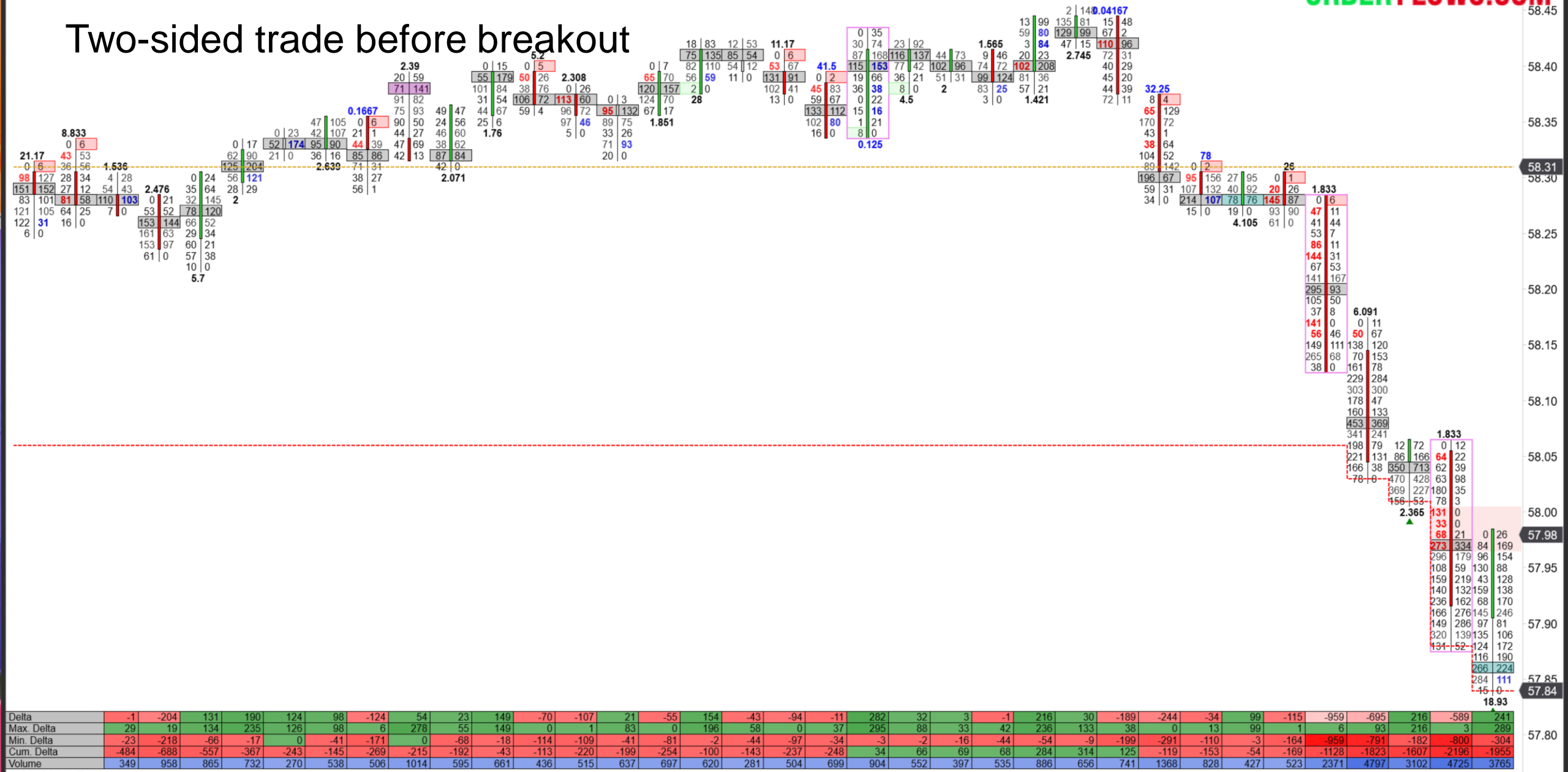
Profit from other traders mistakes



When there is strong two-sided trades break outs usually fail. Look for breakouts on one sided trading.

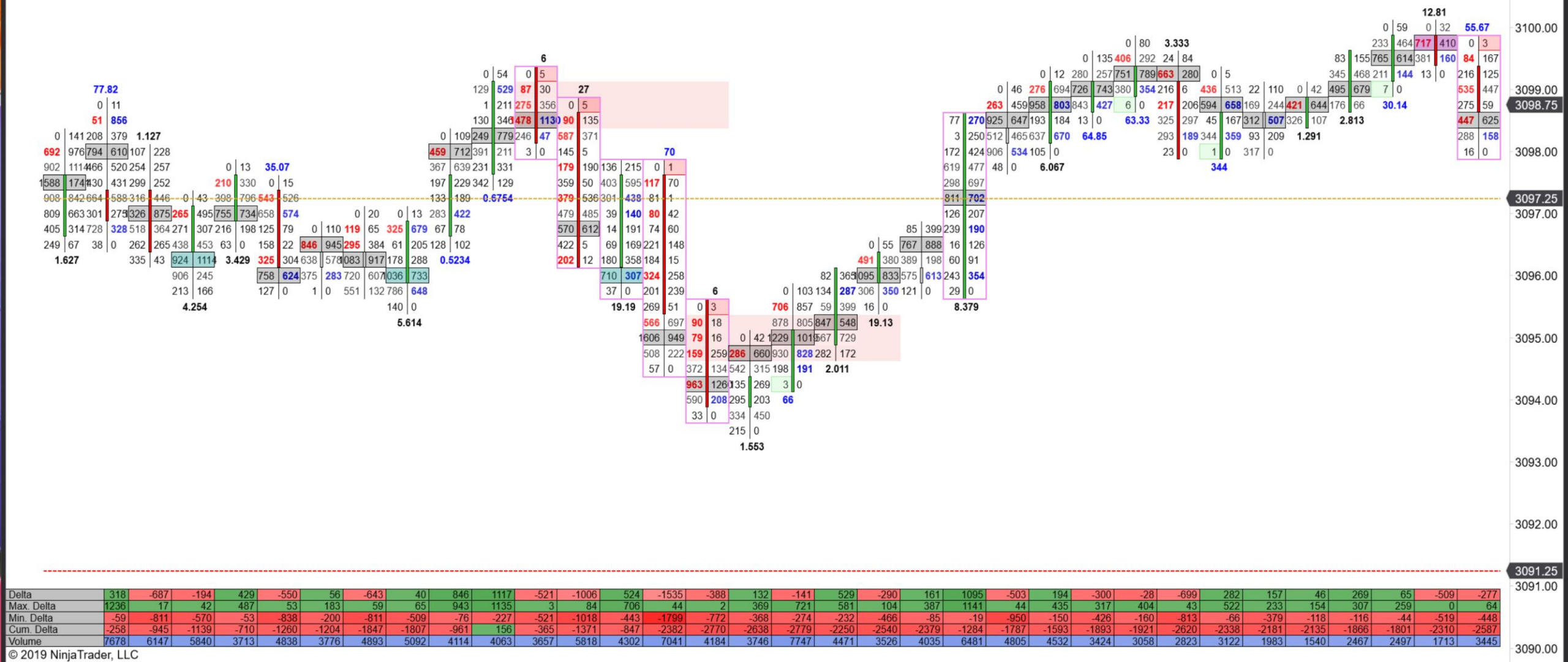
Order Flows Trader(CL 01-20 (1 Minute)), Current day OHL(CL 01-20 (1 Minute))
11/22/2019 09:17:00 - 11/22/2019 09:52:00

Two-sided trade before breakout



Order Flows Trader(ES 12-19 (1 Minute)), Current day OHL(ES 12-19 (1 Minute))
11/21/2019 09:18:00 - 11/21/2019 09:51:00

Two-sided trade



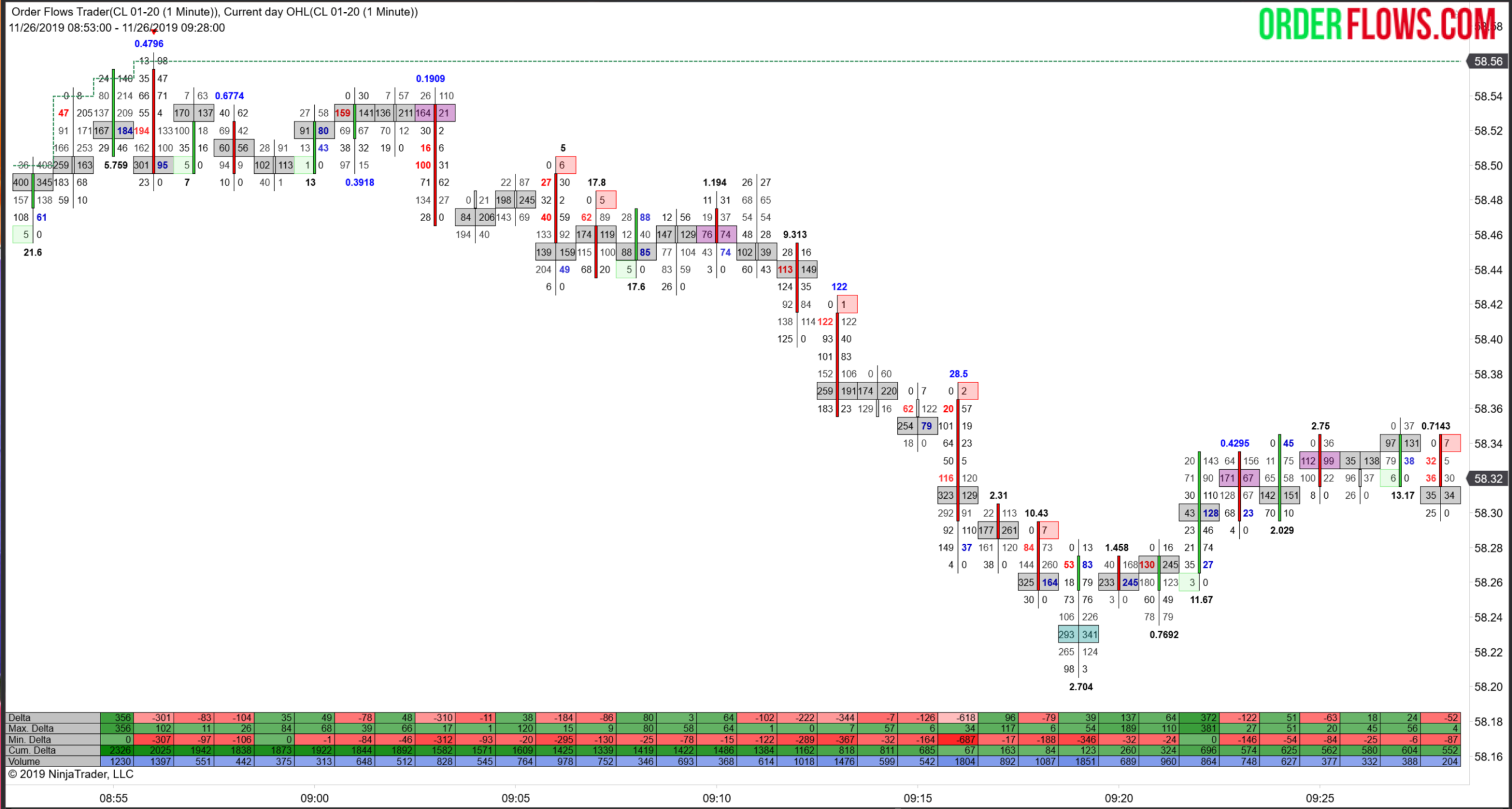
There are 6 distinct scenarios involving delta and price movement:

1. Expanding delta with price moving higher or lower.
2. Expanding delta with price moving sideways.
3. Contracting delta with price moving higher or lower.
4. Contracting delta with price moving sideways.
5. Consistent delta with price moving higher or lower.
6. Consistent delta with price moving sideways.

