Orderflows Inner Circle Weekly Webinar #8

MAJOR IMBALANCES

Seeing Where Big Traders Show Hand

Orderflows Inner Circle Weekly Webinar #8 – Major Imbalances

Order flow provides you with tradable insights as they happen, giving you the time to profit from the market-generated information. The order flow display of market activity and data organization covers it all for the trader – time, price, volume, overall market activity, as well as the specific activity of aggressive buyers and aggressive sellers. Therefore, there is no need to add every technical analysis tool your charting software offers when using order flow. And finally, those players in the market – the locals, market makers and the large institutions, which can turn the market the fastest, read and understand order flow and use it to their advantage.

Orderflows Inner Circle Weekly Webinar #8 – Major Imbalances

Once you understand how to read order flow and its nuances, some of which admittedly are subtle, your market understanding and trading prowess will be taken to new levels.

Order flow enables you to see who is doing what and to whom. You will also be able to recognize when the market is about to pause, as well as when it is on the brink of moving. The market's structure for any time frame is revealed to the order flows trader and is confirmed as it occurs. You will not get this advantage with any other trading methodology, period.

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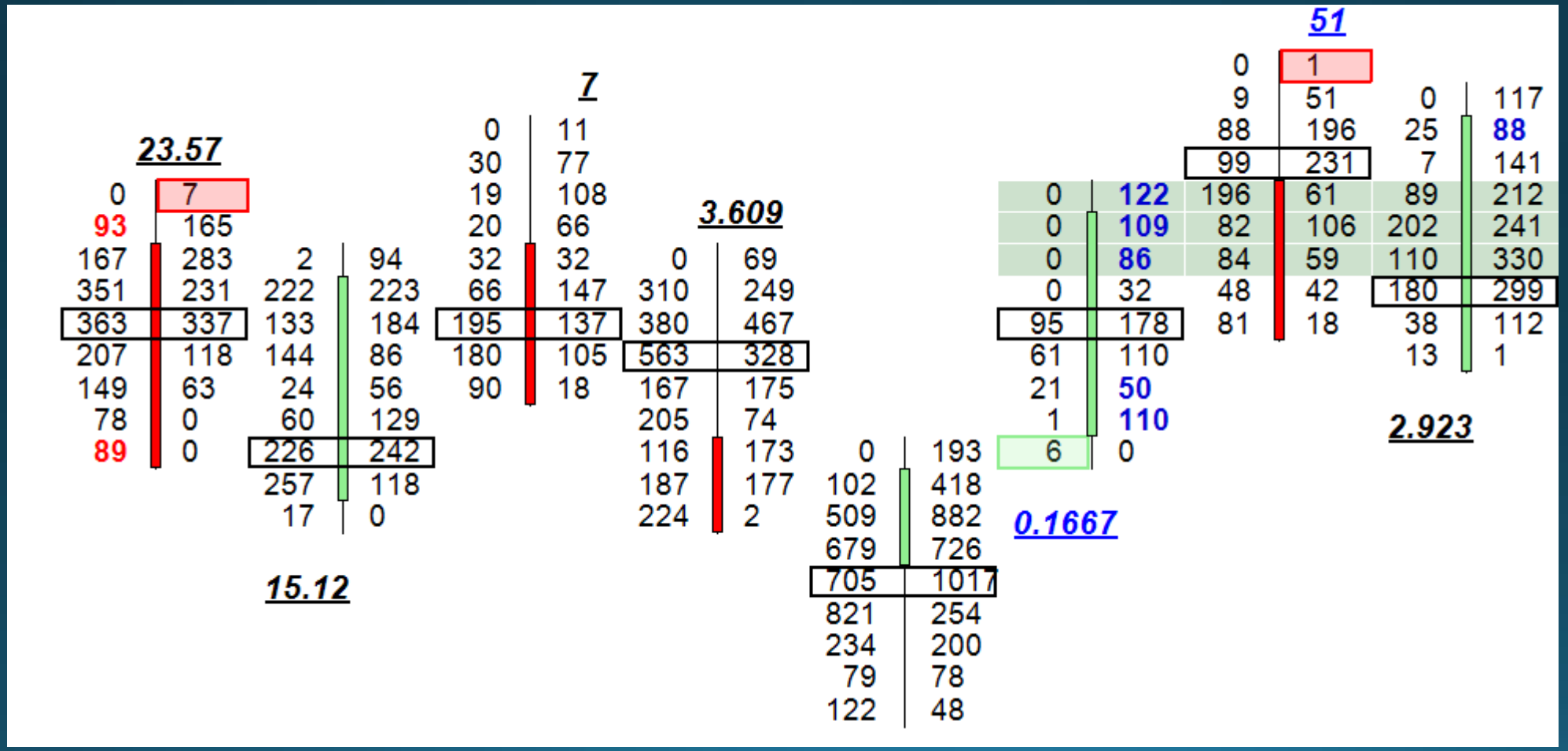
You should know what imbalances are…



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Market imbalances occur when one side dominates the other. Buyers overwhelming sellers or the opposite, sellers overwhelming bidders.

Market imbalances is not a system. It is based on raw data that is not manipulated, it reflects reality. Volume is the all that matters, it is what it is.

Who can cause market imbalances? Locals? No. Retail traders? No.

More often than not market imbalances are caused by commercial and institutional traders.

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If you do not know how to recognize this potential market changing activity from its initiation, what the major players are doing or who is in control of the market, you can miss the next move or get caught on the wrong side of the market. Order flow, through major imbalances reveal the big player's activity, and therefore, their commitment in the market. Because large players cannot execute size orders instantly at favourable prices, the order flow reveals their entry into the market and gives you time to trade accordingly. This telegraphed information gives you almost the same advantages possessed by the initiating player. This is a powerful advantage over most technical signals that are almost always two bars late.

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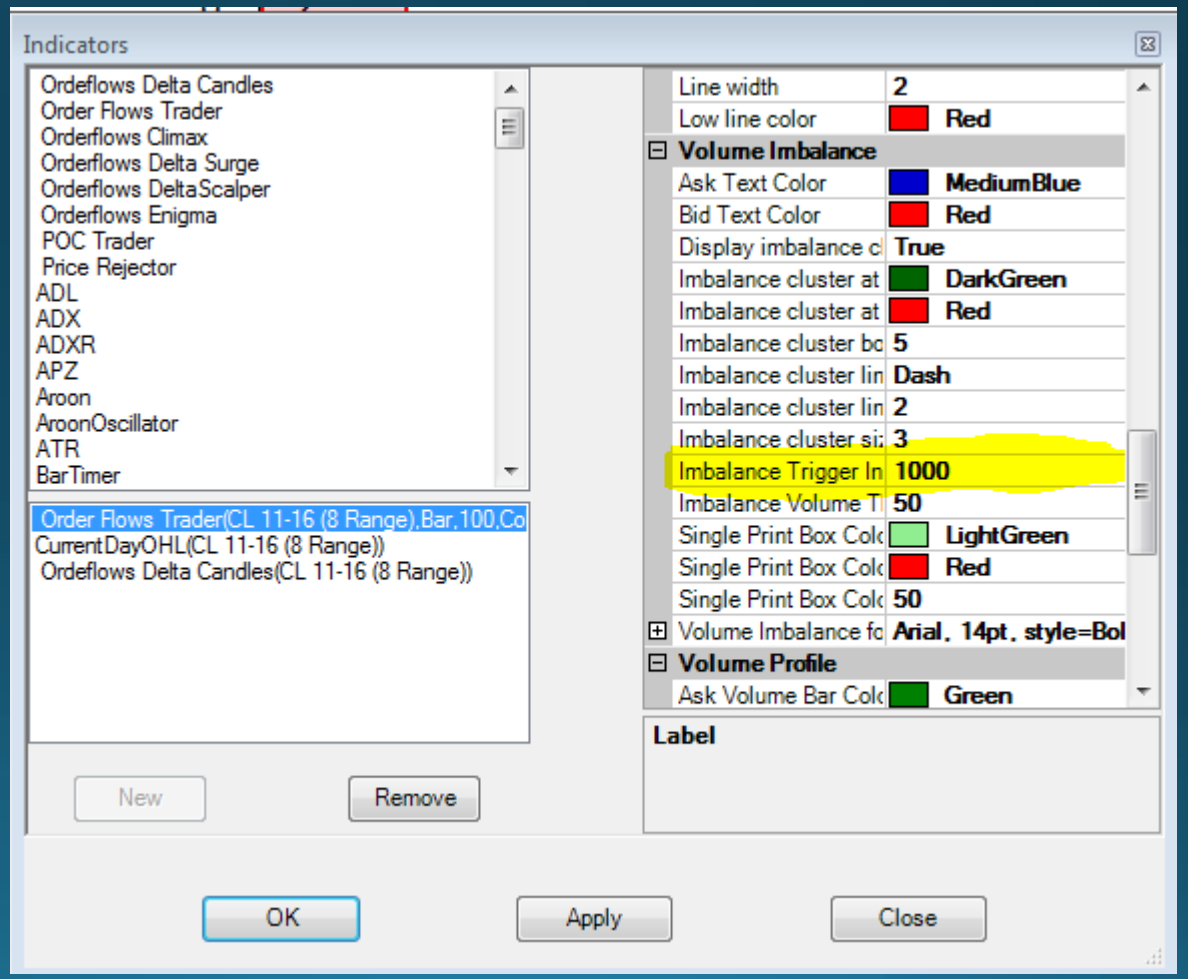
What I will be talking about today are what I consider "Major Imbalances."

Percentage terms

Volume terms



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Everyone talks about following the big money, the institutions, but they don't tell you how see what they are doing.

Show hand.

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Show hand is when you tell everyone what you are doing instead of keeping it a secret.

Traders spend a lot of time trying to hide their intentions in the market, but there are times they don't care and just get on with it.

Major Imbalances are a way to see who is showing their hand.

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There are two types of markets: local driven market and a commercially driven market. Each market has to be approached differently.

A local driven market is a “fade” type market with limited opportunity.

A commercial or institutional driven market is a “go with” market with big opportunity.

Knowing who is driving the market will help you minimize your losses and increase your profits which is every trader’s goal.

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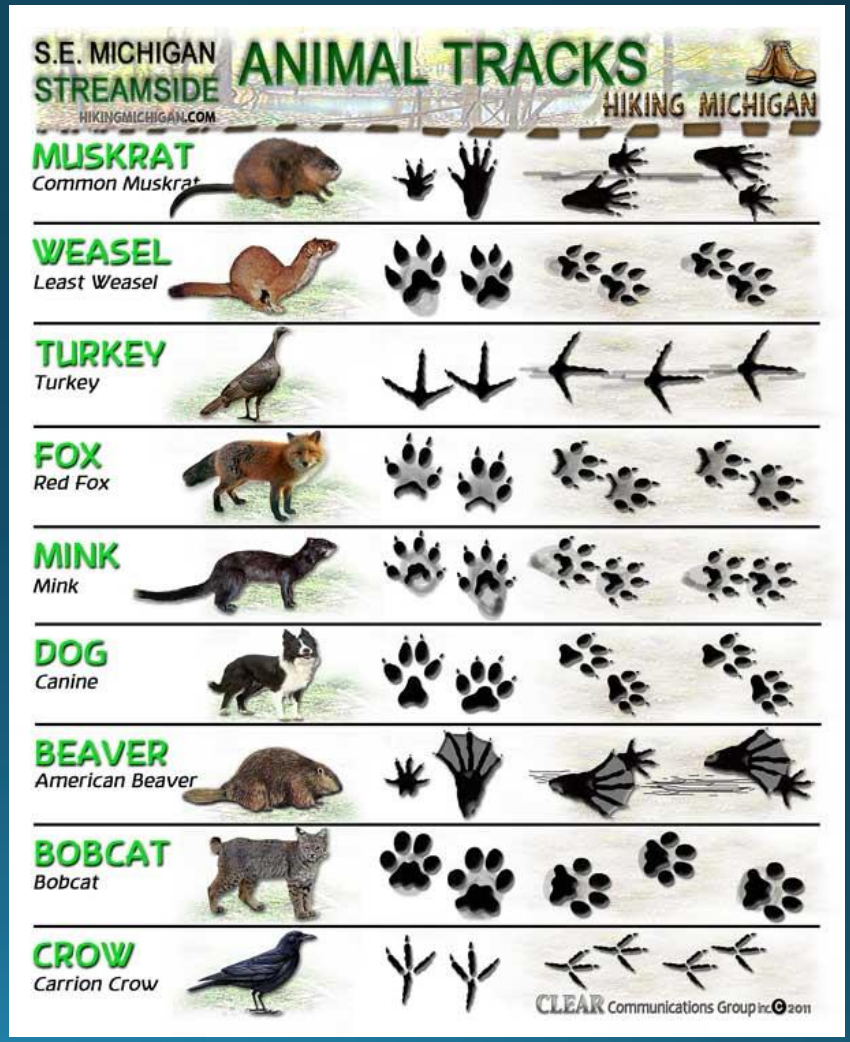
Major Imbalances will clue you in when the commercial and institutions are clearly driving the market.

Remember, the reason traders refer to the order flow chart as a footprint chart is because you are looking to decode the footprints left by other traders in the market.



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Normal Imbalance – is the area in a bar you expect an imbalance to occur.

There are certain areas in a bar that have a higher chance of an imbalance of occurring. Near the top in a red bar or near the bottom in a green bar.

