

Advanced Order Flow Trading
Module 7

Active Trade Entry

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Disclaimer

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“Just tell me where to get in, put my stop and take profit.”

That's not trading.

Every time I hear that I cringe because that implies that the market is more mechanical than dynamic. By dynamic I mean constantly evolving. By evolving I mean changing based on trader's perception.

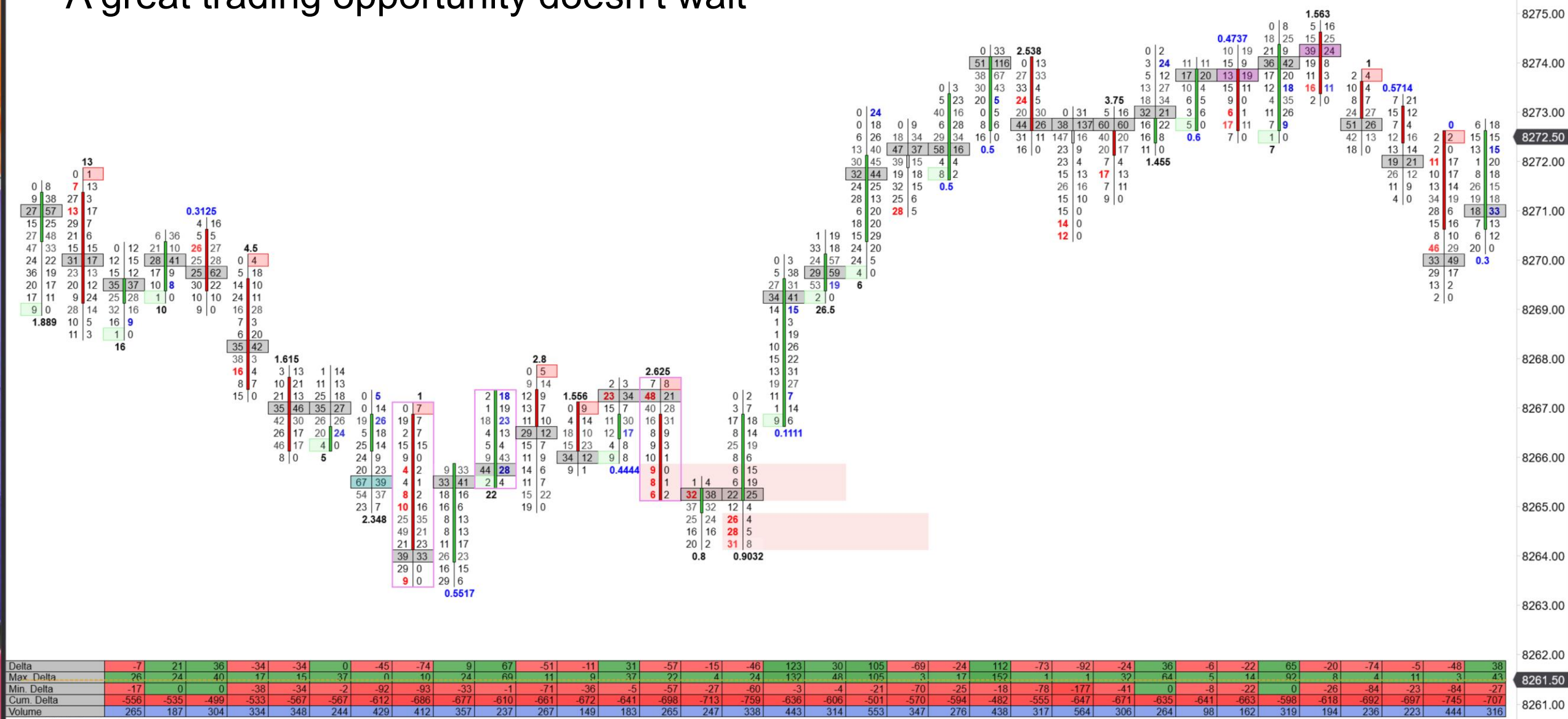
While there are obviously certain psychological levels or chart levels that hold and work, when you understand how the context on how the market reached those levels and reacted around those levels is more important than the level itself.

A trader has to know when to get involved.

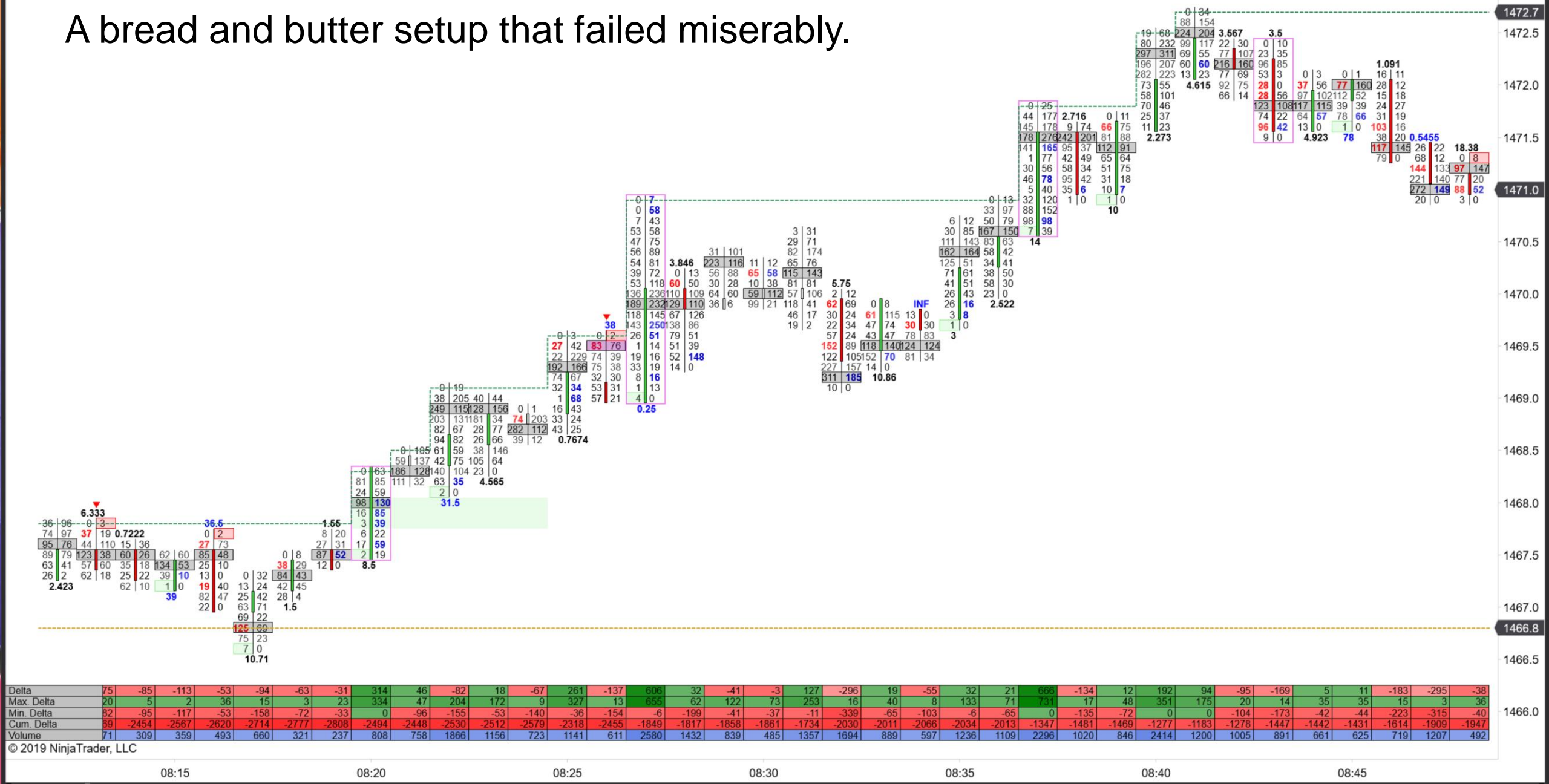
If you are playing poker and you get dealt a 2 and 7 offsuit. What are you going to do? You have chance for a straight draw, no flush draw and even if you wind up with a pair of 7's or a pair of 2s, chances are you are not going to have the best hand. Yes, once in a blue moon there may be a 7-7-2 flop but the odds against it are so high you are best to drop out before the betting starts.

But if you were dealt an Ace – Ace or pocket kings, you are going to feel pretty good.

A great trading opportunity doesn't wait



A bread and butter setup that failed miserably.



I use the word “manage” quite often when discussing what you need to do with a trade once you are in it.

