Orderflows Inner Circle Weekly Webinar #3

DELTA ANALYSIS

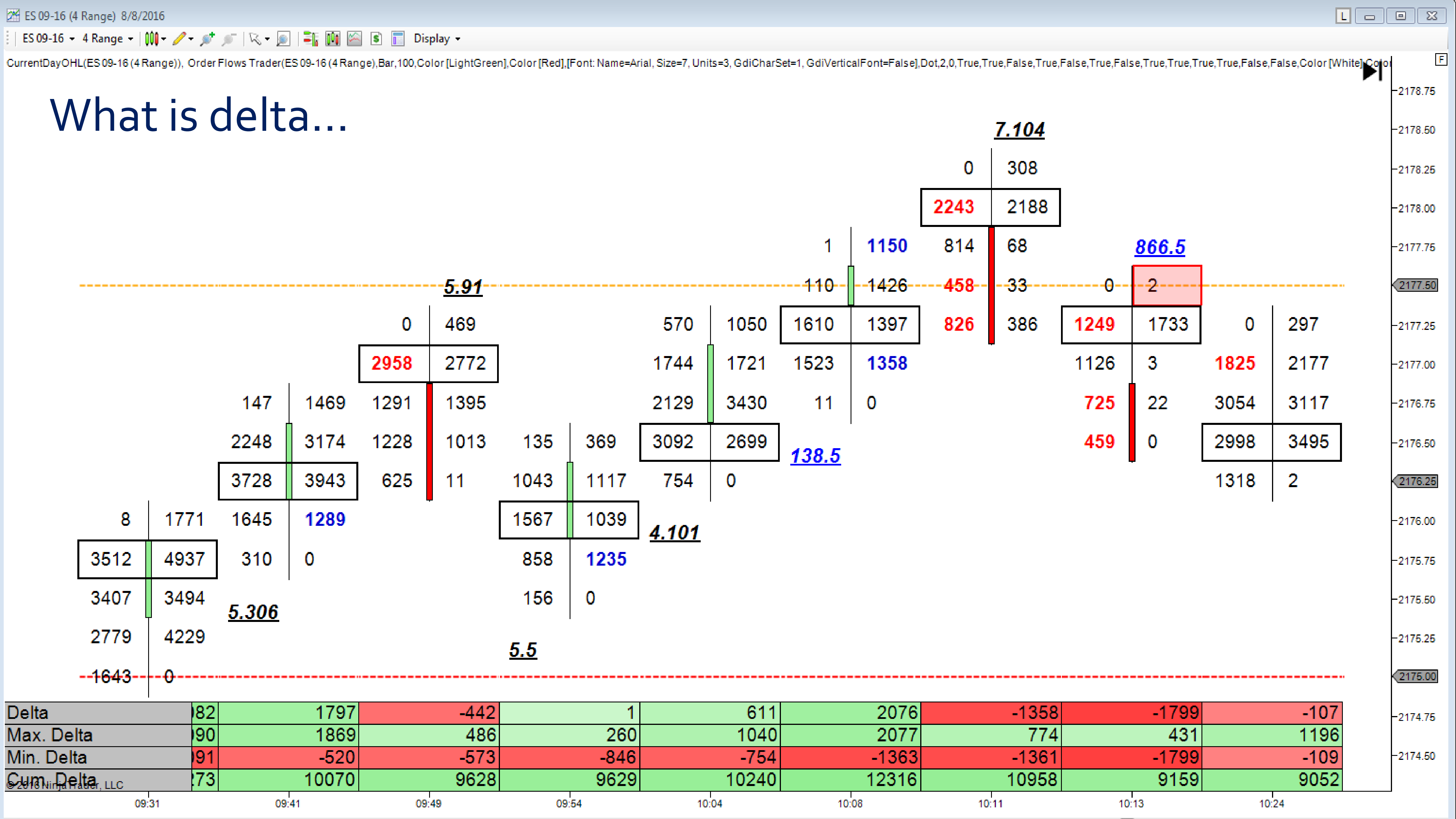
The Best Kept Secret In Order Flow

Orderflows Inner Circle Weekly Webinar #3 – Delta Analysis

We all know what delta is in regards to order flow, right?

It’s the difference between aggressive buyers and aggressive sellers in a bar.

What is delta…



Orderflows Inner Circle Weekly Webinar #3 – Delta Analysis

For a trade to occur there has to be a buyer and a seller.

People like to say "The market sold off because there were more sellers than buyers."

That's impossible – a trade can't occur unless there is a buyer and seller trading with each other.

Prices move up when there are more aggressive buyers.

Prices move down when there are more aggressive sellers.

Orderflows Inner Circle Weekly Webinar #3 – Delta Analysis

Not all prices are the same.

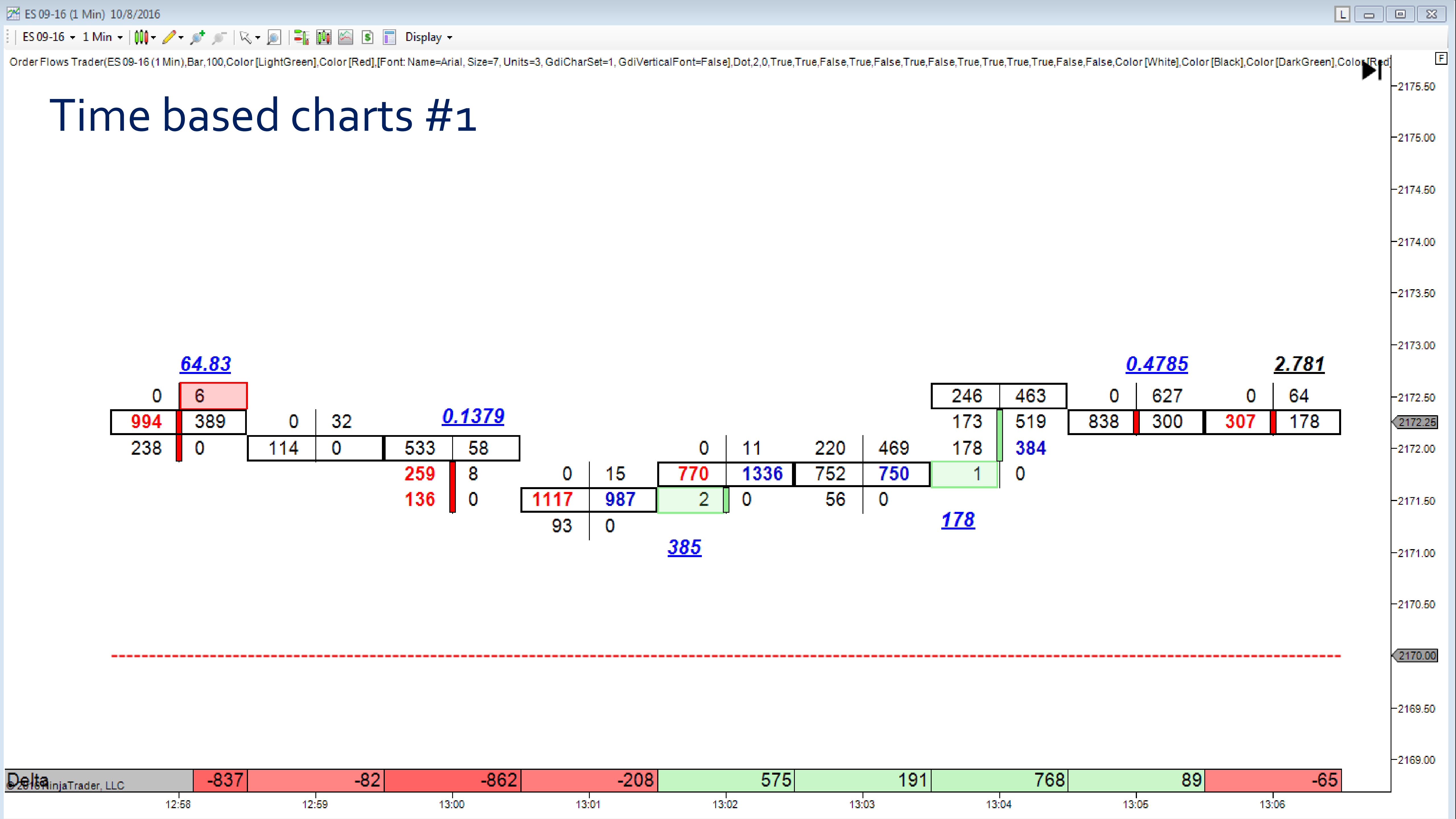
One of the key aspects of delta analysis is not all buyers and sellers are the same. There are retail traders, there are local traders, there are swing traders, there are hedgers, there are market makers, there are macro funds and much more.

What you need to realize is that each trader approaches the market in their own way and with their own analysis. They have their own timeframe for a trade.

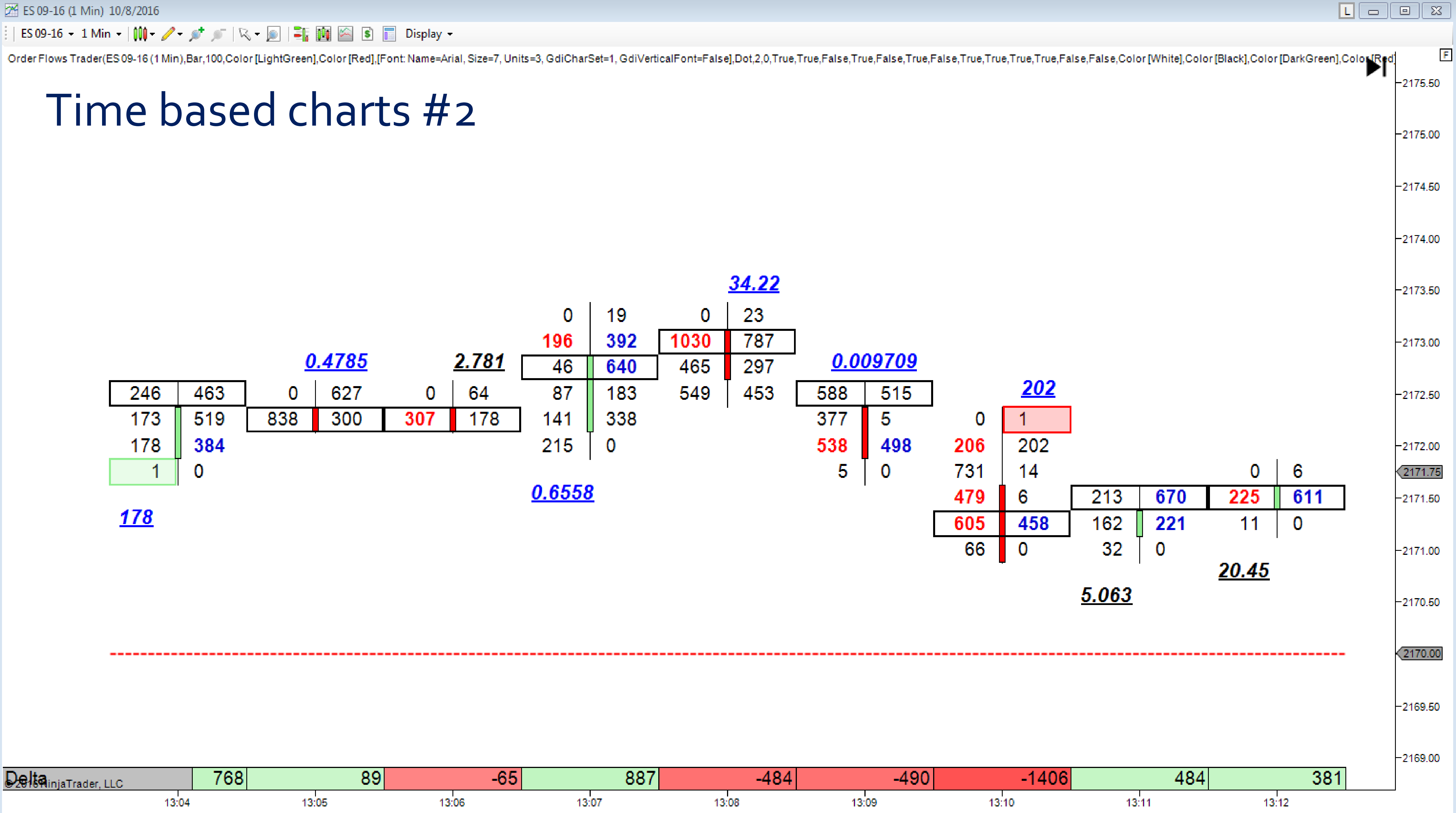
Orderflows Inner Circle Weekly Webinar #3 – Delta Analysis

Delta was instrumental for me when I was trading in markets that wouldn't move very much. Markets that trade in tight ranges over a period of time. By tight range I mean are just bid/offer over a long time period, 10 minutes or 15 minutes.

