Orderflows Inner Circle Weekly Webinar #6

DELTA CANDLES

A Visual Representation Of Delta

Orderflows Inner Circle Weekly Webinar #6 – Delta Candles

Delta Candles have been around for a while. They are offered on some order flow software. I used them for years but my programmer never coded them for me and recently he surprised me with it.

What delta candles do is give you a visual representation of delta in a candlestick format. Simply, it takes the delta numbers – Max Delta, Min Delta and Final Delta and plots it as a candlestick.

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Takes this:

Delta	114	-42	114	-96	-278
Max. Delta	114	33	114	2	0
Min. Delta	-12	-42	-60	-101	-278

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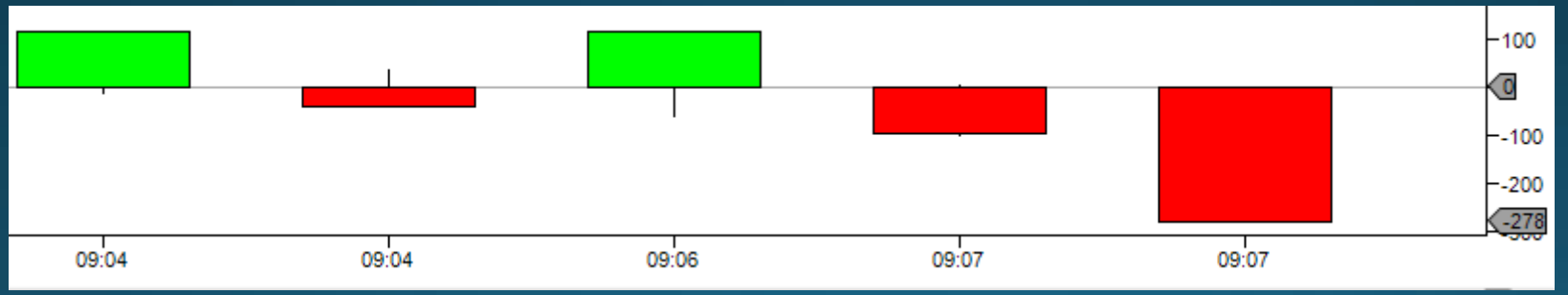
And turns it into this:



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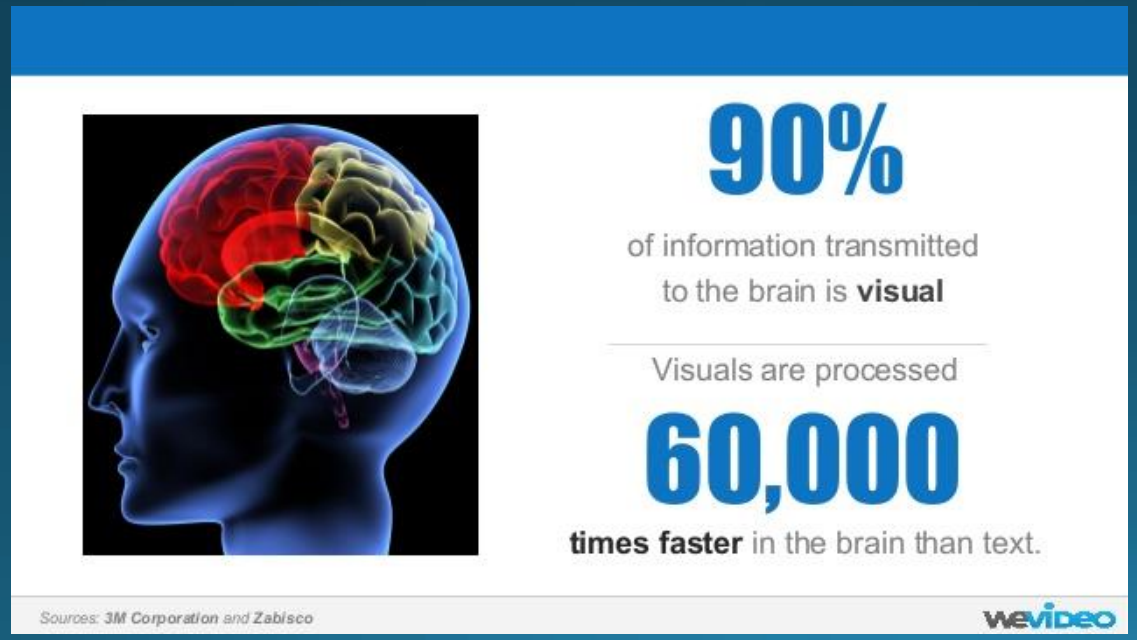
Let's face it, for some people, looking and trying to interpret a series of numbers is just too much work. The world is becoming visual, just look at the popular social media sites – Instagram and Pinterest. It is based on photos.

The mind can process a picture much quicker than a series of numbers or text.



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How to use Delta Candles?

The same way you use traditional candlestick trading analysis – Look For Patterns.

I find candlesticks most powerful when the market is at extremes, highs or lows. Personally, for me, I have always had success with candles in spotting reversals. Candlesticks are able to accurately pick up on the changes in a trend which occur at the end of a short term swing in the market.

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Now that you can visibly compare the other charting choices, let's look at some of the advantages of trading with Delta Candlesticks.

- Quickly see Max Delta and Min Delta and where Delta finished.
- One quick glance is all you need to see whether the buyers or sellers are in control.
- Each individual Delta Candle tells a story of investor sentiment, giving you an insight not only how to trade but when.

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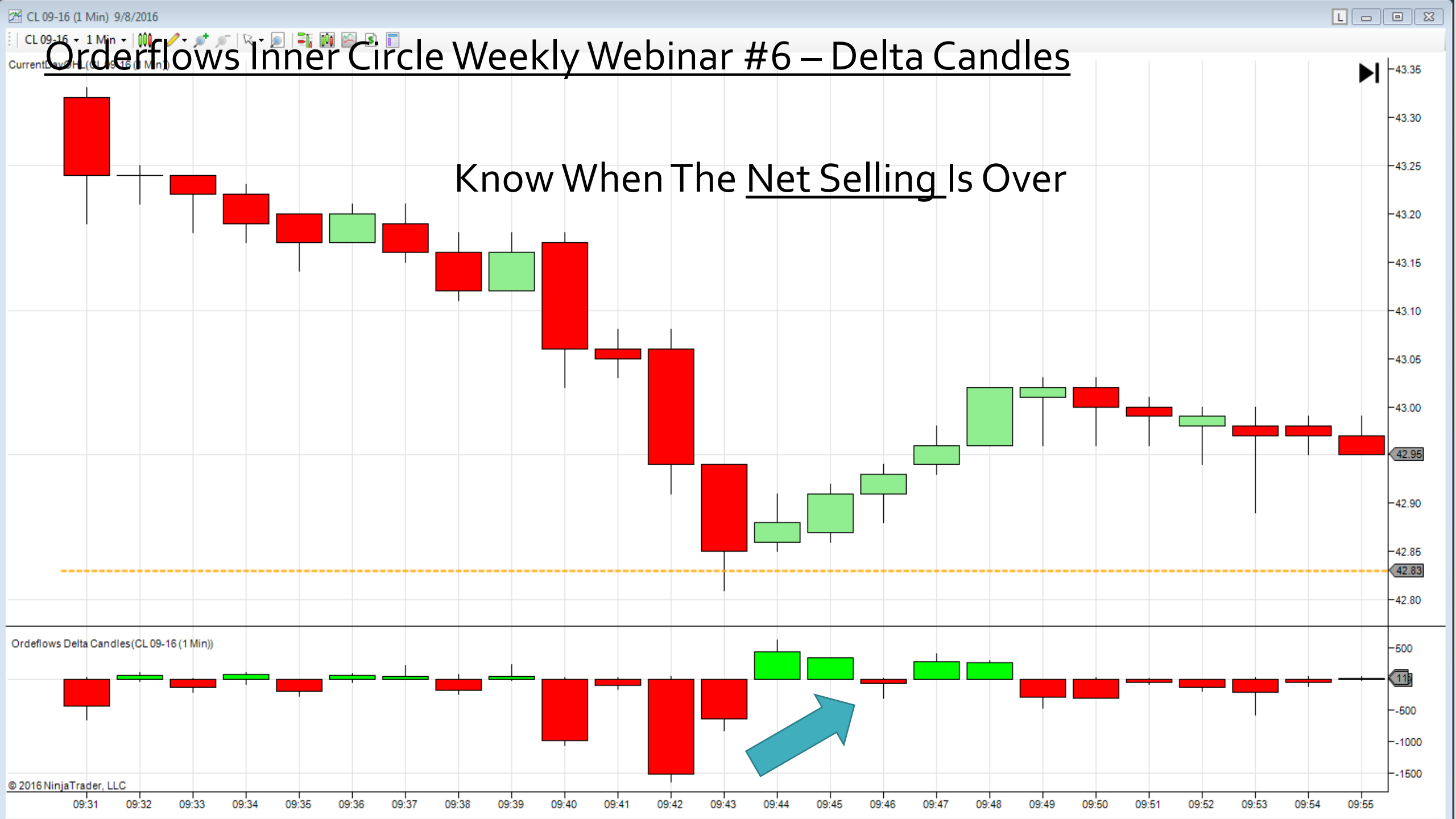

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Why I appreciate Delta Candles? They work exactly the same in varying time periods and different markets. You are looking for the same patterns whether it be Corn, Bonds, ES, 6E, FDAX, Gilts on a 1-minute chart, 15-minute chart, 3 range chart, 10 range chart or renko chart.

Why is that important? Because you don't want to trade with something that is optimized to just one market.

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To understand Delta Candles, you need to understand the information contained in the construction of the candle and the meaning behind the variations in the different Delta Candle patterns. But, don't worry, there are only about a dozen main signals. Once you are familiar with these major signals, the rest falls into place quite nicely.

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There are 4 main components that build a Delta Candle.

1. The Beginning or the Opening Delta. When a new bar starts, the delta is zero. As the market trades the delta fluctuates between the Max Delta and the Min Delta.
2. Max Delta. The most positive delta a bar experienced.
3. Min Delta. The most negative delta a bar experienced.
4. The Closing Delta. The final delta number, either positive or negative in the bar when the bar finished trading.

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An important subcomponent of Delta Candles are the wicks.

The thin lines above and below the real body are the wicks. The wicks are the part above or below the Delta Candle that indicates the extreme level of Max Delta and Min Delta. The wick above the body is called the upper wick and the wick below is called the lower wick. If there is no wick above the upper body, it is said to have a shaven head. If there is no wick below the lower body it is called a shaven bottom.

To Japanese candlestick traders the wicks are usually considered as extraneous price fluctuations, but to Delta Candle traders, they are a very important part of the analysis.

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I make money trading mainly on reversals. When you think of reversals you tend to think of trend reversals, where the market makes a long move in a direction then ends and begins a new trend in the opposite direction.

To me a reversal sign indicates the trend we have been in is about to change, but not necessarily reverse in the opposite direction. You could go sideways first, then go either up or down. The markets don't always go up and down, you get sideways action a lot of times.

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As with any traditional candlestick pattern, you must read and interpret the pattern in the context of the market. Delta Candles are no different. If you are looking at a reversal pattern, you need a move to reverse. Or if you are looking to buy would you rather do it at a low or after a move up? Would you rather sell after a move down? Or after a move up?

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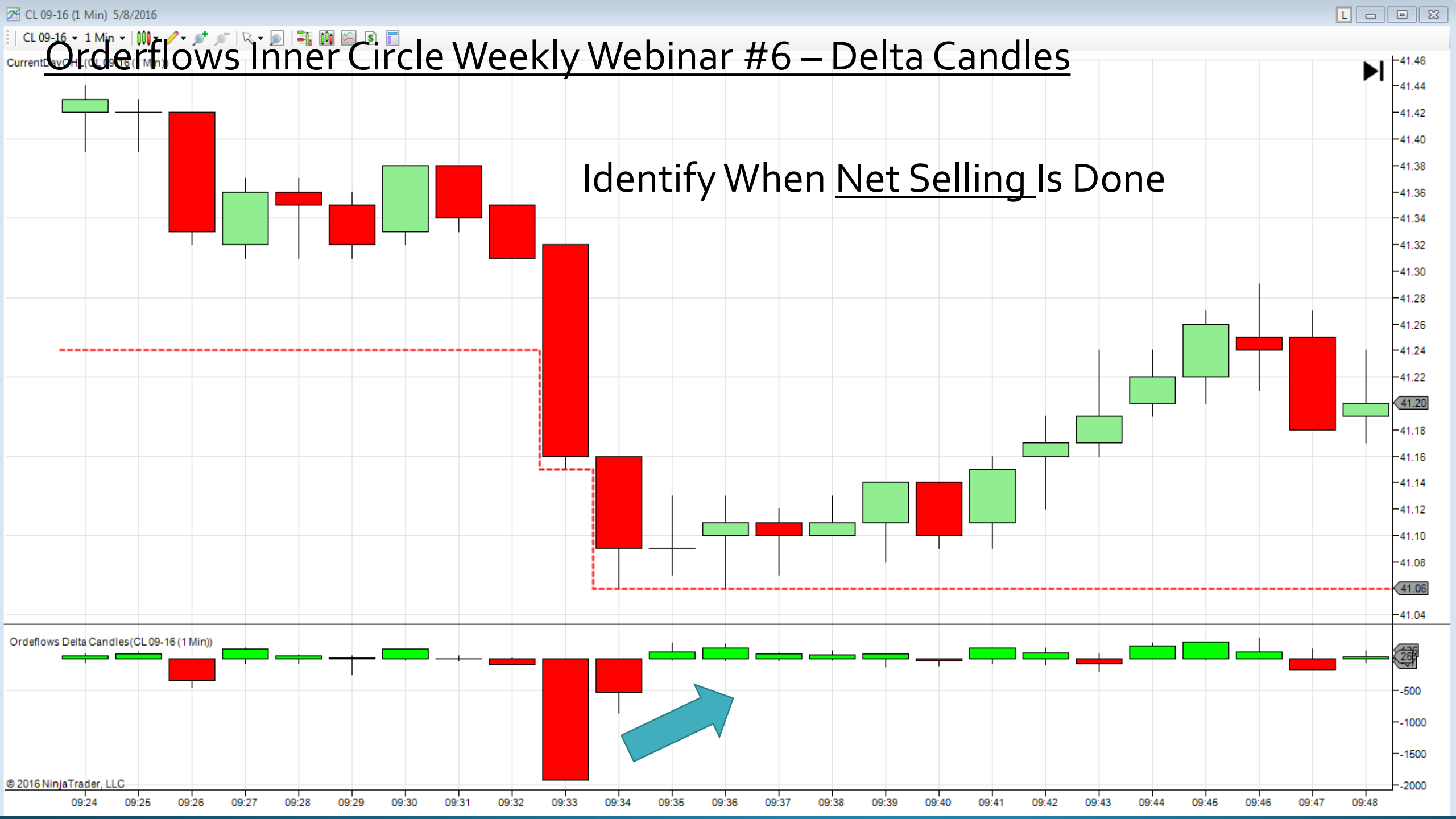

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One of the main differences between Delta Candles and traditional candles is that traditional candles move up and down on a chart while Delta Candles trade above and below a zero line, almost like an oscillator.

