

Next Level Order Flow
Module 2:
Order Flow Foundations

Disclaimer

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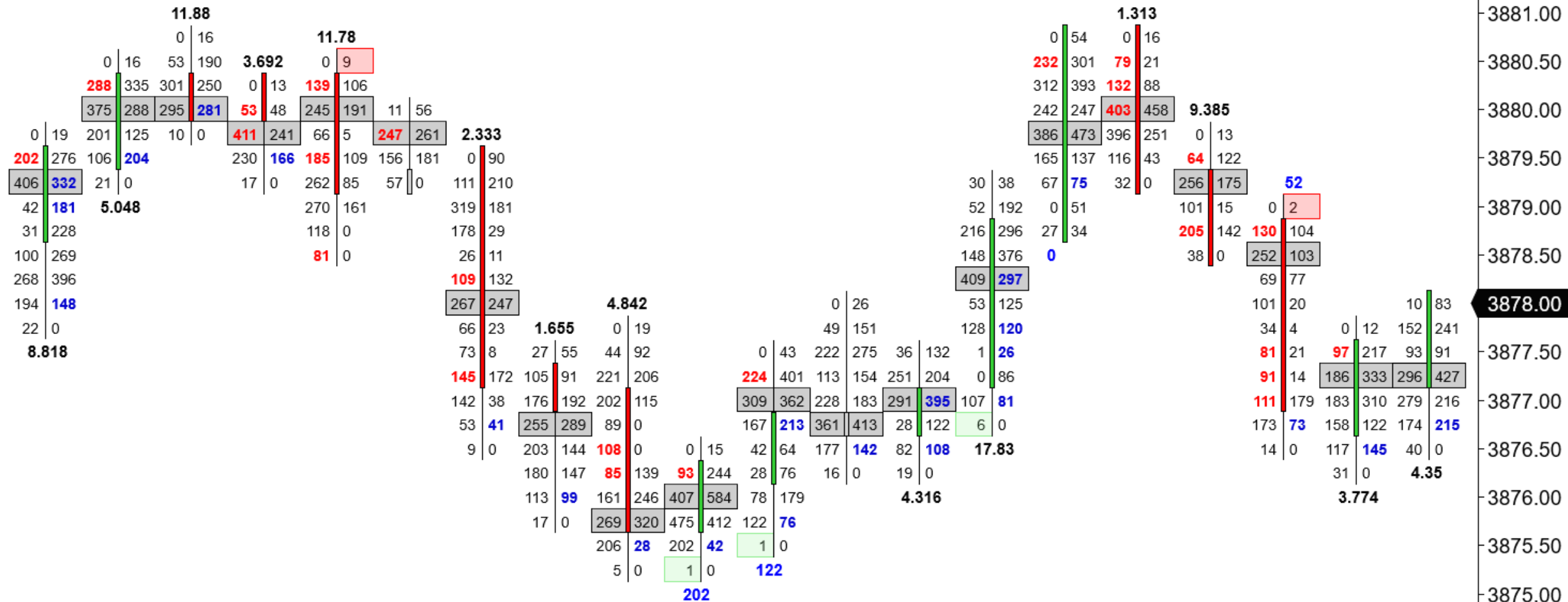
Before you build a building, you need to set a foundation.
In trading you do that understanding the fundamentals of
order flow analysis.

That begins with the building blocks of order flow which
consists of Delta, POC and Imbalances.

Order Flows Trader(ES 03-21 (1 Minute)), Current day OHL(ES 03-21 (1 Minute))

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2/5/2021 14:22:00 - 2/5/2021 14:41:00



Delta	-23	78	-243	-700	27	-316	-59	-225	119	443	178	254	487	334	-281	-197	-459	367	229
Max. Delta	262	200	2	64	126	87	31	98	162	602	227	341	531	399	16	0	3	396	229
Min. Delta	-144	-50	-312	-755	-17	-383	-283	-374	-135	-13	-33	-7	-30	-2	-376	-202	-487	-25	-104
Cum. Delta	8701	-8623	-8866	-9566	-9539	-9855	-9914	-10139	-10020	-9577	-9399	-9145	-8658	-8324	-8605	-8802	-9261	-8894	-8665
Volume	1959	1396	1179	2032	969	2680	2093	2555	2475	2385	2510	1668	2787	3196	2035	1131	1653	1911	2317

Support and resistance

What really makes support and resistance?

Buyers make support.

Sellers make resistance.

There is not some imaginary line where the market just automatically stops at.

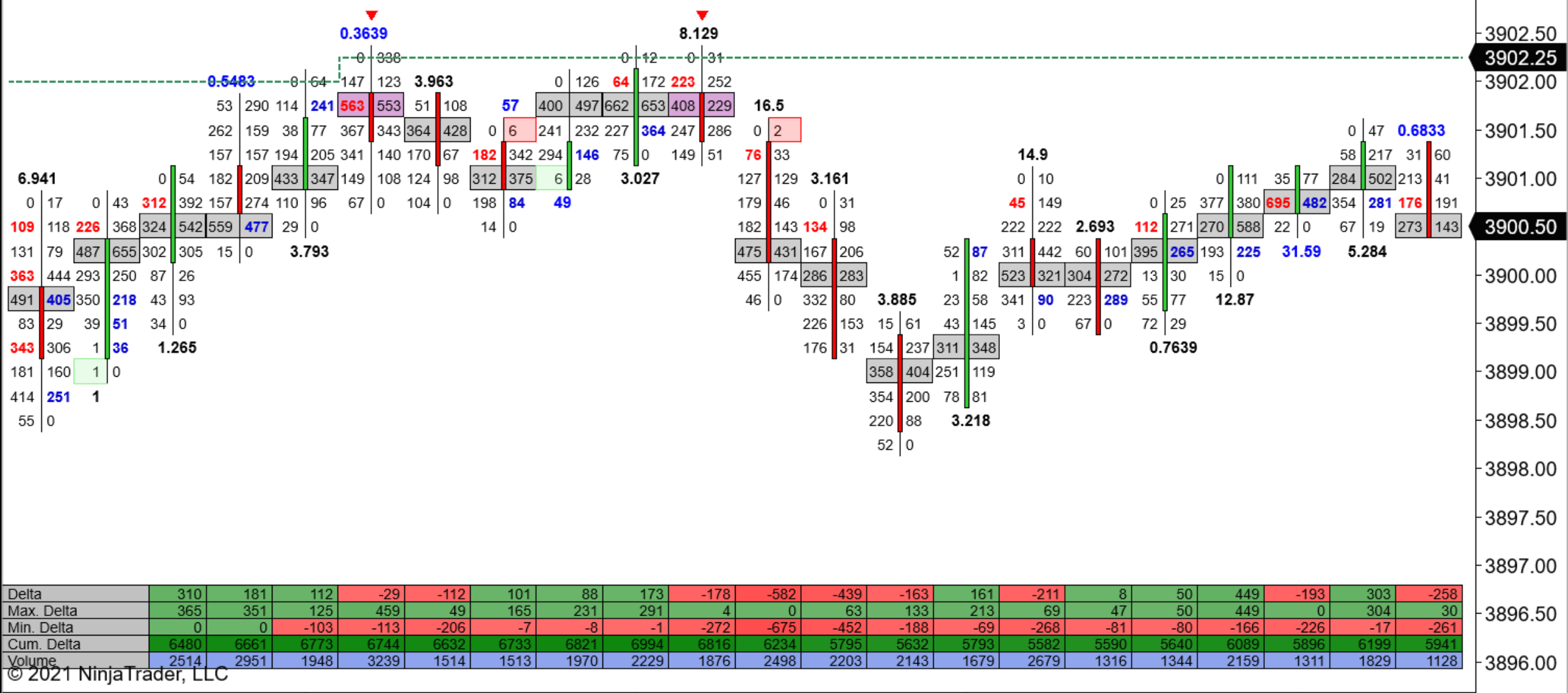
Can you see buyers and sellers on a candlestick chart? No.

Order Flows Trader(ES 03-21 (1 Minute)), Current day OHL(ES 03-21 (1 Minute))

2/8/2021 09:01:00 - 2/8/2021 09:22:00

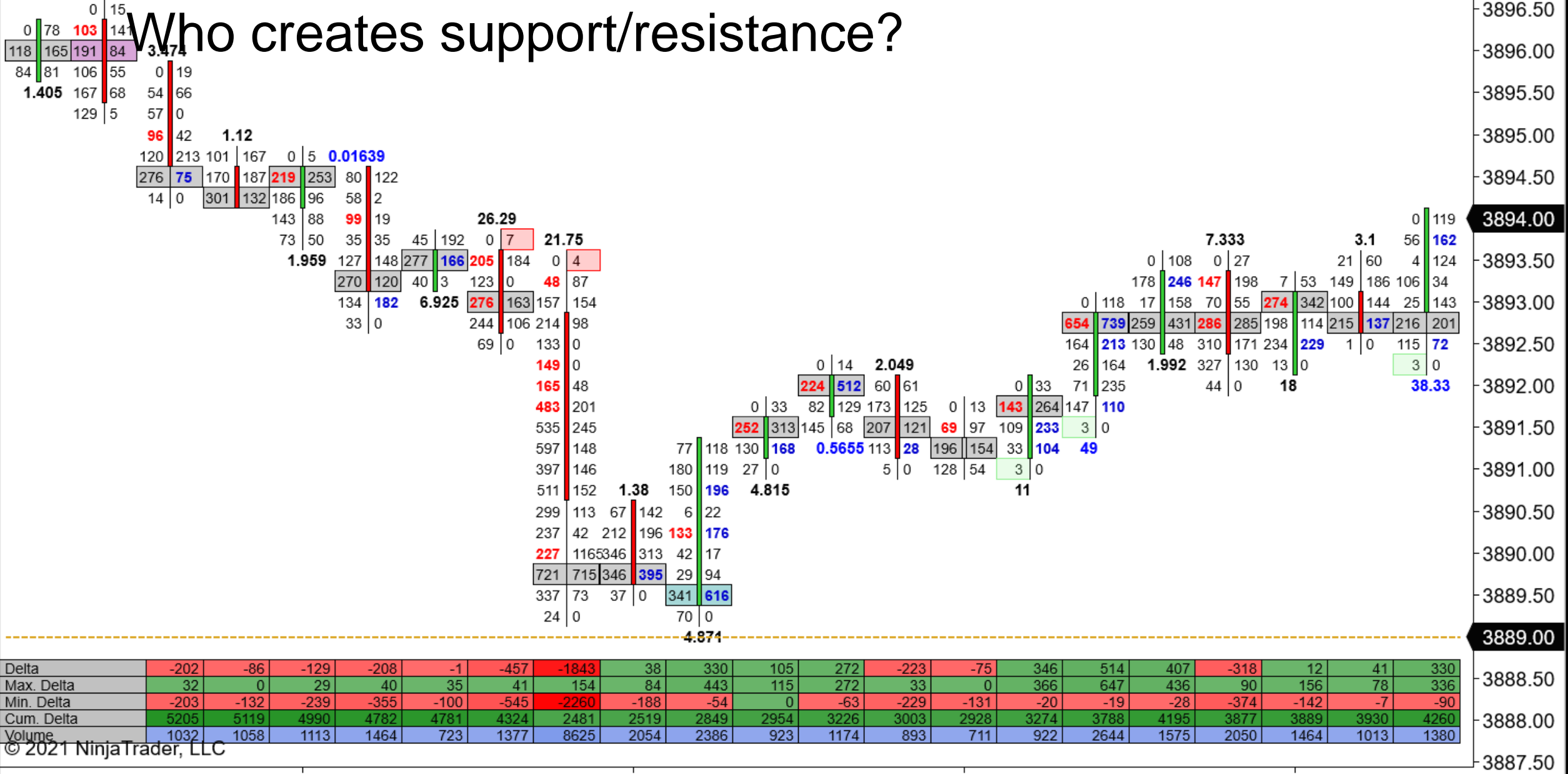
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Who creates support/resistance?



Order Flows Trader(ES 03-21 (1 Minute)), Current day OHL(ES 03-21 (1 Minute))

2/8/2021 12:46:00 - 2/8/2021 13:07:00

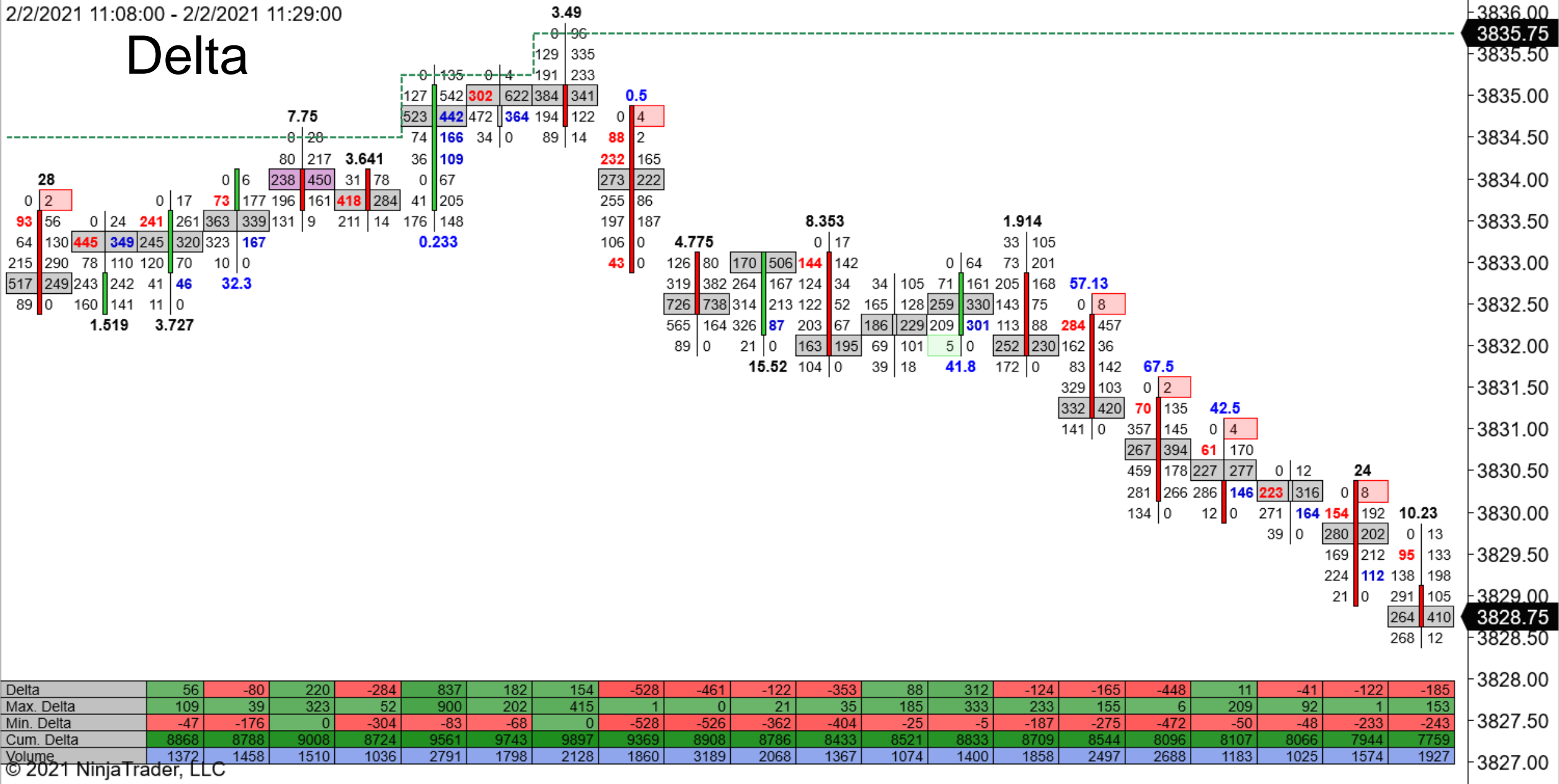


Delta by itself may have little insignificance. Don't trade it in a vacuum. Put it in context of the market and what is happening overall.