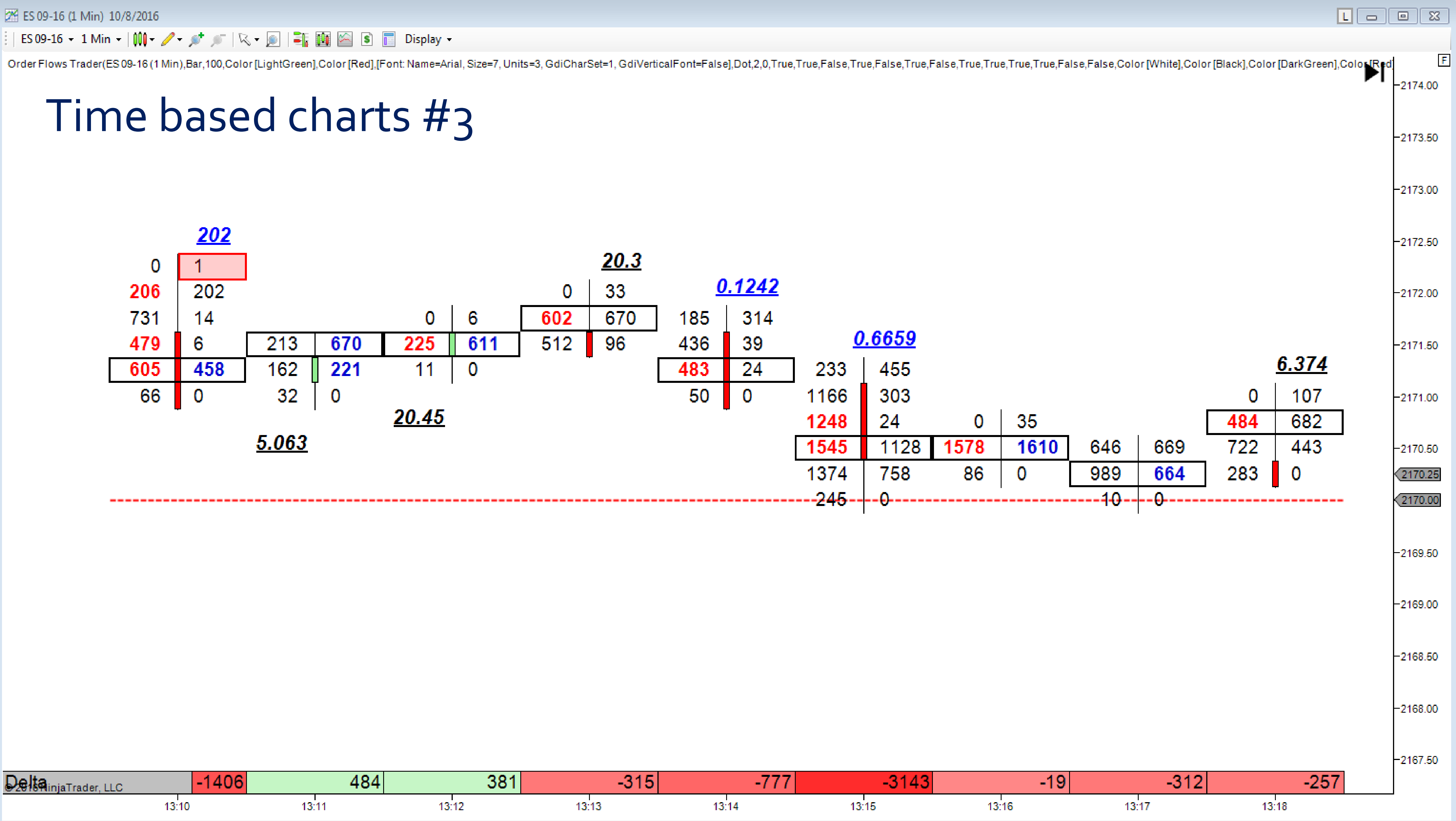
Time based charts #1



Time based charts #2



Time based charts #3

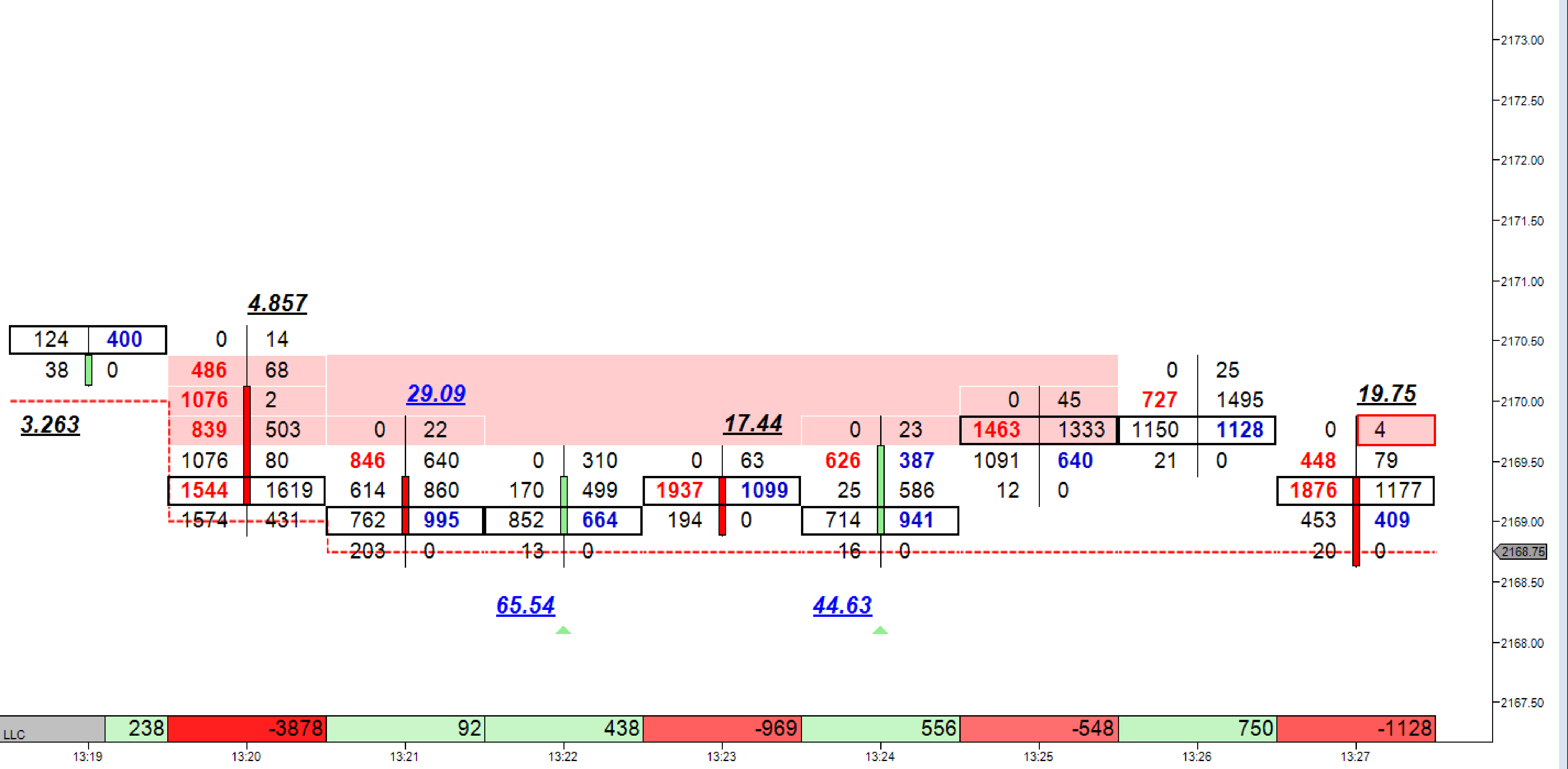


ES 09-16 (1 Min) 10/8/2016

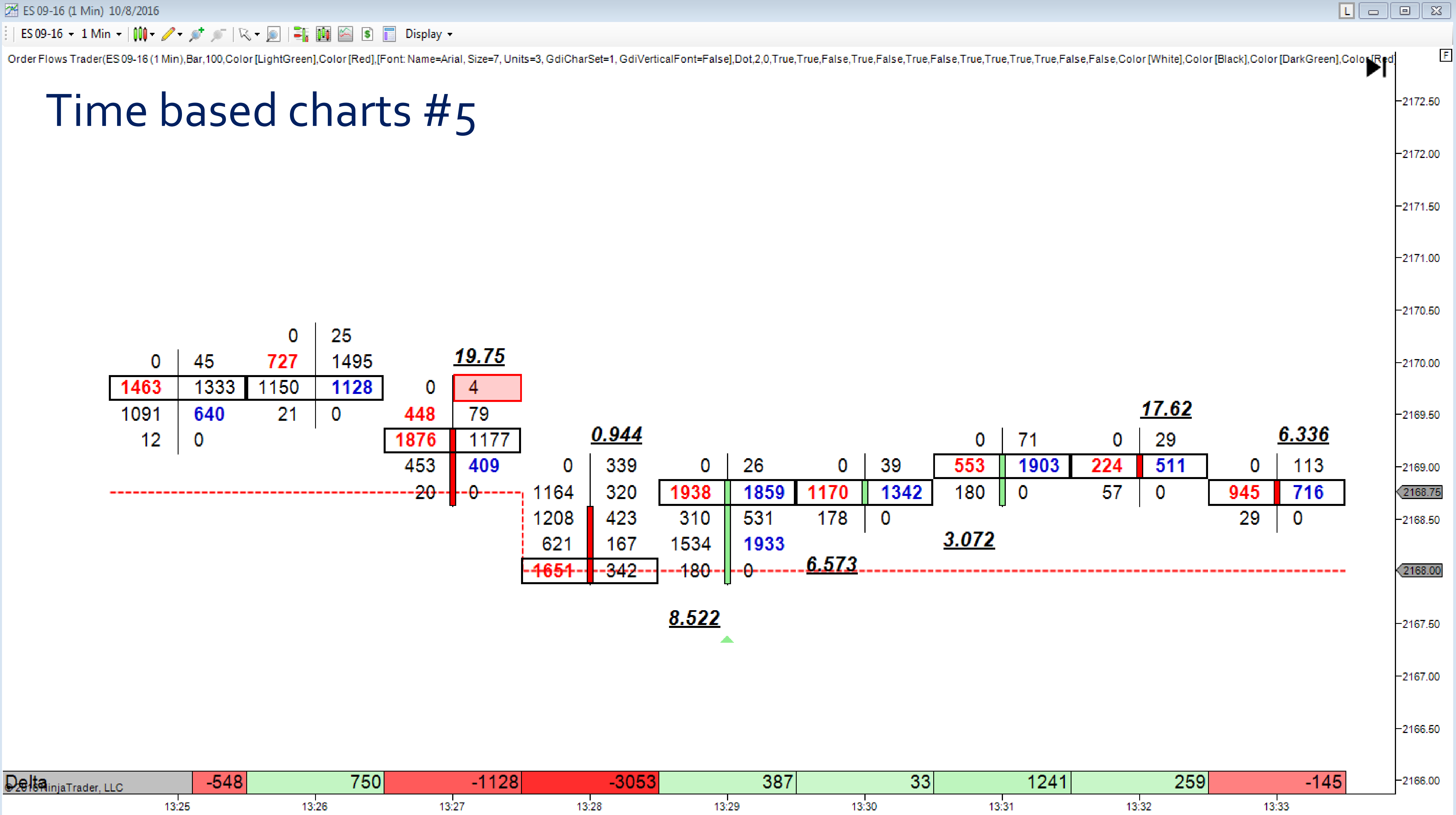
ES 09-16 1 Min Display

Order Flows Trader(ES 09-16 (1 Min),Bar,100,Color [LightGreen],Color [Red],[Font: Name=Arial, Size=7, Units=3, GdiCharSet=1, GdiVerticalFont=False],Dot,2,0,True,True,False,True,False,True,False,True,True,True,True,False,False,Color [White],Color [Black],Color [DarkGreen],Color [Red]

Time based charts #4



Time based charts #5



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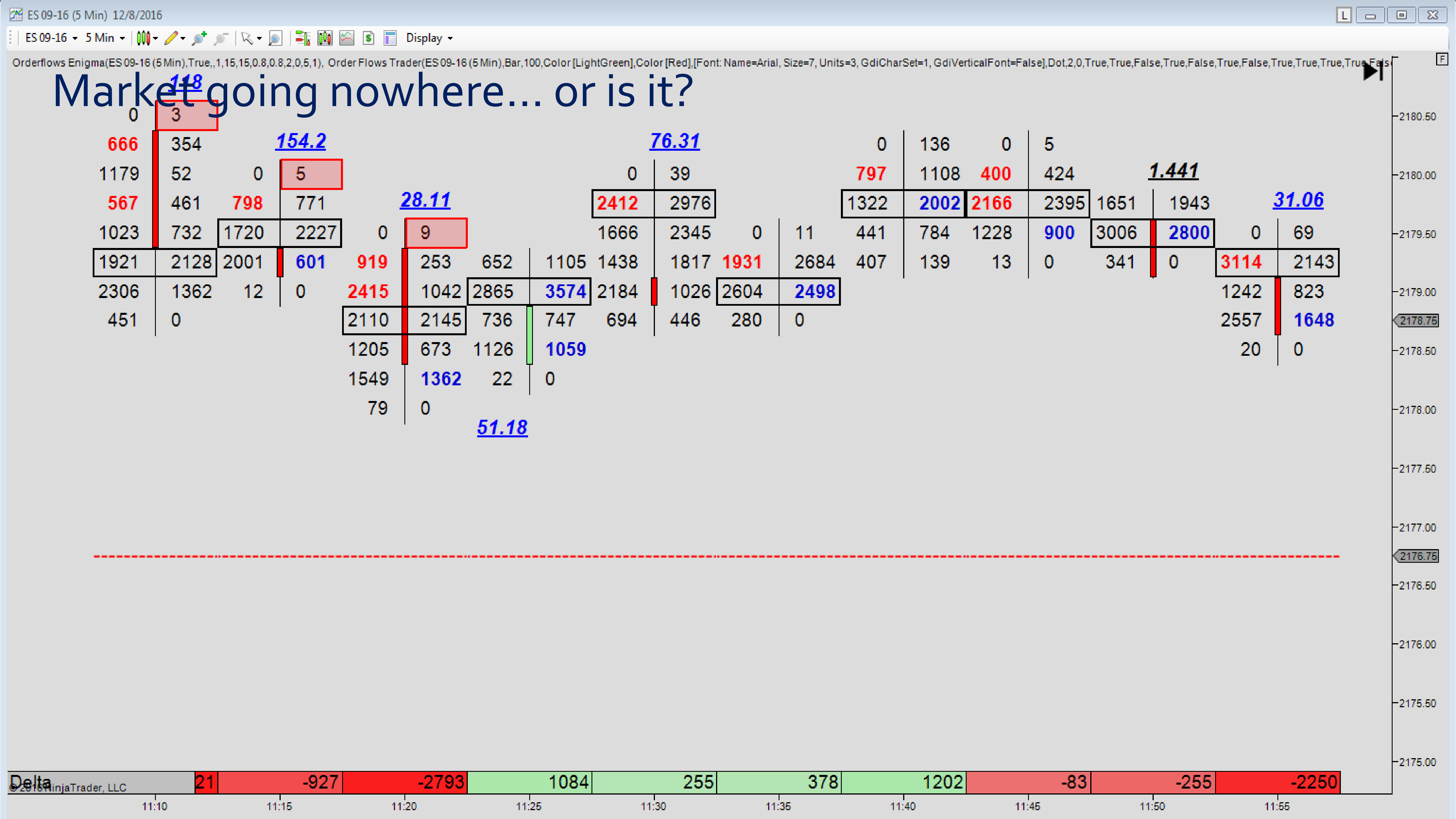
The biggest mistake is treating each trade the same.

