Next Level Order Flow
Module 3:
Momentum

Disclaimer

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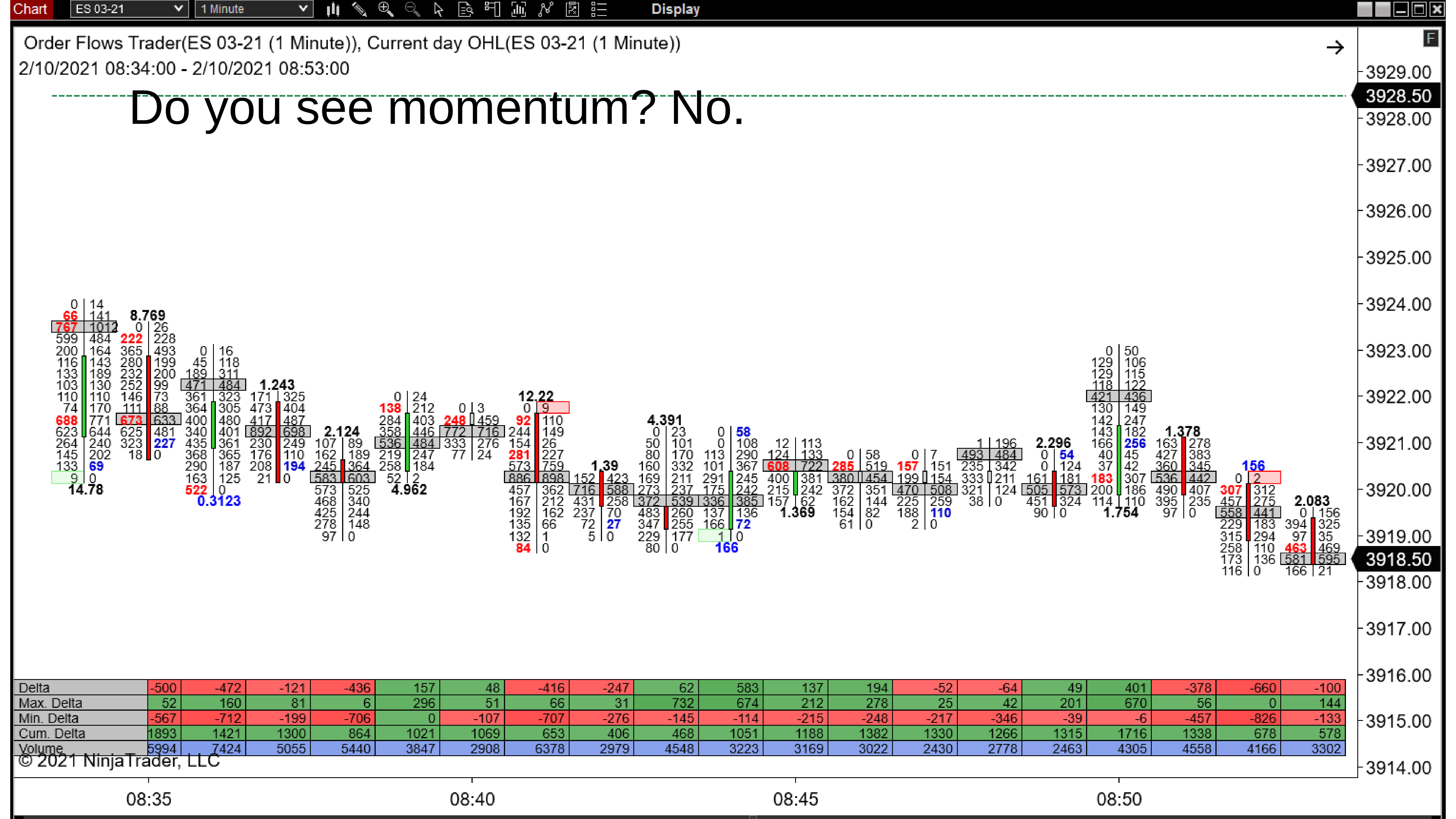
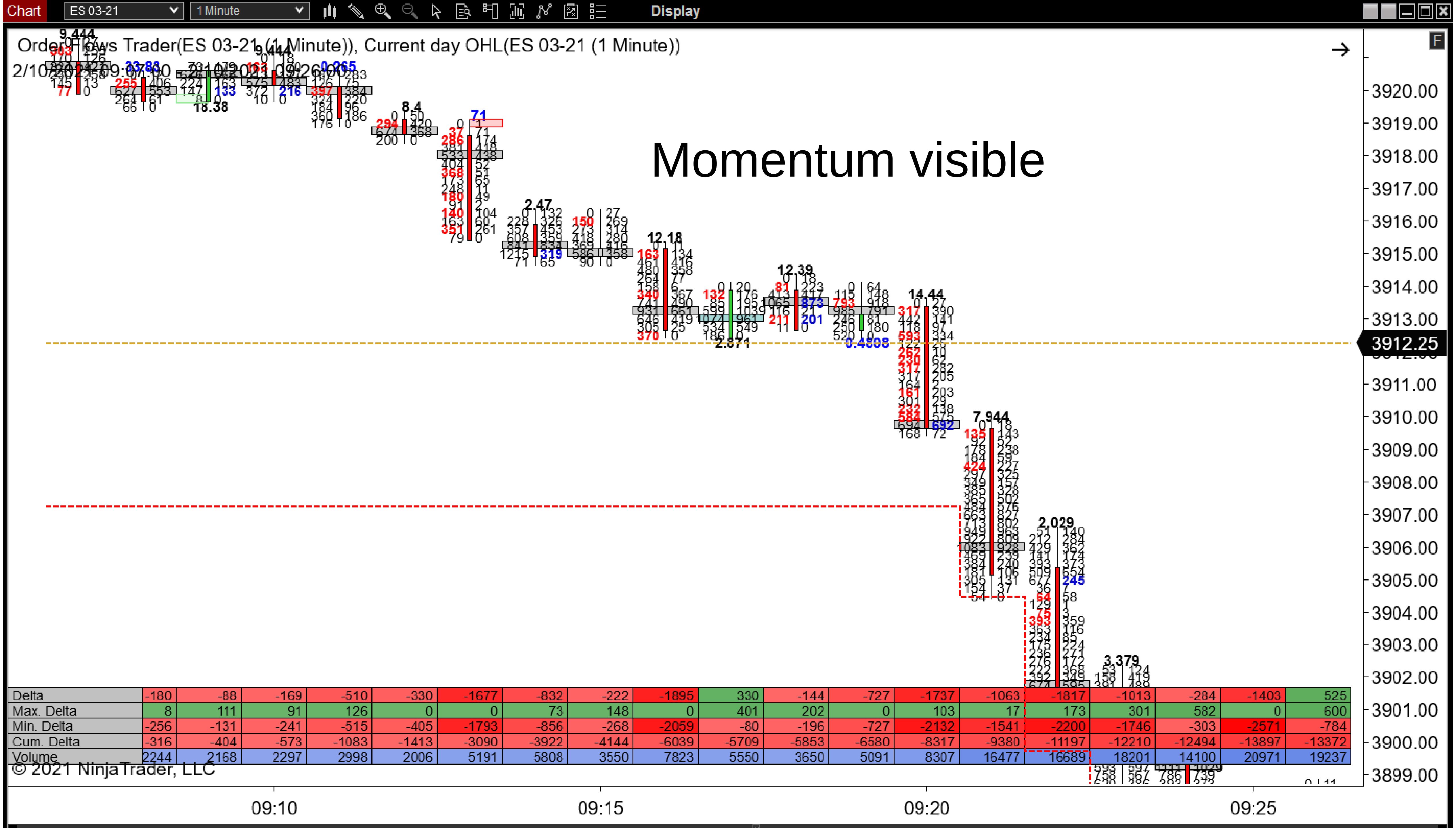
Momentum

Momentum trading is the most common strategy of trading because its easy to see in price and very rational. When a market starts retreating from a high or low, momentum appears. When a market gets within striking distance of a high or low, momentum often takes over.



Delta	-500	-472	-121	-436	157	48	-416	-247	62	583	137	194	-52	-64	49	401	-378	-660	-100
Max. Delta	52	160	81	6	296	51	66	31	732	674	212	278	25	42	201	670	56	0	144
Min. Delta	-567	-712	-199	-706	0	-107	-707	-276	-145	-114	-215	-248	-217	-346	-39	-6	-457	-826	-133
Cum. Delta	1893	1421	1300	864	1021	1069	653	406	468	1051	1188	1382	1330	1266	1315	1716	1338	678	578
Volume	5994	7424	5055	5440	3847	2908	6378	2979	4548	3223	3169	3022	2430	2778	2463	4305	4558	4166	3302

