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Advanced Order Flow Trading
Module 2
Finding The Order Flow Honey Hole

Michael Valtos – Orderflows.com

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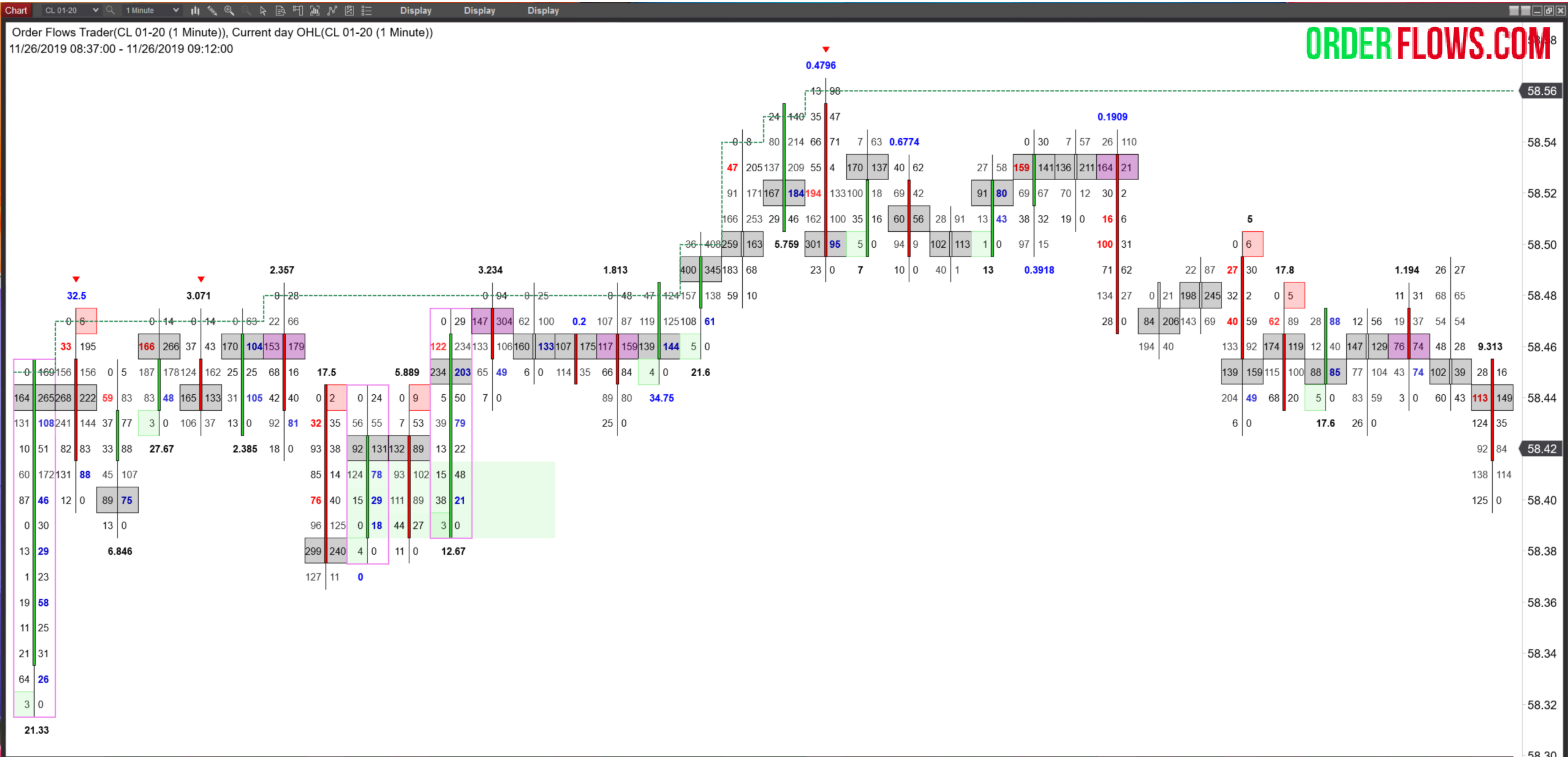
Have you ever watched the show “Swamp People?” They hunt alligators for a living. They don’t catch they don’t eat. How do they catch them? They hunt for alligators in the areas where they are most likely to be. Their own honey holes. Around the riverbank, in a mess of trees at the edge of the water.

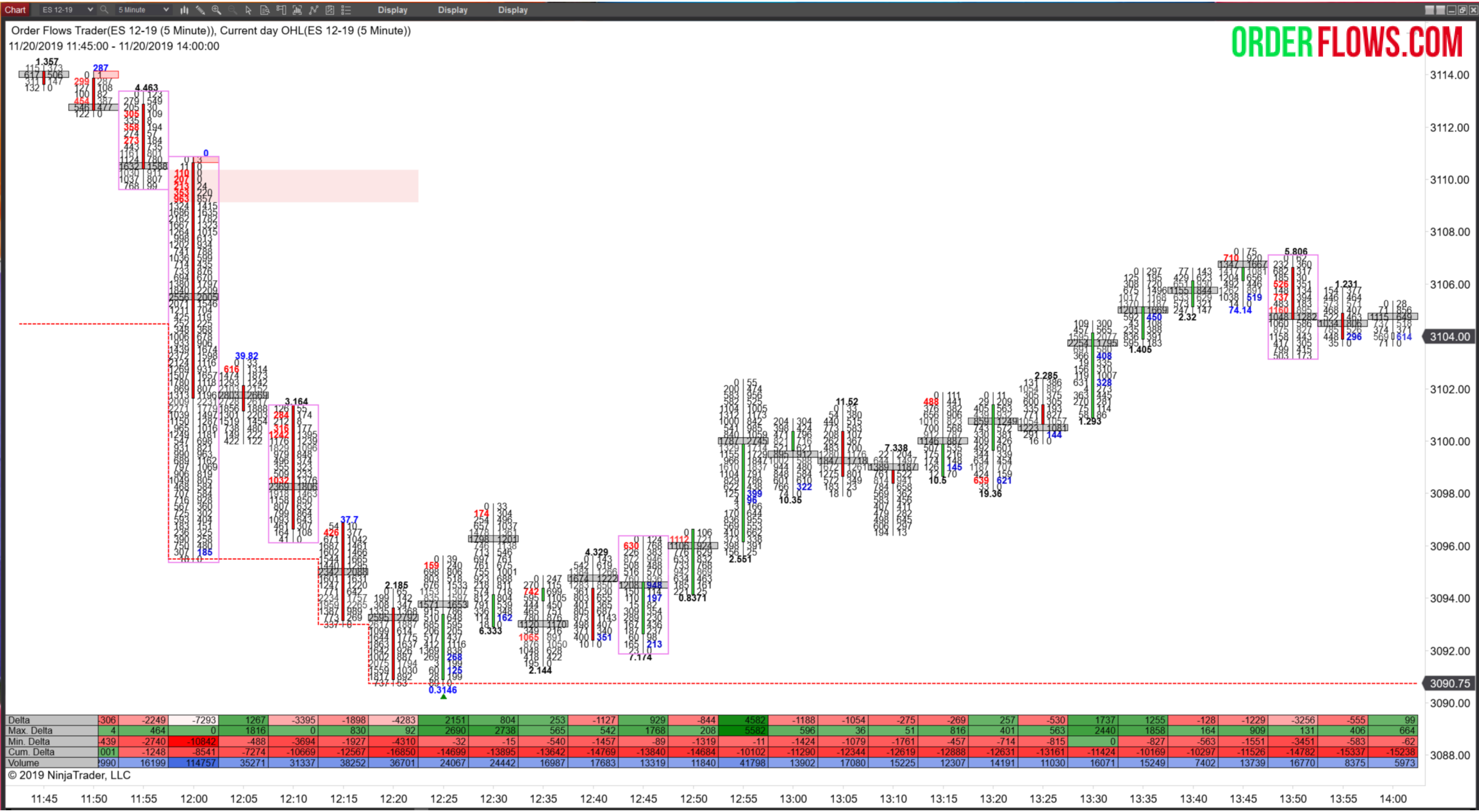
Traders have the same mentality as hunters. They have to look for trades where they are most likely to occur. Where traders are being sucked in, around the swing highs or swing lows, in a trend, etc.

A trader has to have their own “honey holes.” Areas where they are looking for trades that are going to give them good results.



Delta	159	67	-43	58	15	-303	44	-29	217	201	30	-11	54	84	246	73	356
Max. Delta	177	109	51	149	124	2	139	47	242	213	46	47	94	116	258	298	356
Min. Delta	0	-12	-61	-1	-25	-340	-40	-84	-14	0	-17	-11	-11	0	-19	0	0
Cum. Delta	1267	1334	1291	1349	1364	1061	1105	1076	1293	1494	1524	1513	1567	1651	1897	1970	2326
Volume	711	945	821	536	805	1313	626	767	1155	905	486	431	862	702	1658	1683	1230

Delta	-301	-83	-104	35	49	-78	48	-310	-11	38	-184	-86	80	3	64	-102	-222
Max. Delta	102	11	26	84	68	39	66	17	1	120	15	9	80	58	64	1	0
Min. Delta	-307	-97	-106	0	-1	-84	-46	-312	-93	-20	-295	-130	-25	-78	-15	-122	-289
Cum. Delta	2025	1942	1838	1873	1922	1844	1892	1582	1571	1609	1425	1339	1419	1422	1486	1384	1162
Volume	1397	551	442	375	313	648	512	828	545	764	978	752	346	693	368	614	1018