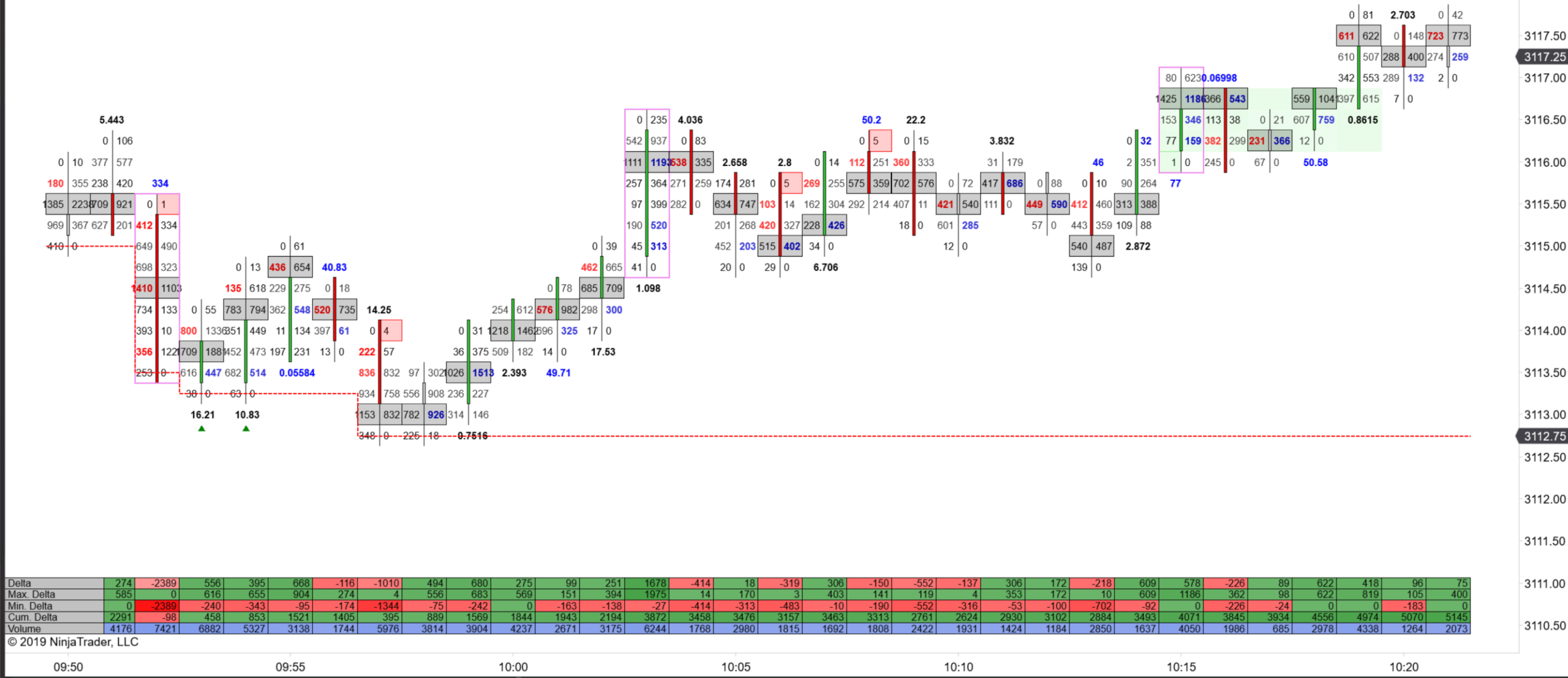
When you are not in a trade you “monitor” the market for when conditions are ripe for you to either get into a trade or stay out of the market.

Once you are in a position, you are a manager who is monitoring what is happening in the market. You want to see continuation and follow through to the reason you took a trade. Being able to effectively manage a position is what is going to separate a trade from being a winner or loser. Once the conditions turn against you, get out of the position.

When trading you have to be involved in the market with constant monitoring. If you start getting distracted you will suffer.

Order Flows Trader(ES 12-19 (1 Minute)), Current day OHL(ES 12-19 (1 Minute))
11/19/2019 09:50:00 - 11/19/2019 10:21:00

Always be monitoring...the mundane part of trading...

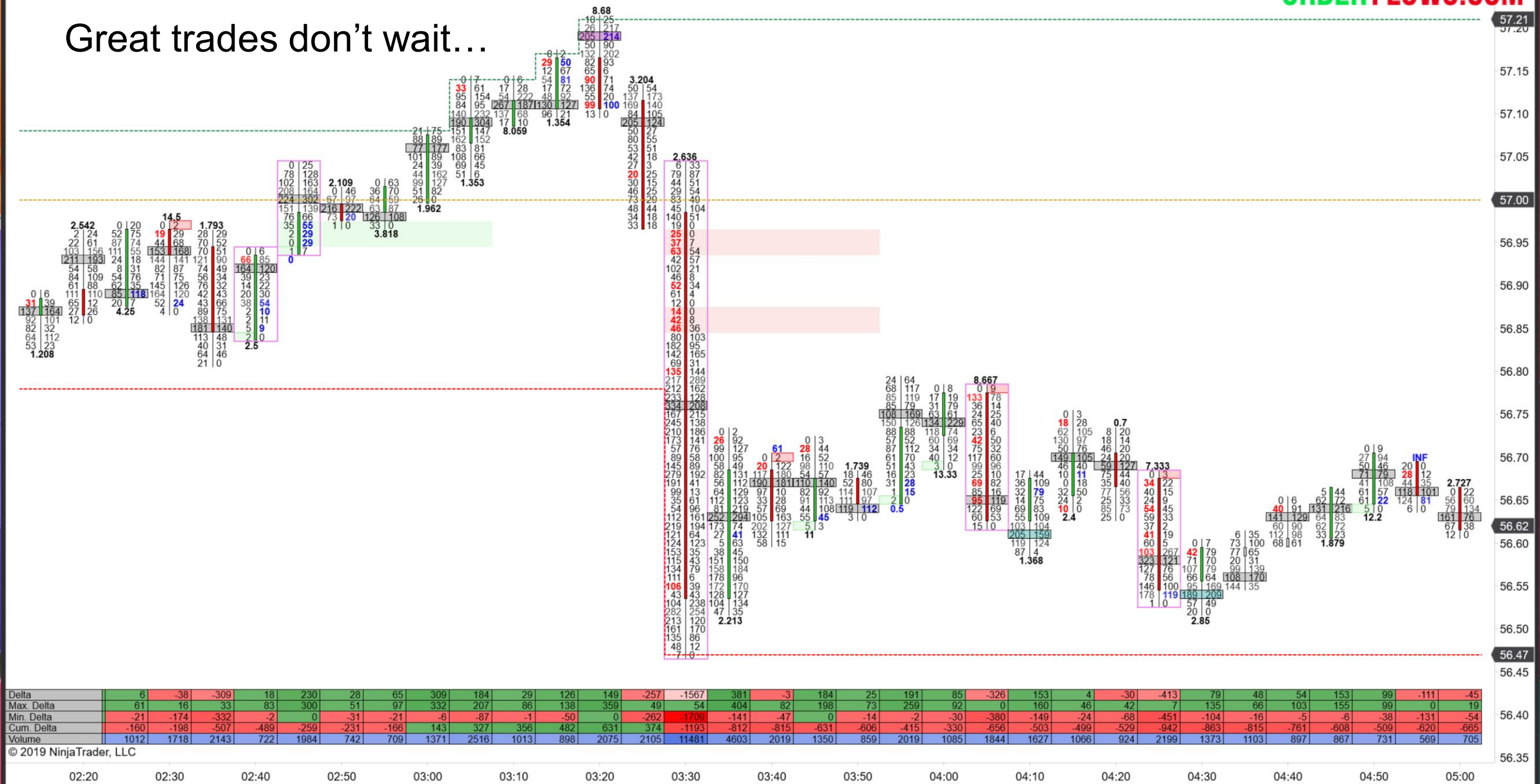


Strong moves do not wait for you. When you see a strong move underway, just get in as quickly as possible. Don't try to finesse the trade trying to squeeze an extra couple of ticks or most likely you will miss the move entirely.

The key with a strong move is to manage the trade. By manage I mean monitoring the trade for continued signs of continuation.