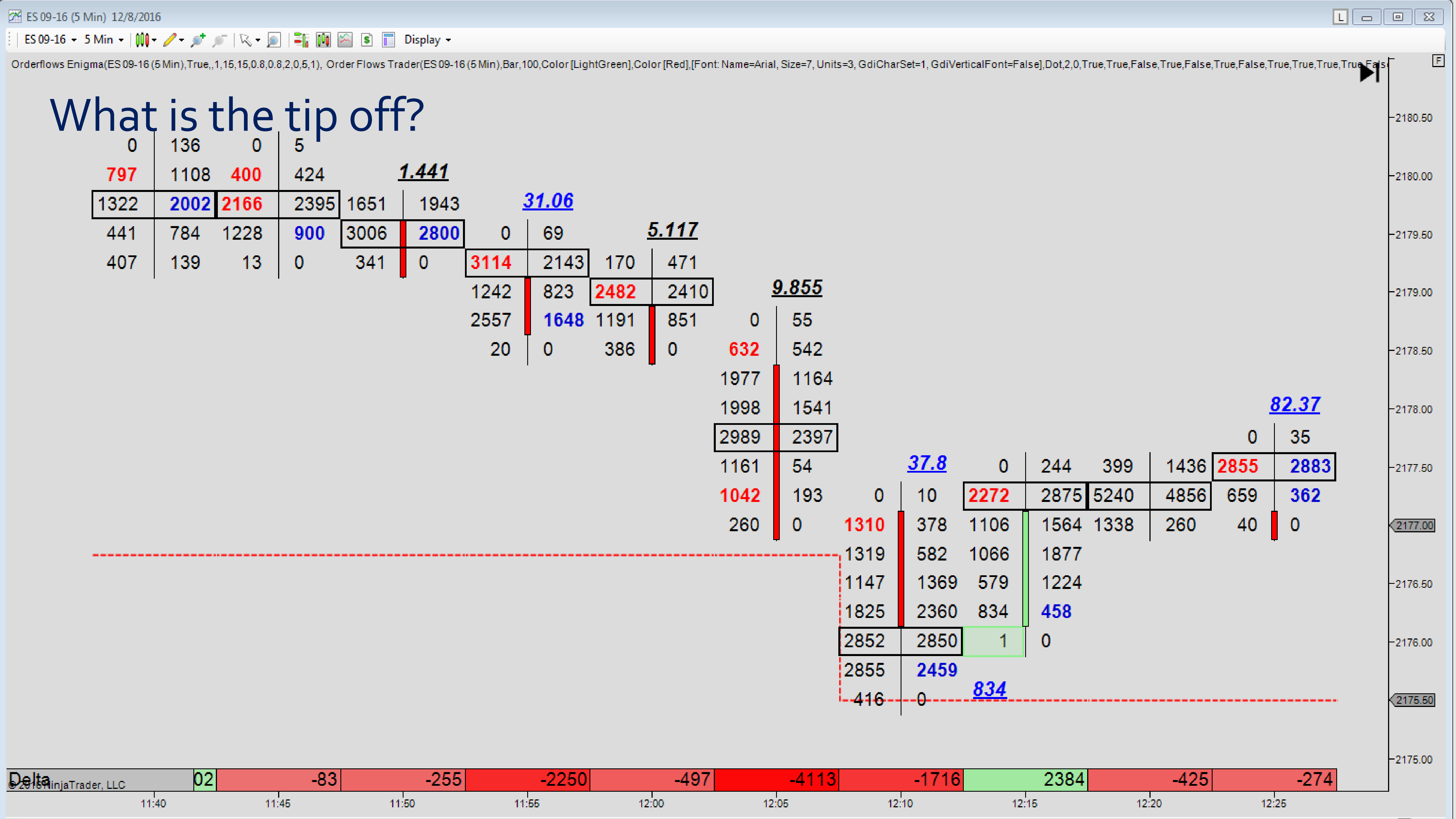
When you look at the market, you see a bid and offer. For a trade to occur, someone has to hit the bid or lift the offer – that is AGGRESSIVE behavior. People refer to this as market orders.

Without aggressive behavior the market will never move. It will just sit there. No one will be trading.

You measure aggressive behavior with **DELTA**.

Market going nowhere… or is it?




ES 09-16 (5 Min) 12/8/2016
ES 09-16 5 Min Display
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What is the tip off?
1.441
31.06
5.117
9.855
37.8
834
82.37
Delta
02 -83 -255 -2250 -497 -4113 -1716 2384 -425 -274
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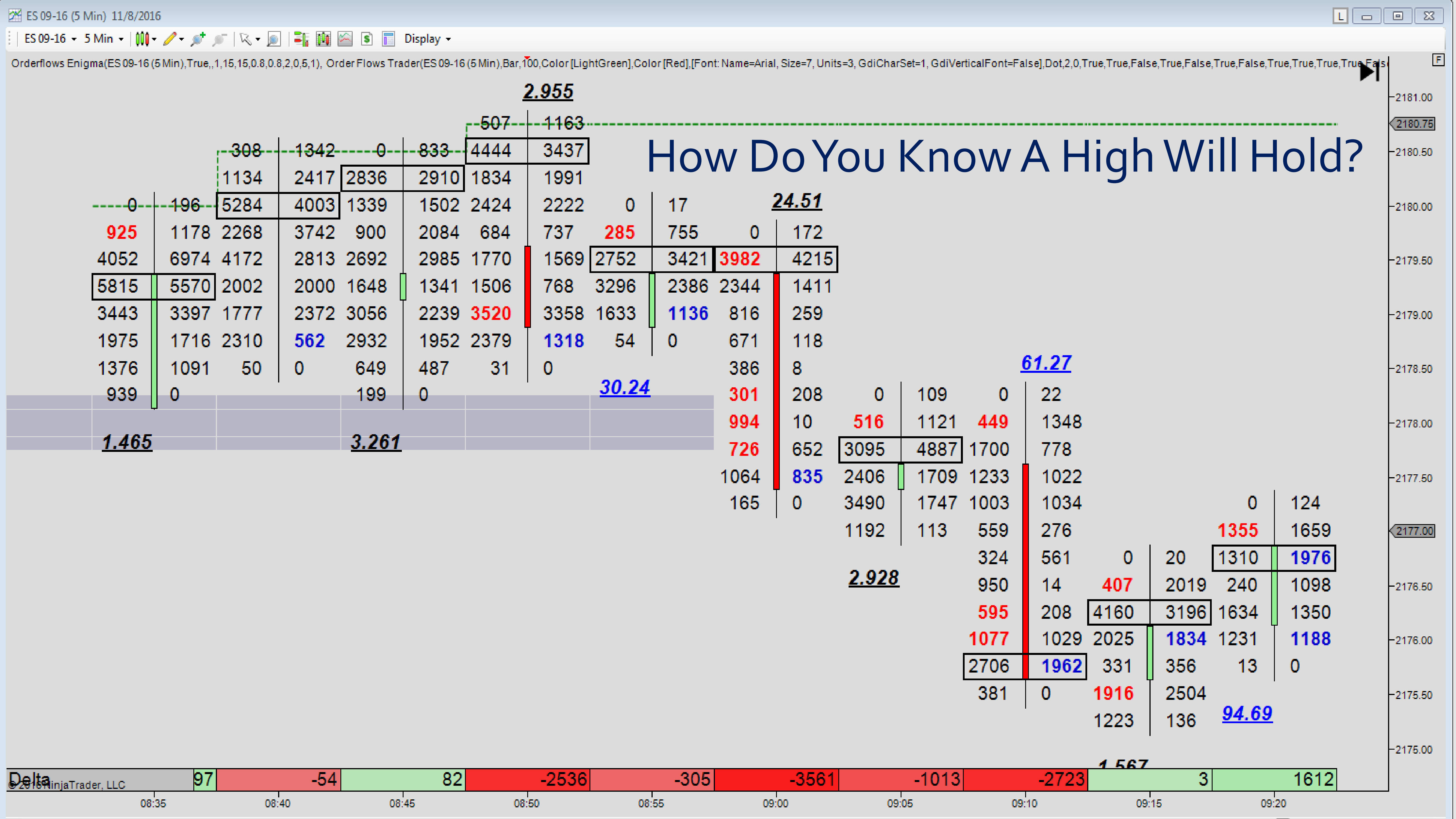
11:40 11:45 11:50 11:55 12:00 12:05 12:10 12:15 12:20 12:25
2180.50 2180.00 2179.50 2179.00 2178.50 2178.00 2177.50 2177.00 2176.50 2176.00 2175.50 2175.00


ES 09-16 (5 Min) 11/8/2016
ES 09-16 5 Min Display
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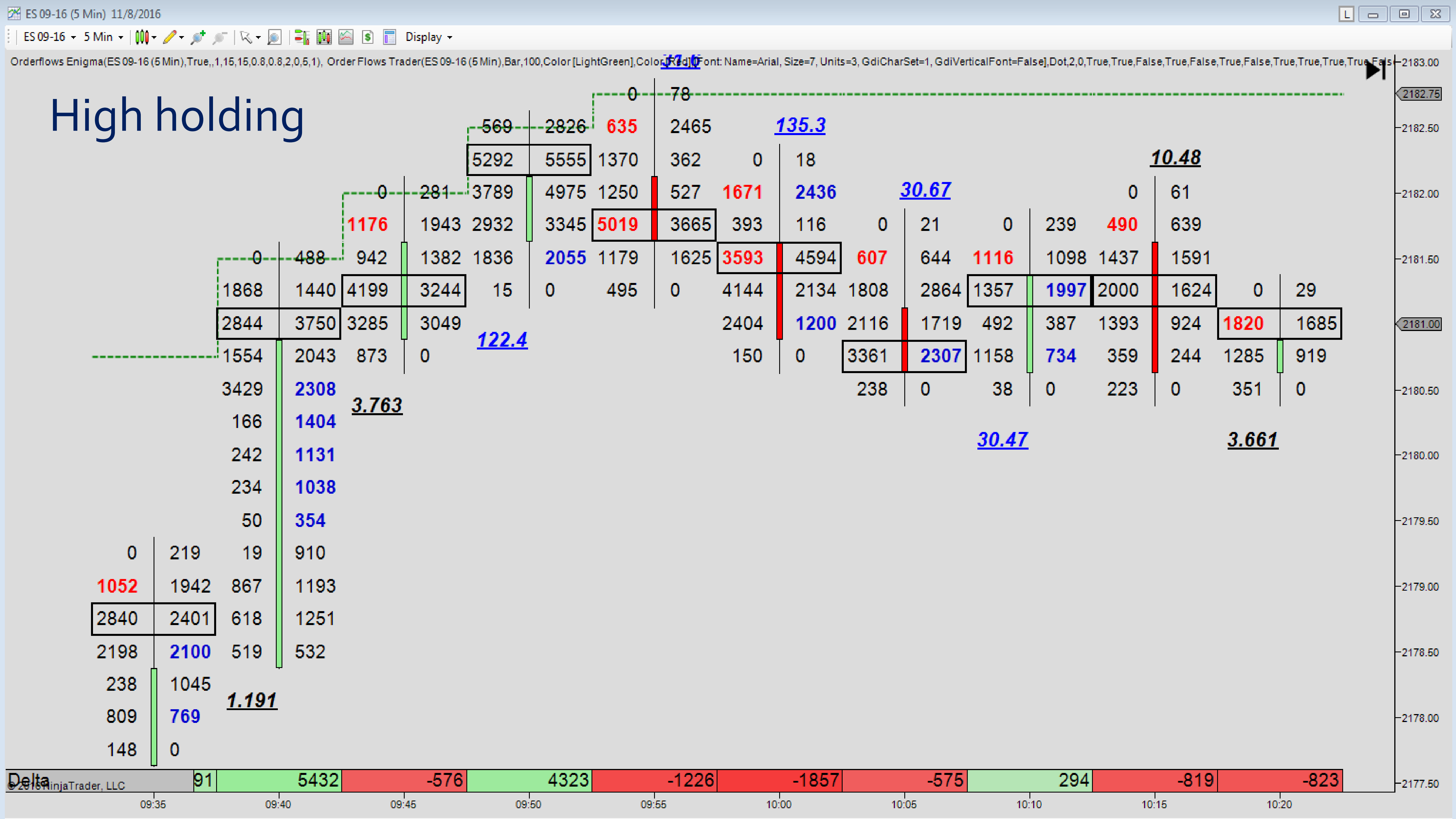
How Do You Know A High Will Hold?
2.955
24.51
30.24
61.27
1.465
3.261
2.928
94.69
1.567
Delta
97
-54
82
-2536
-305
-3561
-1013
-2723
3
1612
© 2016 NinjaTrader, LLC
08:35
08:40
08:45
08:50
08:55
09:00
09:05
09:10
09:15
09:20