Order Flows Trader(ES 12-19 (5 Minute)), Current day OHL(ES 12-19 (5 Minute))
11/20/2019 11:45:00 - 11/20/2019 14:00:00
ORDER FLOWS.COM
Delta
Max. Delta
Min. Delta
Cum. Delta
Volume
© 2019 NinjaTrader, LLC
11:45
11:50
11:55
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12:10
12:15
12:20
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12:40
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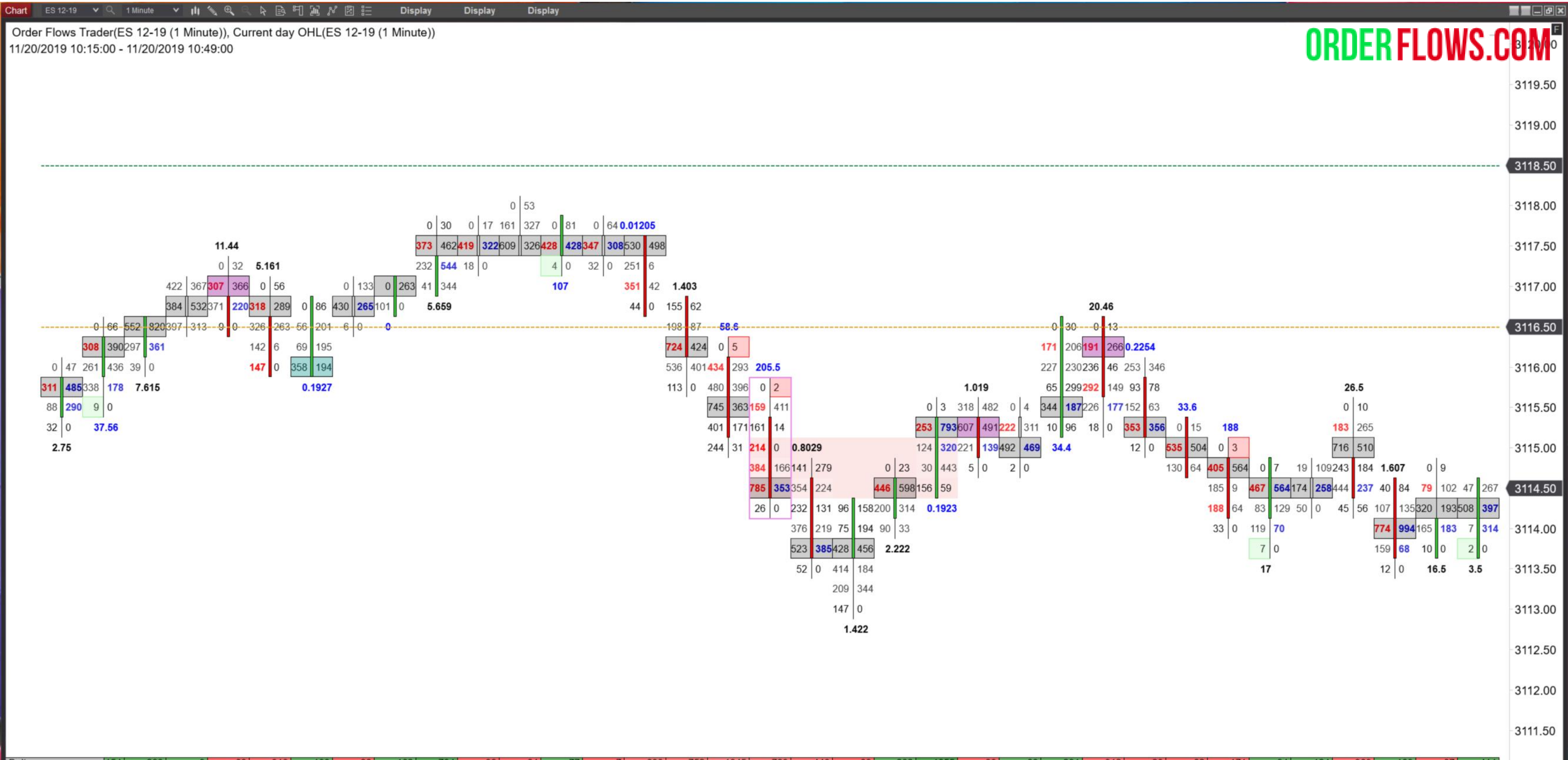
Probably the single most important skill a trader can develop is the ability to determine when a breakout will continue or fail. Why is this important? Because if a breakout continues you can experience the beginning of a trend. If a breakout fails, you can be looking at a potential market reversal.

This will give you an edge over other traders if you have a clear understanding of the immediate direction over the next few bars at a minimum.



Delta	154	293	9	-69	-319	193	-38	162	734	-98	-64	77	-7	-630	-752	-1045	-783
Max. Delta	169	349	287	186	218	193	169	162	857	191	322	90	6	49	0	0	190
Min. Delta	143	-171	-202	-69	-319	-149	-77	-53	0	-133	-103	-8	-194	-630	-820	-1096	-921
Cum. Delta	200	3493	3502	3433	3114	3307	3269	3431	4165	4067	4003	4080	4073	3443	2691	1646	863
Volume	986	2069	2415	1305	1547	1159	834	364	2026	776	1476	941	751	1722	2700	3563	2675

Delta	-440	-33	232	1055	-39	68	231	-312	-20	-82	-171	94	124	-369	189	-87	414
Max. Delta	158	37	308	1056	266	159	304	179	225	12	86	137	132	184	308	284	585
Min. Delta	-577	-509	-87	-90	-103	-99	0	-371	-106	-146	-173	-85	-188	-405	-317	-100	-2
Cum. Delta	423	390	622	1677	1638	1706	1937	1625	1605	1523	1352	1446	1570	1201	1390	1303	1717
Volume	2916	2705	1704	2181	2263	1500	1865	1614	1706	1248	1451	1446	610	2893	2373	1061	1542

10:15 10:20 10:25 10:30 10:35 10:40 10:45

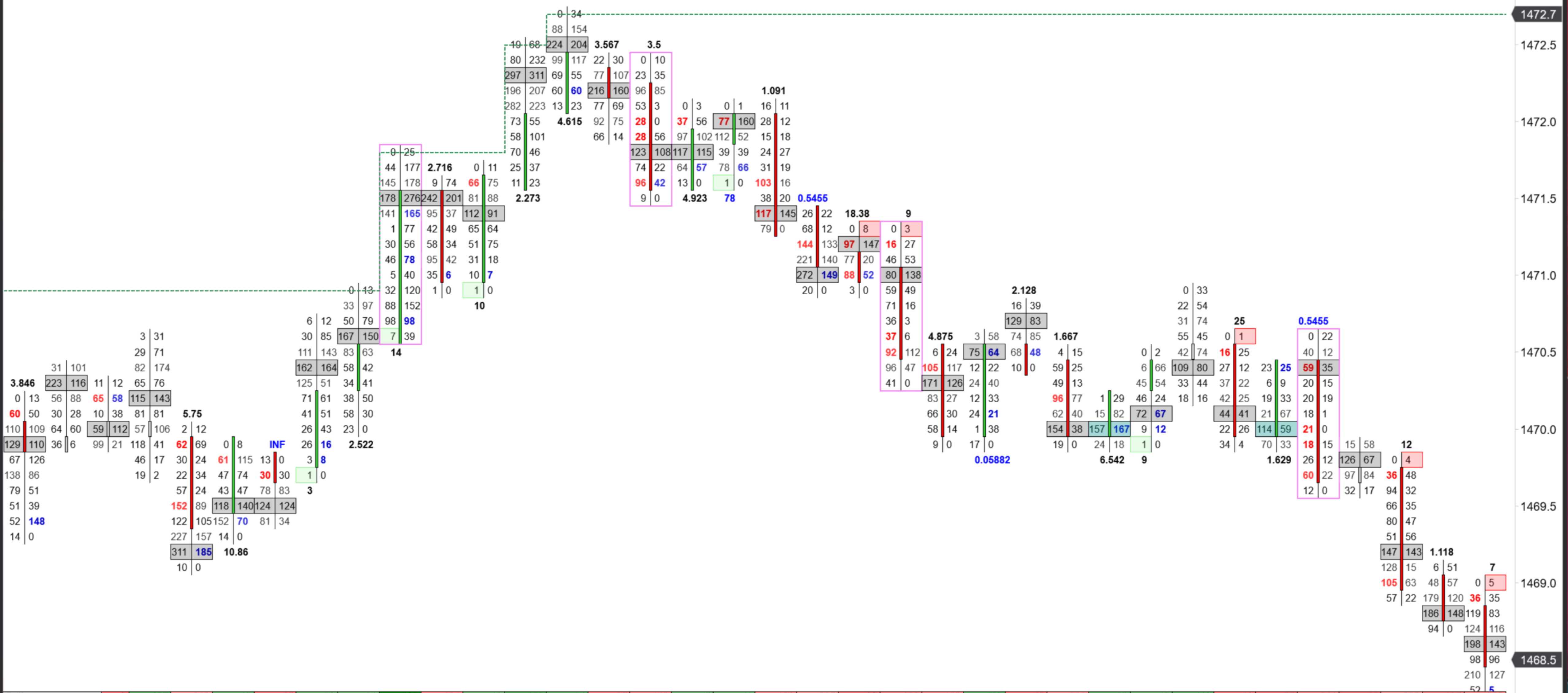
What is the difference between a reversal and a countertrend trade?

A reversal is the end of a trend, while a countertrend trade last short term and then you expect the market to continue to move in the original direction.

Where a lot of trader's struggle is in trying to trade a reversal.

They expect the market which was moving in one-sided trade in one direction to all of a sudden move in the opposite direction in opposite sided one-sided trade. But what often happens is now the market has reached a level where two-sided trade is occurring, and the market just rotates. The key is in determining if the reversal will happen or if the market has hit a level to rotate (trade sideways).