Order Flows Trader(CL 01-20 (5 Minute)), Current day OHL(CL 01-20 (5 Minute))
11/19/2019 02:15:00 - 11/19/2019 05:00:00

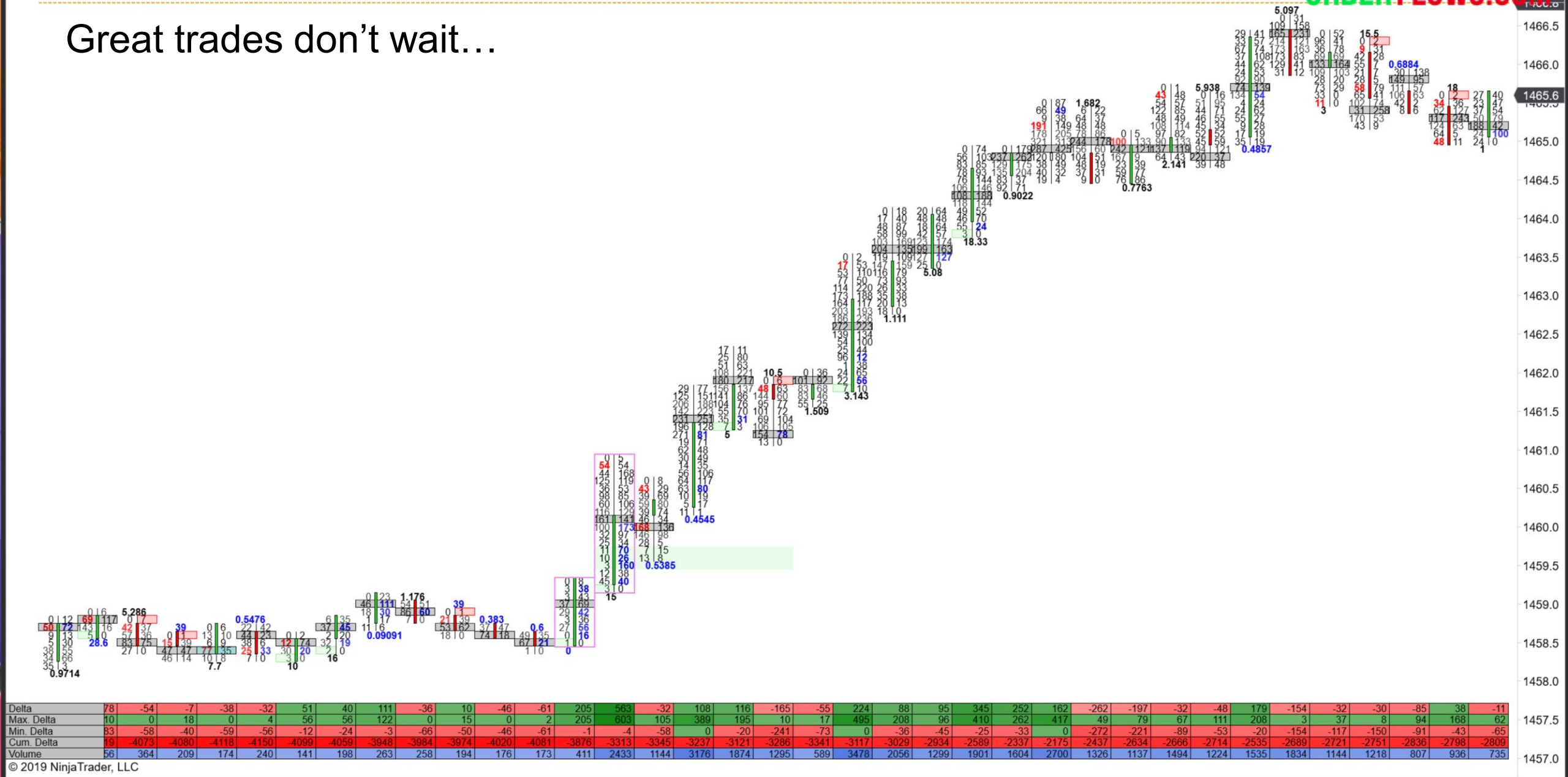
Great trades don't wait...



Delta	6	-38	-309	18	230	28	65	309	184	29	126	149	-257	-1567	381	-3	184	25	191	85	-326	153	4	-30	-413	79	48	54	153	99	-111	-45
Max. Delta	61	16	33	83	300	51	97	332	207	86	138	359	49	54	404	82	198	73	259	92	0	160	46	42	7	135	66	103	155	99	0	19
Min. Delta	-21	-174	-332	-2	0	-31	-21	-6	-87	-1	-50	0	-262	-1709	-141	-47	0	-14	-2	-30	-380	-149	-24	-68	-451	-104	-16	-5	-6	-38	-131	-54
Cum. Delta	-160	-198	-532	-489	-259	-231	-166	143	327	356	482	631	374	-1193	-812	-815	-631	-606	-415	-330	-656	-503	-499	-529	-942	-863	-815	-761	-608	-509	-620	-665
Volume	1012	1718	2143	722	1984	742	709	1371	2516	1013	898	2075	2105	11481	4603	2019	1350	859	2019	1085	1844	1627	1066	924	2199	1373	1103	897	867	731	569	705

Order Flows Trader(GC 12-19 (1 Minute)), Current day OHL(GC 12-19 (1 Minute))
11/18/2019 07:06:00 - 11/18/2019 07:42:00

Great trades don't wait...

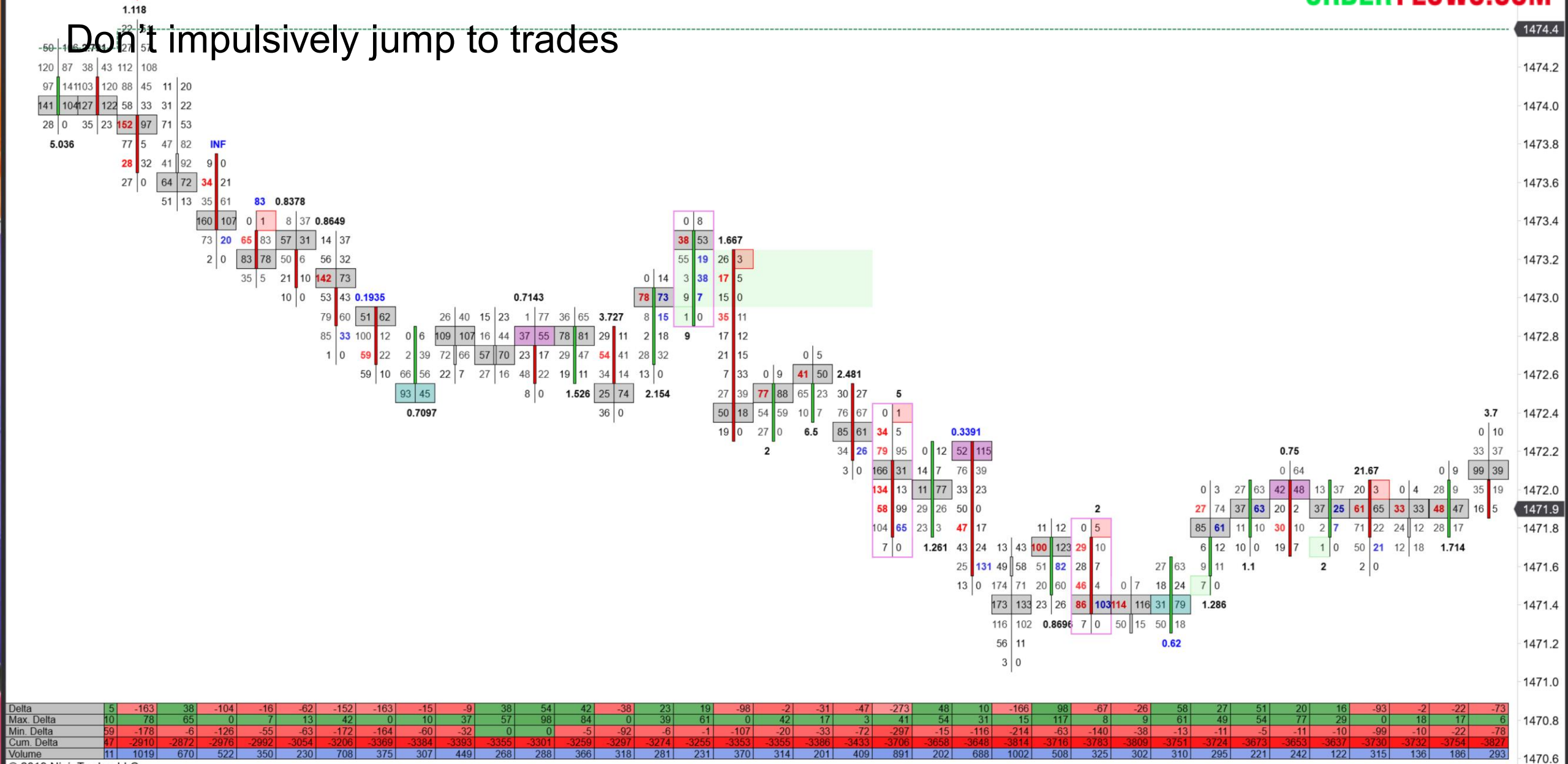


Impulsive trading is financially and emotionally draining. An impulsive trade occurs when you are afraid of missing a trade. That if you don't get in right now you will regret it.

When you are calm and in a comfortable state of mind, chances are the trade is a good one.

Impulsive trading is the demon for many traders. When you take impulse trades you are limiting your trading to the important aspects of order flow such as delta, imbalances, poc and volume.