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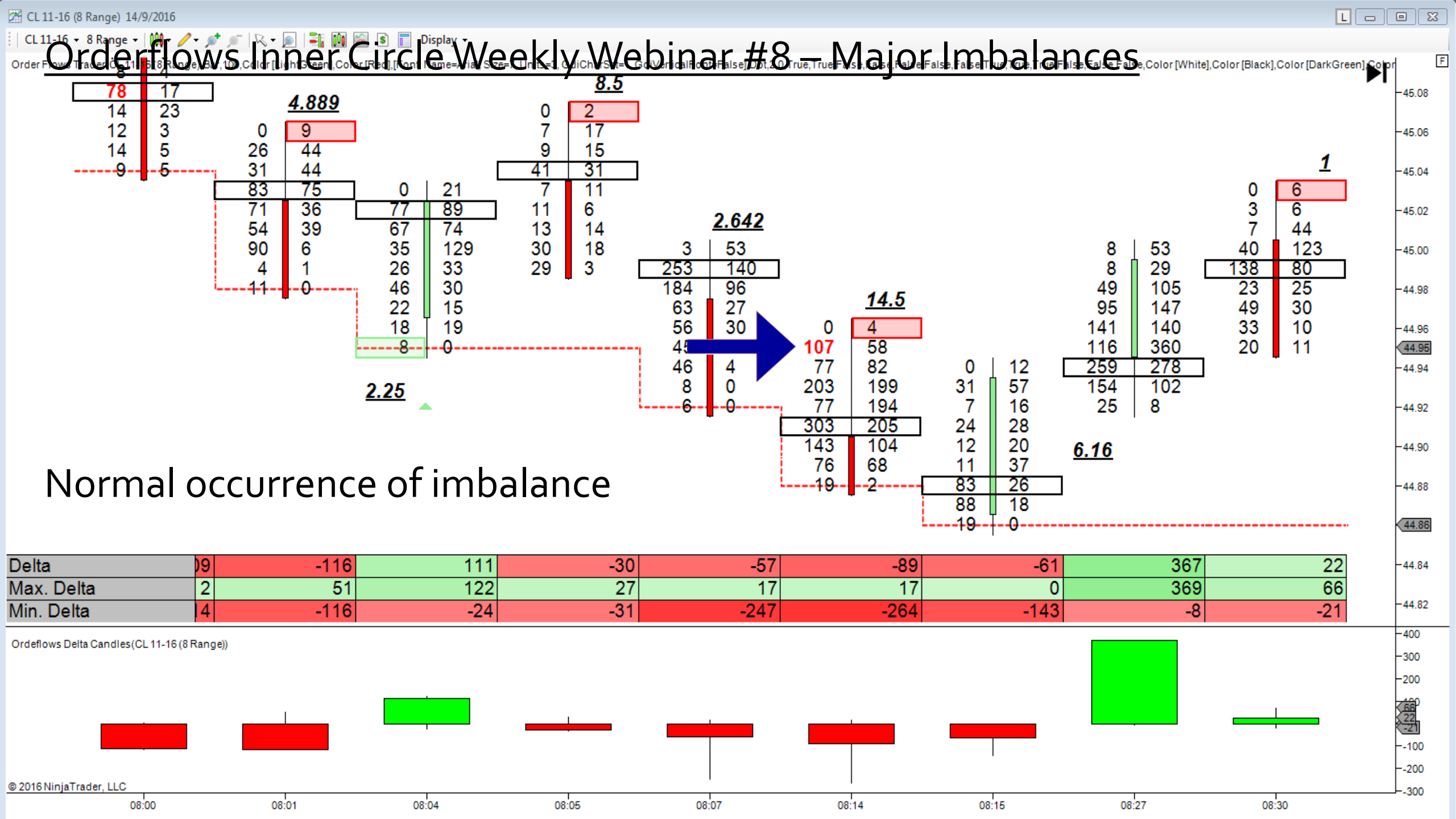

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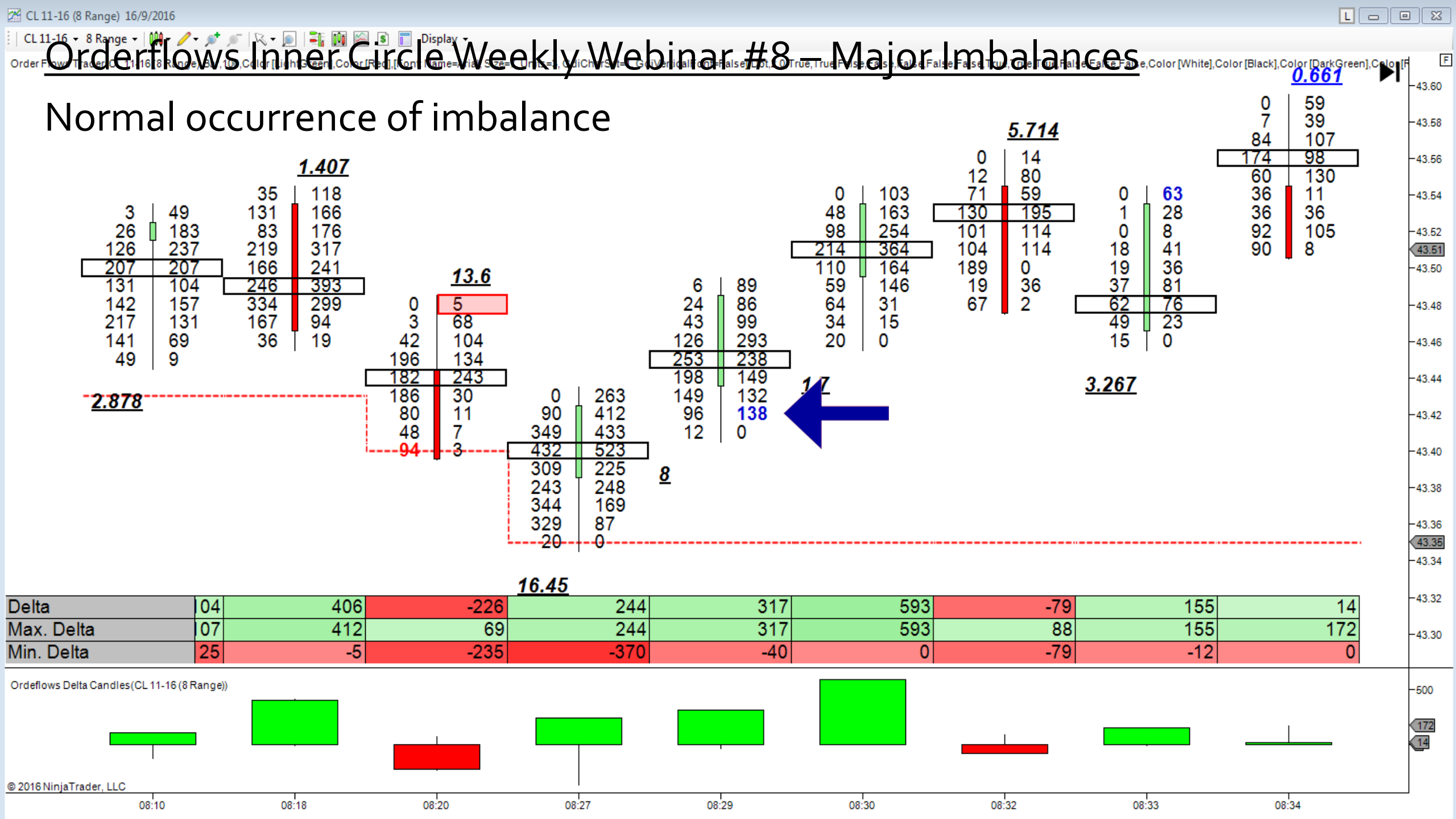
Normal occurrence of imbalance



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Stop Induced Imbalance – when a stop is triggered causing the market to sweep through the order book. Characterized by multiple zeros and often a quick snap back.

Differs from a normal sweep of the order book by a trader actively trading, not an order sitting on the order server.

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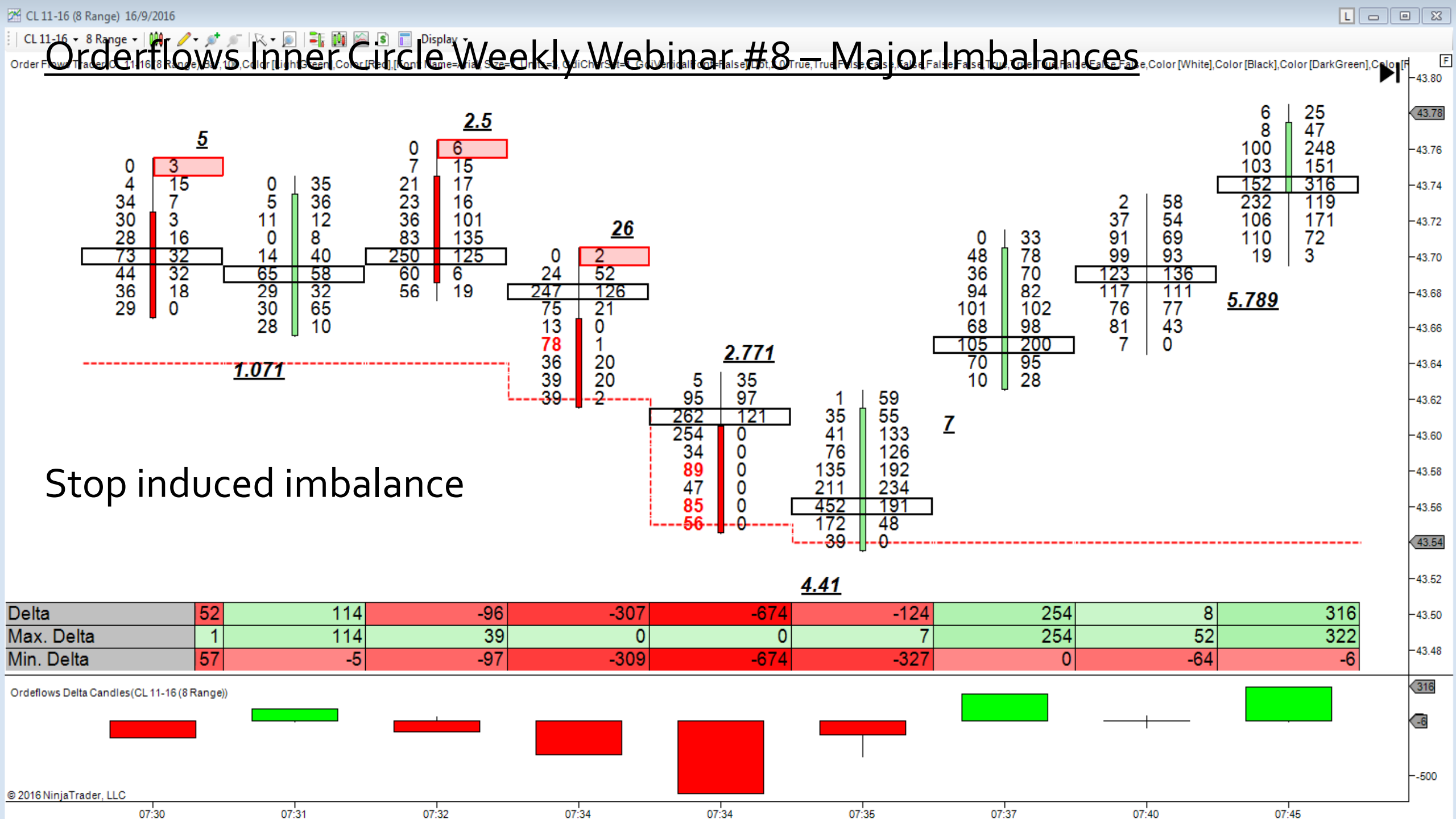

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Sweep induced imbalance

Delta	93	47	69	-438	565	613	78	877	193	199	2
Max. Delta	6	63	216	82	565	613	154	877	386	199	51
Min. Delta	93	-144	0	-508	-182	0	0	-12	0	0	-196

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Major Imbalances occur when there is a huge ratio. I use 1000%.

Cluster of 3. When you have 3 imbalances over 1000% either in one bar or spread out over 2 bars. Bars should be in same direction.

What traders fail to realize is that Major Imbalances can occur over 2 bars.

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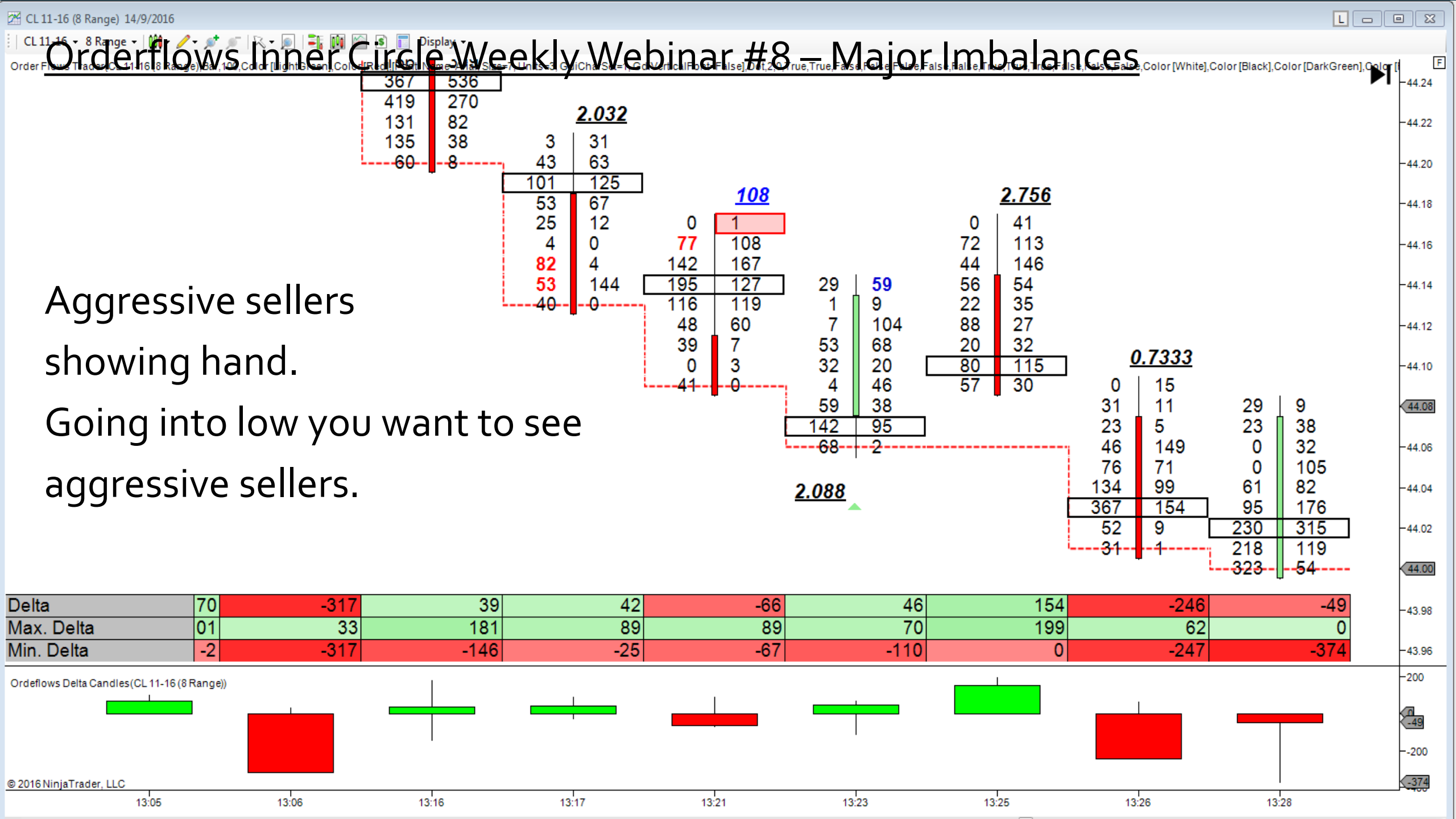