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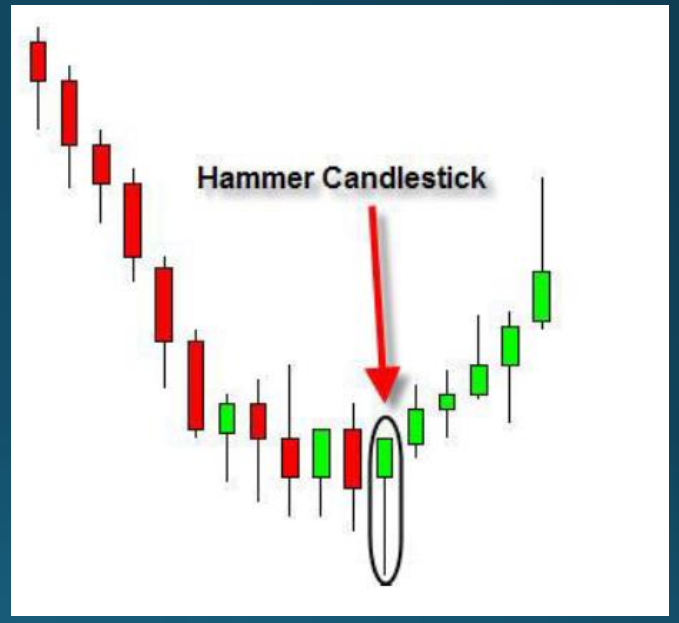
Much of my analysis of Delta Candles centers around two patterns:

Shooting Star (Bearish)

Hammer (Bullish)



These two patterns form the basis of my trading with Delta Candles and the other patterns I look for tend to have one of those two patterns in them.

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The Delta Shooting Star Pattern (Bearish)

It is characterized by an upper wick that is at least twice the length of the body with a small or no lower wick.

The longer the upper wick, the better the chance of a strong reversal.

The bar opens with strong aggressive buyers then delta changes and ends near zero.

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Shooting star examples.

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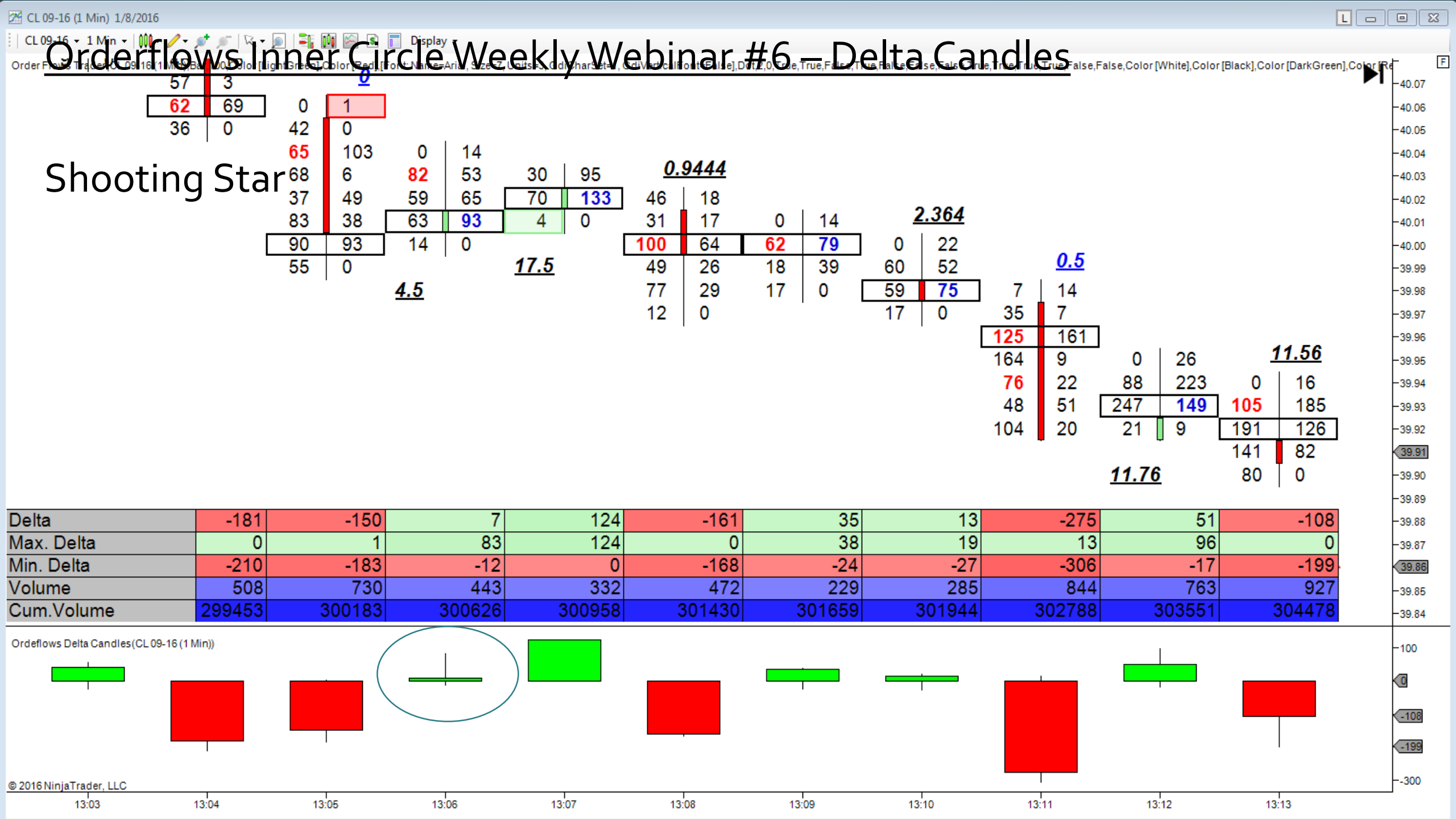
Shooting Star



Delta	-181	-150	7	124	-161	35	13	-275	51	-108
Max. Delta	0	1	83	124	0	38	19	13	96	0
Min. Delta	-210	-183	-12	0	-168	-24	-27	-306	-17	-199
Volume	508	730	443	332	472	229	285	844	763	927
Cum.Volume	299453	300183	300626	300958	301430	301659	301944	302788	303551	304478

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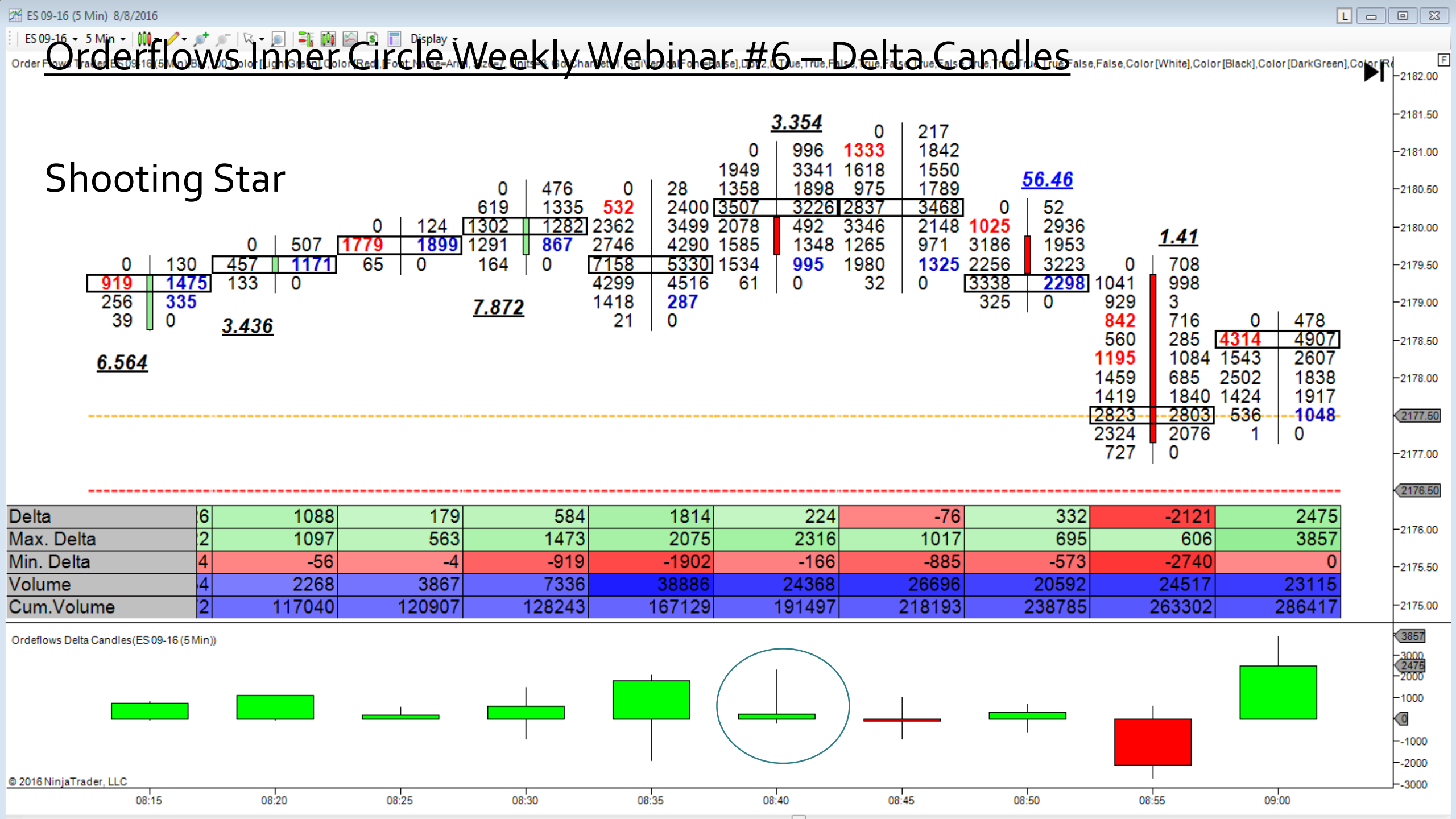
Shooting Star



Delta	6	1088	179	584	1814	224	-76	332	-2121	2475
Max. Delta	2	1097	563	1473	2075	2316	1017	695	606	3857
Min. Delta	4	-56	-4	-919	-1902	-166	-885	-573	-2740	0
Volume	4	2268	3867	7336	38886	24368	26696	20592	24517	23115
Cum.Volume	2	117040	120907	128243	167129	191497	218193	238785	263302	286417

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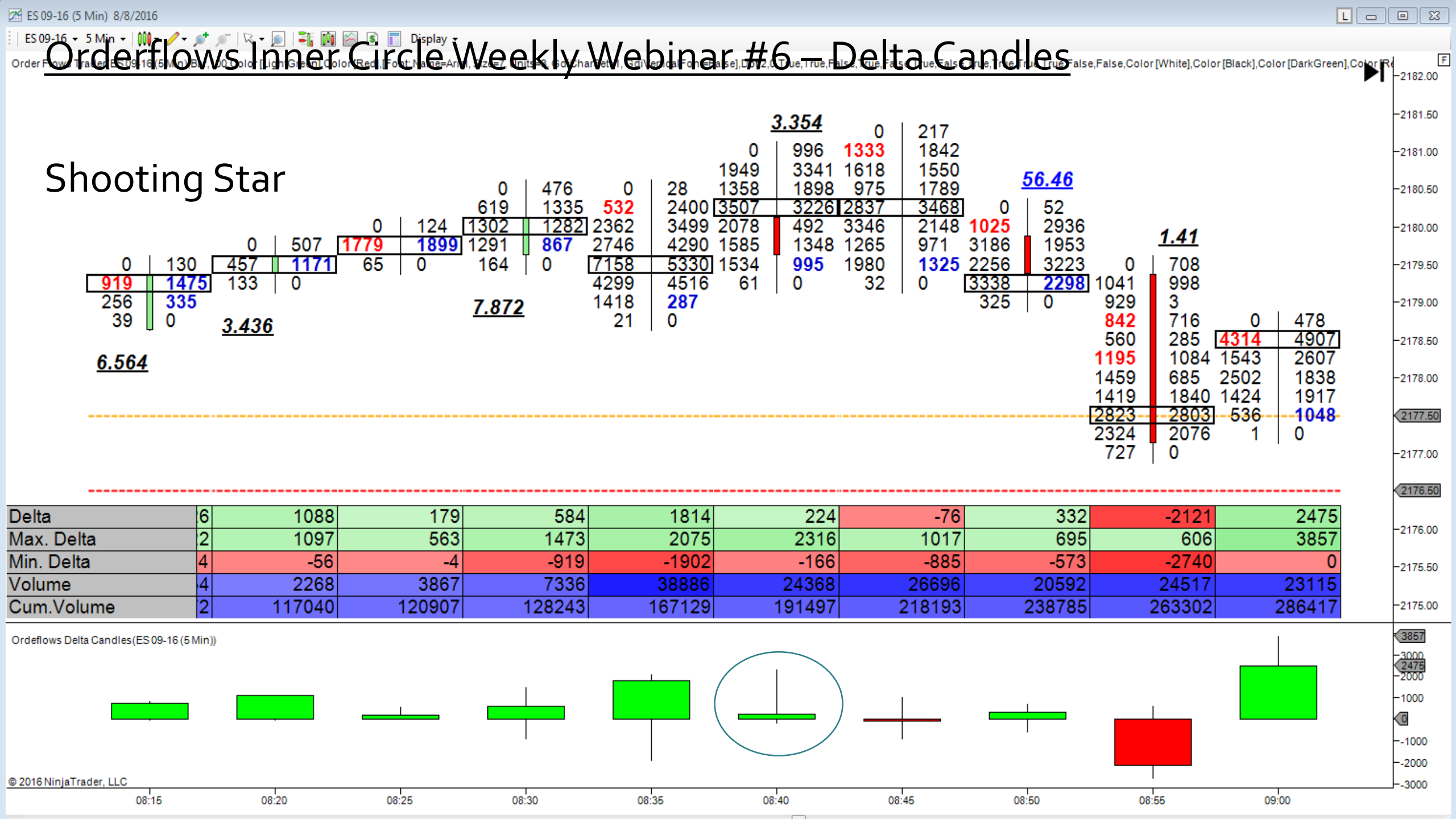
Shooting Star



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Volume	4	2268	3867	7336	38886	24368	26696	20592	24517	23115
Cum.Volume	2	117040	120907	128243	167129	191497	218193	238785	263302	286417

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The Delta Hammer Candle Pattern (Bullish)

Characterized by a lower wick that is at least twice the length of the real body with little or no upper wick.

The lower wick should be at least twice, preferably a lot more than 2x, the size of the body and there should be a very small or no upper wick.

A Delta Hammer represents a change in trader sentiment because at one point in the bar the candle was long and dark representing massive negative delta, however aggressive buyers came in and moved delta positive.