Order Flows Trader(GC 12-19 (1 Minute)), Current day OHL(GC 12-19 (1 Minute))



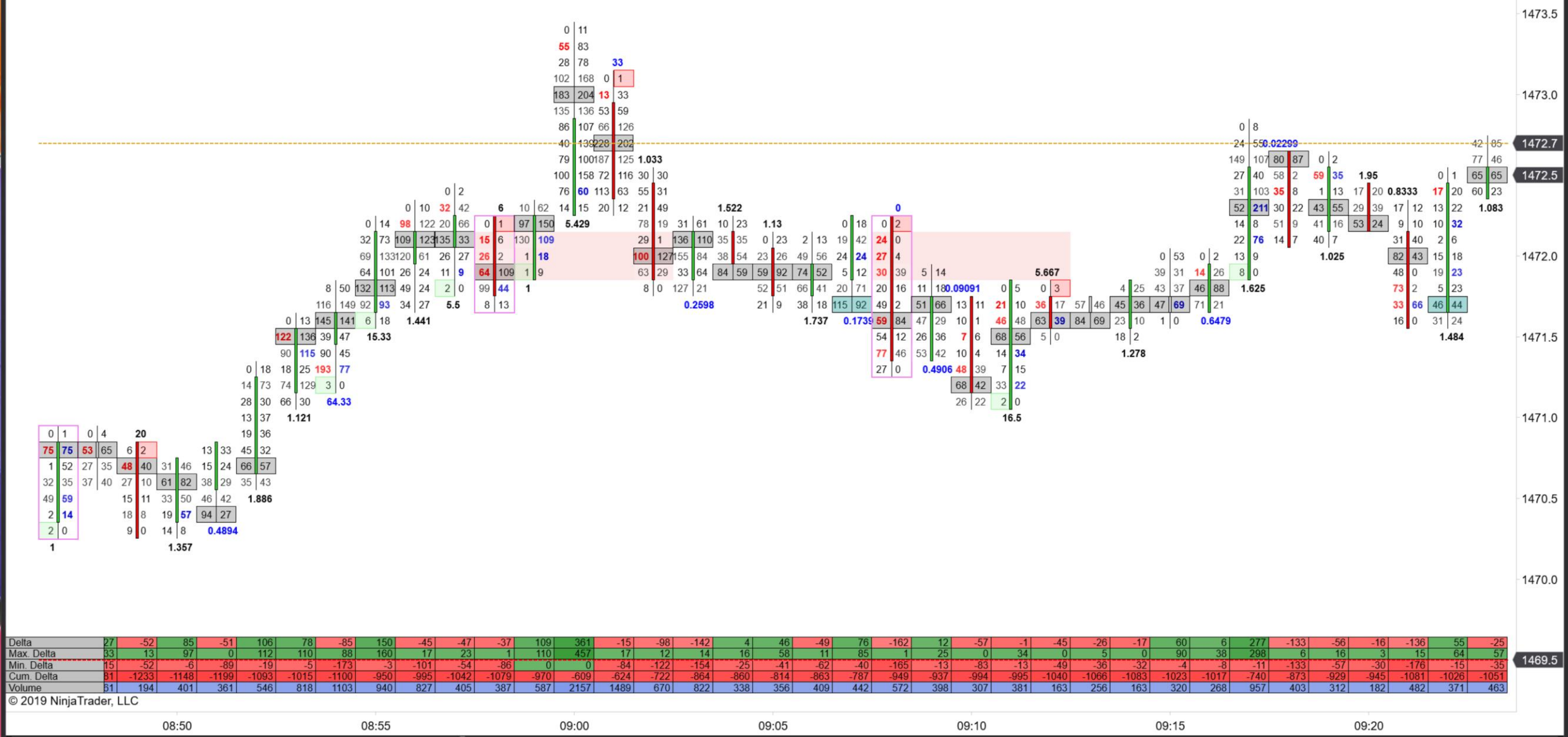
It is the trades that go against you almost immediately that cause the most damage to you over time, both financially and mentally.

Traders want to get in early. By early I mean get in even before the setup completes. That is very dangerous because you are assuming what is happening will continue happening without confirmation. It is like answering a question without reading the entire question.

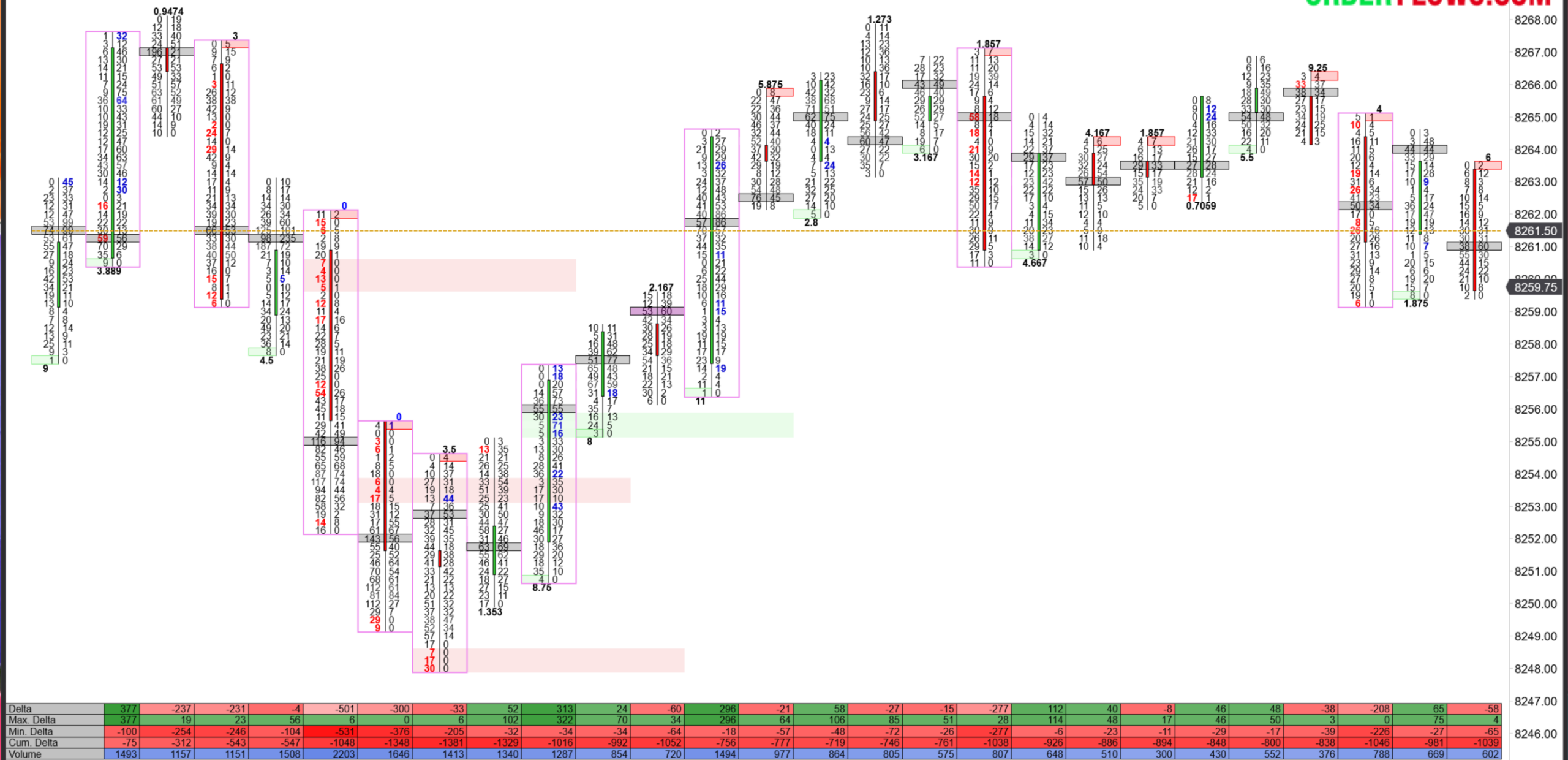
It's like being on a game show and being asked a question and hitting the buzzer early before the entire question is asked, you might be right some of the time and you be wrong other times. Wait until the bar is complete.

Bars do change while they are being formed. Getting in early before a bar completes can see the conditions change in an instant and the trade being against you as soon as you enter your order.

Order Flows Trader(GC 12-19 (1 Minute)), Current day OHL(GC 12-19 (1 Minute))
11/20/2019 08:47:00 - 11/20/2019 09:23:00



Order Flows Trader(NQ 12-19 (1 Minute)), Current day OHL(NQ 12-19 (1 Minute))
11/21/2019 09:27:00 - 11/21/2019 09:53:00