Order Flows Trader(ES 03-21 (1 Minute)), Current day OHL(ES 03-21 (1 Minute))

2/2/2021 11:08:00 - 2/2/2021 11:29:00

Delta



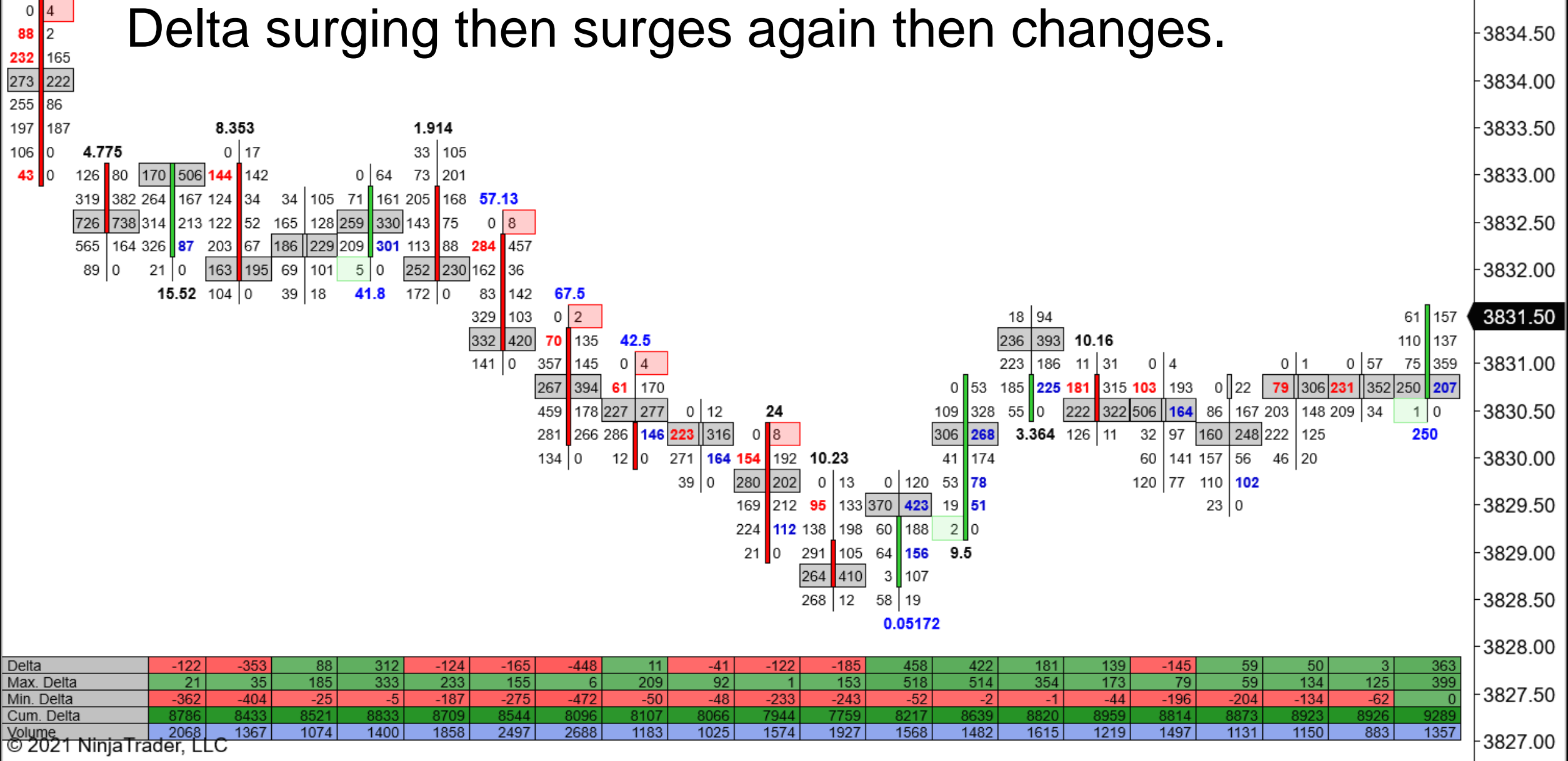
Delta

A common mistake that traders make with delta is they look at and say, “buyers are in control” or “sellers are in control.” While that is mostly true, the real power derived from delta is seeing control shifts in the market.

Order Flows Trader(ES 03-21 (1 Minute)), Current day OHL(ES 03-21 (1 Minute))

2/2/2021 11:17:00 - 2/2/2021 11:38:00

Delta surging then surges again then changes.

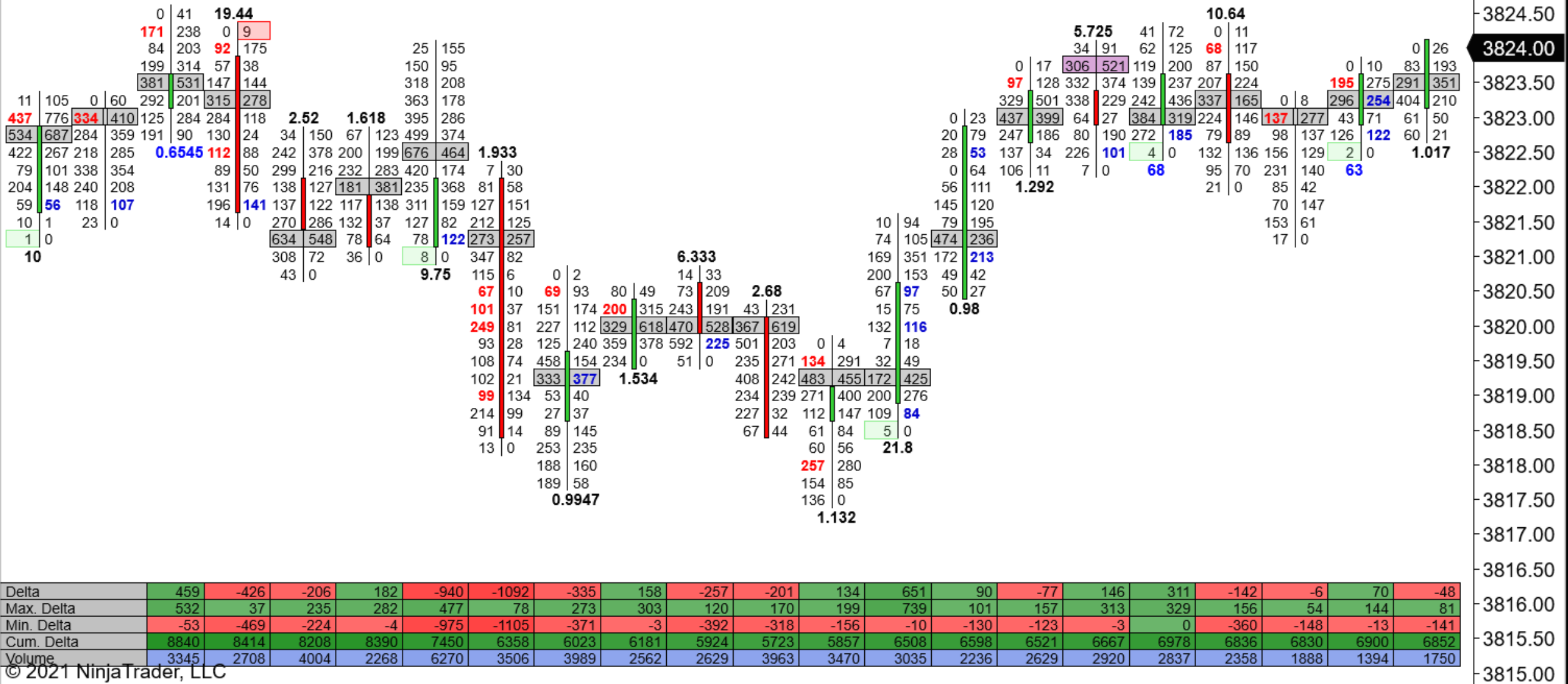


Delta

Imagine this scenario...there is a big seller in the market, and he sells and sells and sells some more, but price doesn't go down. This is where order flow will give you an edge over other traders. You will be able to see there was very strong downward pressure. On the order flow you see whack, whack, whack, but price doesn't budge. Someone is on the other side absorbing all that selling pressure. What do you think you will do as a trader?

Order Flows Trader(ES 03-21 (1 Minute)), Current day OHL(ES 03-21 (1 Minute))
2/2/2021 09:35:00 - 2/2/2021 09:56:00

Selling and selling but market not budging.



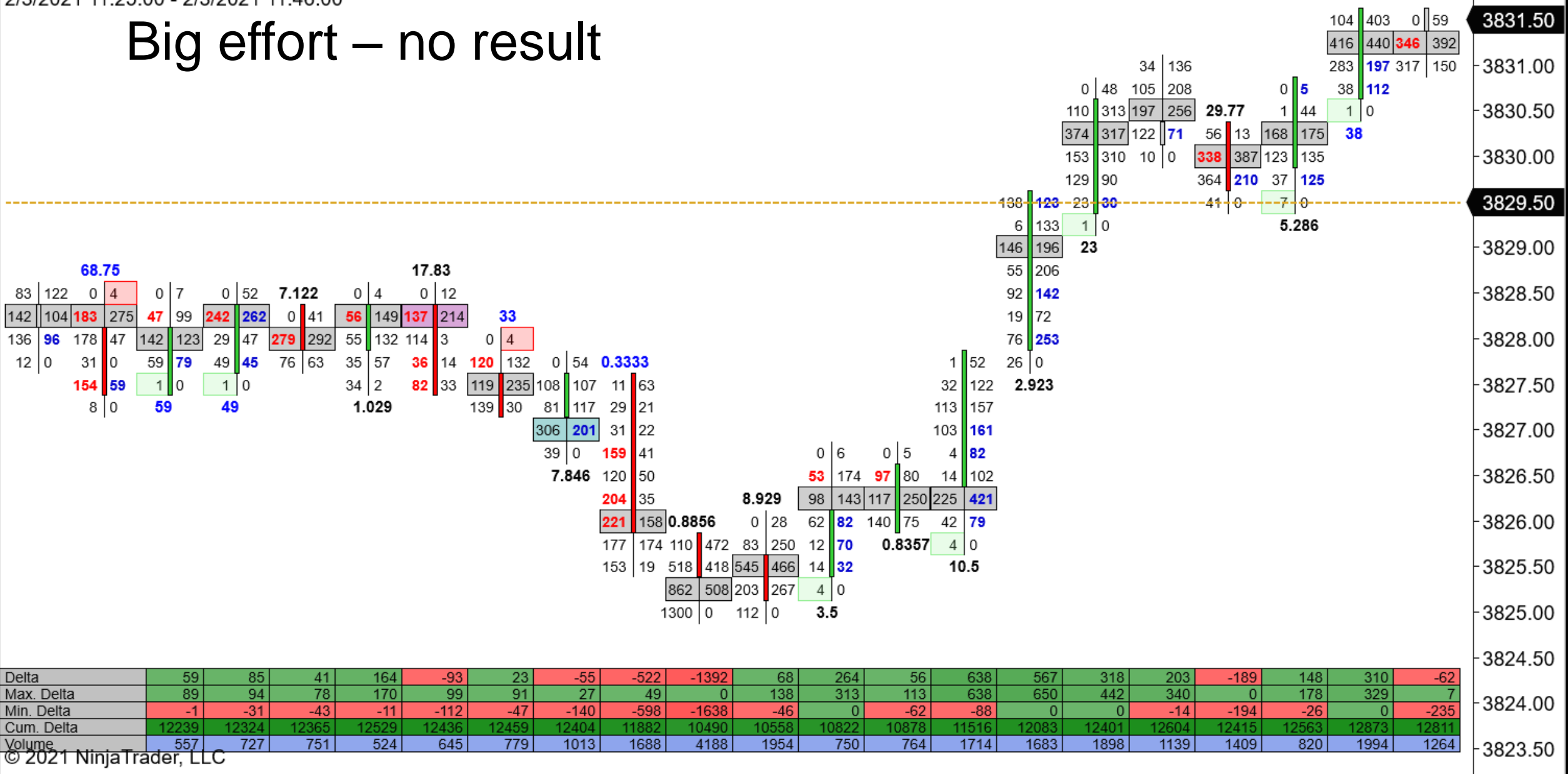
Delta & Effort

When traders put in effort, they expect to get paid. What does “effort” mean? If traders are selling and the market is barely going down, price is not responding to all the selling and holding because there is a big buying interest. Instead, buyers are responding to the selling and stepping up to support the market.

Order Flows Trader(ES 03-21 (1 Minute)), Current day OHL(ES 03-21 (1 Minute))

2/3/2021 11:25:00 - 2/3/2021 11:46:00

Big effort – no result

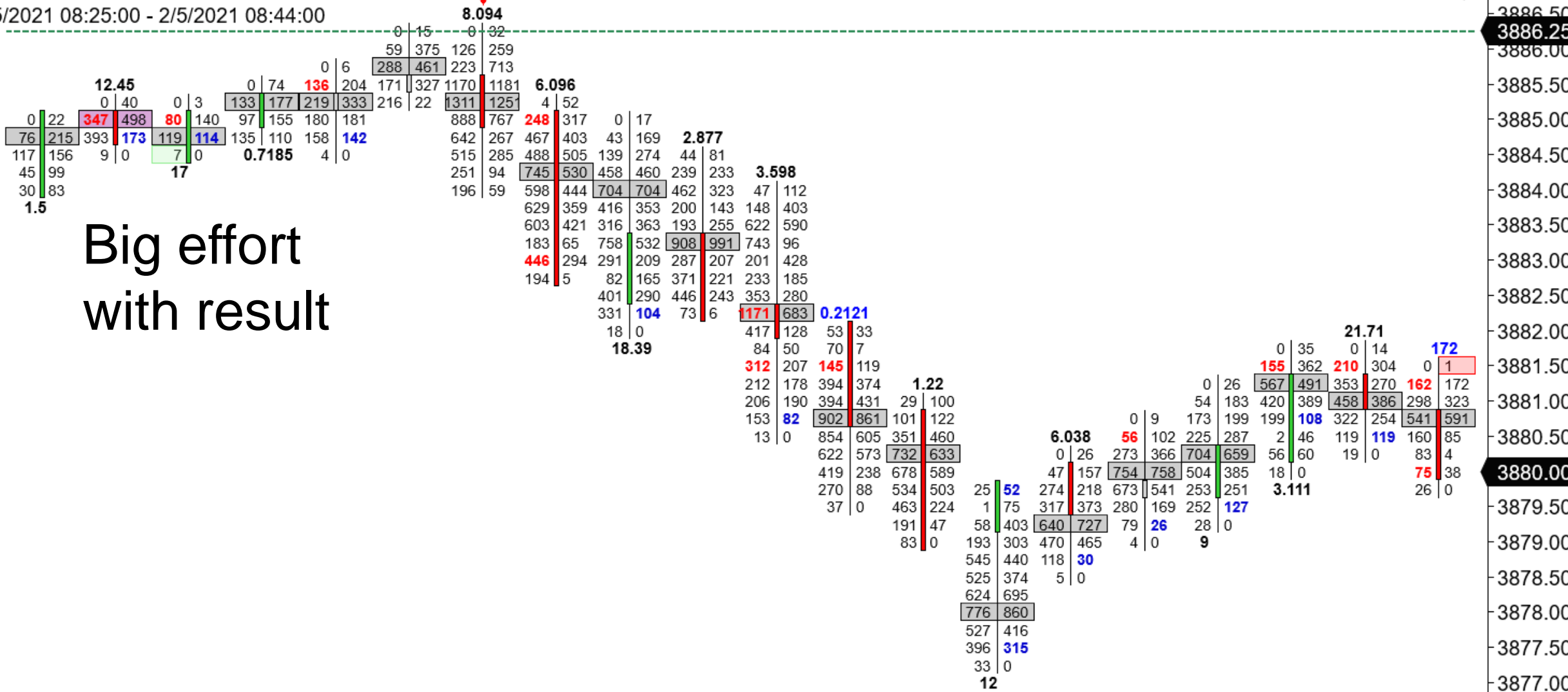


Delta & Effort

In a market with strong flow, let me give you an example, there is selling, selling, selling, and price keeps going lower and lower. There is a big seller in the market. The seller is putting in the effort and getting the result. Now the key to pay attention to is if the market remains at the new level it just moved to. If the market immediately reverts back, that is wasted effort.