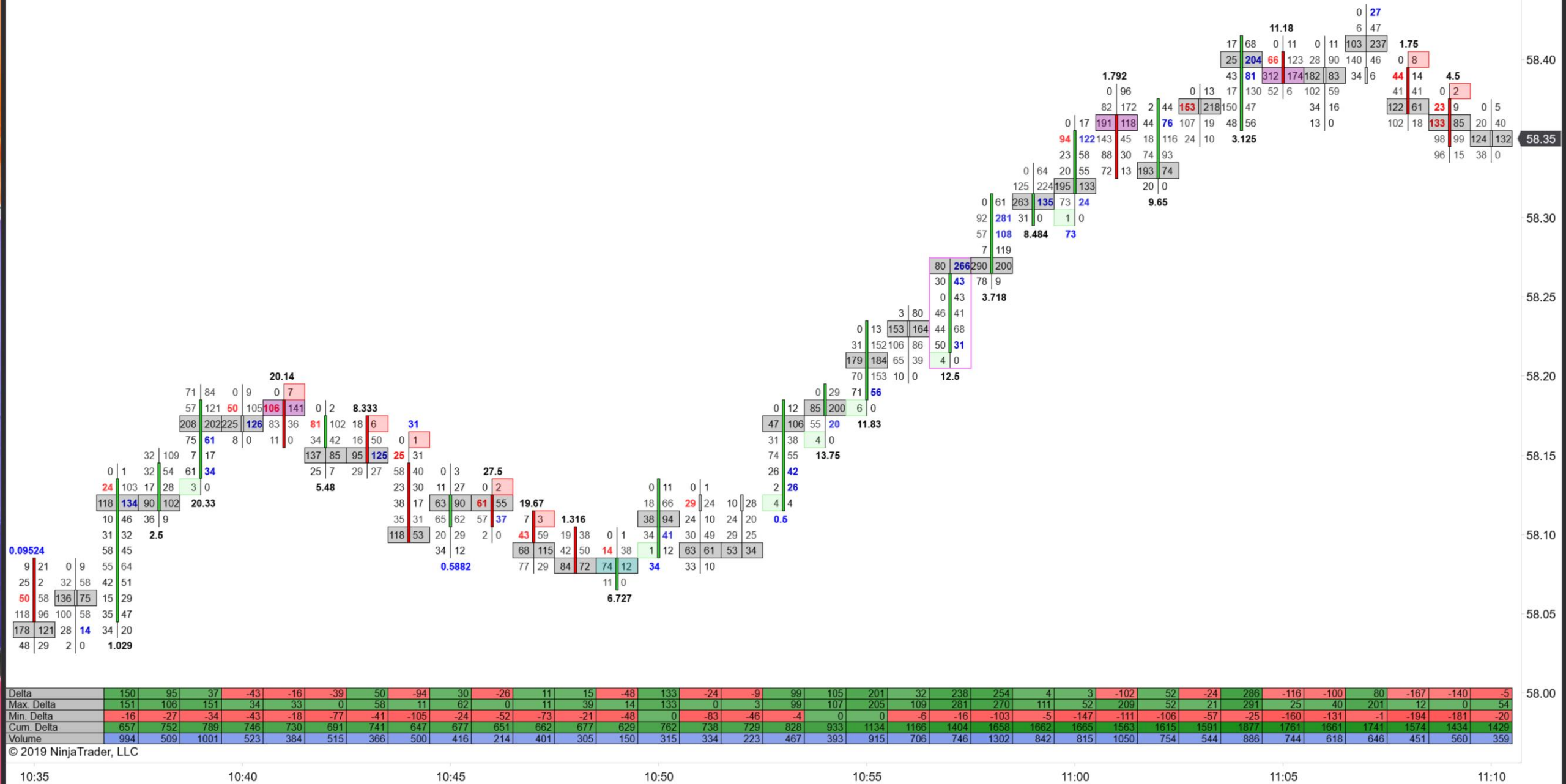
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6. Consistent delta with price moving sideways.

When the market is in an uptrend or a downtrend and aggressive traders are growing in size, the chances that the market will continue in that direction are quite high.



Order Flows Trader(CL 01-20 (1 Minute)), Current day OHL(CL 01-20 (1 Minute))
11/26/2019 10:35:00 - 11/26/2019 11:10:00

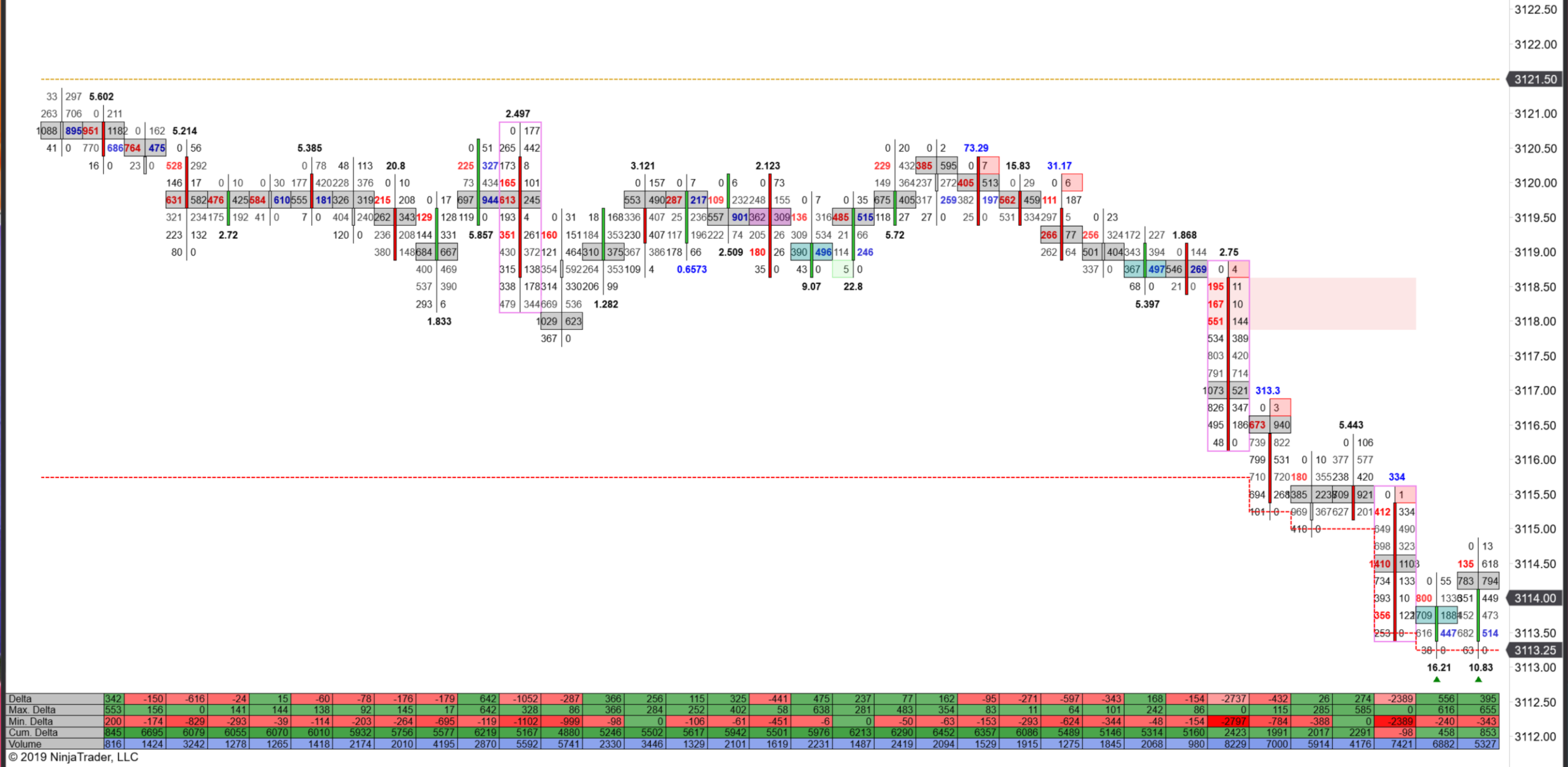


There are 6 distinct scenarios involving delta and price movement:

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2. Expanding delta with price moving sideways.
3. Contracting delta with price moving higher or lower.
4. Contracting delta with price moving sideways.
5. Consistent delta with price moving higher or lower.
6. Consistent delta with price moving sideways.

When there is a lack of market direction, but the aggressive buyers are growing in size, the market has a strong chance to surge to the upside as buyers are quietly accumulating/distributing a position. When the passive traders are finished in the market, there is often little to stop the aggressive traders.