Order Flows Trader(GC 12-19 (1 Minute)), Current day OHL(GC 12-19 (1 Minute))
11/18/2019 08:28:00 - 11/18/2019 09:03:00



Delta	-3	127	-296	19	-55	32	21	666	-134	12	192	94	-95	-169	5	11	-183	-295	-38	-120	-160	108	-42	-235	99	46	110	-66	-27	-141	-44	-299	-137	-228
Max. Delta	73	253	16	40	8	133	71	731	17	48	351	175	20	14	35	35	15	3	36	97	25	125	37	12	100	48	157	8	9	8	35	7	3	31
Min. Delta	-37	-11	-339	-65	-103	-6	-65	0	-135	-72	0	0	-104	-173	-42	-44	-223	-315	-40	-147	-162	-8	-51	-250	-24	-47	-23	-88	-72	-153	-50	-313	-155	-257
Cum. Delta	-1861	-1734	-2030	-2011	-2066	-2034	-2013	-1347	-1481	-1469	-1277	-1183	-1278	-1447	-1442	-1431	-1614	-1909	-1947	-2067	-2227	-2119	-2161	-2396	-2297	-2251	-2141	-2207	-2234	-2375	-2419	-2718	-2855	-3083
Volume	485	1357	1694	889	597	1236	1109	2296	1020	846	2414	1200	1005	891	661	625	719	1207	492	1028	836	444	552	651	493	404	730	378	479	447	496	1229	889	1448

08:30 08:35 08:40 08:45 08:50 08:55 09:00

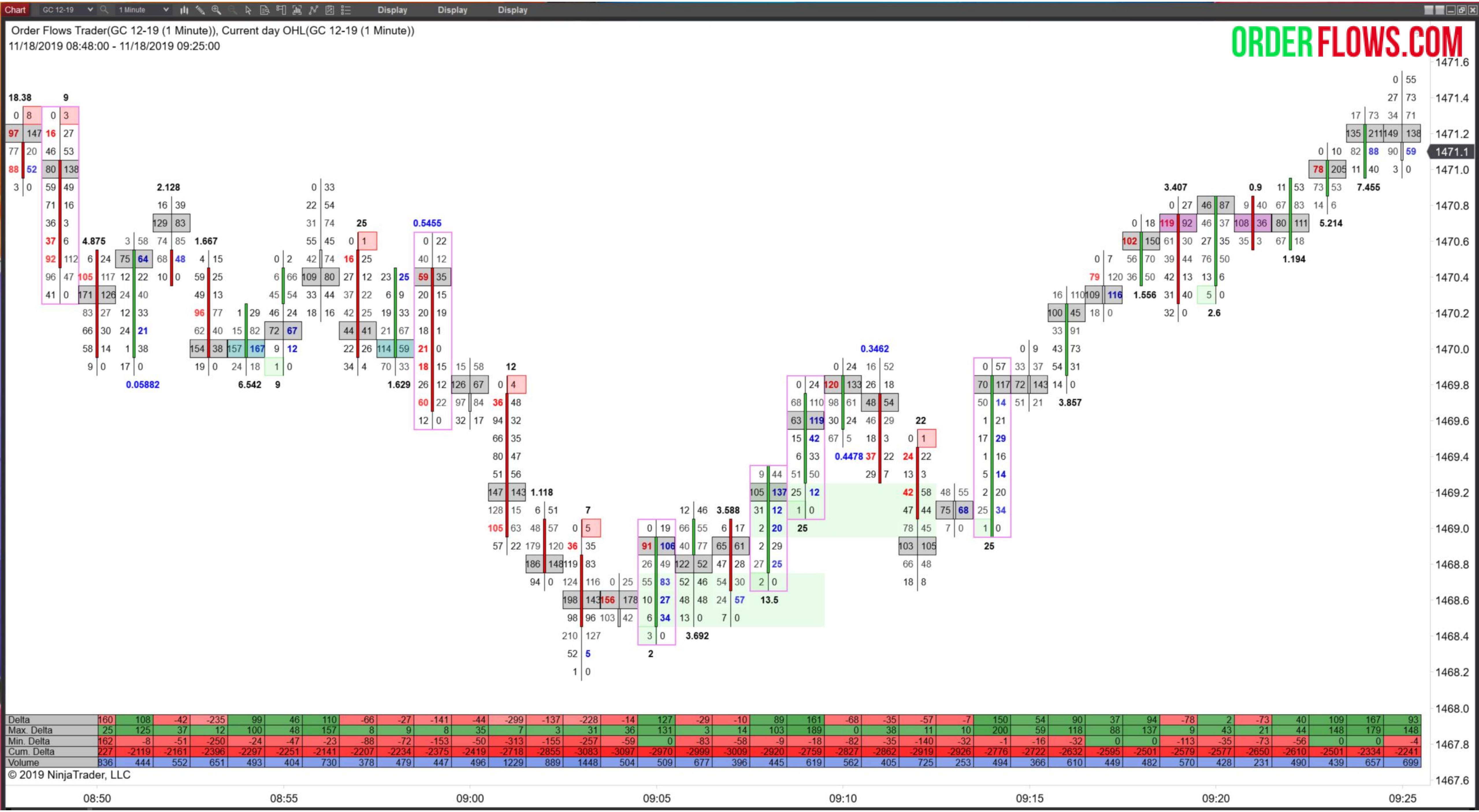


Chart
GC 12-19
1 Minute
Display
Display
Display
Order Flows Trader(GC 12-19 (1 Minute)), Current day OHL(GC 12-19 (1 Minute))
11/18/2019 08:48:00 - 11/18/2019 09:25:00
ORDER FLOWS.COM
Delta
Max. Delta
Min. Delta
Cum. Delta
Volume
© 2019 NinjaTrader, LLC
08:50
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Most traders don’t know a reversal is underway until it is too late. They often wait for higher highs or lower lows to appear. This makes their entry less than ideal.

This is why reversals have great profit opportunity, because the further you trade away from the reversal level the larger the profit potential becomes. But if you are getting in late, you are giving up part of your profits.

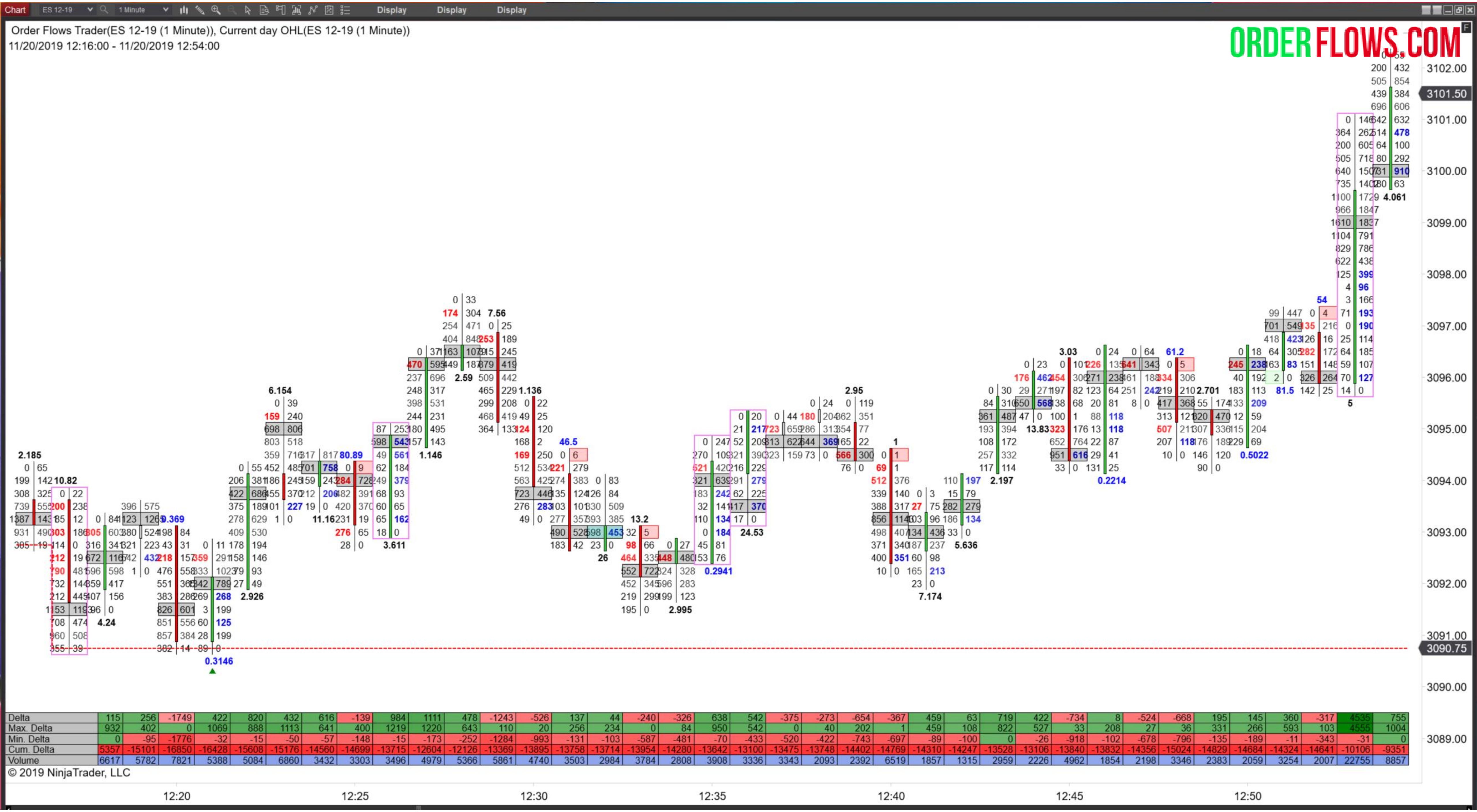

Chart
ES 12-19
1 Minute
Display
Display
Display
Order Flows Trader(ES 12-19 (1 Minute)), Current day OHL(ES 12-19 (1 Minute))
11/20/2019 12:16:00 - 11/20/2019 12:54:00
ORDERFLOWS.COM
Delta 115 256 -1749 422 820 432 616 -139 984 1111 478 -1243 -526 137 44 -240 -326 638 542 -375 -273 -654 -367 459 63 719 422 -734 8 -524 -668 195 145 360 -317 4535 755
Max. Delta 932 402 0 1069 888 1113 641 400 1219 1220 643 110 20 256 234 0 84 950 542 0 40 202 1 459 108 822 527 33 208 27 36 331 266 593 103 4555 1004
Min. Delta 0 -95 -1776 -32 -15 -50 -57 -148 -15 -173 -252 -1284 -993 -131 -103 -587 -481 -70 -433 -520 -422 -743 -697 -89 -100 0 -26 -918 -102 -678 -796 -135 -189 -11 -343 -31 0
Cum. Delta 5357 -15101 -16850 -16428 -15608 -15176 -14560 -14699 -13715 -12604 -12126 -13369 -13895 -13758 -13714 -13954 -14280 -13642 -13100 -13475 -13748 -14402 -14769 -14310 -14247 -13528 -13106 -13840 -13832 -14356 -15024 -14829 -14684 -14324 -14641 -10106 -9351
Volume 6617 5782 7821 5388 5084 6860 3432 3303 3496 4979 5366 5861 4740 3503 2984 3784 2808 3908 3336 3343 2093 2392 6519 1857 1315 2959 2226 4962 1854 2198 3346 2383 2059 3254 2007 22755 8857
© 2019 NinjaTrader, LLC
12:20
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Every new high becomes a potential top. With a top comes a reversal.
What happens around a top? Profit taking.
If during that profit taking there are signs of aggressive buying imbalances you could be witnessing real buying as opposed to FOMO buying.