Order Flows Trader(ES 03-21 (1 Minute)), Current day OHL(ES 03-21 (1 Minute))

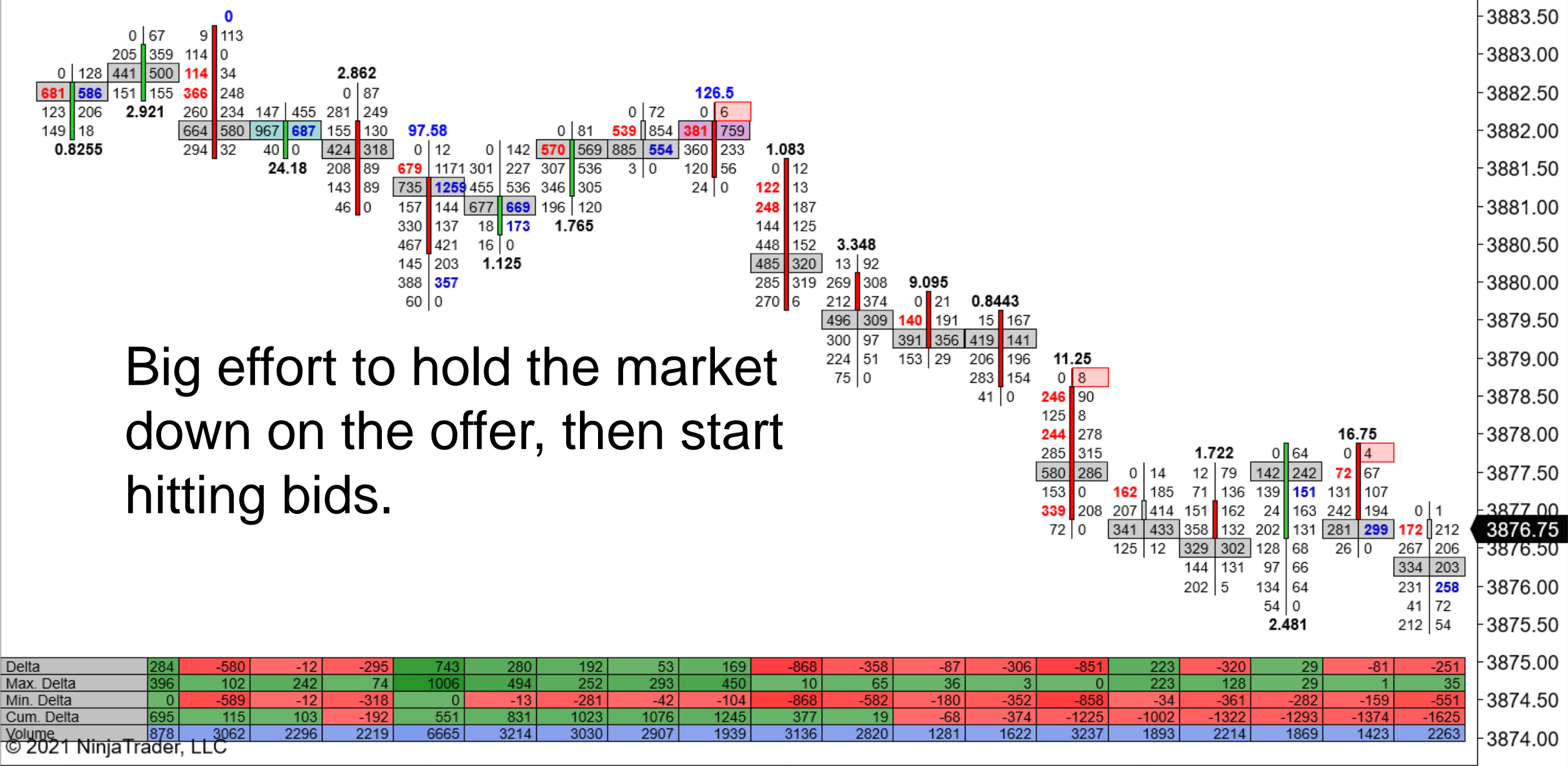
2/5/2021 08:25:00 - 2/5/2021 08:44:00



Delta	-38	51	151	169	466	-414	-1210	-317	-520	-1303	-831	-484	230	125	-148	-76	74	-134	-131
Max. Delta	168	98	201	209	505	48	87	0	274	0	0	163	237	219	111	126	125	25	81
Min. Delta	-91	-22	-71	-101	-2	-712	-1215	-413	-520	-1309	-982	-484	-479	-162	-338	-253	-138	-188	-148
Cum. Delta	326	6377	6528	6697	7163	6749	5539	5222	4702	3399	2568	2084	2314	2439	2291	2215	2289	2155	2024
Volume	460	463	881	1563	1934	10230	8000	7597	5926	8527	7489	5840	7636	3867	4090	4310	2908	2828	2559

Order Flows Trader(ES 03-21 (1 Minute)), Current day OHL(ES 03-21 (1 Minute))

2/5/2021 09:55:00 - 2/5/2021 10:14:00



Big effort to hold the market down on the offer, then start hitting bids.

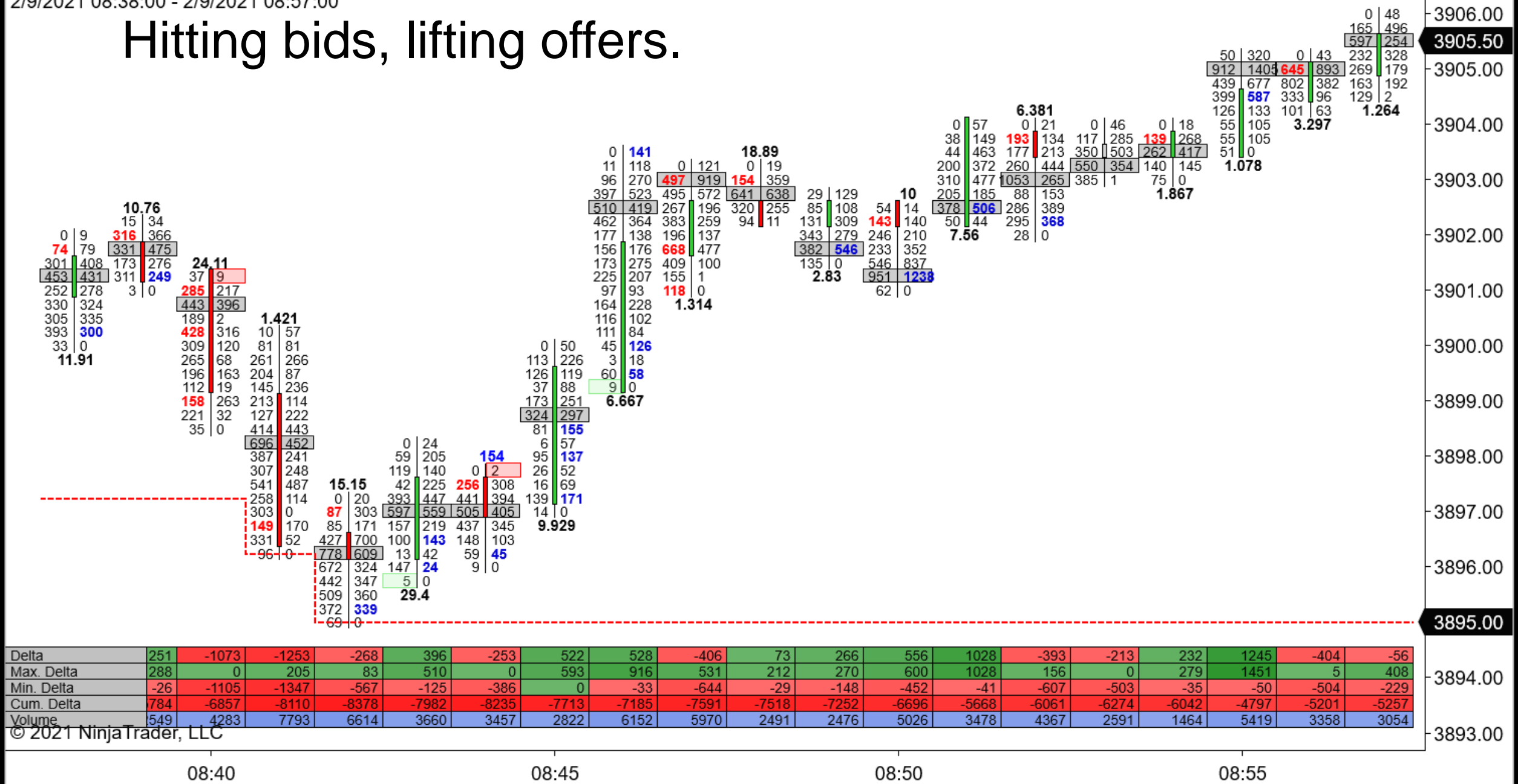
Delta & Effort

When there is strong flow in the market, you want to see traders constantly removing liquidity from the market. Traders are putting in a lot of effort to move price and it is more likely those new price levels will be defended. Hitting bids or buying offers.

Order Flows Trader(ES 03-21 (1 Minute)), Current day OHL(ES 03-21 (1 Minute))

2/9/2021 08:38:00 - 2/9/2021 08:57:00

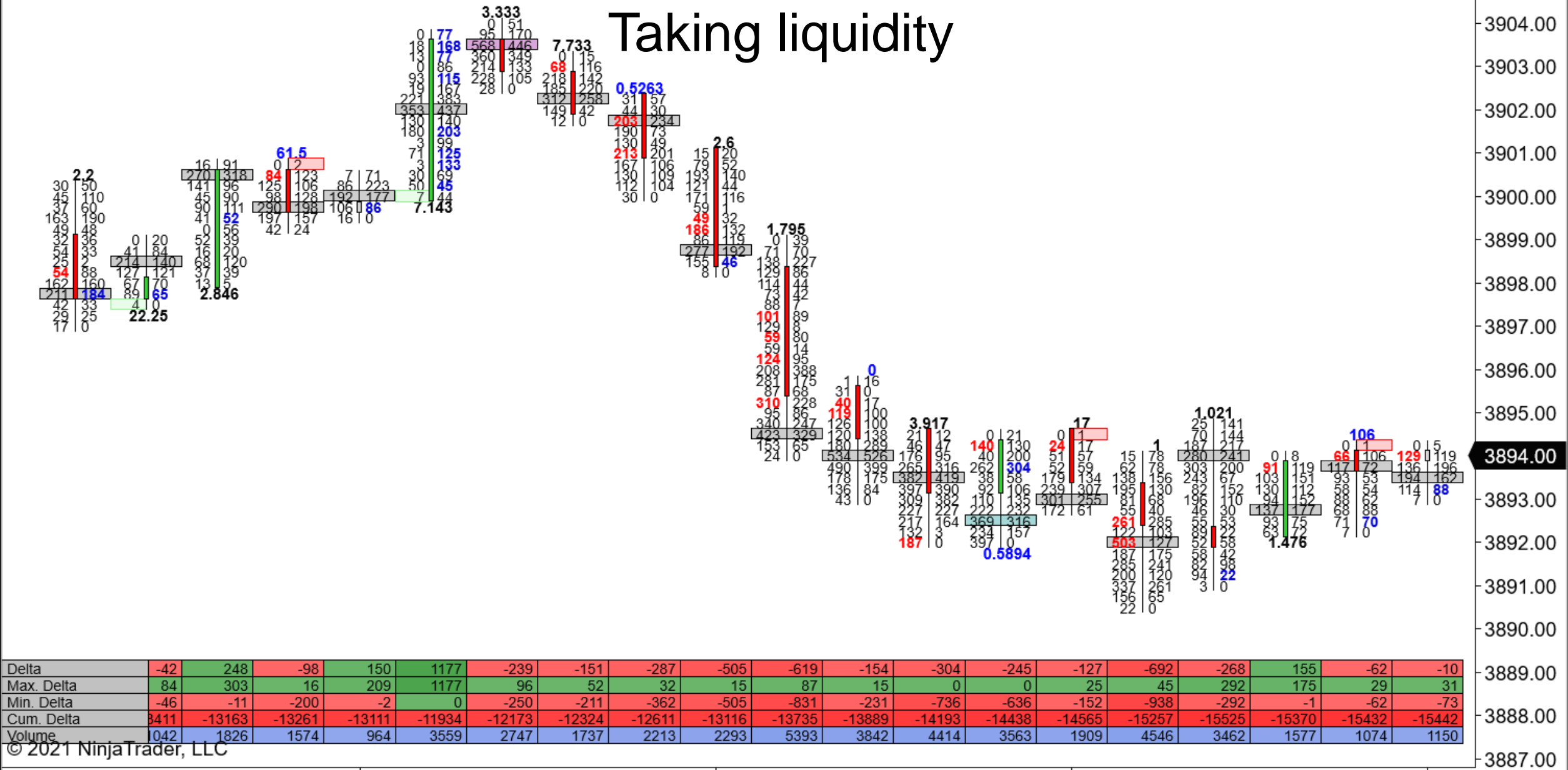
Hitting bids, lifting offers.