Order Flows Trader(ES 12-19 (1 Minute)), Current day OHL(ES 12-19 (1 Minute))
11/19/2019 09:20:00 - 11/19/2019 09:54:00

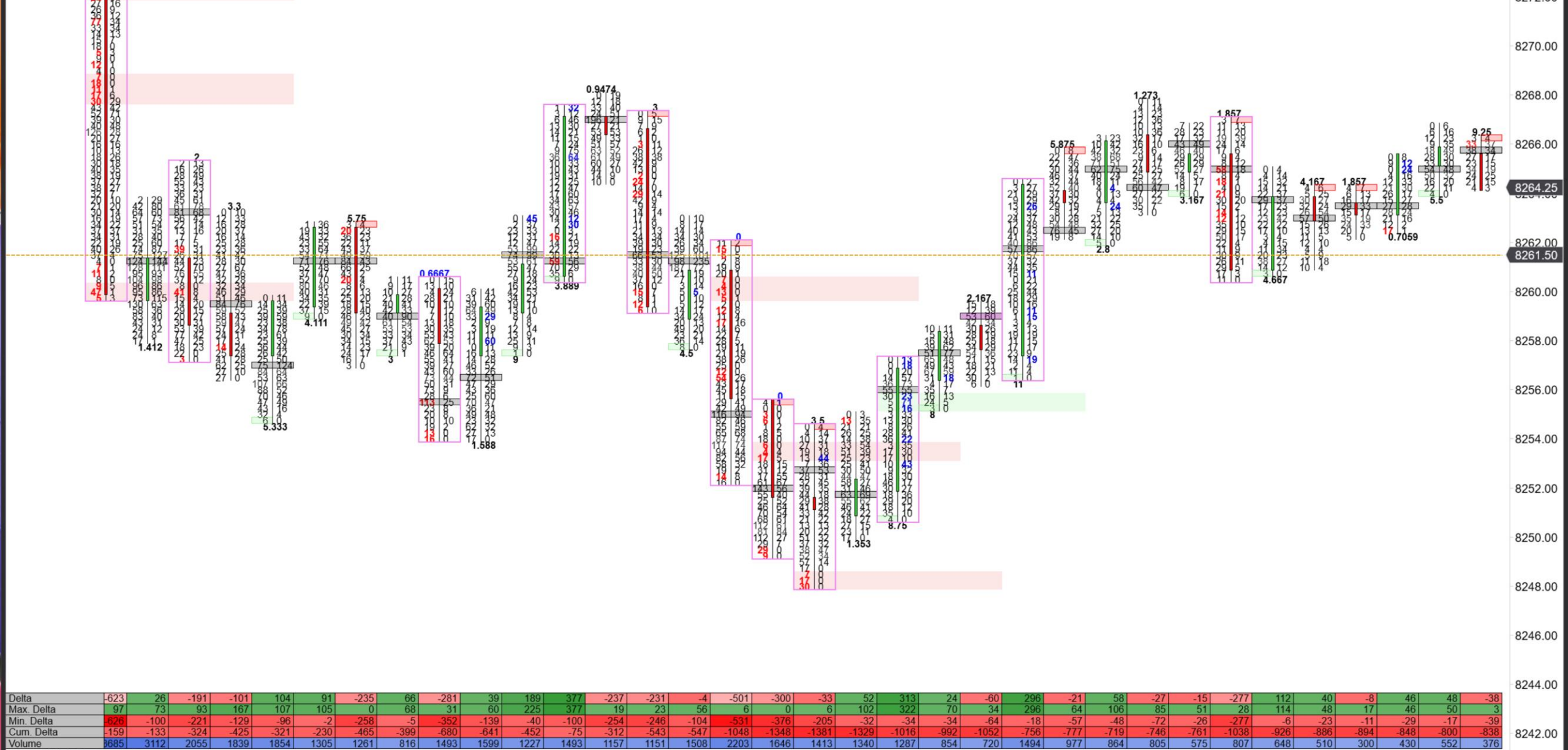


There are 6 distinct scenarios involving delta and price movement:

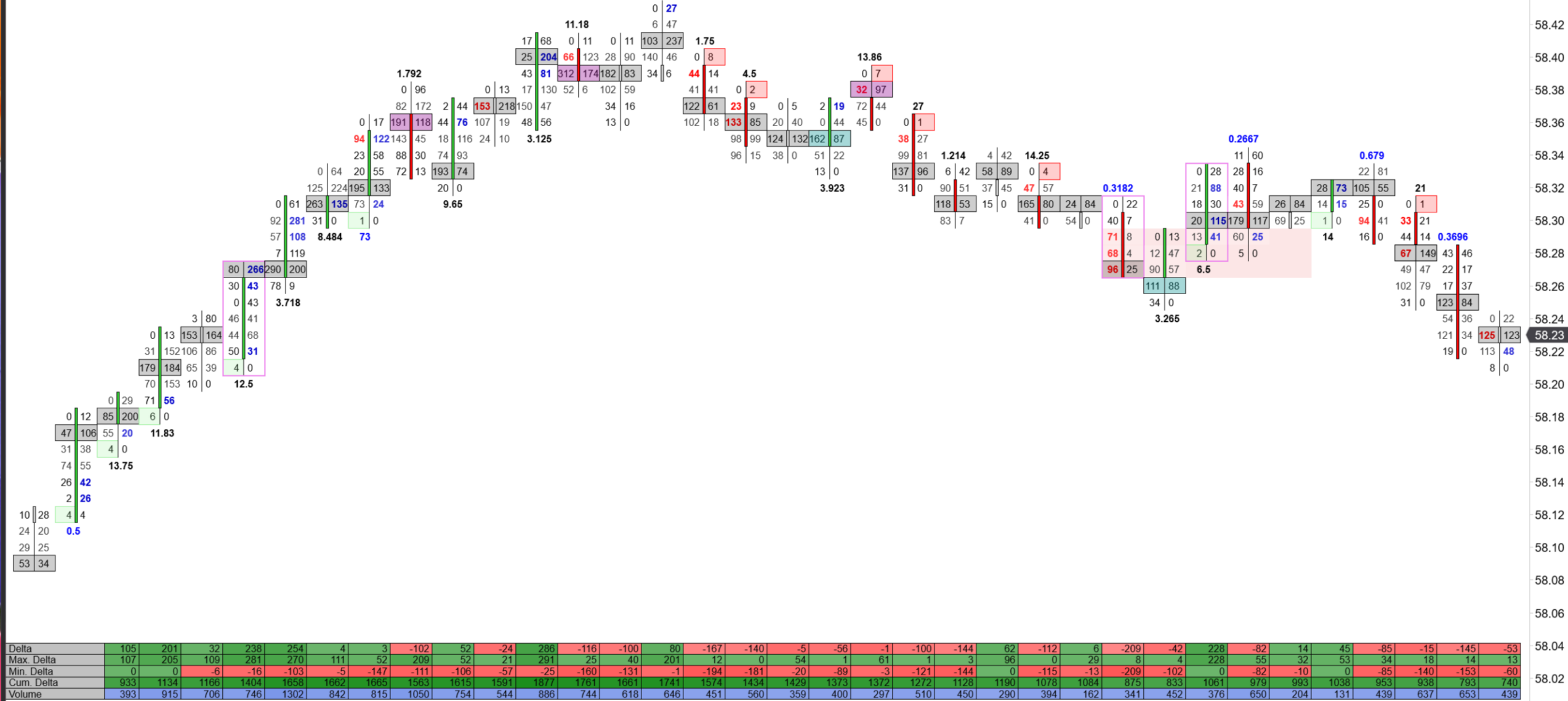
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2. Expanding delta with price moving sideways.
3. Contracting delta with price moving higher or lower.
4. Contracting delta with price moving sideways.
5. Consistent delta with price moving higher or lower.
6. Consistent delta with price moving sideways.

When the market is moving in a direction, up or down, but delta is getting smaller, the chances are the move is coming to an end as the aggressive traders are getting less and less aggressive and also, they are possibly being met by opposing aggressive traders which is causing the delta to contract.

Order Flows Trade (NQ 12-19 (1 Minute)), Current day OHL(NQ 12-19 (1 Minute))
11/21/2019 09:15:00 - 11/21/2019 09:50:00



Order Flows Trader(CL 01-20 (1 Minute)), Current day OHL(CL 01-20 (1 Minute))
11/26/2019 10:52:00 - 11/26/2019 11:27:00