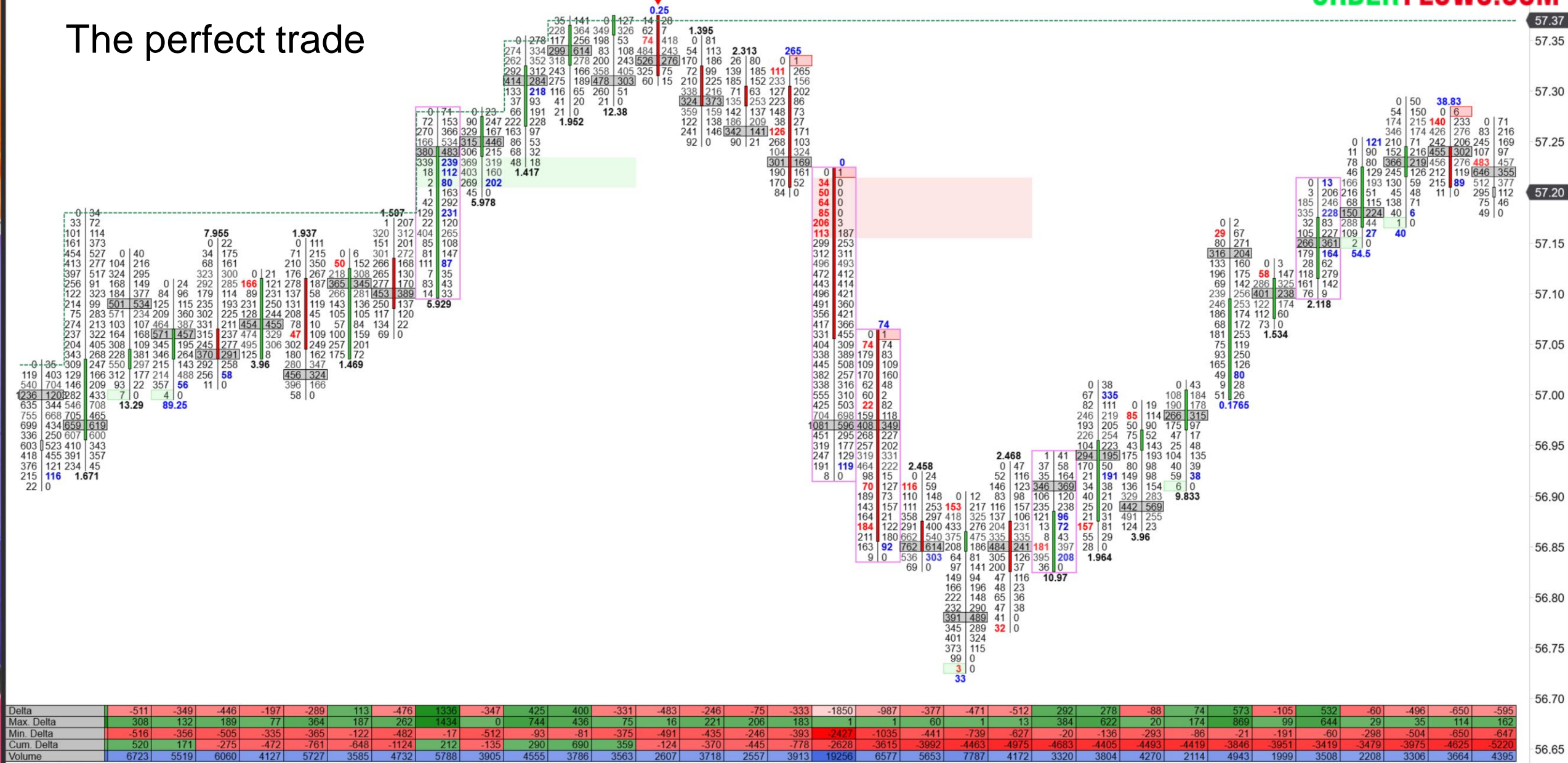


I have the belief that when you get into a trade, it doesn't matter if it is because of the order flow or your own trading method, the trade needs to start moving in your direction quickly. If it doesn't start working out almost immediately, you are probably wrong in your analysis and should get out sooner rather than later.

If your trade is in the money, if you are getting paid on the trade then stay in it until it shows signs of weakening.

Order Flows Trader(CL 01-20 (5 Minute)), Current day OHL(CL 01-20 (5 Minute))
11/20/2019 10:30:00 - 11/20/2019 13:15:00

The perfect trade



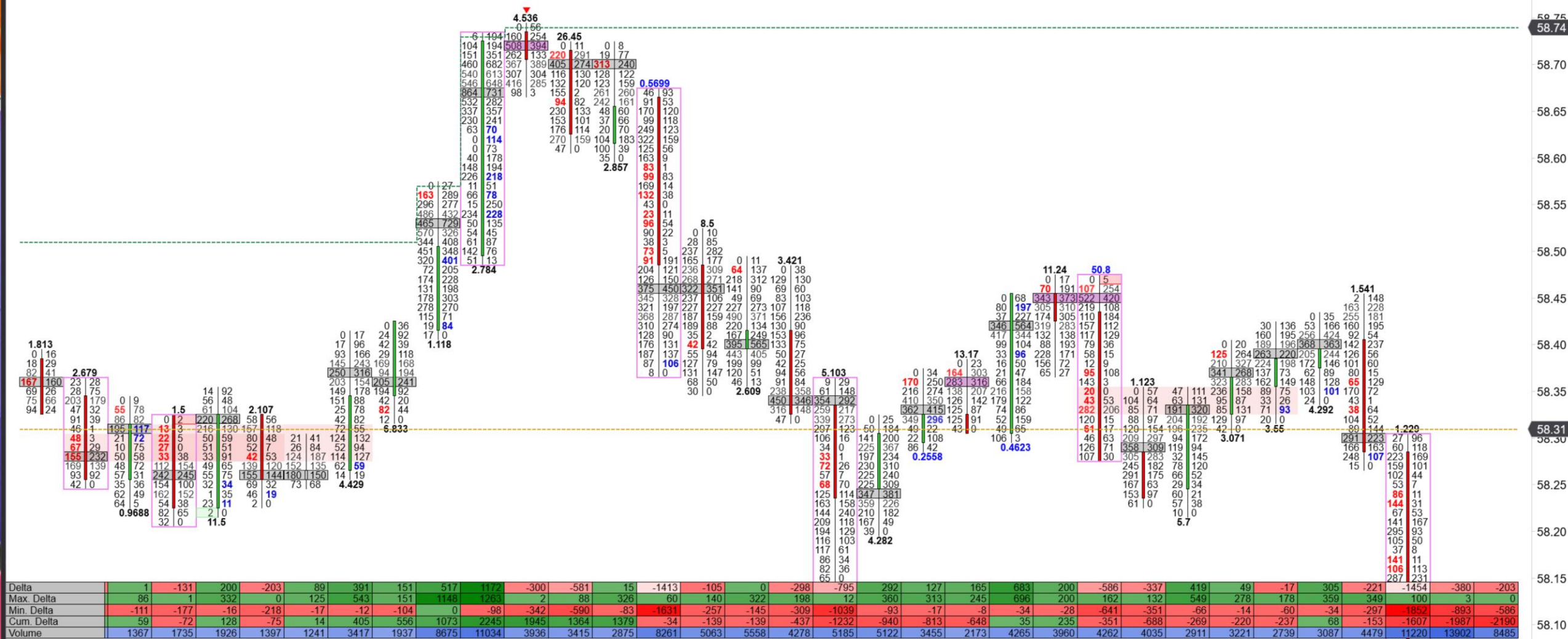
Delta	-511	-349	-446	-197	-289	113	-476	1336	-347	425	400	-331	-483	-246	-75	-333	-1850	-987	-377	-471	-512	292	278	-88	74	573	-105	532	-60	-496	-650	-595
Max. Delta	308	132	189	77	364	187	262	1434	0	744	436	75	16	221	206	183	1	1	60	1	13	384	622	20	174	869	99	644	29	35	114	162
Min. Delta	-516	-356	-505	-335	-365	-122	-482	-17	-512	-93	-81	-375	-491	-435	-246	-393	-2427	-1035	-441	-739	-627	-20	-136	-293	-86	-21	-191	-60	-298	-504	-650	-647
Cum. Delta	520	171	-275	-472	-761	-648	-1124	212	-135	290	690	359	-124	-370	-445	-778	-2628	-3615	-3992	-4463	-4975	-4683	-4405	-4493	-4419	-3846	-3951	-3419	-3479	-3975	-4625	-5220
Volume	6723	5519	6060	4127	5727	3585	4732	5788	3905	4555	3786	3563	2607	3718	2557	3913	19256	6577	5653	7787	4172	3320	3804	4270	2114	4943	1999	3508	2208	3306	3664	4395

Precision kills. Exactness kills. There is no exact or precise area to enter into a trade. When looking for an entry, and exit, trying to be exact is going to kill you.

When it is time to get into a trade, you get in as close to your level as possible. Trying to pick the exact entry will result you missing trades or missing profits.