Order Flows Trader(ES 03-21 (1 Minute)), Current day OHL(ES 03-21 (1 Minute))

2/10/2021 10:51:00 - 2/10/2021 11:10:00

Taking liquidity



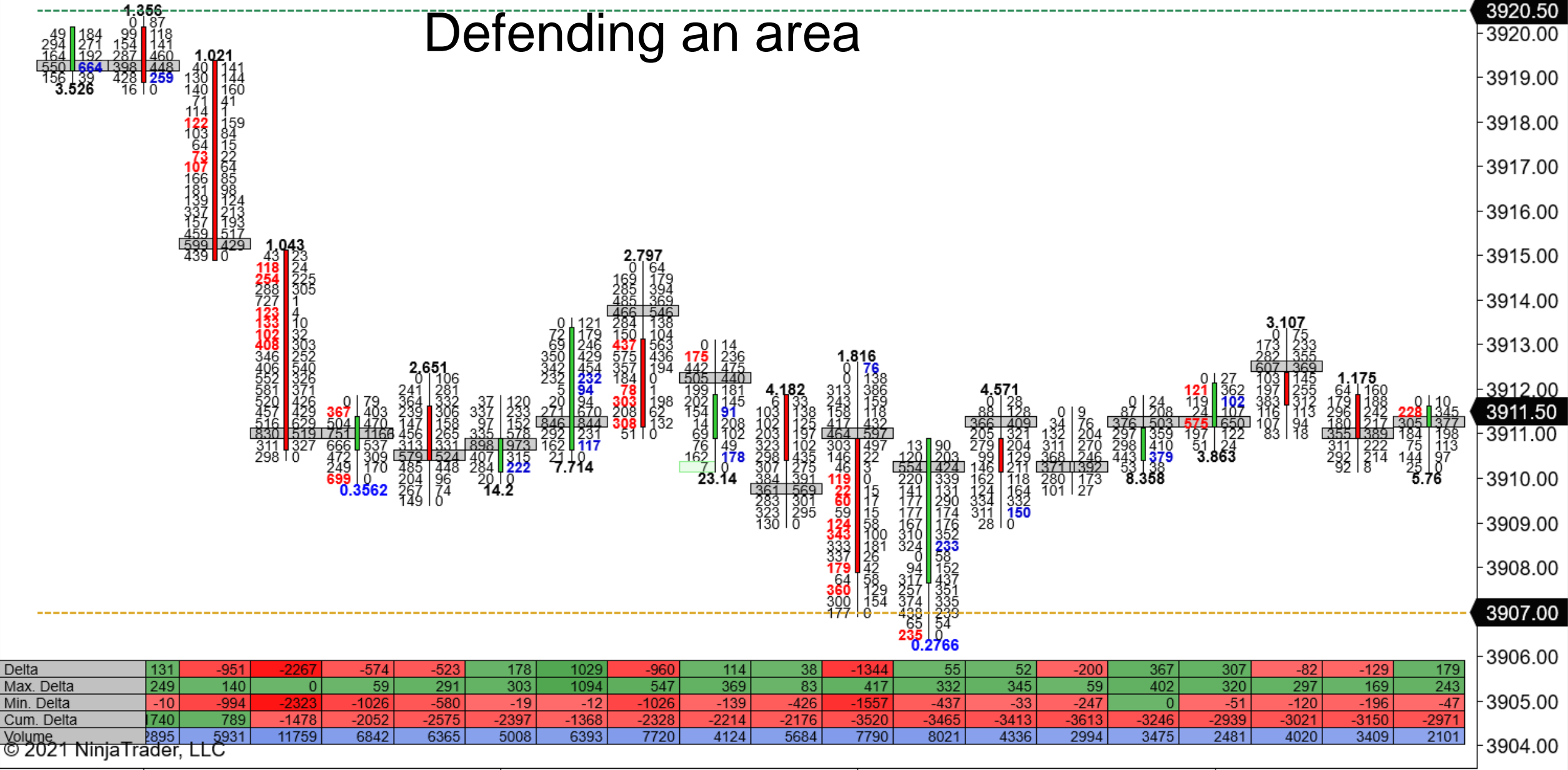
Delta & Effort

When there is strong flow in the market, you want to see traders constantly removing liquidity from the market. Traders are putting in a lot of effort to move price and it is more likely those new price levels will be defended.

Order Flows Trader(ES 03-21 (1 Minute)), Current day OHL(ES 03-21 (1 Minute))

2/11/2021 08:49:00 - 2/11/2021 09:08:00

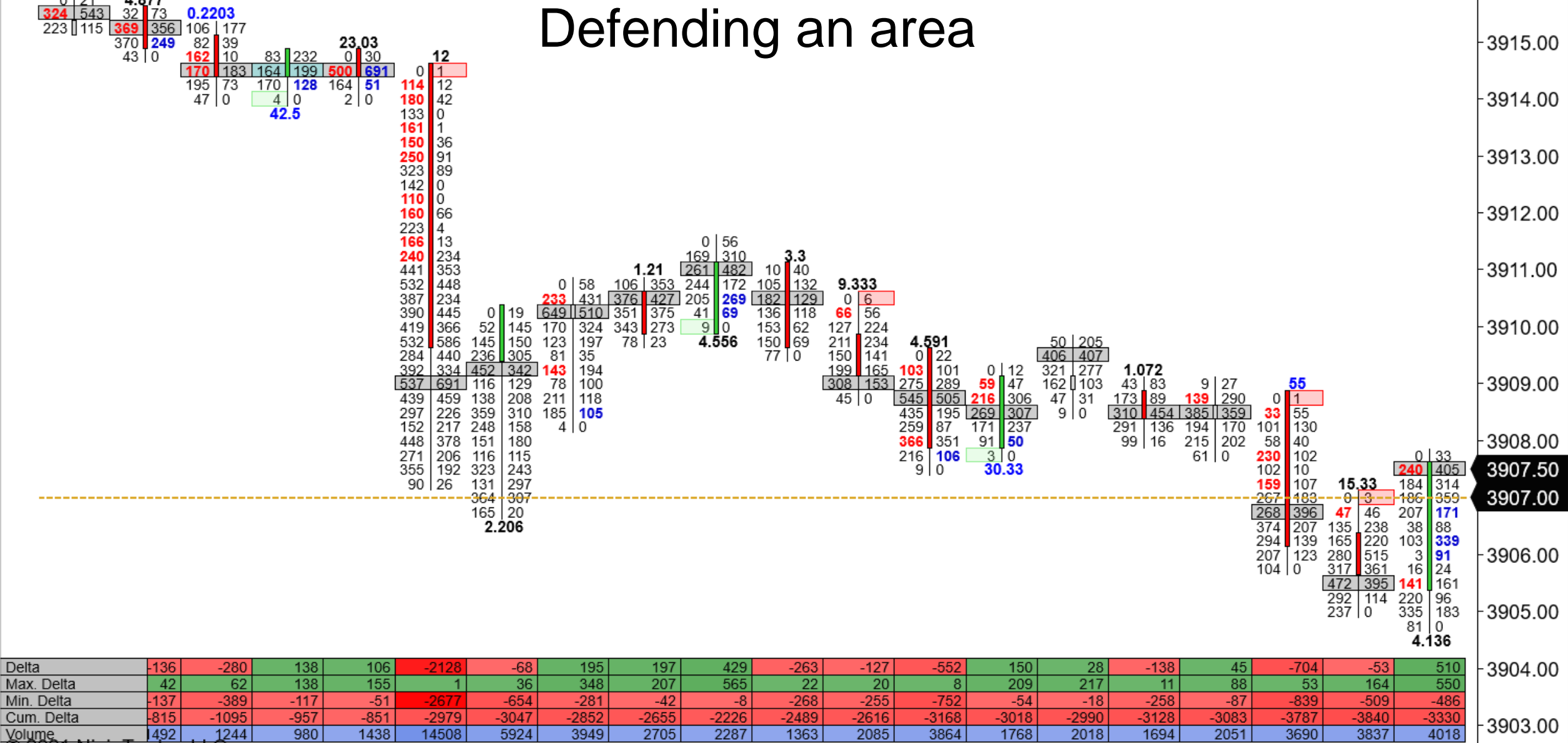
Defending an area



Order Flows Trader(ES 03-21 (1 Minute)), Current day OHL(ES 03-21 (1 Minute))

2/11/2021 09:55:00 - 2/11/2021 10:14:00

Defending an area



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3762.00
3761.50
3761.00
3760.00
3759.00
3758.75
3758.00
3757.00
3756.00
3755.00
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Delta

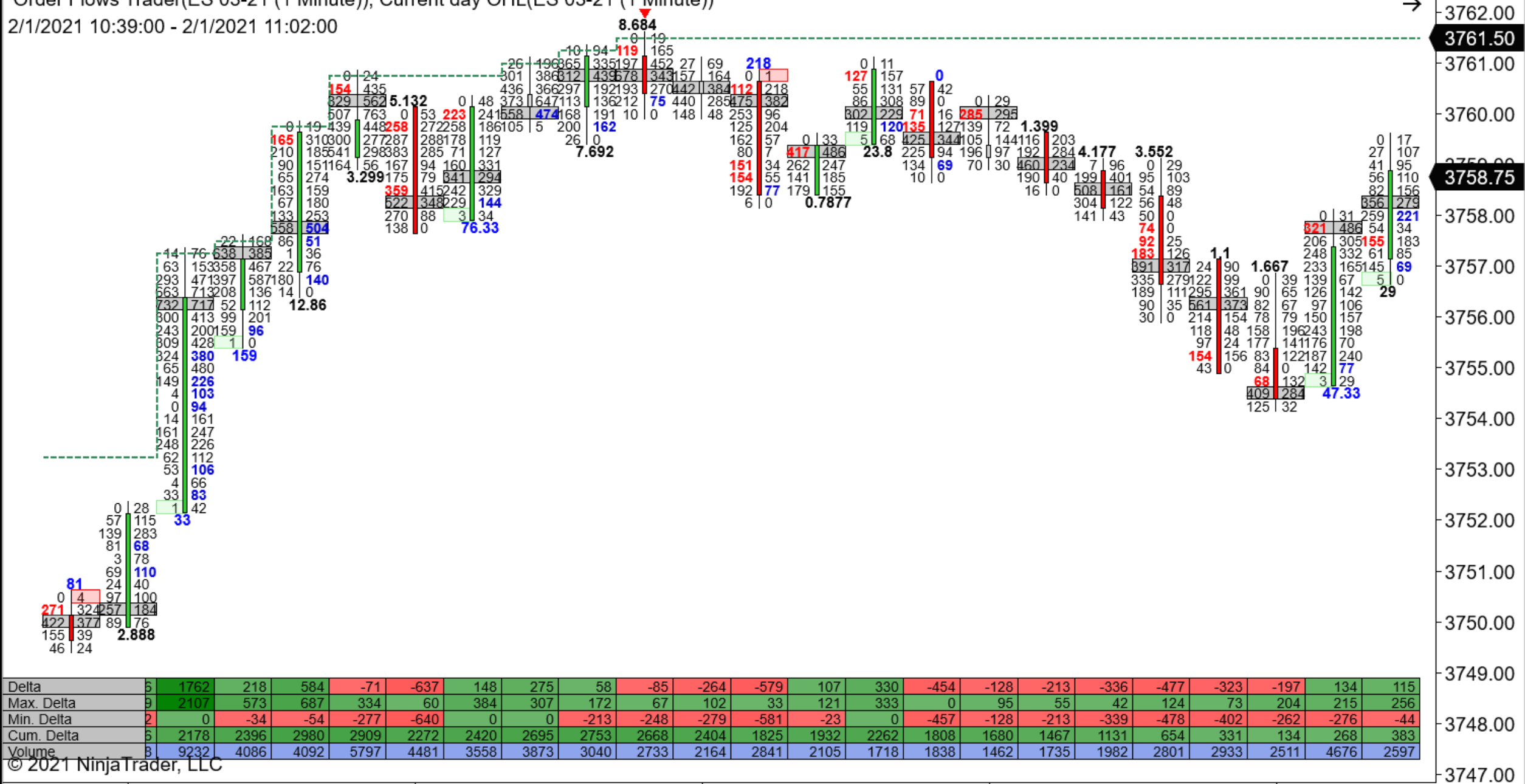
When you have heavy volume, and you see strong directional delta you are clearly seeing reward for effort. To get the strong delta, aggressive traders have to either lift large offers or sell large bids. This is strong positioning.

When you have average volume and small to average deltas, aggressive traders are buying small offers or selling small bids, there is not much effort being made to move the market. This is weak positioning.

Delta Volume is important when the market is around key levels. When you see strong positive delta volume around a key level get ready for a potential break out. But keep in mind it may not happen immediately. You need to give it a chance to play out.

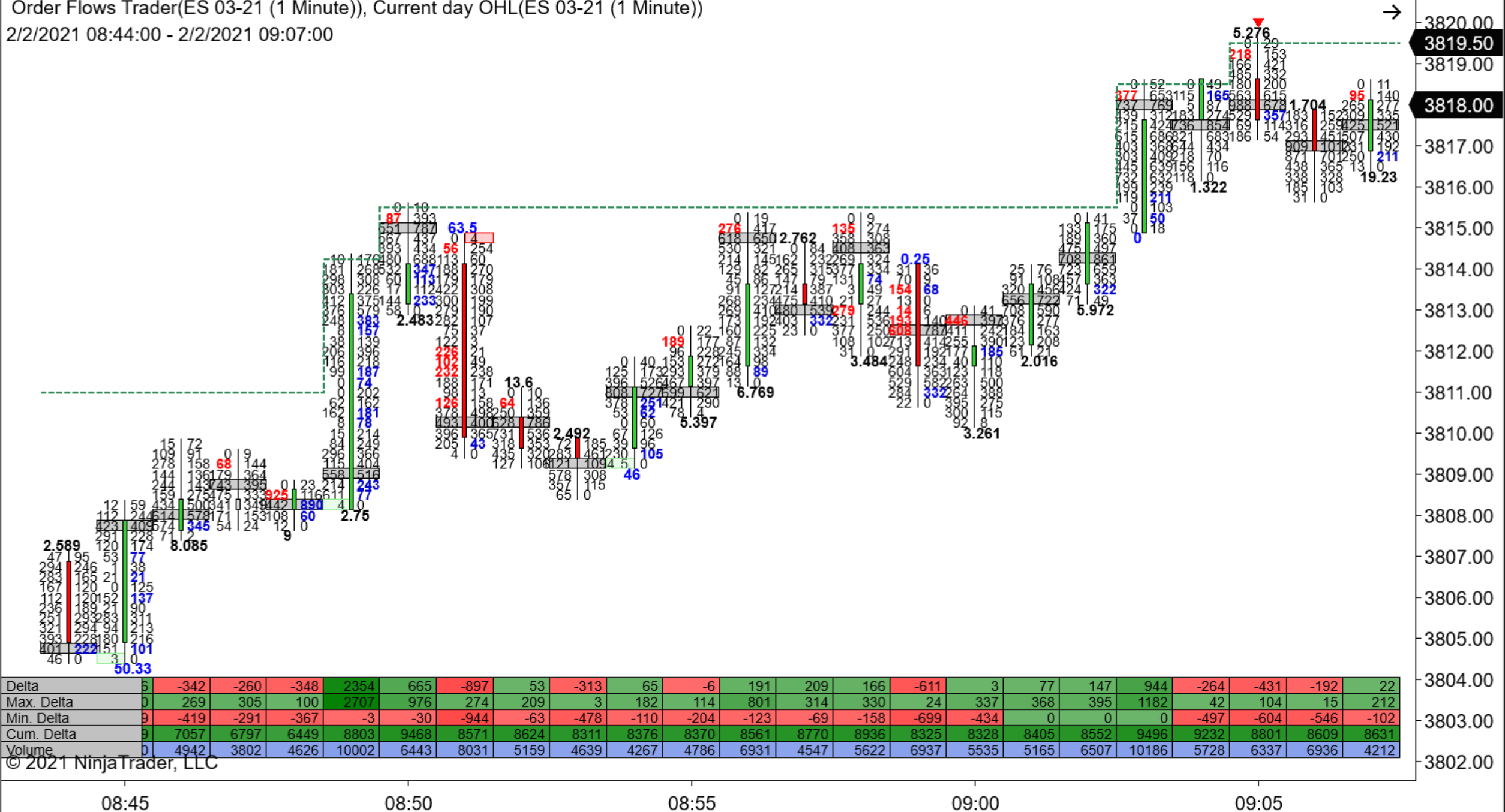
Order Flows Trader(ES 03-21 (1 Minute)), Current day OHL(ES 03-21 (1 Minute))