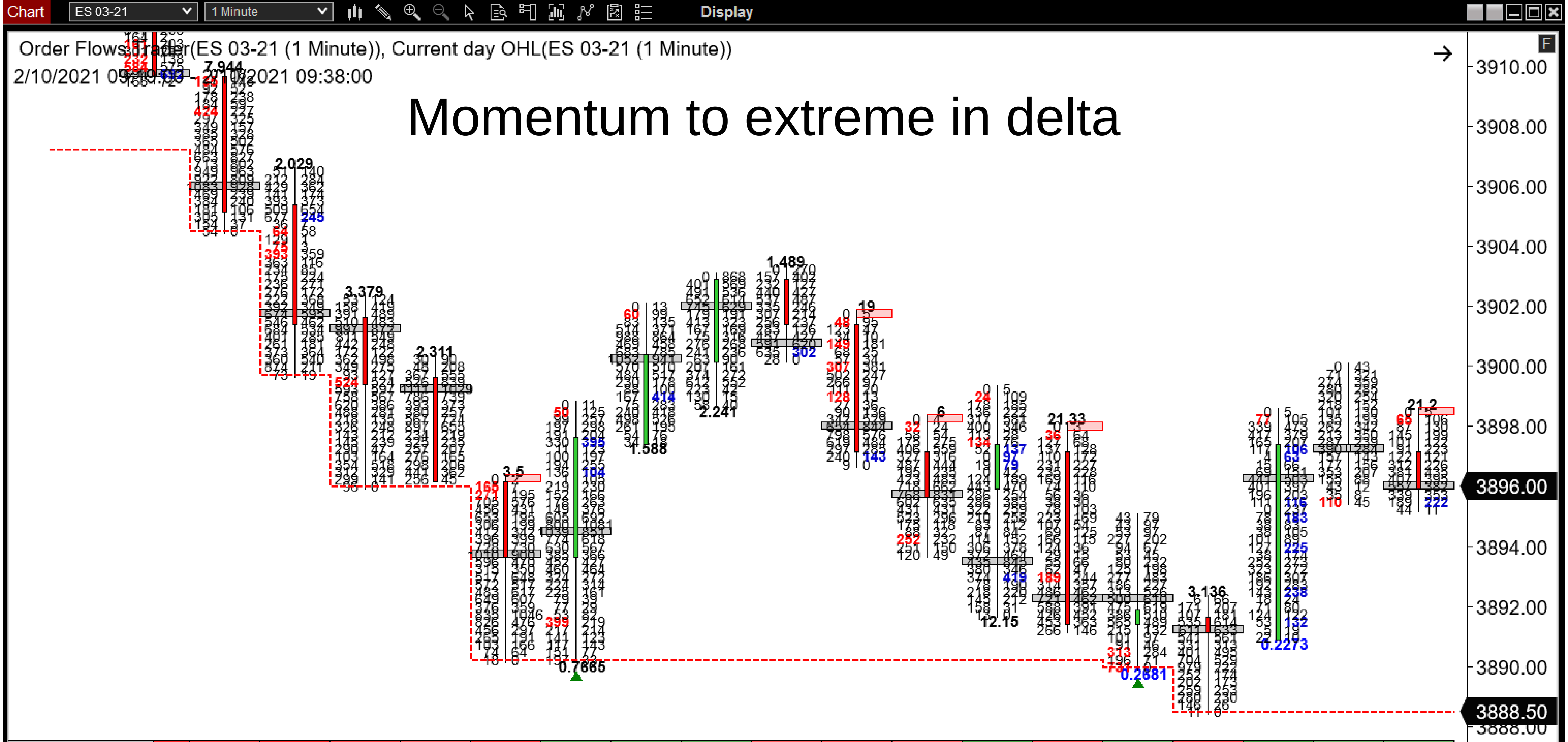


Delta	-180	-88	-169	-510	-330	-1677	-832	-222	-1895	330	-144	-727	-1737	-1063	-1817	-1013	-284	-1403	525
Max. Delta	8	111	91	126	0	0	73	148	0	401	202	0	103	17	173	301	582	0	600
Min. Delta	-256	-131	-241	-515	-405	-1793	-856	-268	-2059	-80	-196	-727	-2132	-1541	-2200	-1746	-303	-2571	-784
Cum. Delta	-316	-404	-573	-1083	-1413	-3090	-3922	-4144	-6039	-5709	-5853	-6580	-8317	-9380	-11197	-12210	-12494	-13897	-13372
Volume	2244	2168	2297	2998	2006	5191	5808	3550	7823	5550	3650	5091	8307	16477	16689	18201	14100	20971	19237

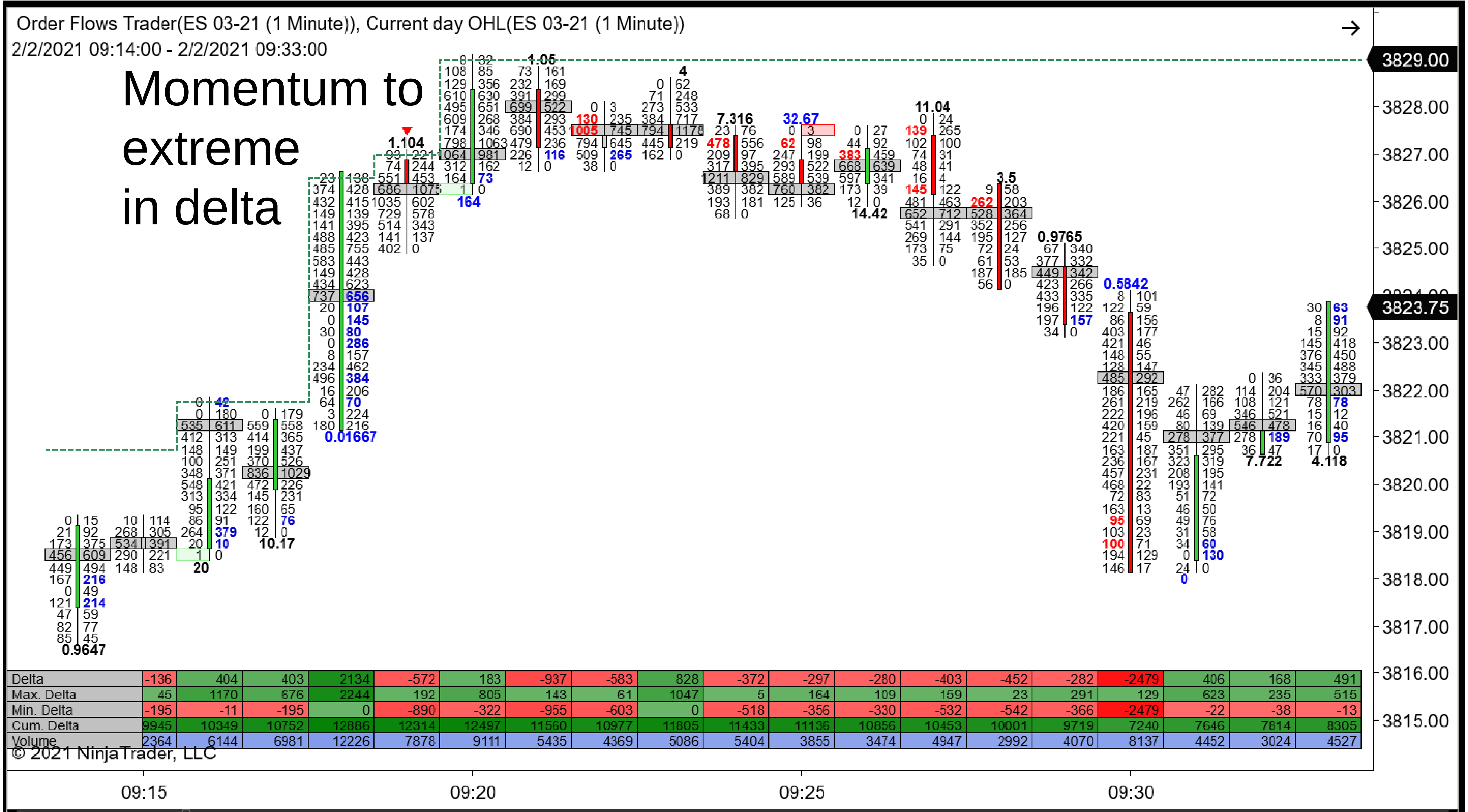
Momentum

Momentum trading is the most used trading method. It is easy to use, it is easy to see, it is based on price action, it lends itself to mathematical measurements and it gives traders a false sense of security. The big problem with momentum is it tends to take the market to extremes. When the market reaches extremes, emotions take over. Logic and common sense go out the window.

Momentum to extreme in delta



Delta	1737	-1063	-1817	-1013	-284	-1403	525	351	584	-373	-681	-201	1366	-780	44	-859	1469	30	90
Max. Delta	103	17	173	301	582	0	600	1017	584	537	0	43	1512	42	109	0	1549	239	142
Min. Delta	2132	-1541	-2200	-1746	-303	-2571	-784	-17	-548	-497	-855	-701	-743	-862	-1123	-1733	-21	-424	-376
Cum. Delta	8317	-9380	-11197	-12210	-12494	-13897	-13372	-13021	-12437	-12810	-13491	-13692	-12326	-13106	-13062	-13921	-12452	-12422	-12332
Volume	8307	16477	16689	18201	14100	20971	19237	13451	11198	8143	9057	11861	12980	10358	10178	10213	9791	7192	5770



Delta	-136	404	403	2134	-572	183	-937	-583	828	-372	-297	-280	-403	-452	-282	-2479	406	168	491
Max. Delta	45	1170	676	2244	192	805	143	61	1047	5	164	109	159	23	291	129	623	235	515
Min. Delta	-195	-11	-195	0	-890	-322	-955	-603	0	-518	-356	-330	-532	-542	-366	-2479	-22	-38	-13
Cum. Delta	9945	10349	10752	12886	12314	12497	11560	10977	11805	11433	11136	10856	10453	10001	9719	7240	7646	7814	8305
Volume	2364	6144	6981	12226	7878	9111	5435	4369	5086	5404	3855	3474	4947	2992	4070	8137	4452	3024	4527

Momentum

Think of momentum as being able to bet on a game once the game started. Now you can do that. In the past you couldn’t. Once the game started bookies wouldn’t take any more bets. But now you can, why do you think they do that? Do they do that to give the bettor a better chance to win money? No, they do it because they know people will become emotional.

How momentum helps you determine the end of a move?

The footprint chart allows a trader to organize the volume traded in the two-way auction. When a market approaches a high or low, momentum traders are usually active. As the market goes to a high and you see a lot of buying but the market is not rewarding them by going higher, you can see that and decide the move higher may be stalling out.