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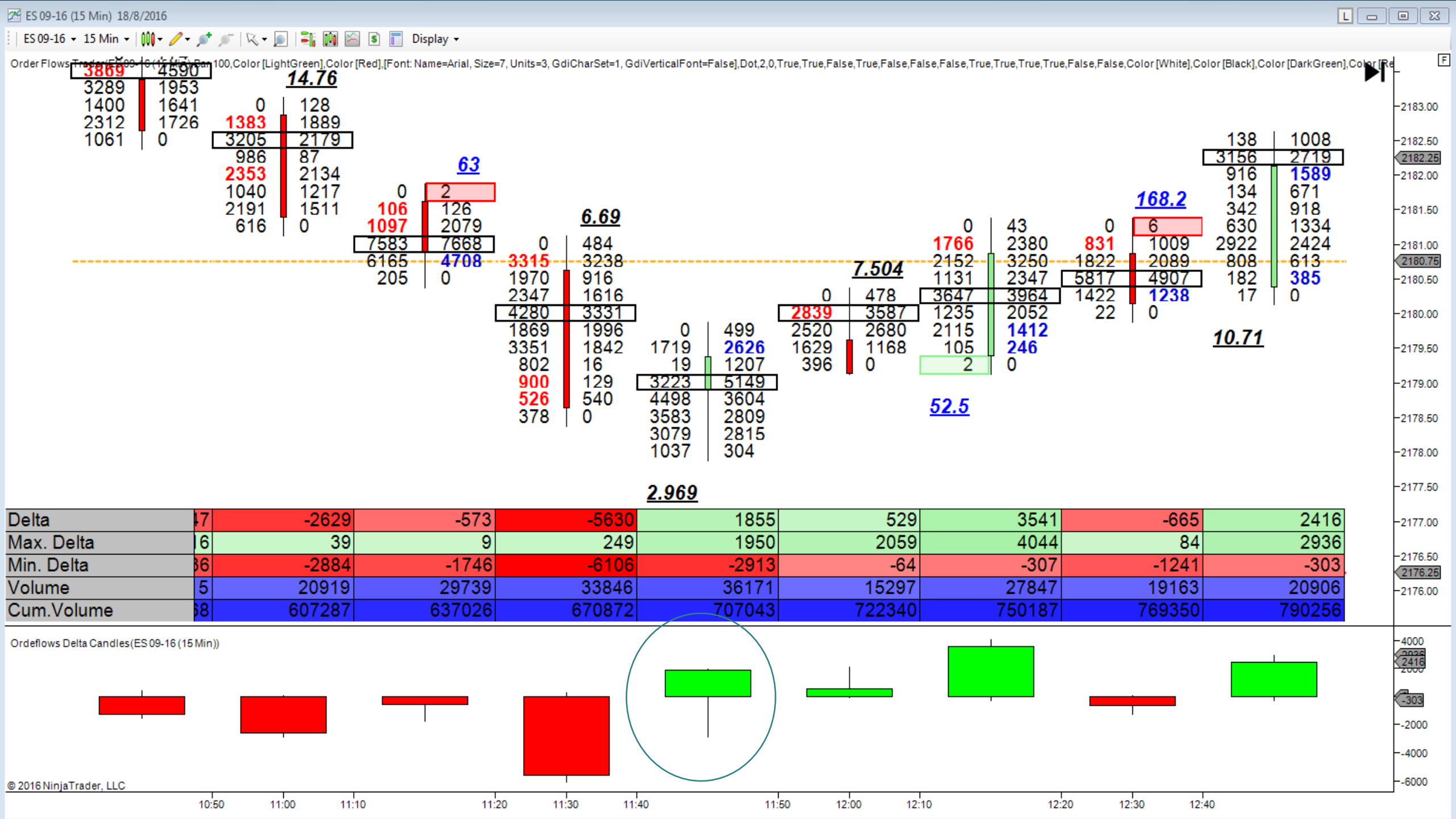
Hammer examples…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14.76
63
6.69
7.504
168.2
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52.5
2.969
Delta -2629 -573 -5630 1855 529 3541 -665 2416
Max. Delta 39 9 249 1950 2059 4044 84 2936
Min. Delta -2884 -1746 -6106 -2913 -64 -307 -1241 -303
Volume 20919 29739 33846 36171 15297 27847 19163 20906
Cum.Volume 607287 637026 670872 707043 722340 750187 769350 790256
Ordeflows Delta Candles(ES 09-16 (15 Min))
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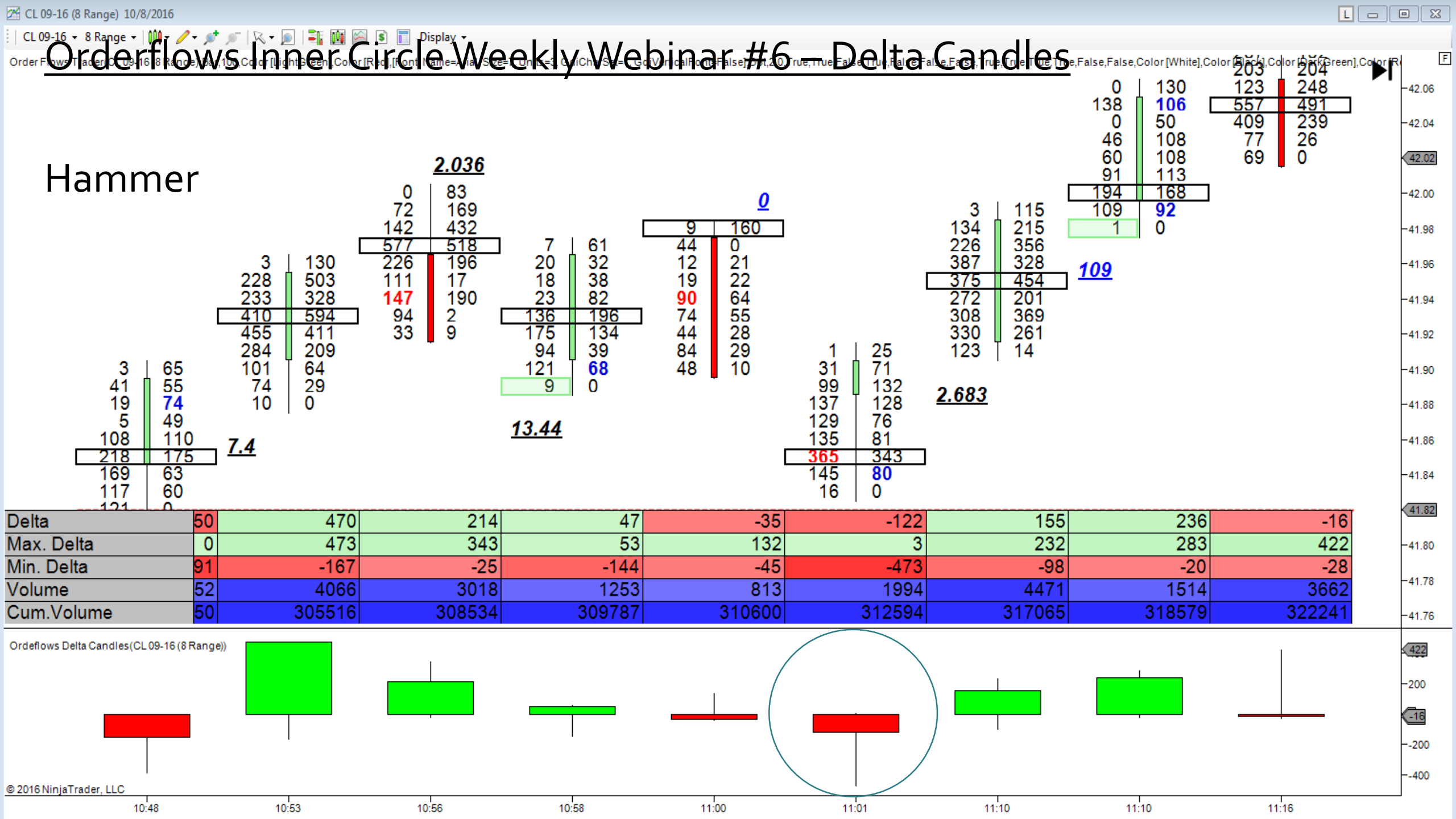

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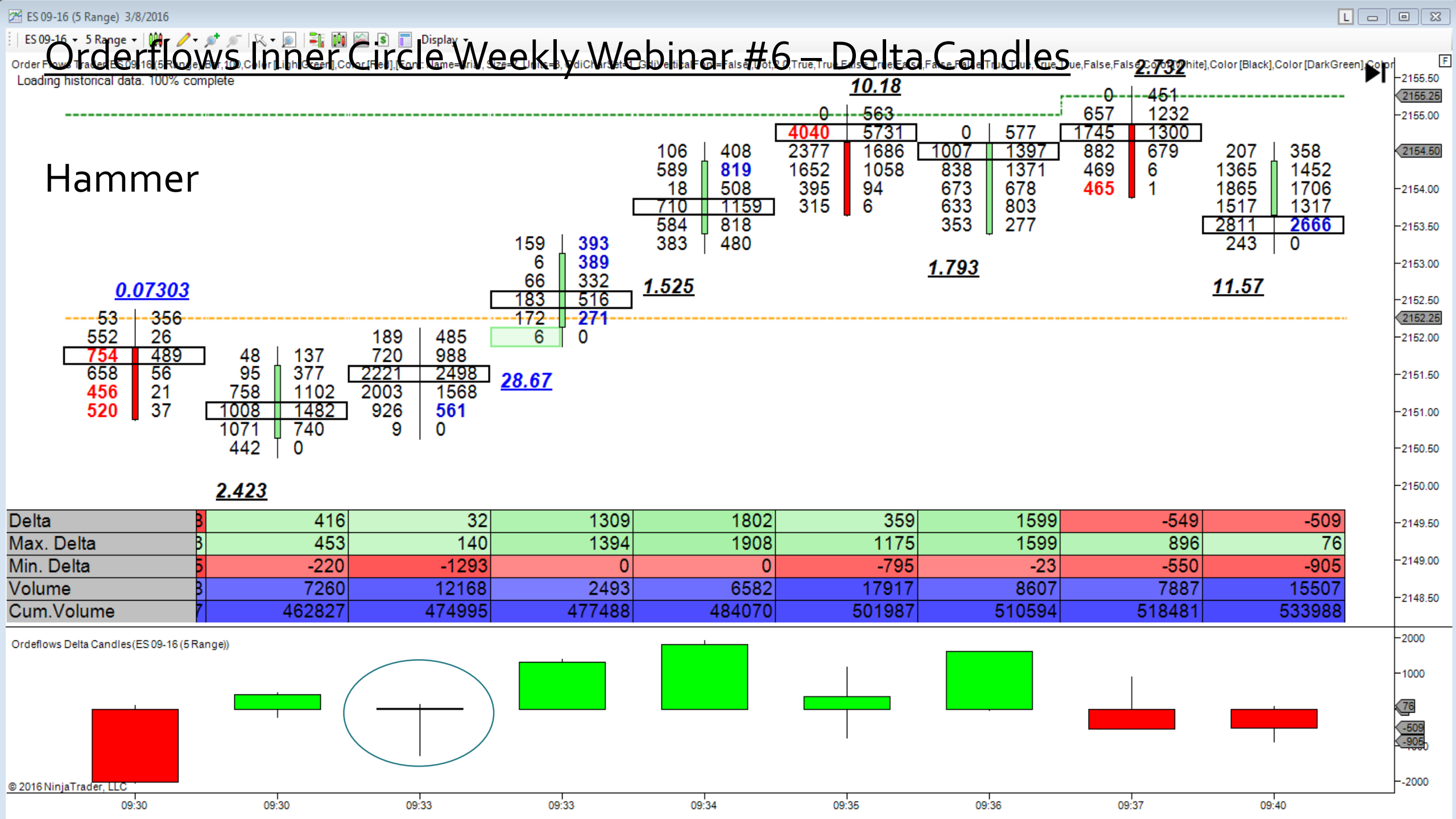

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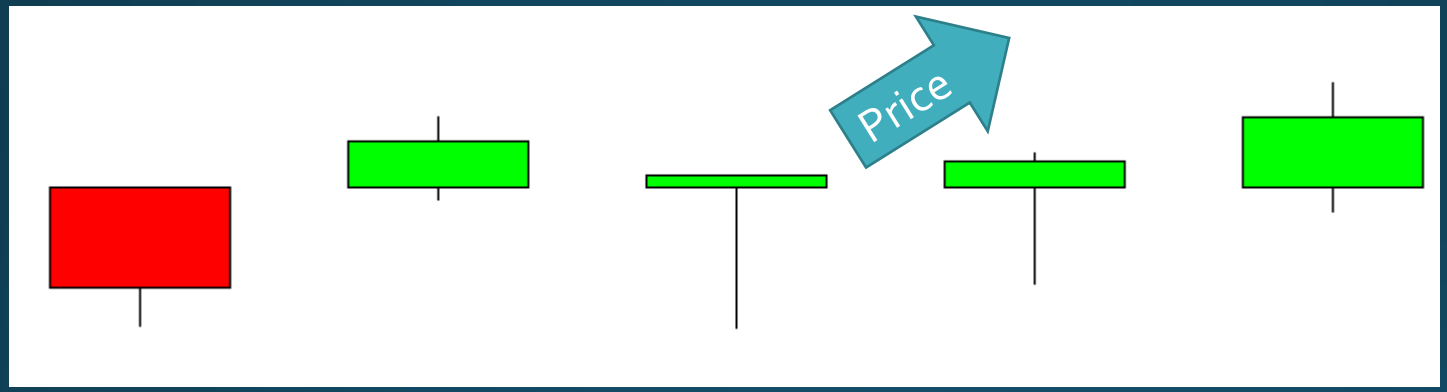
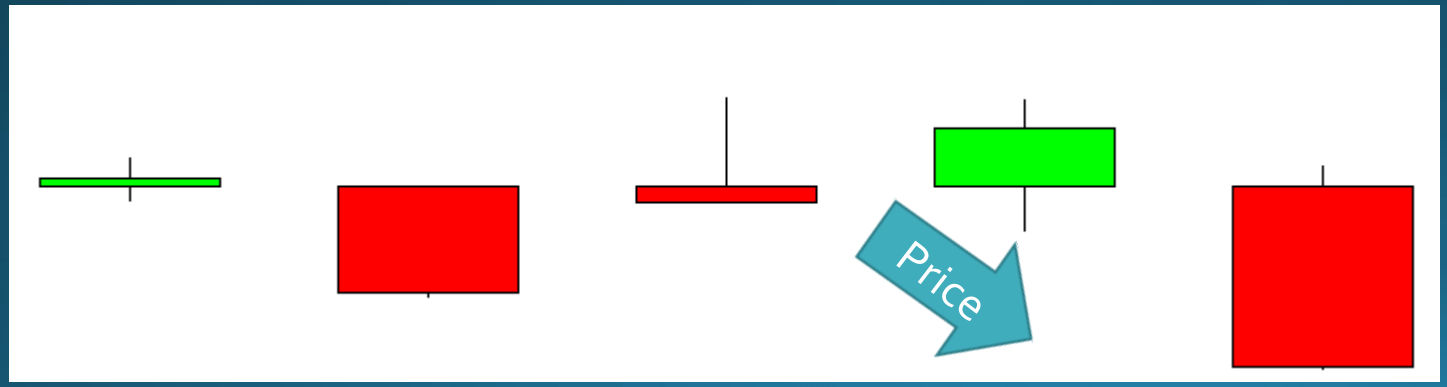
Generally speaking:

- Long lower wicks are indicative of a possible bullish movement.