2/1/2021 10:39:00 - 2/1/2021 11:02:00



Delta	5	1762	218	584	-71	-637	148	275	58	-85	-264	-579	107	330	-454	-128	-213	-336	-477	-323	-197	134	115
Max. Delta	9	2107	573	687	334	60	384	307	172	67	102	33	121	333	0	95	55	42	124	73	204	215	256
Min. Delta	2	0	-34	-54	-277	-640	0	0	-213	-248	-279	-581	-23	0	-457	-128	-213	-339	-478	-402	-262	-276	-44
Cum. Delta	5	2178	2396	2980	2909	2272	2420	2695	2753	2668	2404	1825	1932	2262	1808	1680	1467	1131	654	331	134	268	383
Volume	8	9232	4086	4092	5797	4481	3558	3873	3040	2733	2164	2841	2105	1718	1838	1462	1735	1982	2801	2933	2511	4676	2597

Order Flows Trader(ES 03-21 (1 Minute)), Current day OHL(ES 03-21 (1 Minute))
2/2/2021 08:44:00 - 2/2/2021 09:07:00



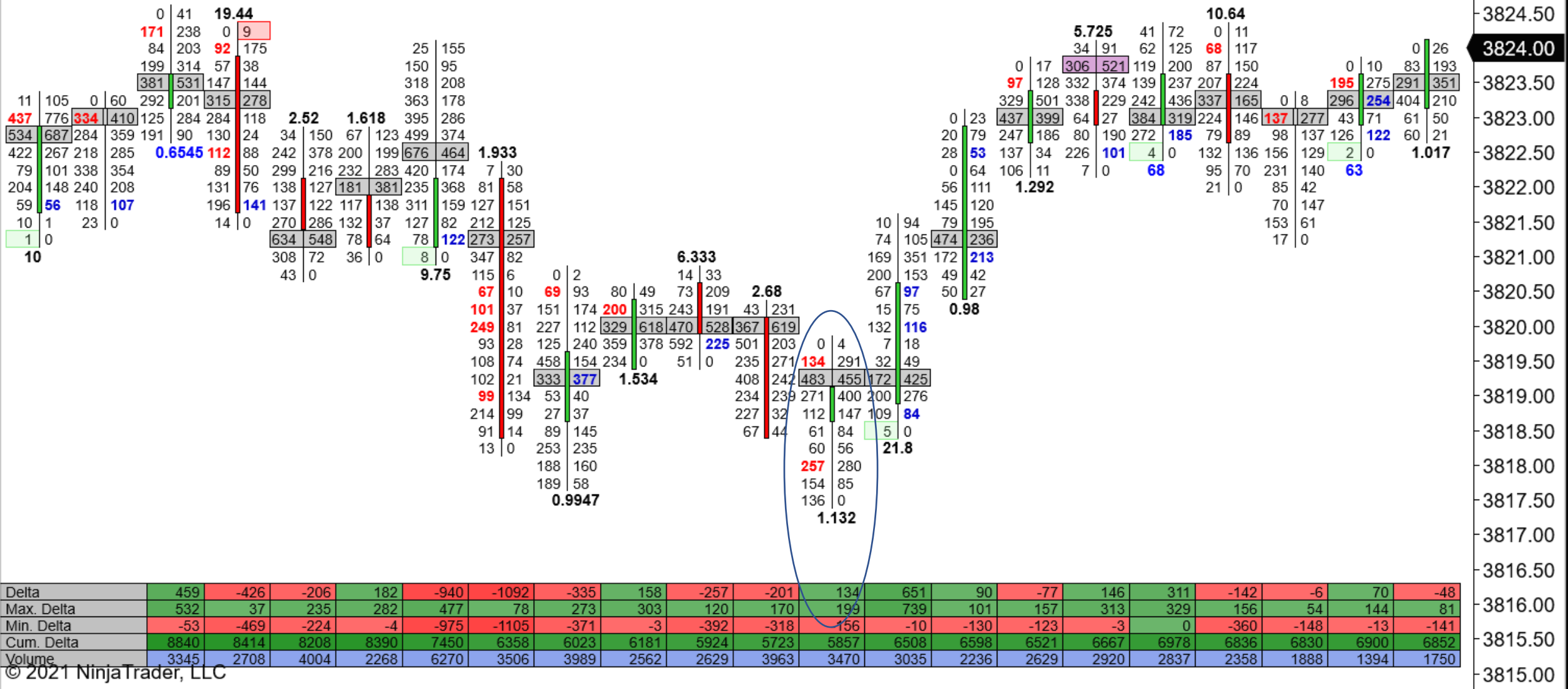
Liquidity - Delta

If prices fall but delta does not turn negative it means buyers weren't providing liquidity. What they did was take liquidity (by buying the offer).

Order Flows Trader(ES 03-21 (1 Minute)), Current day OHL(ES 03-21 (1 Minute))

2/2/2021 09:35:00 - 2/2/2021 09:56:00

Taking liquidity

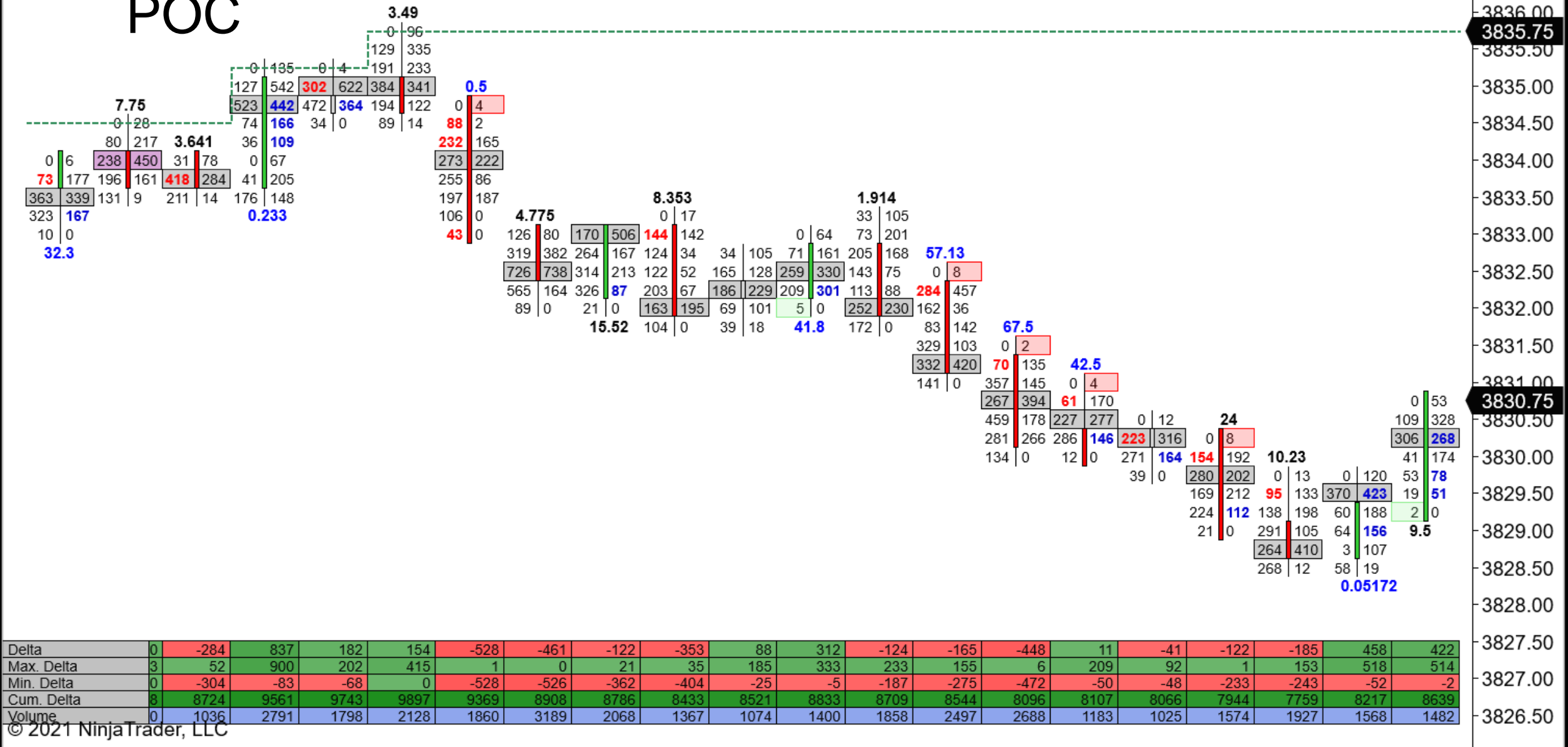


POC – A bar's POC is an important part of how a market unfolds before your eyes. POC is the price level in the bar where the most volume traded on the bid and offer, together.

Order Flows Trader(ES 03-21 (1 Minute)), Current day OHL(ES 03-21 (1 Minute))

2/2/2021 11:11:00 - 2/2/2021 11:31:00

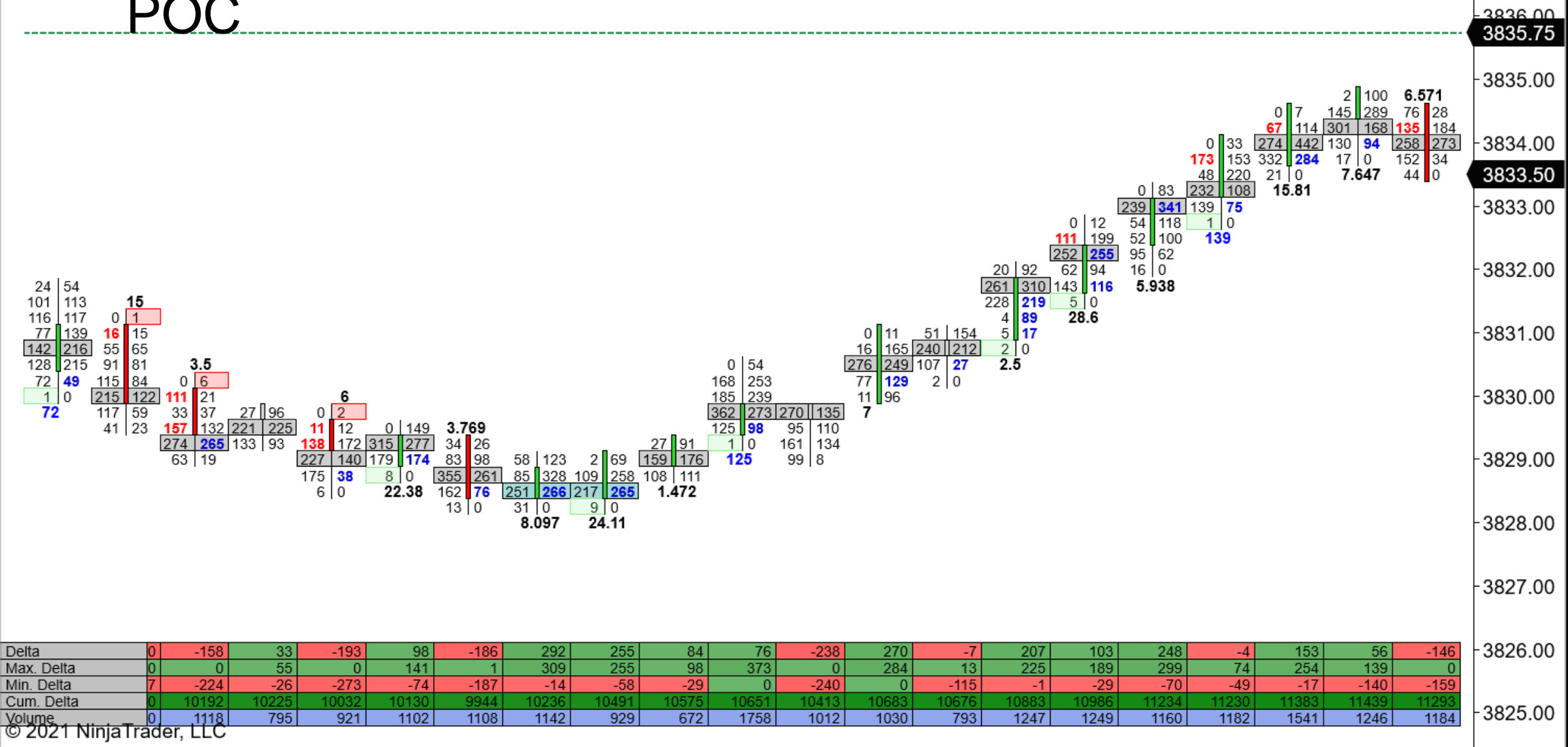
POC



Order Flows Trader(ES 03-21 (1 Minute)), Current day OHL(ES 03-21 (1 Minute))

2/2/2021 13:21:00 - 2/2/2021 13:41:00

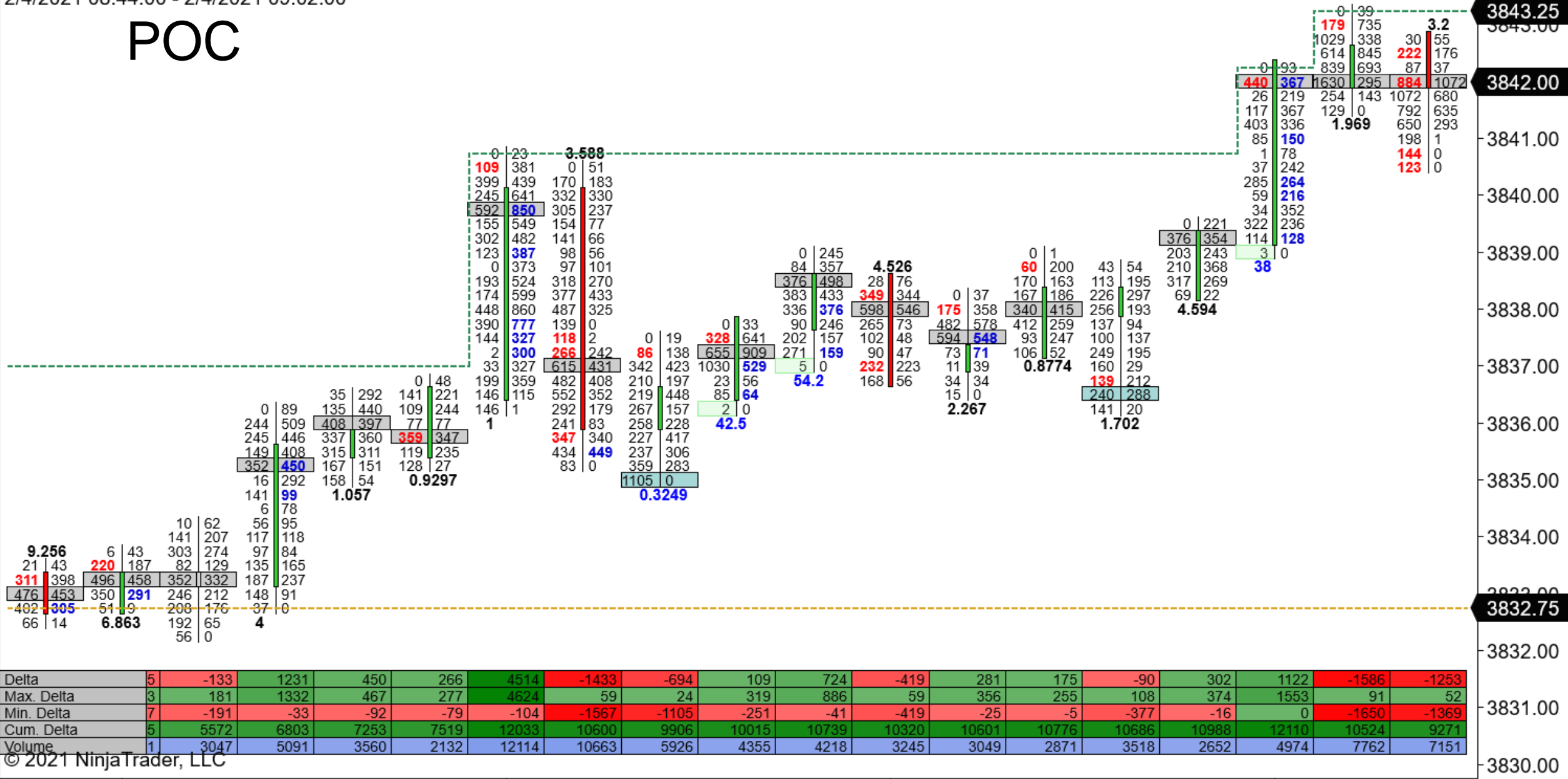
POC



Order Flows Trader(ES 03-21 (1 Minute)), Current day OHL(ES 03-21 (1 Minute))