Every new low becomes a potential bottom and a potential reversal area.

Traders generally do not reverse their positions at a reversal level immediately. What I mean is, they rarely go from long to short at once. They get long, ride it, then take profits, then wait for a sign to go short. And vice versa. They get short, cover their shorts, wait then get long.

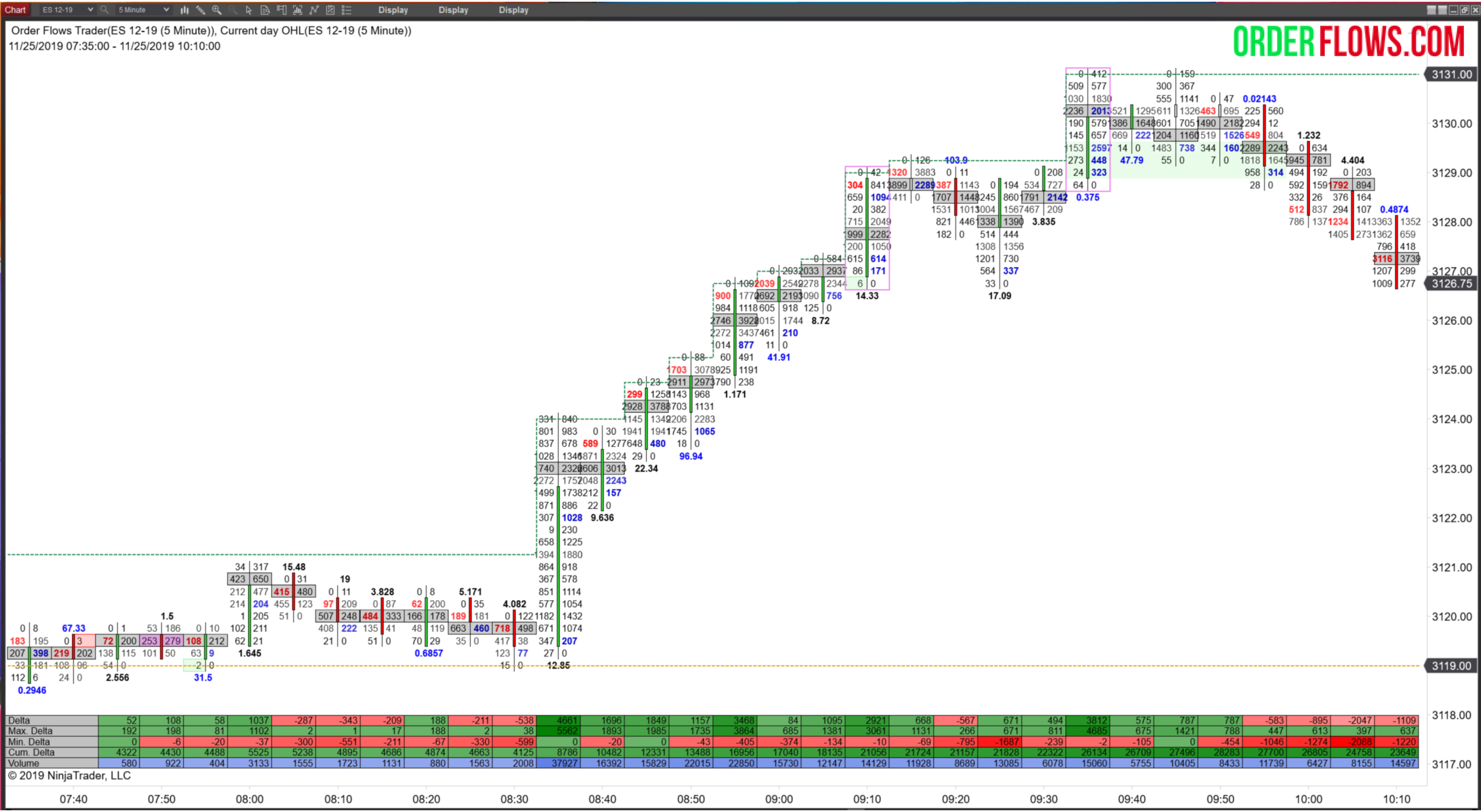

Chart
ES 12-19
5 Minute
Display
Display
Display
Order Flows Trader(ES 12-19 (5 Minute)), Current day OHL(ES 12-19 (5 Minute))
11/25/2019 07:35:00 - 11/25/2019 10:10:00
ORDER FLOWS.COM
3131.00
3130.00
3129.00
3128.00
3127.00
3126.75
3126.00
3125.00
3124.00
3123.00
3122.00
3121.00
3120.00
3119.00
3118.00
3117.00
Delta 52 108 58 1037 -287 -343 -209 188 -211 -538 4661 1696 1849 1157 3468 84 1095 2921 668 -567 671 494 3812 575 787 787 -583 -895 -2047 -1109
Max. Delta 192 198 81 1102 2 1 17 188 2 38 5562 1893 1985 1735 3864 685 1381 3061 1131 266 671 811 4685 675 1421 788 447 613 397 637
Min. Delta 0 -6 -20 -37 -300 -551 -211 -67 -330 -599 0 -20 0 -43 -405 -374 -134 -10 -69 -795 -1687 -239 -2 -105 0 -454 -1046 -1274 -2088 -1220
Cum. Delta 4322 4430 4488 5525 5238 4895 4686 4874 4663 4125 8786 10482 12331 13488 16956 17040 18135 21056 21724 21157 21828 22322 26134 26709 27496 28283 27700 26805 24758 23649
Volume 580 922 404 3133 1555 1723 1131 880 1563 2008 37927 16392 15829 22015 22850 15730 12147 14129 11928 8689 13085 6078 15060 5755 10405 8433 11739 6427 8155 14597
© 2019 NinjaTrader, LLC
07:40
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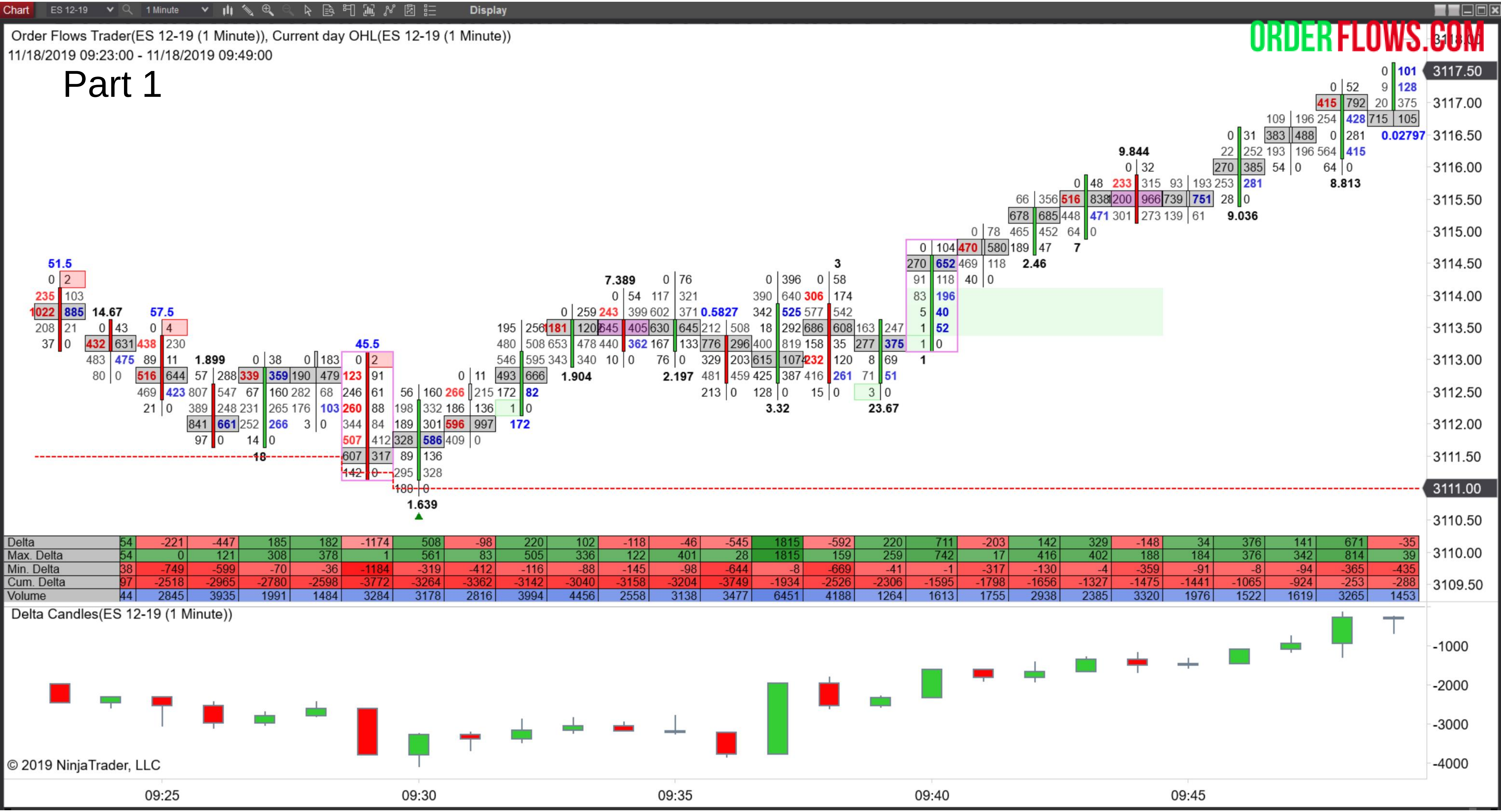
Chart
ES 12-19
1 Minute
Display
ORDER FLOWS.COM
Order Flows Trader(ES 12-19 (1 Minute)), Current day OHL(ES 12-19 (1 Minute))
11/18/2019 09:23:00 - 11/18/2019 09:49:00
Part 1
Delta 54 -221 -447 185 182 -1174 508 -98 220 102 -118 -46 -545 1815 -592 220 711 -203 142 329 -148 34 376 141 671 -35
Max. Delta 54 0 121 308 378 1 561 83 505 336 122 401 28 1815 159 259 742 17 416 402 188 184 376 342 814 39
Min. Delta 38 -749 -599 -70 -36 -1184 -319 -412 -116 -88 -145 -98 -644 -8 -669 -41 -1 -317 -130 -4 -359 -91 -8 -94 -365 -435
Cum. Delta 97 -2518 -2965 -2780 -2598 -3772 -3264 -3362 -3142 -3040 -3158 -3204 -3749 -1934 -2526 -2306 -1595 -1798 -1656 -1327 -1475 -1441 -1065 -924 -253 -288
Volume 44 2845 3935 1991 1484 3284 3178 2816 3994 4456 2558 3138 3477 6451 4188 1264 1613 1755 2938 2385 3320 1976 1522 1619 3265 1453
Delta Candles(ES 12-19 (1 Minute))
© 2019 NinjaTrader, LLC
09:25
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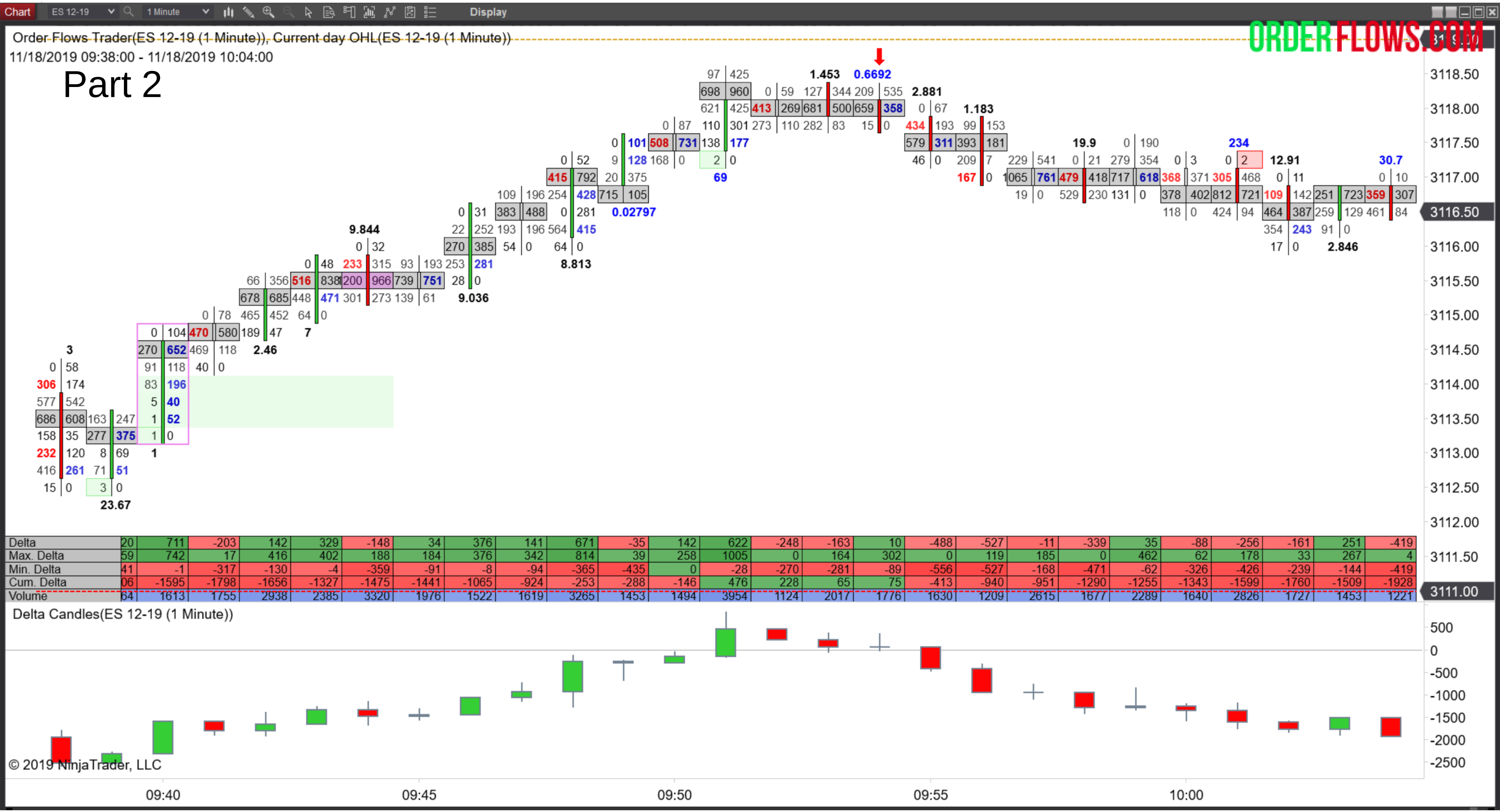
Chart
ES 12-19
1 Minute
Display
ORDERFLOWS.COM
Order Flows Trader(ES 12-19 (1 Minute)), Current day OHL(ES 12-19 (1 Minute))
11/18/2019 09:38:00 - 11/18/2019 10:04:00
Part 2
Delta 20 711 -203 142 329 -148 34 376 141 671 -35 142 622 -248 -163 10 -488 -527 -11 -339 35 -88 -256 -161 251 -419
Max. Delta 59 742 17 416 402 188 184 376 342 814 39 258 1005 0 164 302 0 119 185 0 462 62 178 33 267 4
Min. Delta 41 -1 -317 -130 -4 -359 -91 -8 -94 -365 -435 0 -28 -270 -281 -89 -556 -527 -168 -471 -62 -326 -426 -239 -144 -419
Cum. Delta 06 -1595 -1798 -1656 -1327 -1475 -1441 -1065 -924 -253 -288 -146 476 228 65 75 -413 -940 -951 -1290 -1255 -1343 -1599 -1760 -1509 -1928
Volume 64 1613 1755 2938 2385 3320 1976 1522 1619 3265 1453 1494 3954 1124 2017 1776 1630 1209 2615 1677 2289 1640 2826 1727 1453 1221
Delta Candles(ES 12-19 (1 Minute))
© 2019 NinjaTrader, LLC
09:40
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10:00