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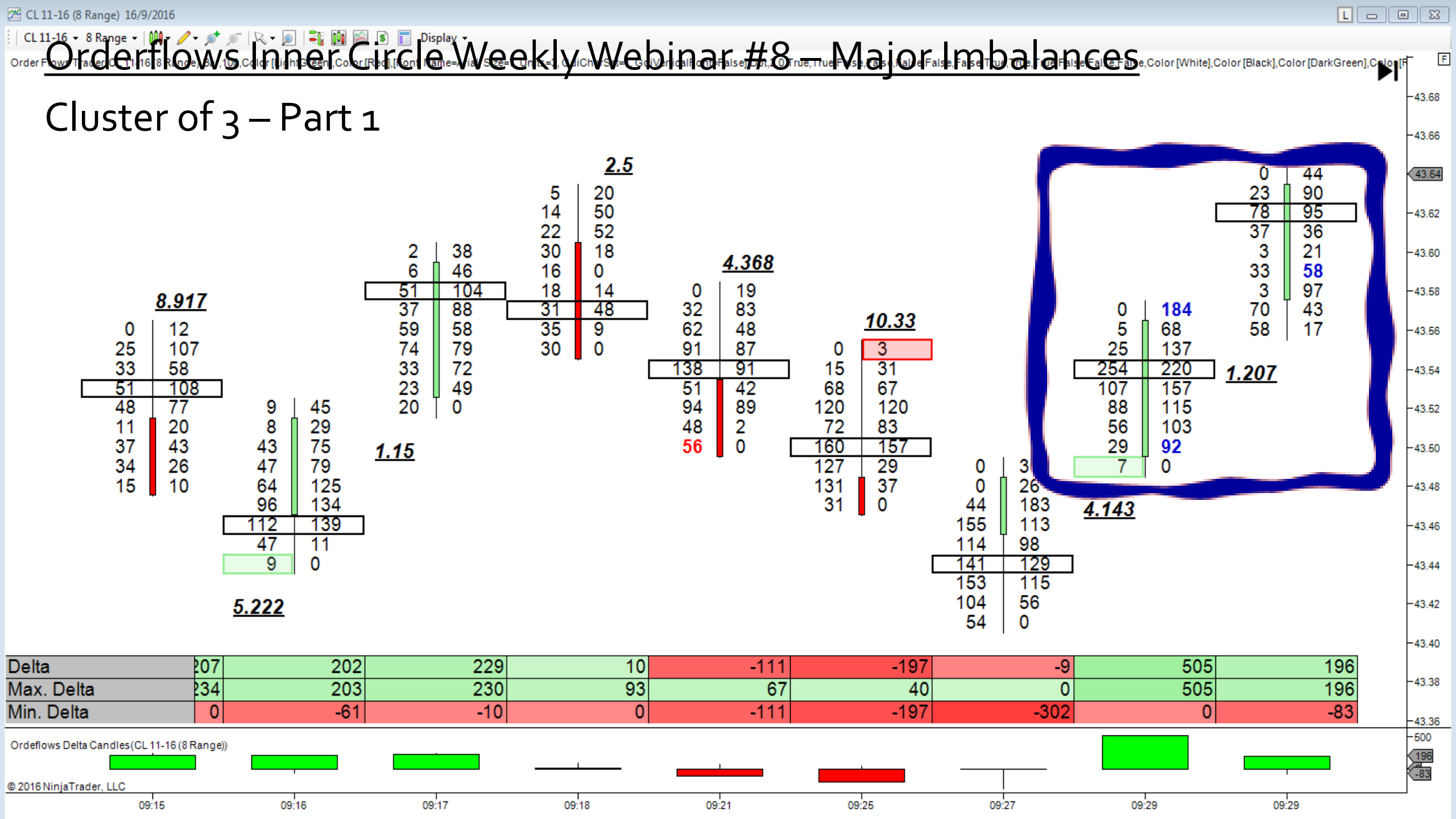
Cluster of 3 – Part 1



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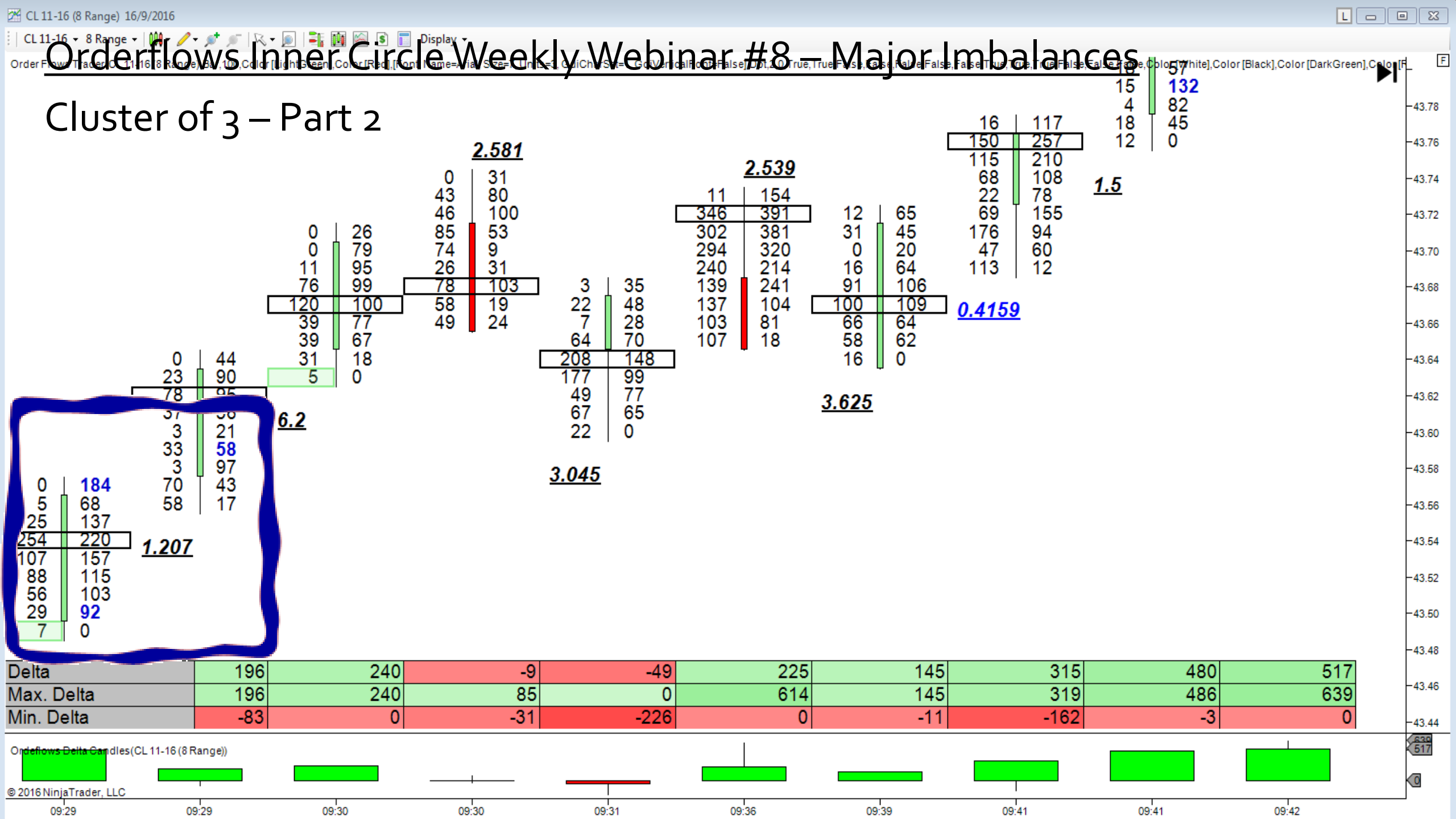
Cluster of 3 – Part 2



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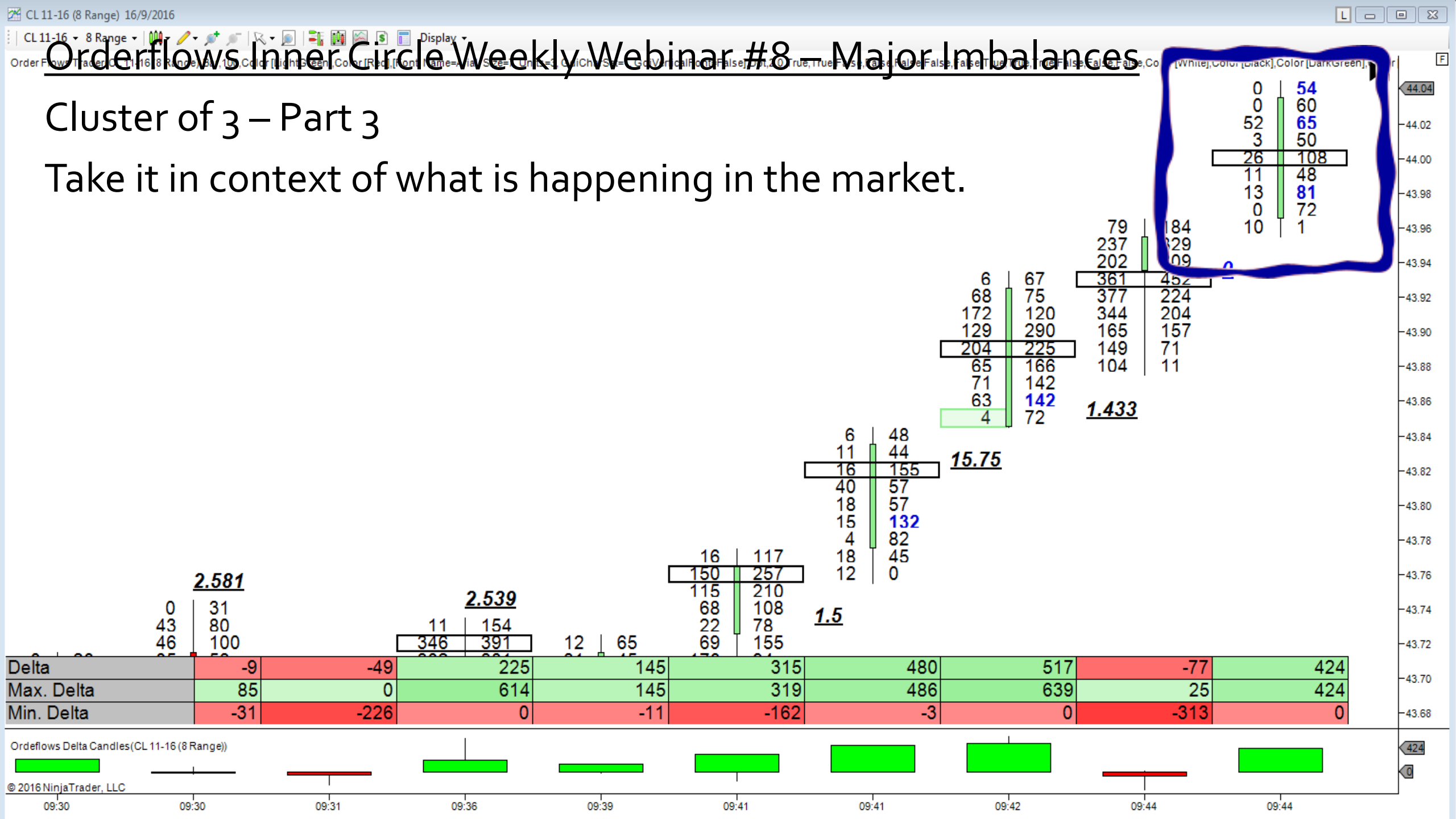
Cluster of 3 – Part 3

Take it in context of what is happening in the market.



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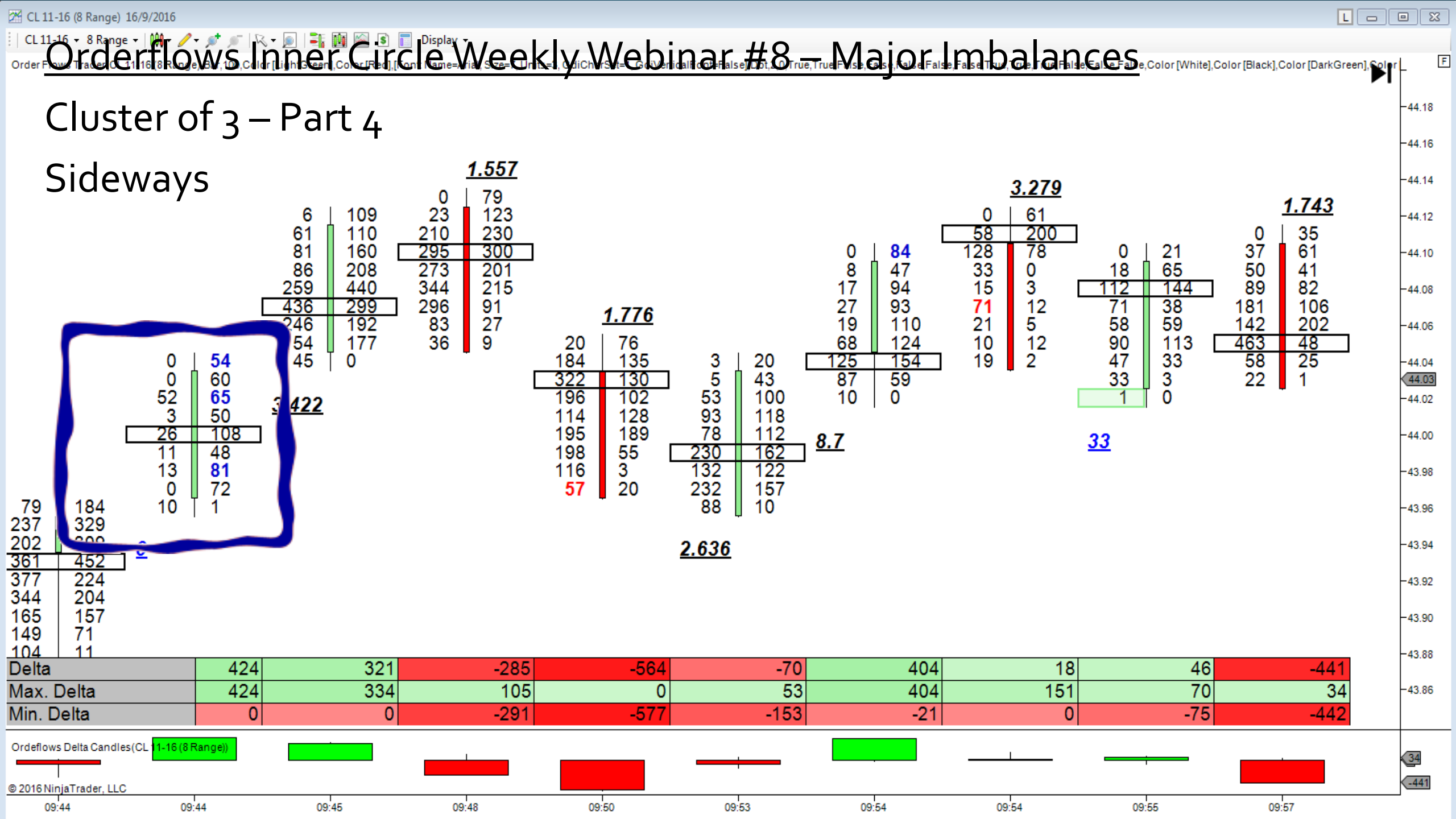
Cluster of 3 – Part 4