2/4/2021 08:44:00 - 2/4/2021 09:02:00

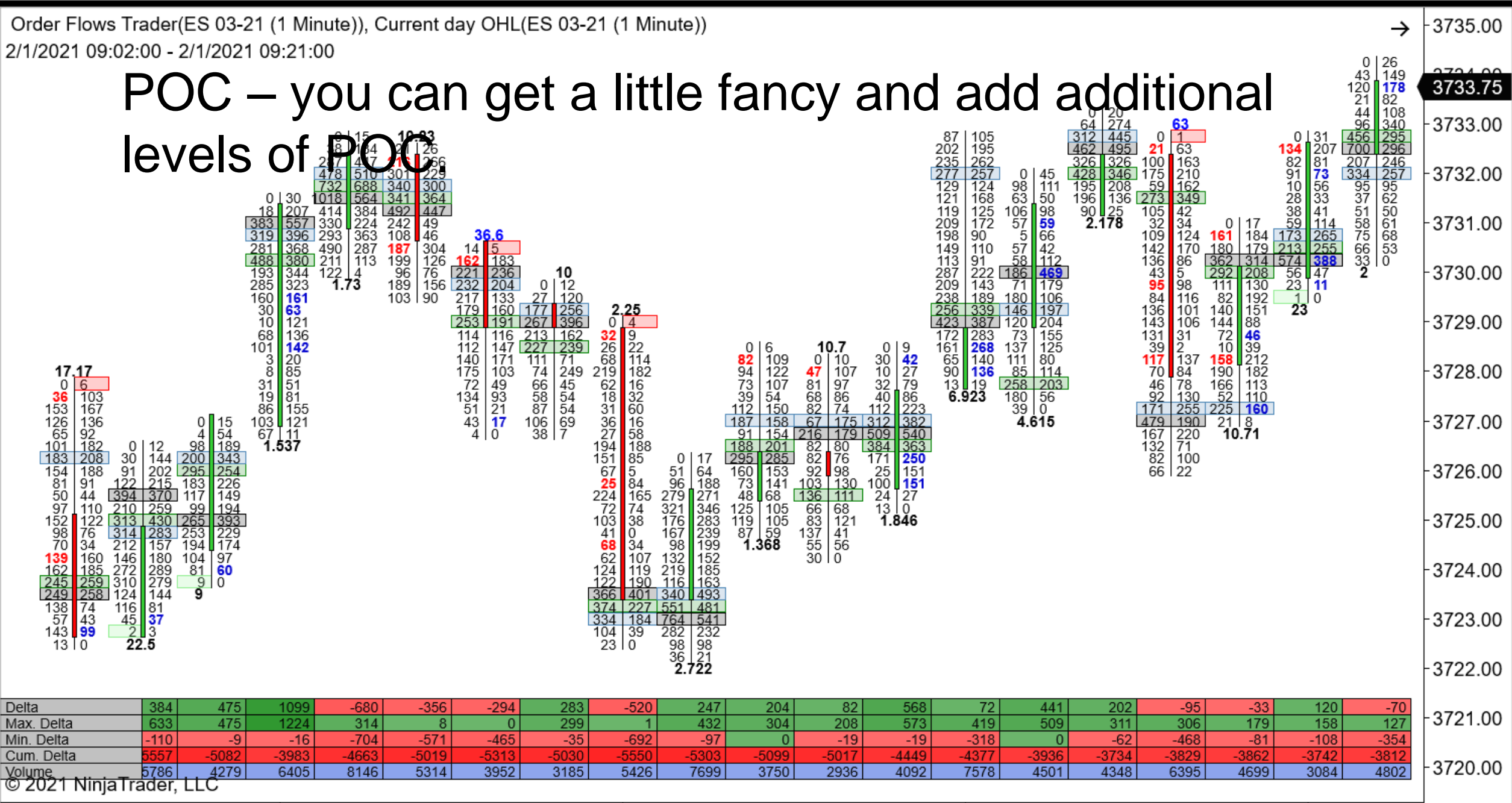
POC



Order Flows Trader(ES 03-21 (1 Minute)), Current day OHL(ES 03-21 (1 Minute))

2/1/2021 09:02:00 - 2/1/2021 09:21:00

POC – you can get a little fancy and add additional levels of POC



Delta	189	-106	-167	114	69	-42	248	-98	150	1177	-239	-151	-287	-505	-619	-154	-304	-245	-127
Max. Delta	190	12	0	149	208	84	303	16	209	1177	96	52	32	15	87	15	0	0	25
Min. Delta	0	-148	-171	-8	0	-46	-11	-200	-2	0	-250	-211	-362	-505	-831	-231	-736	-636	-155
Cum. Delta	3279	-13385	-13552	-13438	-13369	-13411	-13163	-13261	-13111	-11934	-12173	-12324	-12611	-13116	-13735	-13889	-14193	-14438	-14565
Volume	1877	1122	919	1438	1969	1042	1826	1574	964	3559	2747	1737	2213	2293	5393	3842	4414	3563	1909

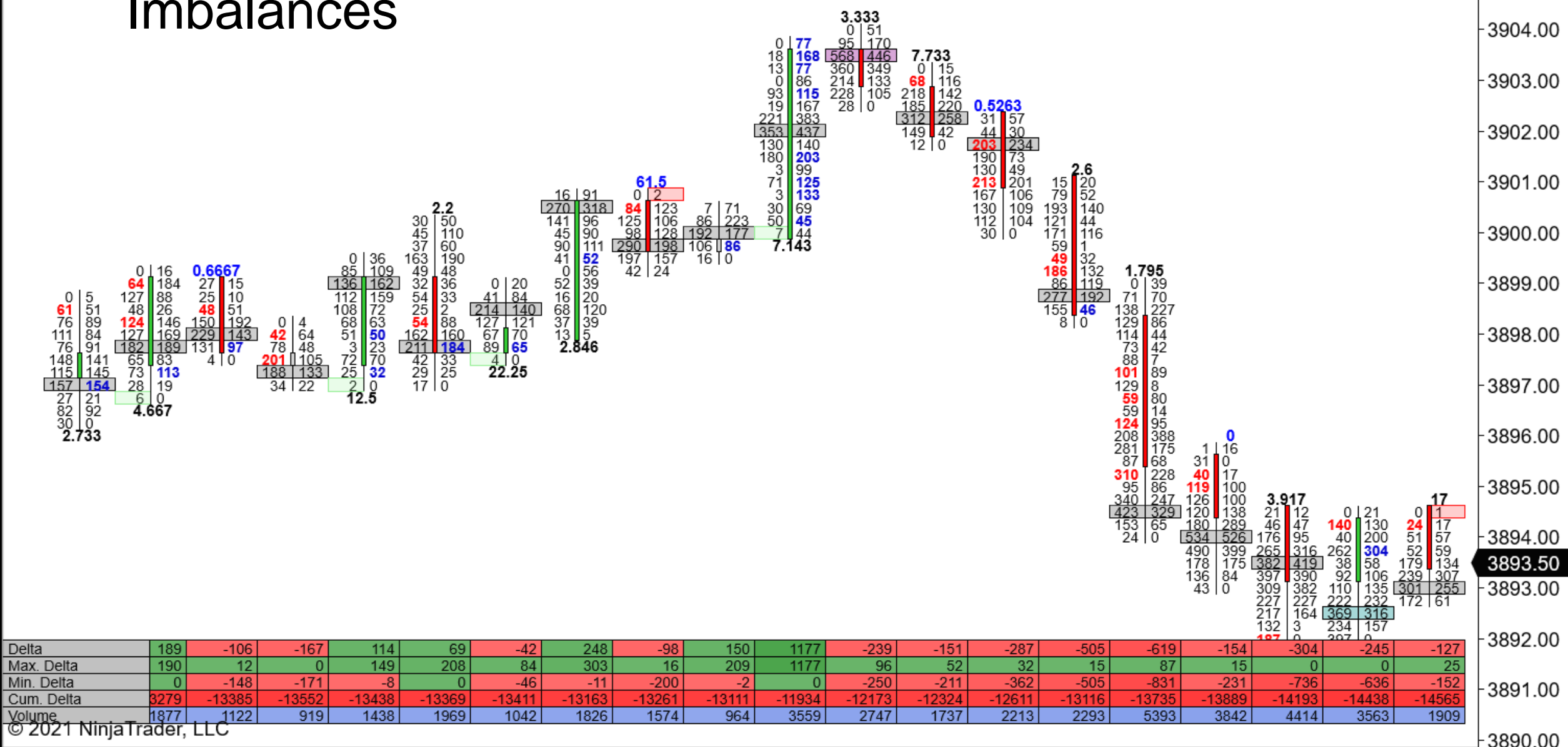
Imbalances

Most of the volume in the footprint is just the market facilitating trade. When groups of imbalances occur, that means there is pressure in the market. When the pressure starts to show strength, the probability of price going in that direction is greatly enhanced.

Order Flows Trader(ES 03-21 (1 Minute)), Current day OHL(ES 03-21 (1 Minute))

2/10/2021 10:46:00 - 2/10/2021 11:05:00

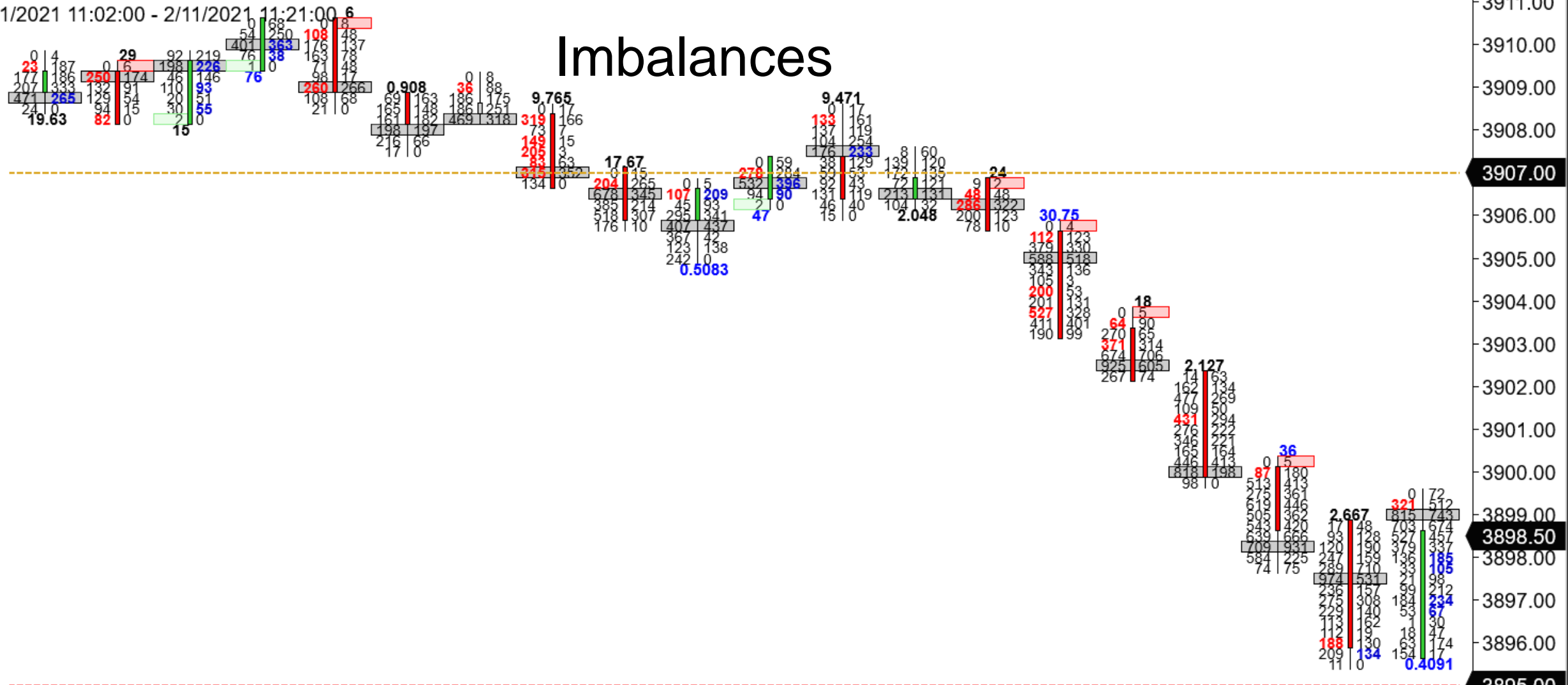
Imbalances



Order Flows Trader(ES 03-21 (1 Minute)), Current day OHL(ES 03-21 (1 Minute))

2/11/2021 11:02:00 - 2/11/2021 11:21:00

Imbalances



Delta	-347	292	187	-335	-70	-37	-655	-805	-321	-77	237	-109	-116	-930	-712	-1314	-464	-297	457
Max. Delta	41	392	187	8	7	102	0	40	0	211	481	120	25	0	40	5	0	127	945
Min. Delta	-347	-2	-2	-424	-235	-297	-739	-811	-546	-135	0	-129	-119	-1041	-775	-1428	-766	-388	-67
Cum. Delta	3404	-3112	-2925	-3260	-3330	-3367	-4022	-4827	-5148	-5225	-4988	-5097	-5213	-6143	-6855	-8169	-8633	-8930	-8473
Volume	1027	1288	1251	1675	1582	1717	1901	3117	2851	1735	2099	1307	1126	5182	4430	5370	8632	5929	7471