ES 09-16 (5 Min) 11/8/2016
Display
High holding
Delta
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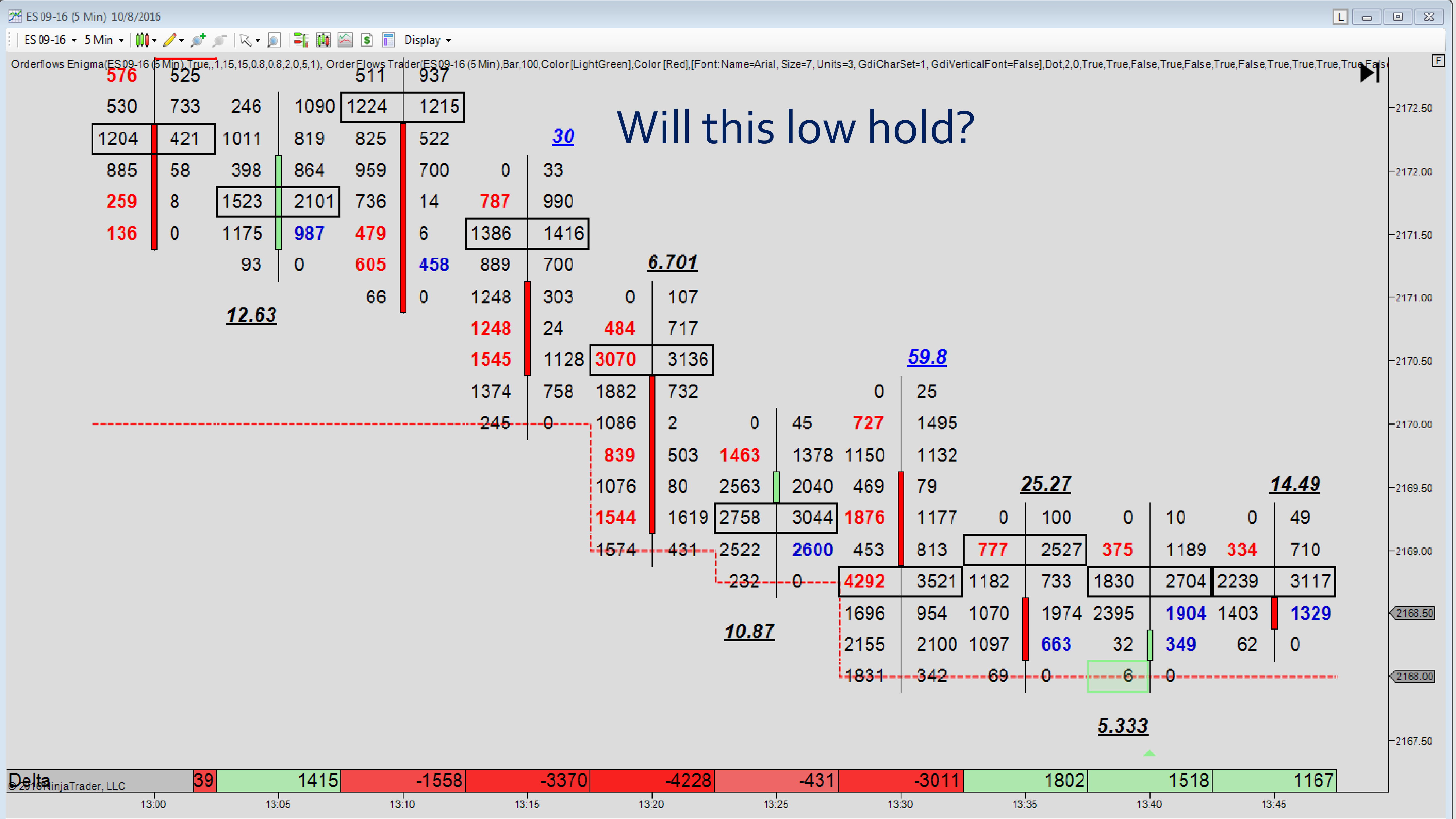
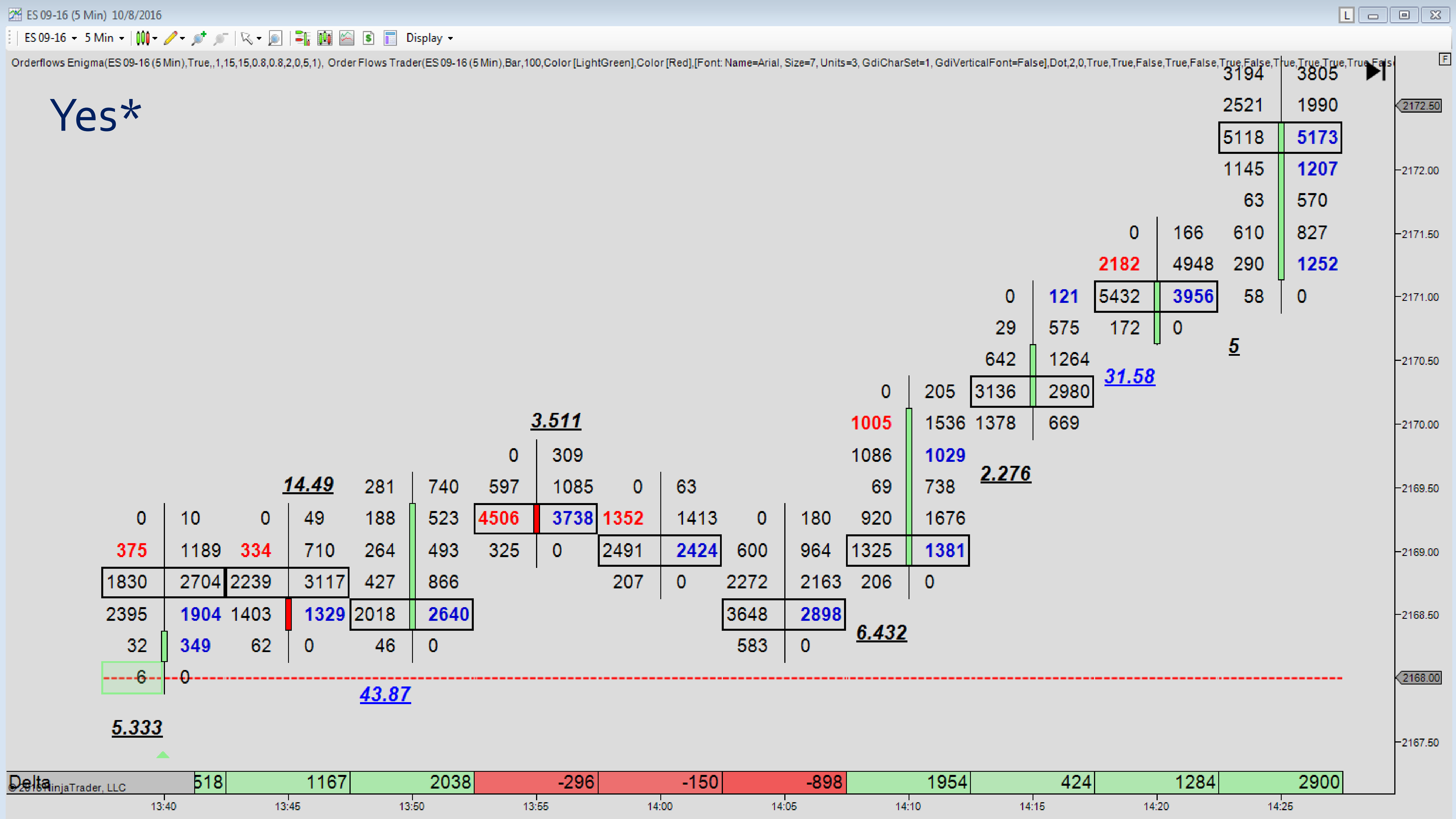
122.4
135.3
30.67
10.48
3.763
30.47
3.661
1.191



ES 09-16 (5 Min) 10/8/2016
Will this low hold?
30
12.63
6.701
59.8
25.27
14.49
10.87
5.333
Delta
39
1415
-1558
-3370
-4228
-431
-3011
1802
1518
1167
2172.50
2172.00
2171.50
2171.00
2170.50
2170.00
2169.50
2169.00
2168.50
2168.00
2167.50
13:00
13:05
13:10
13:15
13:20
13:25
13:30
13:35
13:40
13:45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Yes*
5.333
14.49
43.87
3.511
6.432
2.276
31.58
5
Delta
518
1167
2038
-296
-150
-898
1954
424
1284
2900
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13:40
13:45
13:50
13:55
14:00
14:05
14:10
14:15
14:20
14:25
2172.50
2172.00
2171.50
2171.00
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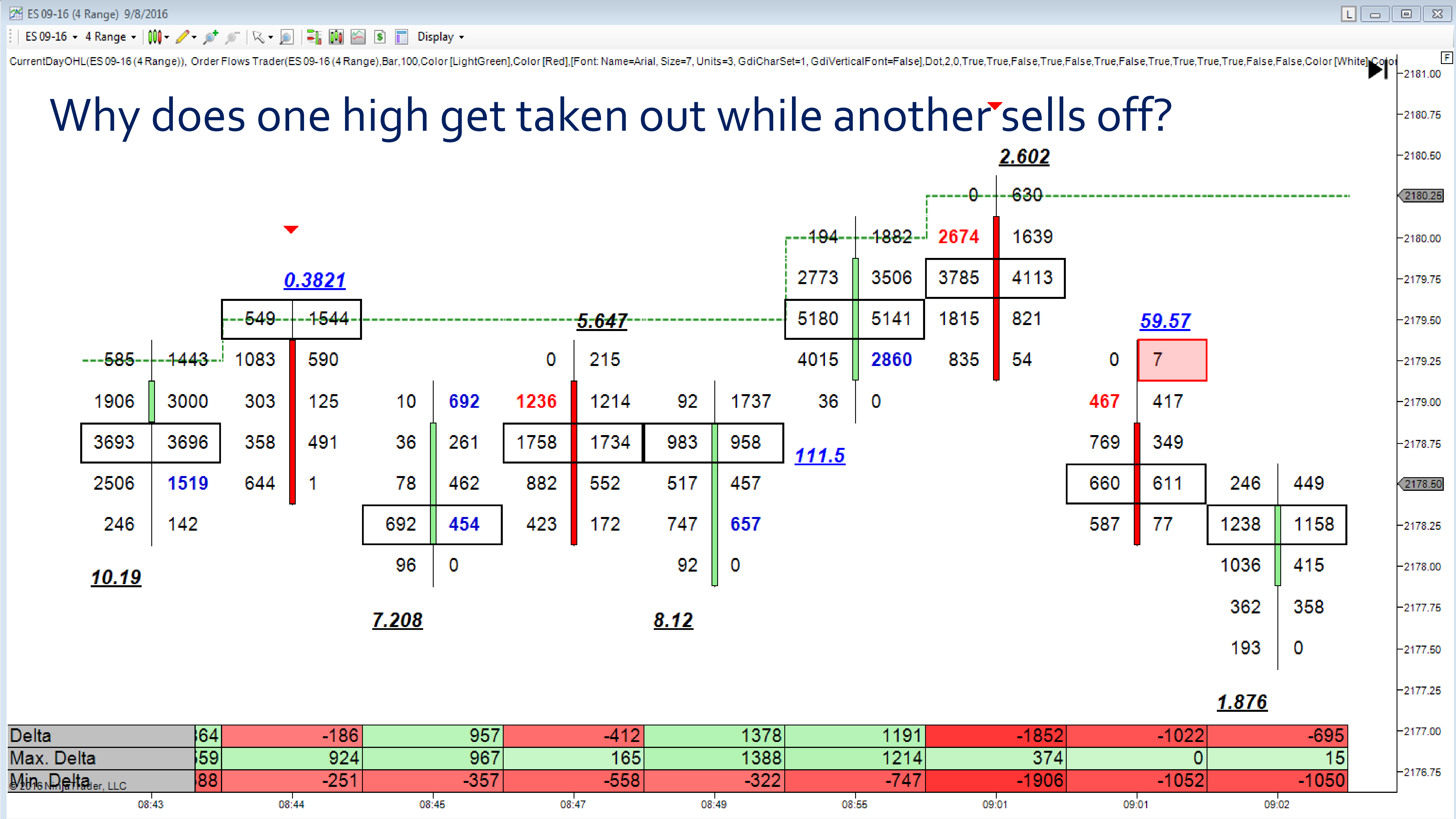
2168.50
2168.00
2167.50