Determining the end of a move and the start of a reversal.

Most reversals fail because traders fail to understand that the move is not over. Markets have inertia, an object in motion continues in that direction until acted upon by a force. Markets move, then pause, then move again. The force is opposite order flow.

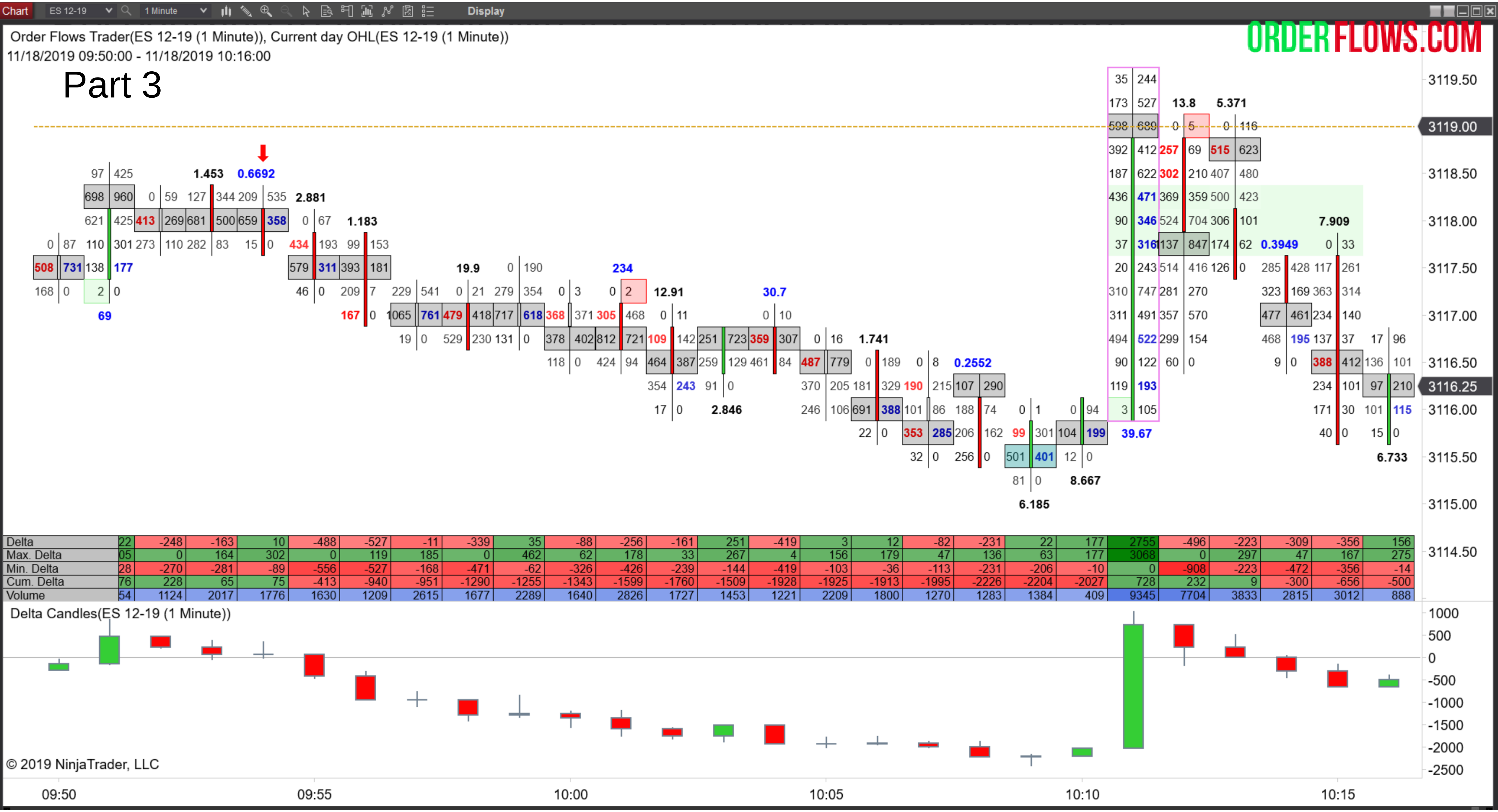
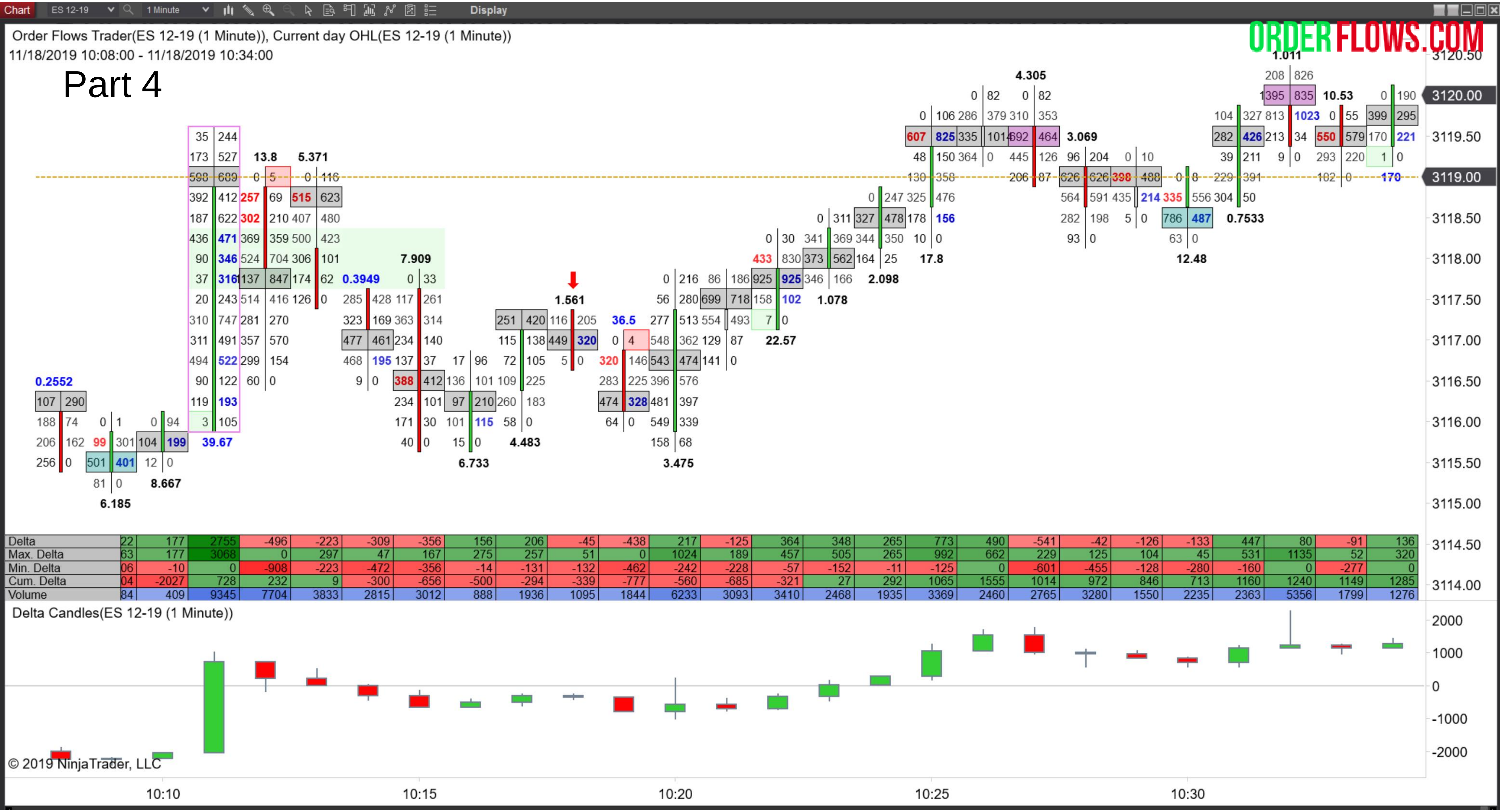