Sideways



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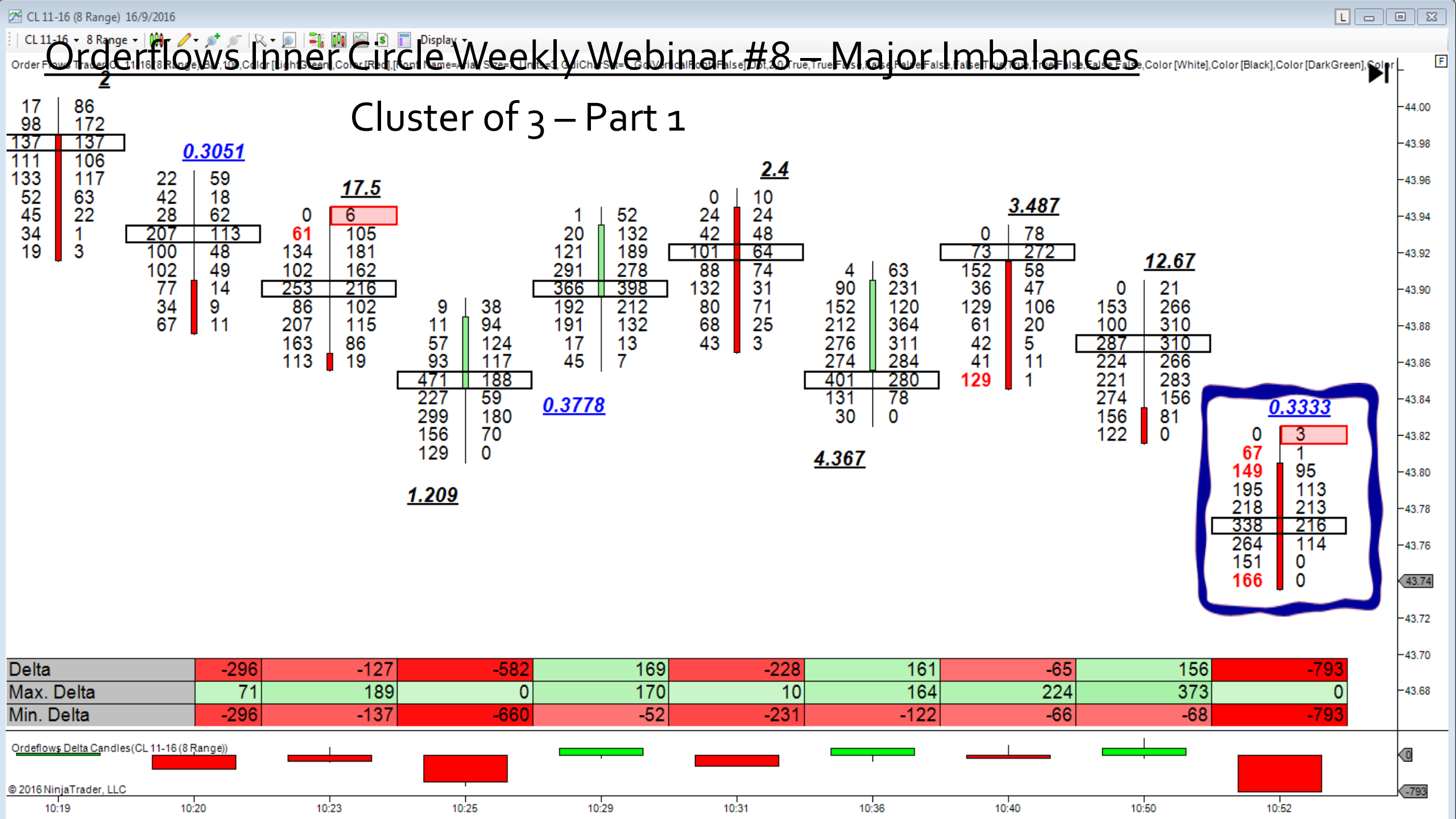
Cluster of 3 – Part 1



Delta	-296	-127	-582	169	-228	161	-65	156	-793
Max. Delta	71	189	0	170	10	164	224	373	0
Min. Delta	-296	-137	-660	-52	-231	-122	-66	-68	-793

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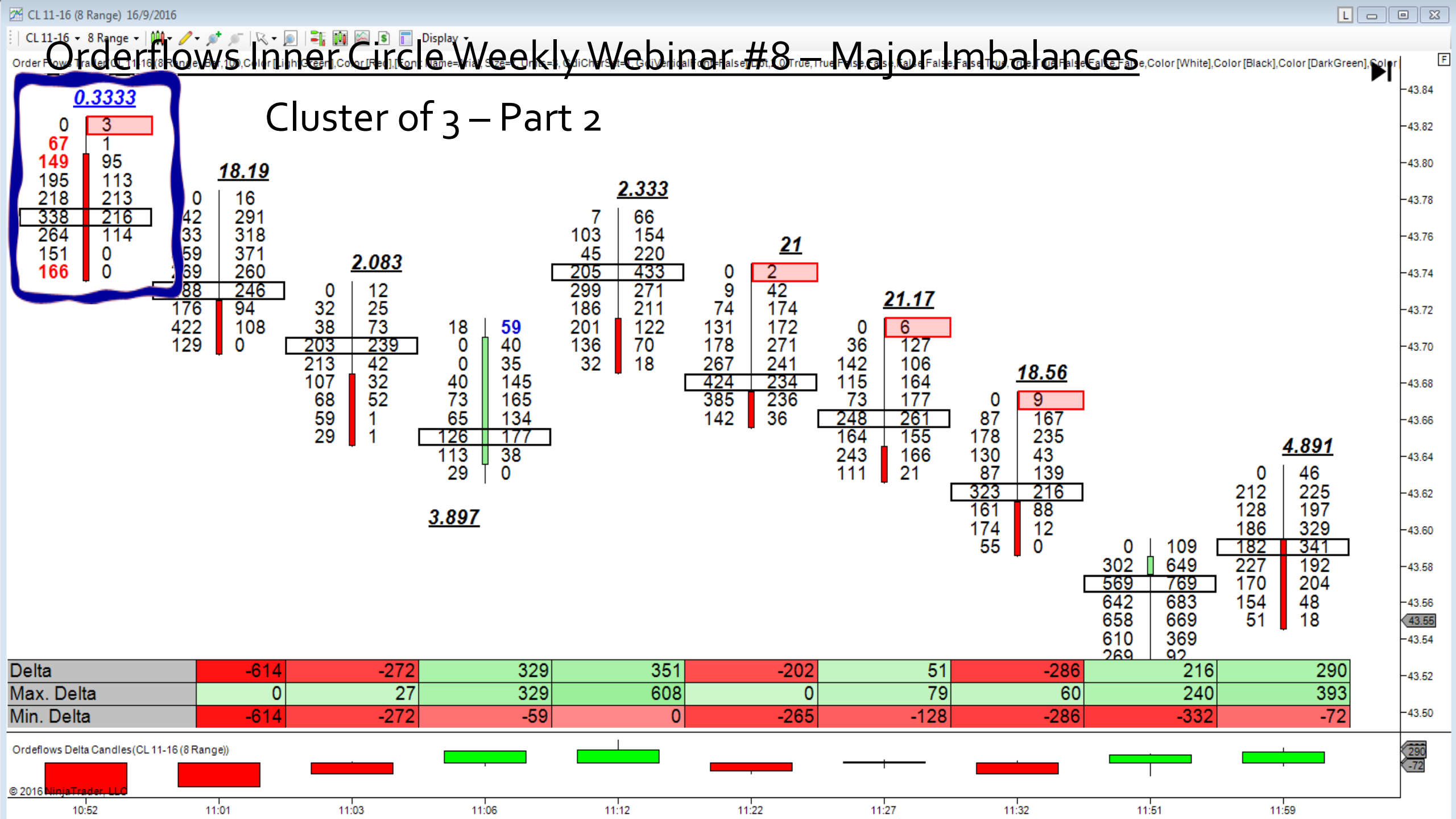
Cluster of 3 – Part 2



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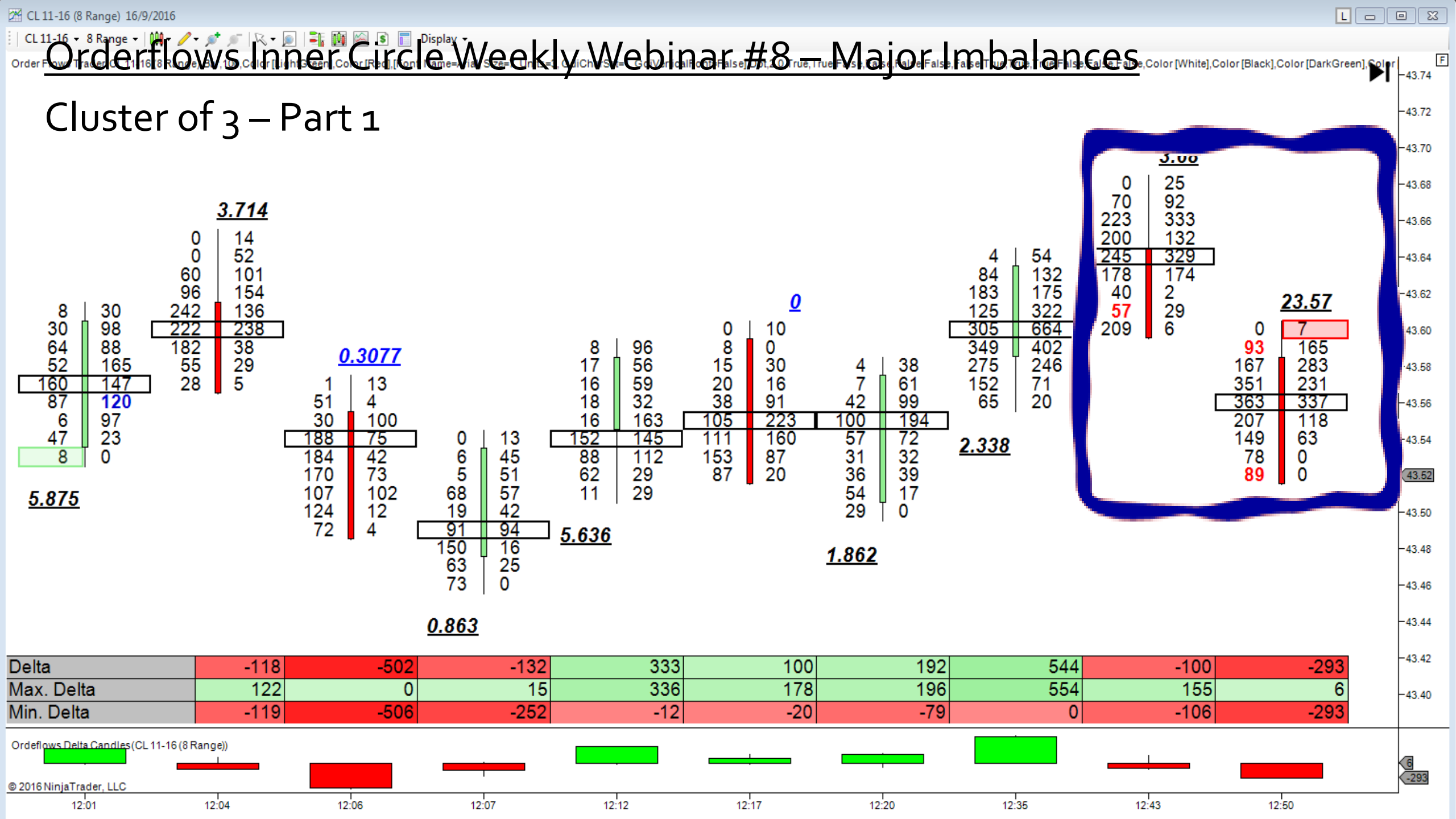
Cluster of 3 – Part 1



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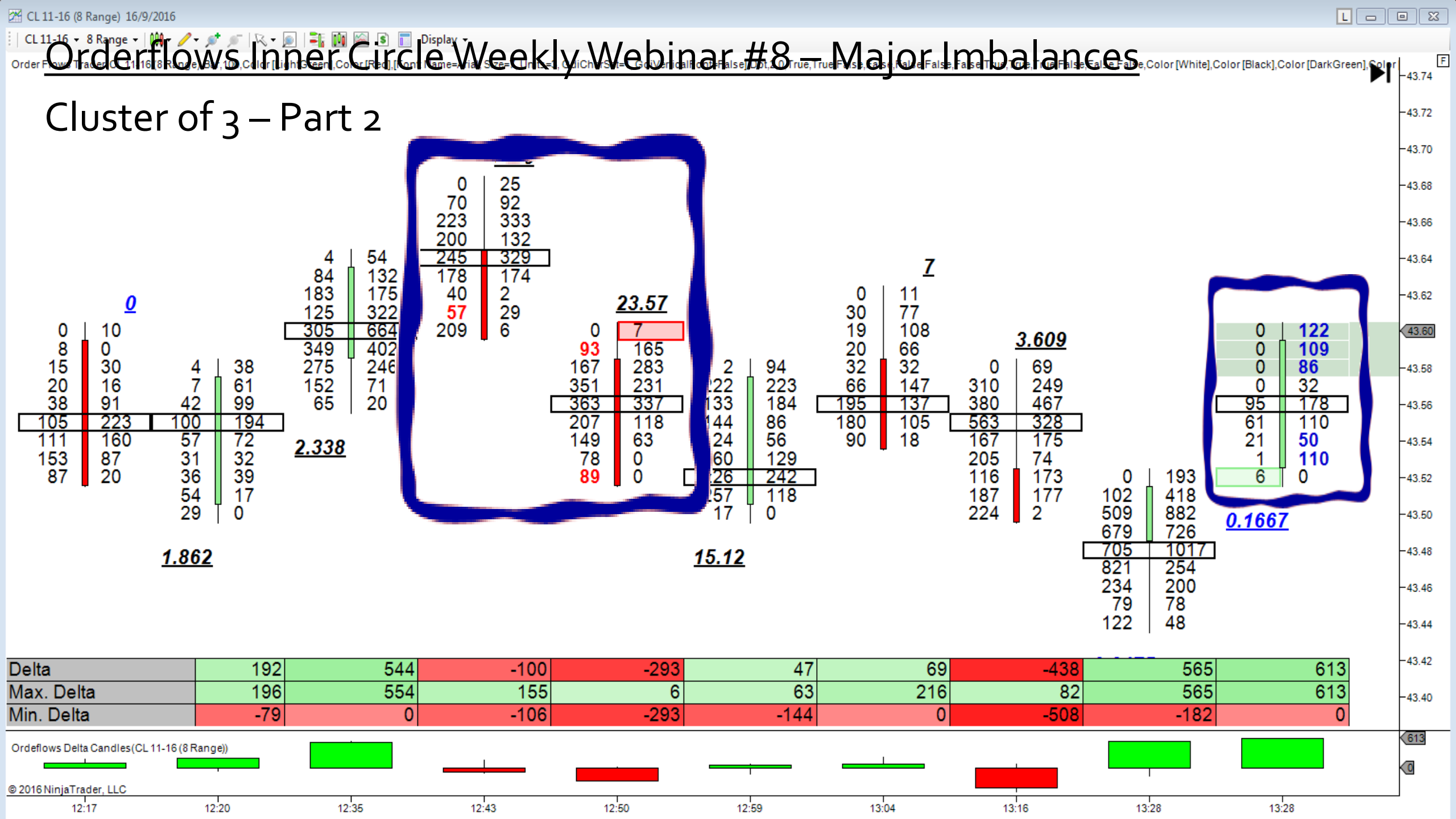
Cluster of 3 – Part 2