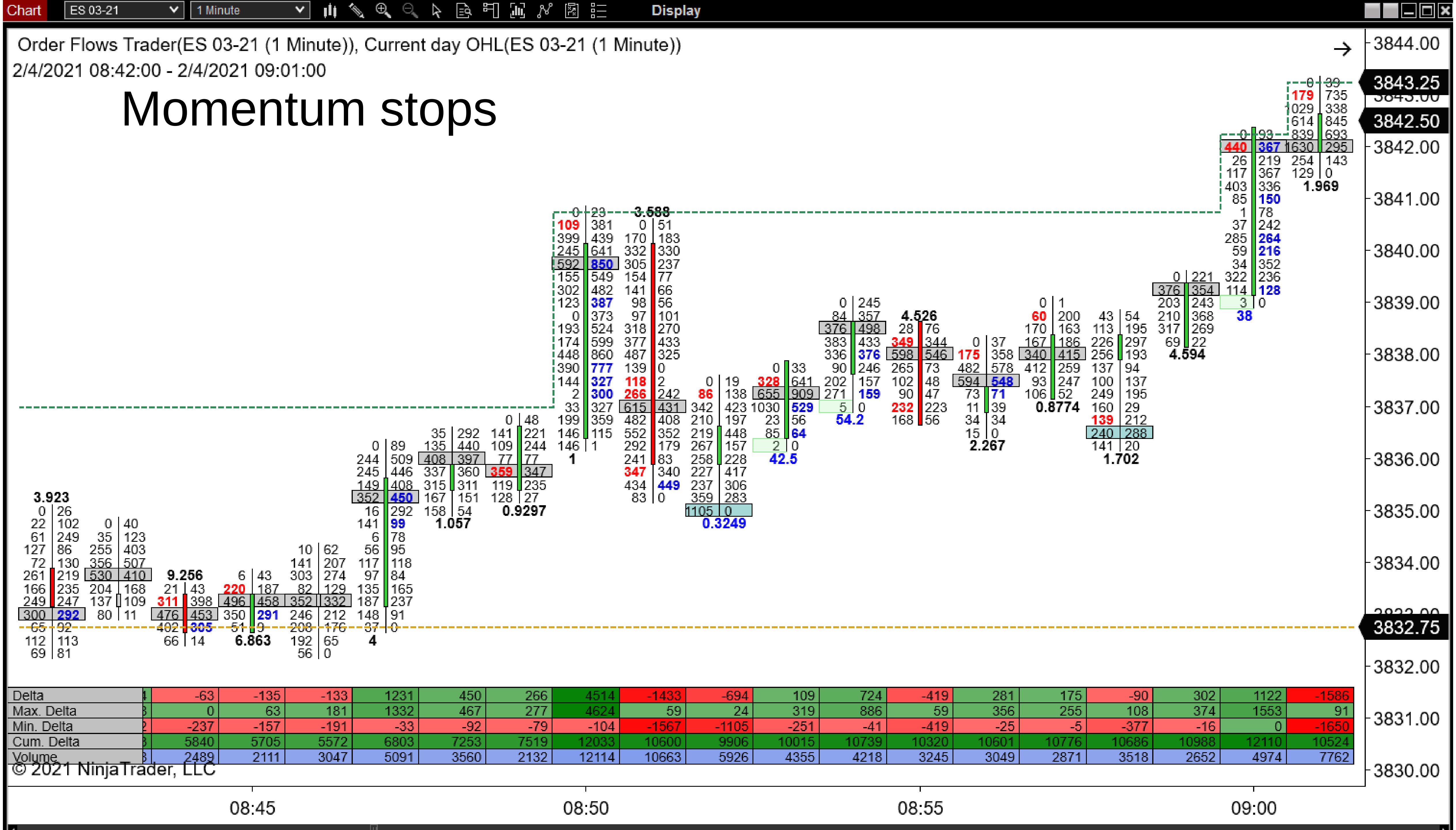


Chart
ES 03-21
1 Minute
Display
Order Flows Trader(ES 03-21 (1 Minute)), Current day OHL(ES 03-21 (1 Minute))
2/4/2021 08:42:00 - 2/4/2021 09:01:00
Momentum stops
Delta -63 -135 -133 1231 450 266 4514 -1433 -694 109 724 -419 281 175 -90 302 1122 -1586
Max. Delta 0 63 181 1332 467 277 4624 59 24 319 886 59 356 255 108 374 1553 91
Min. Delta -237 -157 -191 -33 -92 -79 -104 -1567 -1105 -251 -41 -419 -25 -5 -377 -16 0 -1650
Cum. Delta 5840 5705 5572 6803 7253 7519 12033 10600 9906 10015 10739 10320 10601 10776 10686 10988 12110 10524
Volume 2489 2111 3047 5091 3560 2132 12114 10663 5926 4355 4218 3245 3049 2871 3518 2652 4974 7762
© 2021 NinjaTrader, LLC
08:45
08:50
08:55
09:00
3844.00
3843.25
3842.50
3842.00
3841.00
3840.00
3839.00
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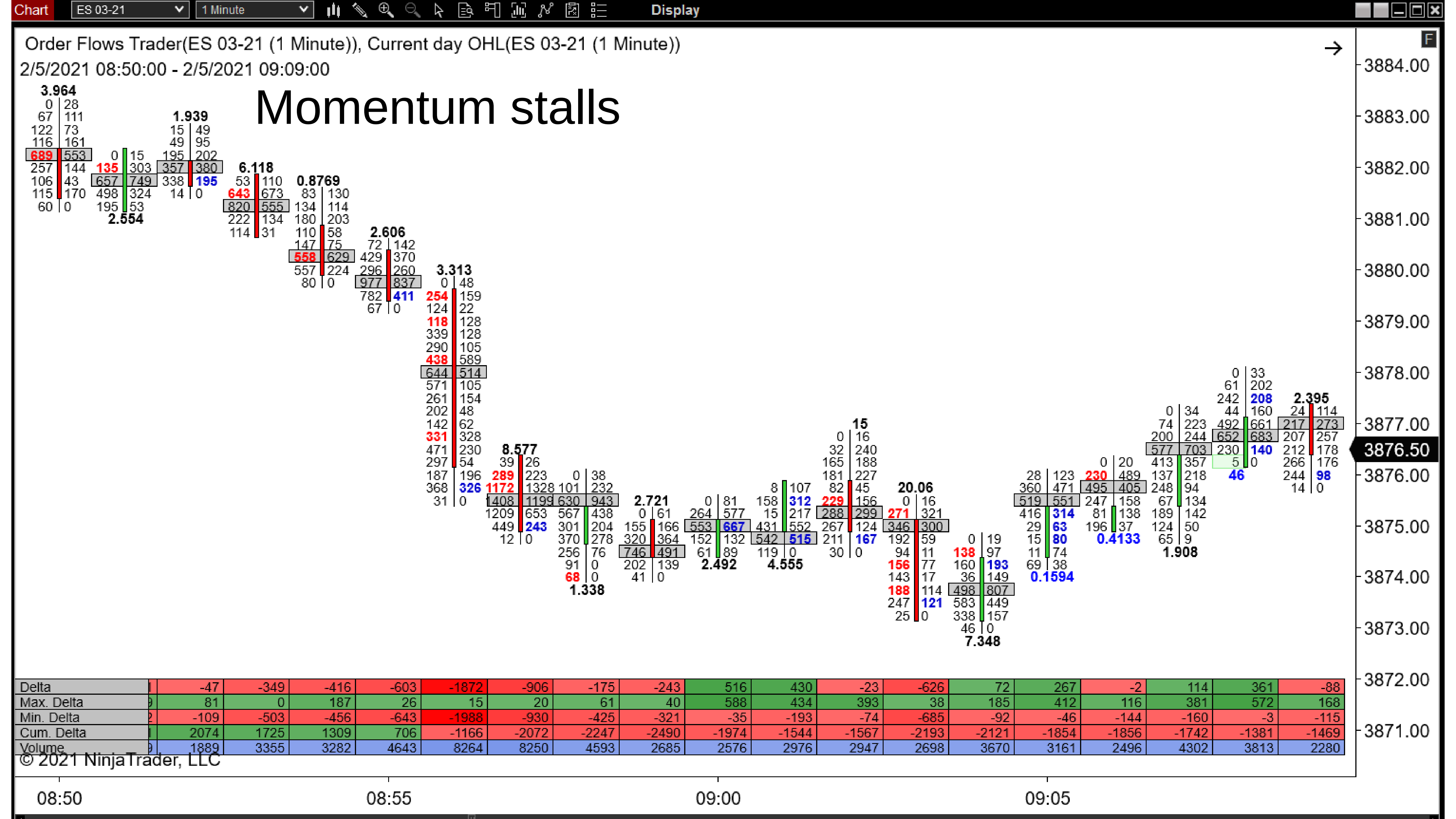
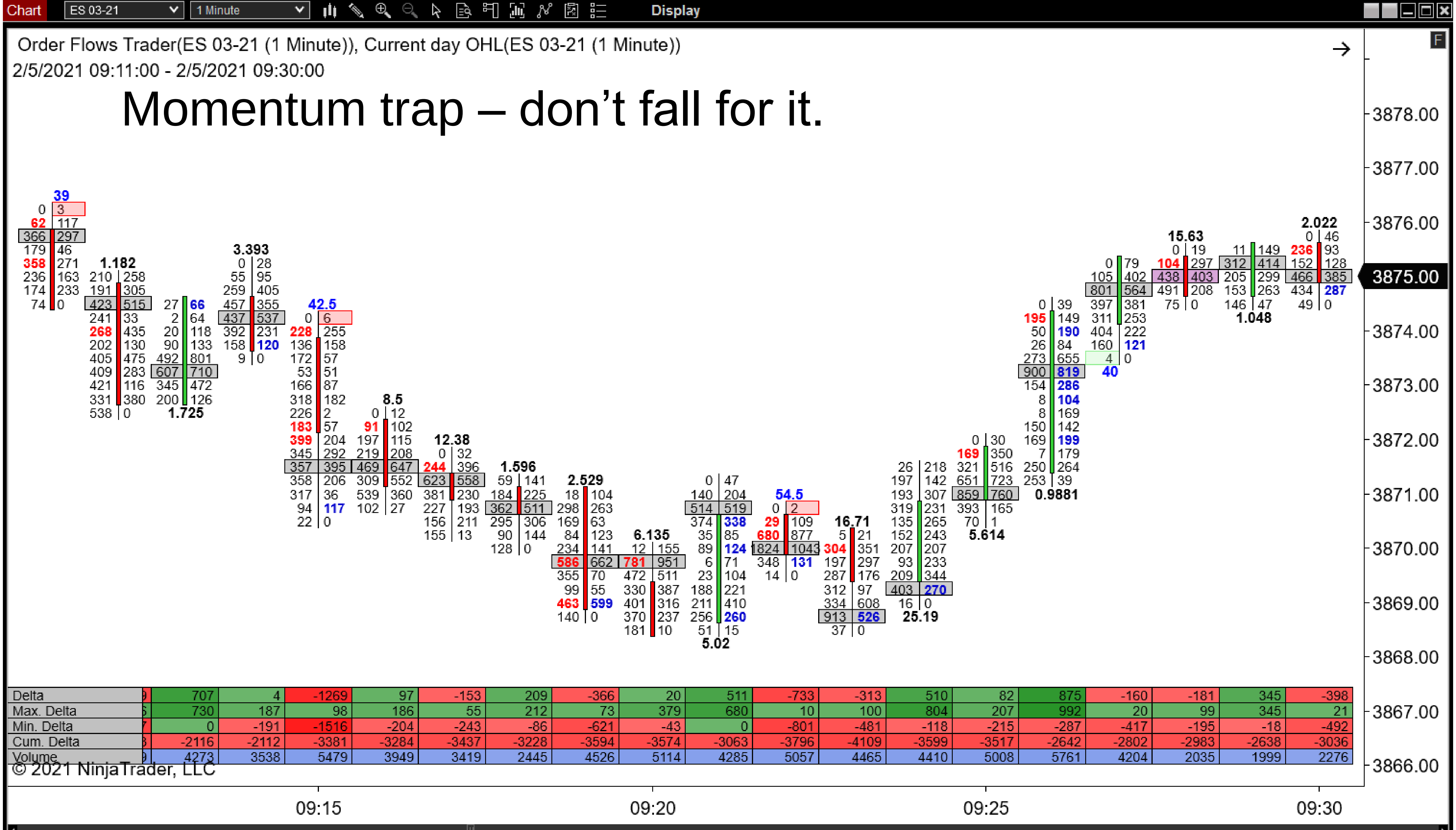
3831.00
3830.00