ES 09-16 (4 Range) 9/8/2016
ES 09-16 4 Range Display
CurrentDayOHL(ES 09-16 (4 Range)), Order Flows Trader(ES 09-16 (4 Range),Bar,100,Color [LightGreen],Color [Red],[Font: Name=Arial, Size=7, Units=3, GdiCharSet=1, GdiVerticalFont=False],Dot,2,0,True,True,False,True,False,True,False,True,True,True,True,False,False,Color [White],Color
Why does one high get taken out while another sells off?
2.602
0.3821
5.647
59.57
111.5
10.19
7.208
8.12
1.876
Delta
Max. Delta
Min. Delta
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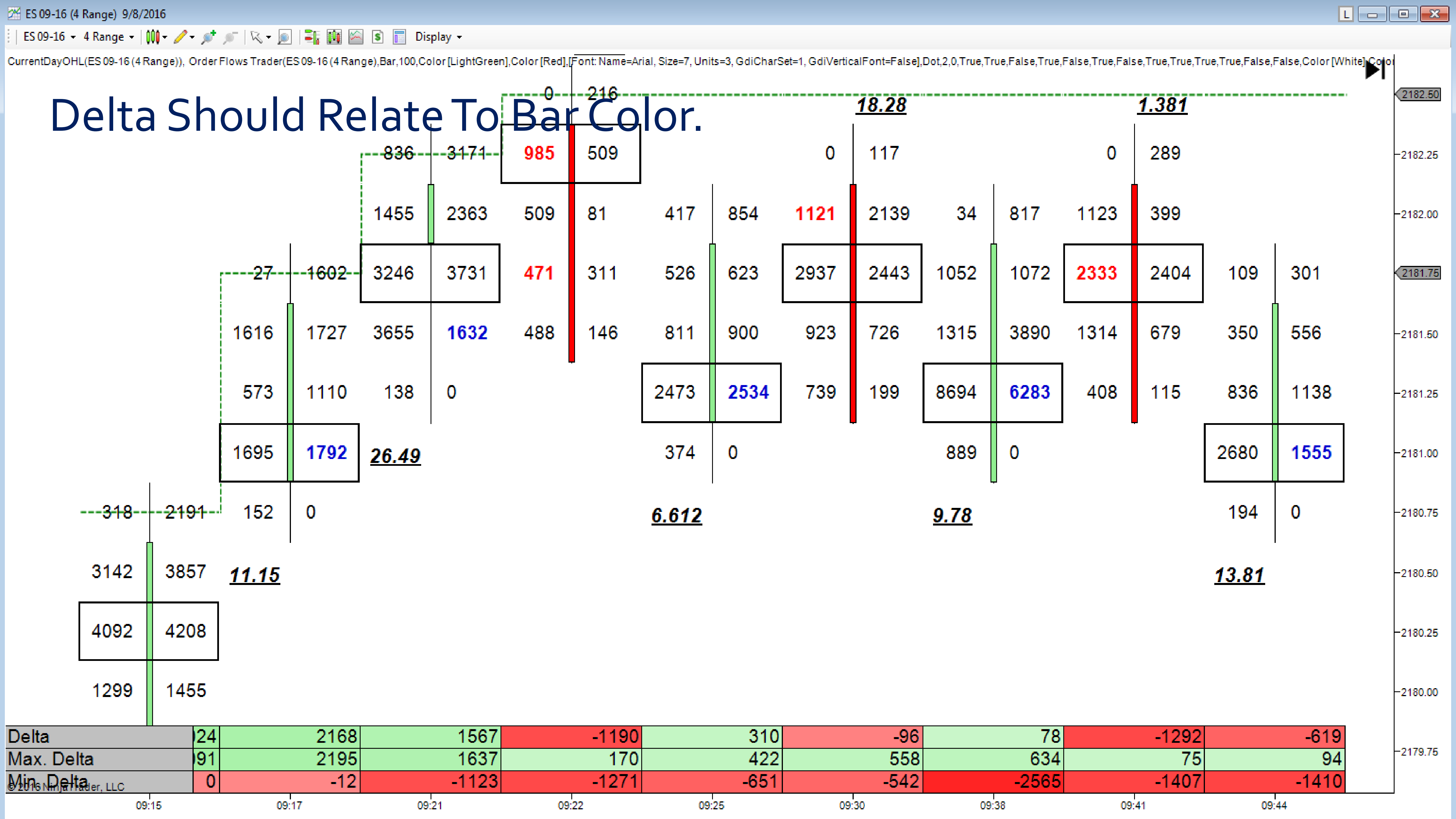
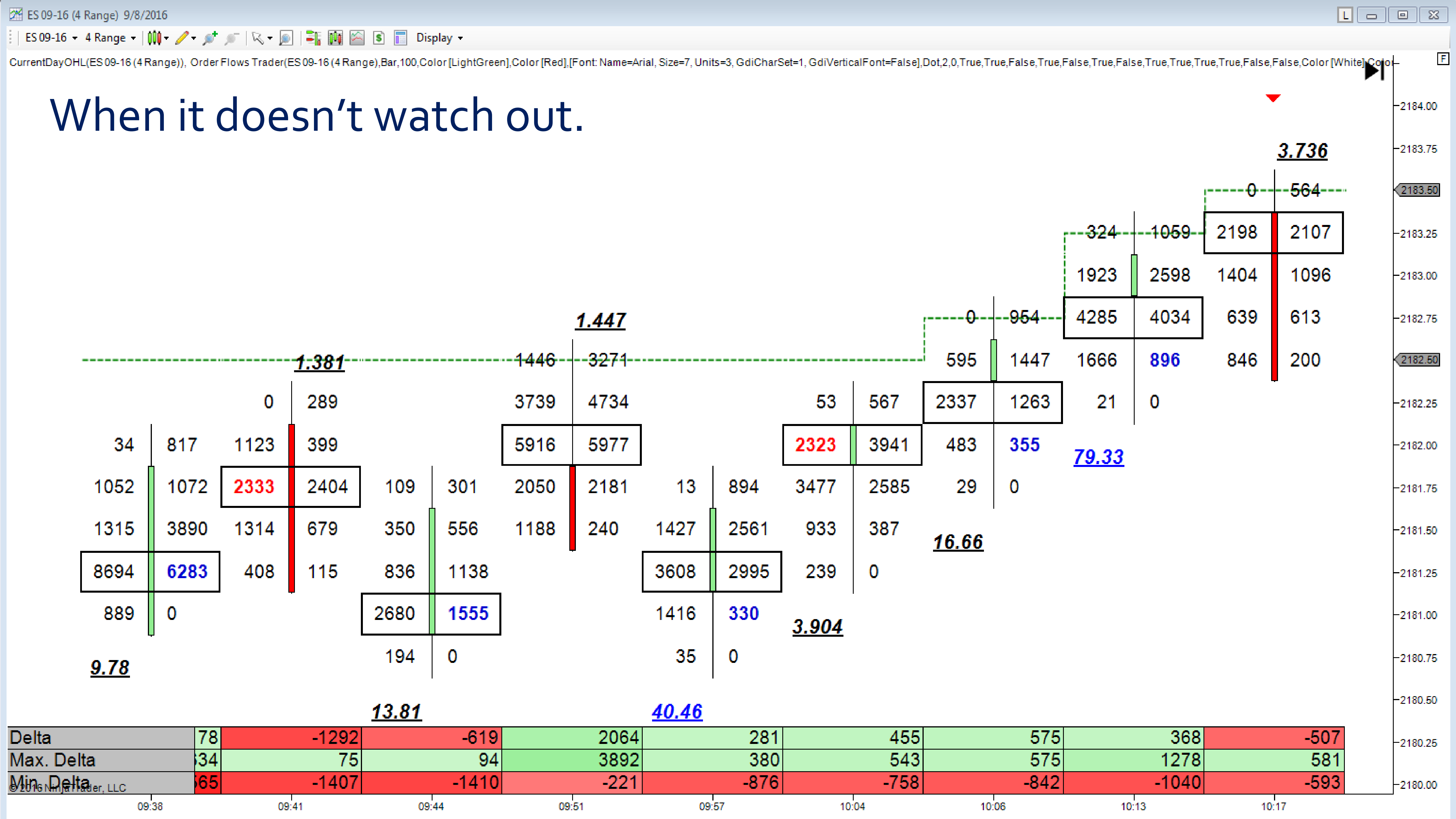
08:43
08:44
08:45
08:47
08:49
08:55
09:01
09:01
09:02

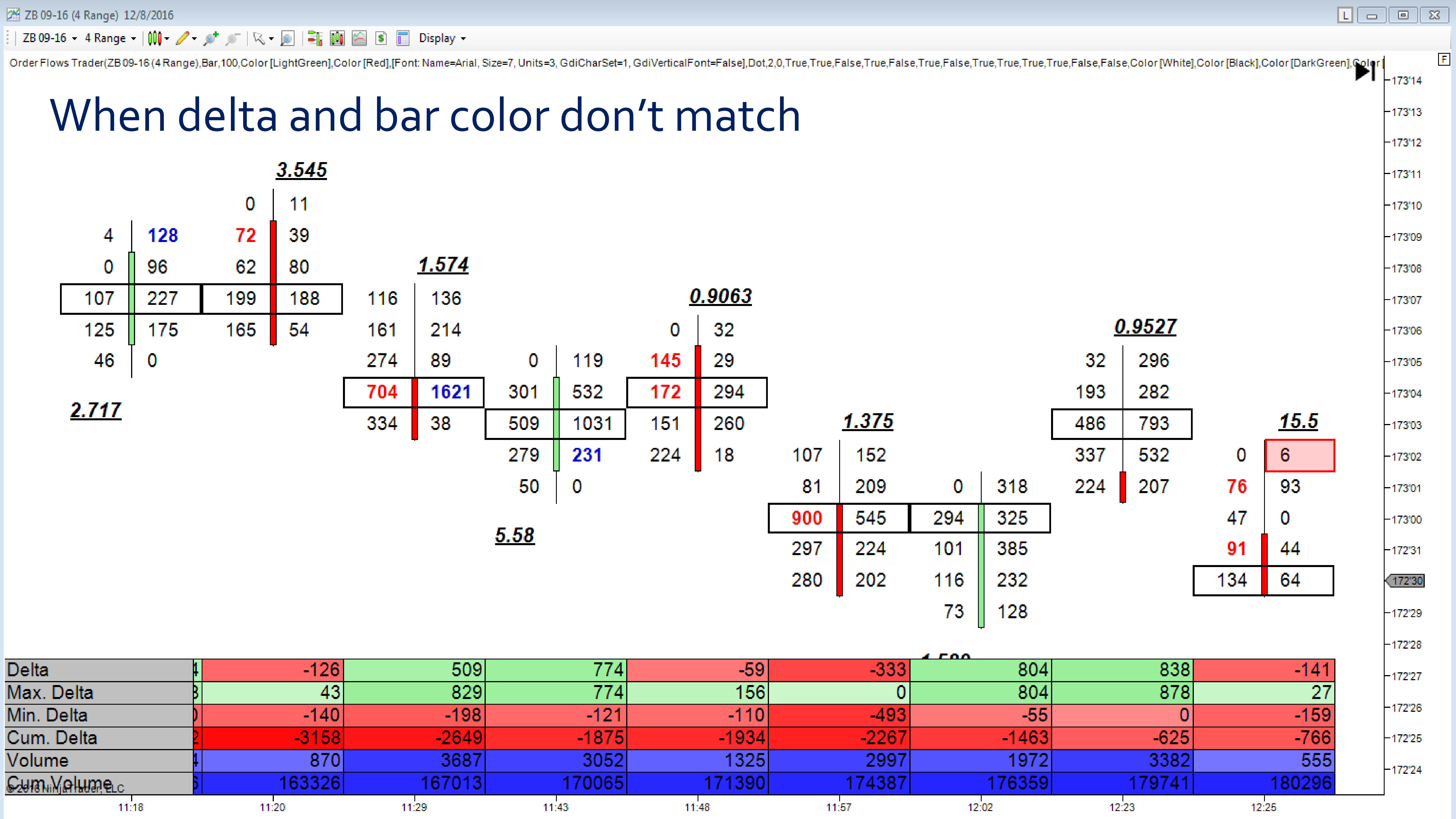
Delta Should Relate To Bar Color.



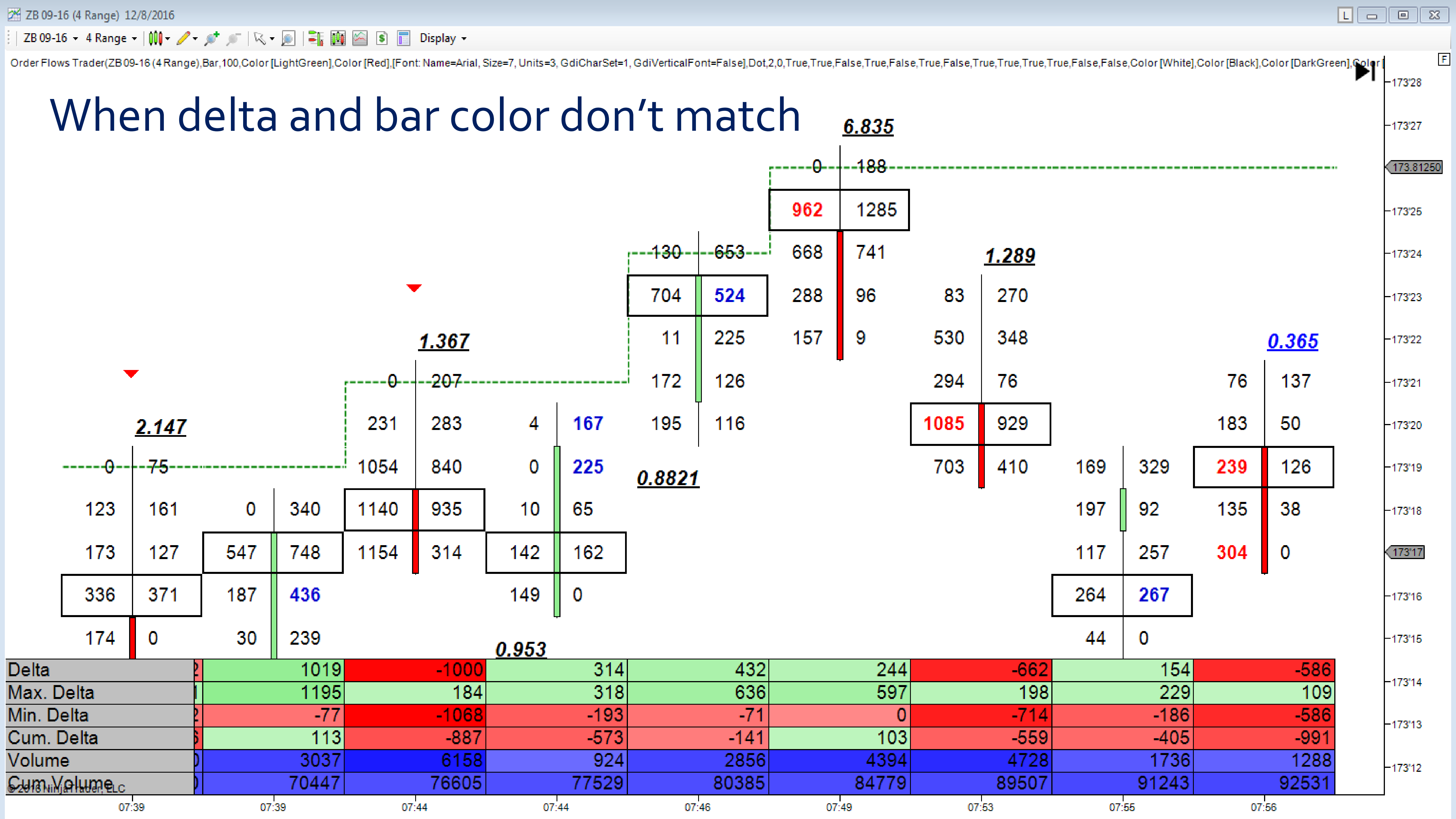
When it doesn’t watch out.