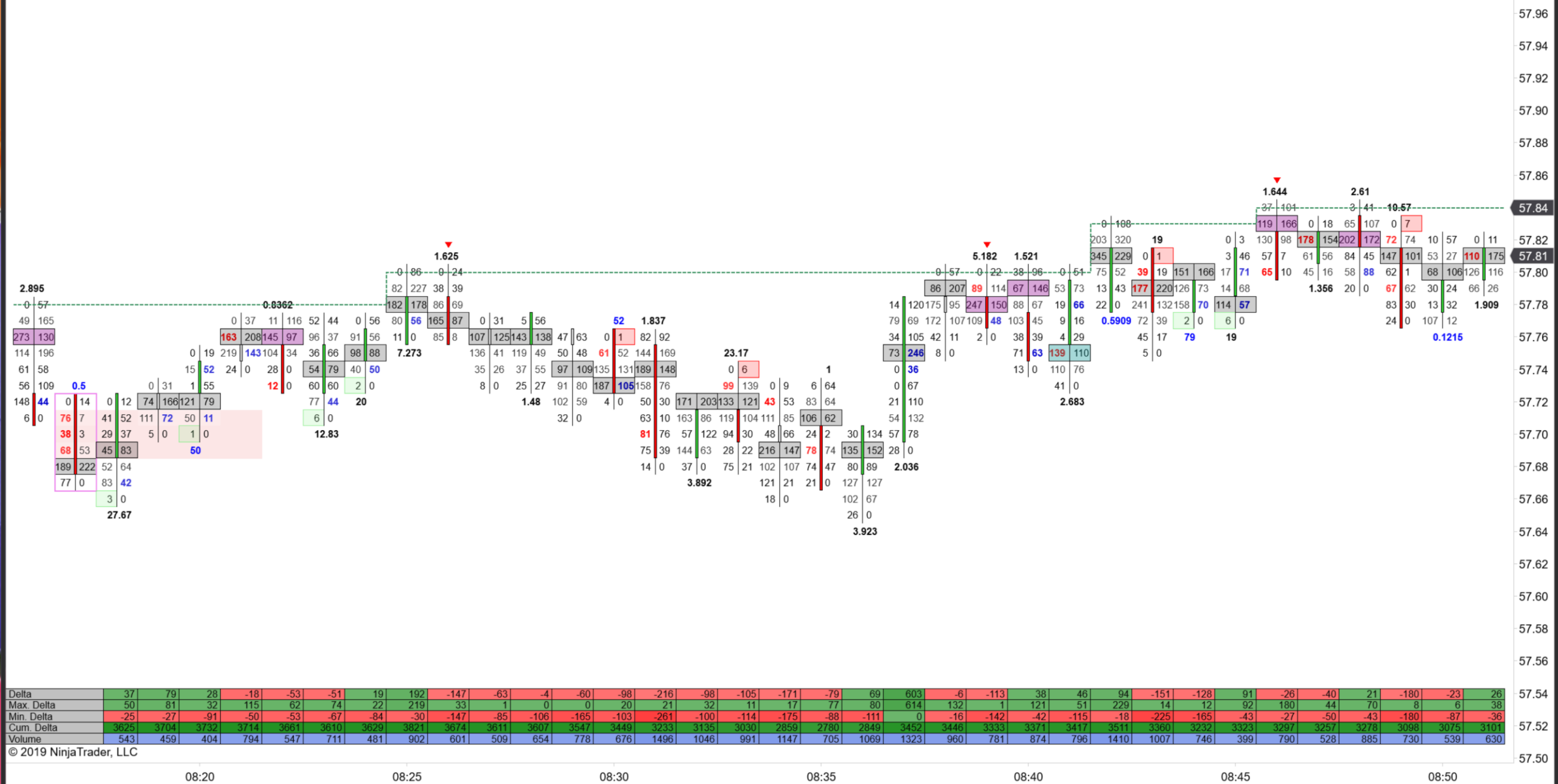


There are 6 distinct scenarios involving delta and price movement:

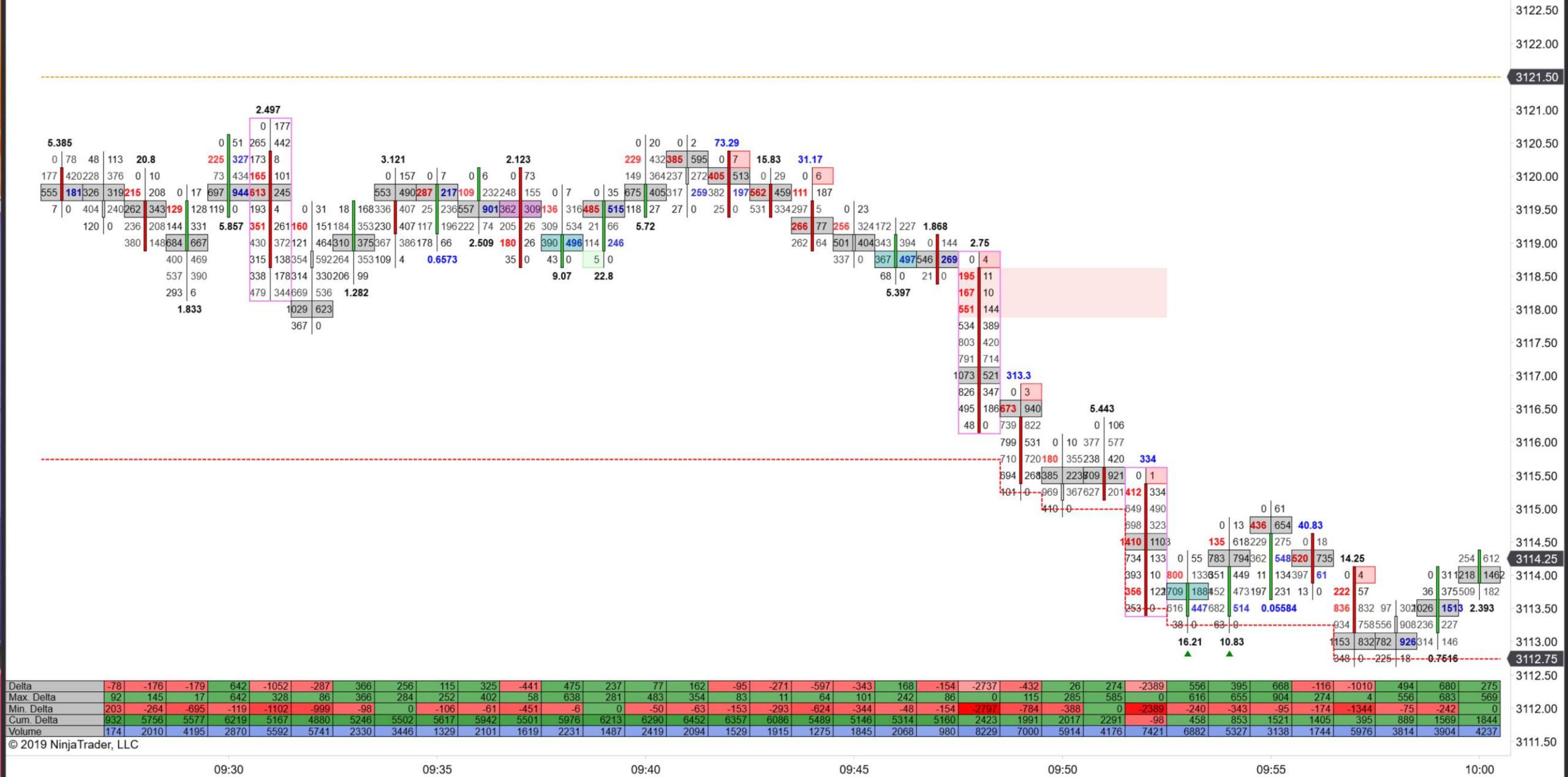
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2. Expanding delta with price moving sideways.
3. Contracting delta with price moving higher or lower.
4. Contracting delta with price moving sideways.
5. Consistent delta with price moving higher or lower.
6. Consistent delta with price moving sideways.

When you see very little aggressive buying and aggressive selling and the market is moving sideways, look at where the market is trading in the overall structure. Are we at highs or lows, if so, watch for other pieces of order flow to help determine the direction of the market once it starts to move. The market is most likely consolidating under these conditions.

Order Flows Trader(CL 01-20 (1 Minute)), Current day OHL(CL 01-20 (1 Minute))
11/21/2019 08:16:00 - 11/21/2019 08:51:00



Order Flows Trader(ES 12-19 (1 Minute)), Current day OHL(ES 12-19 (1 Minute))
11/19/2019 09:26:00 - 11/19/2019 10:00:00