Chart
ES 12-19
1 Minute
Display
Order Flows Trader(ES 12-19 (1 Minute)), Current day OHL(ES 12-19 (1 Minute))
11/18/2019 09:50:00 - 11/18/2019 10:16:00
Part 3
ORDERFLOWS.COM
3119.50
3119.00
3118.50
3118.00
3117.50
3117.00
3116.50
3116.25
3116.00
3115.50
3115.00
3114.50
Delta 22 -248 -163 10 -488 -527 -11 -339 35 -88 -256 -161 251 -419 3 12 -82 -231 22 177 2755 -496 -223 -309 -356 156
Max. Delta 05 0 164 302 0 119 185 0 462 62 178 33 267 4 156 179 47 136 63 177 3068 0 297 47 167 275
Min. Delta 28 -270 -281 -89 -556 -527 -168 -471 -62 -326 -426 -239 -144 -419 -103 -36 -113 -231 -206 -10 0 -908 -223 -472 -356 -14
Cum. Delta 76 228 65 75 -413 -940 -951 -1290 -1255 -1343 -1599 -1760 -1509 -1928 -1925 -1913 -1995 -2226 -2204 -2027 728 232 9 -300 -656 -500
Volume 54 1124 2017 1776 1630 1209 2615 1677 2289 1640 2826 1727 1453 1221 2209 1800 1270 1283 1384 409 9345 7704 3833 2815 3012 888
Delta Candles(ES 12-19 (1 Minute))
1000
500
0
-500
-1000
-1500
-2000
-2500
© 2019 NinjaTrader, LLC
09:50
09:55
10:00
10:05
10:10
10:15



Delta	22	177	2755	-496	-223	-309	-356	156	206	-45	-438	217	-125	364	348	265	773	490	-541	-42	-126	-133	447	80	-91	136
Max. Delta	63	177	3068	0	297	47	167	275	257	51	0	1024	189	457	505	265	992	662	229	125	104	45	531	1135	52	320
Min. Delta	06	-10	0	-908	-223	-472	-356	-14	-131	-132	-462	-242	-228	-57	-152	-11	-125	0	-601	-455	-128	-280	-160	0	-277	0
Cum. Delta	04	-2027	728	232	9	-300	-656	-500	-294	-339	-777	-560	-685	-321	27	292	1065	1555	1014	972	846	713	1160	1240	1149	1285
Volume	84	409	9345	7704	3833	2815	3012	888	1936	1095	1844	6233	3093	3410	2468	1935	3369	2460	2765	3280	1550	2235	2363	5356	1799	1276

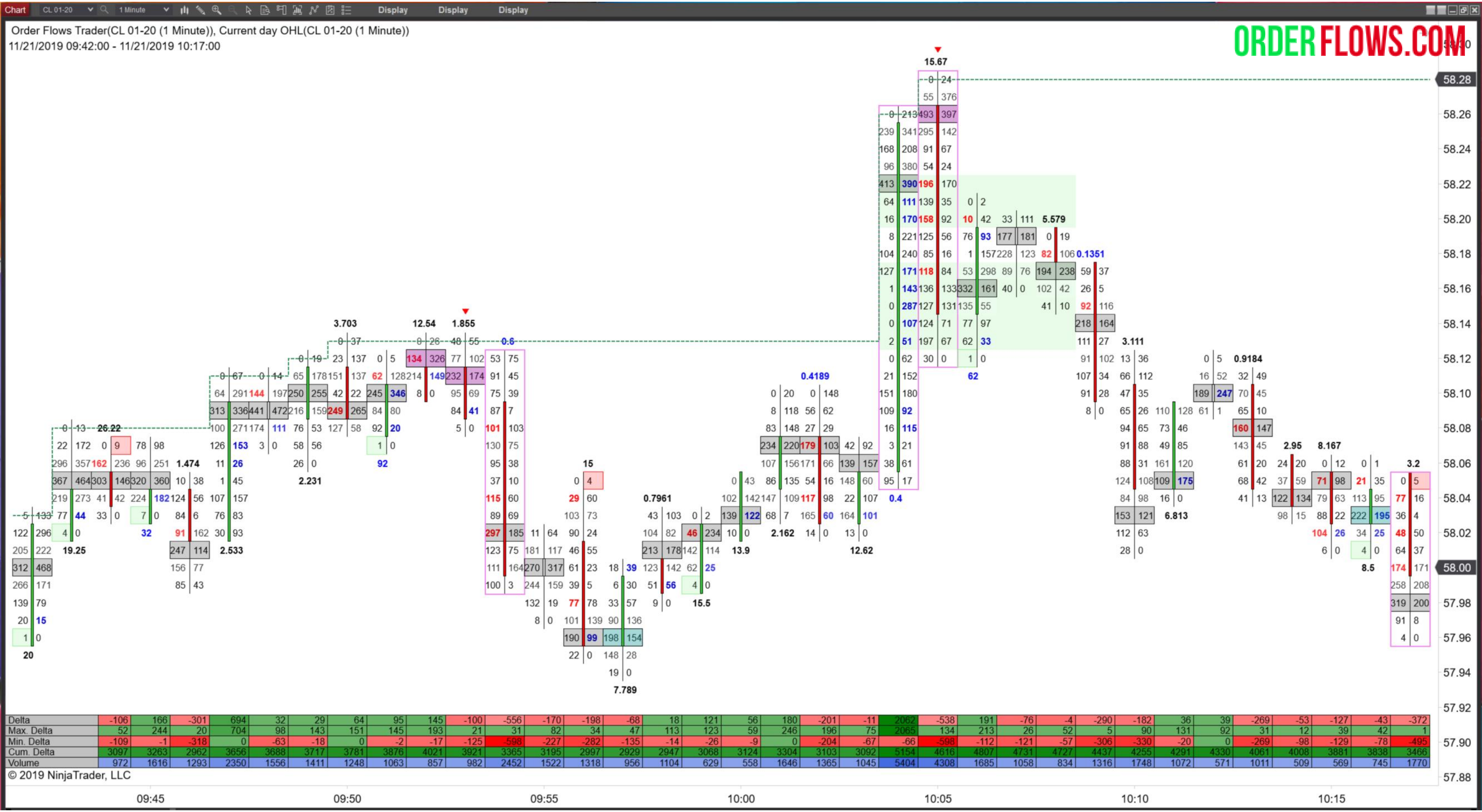
When a market makes a new high and there is no follow through order flow the potential for a reversal is high.

Institutional selling at a top is often hidden in the euphoria of public buying as the market is hitting new highs. That is what institutional traders crave – a chance to get out of a winning position without affecting or moving price as well as potentially creating a short position at the same time.

High volume sell offs – high, bar closes down, negative delta, volume is near the heaviest in the last x periods. Usually the prior bar has heaviest volume.

High volume rallies – low, bar closes up, positive delta, volume is near heaviest in the last x periods. Usually the prior bar has heaviest volume.