Order Flows Trader(ES 03-21 (1 Minute)), Current day OHL(ES 03-21 (1 Minute))
2/5/2021 08:50:00 - 2/5/2021 09:09:00
Momentum stalls
Delta -47 -349 -416 -603 -1872 -906 -175 -243 516 430 -23 -626 72 267 -2 114 361 -88
Max. Delta 81 0 187 26 15 20 61 40 588 434 393 38 185 412 116 381 572 168
Min. Delta -109 -503 -456 -643 -1988 -930 -425 -321 -35 -193 -74 -685 -92 -46 -144 -160 -3 -115
Cum. Delta 2074 1725 1309 706 -1166 -2072 -2247 -2490 -1974 -1544 -1567 -2193 -2121 -1854 -1856 -1742 -1381 -1469
Volume 1889 3355 3282 4643 8264 8250 4593 2685 2576 2976 2947 2698 3670 3161 2496 4302 3813 2280
© 2021 NinjaTrader, LLC
08:50
08:55
09:00
09:05

Momentum

Trading is about change and that's why you want to be alert. If there is risk from being long or short, it is a sign of change. While momentum is the most common form of trading, it is often taken to extremes and that is where traders get trapped. Trapped traders are last to the party for whatever reason, maybe they have lagging indicators, whatever. The last ones to the party, the trapped traders are usually the weakest traders in the market, and they are usually the first to exit.

Momentum trap – don't fall for it.



Momentum

A market that is going up on lower volume will often continue up because it has momentum, but the ability for the market to hold those highs is limited not just by the lack of volume but also on the lack of structure it leaves behind.

Momentum

In moves driven by momentum traders what you often see is volume decrease near the end of the move. Why? Because momentum traders just go with momentum until it ends.

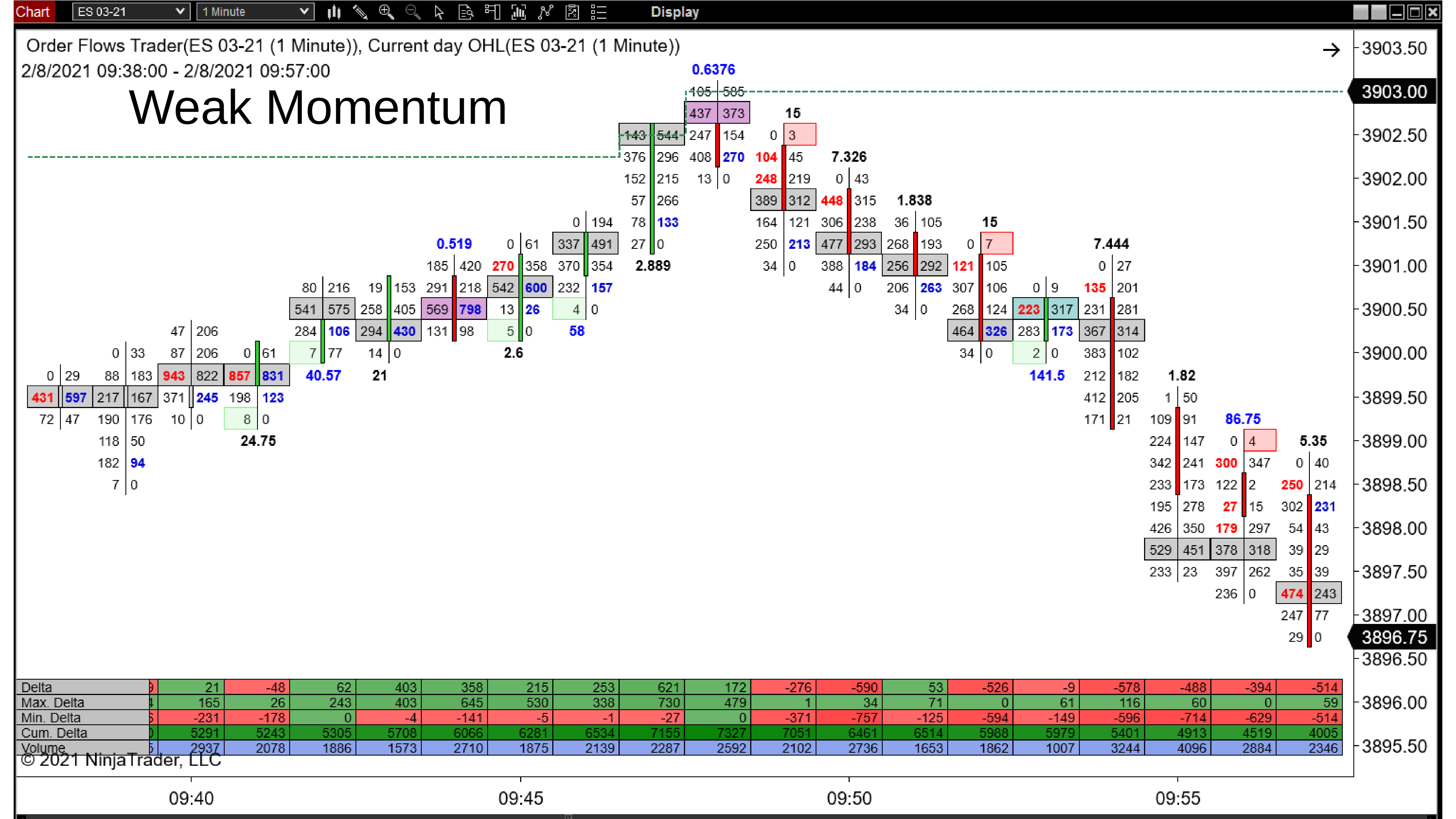


Chart
ES 03-21
1 Minute
Display
Order Flows Trader(ES 03-21 (1 Minute)), Current day OHL(ES 03-21 (1 Minute))
2/8/2021 09:38:00 - 2/8/2021 09:57:00
Weak Momentum
Delta 21 -48 62 403 358 215 253 621 172 -276 -590 53 -526 -9 -578 -488 -394 -514
Max. Delta 165 26 243 403 645 530 338 730 479 1 34 71 0 61 116 60 0 59
Min. Delta -231 -178 0 -4 -141 -5 -1 -27 0 -371 -757 -125 -594 -149 -596 -714 -629 -514
Cum. Delta 5291 5243 5305 5708 6066 6281 6534 7155 7327 7051 6461 6514 5988 5979 5401 4913 4519 4005
Volume 2937 2078 1886 1573 2710 1875 2139 2287 2592 2102 2736 1653 1862 1007 3244 4096 2884 2346
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09:40
09:45
09:50
09:55
3903.50
3903.00
3902.50
3902.00
3901.50
3901.00
3900.50
3900.00
3899.50
3899.00
3898.50
3898.00
3897.50
3897.00
3896.75
3896.50
3896.00
3895.50