- Long upper wicks are indicative of a possible bearish movement.



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The bigger the wick, the more credible it is.

When the shadow is small it generally doesn't lead to any conclusions about the delta.

However if the wick is flat, shaven so to speak, it is important because the either buyers or sellers completely dominated the bar.

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When you talk about traditional candle patterns, you look for them in downtrends or uptrends. Since Delta Candles, you don't have that movement since they are rotating around the zero line.

For example, a Shooting Star candle pattern should appear during an uptrend. With a Delta Candle, you don't have a trend in the delta, the candle just appear.

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Let’s see some example…

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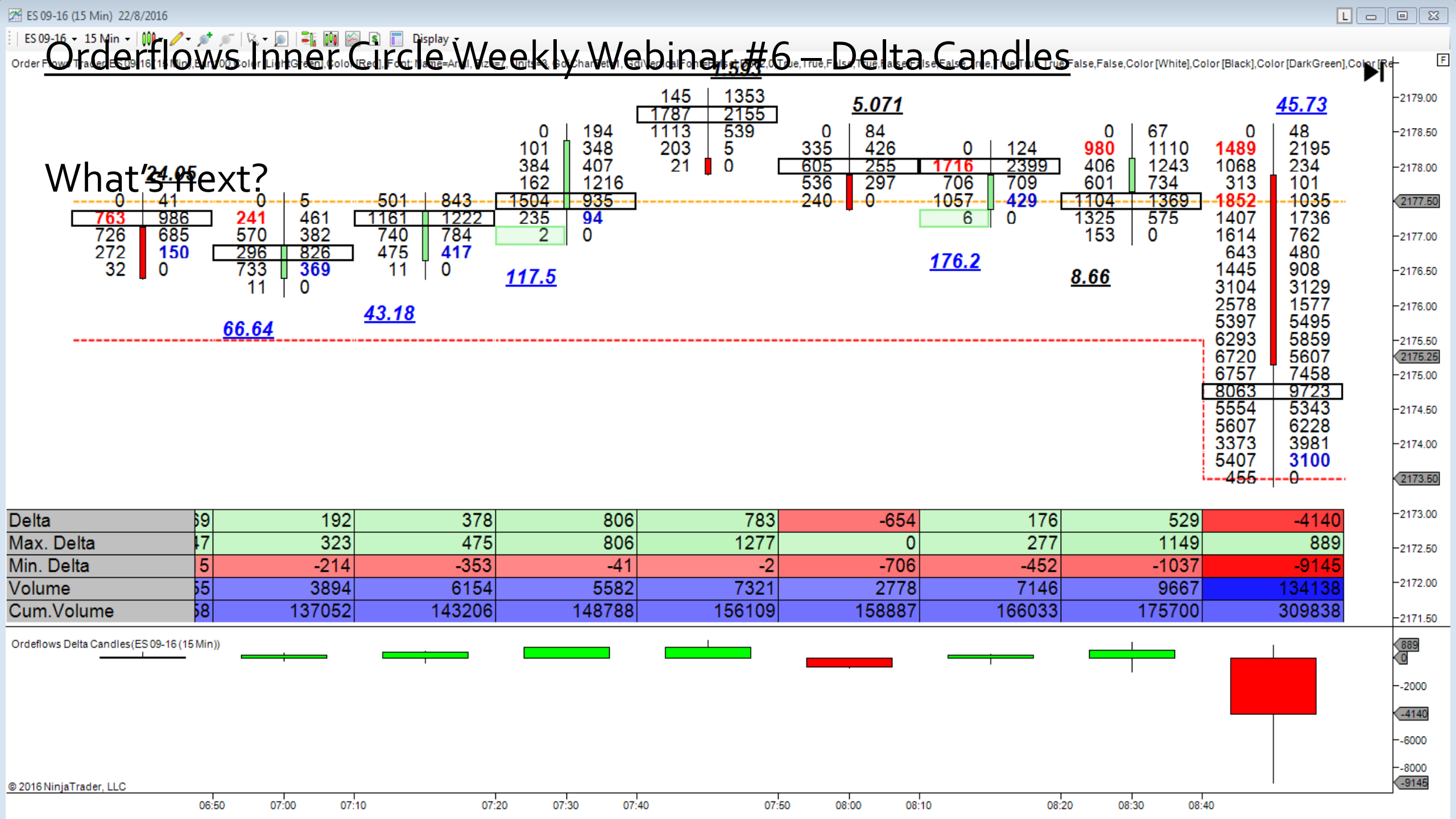

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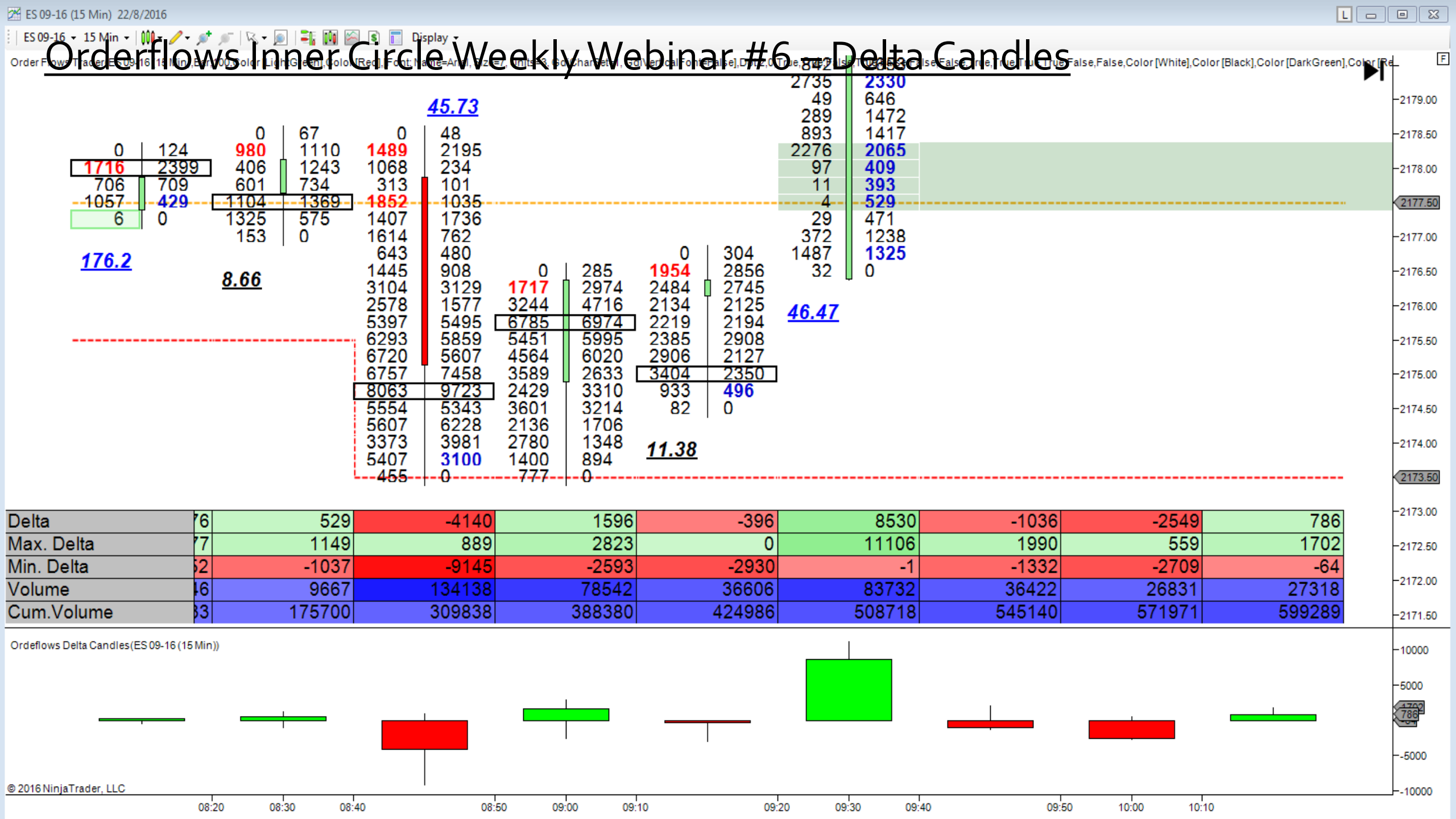

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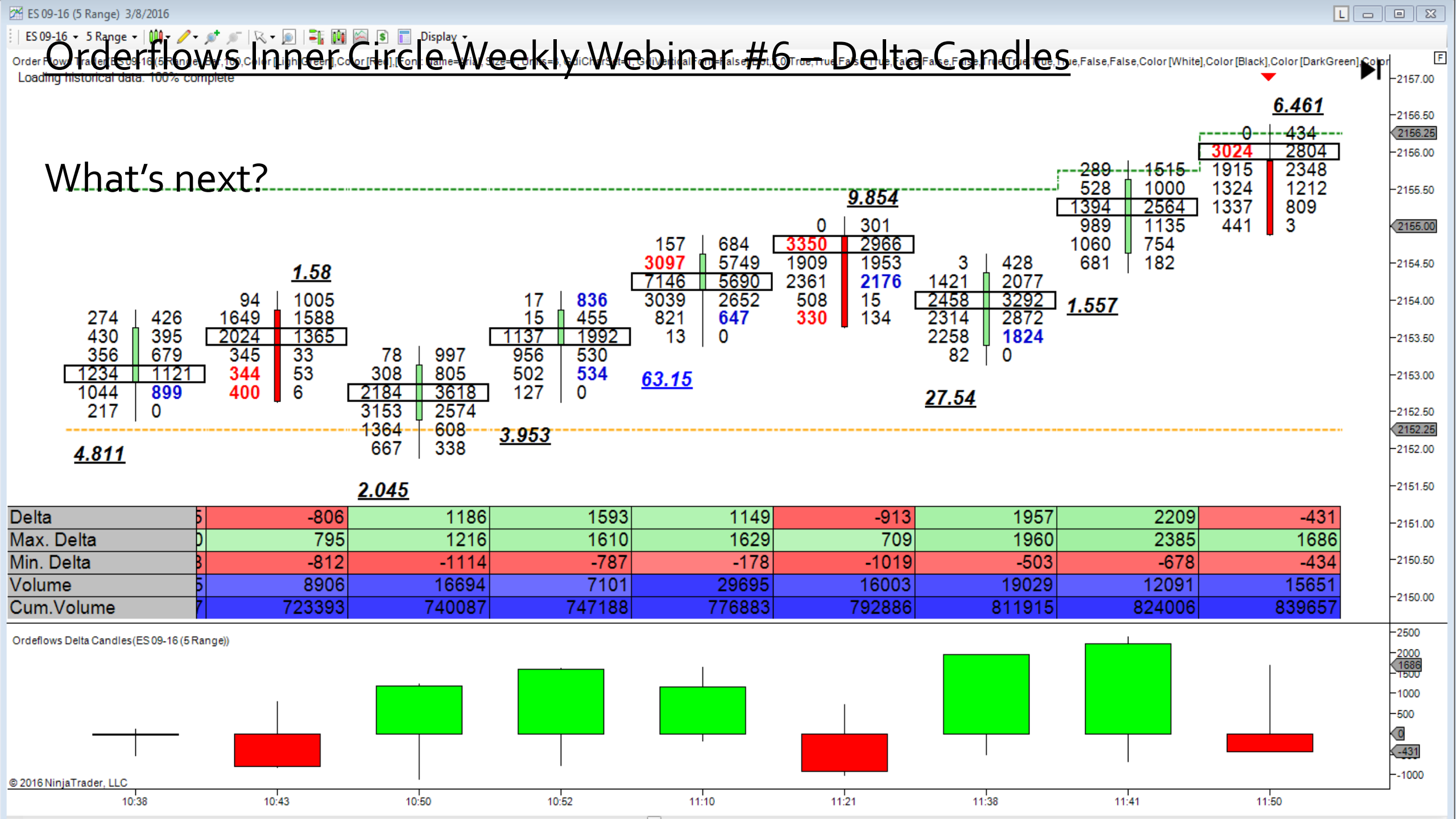
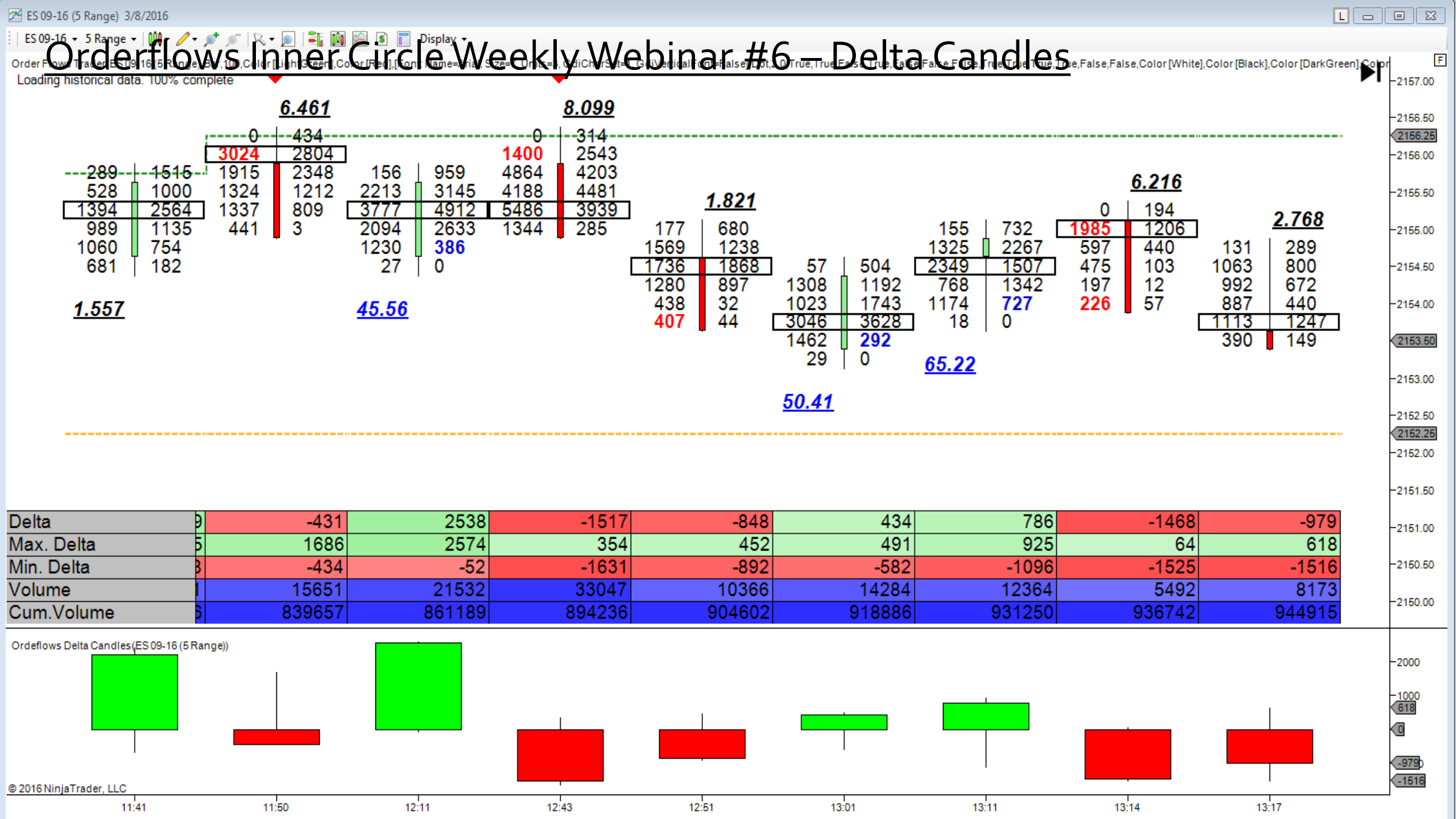
What's next?