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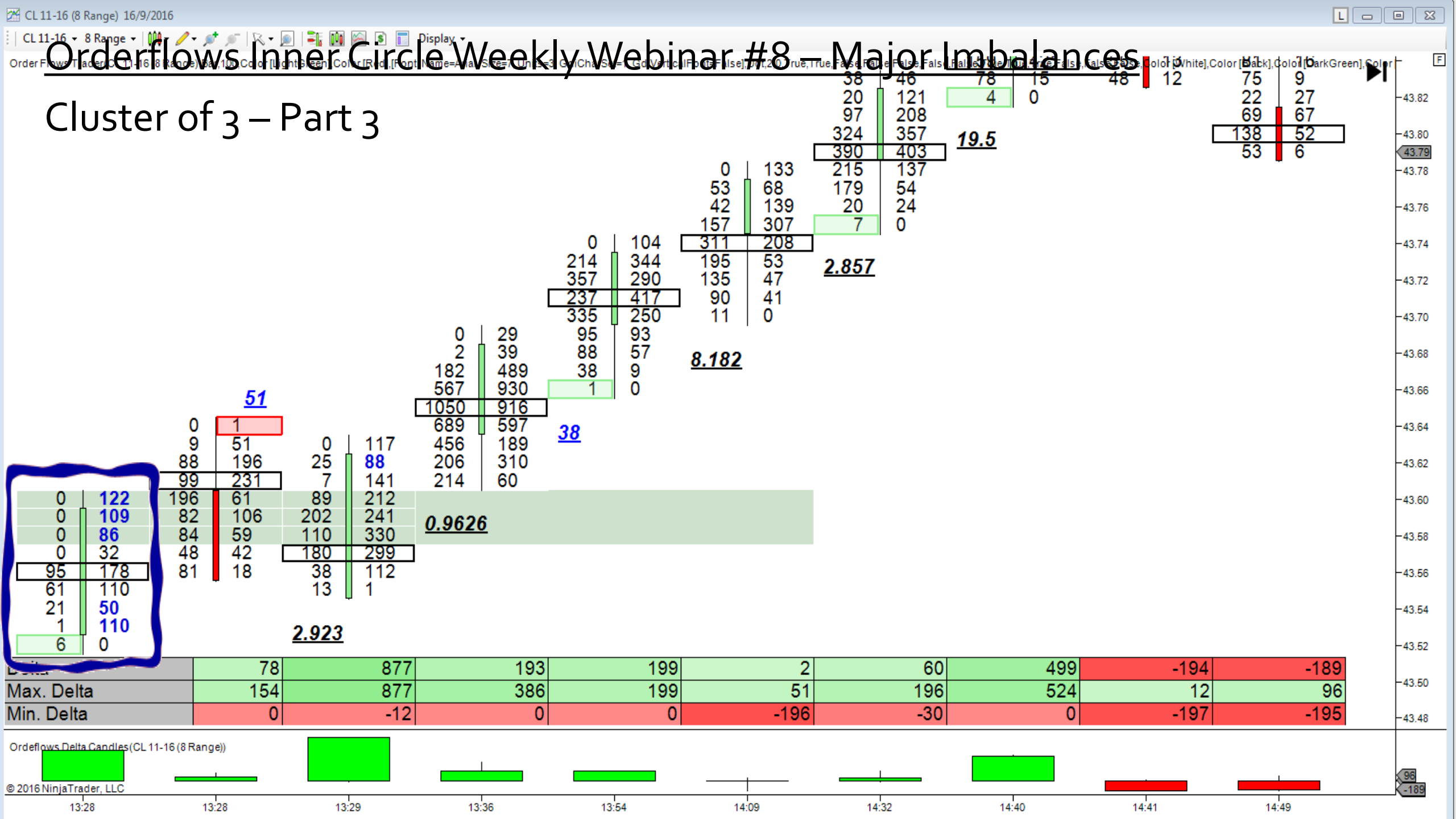
Cluster of 3 – Part 3



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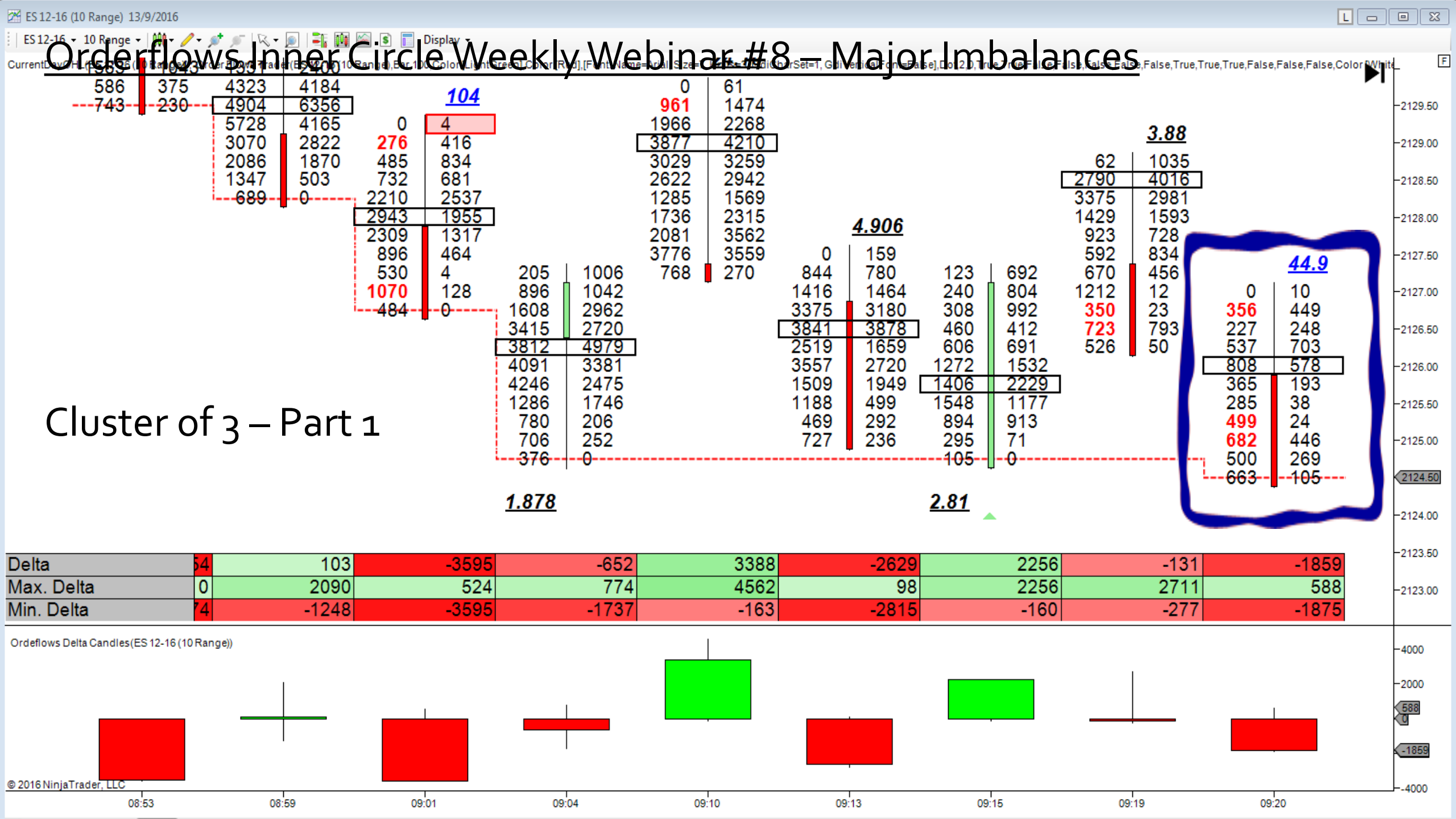

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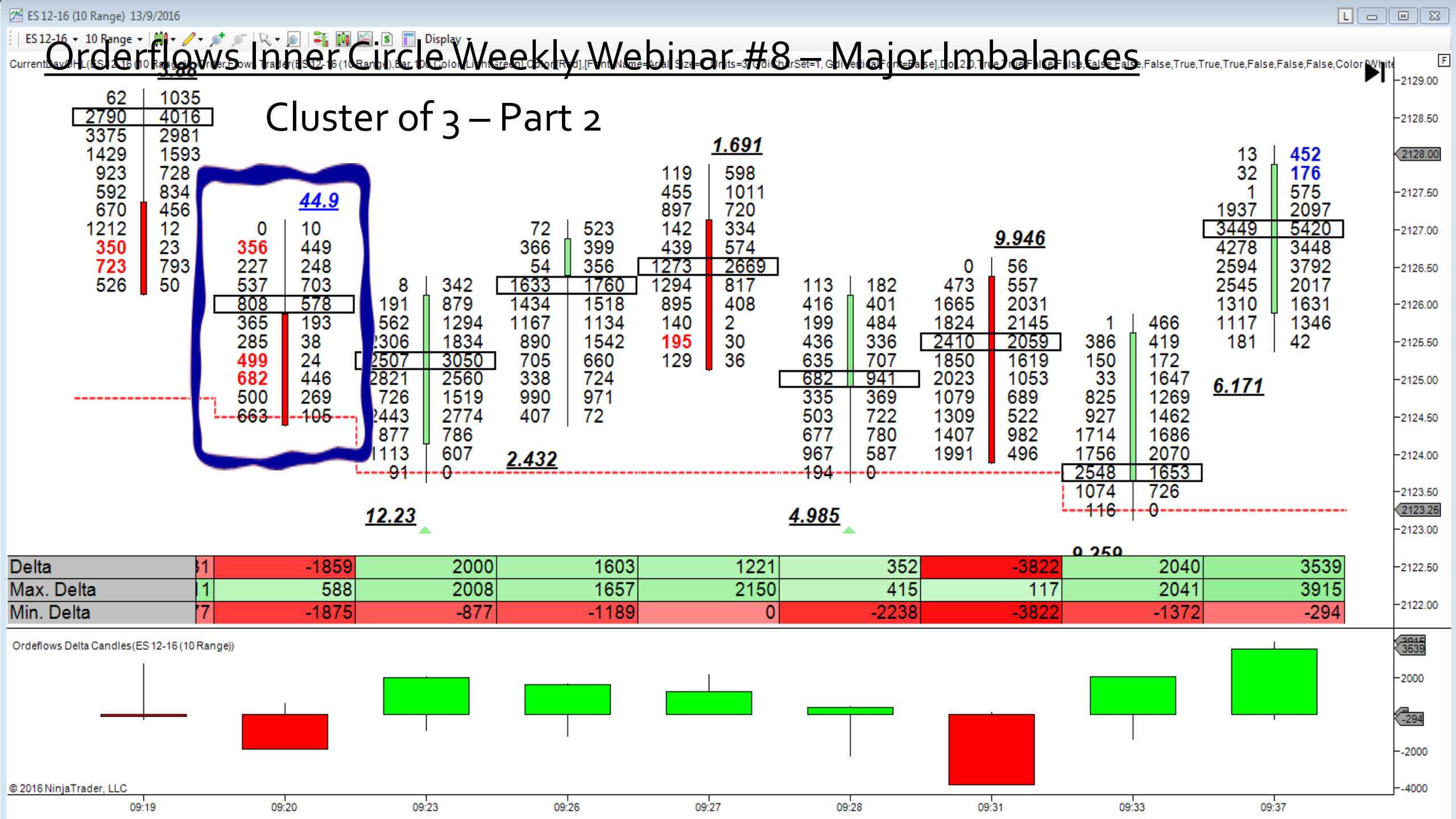
Cluster of 3 – Part 2



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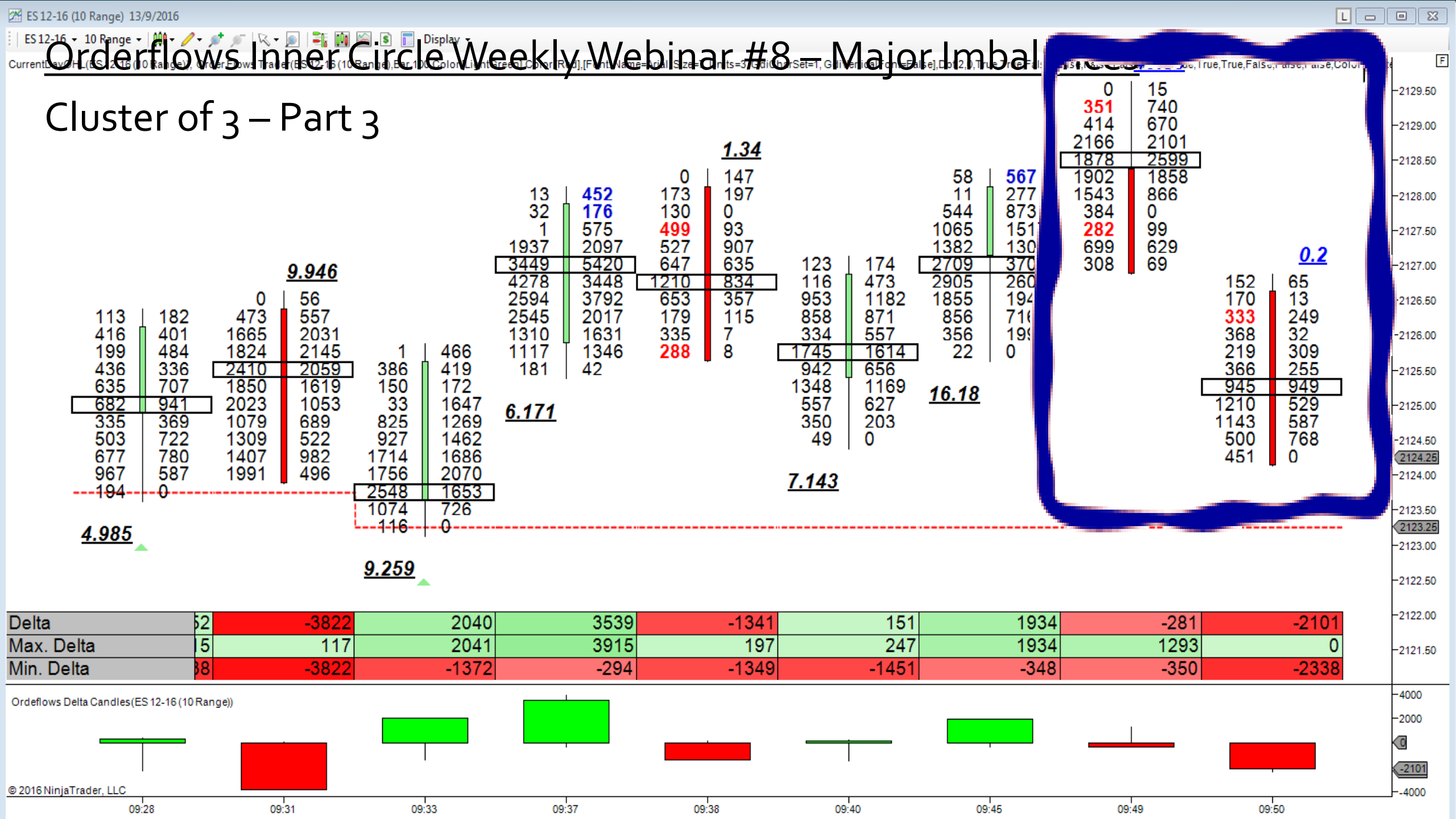
Cluster of 3 – Part 3