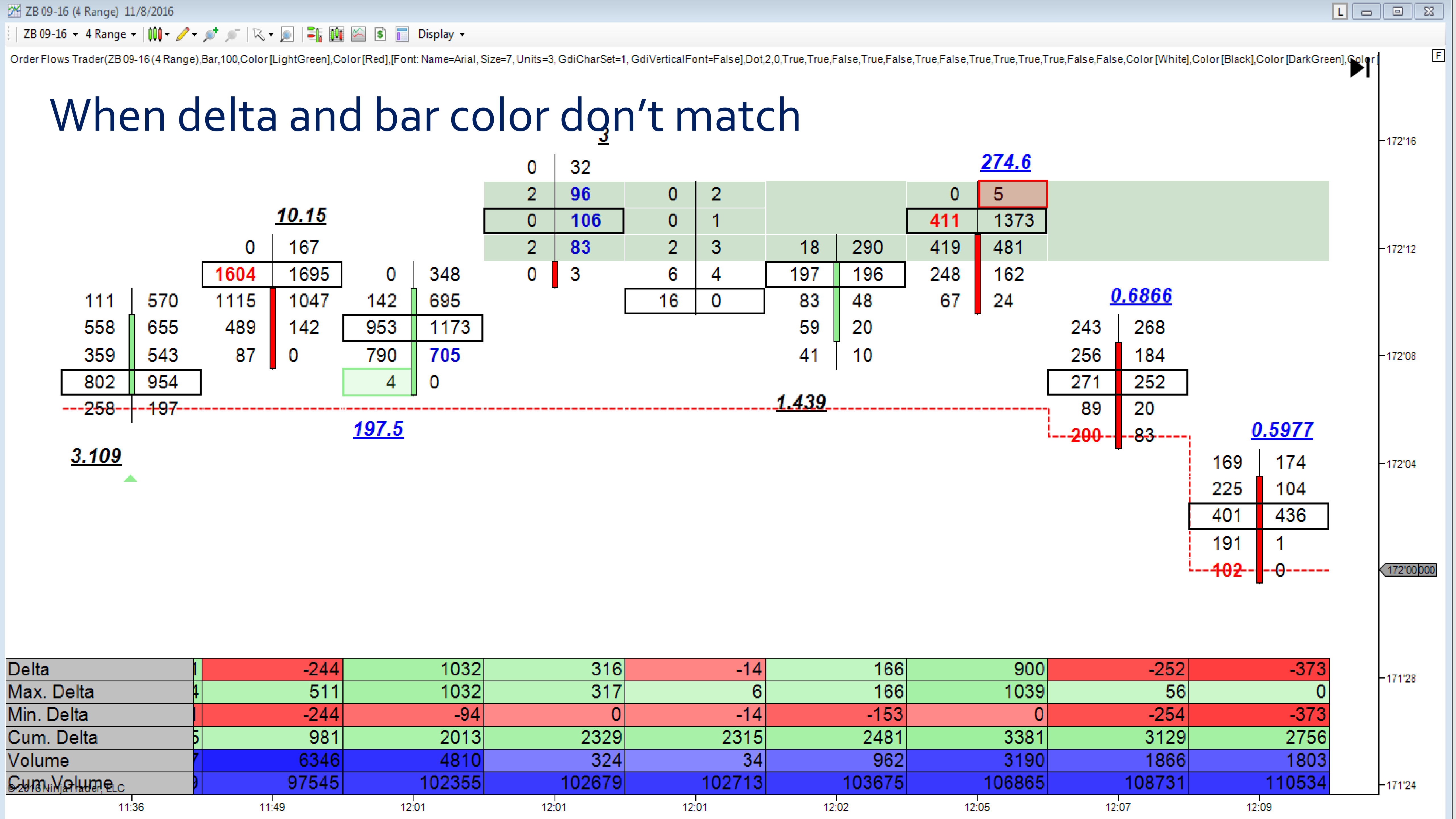
When delta and bar color don't match



When delta and bar color don't match



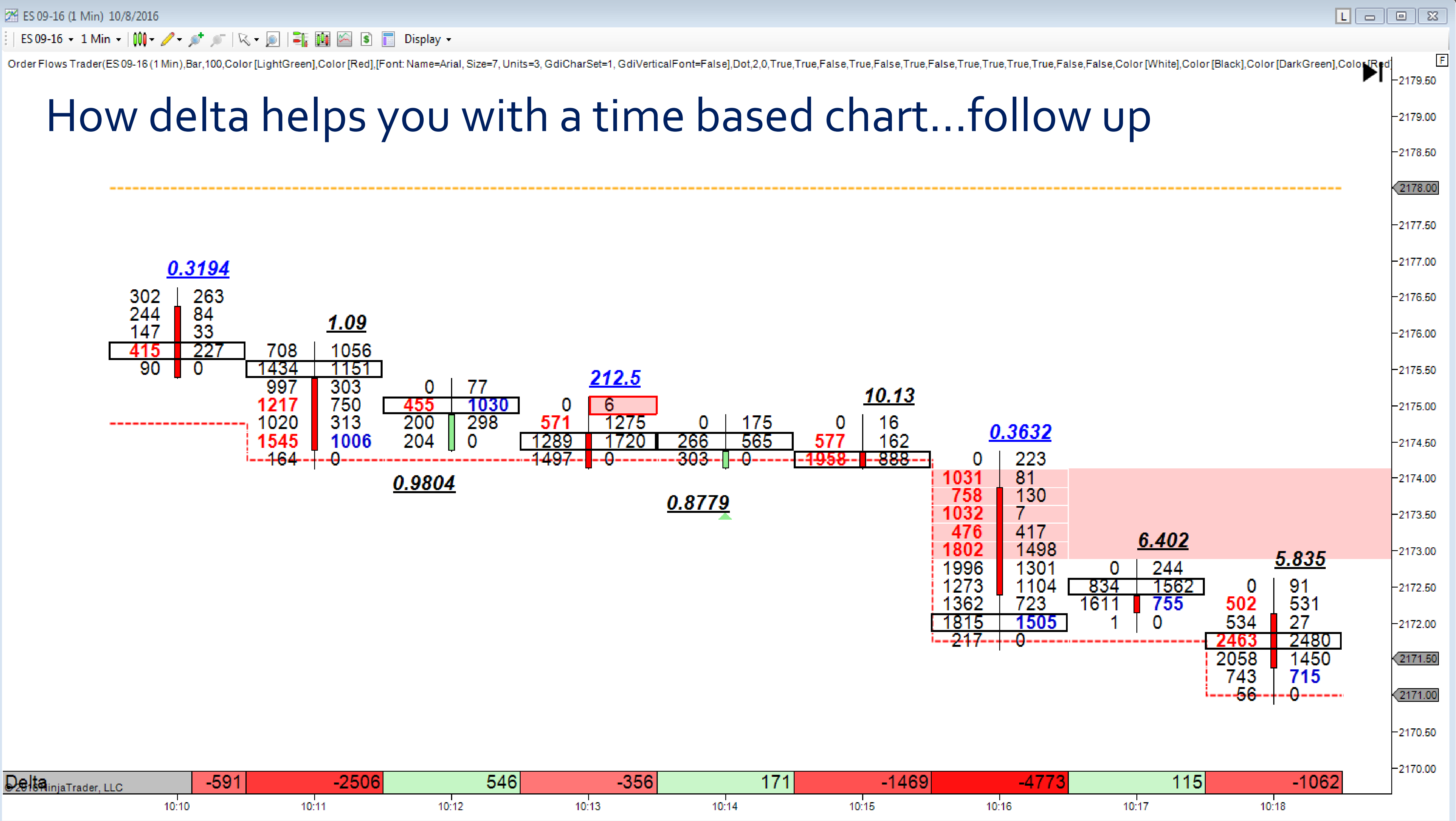
When delta and bar color don't match



Delta	l	-244	1032	316	-14	166	900	-252	-373
Max. Delta	4	511	1032	317	6	166	1039	56	0
Min. Delta	l	-244	-94	0	-14	-153	0	-254	-373
Cum. Delta	5	981	2013	2329	2315	2481	3381	3129	2756
Volume	7	6346	4810	324	34	962	3190	1866	1803
Cum. Volume	9	97545	102355	102679	102713	103675	106865	108731	110534

How delta helps you with a time based chart…

How delta helps you with a time based chart…follow up



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When delta is positive you have more aggressive buyers.

When delta is negative you have more aggressive sellers.

But you already know that… so what?

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Why is it that a bar can have negative delta but close higher? When you see negative delta you expect the market to be going lower since sellers are in control of the market.

In the opposite case, why can a bar have a positive delta and close lower? When you see positive delta you expect the bar to close higher.

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For a green bar with negative delta it implies there was a lot of selling early in the bar and it was met with supportive buying and the selling dried up as it was absorbed by the buyers and when there is no more selling pressure, what will happen to the market? It will rally.

For a red bar with positive delta it implies there was a lot of buying early in the bar and it was met with resistant selling, when the buying dried up as the sellers absorbed that buying, who is left to buy to move the market higher? No one and the market will drop.

What can cause these events to happen?

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It can be an iceberg order in the market.

It can be an aggressive buyer turning the market bid.

It can be an aggressive seller turning the market offered.

Or it can be a combination of an aggressive buyer turning the market bid and working an iceberg on the balance of the order and people don't realize just how aggressive the bid is.

For a sell, just think in the opposite of a bid.

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Go with the direction of the bar, not the direction of the delta when there is an intra bar divergence. Meaning if the bar is red and has a positive delta, sell as the tendency for the market is to continue in the direction of the bar. If the bar is green and the delta is negative, go long as the tendency is for the market to continue in the direction of the bar.

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A question that comes up once in a while is "is an iceberg order considered aggressive behavior or passive behavior?"

It depends.

Icebergs are used by just about every big trader with a legitimate order.

Big traders don't always go in and buy at the market, when trading large size you have to finesse your order and to do that you use iceberg orders.

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Think like a big trader with a lot of size to move. Do you want to show your hand to the world so everyone knows what you are trying to do? Of course not. You will do your best to hide your intention and build your position.

Its like real estate, a developer wants to build a big shopping mall and needs extra space for parking, will they buy up the surrounding properties after they announce the construction of a shopping mall? When everyone knows there will be a big shopping mall there? Or will they do it quietly while they are still in the planning stages when the property prices haven't increase yet?

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The successful trader understands that what didn't happen may actually be more important than what actually did happen.

The successful trader can cope in all market environments.

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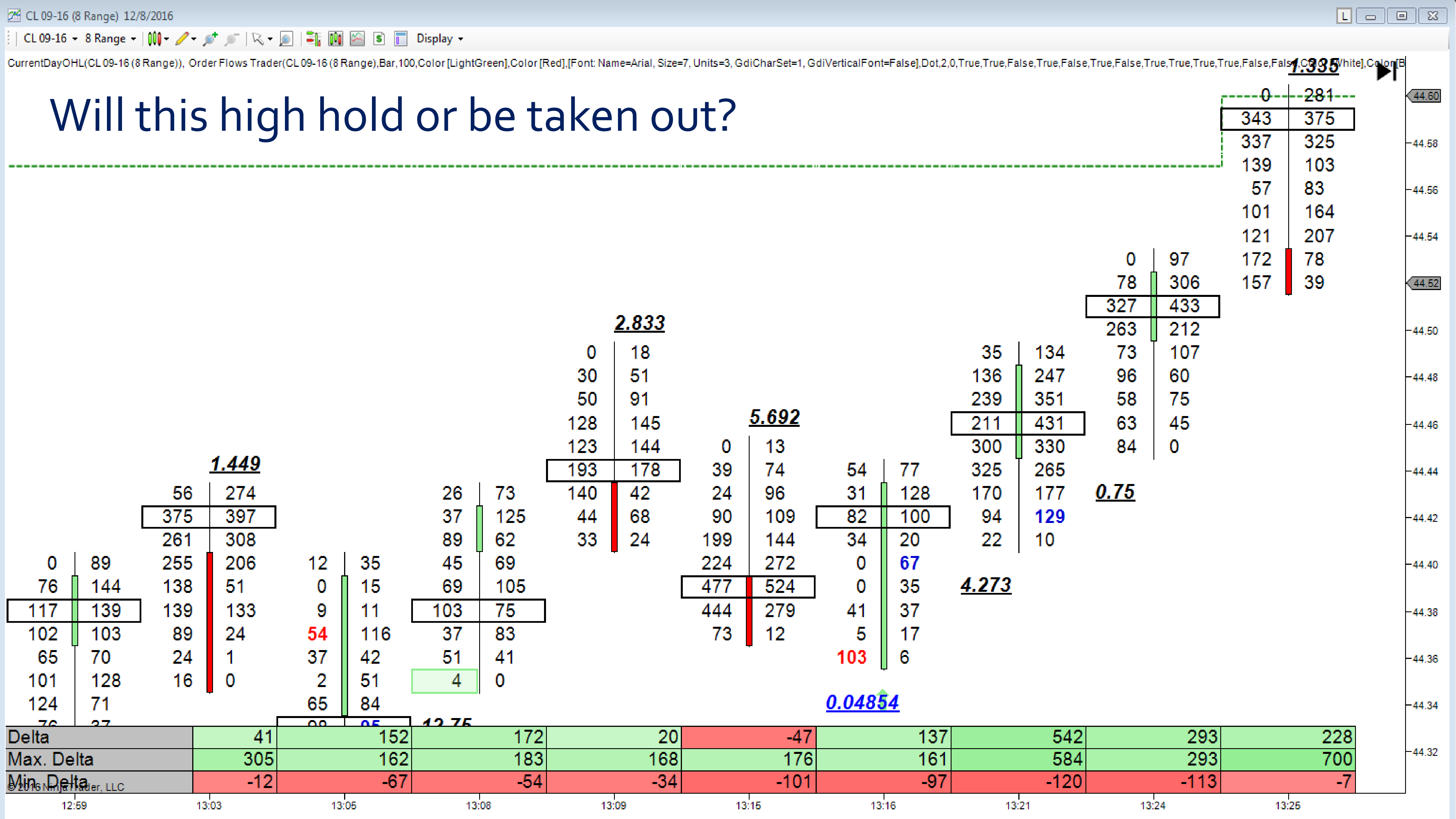
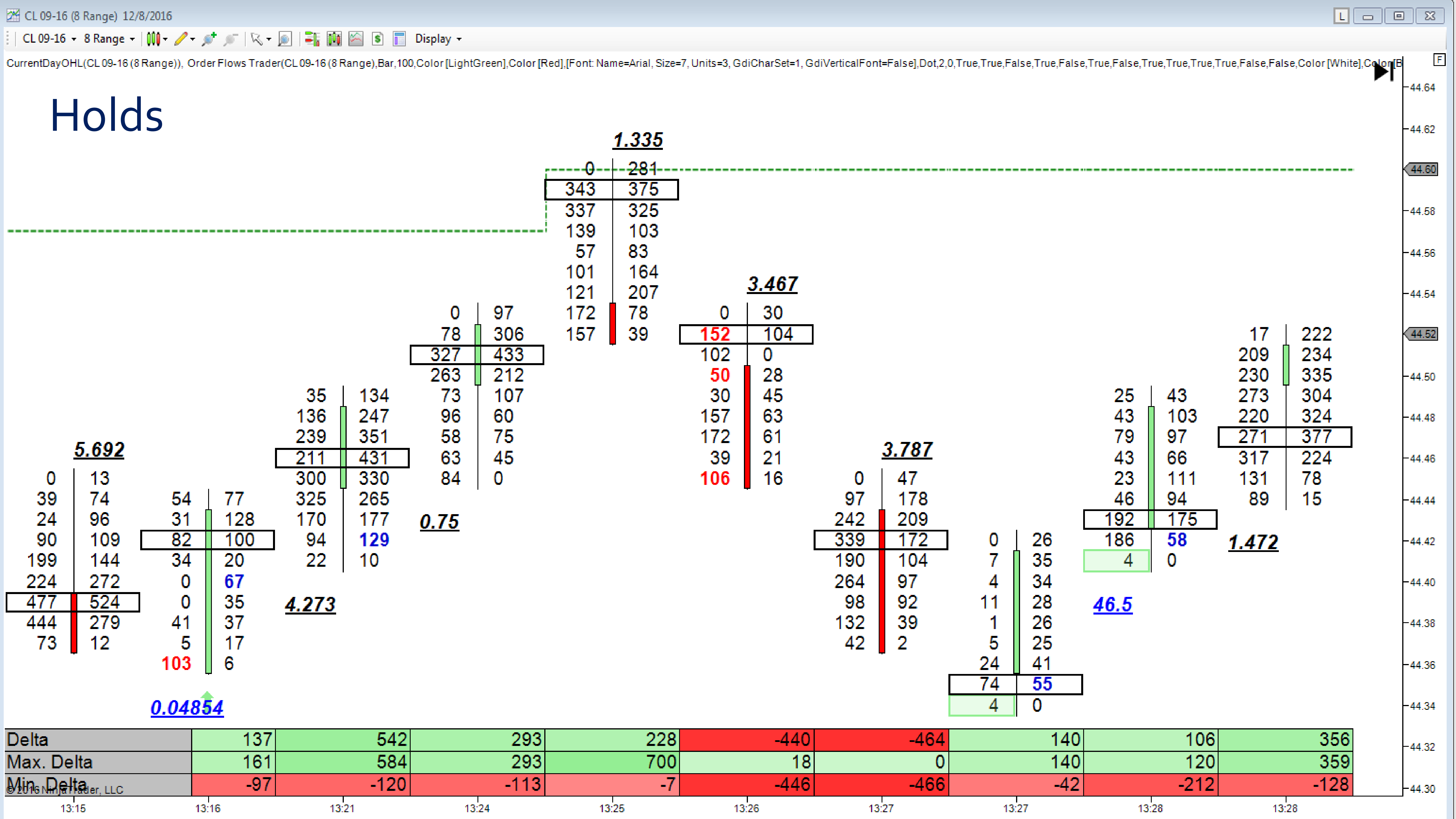
Let's look at some examples…