Strong buyers or sellers getting into market and stopping the move, erasing the breakout.



Order Flows Trader(CL 01-20 (1 Minute)), Current day OHL(CL 01-20 (1 Minute))
11/21/2019 09:42:00 - 11/21/2019 10:17:00
ORDERFLOWS.COM
Delta -106 166 -301 694 32 29 64 95 145 -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
Max. Delta 52 244 20 704 98 143 151 145 193 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
Min. Delta -109 -1 -318 0 -63 -18 0 -2 -17 -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
Cum. Delta 3097 3263 2962 3656 3688 3717 3781 3876 4021 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
Volume 972 1616 1293 2350 1556 1411 1248 1063 857 982 2452 1522 1318 956 1104 629 558 1646 1365 1045 5404 4308 1685 1058 834 1316 1748 1072 571 1011 509 569 745 1770
© 2019 NinjaTrader, LLC
09:45
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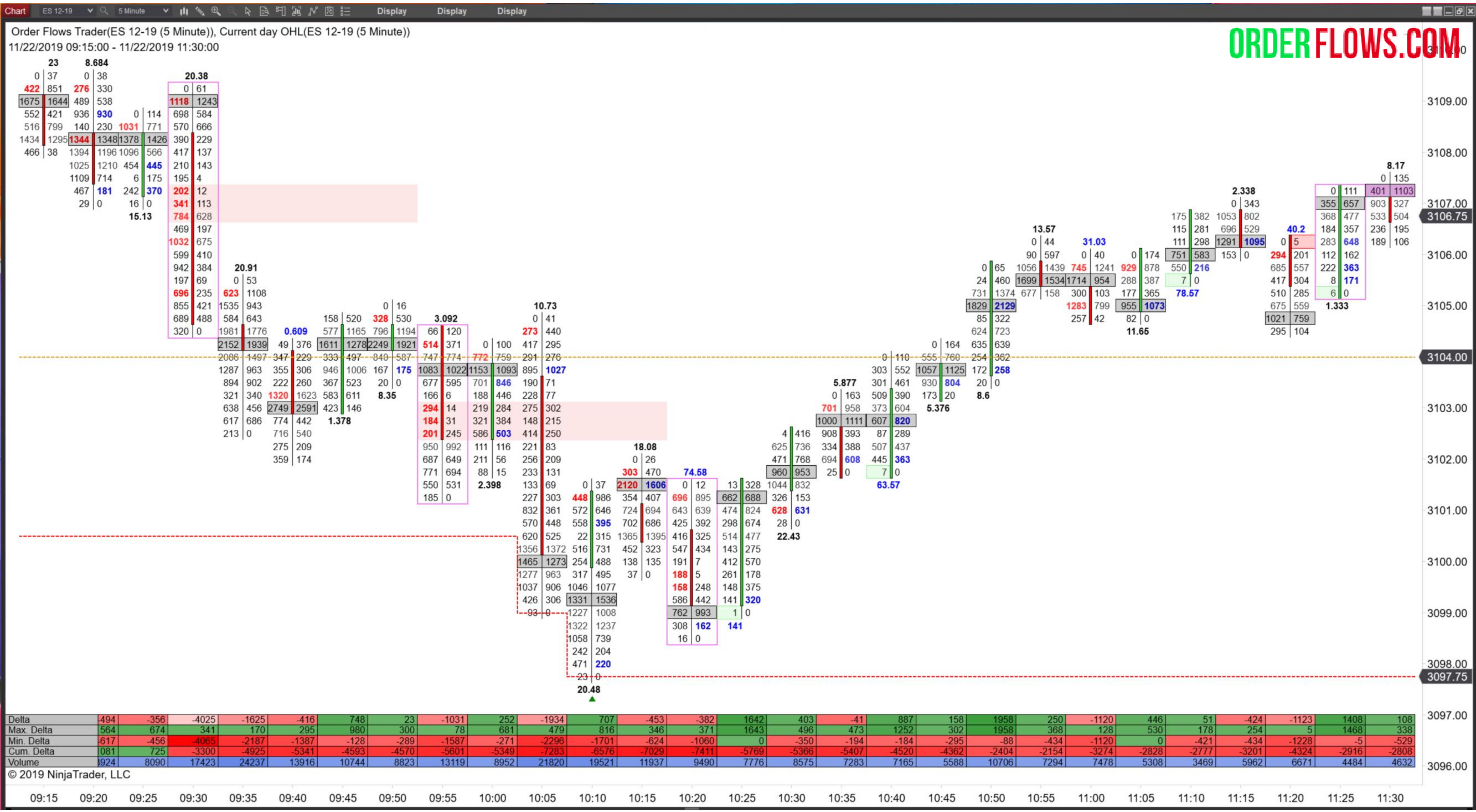
Order Flows Trader(ES 12-19 (5 Minute)), Current day OHL(ES 12-19 (5 Minute))
11/22/2019 09:15:00 - 11/22/2019 11:30:00
ORDERFLOWS.COM
Delta
Max. Delta
Min. Delta
Cum. Delta
Volume
© 2019 NinjaTrader, LLC
09:15
09:20
09:25
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09:35
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Think of it this way… a small break outs on heavy volume. There is a big effort being made without any reward. Someone is absorbing the selling around the high, but the market is not moving higher. At a low it is the opposite.

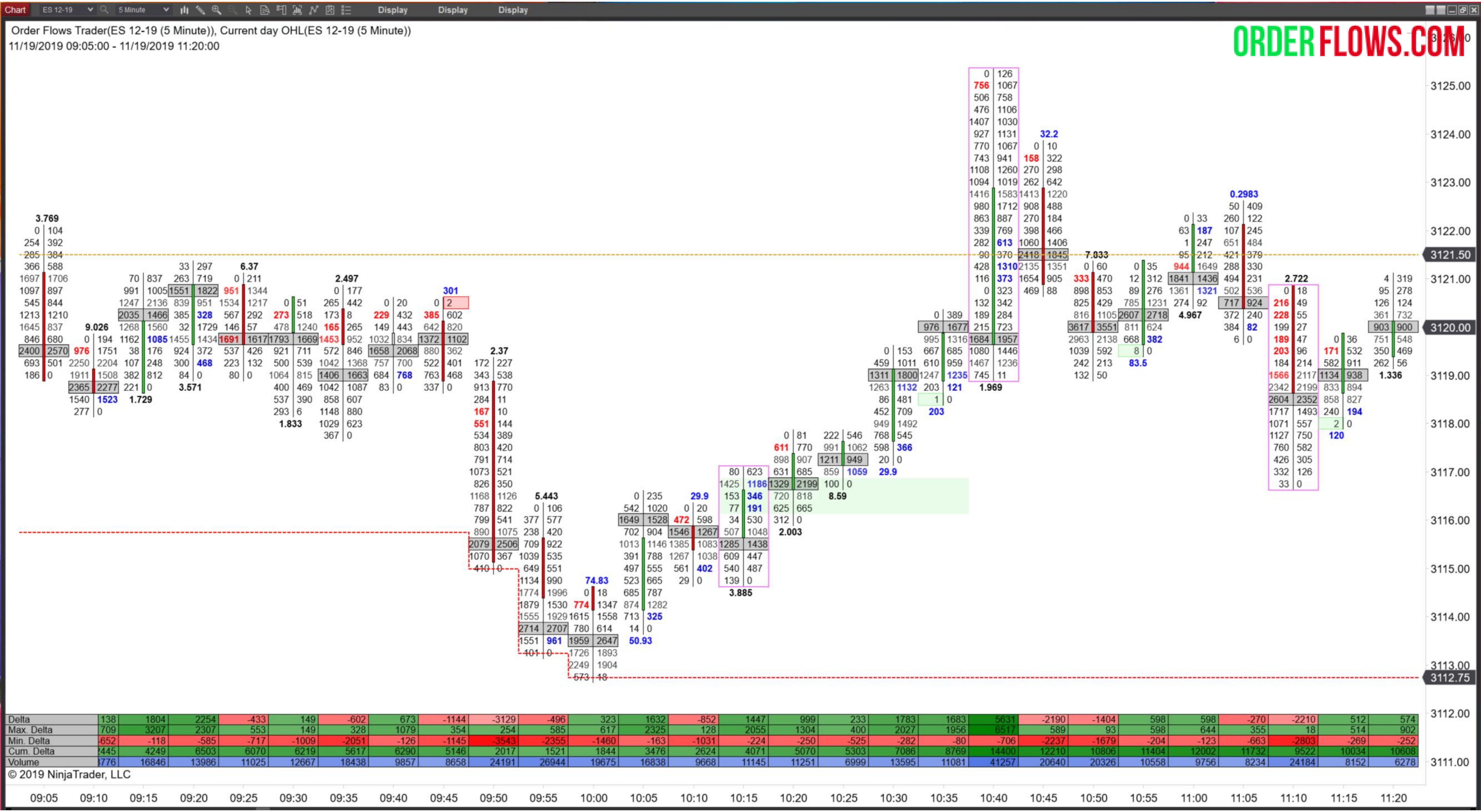
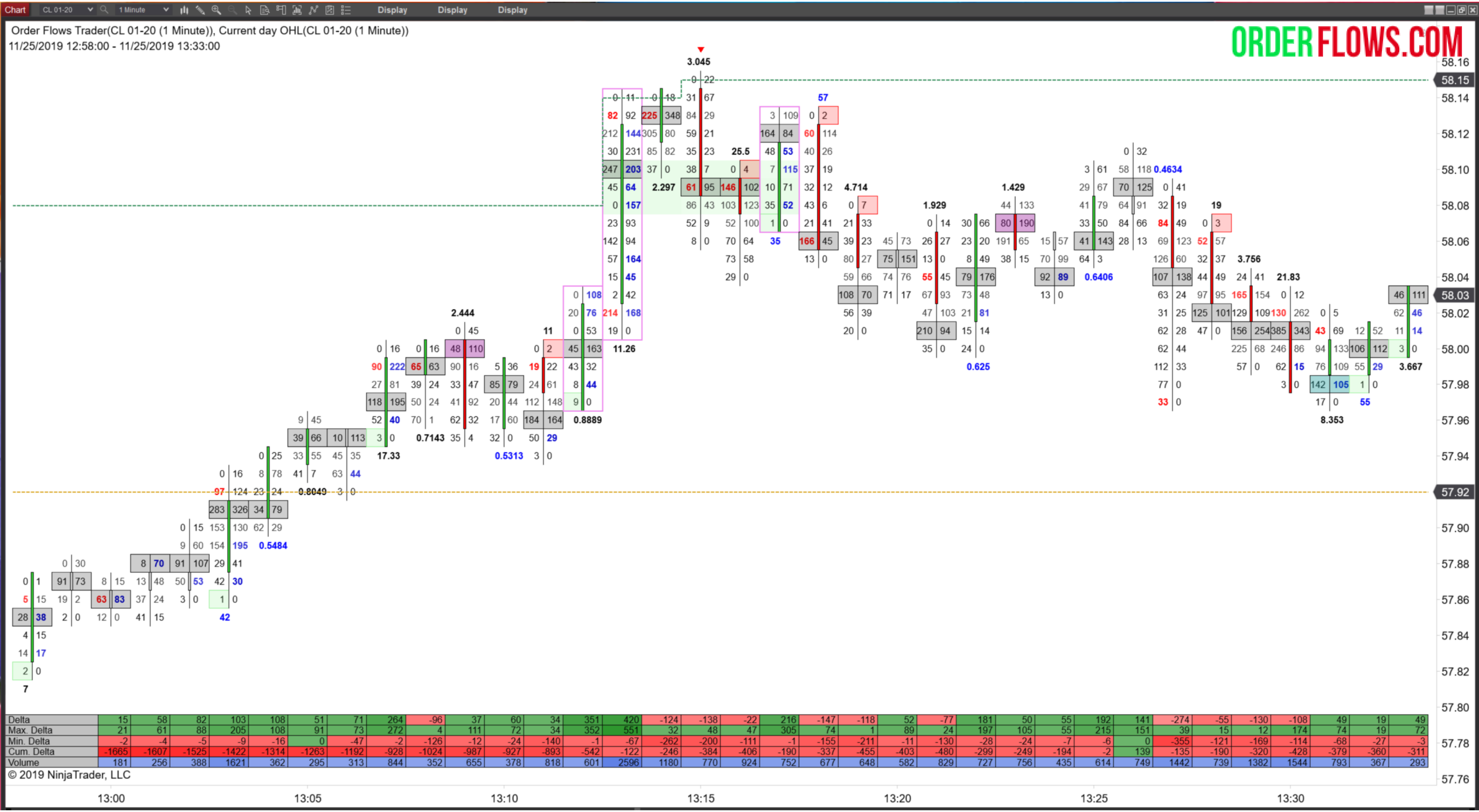