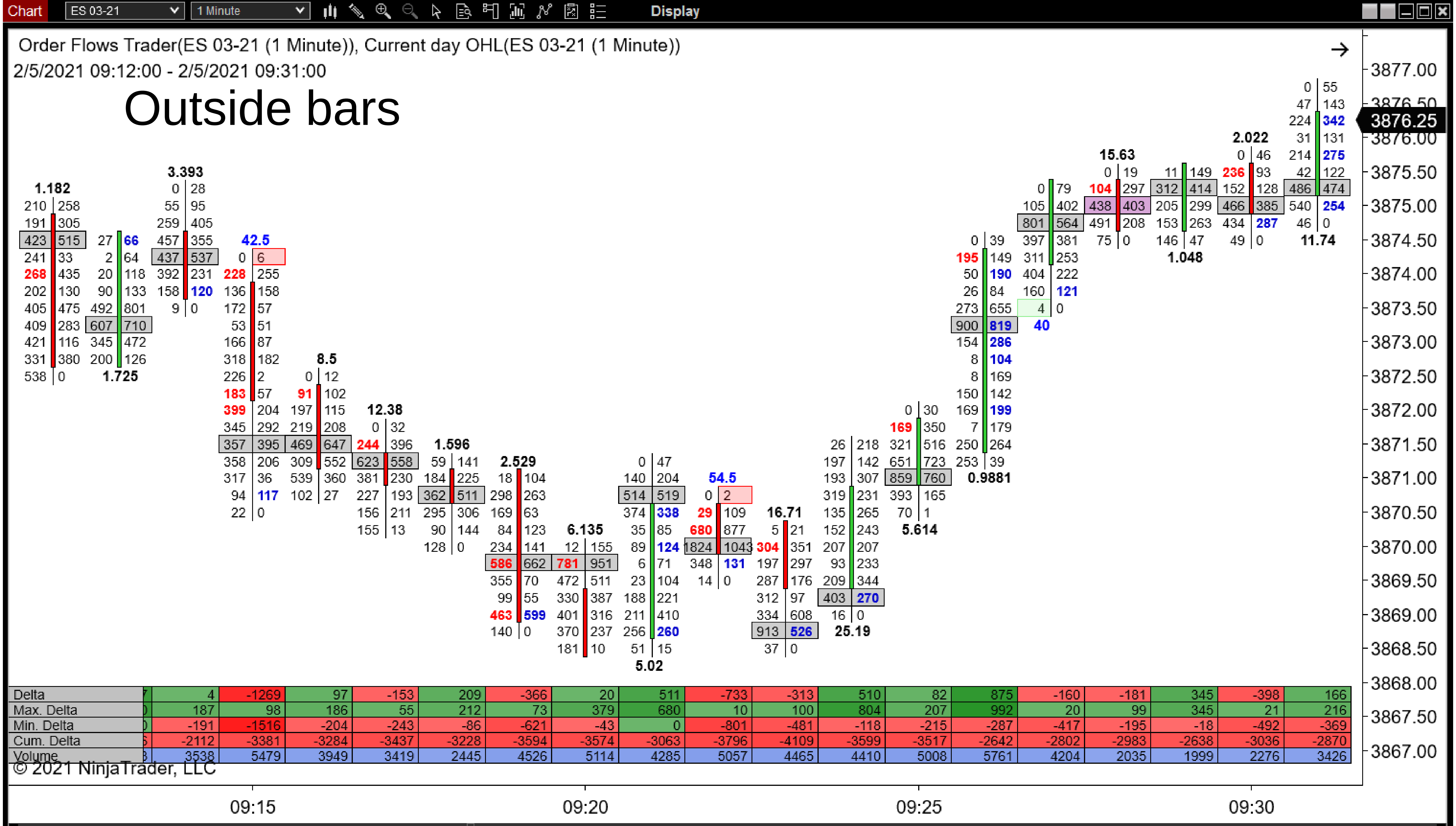
Momentum

There are different ways to see momentum in the order flow. Outside bars, gaps, exhaustive moves, etc.

Momentum

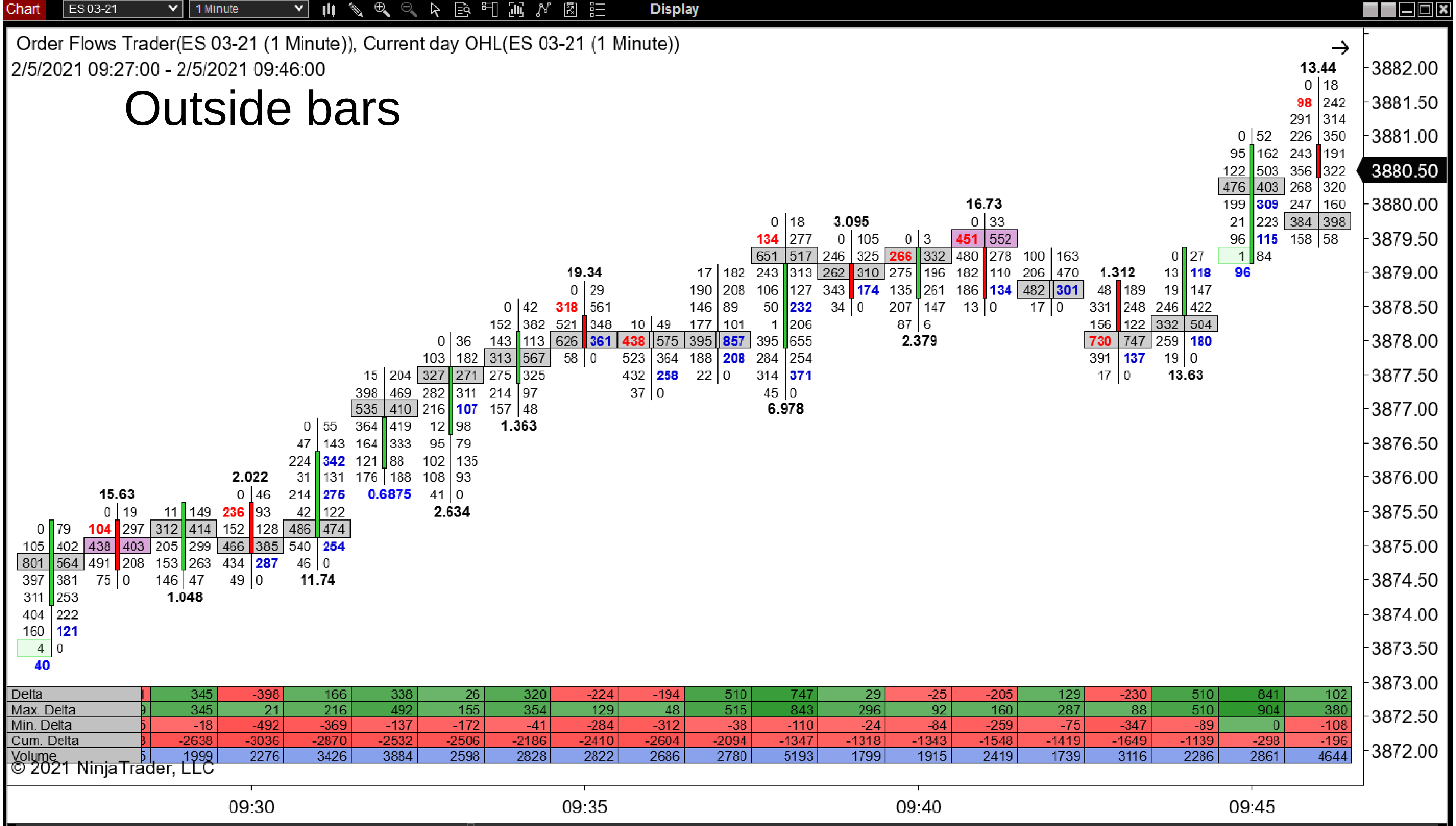
Outside bars are caused by momentum traders.

What happens on an outside day? The market opens out of balance (value) then trades back into it and covers all the way through to the other side, closing outside of balance (value).



Delta	4	-1269	97	-153	209	-366	20	511	-733	-313	510	82	875	-160	-181	345	-398	166
Max. Delta	187	98	186	55	212	73	379	680	10	100	804	207	992	20	99	345	21	216
Min. Delta	-191	-1516	-204	-243	-86	-621	-43	0	-801	-481	-118	-215	-287	-417	-195	-18	-492	-369
Cum. Delta	-2112	-3381	-3284	-3437	-3228	-3594	-3574	-3063	-3796	-4109	-3599	-3517	-2642	-2802	-2983	-2638	-3036	-2870
Volume	3538	5479	3949	3419	2445	4526	5114	4285	5057	4465	4410	5008	5761	4204	2035	1999	2276	3426

Outside bars



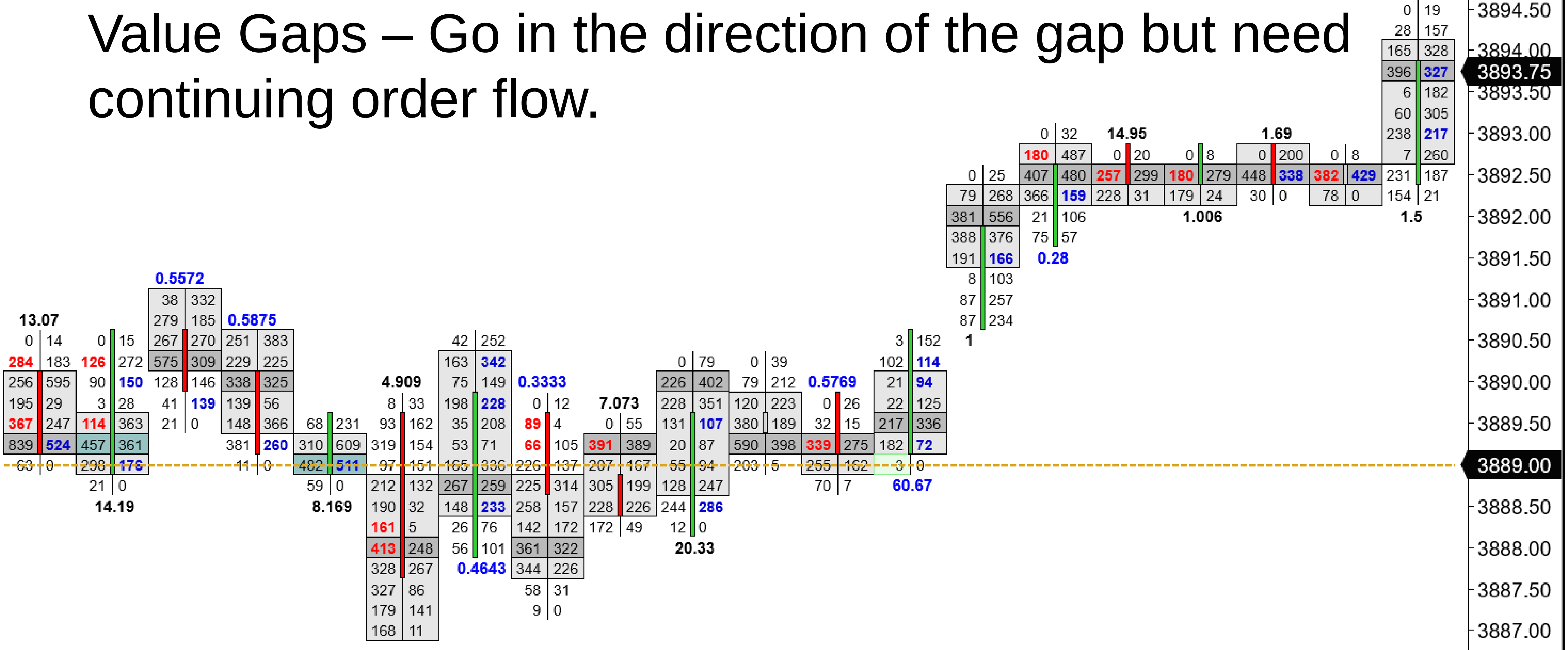
Delta	345	-398	166	338	26	320	-224	-194	510	747	29	-25	-205	129	-230	510	841	102
Max. Delta	345	21	216	492	155	354	129	48	515	843	296	92	160	287	88	510	904	380
Min. Delta	-18	-492	-369	-137	-172	-41	-284	-312	-38	-110	-24	-84	-259	-75	-347	-89	0	-108
Cum. Delta	-2638	-3036	-2870	-2532	-2506	-2186	-2410	-2604	-2094	-1347	-1318	-1343	-1548	-1419	-1649	-1139	-298	-196
Volume	1999	2276	3426	3884	2598	2828	2822	2686	2780	5193	1799	1915	2419	1739	3116	2286	2861	4644

Value Gaps

Go with all gaps that aren't filled immediately. Gaps that are in direction of the overall move. The momentum is strong. Momentum traders stay in trades until the opposite flow comes in strong. Momentum longs stay in trades until they start seeing strong selling coming in. Often this selling can be early momentum buyers getting out or it could be new money coming into the market.