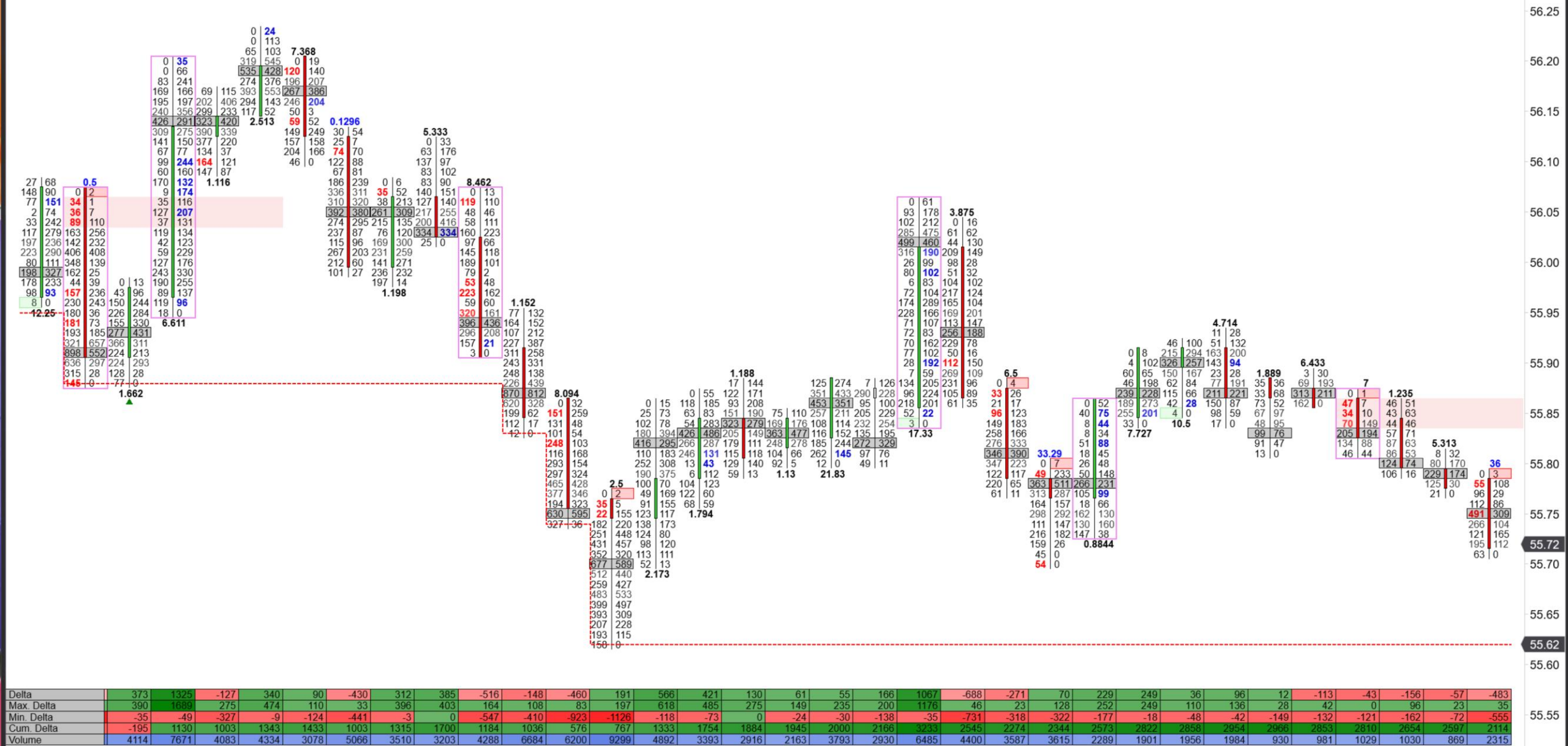
A sports team goes into a game with a game plan. Just as a trader goes into the start of the trading day with a trading plan. But as the game begins things change, maybe a player gets hurts and the team can't count on him as much, so they have to adjust their plan.

Order Flows Trader(CL 01-20 (5 Minute)), Current day OHL(CL 01-20 (5 Minute))
11/22/2019 07:15:00 - 11/22/2019 10:00:00



Delta	1	-131	200	-203	89	391	151	517	-1172	-300	-581	15	-1413	-105	0	-298	-795	292	127	165	683	200	-586	-337	419	49	-17	305	-221	-1454	-380	-203
Max. Delta	86	1	332	0	125	543	151	1148	1263	2	88	326	60	140	322	198	12	360	313	245	696	200	162	132	549	278	178	359	349	100	3	0
Min. Delta	-111	-177	-16	-218	-17	-12	-104	0	-98	-342	-590	-83	-1631	-257	-145	-309	-1039	-93	-17	-8	-34	-28	-641	-351	-66	-14	-60	-34	-297	-1852	-893	-586
Cum. Delta	59	-72	128	-75	14	405	556	1073	2245	1945	1364	1379	-34	-139	-139	-437	-1232	-940	-813	-648	35	235	-351	-688	-269	-220	-237	68	-153	-1607	-1987	-2190
Volume	1367	1735	1926	1397	1241	3417	1937	8675	11034	3936	3415	2875	8261	5063	5558	4278	5185	5122	3455	2173	4265	3960	4262	4035	2911	3221	2739	3087	4479	11220	13902	8485

Order Flows Trader(CL 01-20 (5 Minute)), Current day OHL(CL 01-20 (5 Minute))
11/19/2019 09:00:00 - 11/19/2019 11:45:00



Start thinking in levels instead of exact prices. Trying to be exact will hurt you in the long run. You are not going to be able to squeeze every tick out of every trade.

What is the worst thing that can happen?
You get stuck in a trade and miss the next one.

Let your winners run and cut your losers – every trading book, guru, video, etc. stresses that point. Do you know why? Because it is very difficult, if not impossible to trade out of a losing position most of the time. That is why you have to cut losers quickly.

The brain cannot function, a trader cannot function when they are in a losing position. Most traders become paralyzed in analysis and stop thinking objectively.

It is easier to cut the loser, take the loss and look for the next, better opportunity rather than try and resurrect a dead trade.

What if there was a better way?

What if there was a way to increase your chances of the trade being successful?

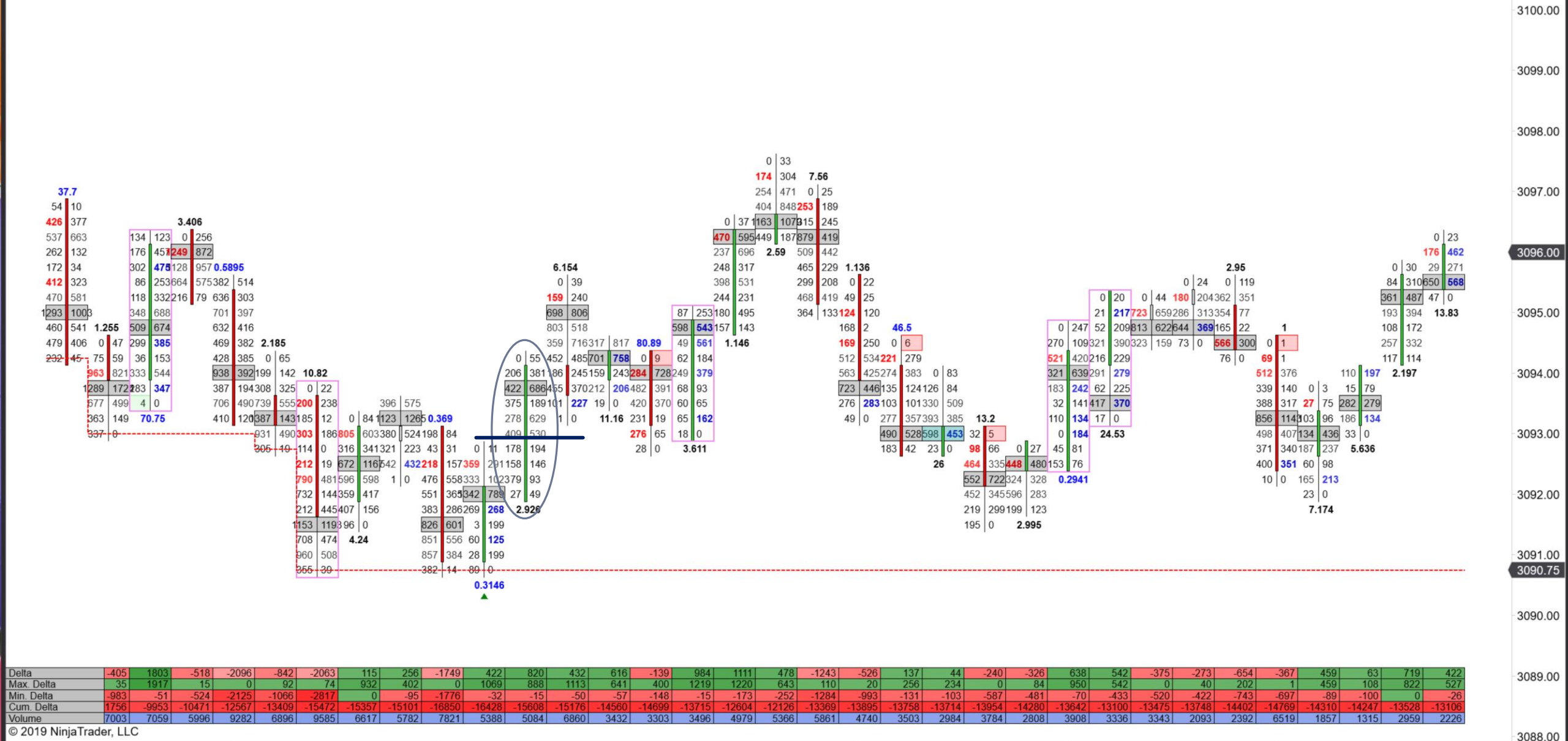
There is...let the market take you in.

What I call the Trade Entry System.

How I approach the market is I wait for a condition to be met in the market.