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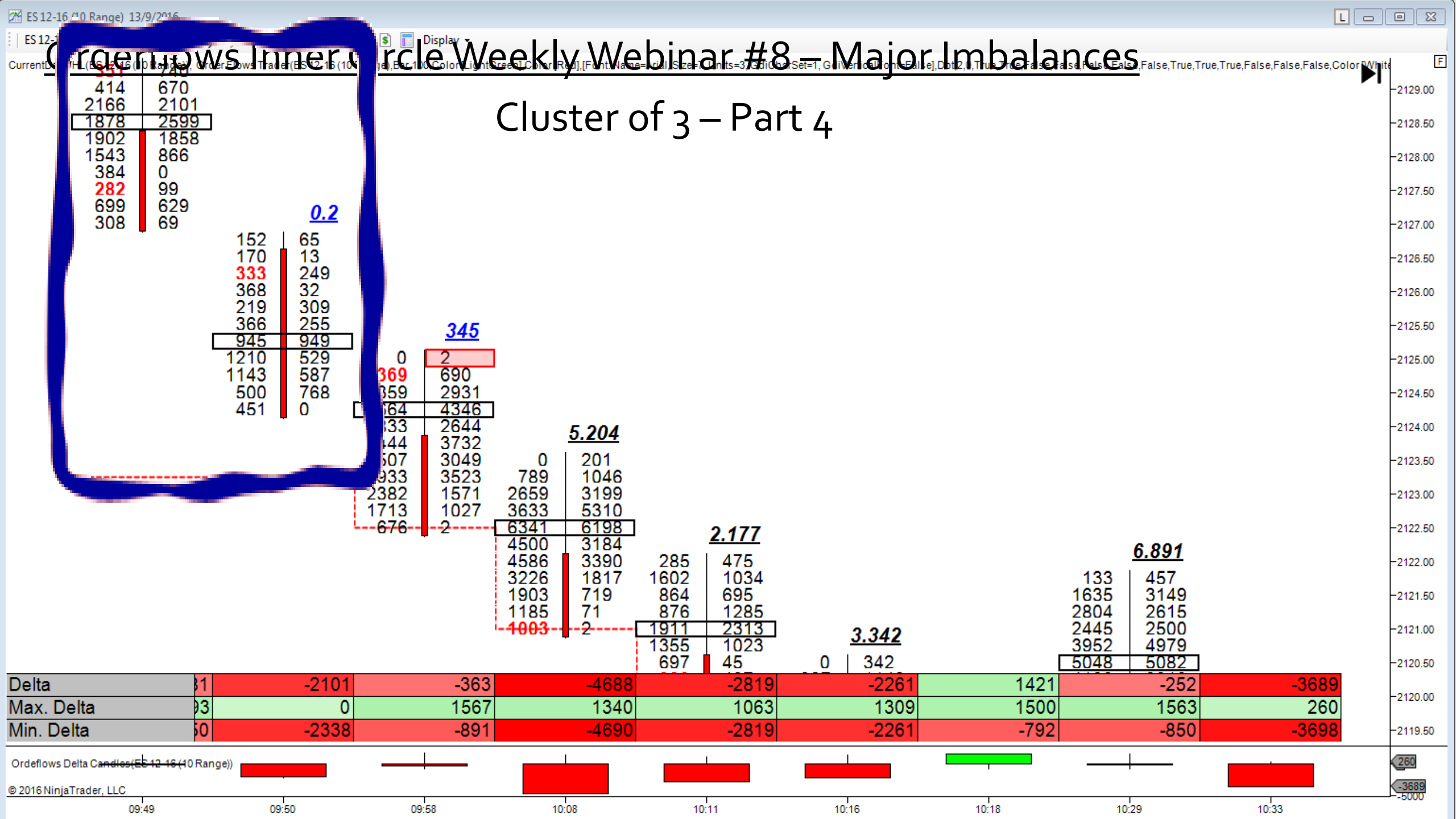
Cluster of 3 – Part 4



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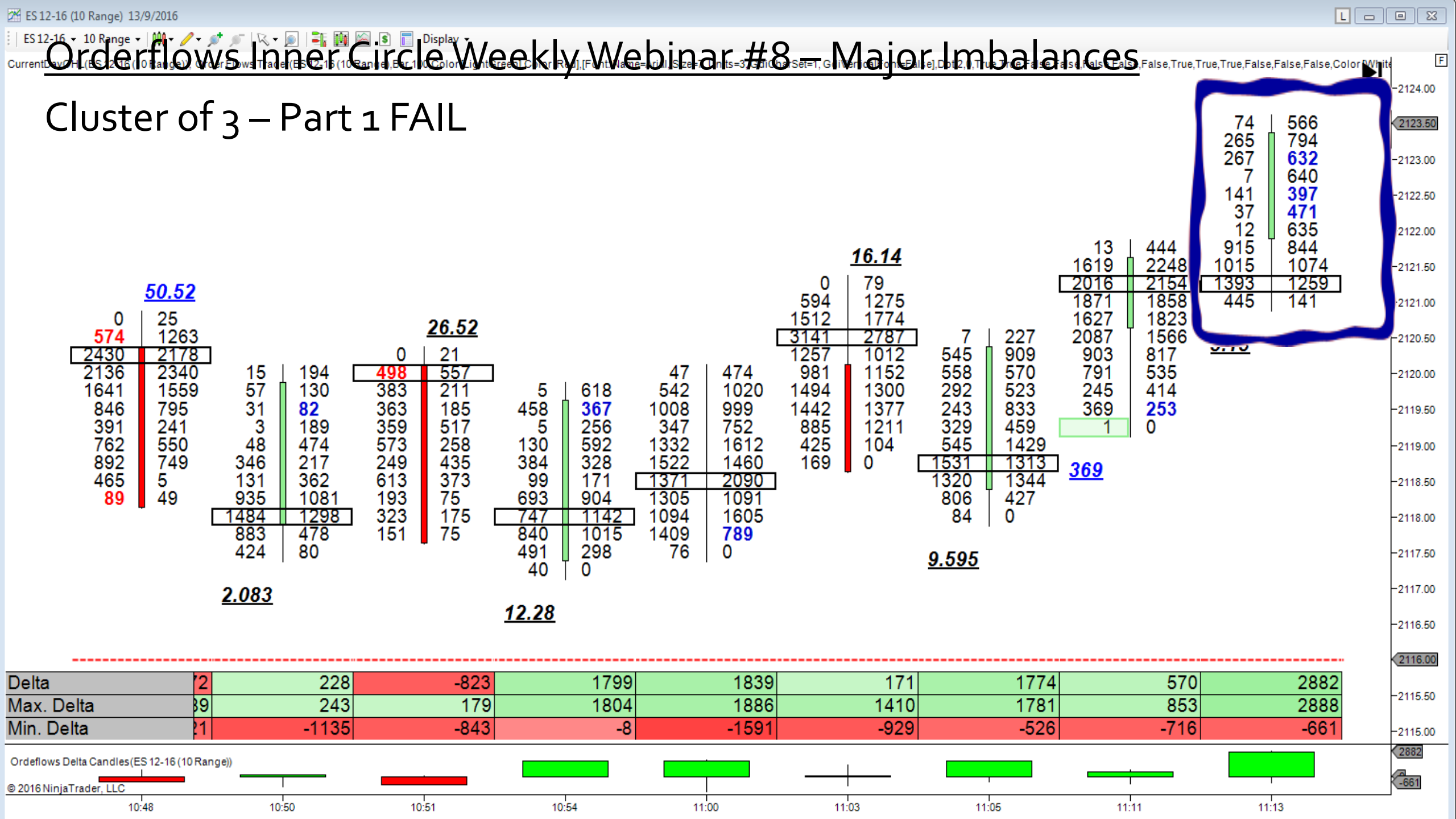
Cluster of 3 – Part 1 FAIL



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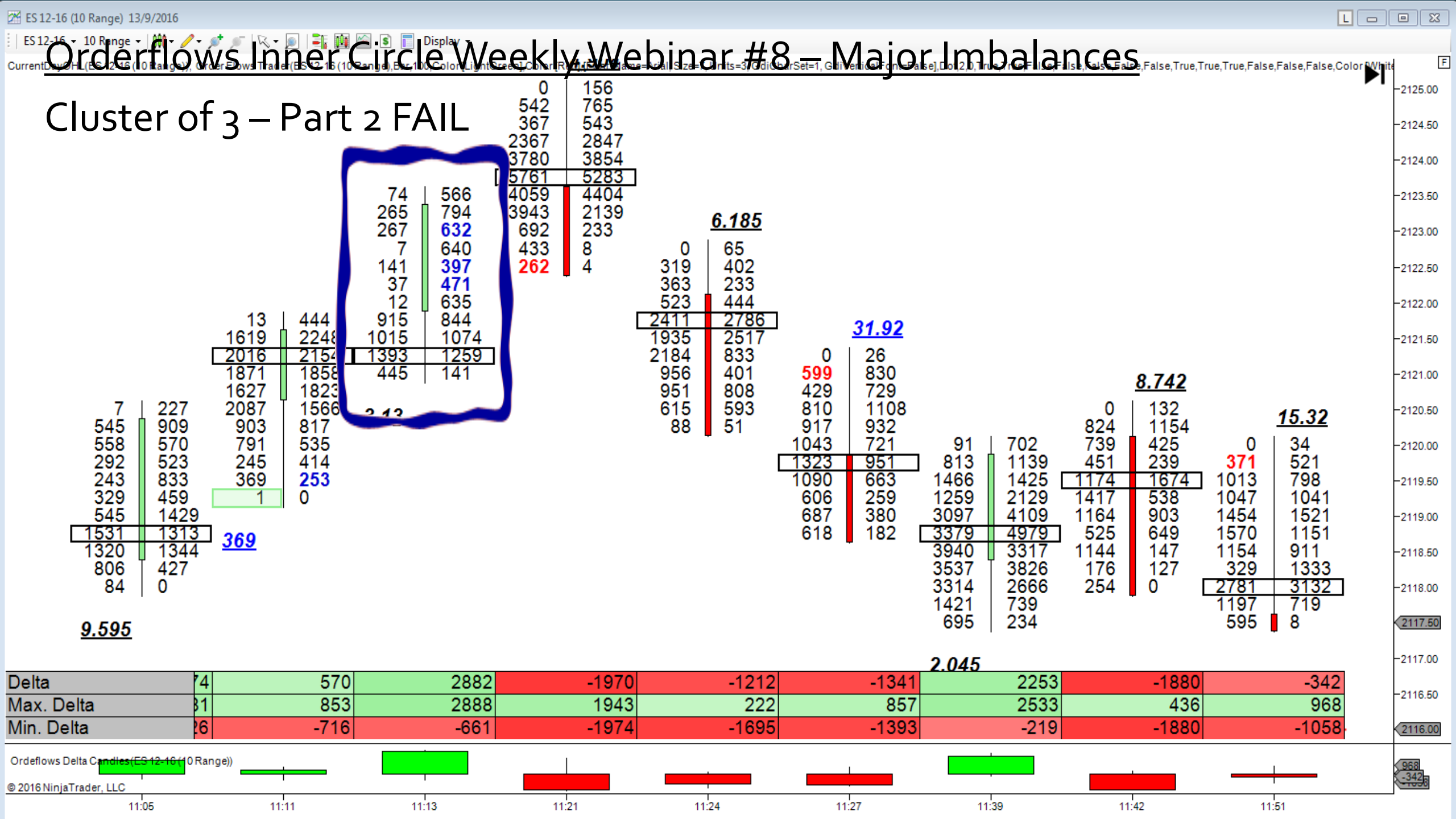
Cluster of 3 – Part 2 FAIL



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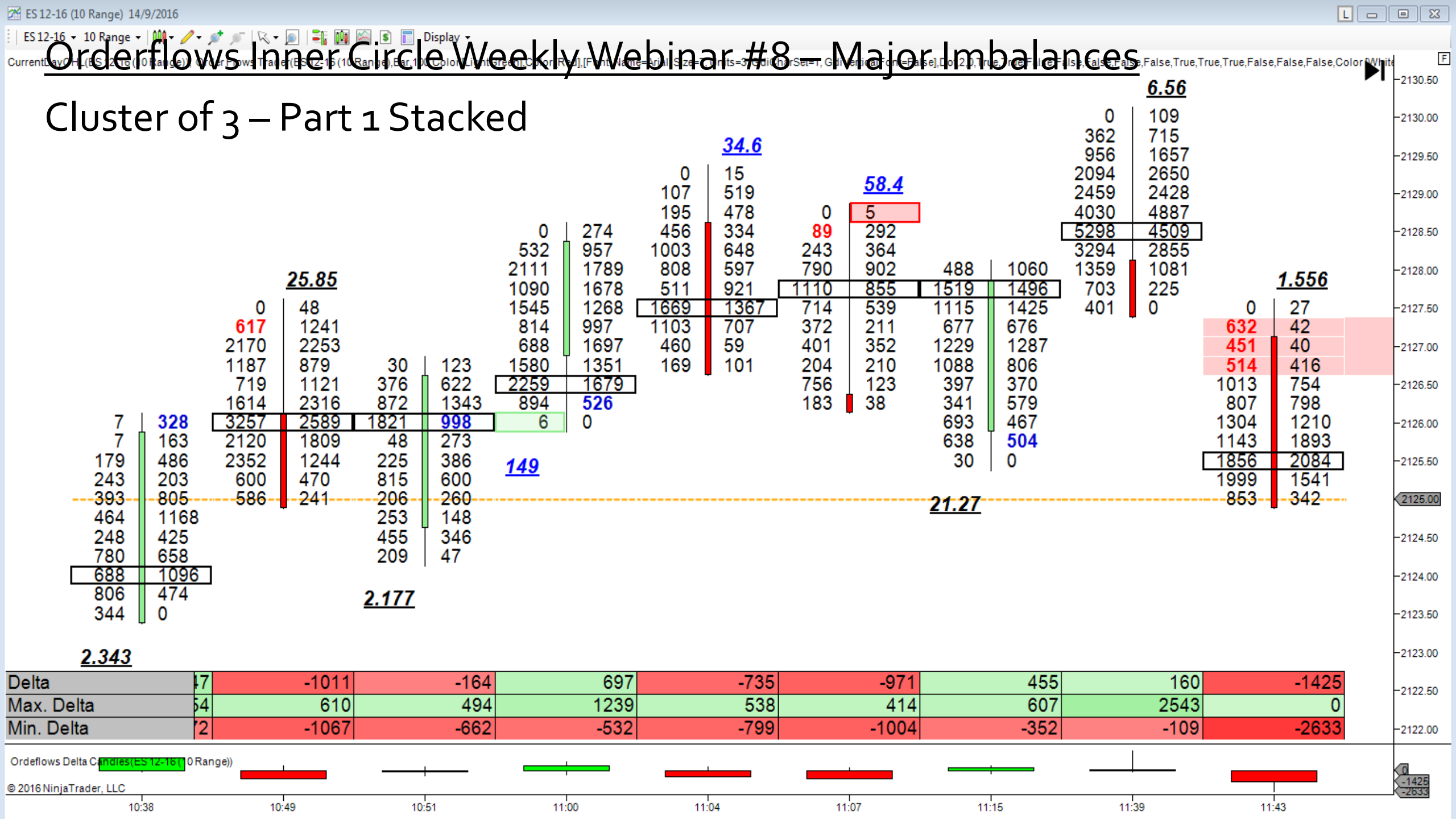
Cluster of 3 – Part 1 Stacked