Order Flows Trader(ES 03-21 (1 Minute)), Current day OHL(ES 03-21 (1 Minute))
2/8/2021 10:37:00 - 2/8/2021 10:56:00

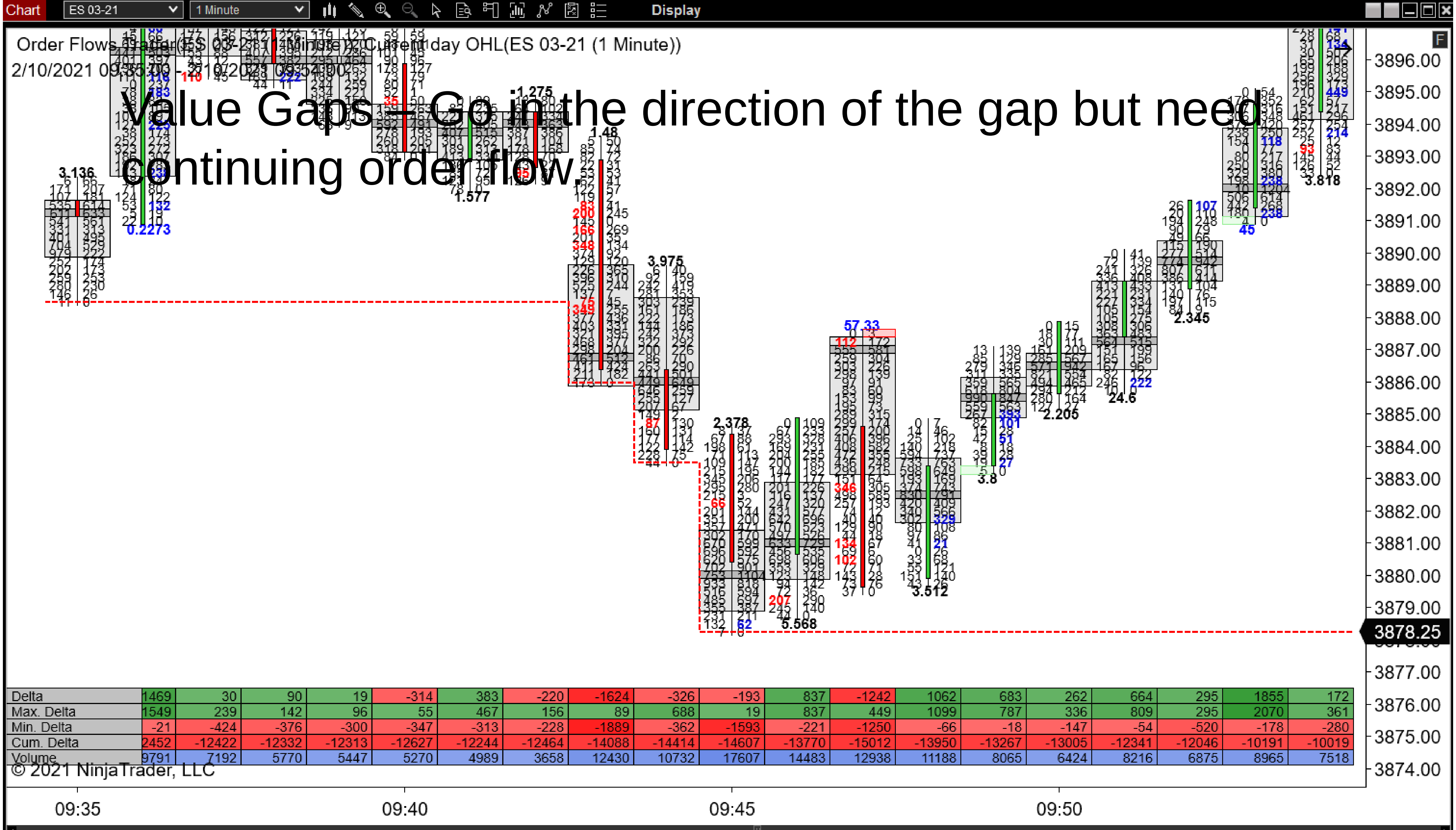
Value Gaps – Go in the direction of the gap but need continuing order flow.



Delta	256	32	118	432	-1073	1027	-298	-218	609	-306	-211	343	764	272	-135	-48	60	-23	718
Max. Delta	301	326	220	466	36	1171	2	42	633	0	25	346	957	385	11	13	145	87	994
Min. Delta	-164	-47	-158	-104	-1221	0	-555	-219	-4	-450	-221	-58	0	-59	-212	-118	-42	-73	-195
Cum. Delta	3487	3519	3637	4069	2996	4023	3725	3507	4116	3810	3599	3942	4706	4978	4843	4795	4855	4832	5550
Volume	2474	2730	3112	2270	3917	3483	3258	2388	2697	2438	1181	1443	3206	2370	835	670	1016	897	3288

10:40 10:45 10:50 10:55

Value Gaps – Go in the direction of the gap but need continuing order flow.



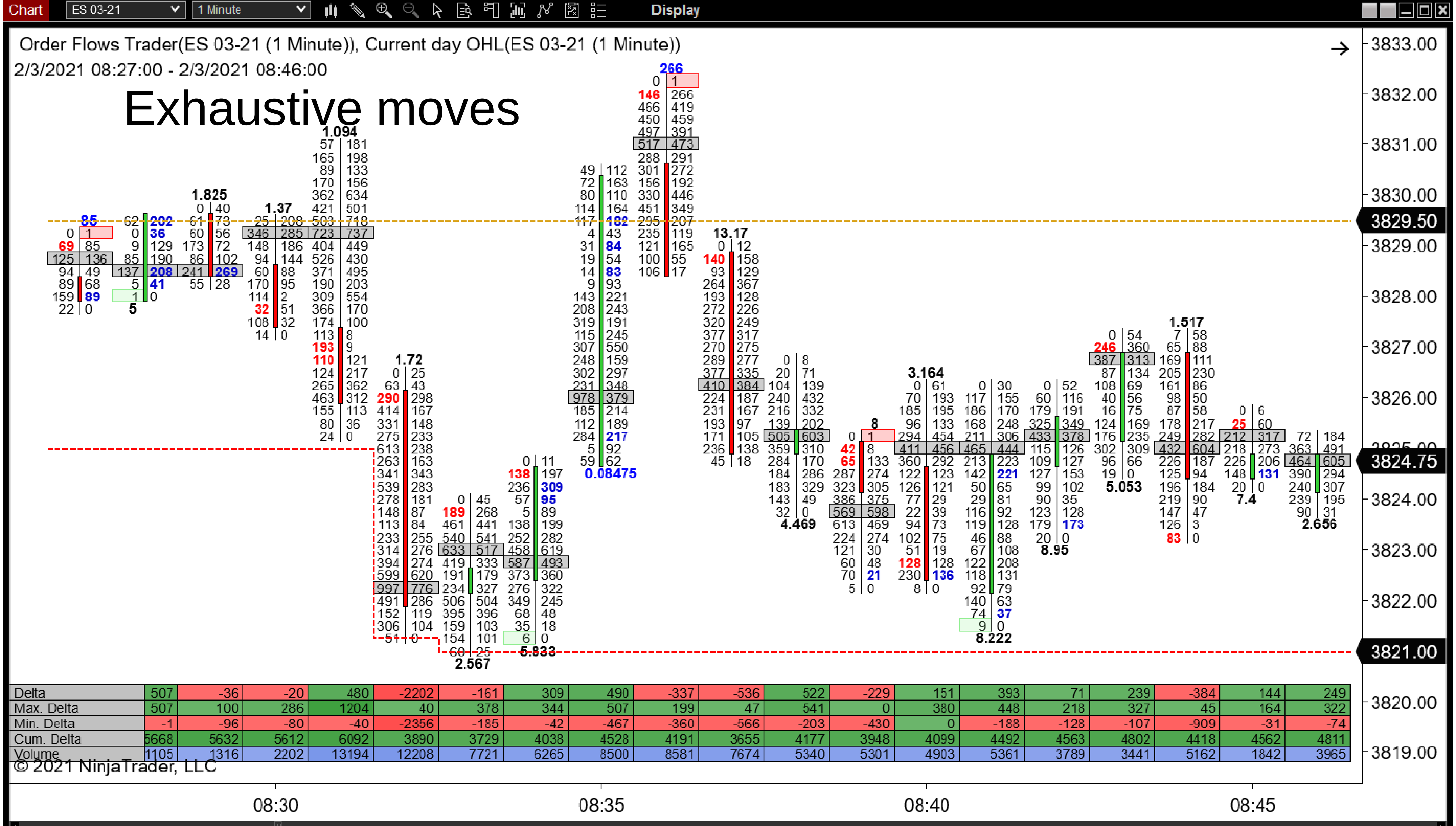
Exhaustive Moves – when the market moves too far, too fast. These occur in trends, but when the trend gets too strong. You have to consider the odds of continuation. Often what happens next is key.

Exhaustive moves indicate panic liquidation instead of a more even distribution of liquidation and new longs (shorts) coming into the market.

Exhaustive moves tends to be caused by hot money.