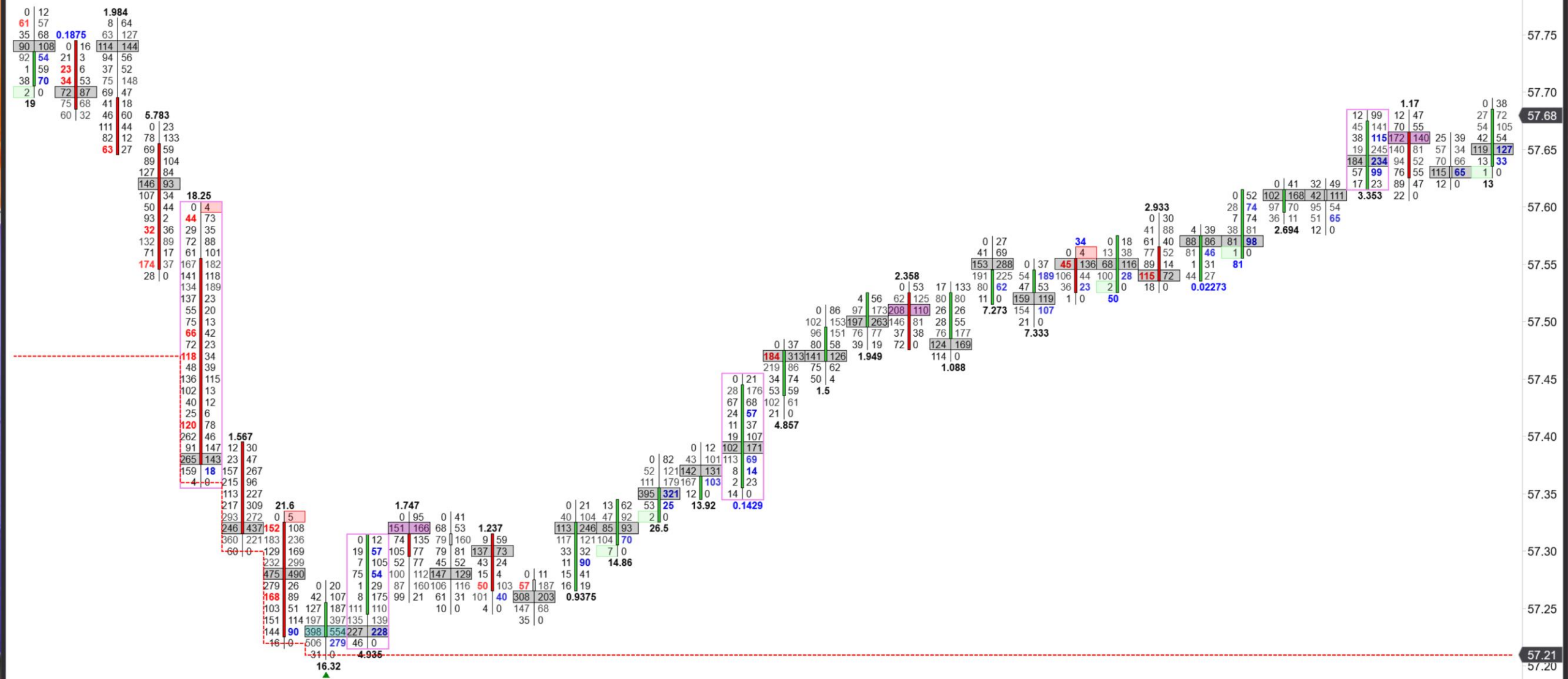


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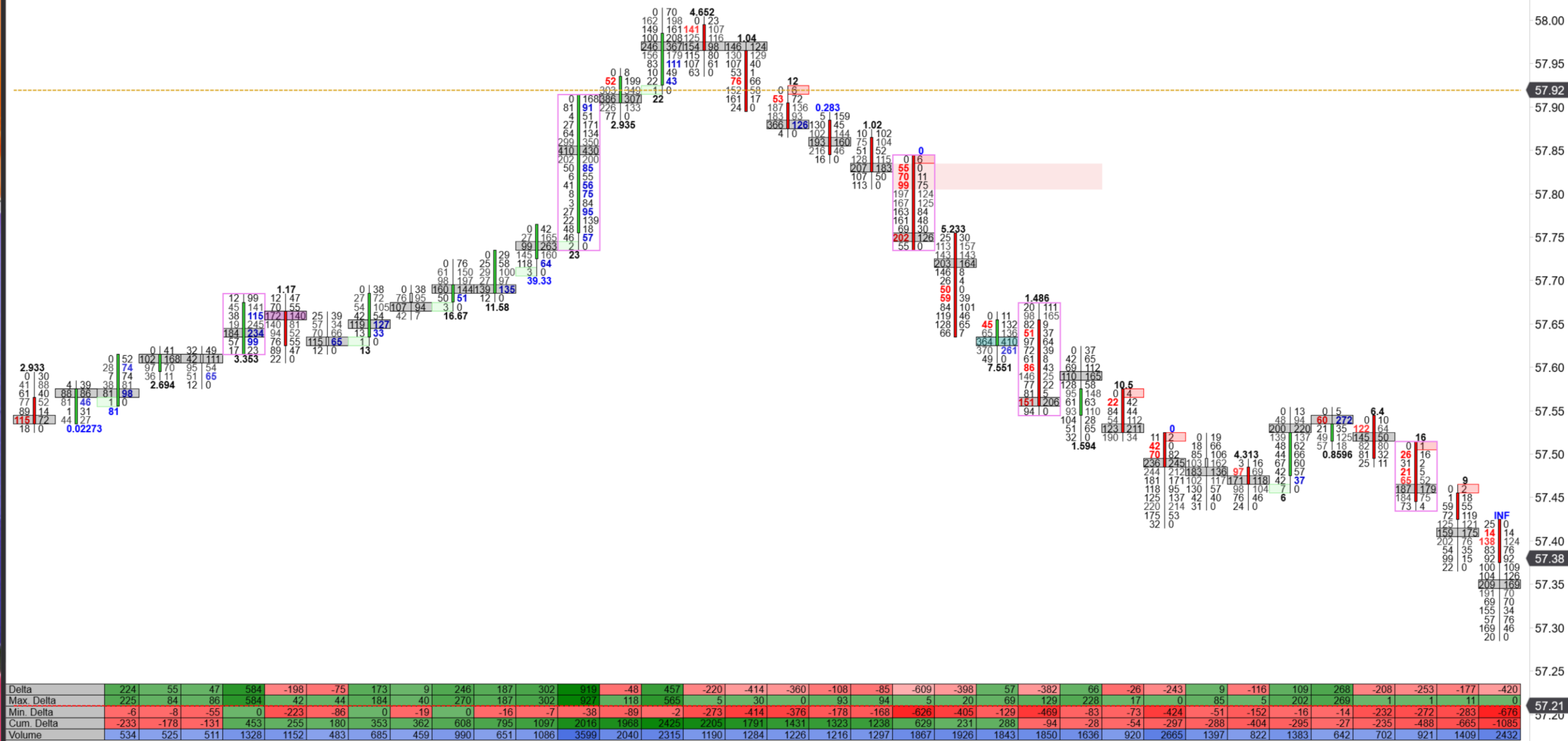
When delta is consistent, meaning staying positive in an uptrend even if not expanding and the market is trading higher it indicates the aggressive buyers are in control. In a downtrend, if delta stays negative and price is moving lower, that is a sign that aggressive sellers are in control.

Order Flows Trader(CL 01-20 (1 Minute)), Current day OHL(CL 01-20 (1 Minute))
11/25/2019 07:59:00 - 11/25/2019 08:34:00



Delta	-4	-441	-861	210	-355	243	280	175	68	-56	-78	329	61	115	-17	355	17	96	175	-118	175	195	70	19	17	-105	11	224	55	47	584	-198	-75	173
Max. Delta	266	75	143	220	20	255	282	177	86	32	1	343	63	177	73	355	106	148	183	71	197	263	172	70	65	99	47	225	84	86	584	42	44	184
Min. Delta	-5	-457	-925	-152	-417	-87	-42	-102	-48	-75	-148	-16	-22	-6	-27	-8	-50	-84	-24	-124	-62	-1	-25	-25	-29	-112	-32	-6	-8	-55	0	-223	-86	0
Cum. Delta	-1037	-1478	-2339	-2129	-2484	-2241	-1961	-1786	-1718	-1774	-1852	-1523	-1462	-1347	-1364	-1009	-992	-896	-721	-839	-664	-469	-399	-380	-363	-468	-457	-233	-178	-131	453	255	180	353
Volume	1602	1951	3985	3602	3709	2845	1538	1511	1258	662	1016	1019	573	1341	711	1131	1243	1184	1001	932	1105	1147	940	395	383	697	447	534	525	511	1328	1152	483	685

Order Flows Trader (CL 01-20 (1 Minute)), Current day OHL (CL 01-20 (1 Minute))
11/25/2019 08:26:00 - 11/25/2019 09:01:00



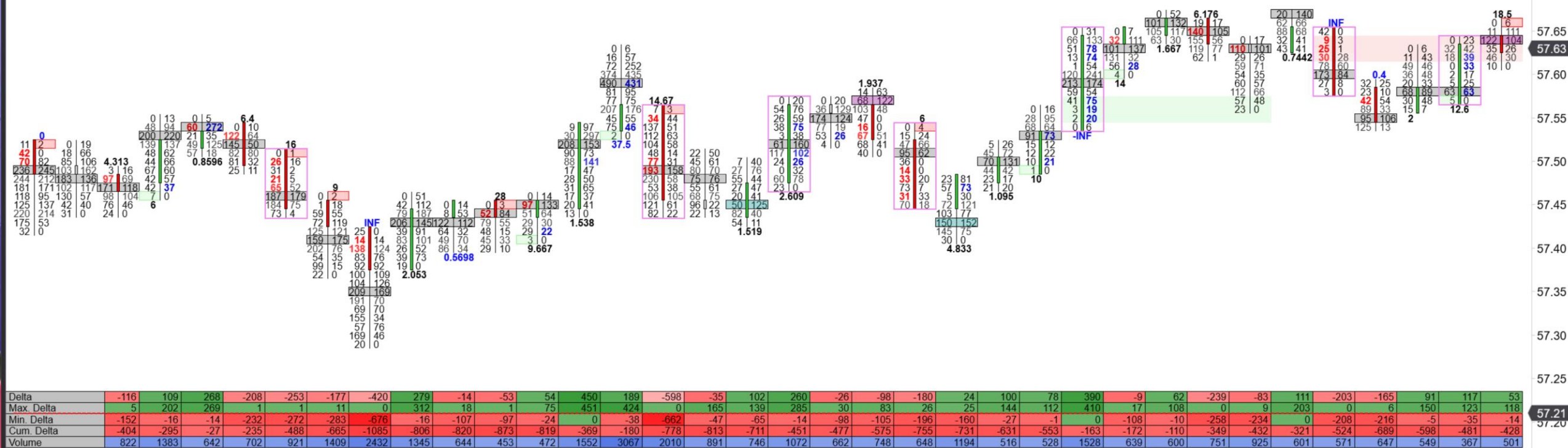
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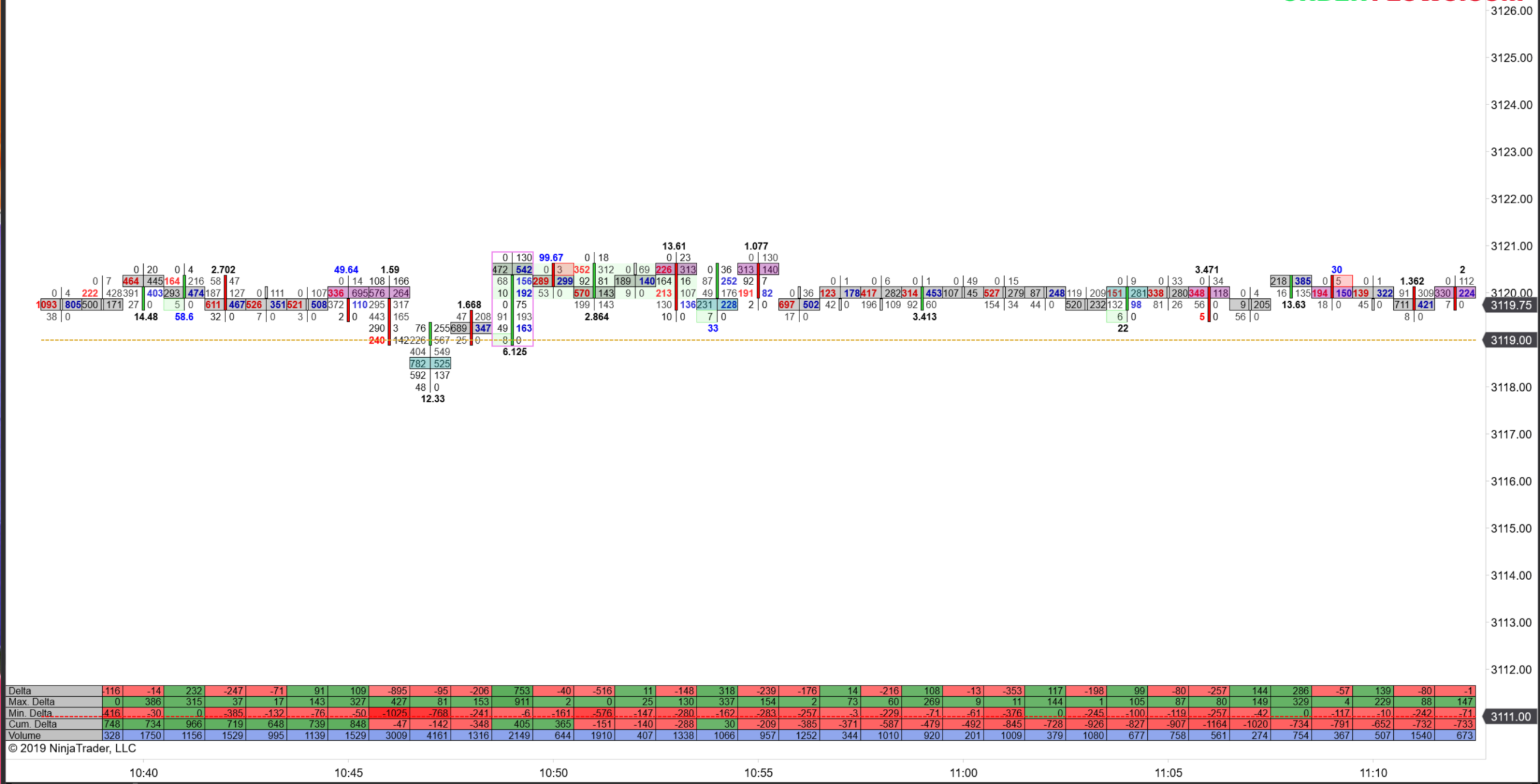
When delta stays positive, not expanding, but the market is not necessarily going higher or lower, this is indicative of a market that doesn't quite have enough aggressive buying to move it higher. The aggressive buying is being shut off by aggressive selling just enough to keep prices from going higher.