Delta	5	-806	1186	1593	1149	-913	1957	2209	-431
Max. Delta	0	795	1216	1610	1629	709	1960	2385	1686
Min. Delta	3	-812	-1114	-787	-178	-1019	-503	-678	-434
Volume	5	8906	16694	7101	29695	16003	19029	12091	15651
Cum.Volume	7	723393	740087	747188	776883	792886	811915	824006	839657

Orderflows Inner Circle Weekly Webinar #6 – Delta Candles



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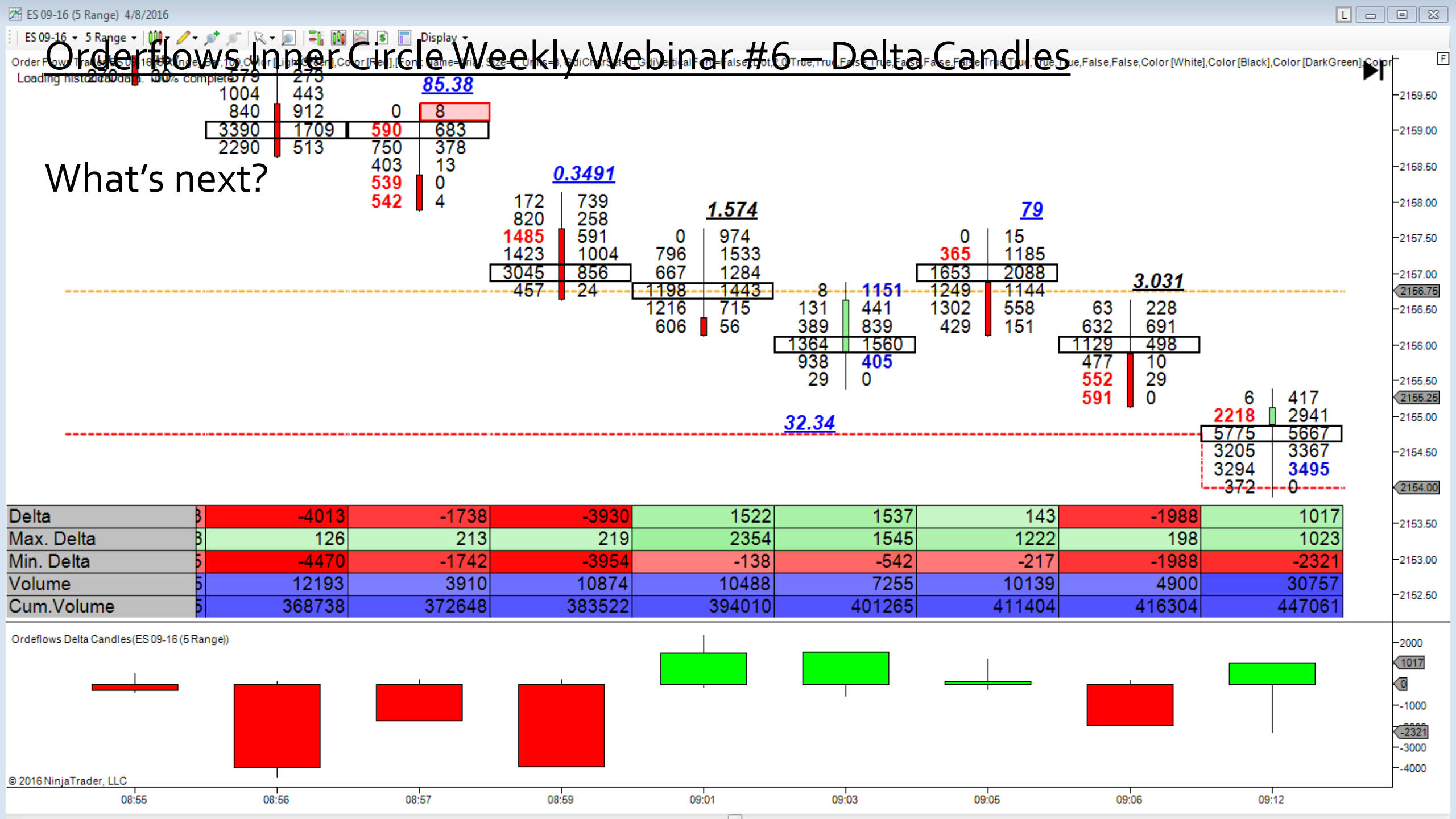
What's next?



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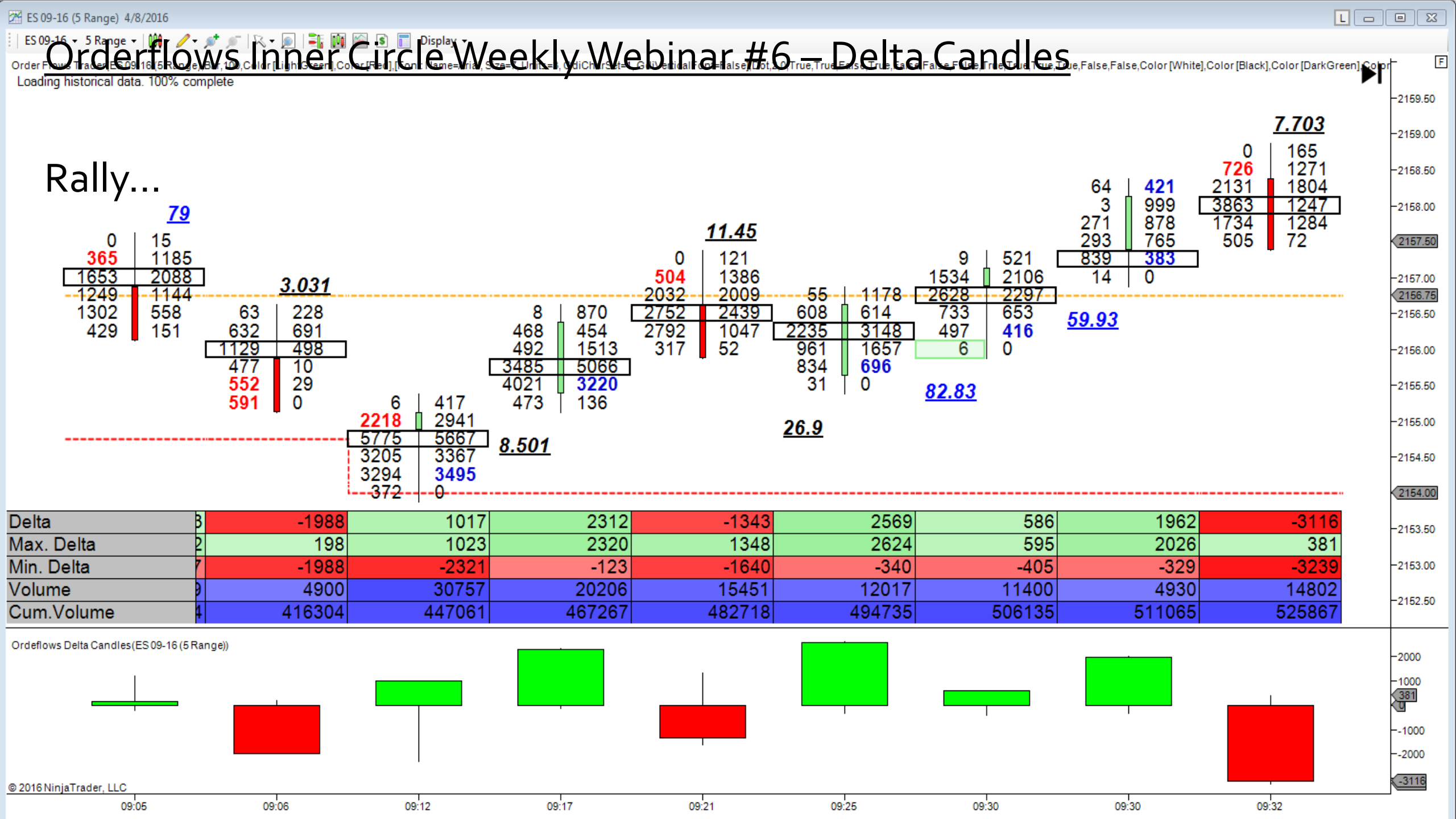

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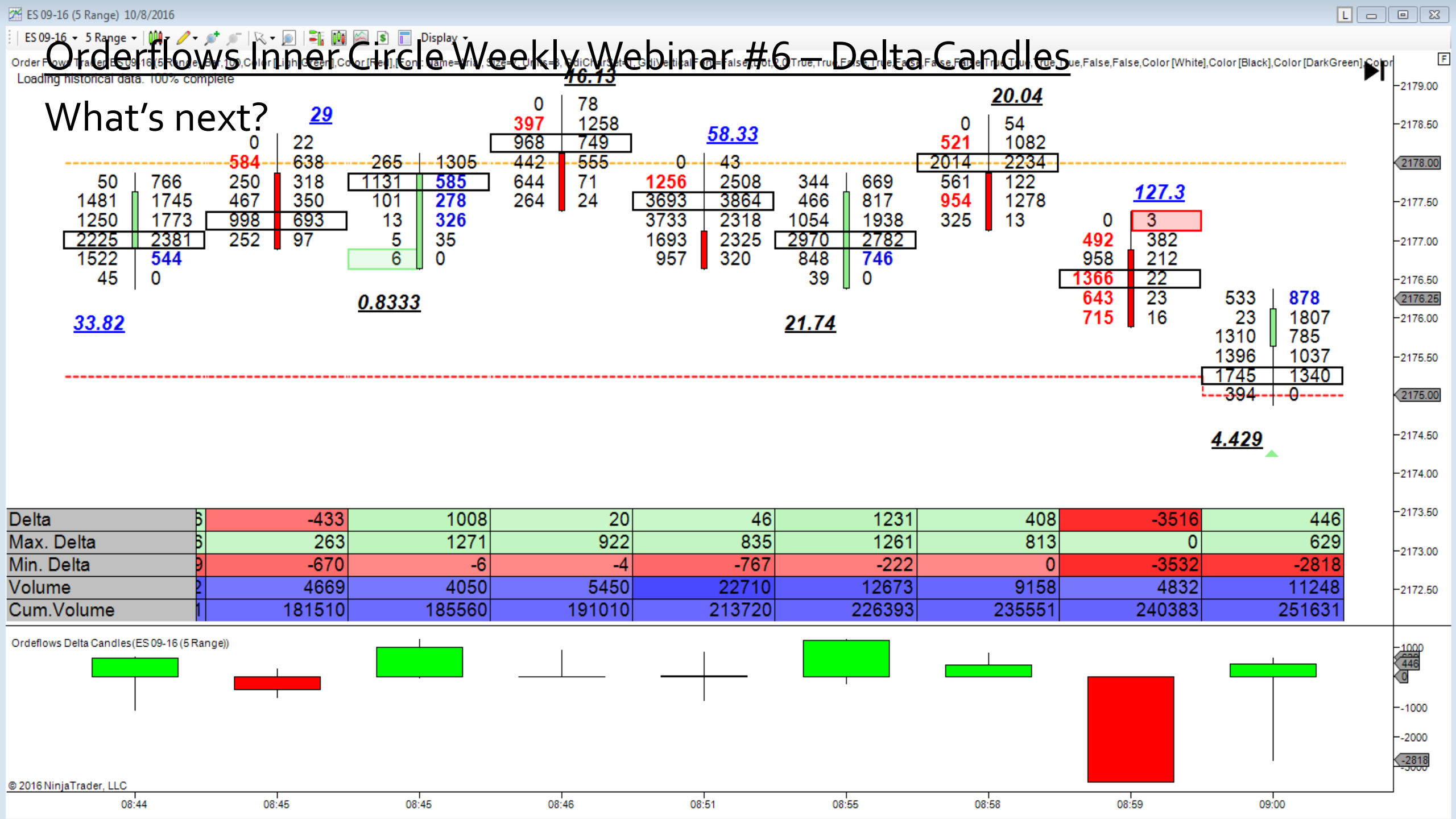
What's next?