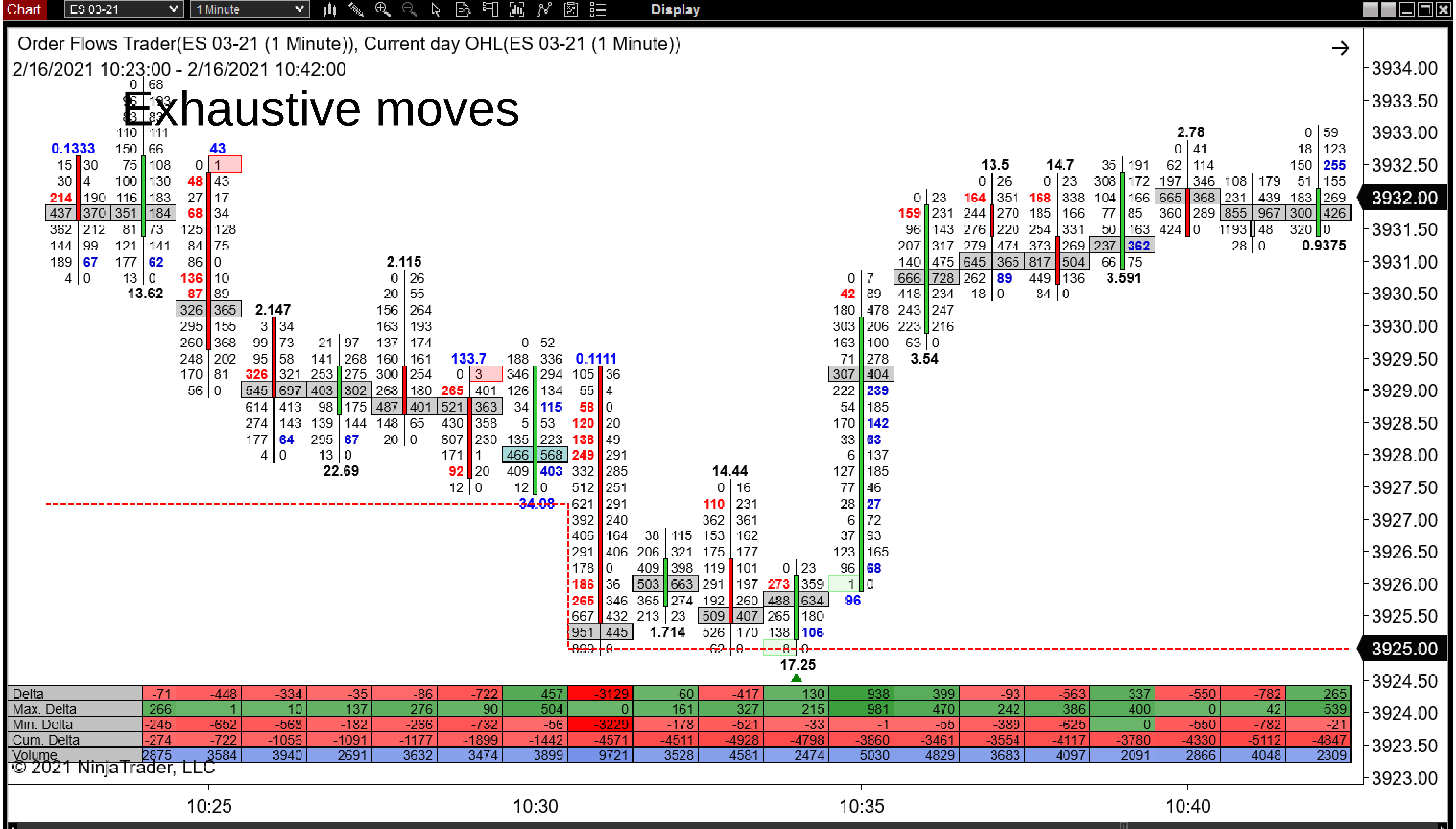
Fresh money coming into the market tends to come in waves. Market goes up, sells off, new longs entered, market continues back up. The reason being is the truly big orders are spread out throughout the day. The big institutional traders don’t get into the market at one price, they average in, sometimes over days. Small traders, day traders tend to pile in all at once.

Exhaustive moves



Delta	507	-36	-20	480	-2202	-161	309	490	-337	-536	522	-229	151	393	71	239	-384	144	249
Max. Delta	507	100	286	1204	40	378	344	507	199	47	541	0	380	448	218	327	45	164	322
Min. Delta	-1	-96	-80	-40	-2356	-185	-42	-467	-360	-566	-203	-430	0	-188	-128	-107	-909	-31	-74
Cum. Delta	5668	5632	5612	6092	3890	3729	4038	4528	4191	3655	4177	3948	4099	4492	4563	4802	4418	4562	4811
Volume	1105	1316	2202	13194	12208	7721	6265	8500	8581	7674	5340	5301	4903	5361	3789	3441	5162	1842	3965

Exhaustive moves



Delta	-71	-448	-334	-35	-86	-722	457	-3129	60	-417	130	938	399	-93	-563	337	-550	-782	265
Max. Delta	266	1	10	137	276	90	504	0	161	327	215	981	470	242	386	400	0	42	539
Min. Delta	-245	-652	-568	-182	-266	-732	-56	-3229	-178	-521	-33	-1	-55	-389	-625	0	-550	-782	-21
Cum. Delta	-274	-722	-1056	-1091	-1177	-1899	-1442	-4571	-4511	-4928	-4798	-3860	-3461	-3554	-4117	-3780	-4330	-5112	-4847
Volume	2875	3584	3940	2691	3632	3474	3899	9721	3528	4581	2474	5030	4829	3683	4097	2091	2866	4048	2309

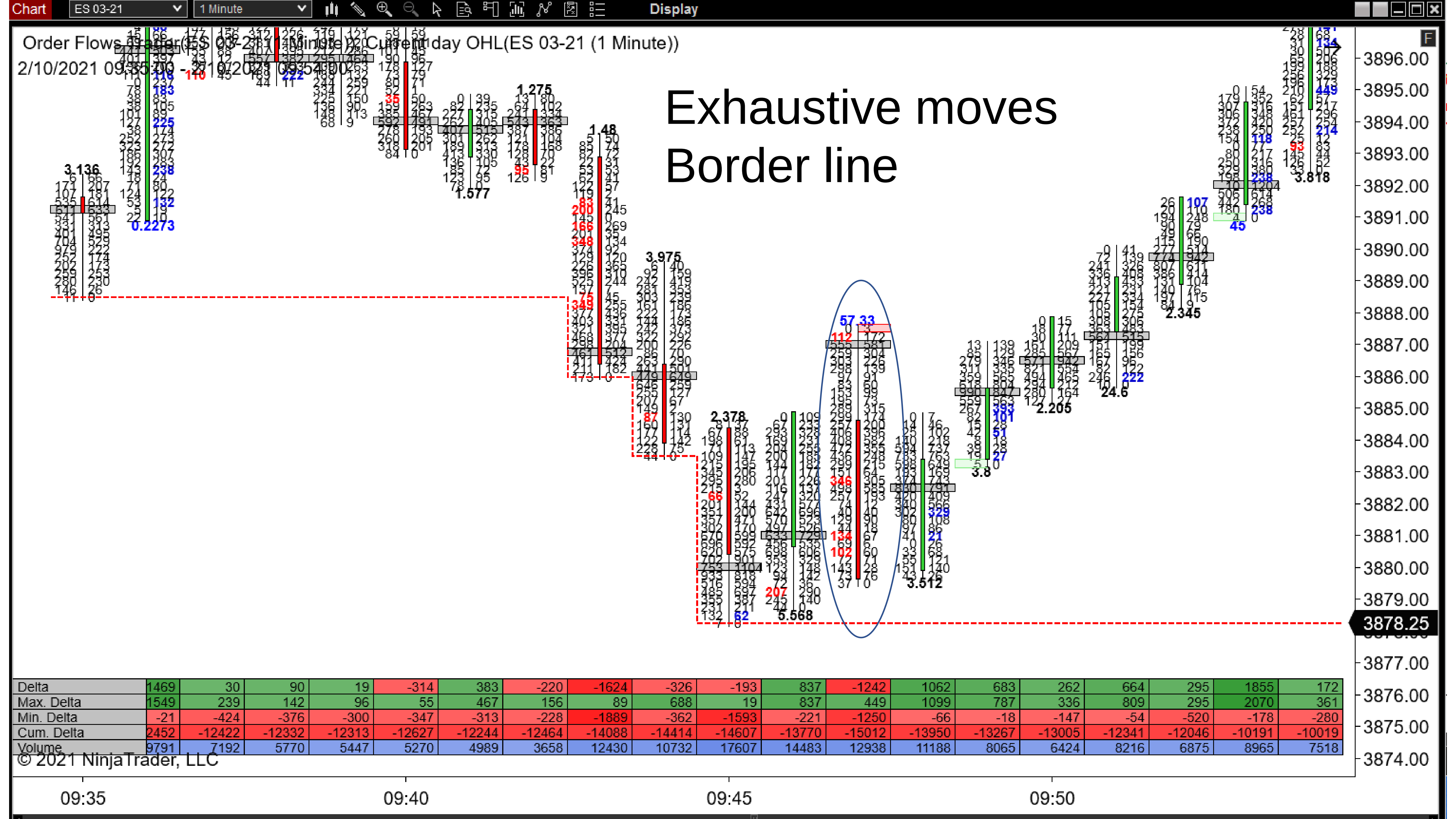


Chart
ES 03-21
1 Minute
Display
Order Flows Trader(ES 03-21 (1 Minute)) Current day OHL(ES 03-21 (1 Minute))
2/10/2021 09:35:00 - 2/10/2021 09:54:00
Exhaustive moves
Border line
Delta 1469 30 90 19 -314 383 -220 -1624 -326 -193 837 -1242 1062 683 262 664 295 1855 172
Max. Delta 1549 239 142 96 55 467 156 89 688 19 837 449 1099 787 336 809 295 2070 361
Min. Delta -21 -424 -376 -300 -347 -313 -228 -1889 -362 -1593 -221 -1250 -66 -18 -147 -54 -520 -178 -280
Cum. Delta 2452 -12422 -12332 -12313 -12627 -12244 -12464 -14088 -14414 -14607 -13770 -15012 -13950 -13267 -13005 -12341 -12046 -10191 -10019
Volume 9791 7192 5770 5447 5270 4989 3658 12430 10732 17607 14483 12938 11188 8065 6424 8216 6875 8965 7518
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3878.25
09:35
09:40
09:45
09:50

Exhaustive moves are important to see in the market so that you don’t get sucked into them and find yourself trapped in a losing position.