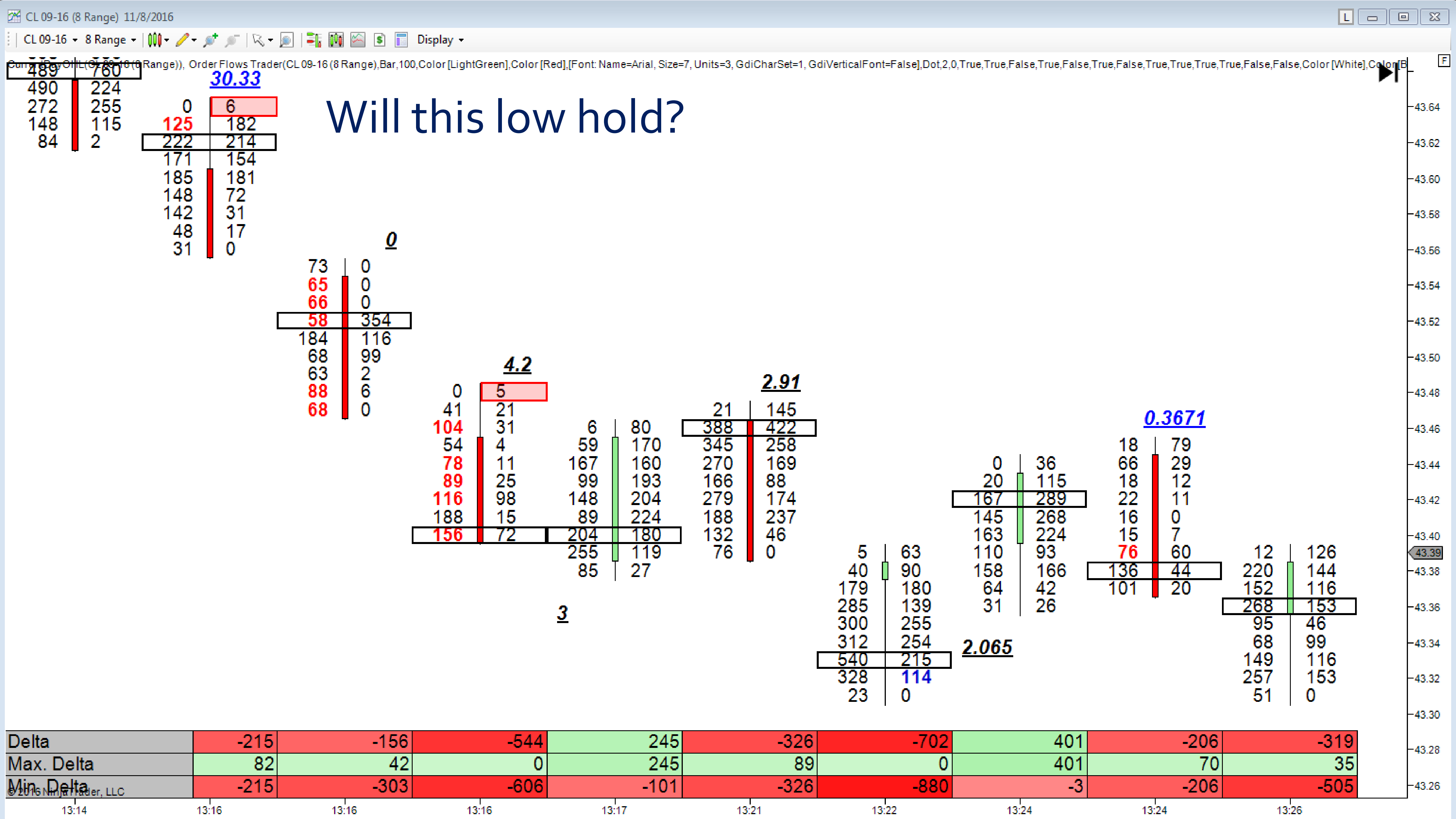
Will this high hold or be taken out?



Holds



Delta	137	542	293	228	-440	-464	140	106	356
Max. Delta	161	584	293	700	18	0	140	120	359
Min. Delta	-97	-120	-113	-7	-446	-466	-42	-212	-128



CL 09-16 (8 Range) 11/8/2016
CL 09-16 8 Range Display
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Will this low hold?
30.33
0
4.2
3
2.91
2.065
0.3671
Delta -215 -156 -544 245 -326 -702 401 -206 -319
Max. Delta 82 42 0 245 89 0 401 70 35
Min. Delta -215 -303 -606 -101 -326 -880 -3 -206 -505
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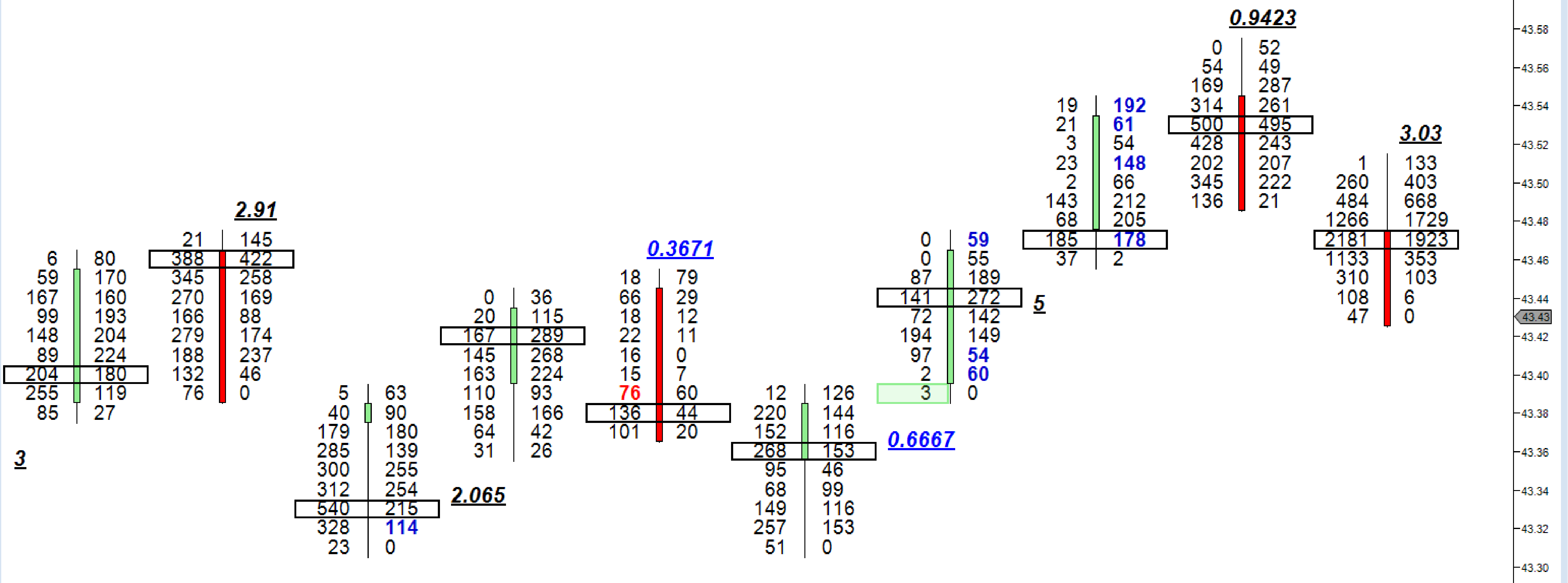
13:14 13:16 13:16 13:16 13:17 13:21 13:22 13:24 13:24 13:26
43.64 43.62 43.60 43.58 43.56 43.54 43.52 43.50 43.48 43.46 43.44 43.42 43.40 43.39 43.38 43.36 43.34 43.32 43.30 43.28 43.26

CL 09-16 (8 Range) 11/8/2016

CL 09-16 8 Range Display

CurrentDayOHL(CL 09-16 (8 Range)), Order Flows Trader(CL 09-16 (8 Range),Bar,100,Color [LightGreen],Color [Red],[Font: Name=Arial, Size=7, Units=3, GdiCharSet=1, GdiVerticalFont=False],Dot,2,0,True,True,False,True,False,True,False,True,True,True,True,False,False,Color [White],Color [B