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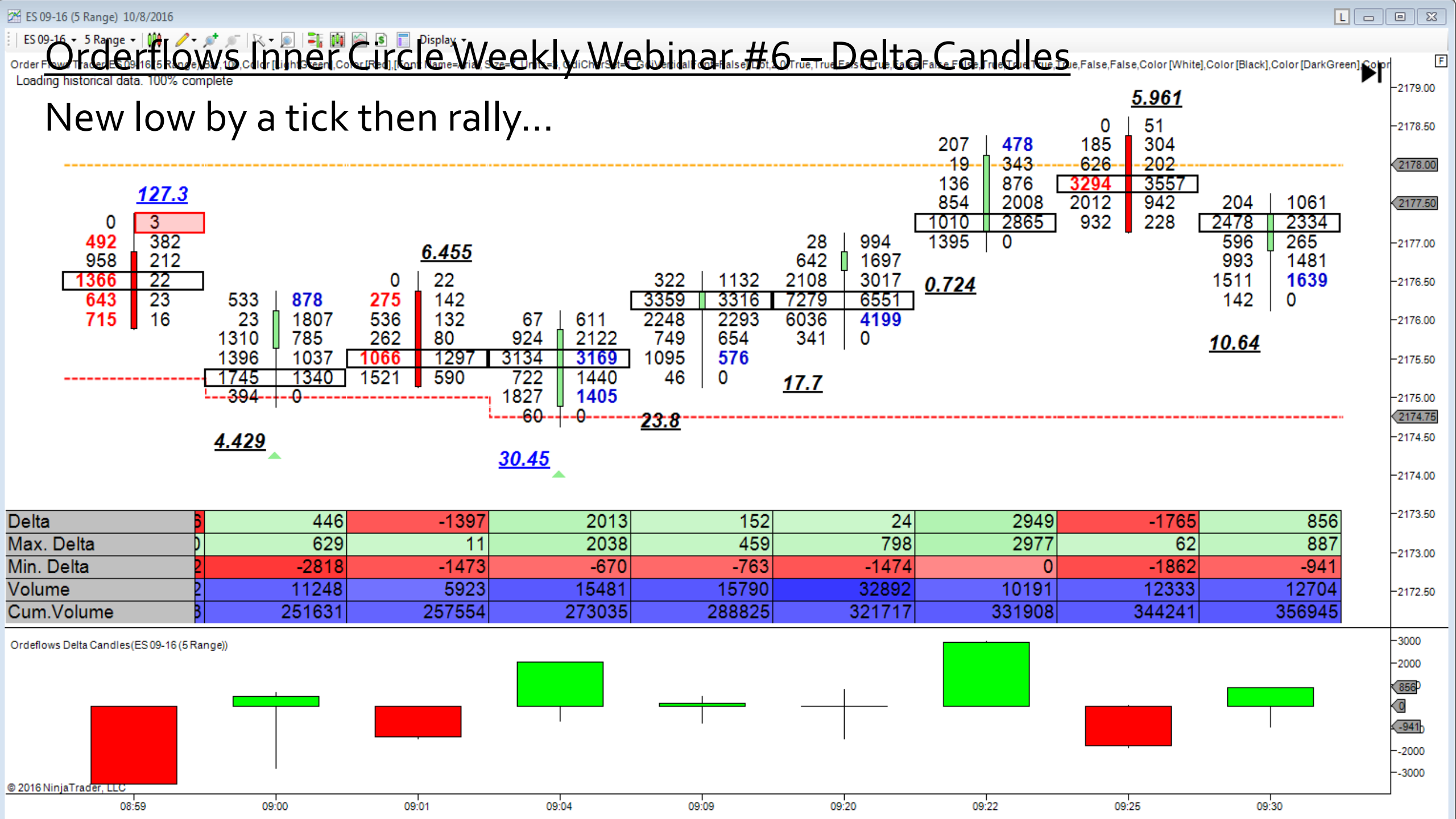
New low by a tick then rally…



Delta	446	-1397	2013	152	24	2949	-1765	856
Max. Delta	629	11	2038	459	798	2977	62	887
Min. Delta	-2818	-1473	-670	-763	-1474	0	-1862	-941
Volume	11248	5923	15481	15790	32892	10191	12333	12704
Cum.Volume	251631	257554	273035	288825	321717	331908	344241	356945

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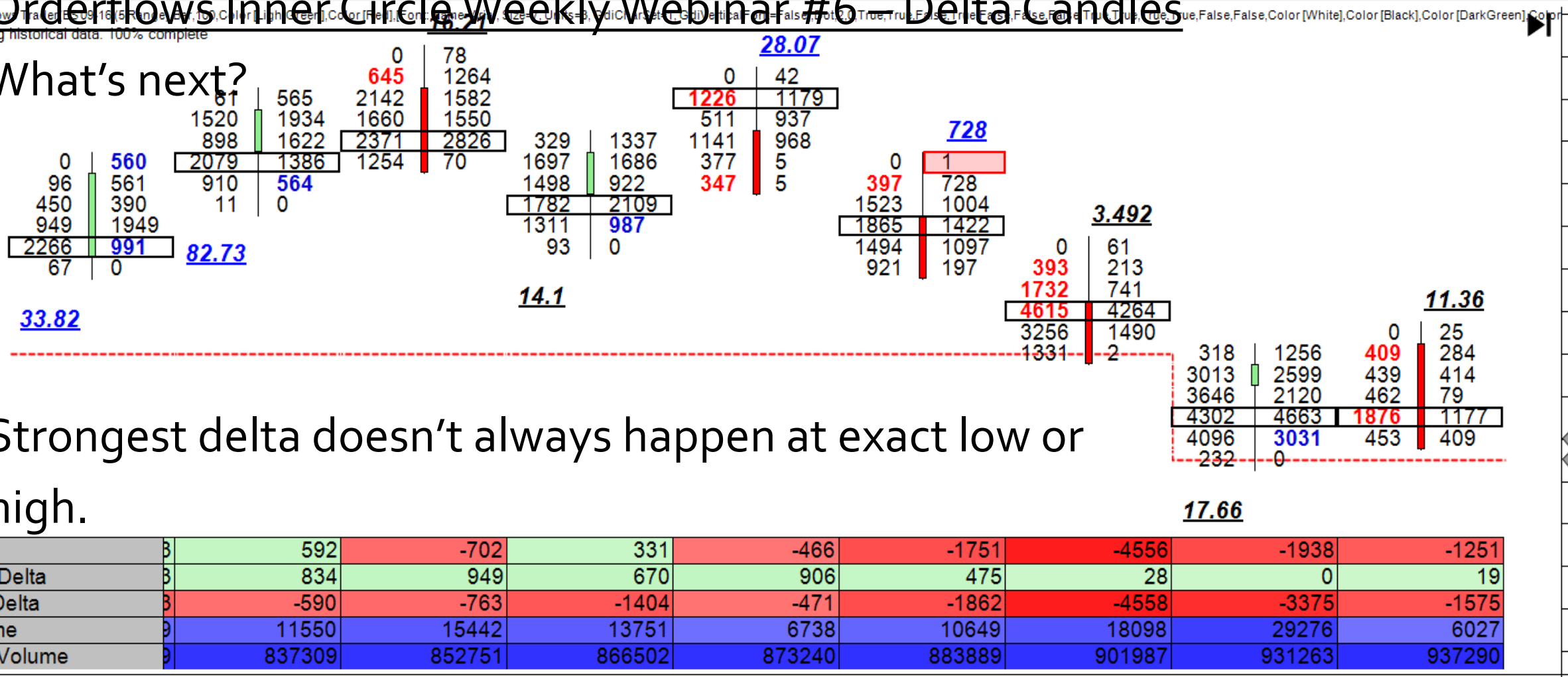
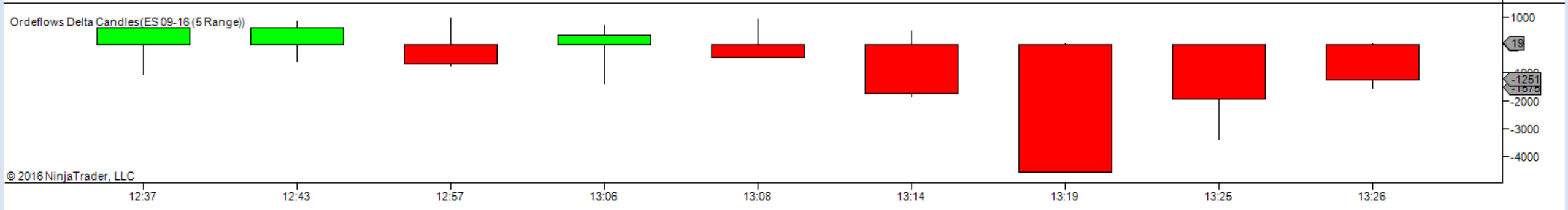
What's next?

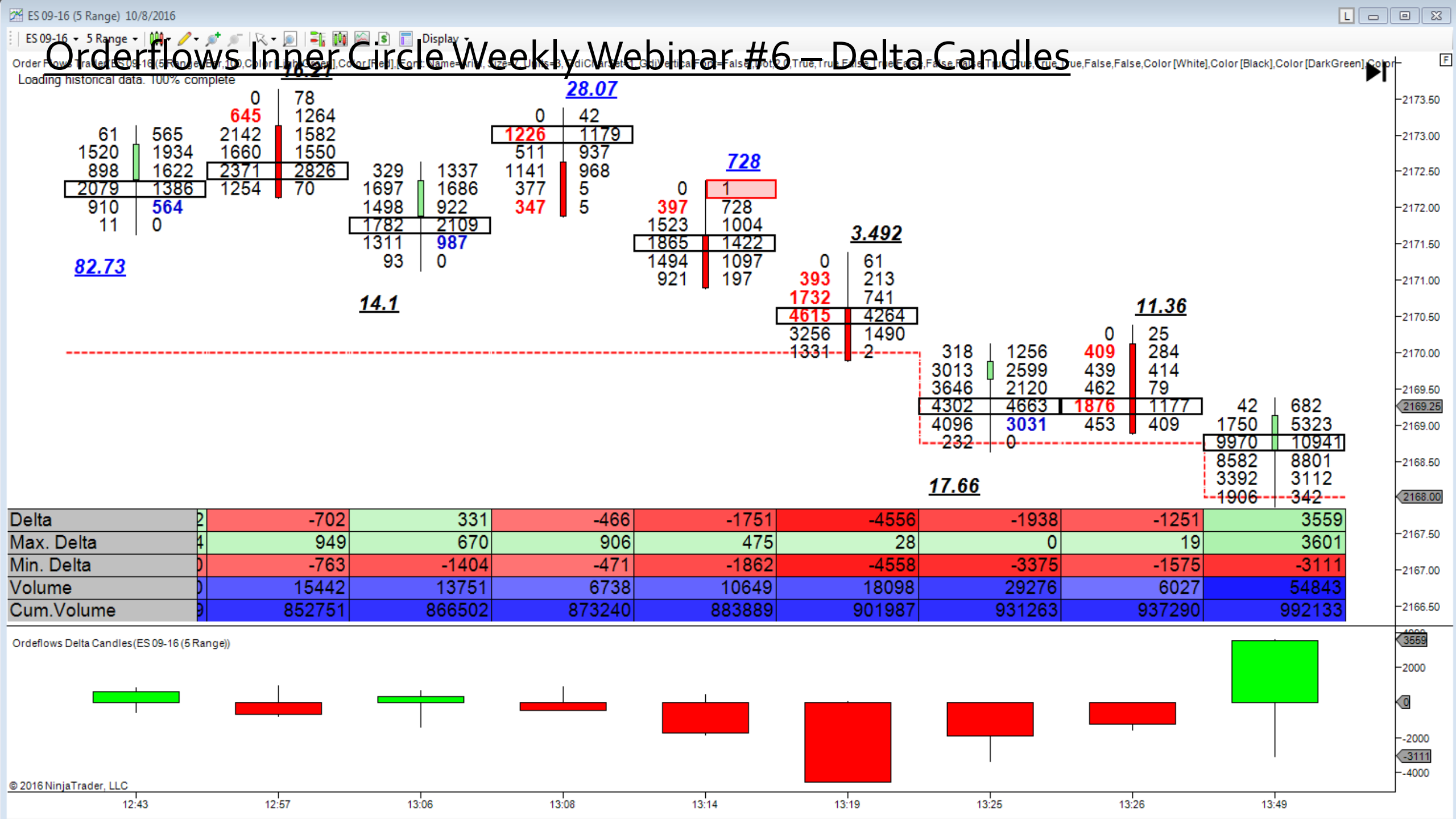


Strongest delta doesn't always happen at exact low or high.

Delta	3	592	-702	331	-466	-1751	-4556	-1938	-1251
Max. Delta	3	834	949	670	906	475	28	0	19
Min. Delta	3	-590	-763	-1404	-471	-1862	-4558	-3375	-1575
Volume	9	11550	15442	13751	6738	10649	18098	29276	6027
Cum.Volume	9	837309	852751	866502	873240	883889	901987	931263	937290