Order Flows Trader(CL 01-20 (1 Minute)), Current day OHL(CL 01-20 (1 Minute))
11/25/2019 08:53:00 - 11/25/2019 09:28:00

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Order Flows Trader(ES 12-19 (1 Minute)), Current day OHL(ES 12-19 (1 Minute))
11/18/2019 10:38:00 - 11/18/2019 11:12:00



These 6 delta and price relationships will help you to gauge the current market environment and give you insight into the potential direction in the immediate term.

Delta at support. When delta at a support level is not positive and becoming increasingly negative there is a strong chance the support will break.

Delta at resistance. When delta at a resistance level is positive and strong it is a sign the resistance won't offer much resistance. For price to get through resistance, it often has to eat through a lot of offers. So if you are looking at strong deltas it is telling you the aggressive buyers are there.

58.20

58.15

58.10

58.05

58.00

57.95

57 90

57 85

57 90

67 76

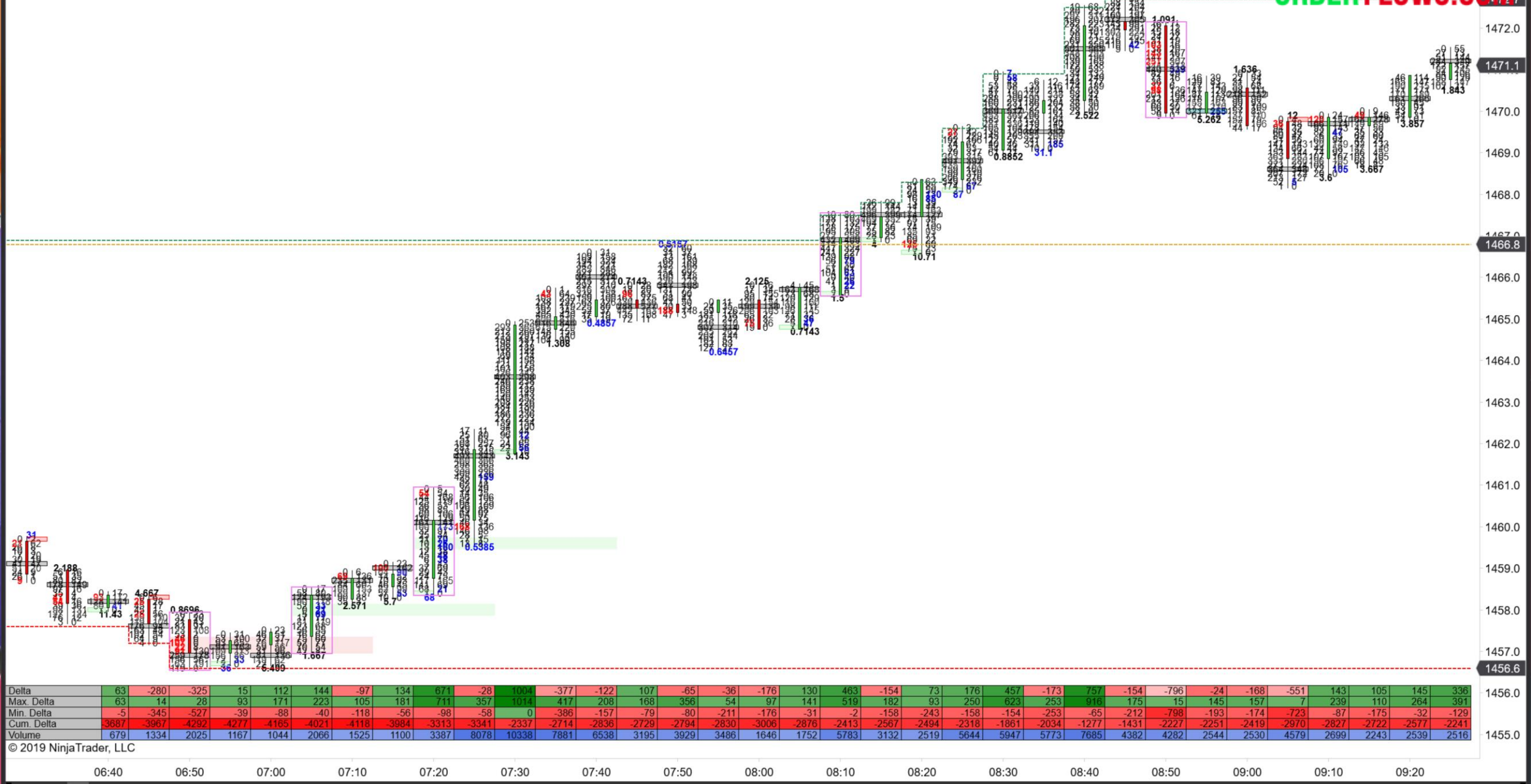
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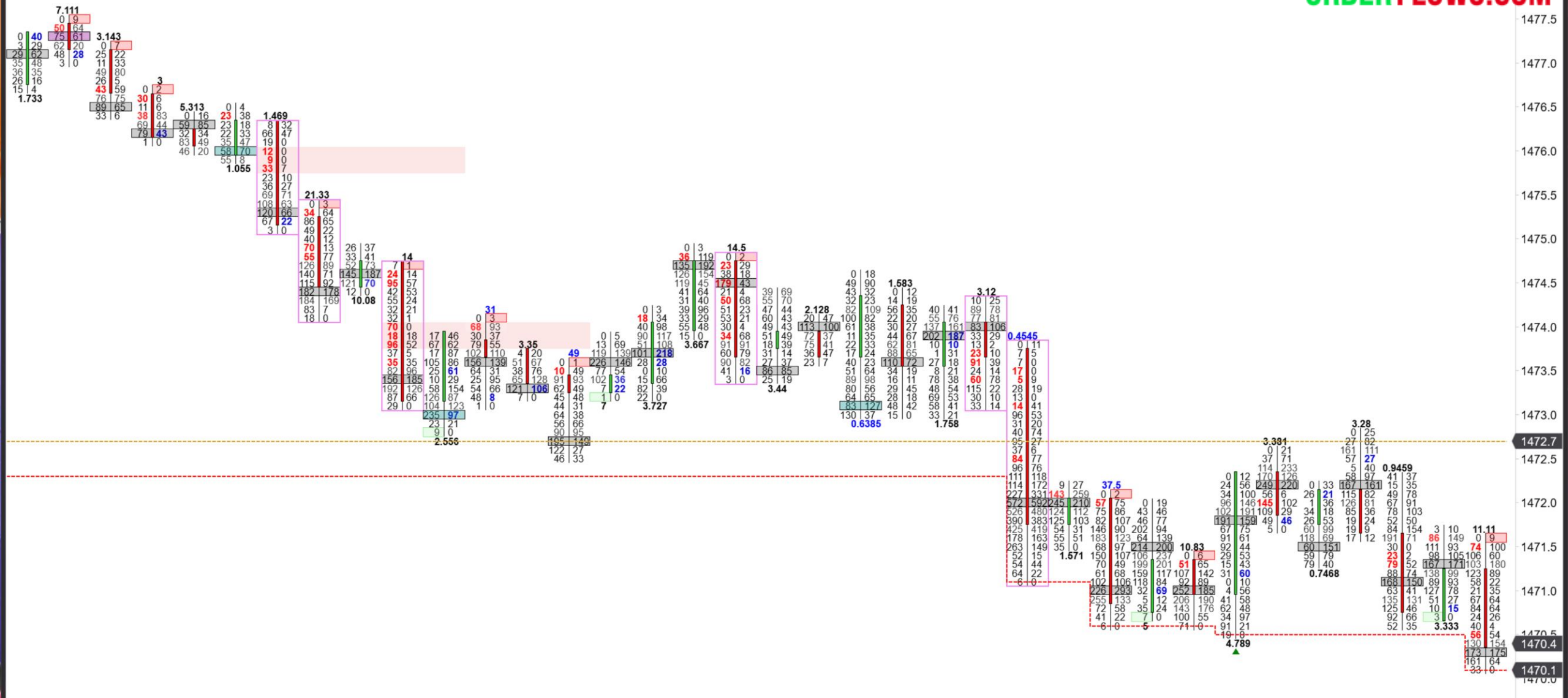


Order Flows Trader(GC 12-19 (5 Minute)), Current day OHL(GC 12-19 (5 Minute))
11/18/2019 06:30:00 - 11/18/2019 09:25:00



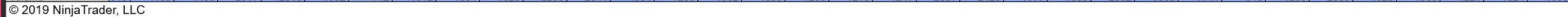
Delta	63	-280	-325	15	112	144	-97	134	671	-28	1004	-377	-122	107	-65	-36	-176	130	463	-154	73	176	457	-173	757	-154	-796	-24	-168	-551	143	105	145	336
Max. Delta	63	14	28	93	171	223	105	181	711	357	1014	417	208	168	356	54	97	141	519	182	93	250	623	253	916	175	15	145	157	7	239	110	264	391
Min. Delta	-5	-345	-527	-39	-88	-40	-118	-56	-98	-58	0	-386	-157	-79	-80	-211	-176	-31	-2	-158	-243	-158	-253	-65	-212	-798	-193	-174	-723	-87	-175	-32	-129	
Cum. Delta	3687	-3967	-4292	-4277	-4165	-4021	-4118	-3984	-3313	-3341	-2337	-2714	-2836	-2729	-2794	-2830	-3006	-2876	-2413	-2567	-2494	-2318	-1861	-2034	-1277	-1431	-2227	-2251	-2419	-2970	-2827	-2722	-2577	-2241
Volume	679	1334	2025	1167	1044	2066	1525	1100	3387	8078	10338	7881	6538	3195	3929	3486	1646	1752	5783	3132	2519	5644	5947	5773	7685	4382	4282	2544	2530	4579	2699	2243	2539	2516