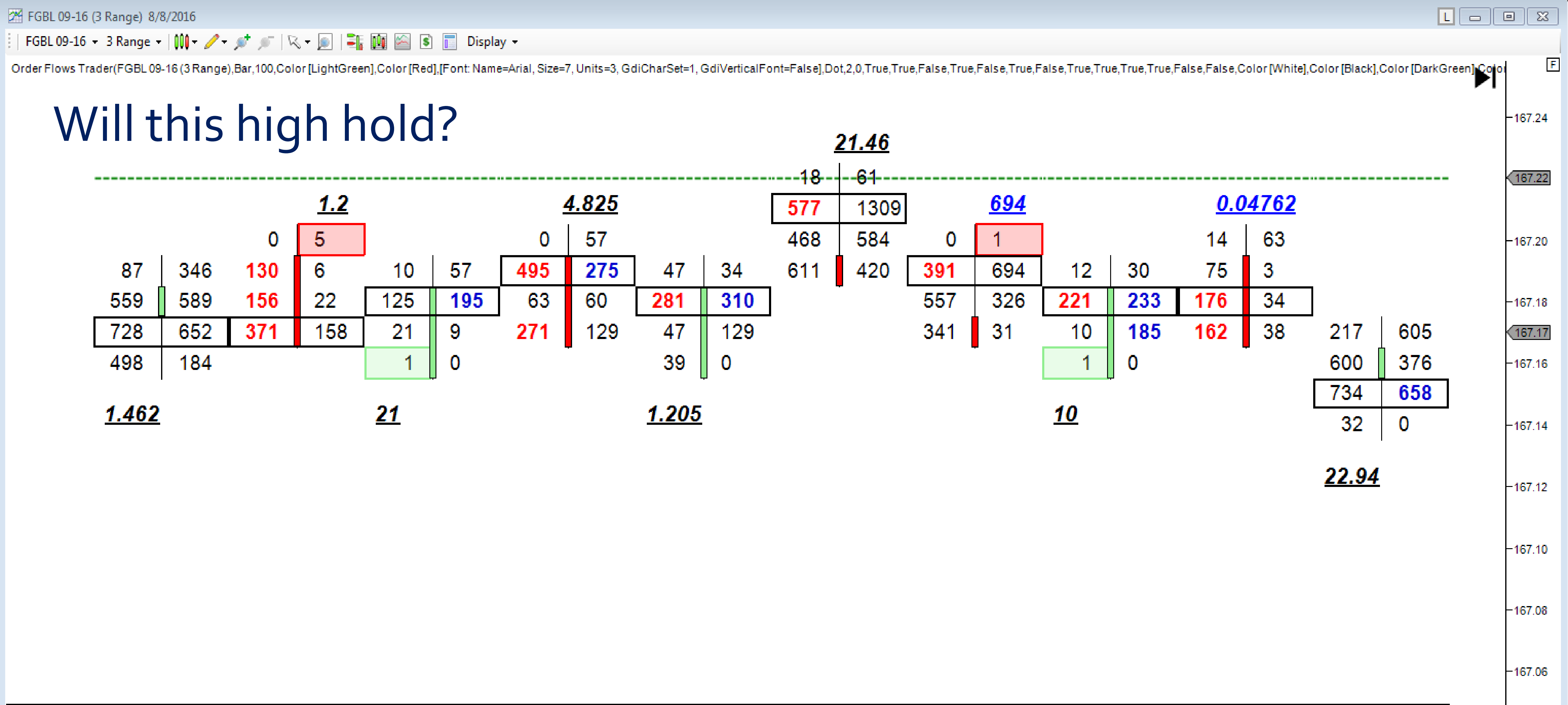
Hold



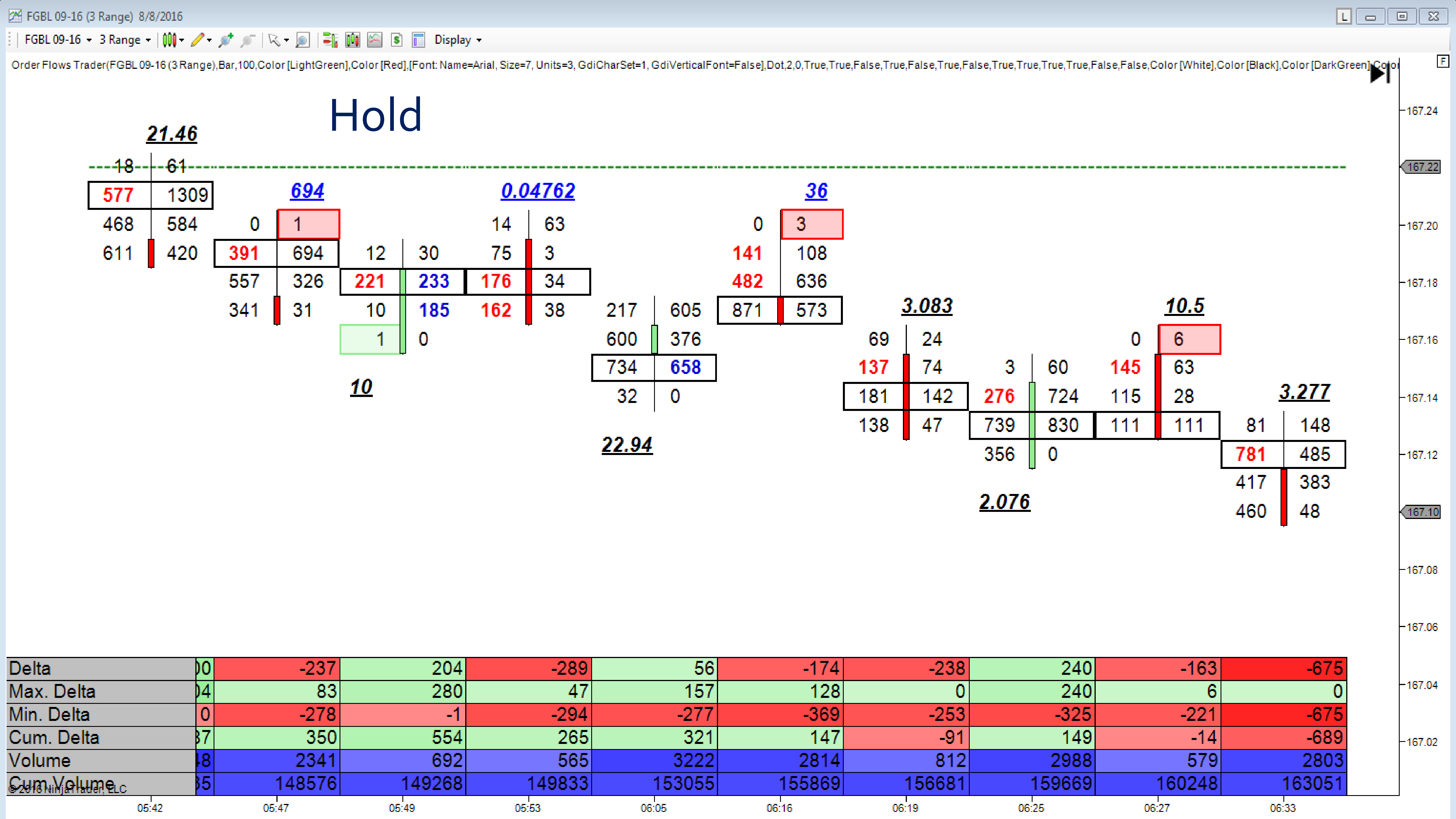
Delta	-326	-702	401	-206	-319	384	617	-311	-472
Max. Delta	89	0	401	70	35	384	631	43	96
Min. Delta	-326	-880	-3	-206	-505	0	0	-311	-472

13:17 13:21 13:22 13:24 13:24 13:26 13:26 13:27 13:28 13:30

Will this high hold?



	05:24	05:26	05:27	05:31	05:34	05:42	05:47	05:49	05:53	06:05
Delta	01	-466	104	-308	59	700	-237	204	-289	56
Max. Delta	0	5	139	10	182	904	83	280	47	157
Min. Delta	1	-526	-19	-400	-29	0	-278	-1	-294	-277
Cum. Delta	98	32	136	-172	-113	587	350	554	265	321
Volume	3	848	418	1350	887	4048	2341	692	565	3222
Cum. Volume	34	139532	139950	141300	142187	146235	148576	149268	149833	153055


FGBL 09-16 (3 Range) 8/8/2016
FGBL 09-16 3 Range Display
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Hold
21.46
694
0.04762
36
10
22.94
3.083
10.5
3.277
2.076
Delta 00 -237 204 -289 56 -174 -238 240 -163 -675
Max. Delta 04 83 280 47 157 128 0 240 6 0
Min. Delta 0 -278 -1 -294 -277 -369 -253 -325 -221 -675
Cum. Delta 37 350 554 265 321 147 -91 149 -14 -689
Volume 48 2341 692 565 3222 2814 812 2988 579 2803
Cum. Volume 35 148576 149268 149833 153055 155869 156681 159669 160248 163051
05:42 05:47 05:49 05:53 06:05 06:16 06:19 06:25 06:27 06:33
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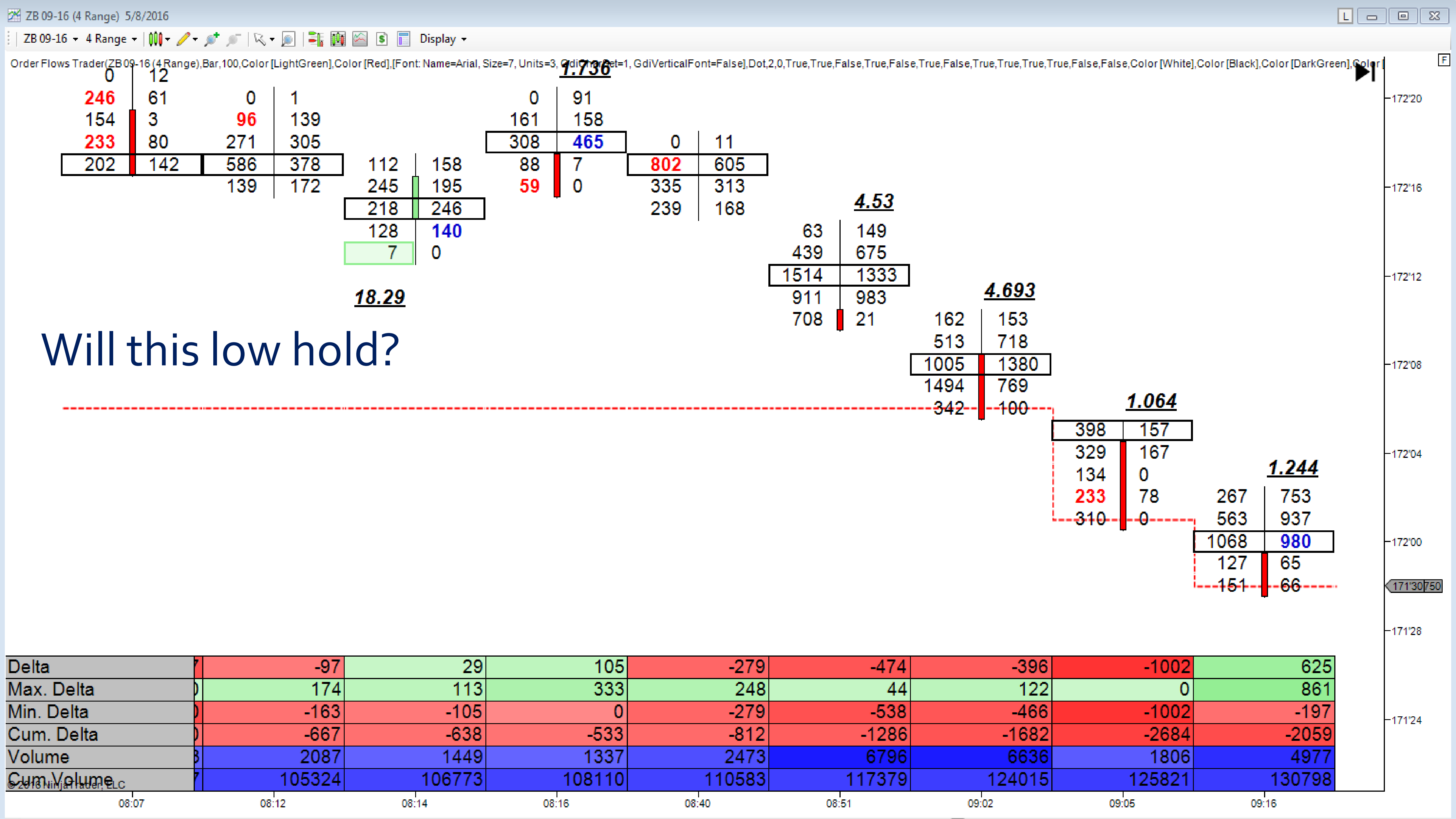
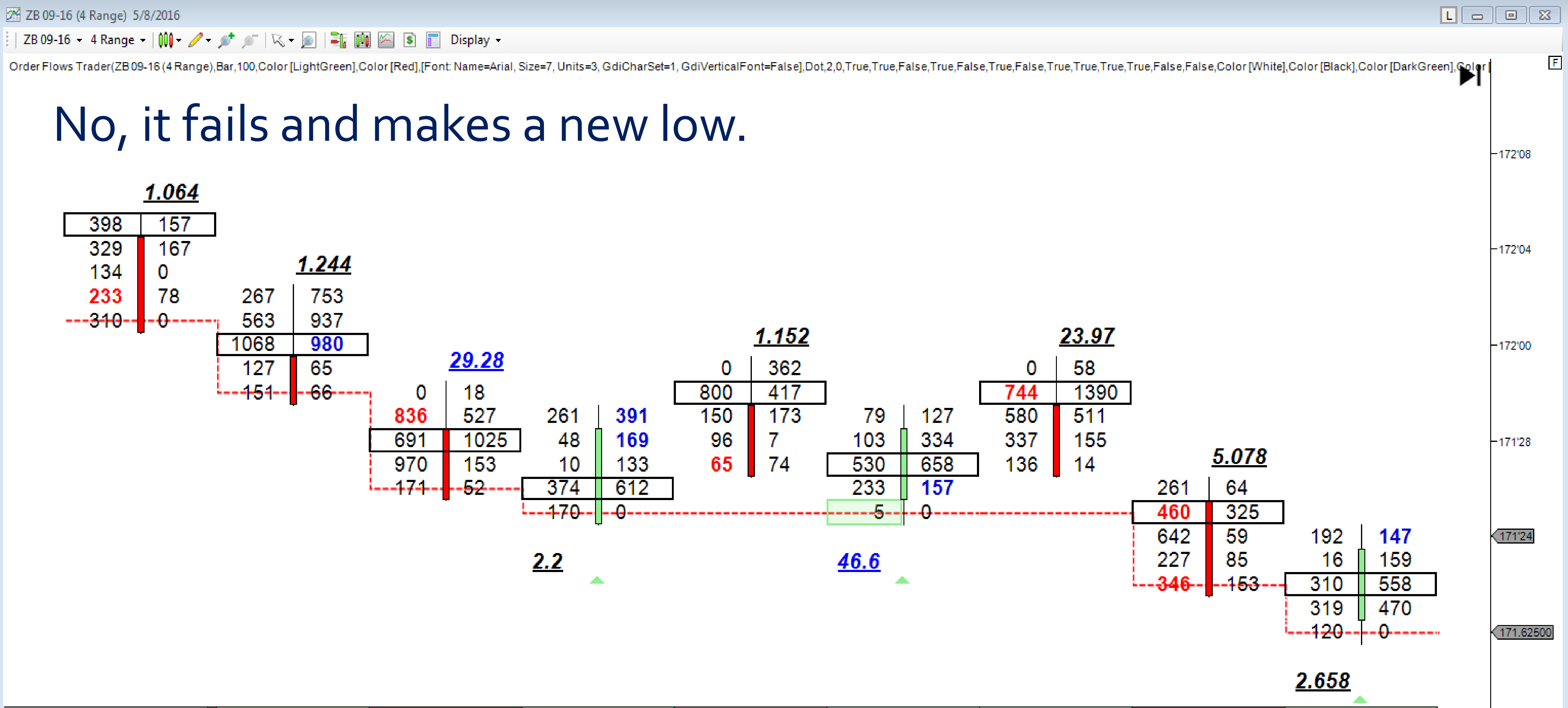


	08:12	08:14	08:16	08:40	08:51	09:02	09:05	09:16
Delta	-97	29	105	-279	-474	-396	-1002	625
Max. Delta	174	113	333	248	44	122	0	861
Min. Delta	-163	-105	0	-279	-538	-466	-1002	-197
Cum. Delta	-667	-638	-533	-812	-1286	-1682	-2684	-2059
Volume	2087	1449	1337	2473	6796	6636	1806	4977
Cum. Volume	105324	106773	108110	110583	117379	124015	125821	130798

No, it fails and makes a new low.



Delta	2	625	-893	442	-78	326	331	-1250	377
Max. Delta	)	861	0	589	107	350	553	0	477
Min. Delta	2	-197	-955	-122	-287	-61	0	-1306	-43
Cum. Delta	4	-2059	-2952	-2510	-2588	-2262	-1931	-3181	-2804
Volume	6	4977	4443	2168	2144	2226	3925	2622	2291
Cum.Volume	1	130798	135241	137409	139553	141779	145704	148326	150617

Orderflows Inner Circle Weekly Webinar #3 – Delta Analysis

Key areas to watch delta:

Highs

Lows

Sideways markets

Pay attention to intra bar divergence of delta and bar color, red bar with positive delta and green bar with negative delta. Go in the direction of the bar because the delta is a residual leftover from earlier in the bar and price action shows the bar's make up has changed. The market's psychology has changed in the bar.

Thank You!