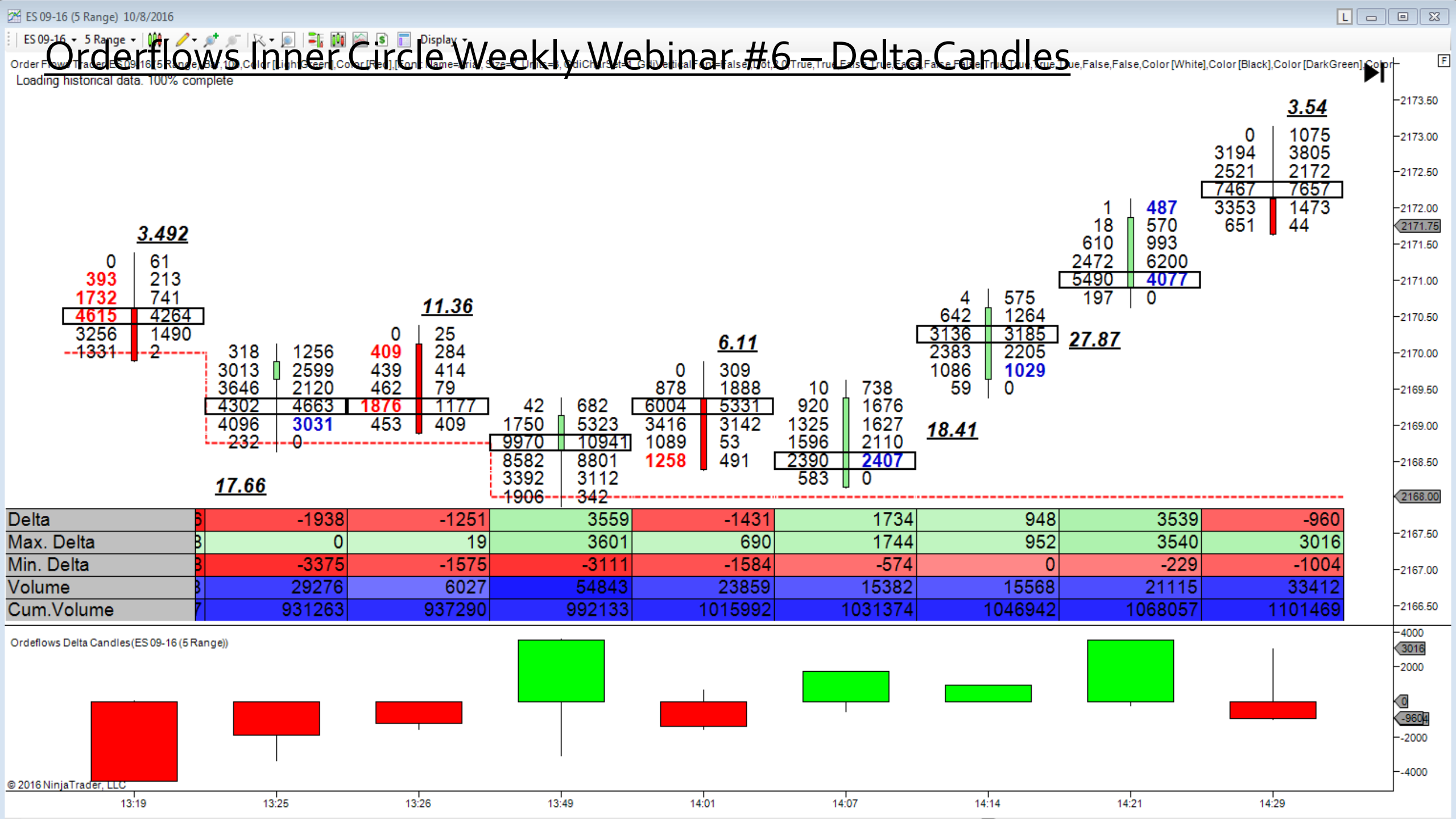


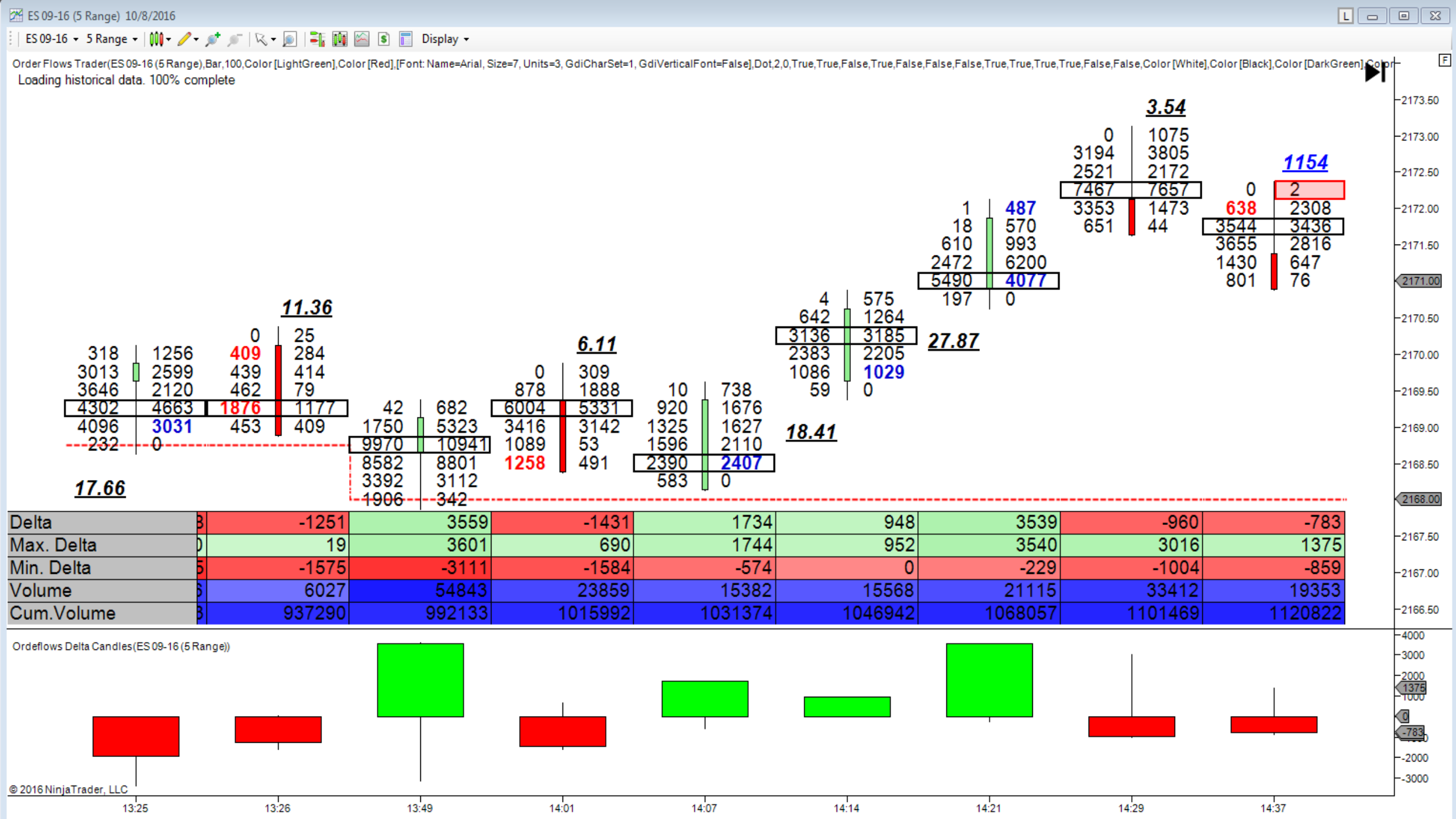
Orderflows Inner Circle Weekly Webinar #6 – Delta Candles



Delta	2	-702	331	-466	-1751	-4556	-1938	-1251	3559
Max. Delta	4	949	670	906	475	28	0	19	3601
Min. Delta	0	-763	-1404	-471	-1862	-4558	-3375	-1575	-3111
Volume	0	15442	13751	6738	10649	18098	29276	6027	54843
Cum.Volume	9	852751	866502	873240	883889	901987	931263	937290	992133