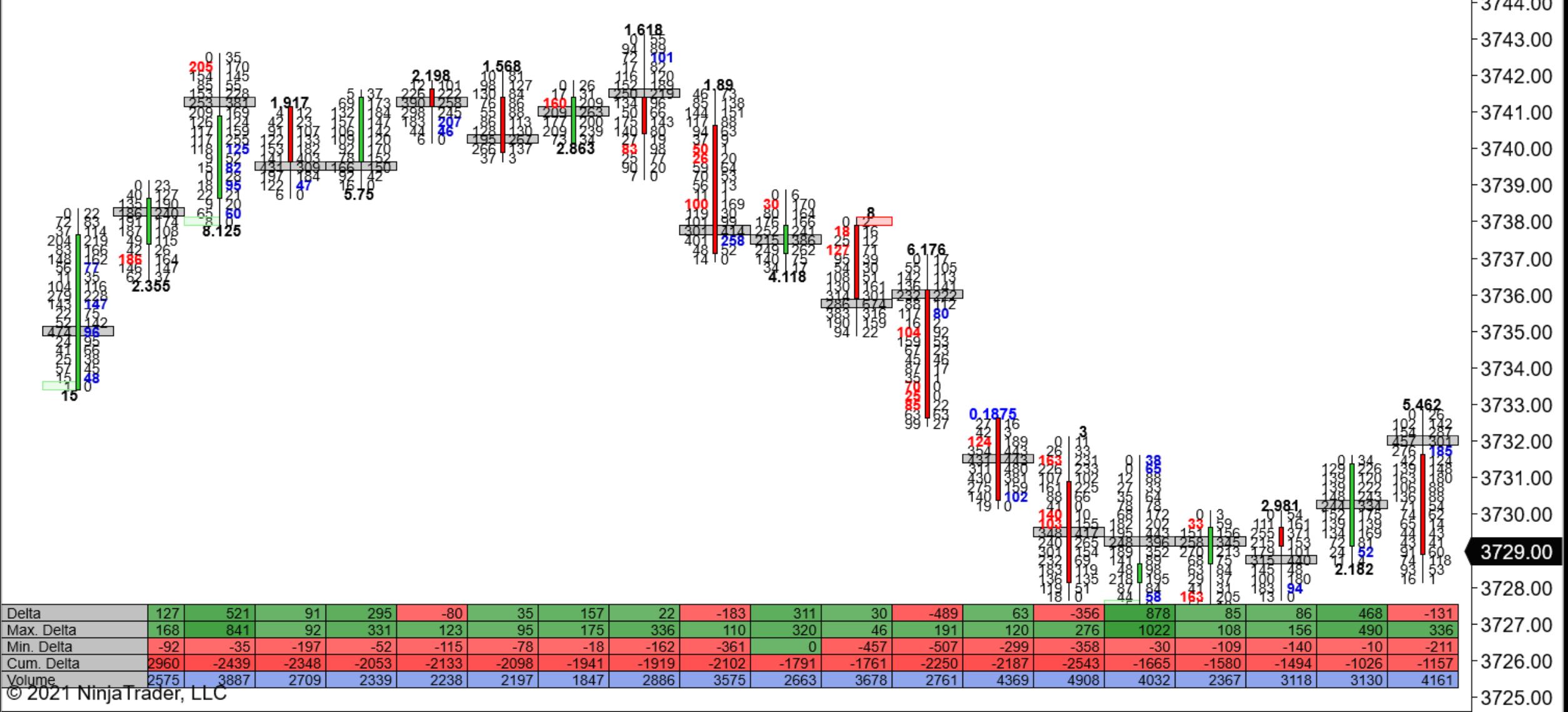
Imbalances

When you trade in the direction of imbalances it makes trading less stressful. When there is an imbalance, what is happening, there is more buying pressure than selling pressure or vice versa. While you may think you are smarter than the big trader, you might actually be, but the reality is he has deeper pockets and is moving the market, which is something you can't do. Who is going to win that battle?

Order Flows Trader(ES 03-21 (1 Minute)), Current day OHL(ES 03-21 (1 Minute))

2/1/2021 09:42:00 - 2/1/2021 10:01:00

Imbalances



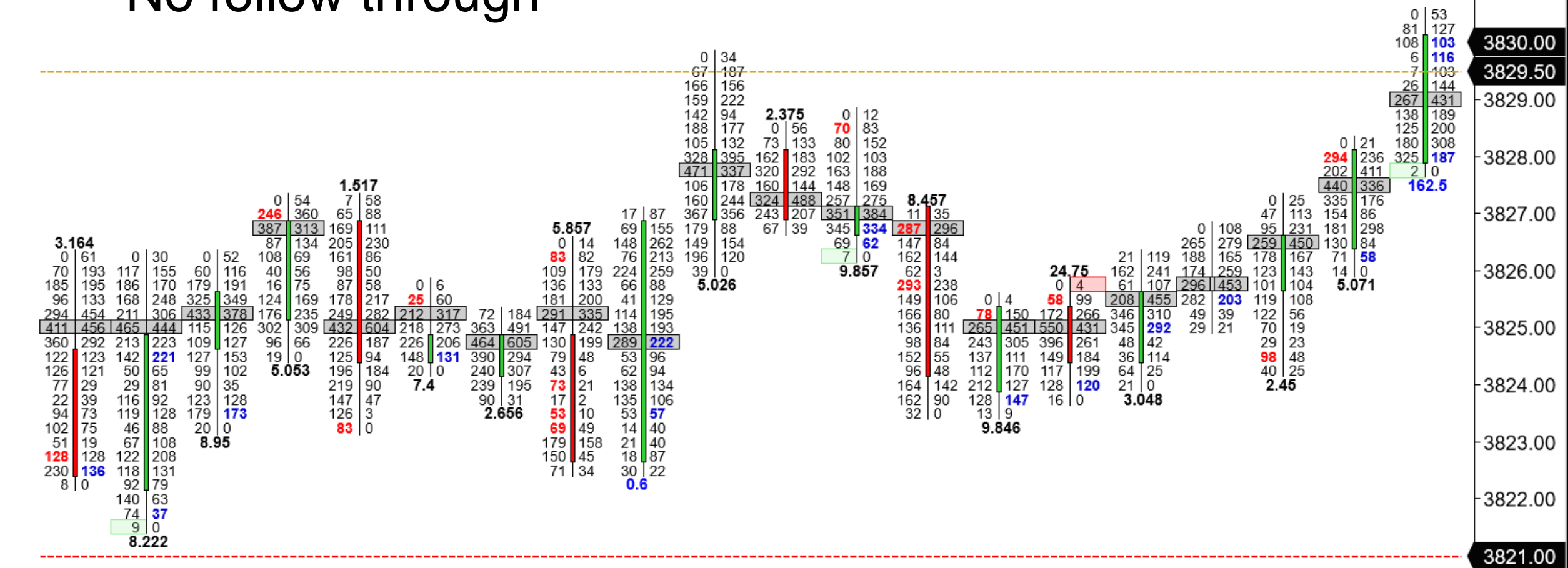
Imbalances

A mistake a lot of traders make when it comes to imbalances happens when they see 4 or 5 in a bar and they think have to get involved right now. There needs to be follow through trading.

Order Flows Trader(ES 03-21 (1 Minute)), Current day OHL(ES 03-21 (1 Minute))

2/3/2021 08:40:00 - 2/3/2021 08:59:00

No follow through

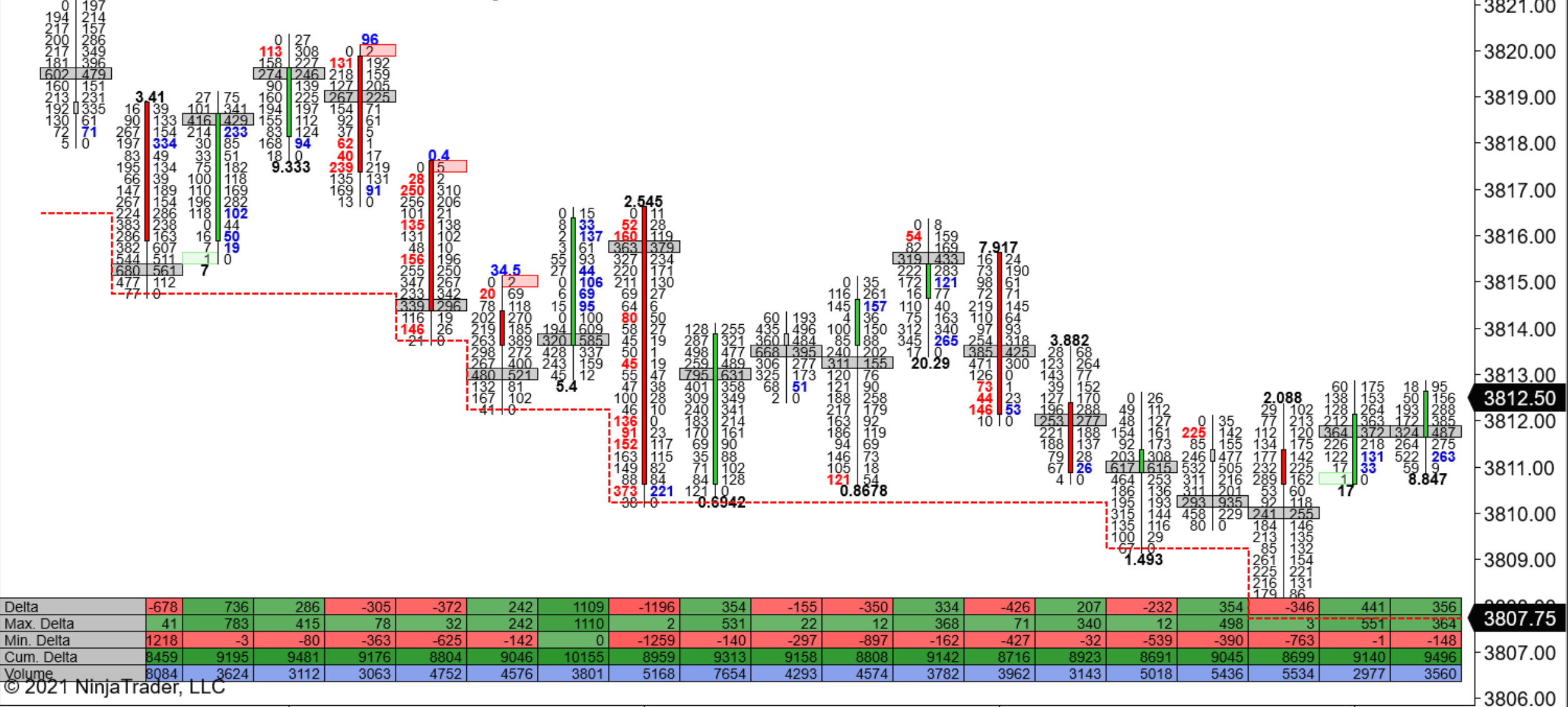


Delta	393	71	239	-384	144	249	-54	773	52	193	170	-601	286	-22	393	244	231	-115	696
Max. Delta	448	218	327	45	164	322	285	782	553	292	176	8	299	128	484	268	233	184	737
Min. Delta	-188	-128	-107	-909	-31	-74	-73	-6	-86	-24	-56	-629	-77	-68	-36	0	-193	-115	-203
Cum. Delta	4492	4563	4802	4418	4562	4811	4757	5530	5582	5775	5945	5344	5630	5608	6001	6245	6476	6361	7057
Volume	5361	3789	3441	5162	1842	3965	3568	4185	5696	2891	3354	3633	2662	3150	3017	2810	2793	3527	3226

Order Flows Trader(ES 03-21 (1 Minute)), Current day OHL(ES 03-21 (1 Minute))

2/3/2021 09:22:00 - 2/3/2021 09:41:00

No follow through



Delta	-678	736	286	-305	-372	242	1109	-1196	354	-155	-350	334	-426	207	-232	354	-346	441	356
Max. Delta	41	783	415	78	32	242	1110	2	531	22	12	368	71	340	12	498	3	551	364
Min. Delta	1218	-3	-80	-363	-625	-142	0	-1259	-140	-297	-897	-162	-427	-32	-539	-390	-763	-1	-148
Cum. Delta	8459	9195	9481	9176	8804	9046	10155	8959	9313	9158	8808	9142	8716	8923	8691	9045	8699	9140	9496
Volume	8084	3624	3112	3063	4752	4576	3801	5168	7654	4293	4574	3782	3962	3143	5018	5436	5534	2977	3560

Imbalances

The market doesn't move because of a level on a chart. The market moves because of the buying and selling. Most of the time the buying and selling is more or less evenly distributed. You will make smarter trading decisions not just by having information, but by having the right information.

Imbalances

Always keep in mind what an imbalance means to the market. It means there is an aggressive shift happening right now in the two-way auction. Just because there is an imbalance it does not imply that the market will continue in that direction. You need to combine it with other pieces of information in the order flow. You should have specific strategies to use to take advantage of the imbalances.

Imbalances

When you see a trend, what do you often see?

Buying imbalances in a move up.

Selling imbalances in a move down.

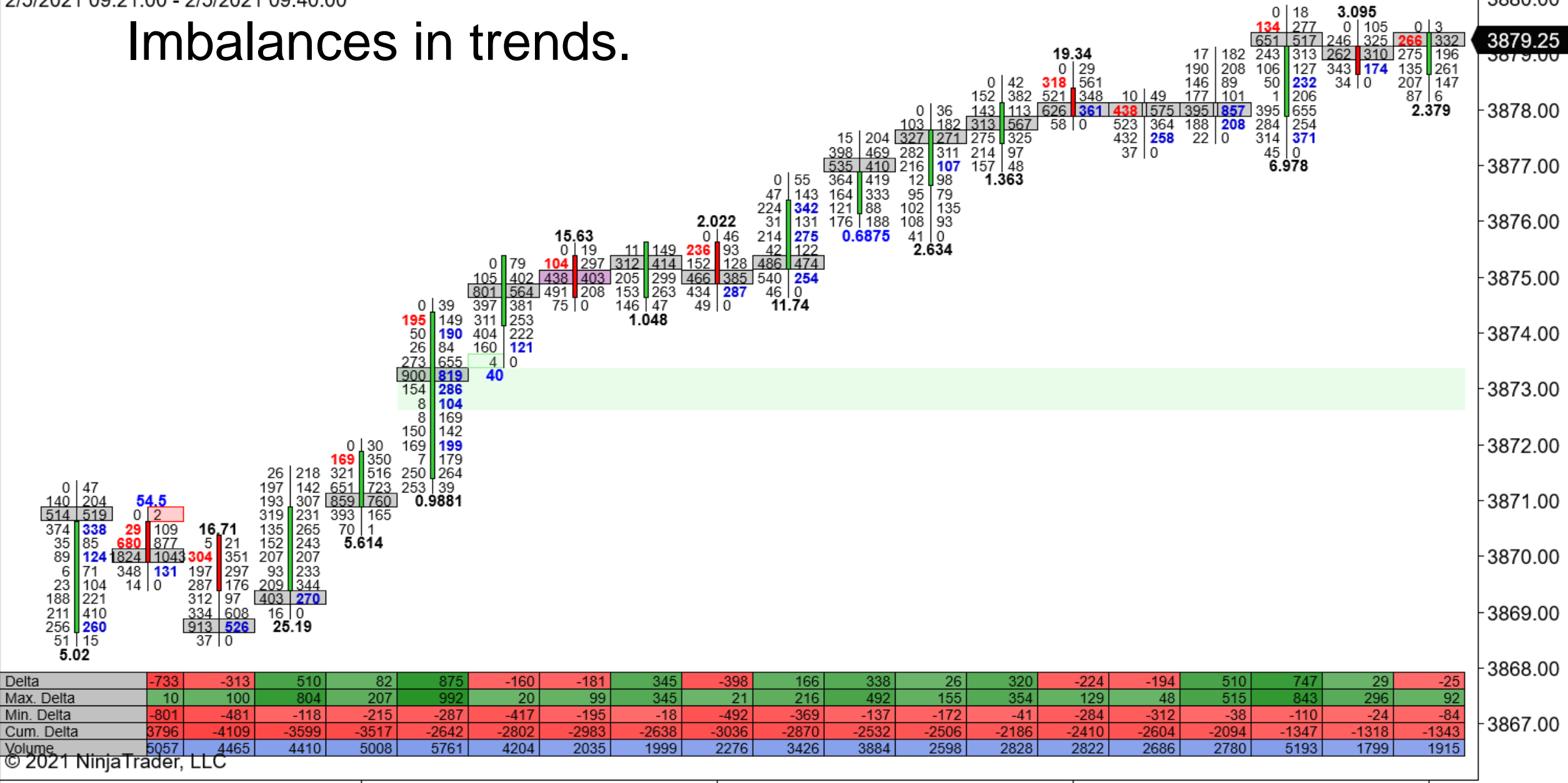
That is how trends are made. You need big buying in moves up or big selling in moves down.

Average buying or selling just isn't enough to sustain a trend.