Order Flows Trader(GC 12-19 (5 Minute)), Current day OHL(GC 12-19 (5 Minute))
11/20/2019 05:25:00 - 11/20/2019 08:20:00



Delta	0	-44	-16	2	-228	-320	19	-335	57	10	111	-146	-74	274	160	-216	24	-60	0	-63	-14	-173	-246	3	-178	89	-114	267	-80	136	-69	-216	-43	-153
Max. Delta	53	0	32	16	8	20	71	0	88	17	114	5	70	289	168	13	103	33	68	8	20	58	14	109	23	304	12	276	111	140	57	82	86	44
Min. Delta	-51	-57	-24	-43	-230	-351	-43	-396	-115	-147	-8	-268	-86	-66	-21	-268	-24	-62	-138	-159	-82	-204	-475	-80	-274	-28	-221	-88	-97	-78	-83	-237	-45	-232
Cum. Delta	880	836	820	822	594	274	293	-42	15	25	136	-10	-84	190	350	134	158	98	98	35	21	-152	-398	-395	-573	-484	-598	-331	-411	-275	-344	-560	-603	-756
Volume	704	412	424	434	918	2044	797	1843	1649	1264	683	1504	1016	1168	1420	1312	1000	618	1908	1129	1518	1189	6858	1583	3010	2549	1930	2313	1788	1062	1643	2648	1723	2353

11/21/2019 10:41:00 - 11/21/2019 11:15:00

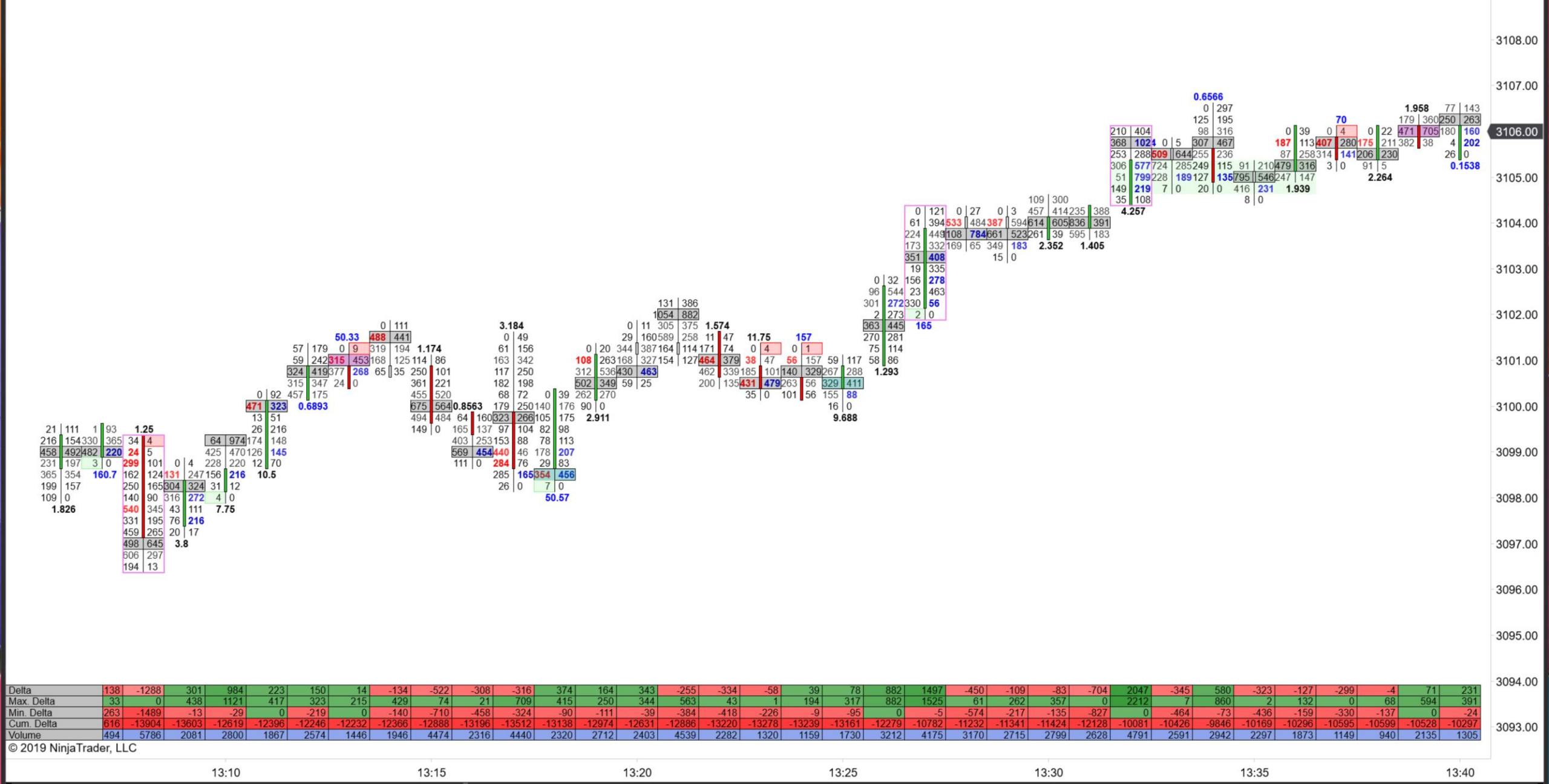


When the market is trading sideways, either in congestion or consolidation, keep an eye on the delta and imbalances. Is one side dominating? Or is it evenly matched? Oftentimes you will see an expansion of delta in a direction in sideways market as traders are accumulating or distributing a position.

A range bound market is a place where large traders can often move volume without moving the market too much.

If there is nothing happening that stands out, then there really isn't any excitement in the market at the moment. So you just wait. Eventually it will come to the market.

Order Flows Trader(ES 12-19 (1 Minute)), Current day OHL(ES 12-19 (1 Minute))
11/20/2019 13:06:00 - 11/20/2019 13:40:00

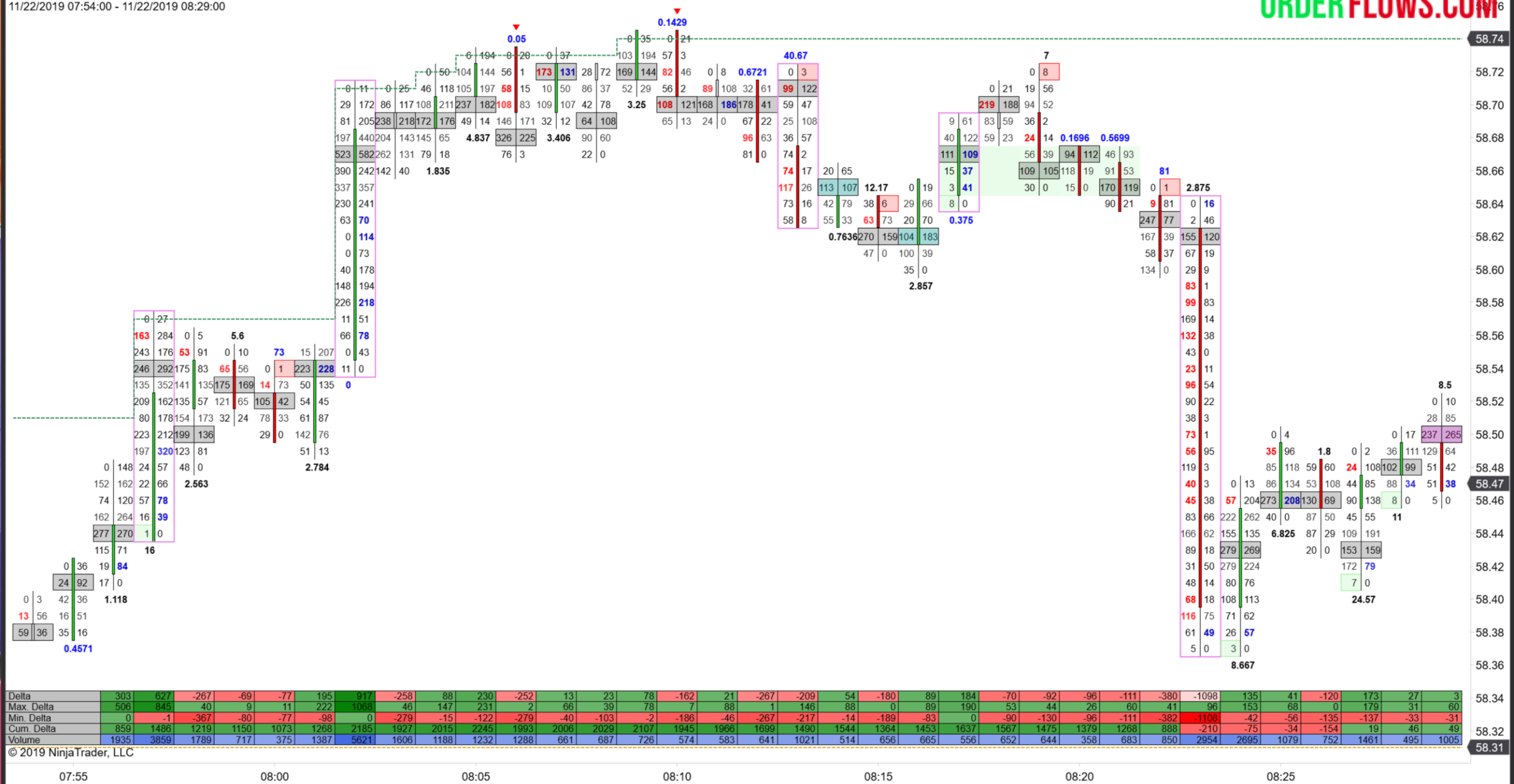


Indifferent Delta:

Low to negative delta at and after the high is bearish. Lack of aggressive buying but an increase in aggressive selling is present and if the aggressive selling attracts other aggressive sellers to the market, there is a strong chance for a market break. Rising prices with weak enthusiasm (delta) is also a sign the trend may be ready to pause or potentially reverse as the buying interest has dried up.

Low to positive delta at and after the low is bullish.