Chart
ES 12-19
5 Minute
Display
Display
Display
Order Flows Trader(ES 12-19 (5 Minute)), Current day OHL(ES 12-19 (5 Minute))
11/19/2019 09:05:00 - 11/19/2019 11:20:00
ORDER FLOWS.COM
3125.00
3124.00
3123.00
3122.00
3121.50
3121.00
3120.00
3119.00
3118.00
3117.00
3116.00
3115.00
3114.00
3113.00
3112.75
3112.00
3111.00
Delta
Max. Delta
Min. Delta
Cum. Delta
Volume
© 2019 NinjaTrader, LLC
09:05
09:10
09:15
09:20
09:25
09:30
09:35
09:40
09:45
09:50
09:55
10:00
10:05
10:10
10:15
10:20
10:25
10:30
10:35
10:40
10:45
10:50
10:55
11:00
11:05
11:10
11:15
11:20



Delta	15	58	82	103	108	51	71	264	-96	37	60	34	351	420	-124	-138	-22
Max. Delta	21	61	88	205	108	91	73	272	4	111	72	34	352	551	32	48	47
Min. Delta	-2	-4	-5	-9	-16	0	-47	-2	-126	-12	-24	-140	-1	-67	-262	-200	-111
Cum. Delta	-1665	-1607	-1525	-1422	-1314	-1263	-1192	-928	-1024	-987	-927	-893	-542	-122	-246	-384	-406
Volume	181	256	388	1621	362	295	313	844	352	655	378	818	601	2596	1180	770	924

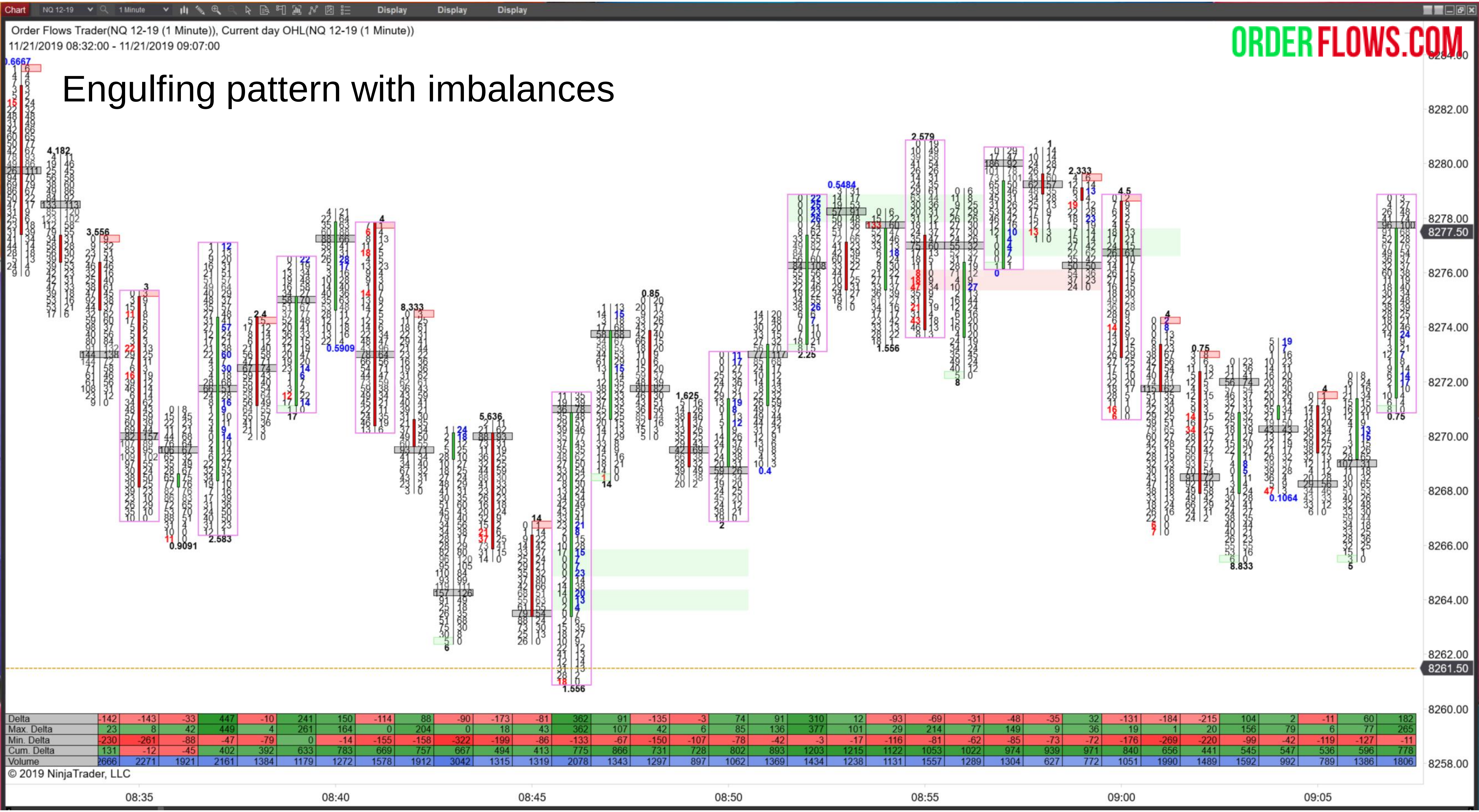
Delta	216	-147	-118	52	-77	181	50	55	192	141	-274	-55	-130	-108	49	19	49
Max. Delta	305	74	1	89	24	197	105	55	215	151	39	15	12	174	74	19	72
Min. Delta	-1	-155	-211	-11	-130	-28	-24	-7	-6	0	-355	-121	-169	-114	-68	-27	-3
Cum. Delta	-190	-337	-455	-403	-480	-299	-249	-194	-2	139	-135	-190	-320	-428	-379	-360	-311
Volume	752	677	648	582	829	727	756	435	614	749	1442	739	1382	1544	793	367	293

Volume shows us what is happening in the market and can create areas of supply and demand. Price is the value of volume.

Combining order flow and candlestick patterns. Keep in mind there are a lot of traders who just trade off simple candlestick patterns. Whenever the market leaves a particular pattern, they use that to buy or sell. When the candlestick pattern has interesting order flow in it, it becomes even more stronger as it attracts the attention of order flow traders.

What is important to remember is that there are thousands of traders looking for candlestick patterns to trade around. It doesn’t matter so much if the candlestick pattern works or not, what is important to watch as an order flow trader is the activity the traders are taking. Remember, no candlestick pattern in 100%. If the order flow doesn’t confirm the pattern, the pattern will most likely fail.

Engulfing pattern with imbalances



Delta	-142	-143	-33	447	-10	241	150	-114	88	-90	-173	-81	362	91	-135	-3	74	91	310	12	-93	-69	-31	-48	-35	32	-131	-184	-215	104	2	-11	60	182
Max. Delta	23	8	42	449	4	261	164	0	204	0	18	43	362	107	42	6	85	136	377	101	29	214	77	149	9	36	19	1	20	156	79	6	77	265
Min. Delta	-230	-261	-88	-47	-79	0	-14	-155	-158	-322	-199	-86	-133	-67	-150	-107	-78	-42	-3	-17	-116	-81	-62	-85	-73	-72	-176	-269	-220	-99	-42	-119	-127	-11
Cum. Delta	131	-12	-45	402	392	633	783	669	757	667	494	413	775	866	731	728	802	893	1203	1215	1122	1053	1022	974	939	971	840	656	441	545	547	536	596	778
Volume	2666	2271	1921	2161	1384	1179	1272	1578	1912	3042	1315	1319	2078	1343	1297	897	1062	1369	1434	1238	1131	1557	1289	1304	627	772	1051	1990	1489	1592	992	789	1386	1806

You have reached the end of Module 2. In Module 3 I will discuss trading the cash open.