Order Flows Trader(ES 03-21 (1 Minute)), Current day OHL(ES 03-21 (1 Minute))

2/5/2021 09:21:00 - 2/5/2021 09:40:00

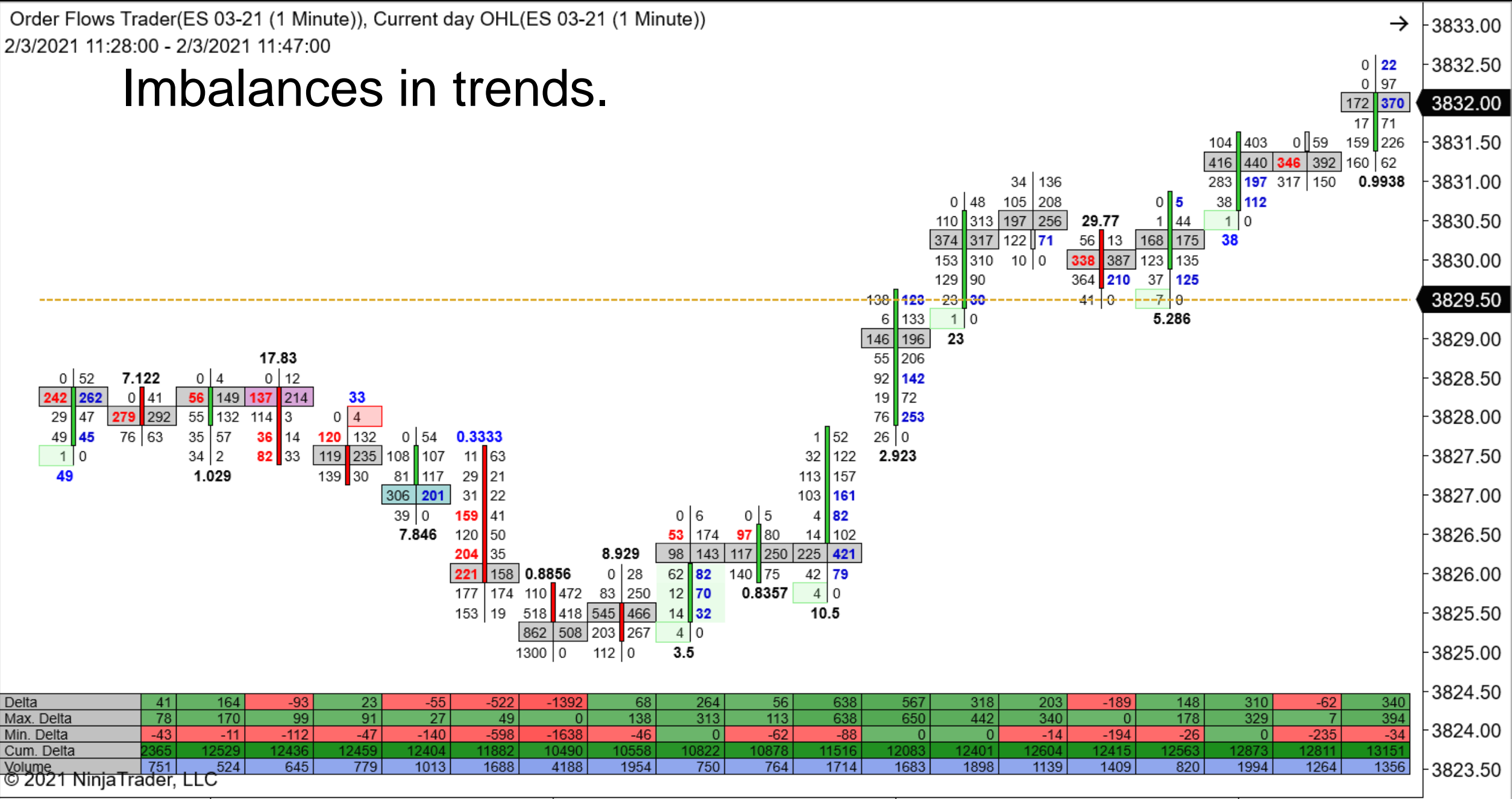
Imbalances in trends.



Order Flows Trader(ES 03-21 (1 Minute)), Current day OHL(ES 03-21 (1 Minute))

2/3/2021 11:28:00 - 2/3/2021 11:47:00

Imbalances in trends.



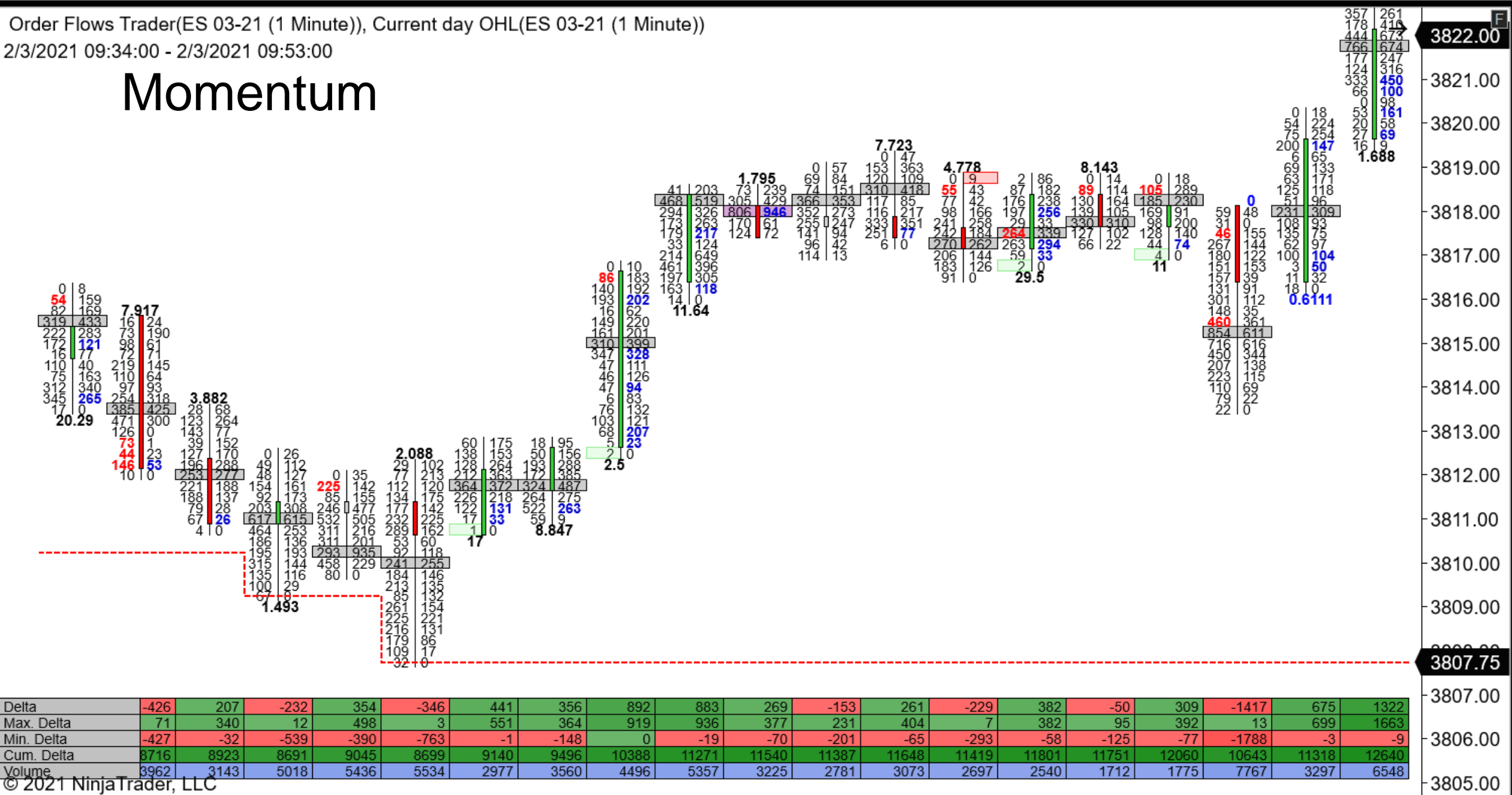
Imbalances

Imbalances help you determine momentum in the market. If you trade momentum you have to be able to see imbalances. When you see buying imbalances that means more traders are lifting the offers. You see selling imbalances, red bids, that means more trades are happening on the bid side which equals more selling pressure. Just look at the colors of the volumes. Knowing where the transactions take place give you a sense of market direction.

Order Flows Trader(ES 03-21 (1 Minute)), Current day OHL(ES 03-21 (1 Minute))


2/3/2021 09:34:00 - 2/3/2021 09:53:00

Momentum



Imbalance balance

A balanced market is basically a market where there are equal amounts of buying and selling. The market has found its fairest price and it is rotating around that price. When the market lacks information that can move the market, traders tend to keep the market in a relatively compact range around fair price. There is a certain amount of certainty in the market.

→                              

-3837.00

2026 00
2025 35

3835.75

- 3835.00

- 3834.00

- 3833.00

-3832.00

-3831 00

- 3830.00

3829.00

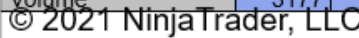
3828.00

2827.00

2026 00

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Imbalance balance

When I say a balanced market is due to uncertainty what I mean is directional uncertainty. Price is not moving much. There is no strong sustained directional movement. In a balanced market there is no directional movement. When there is directional price movement there is imbalance.

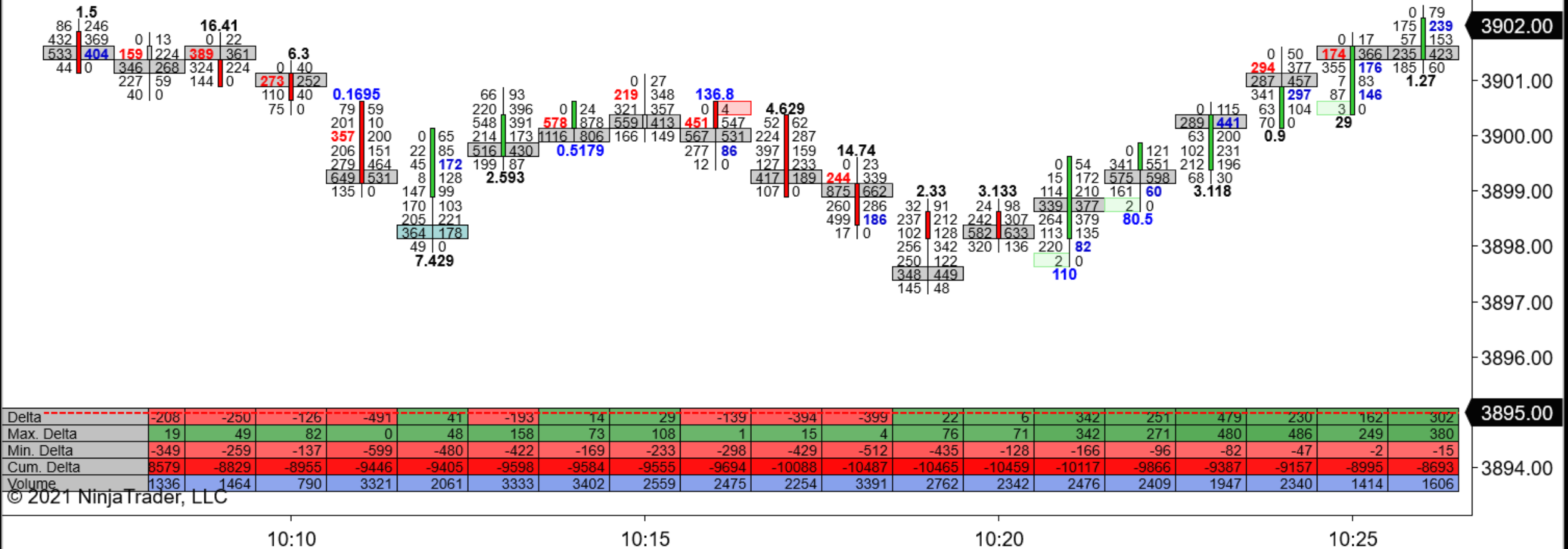
Order Flows Trader(ES 03-21 (1 Minute)), Current day OHL(ES 03-21 (1 Minute))

2/9/2021 10:07:00 - 2/9/2021 10:26:00

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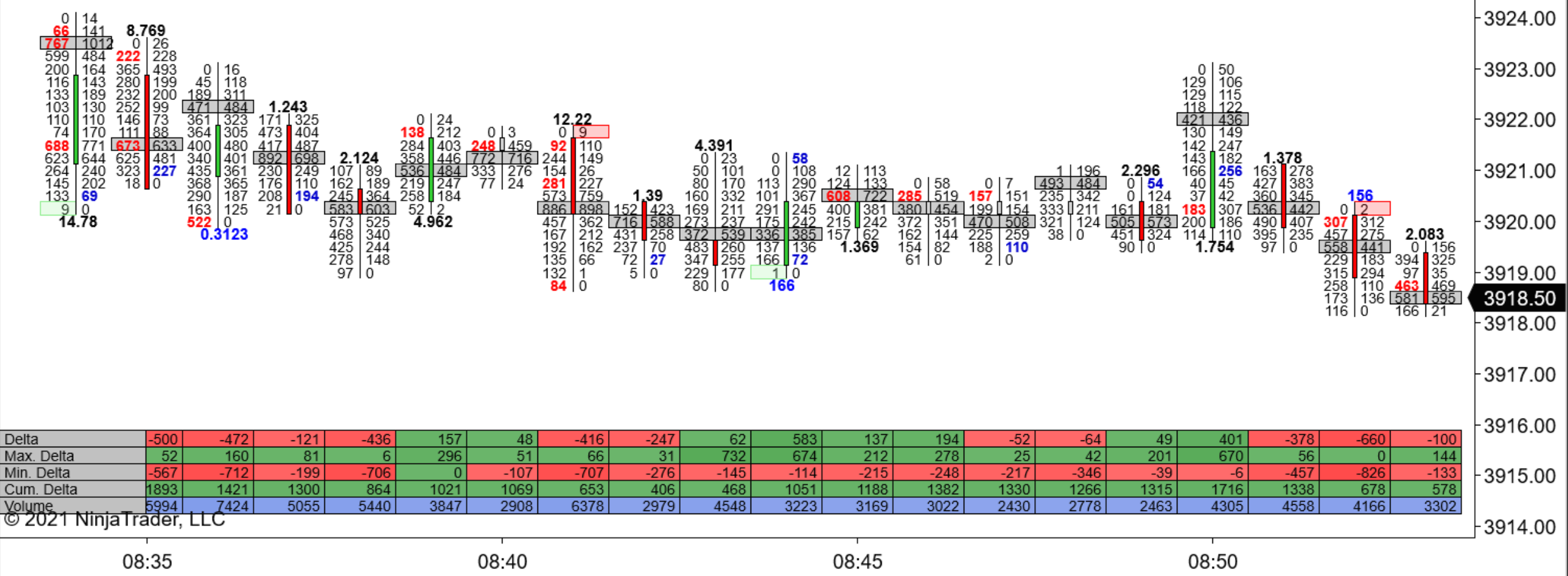
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Balanced



Order Flows Trader(ES 03-21 (1 Minute)), Current day OHL(ES 03-21 (1 Minute))
2/10/2021 08:34:00 - 2/10/2021 08:53:00

Balanced – market mixed with buying and selling imbalances.



Imbalance

I am always looking for a market that is exhibiting imbalance because it will give me a better trading opportunity when I am trading in the direction of the imbalance. An imbalance market moves directionally while a balanced market tends to have a limited range.

This concludes Module 2: Order Flow Foundations.

In the next module we will discuss Momentum and how to see it in the order flow.