Order Flows Trader(CL 01-20 (1 Minute)), Current day OHL(CL 01-20 (1 Minute))
11/22/2019 07:54:00 - 11/22/2019 08:29:00



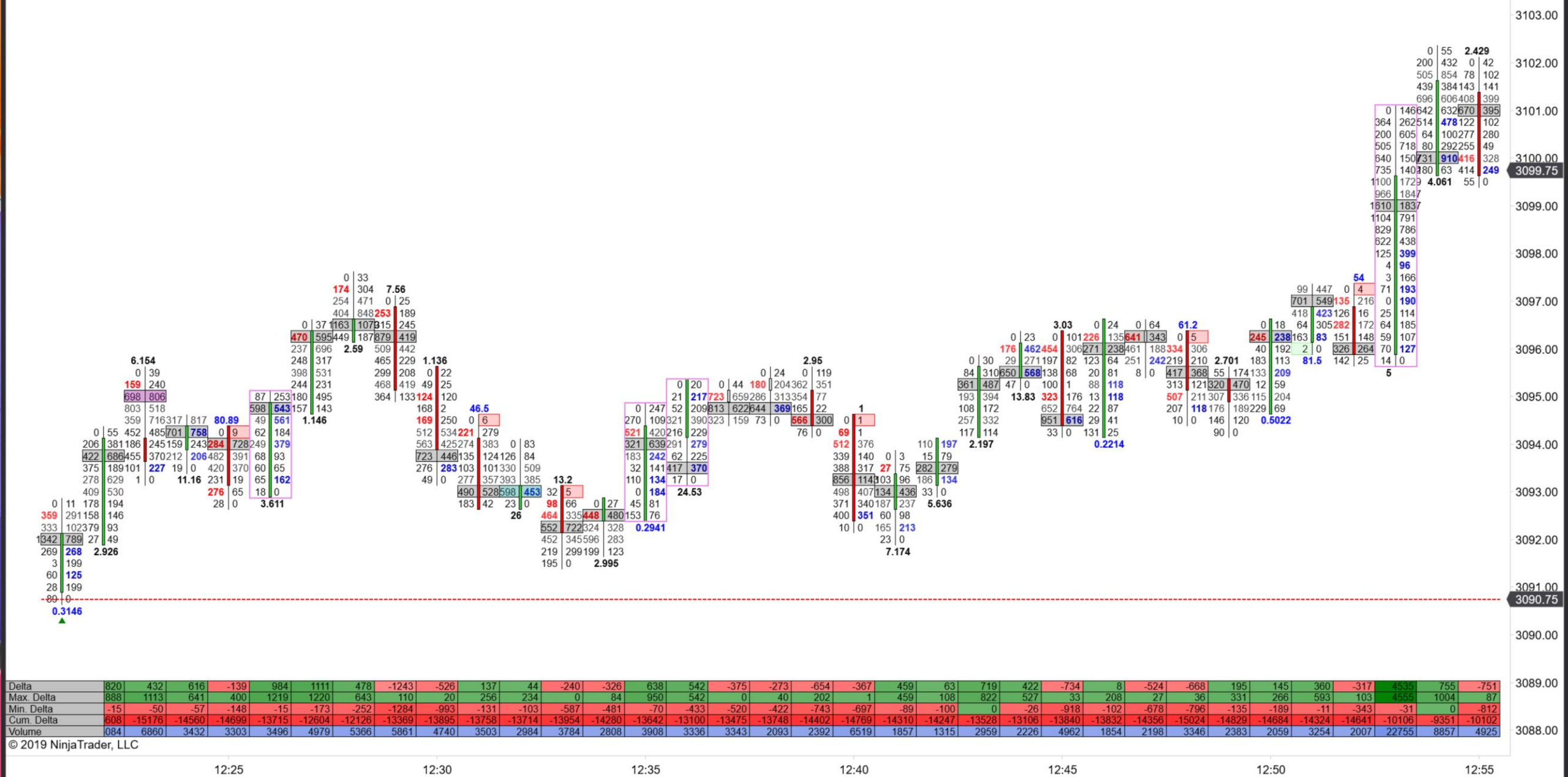
Delta helps you measure the momentum of a move. When delta is strong positive then the momentum is strong as aggressive buyers are strong. The same is true for negative delta, but with the opposite effect.

The overall picture should weigh heavier in the decision-making process than the setup alone. The setup gives us the impetus for getting into a trade when it coincides with the context of the market. Don't get in just because there is a setup.

Markets go up and down because more traders are buying than selling and vice-versa. If they start buying or selling aggressively, causing imbalances, after an important technical level I am going to see that in the order flow and jump in too.

There is always some fundamental reason behind moves that make some sense as well.

Order Flows Trader(ES 12-19 (1 Minute)), Current day OHL(ES 12-19 (1 Minute))
11/20/2019 12:21:00 - 11/20/2019 12:55:00



Order flow allows a trader to know clearly what other traders are doing when the market reaches important technical levels.

Professional traders know what they are going to do, how they are going to trade, when the market reaches an important technical level. If the market doesn't act the way they expect at a level, they adjust their trading plan accordingly. The trade against the weak traders who don't have a plan B. They don't wait for the market to stop them out.

Why should you?

Trying to predict the future price in the market is fun, but very few traders actually do it often enough to make consistent money and profit in the market. I have been around some of the brightest economists in the world and believe me, if you ask them how much money they made on their prediction you can buy a cup of coffee.

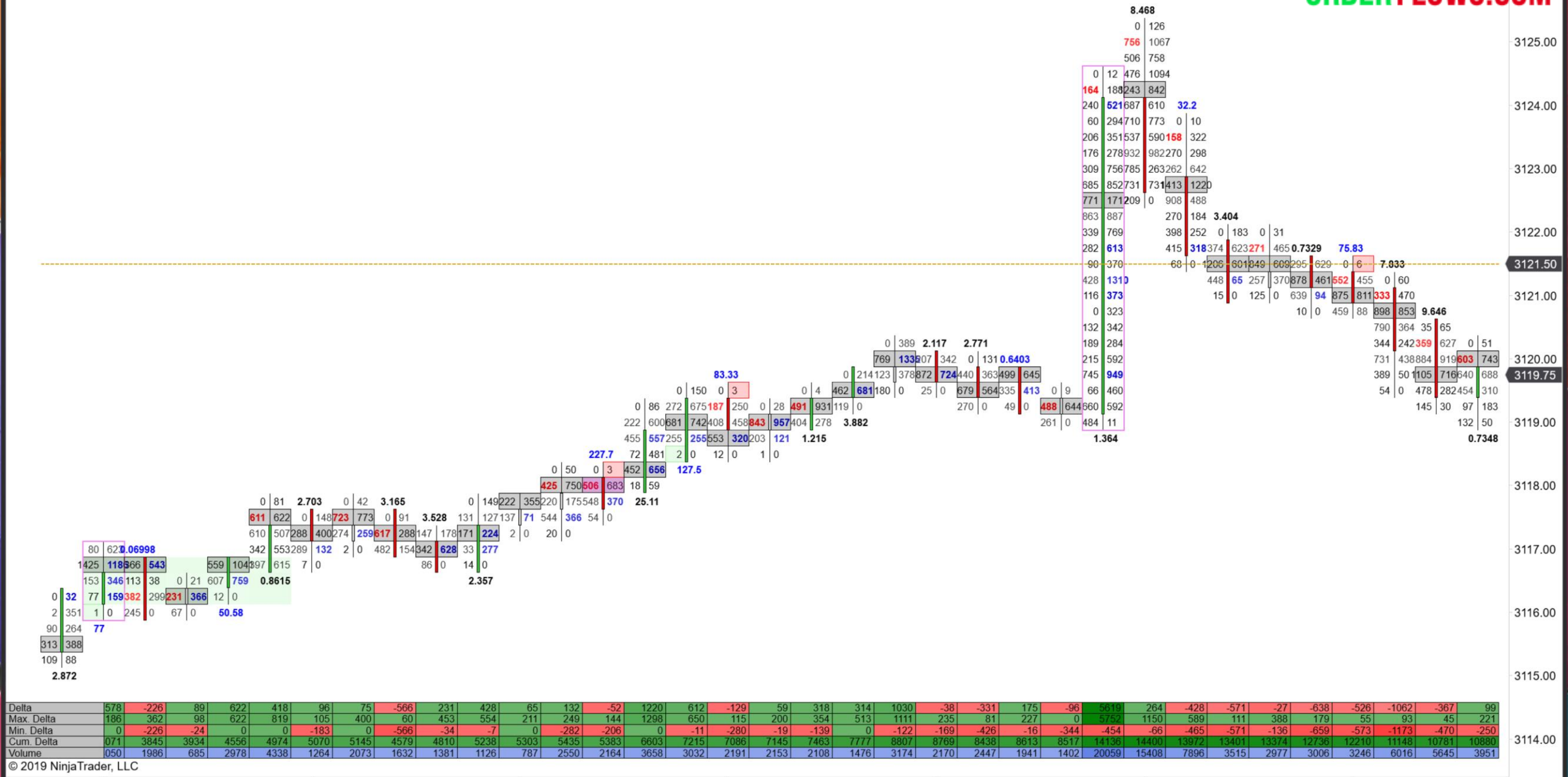
I realized that to make money as a trader I was best served learning how to read what was happening in the market based on what was actually happening right now in the order flow.

For a move to continue there needs to be new traders coming in to give support to the move. If there is little to no aggressive buying on a move up, the move will end. The same is true for a move down. You need aggressive sellers to keep the move going.

This is why I like seeing consistent buying in a move up or consistent selling in a move down. When a spike in volume appears it can signal the end of the move because too many buyers or sellers came in at once. There will be fewer new longs or shorts to keep the directional move going. Too much volume at once is not necessarily a good thing.

Order Flows Trader(ES 12-19 (1 Minute)), Current day OHL(ES 12-19 (1 Minute))
11/19/2019 10:14:00 - 11/19/2019 10:48:00

ORDERFLOWS.COM



The more aggressive buyers that are present means that prices will go up.

The more aggressive sellers that are present means that prices will go down.

Nothing else matters.

Professional traders know the market's participants habits and that is why they are consistent winners over time.

Once you start watching the market on a regular basis and you start to understand when the market is exhibiting strength or weakness, you will see the opportunities coming along regularly.

You don't need a degree in advanced combinatorial math or a doctorate in finance to succeed in trading. You just need common sense and be able to recognize when traders and the market are exhibiting strength or weakness and have the ability to act on it.

You have reached the end of Module 1. In Module 2 I will discuss finding the order flow honey hole.