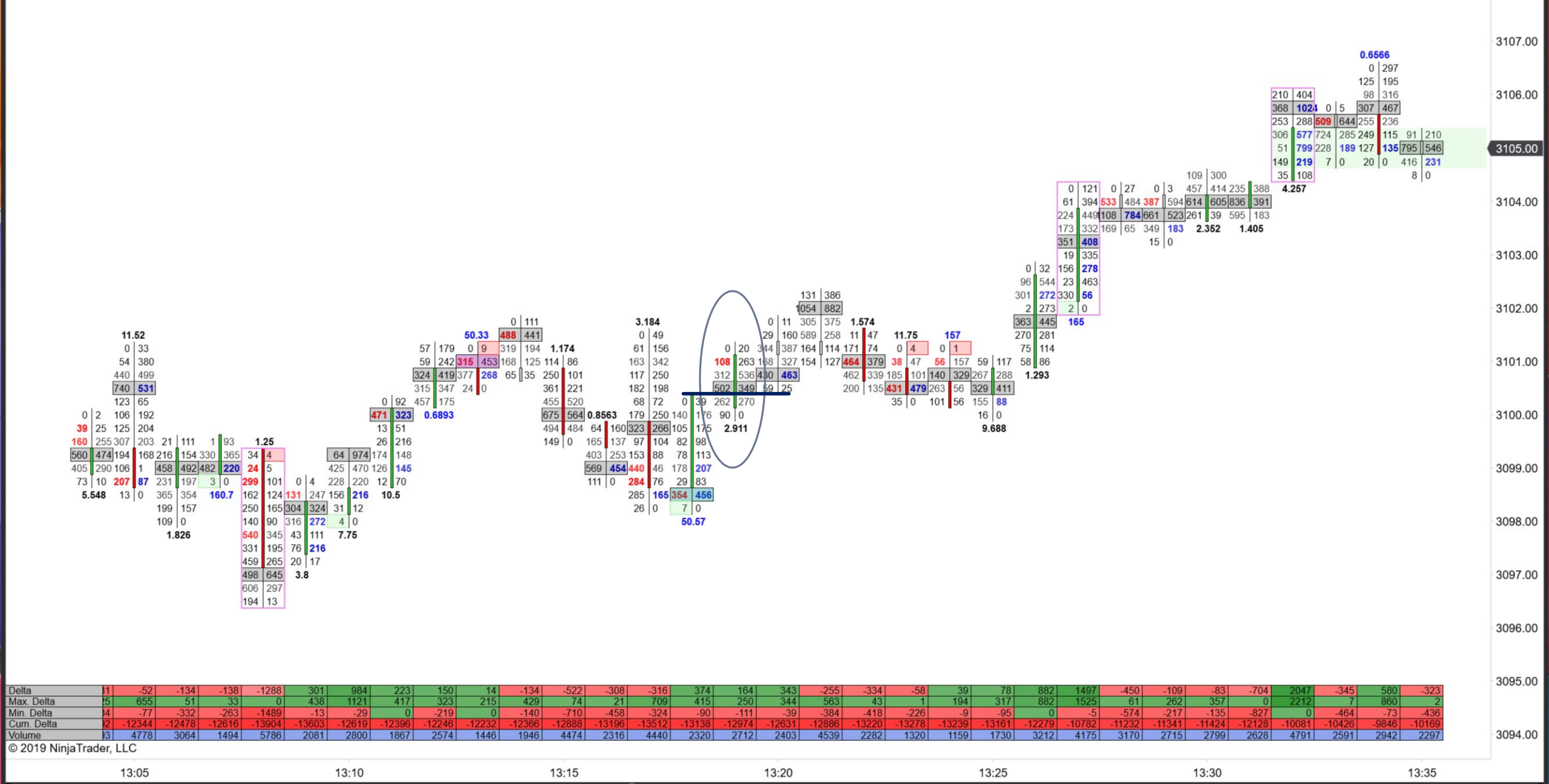
After the conditions are met. I wait for the bar to close to confirm that yes, the conditions are met. I wait for the next bar(s) to begin trading and move in the direction of the trade. If the next bar(s) doesn't start moving in the direction of the trade I don't take the trade.

Order Flows Trader(ES 12-19 (1 Minute)), Current day OHL(ES 12-19 (1 Minute))
11/20/2019 12:11:00 - 11/20/2019 12:44:00



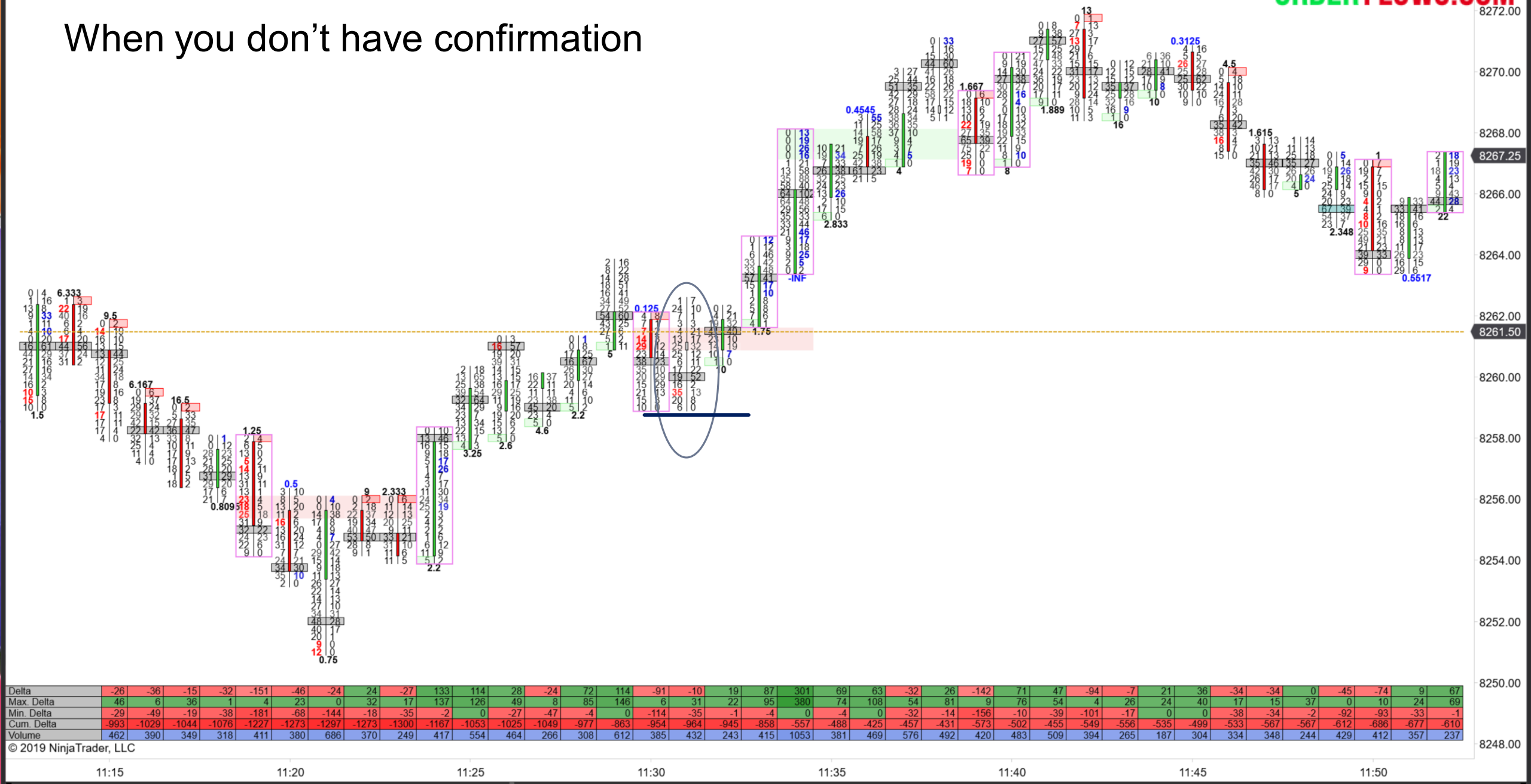
Order Flows Trader(ES 12-19 (1 Minute)), Current day OHL(ES 12-19 (1 Minute))
11/20/2019 13:04:00 - 11/20/2019 13:35:00

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Order Flows Trader(NQ 12-19 (1 Minute)), Current day OHL(NQ 12-19 (1 Minute))
11/21/2019 11:13:00 - 11/21/2019 11:52:00