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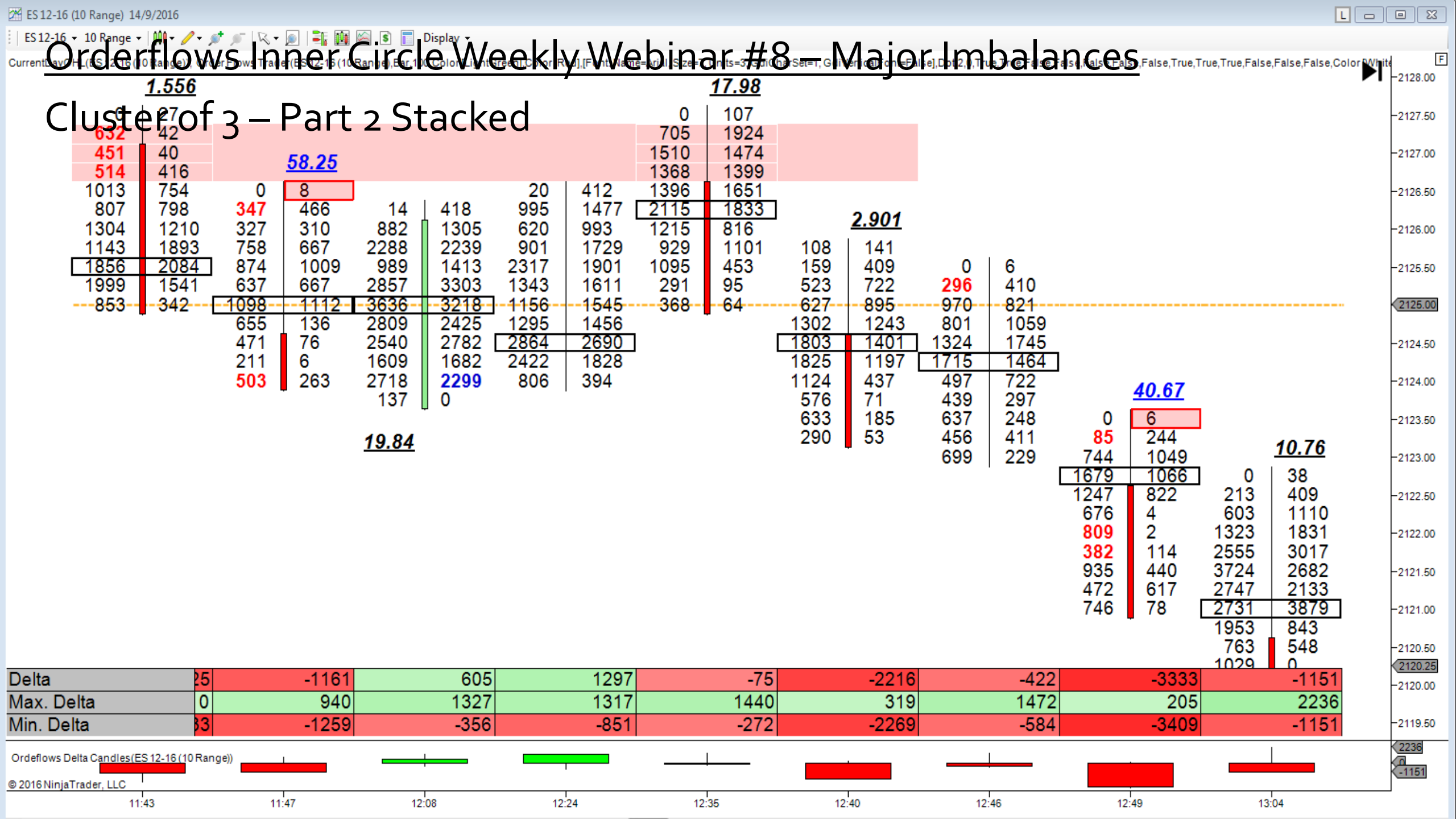
Cluster of 3 – Part 2 Stacked



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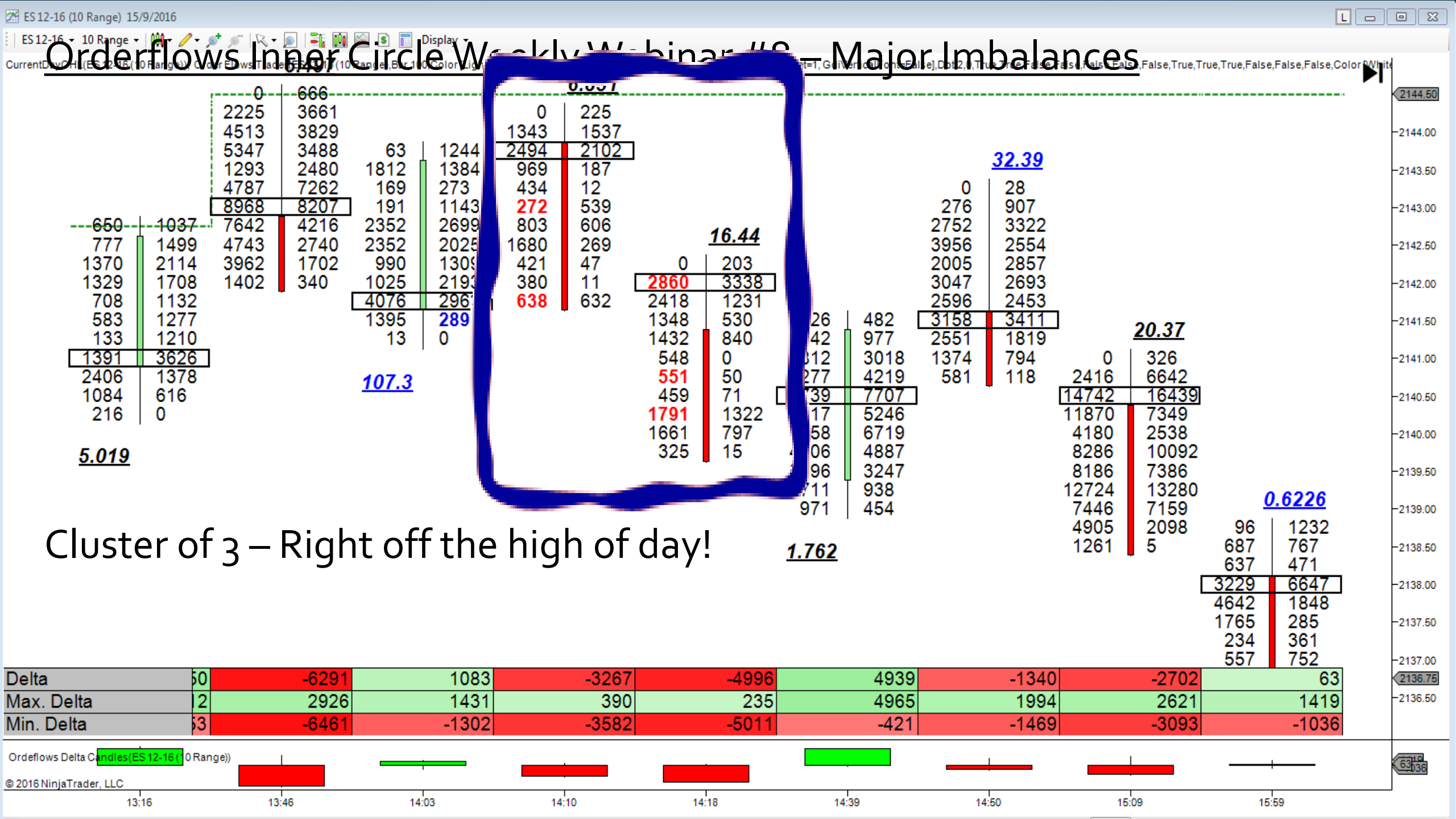

Cluster of 3 – Right off the high of day!

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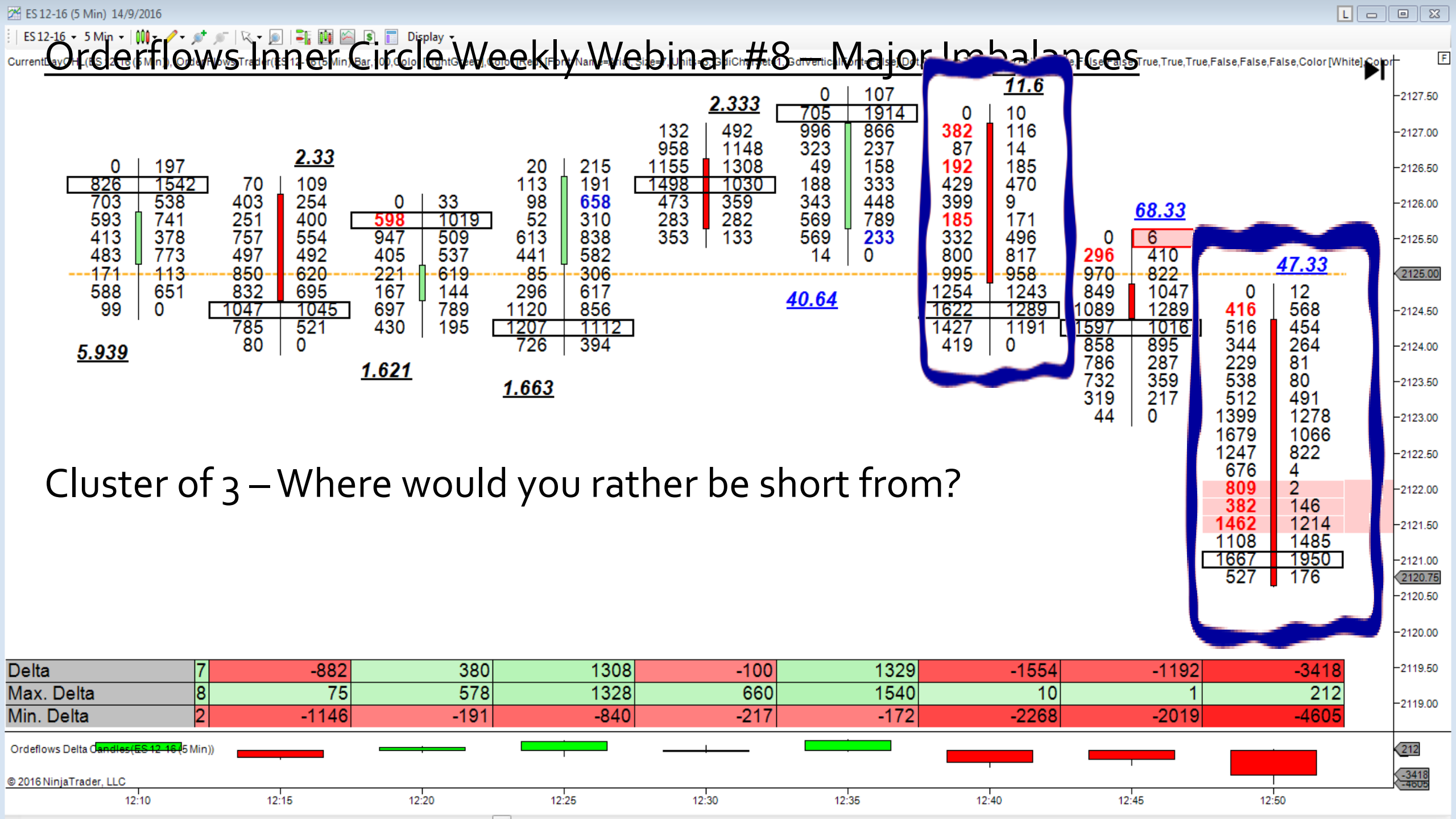

Cluster of 3 – Where would you rather be short from?

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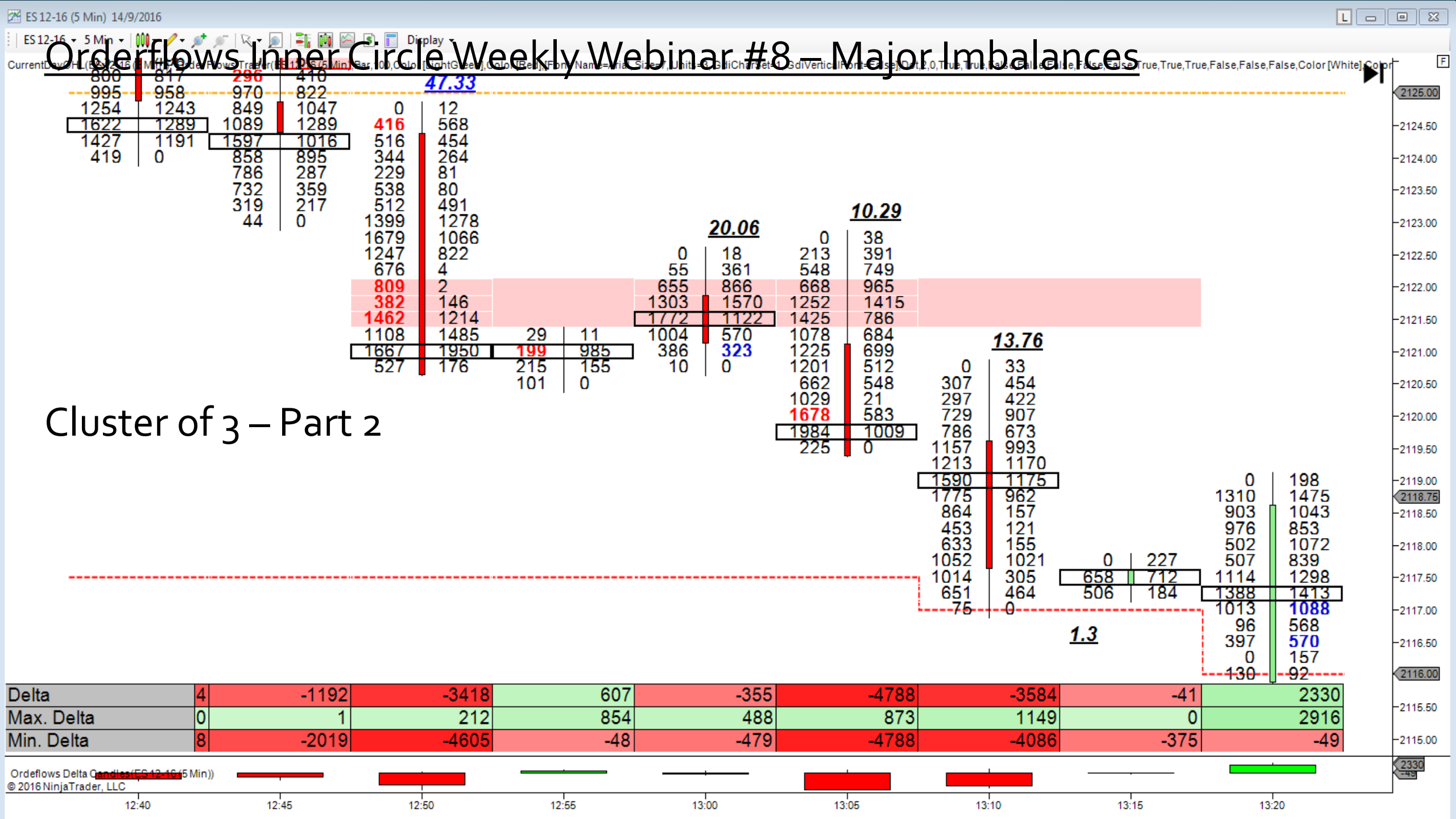