Orderflows Inner Circle Weekly Webinar #6 – Delta Candles

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ES 09-16
5 Range
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6.11
18.41
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Delta -1251 3559 -1431 1734 948 3539 -960 -783
Max. Delta 19 3601 690 1744 952 3540 3016 1375
Min. Delta -1575 -3111 -1584 -574 0 -229 -1004 -859
Volume 6027 54843 23859 15382 15568 21115 33412 19353
Cum.Volume 937290 992133 1015992 1031374 1046942 1068057 1101469 1120822
Ordeflows Delta Candles(ES 09-16 (5 Range))
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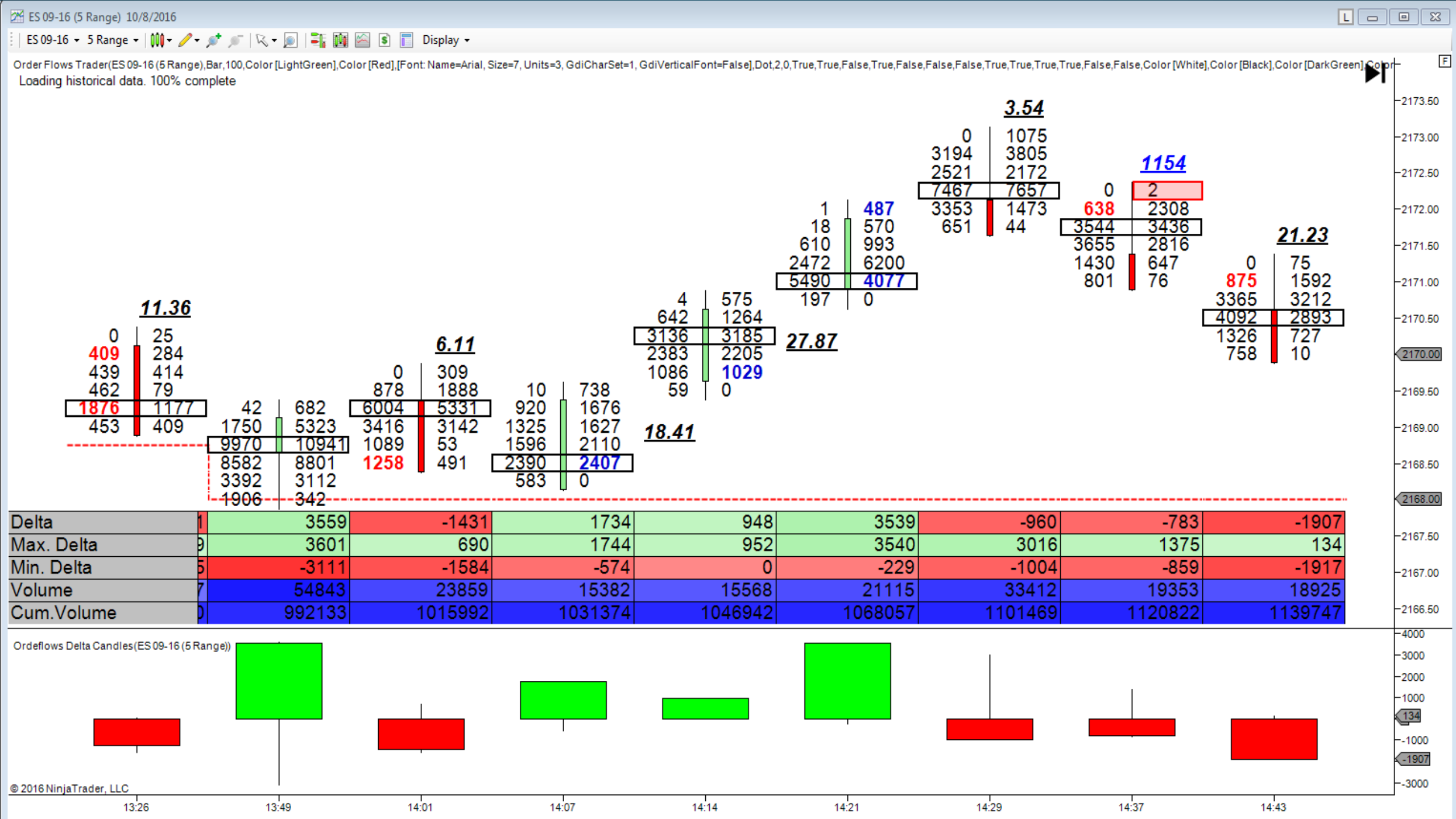
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11.36
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21.23
Delta 1 3559 -1431 1734 948 3539 -960 -783 -1907
Max. Delta 9 3601 690 1744 952 3540 3016 1375 134
Min. Delta 5 -3111 -1584 -574 0 -229 -1004 -859 -1917
Volume 7 54843 23859 15382 15568 21115 33412 19353 18925
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Ordeflows Delta Candles(ES 09-16 (5 Range))
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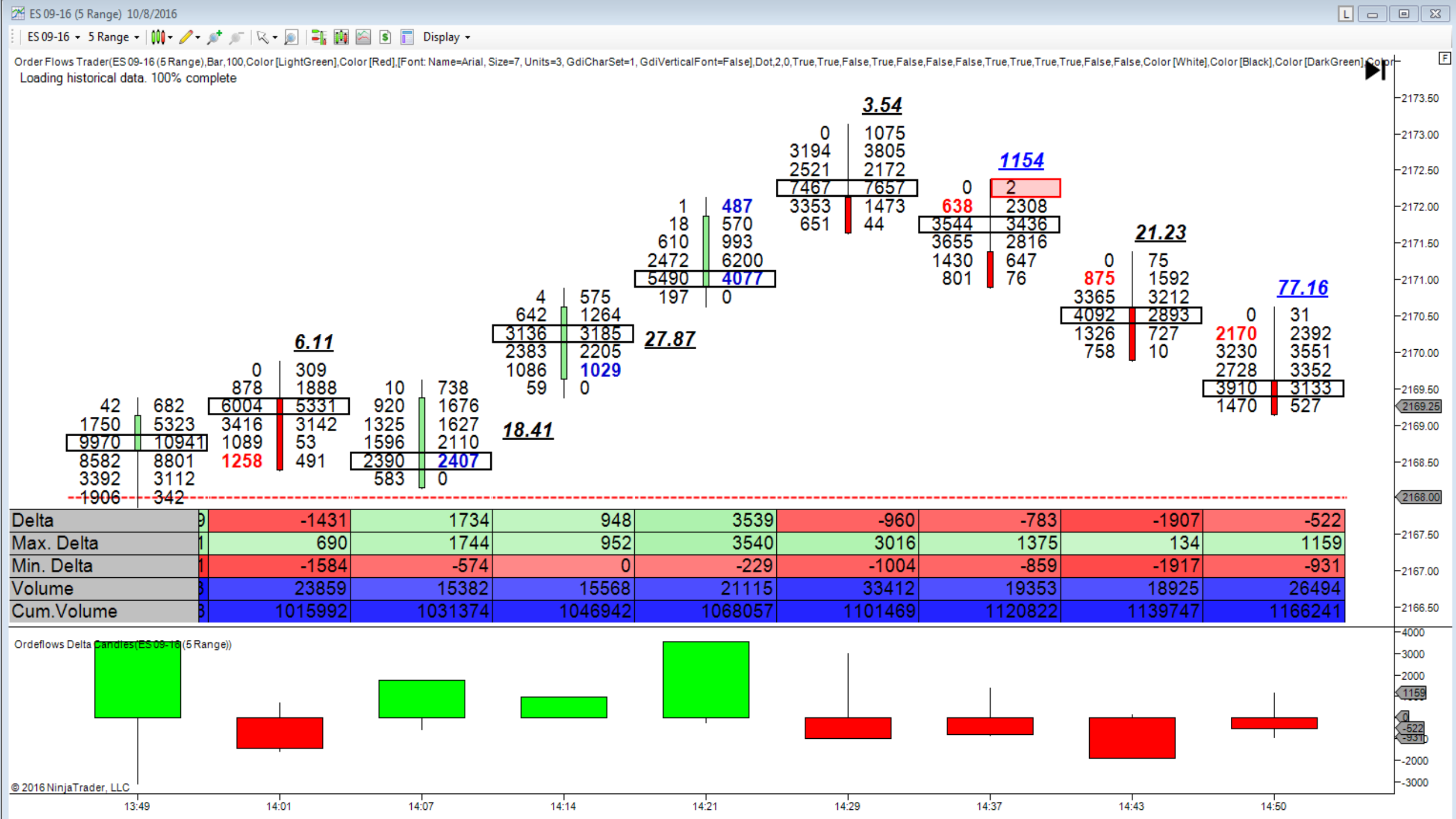
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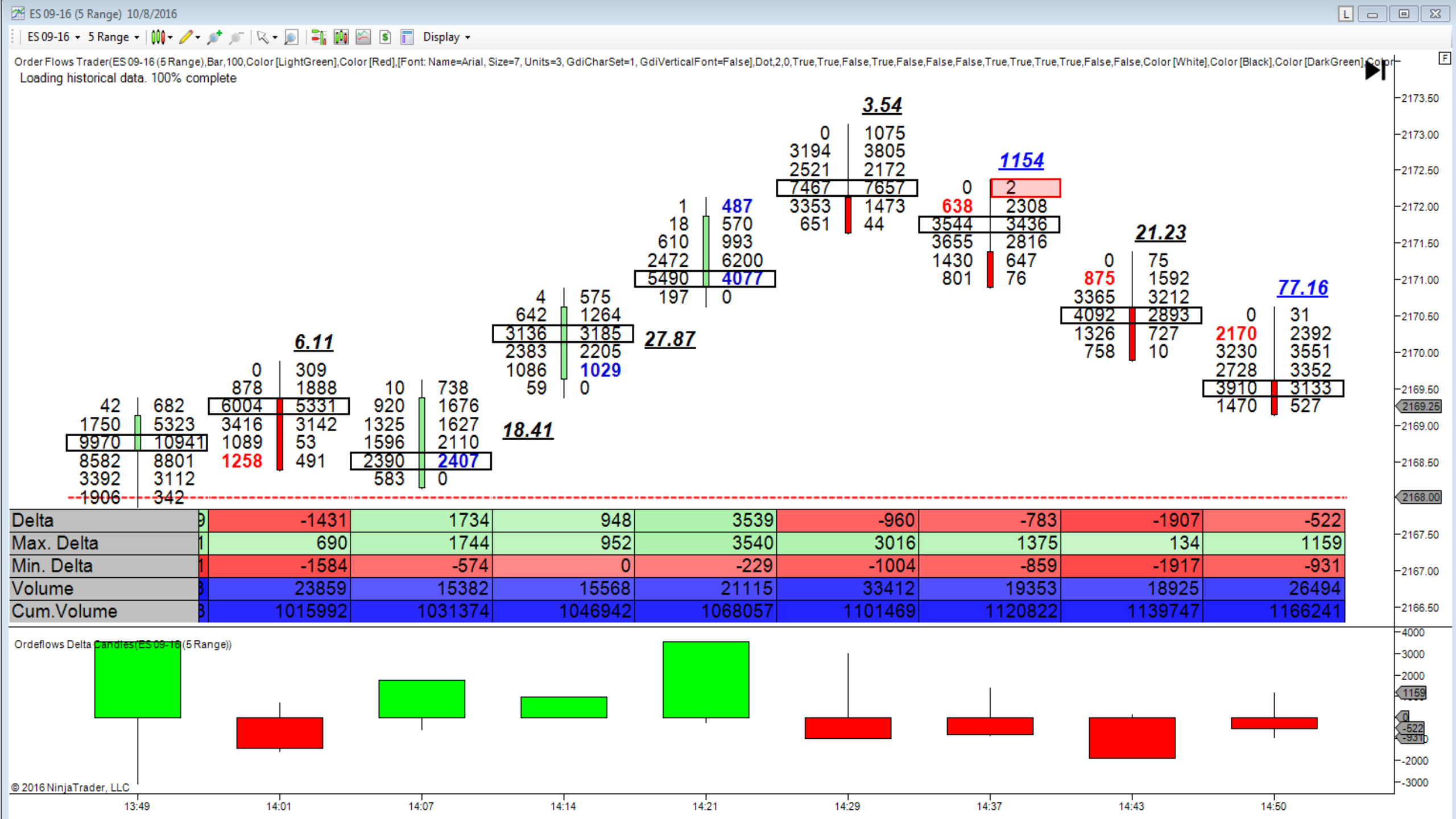
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Ordeflows Delta Candles(ES 09-16 (5 Range))
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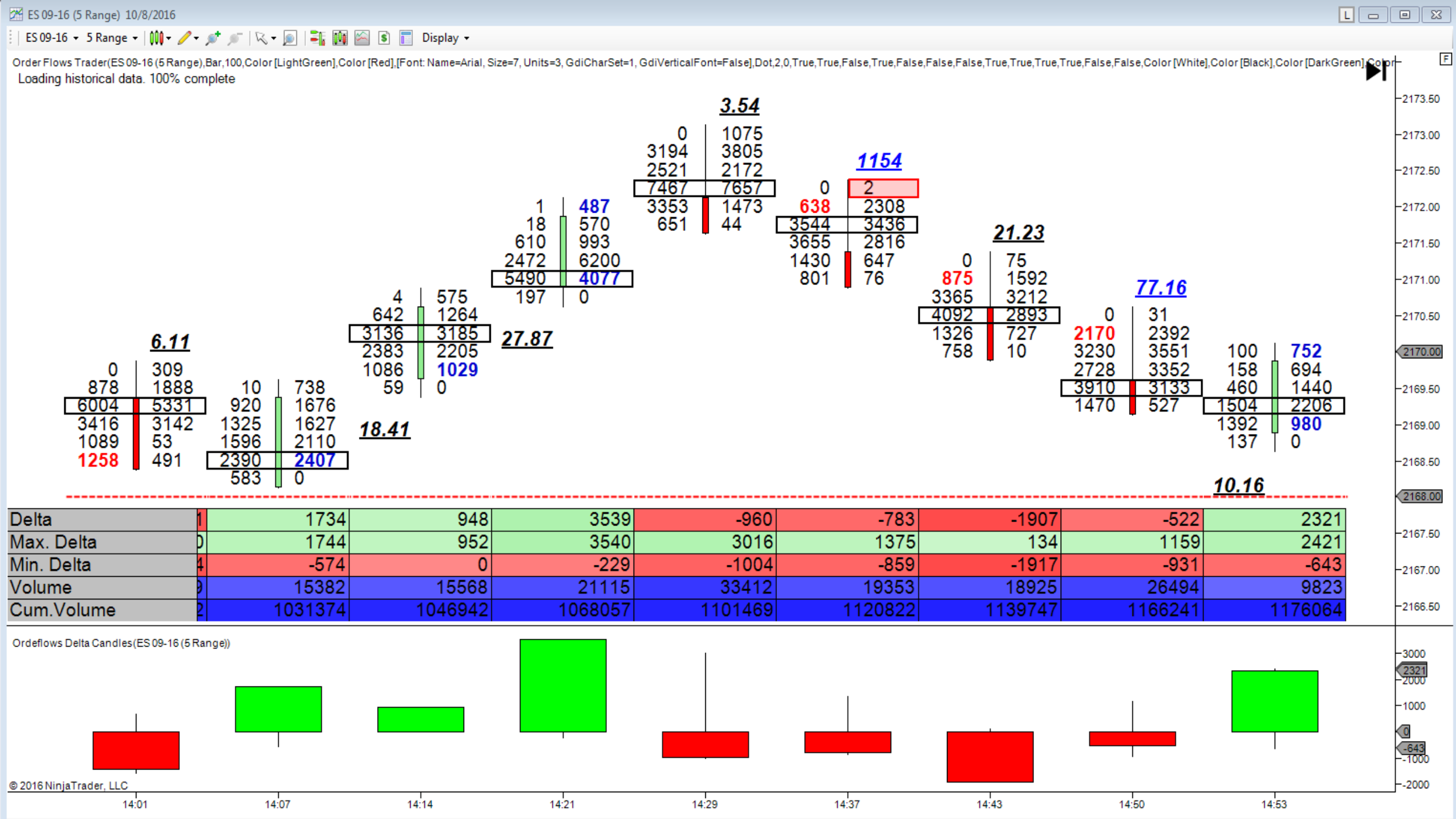
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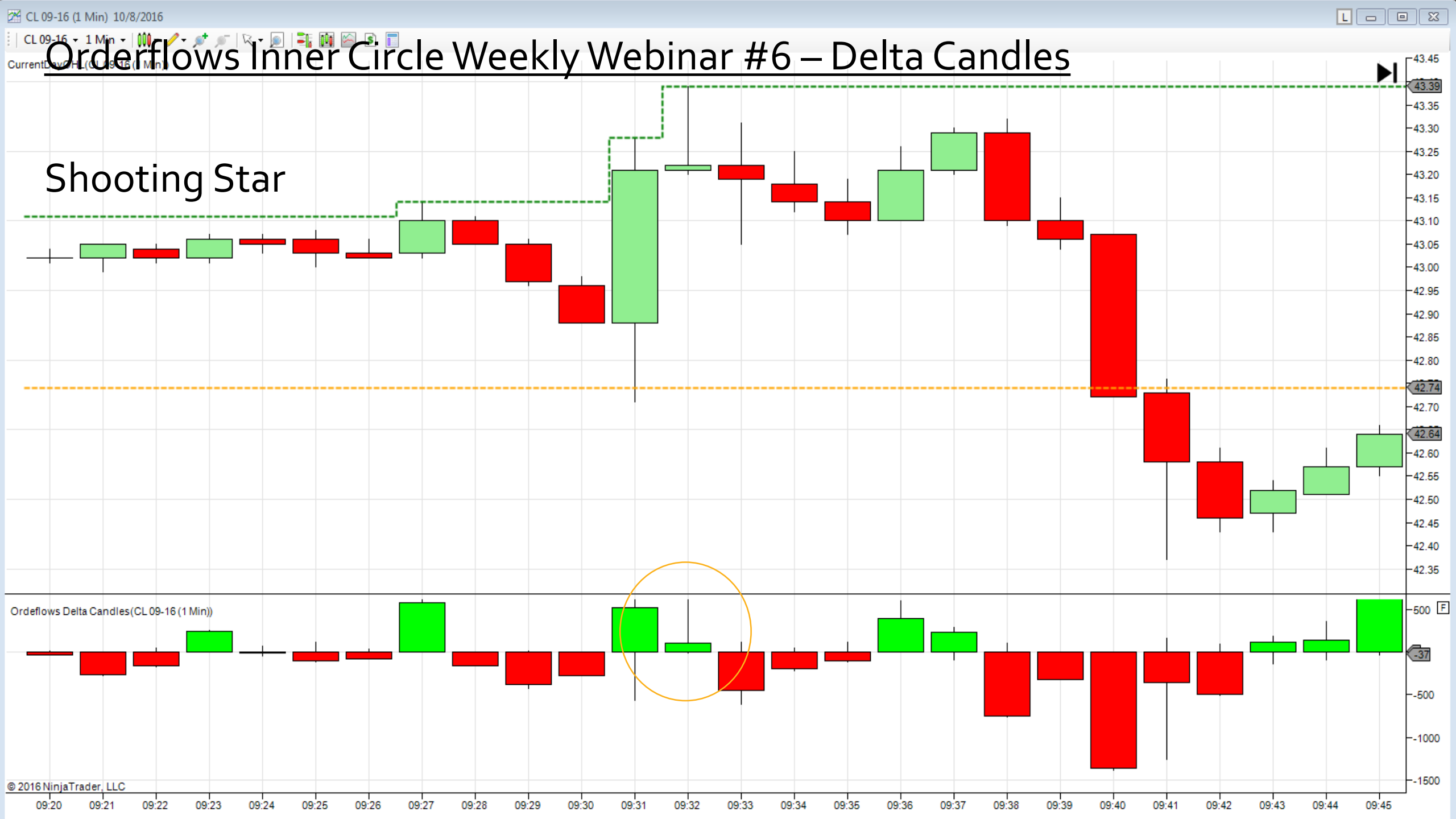
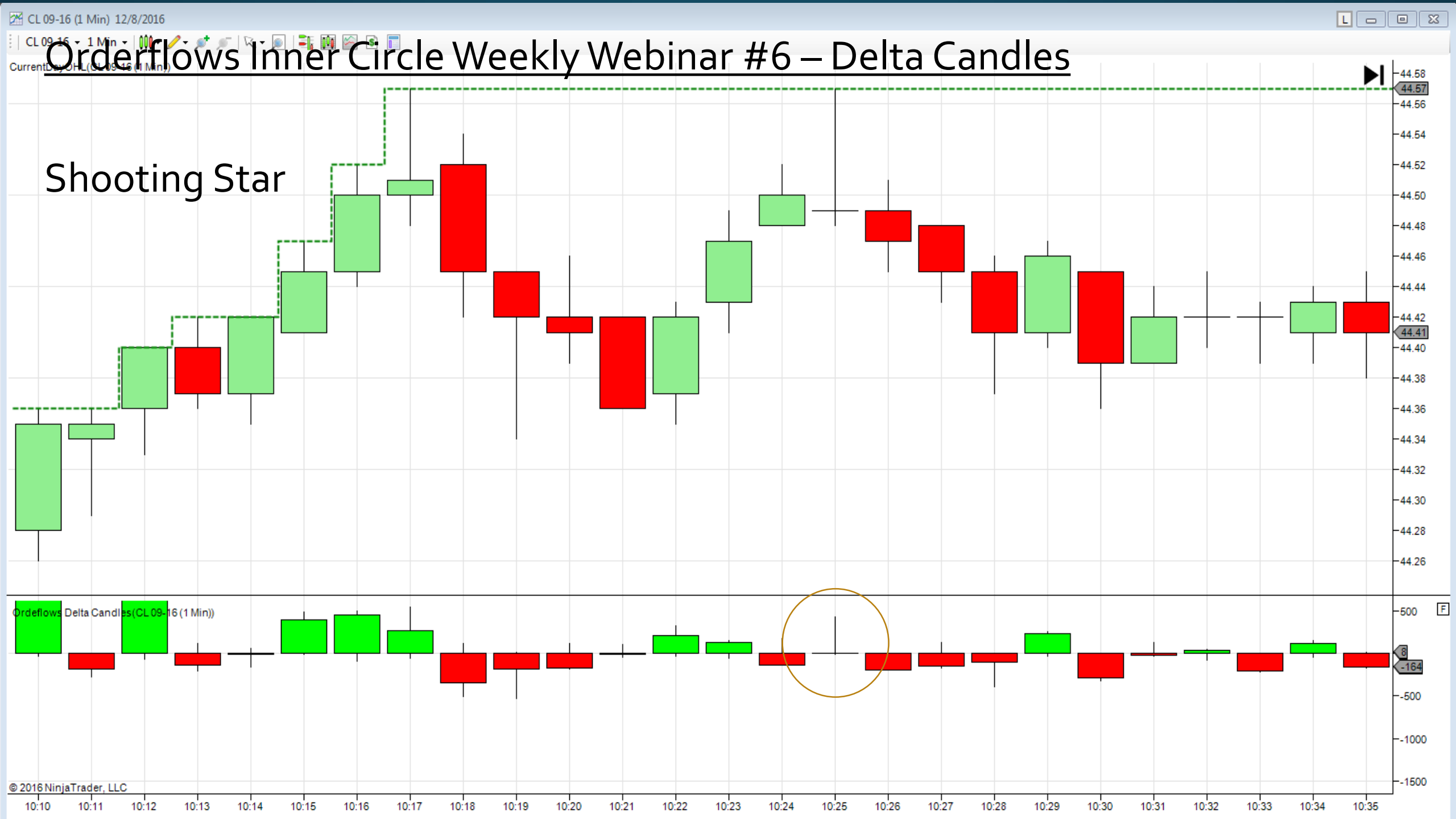
Orderflows Inner Circle Weekly Webinar #6 – Delta Candles

One of the beautiful features of Delta Candles is that they can run on normal bar charts. Of course, I think there is no substitute for an order flow chart.

Orderflows Inner Circle Weekly Webinar #6 – Delta Candles



Orderflows Inner Circle Weekly Webinar #6 – Delta Candles



Orderflows Inner Circle Weekly Webinar #6 – Delta Candles

Delta Candles can make a difference in your trading. I admit though that it can seem daunting with different formations. But don't let that dissuade you from learning them and applying them in your trading.

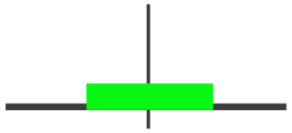
I don't like to make things complicated, especially when it comes to trading. I have shared the patterns I have found useful in my own trading. You may discover your own pattern that you find useful.

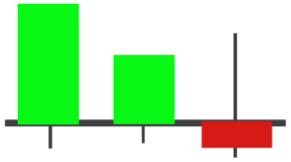
Its not brain surgery, but does take some effort to learn the patterns.

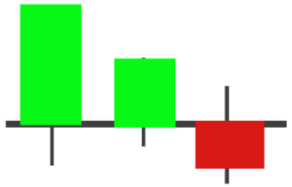
ORDERFLOWS DELTA CANDLES CHEATSHEET

Most Delta Candle Formations Are Based On The Shooting Star And Hammer Candlestick Formations

BEARISH







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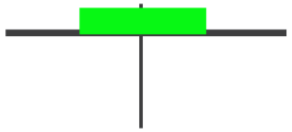

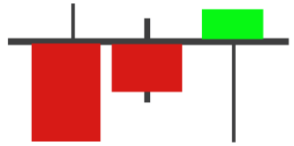

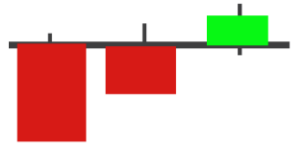

Thank You!