When you don't have confirmation



8287.00

8286.00

8285.00

8284.00

8283.00

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8281.00

8280.00

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55.95
55.94

55.90



55.80

55.75

55.65

55.60

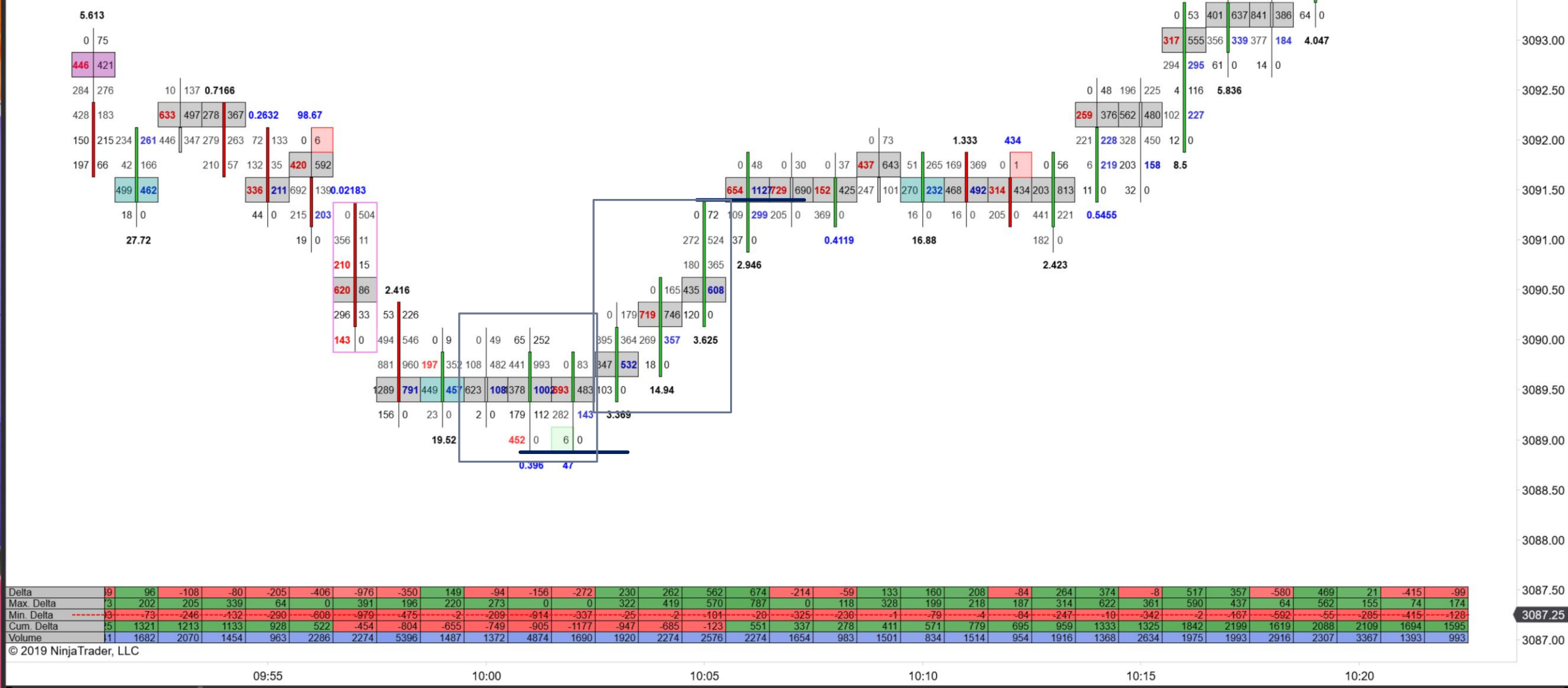
55.55

55.50

When the market is not moving in the trade setup direction – don't take the trade.

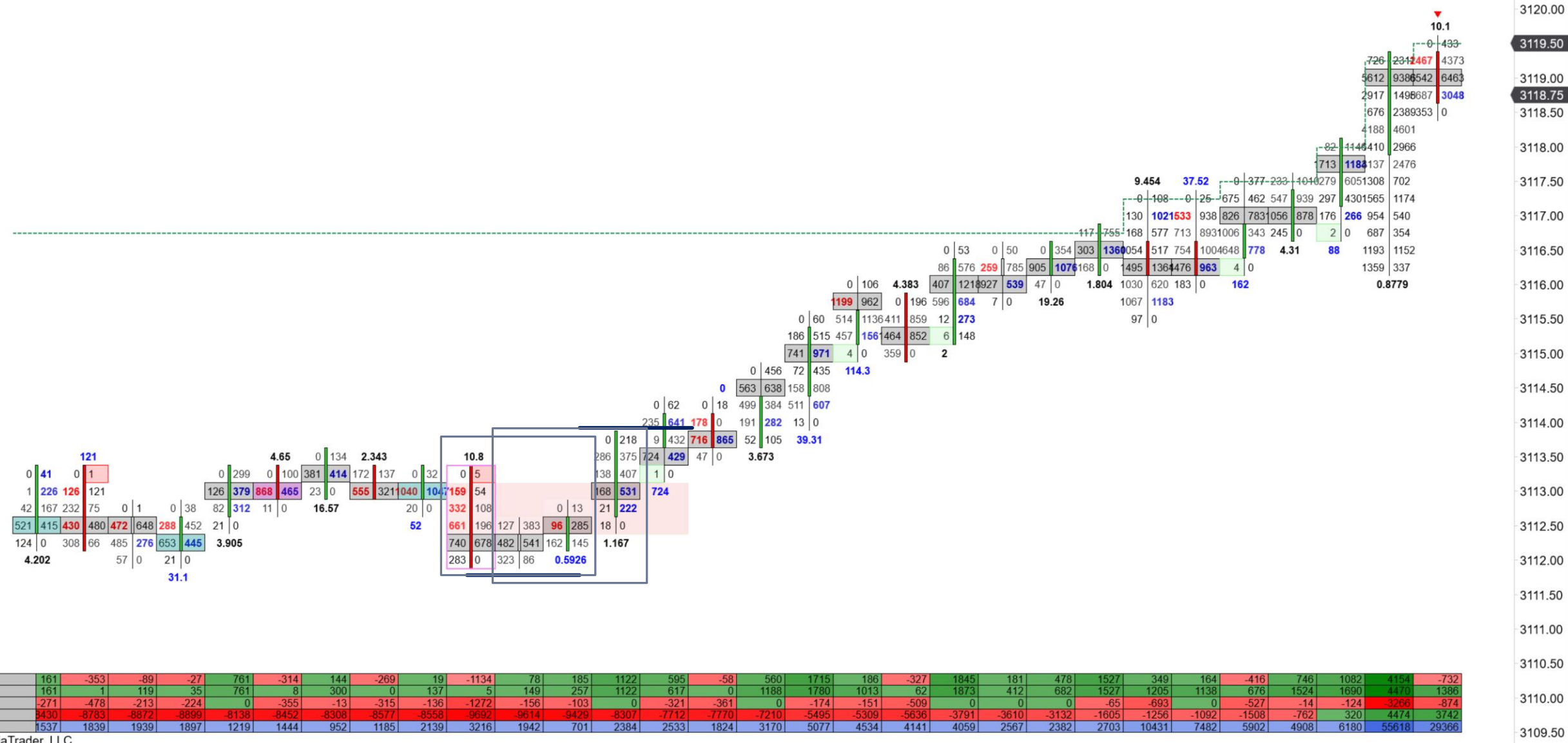
Order Flows Trader(ES 12-19 (1 Minute)), Current day OHL(ES 12-19 (1 Minute))
11/14/2019 09:51:00 - 11/14/2019 10:22:00

No trade delta surge, then a trade



Order Flows Trader(ES 12-19 (1 Minute)), Current day OHL(ES 12-19 (1 Minute))
11/15/2019 14:32:00 - 11/15/2019 15:01:00

No trade on stack imbalance, but a trade on the delta surge.



POCs

Delta	-76	-58	321	265	-94	80	0	44	-64	-77	-24	19	-79	140	-18	-365	-6	55	-14	90	65	-34	147	70	-353	-904	166	-172	28	150	239	734	300	-49	-71	-73	-17	111
Max. Delta	113	26	358	326	71	89	51	49	38	33	0	87	4	145	9	95	37	73	34	100	68	69	318	70	0	2	179	-68	28	150	245	748	302	103	27	50	26	131
Min. Delta	-123	-124	-29	-25	-127	-47	-55	-22	-74	-79	-130	-6	-86	0	-54	-392	-216	-51	-85	-12	-16	-51	-27	-13	-369	-923	-104	-264	-205	-16	-15	-2	0	-66	-140	-109	-43	0
Cum. Delta	1220	-1278	-957	-692	-786	-706	-706	-662	-726	-803	-827	-808	-887	-747	-765	-1130	-1136	-1081	-1095	-1005	-940	-974	-827	-757	-1110	-2014	-1848	-2020	-1992	-1842	-1603	-869	-569	-618	-689	-762	-779	-668
Volume	1174	976	1595	1317	942	846	764	626	538	483	788	537	563	536	574	1785	1414	775	1102	1064	483	682	1359	544	1049	2980	1812	1776	1862	870	1085	2344	1406	807	649	745	603	643

Good trades based on reading the order flow get going fairly quickly.

They don't sputter and make false starts. They get going right away.

If your trade is a buy, you got long, you need to see lower prices get rejected.

If your trade is a sell, you got short, you need to see higher prices rejected.

Why? Because if those prices aren't being rejected right away, then over time chances are they will be accepted.

As an order flow trader I don't care what the market does over the long term. I think of myself as a surfer looking for a nice, rideable wave.

No one can guarantee your success in trading. But I know you can improve your chances for success with a plan based on order flow AND a disciplined approach to trade entry.

*You have reached the end of Module 7. In Module 8 I will
active trade management and exits.*