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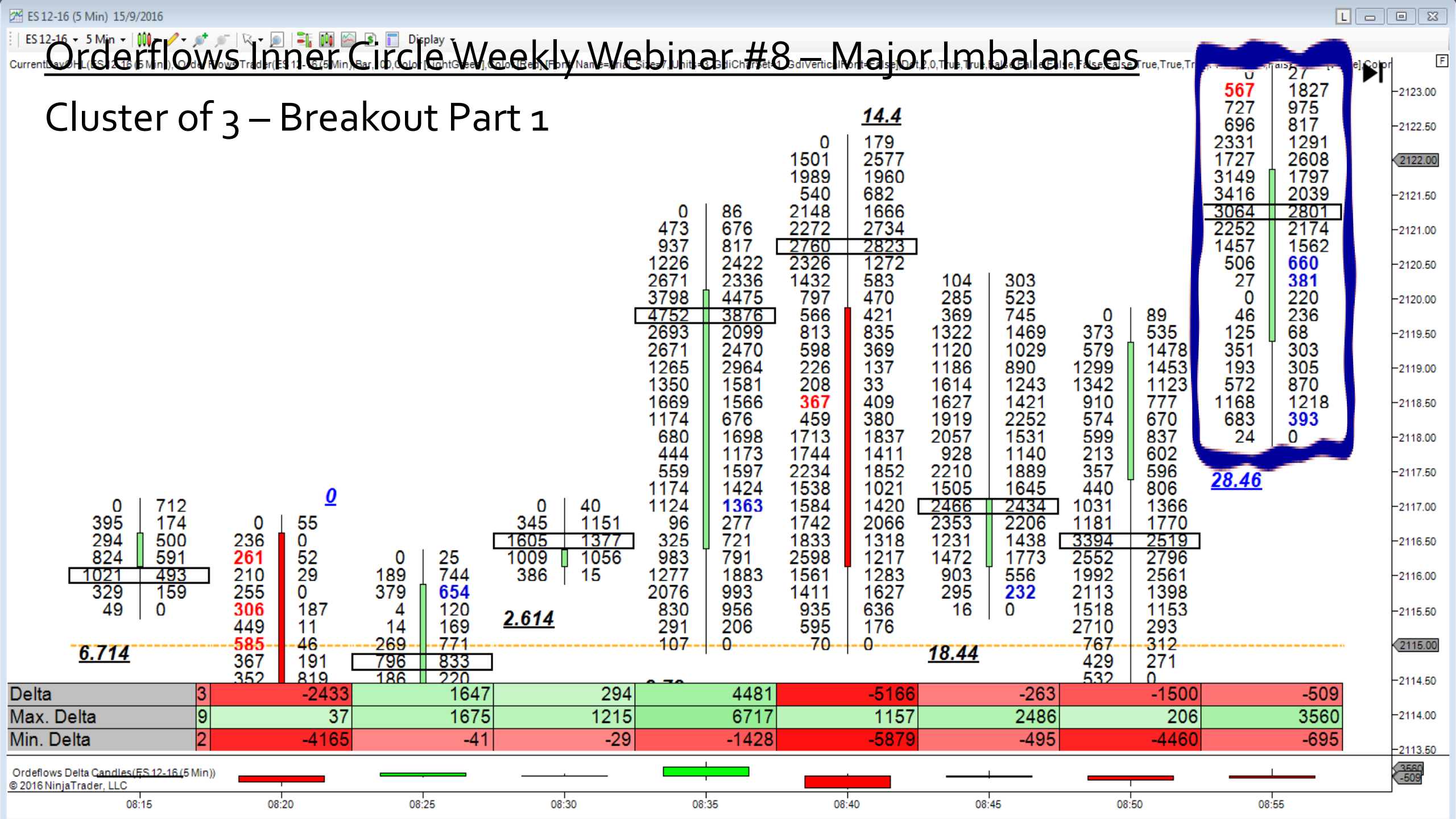
Cluster of 3 – Breakout Part 1



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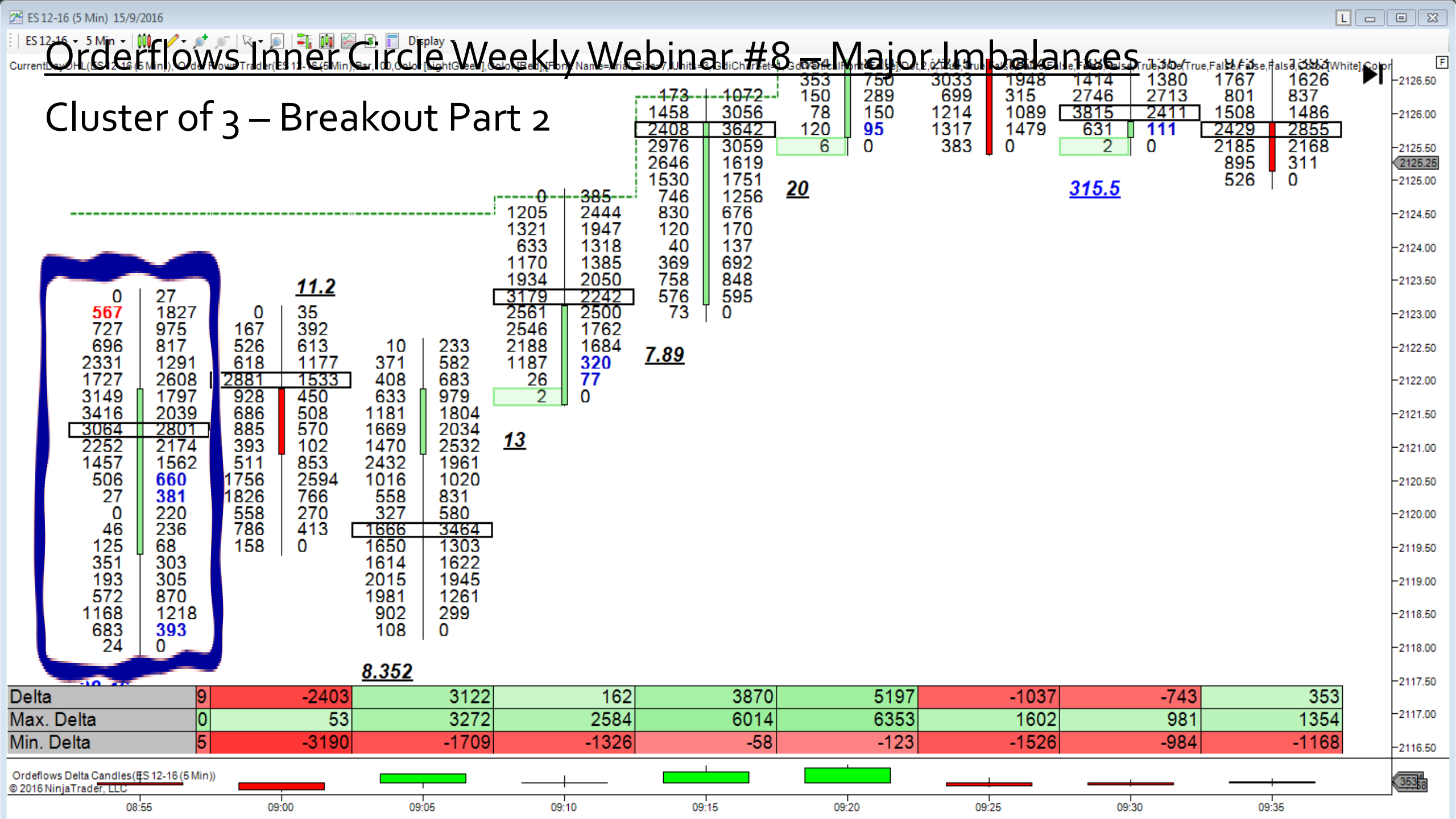
Cluster of 3 – Breakout Part 2



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Some limitations – market and volume.

Markets that have less volume tend to have less imbalances.

When you are looking at Major Imbalances in a thin market, its even less.

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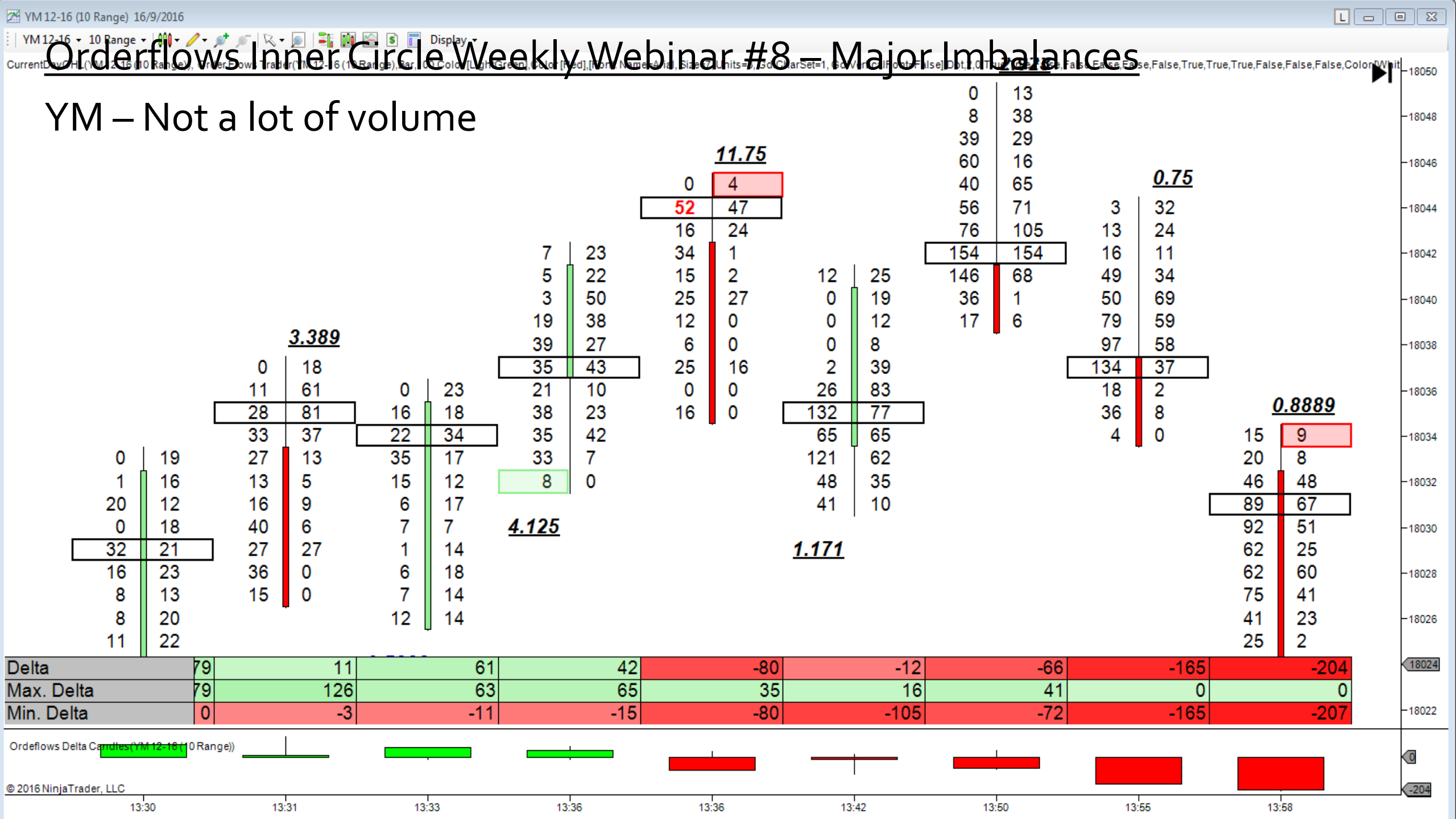
YM – Not a lot of volume



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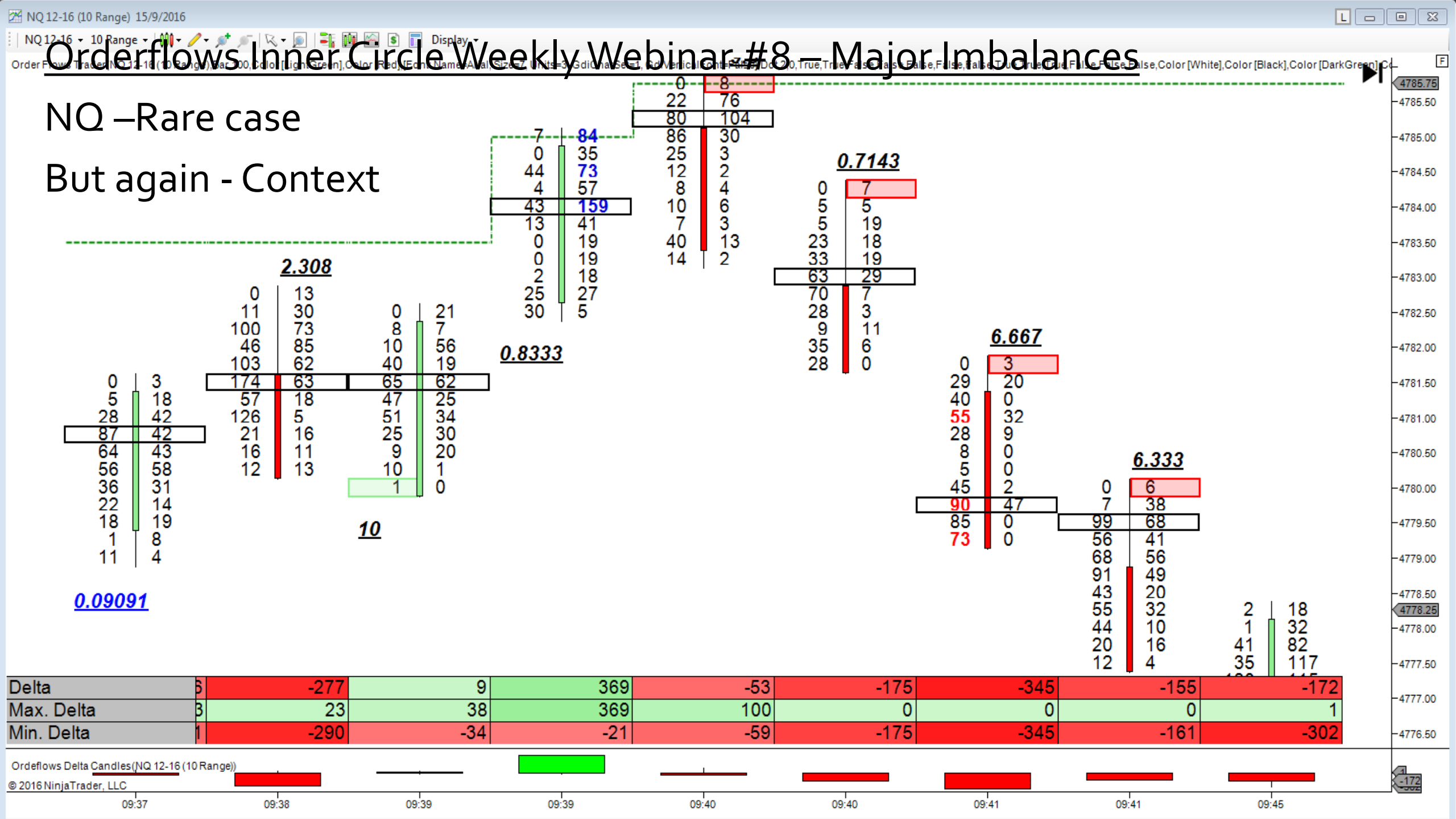
NQ –Rare case

But again - Context



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Cluster of 3.

3 imbalances over 1000% either in one bar or spread out over 2 bars.

Bars should be in same direction.

Take trades in context of the market.

Thank You!