You often see trapped traders in exhaustive moves.

Elongated bars are the result of frantic catch-up trading as traders continue to rush in with FOMO. They lack self-discipline because they fear they are missing the move. All too often, they get stuck offsides. More astute traders, traders who are not in the market at the moment, realize traders are stuck and the market is ready for a potential shake out of those weak shorts (longs).

Look for the big bar followed by a small inside bar.

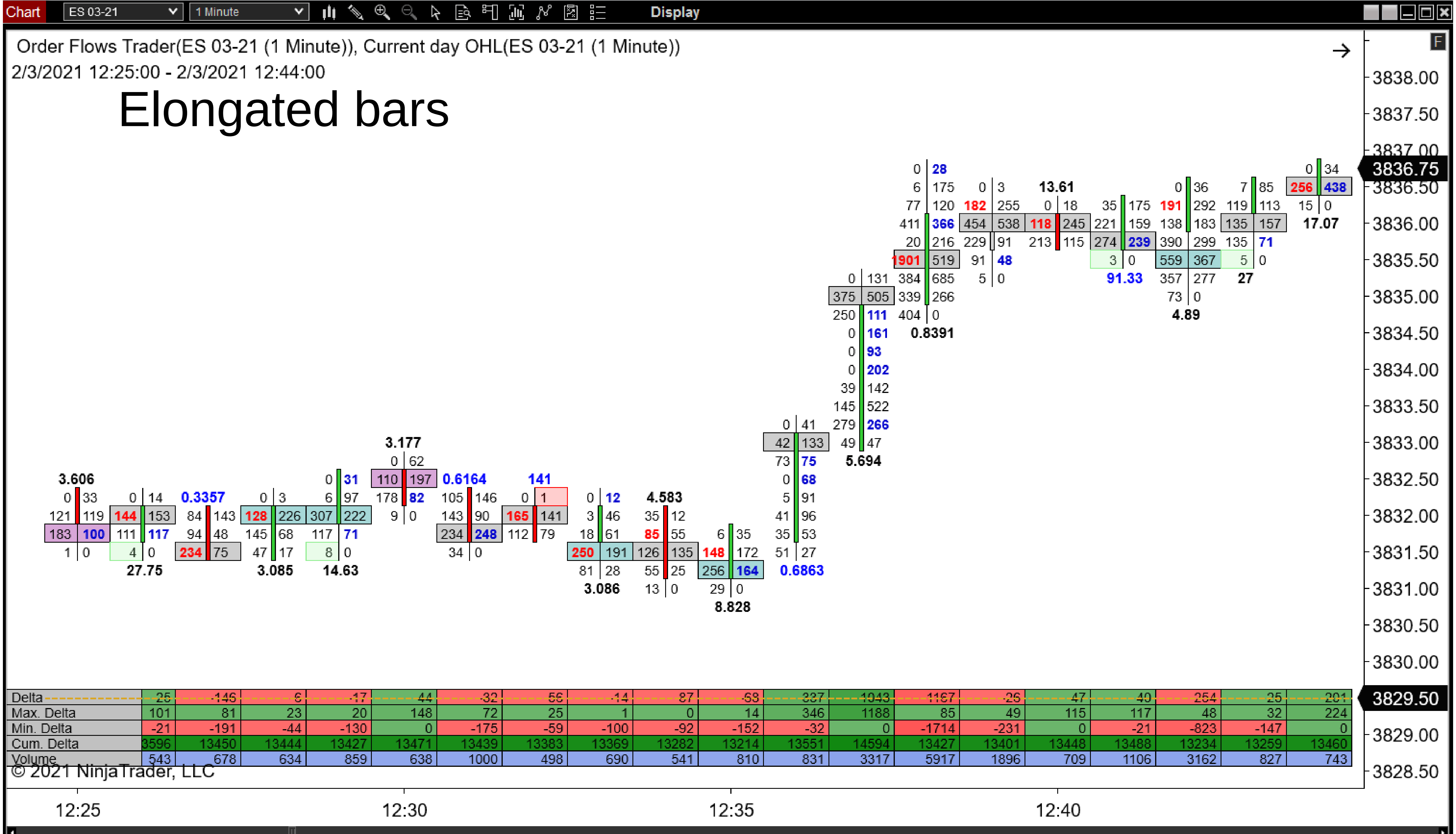
Chart
ES 03-21
1 Minute
Display
Order Flows Trader(ES 03-21 (1 Minute)), Current day OHL(ES 03-21 (1 Minute))
2/3/2021 12:25:00 - 2/3/2021 12:44:00
Elongated bars
Delta 25 -146 -6 -17 44 -32 -56 -14 -87 -68 337 1043 -1167 -26 47 40 -254 25 201
Max. Delta 101 81 23 20 148 72 25 1 0 14 346 1188 85 49 115 117 48 32 224
Min. Delta -21 -191 -44 -130 0 -175 -59 -100 -92 -152 -32 0 -1714 -231 0 -21 -823 -147 0
Cum. Delta 13596 13450 13444 13427 13471 13439 13383 13369 13282 13214 13551 14594 13427 13401 13448 13488 13234 13259 13460
Volume 543 678 634 859 638 1000 498 690 541 810 831 3317 5917 1896 709 1106 3162 827 743
© 2021 NinjaTrader, LLC
12:25
12:30
12:35
12:40

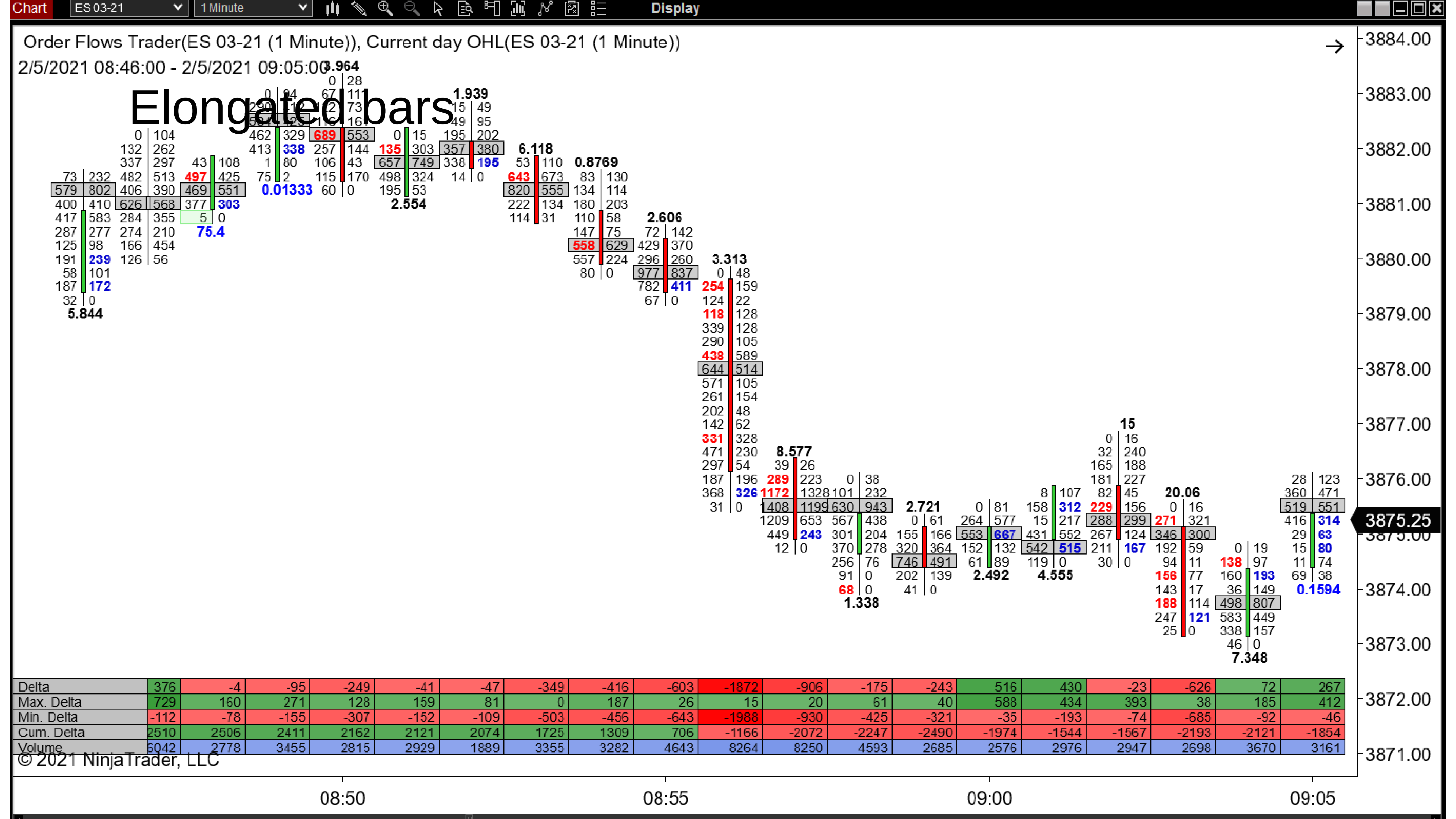

Chart
ES 03-21
1 Minute
Display
Order Flows Trader(ES 03-21 (1 Minute)), Current day OHL(ES 03-21 (1 Minute))
2/5/2021 08:46:00 - 2/5/2021 09:05:00
Elongated bars
Delta 376 -4 -95 -249 -41 -47 -349 -416 -603 -1872 -906 -175 -243 516 430 -23 -626 72 267
Max. Delta 729 160 271 128 159 81 0 187 26 15 20 61 40 588 434 393 38 185 412
Min. Delta -112 -78 -155 -307 -152 -109 -503 -456 -643 -1988 -930 -425 -321 -35 -193 -74 -685 -92 -46
Cum. Delta 2510 2506 2411 2162 2121 2074 1725 1309 706 -1166 -2072 -2247 -2490 -1974 -1544 -1567 -2193 -2121 -1854
Volume 6042 2778 3455 2815 2929 1889 3355 3282 4643 8264 8250 4593 2685 2576 2976 2947 2698 3670 3161
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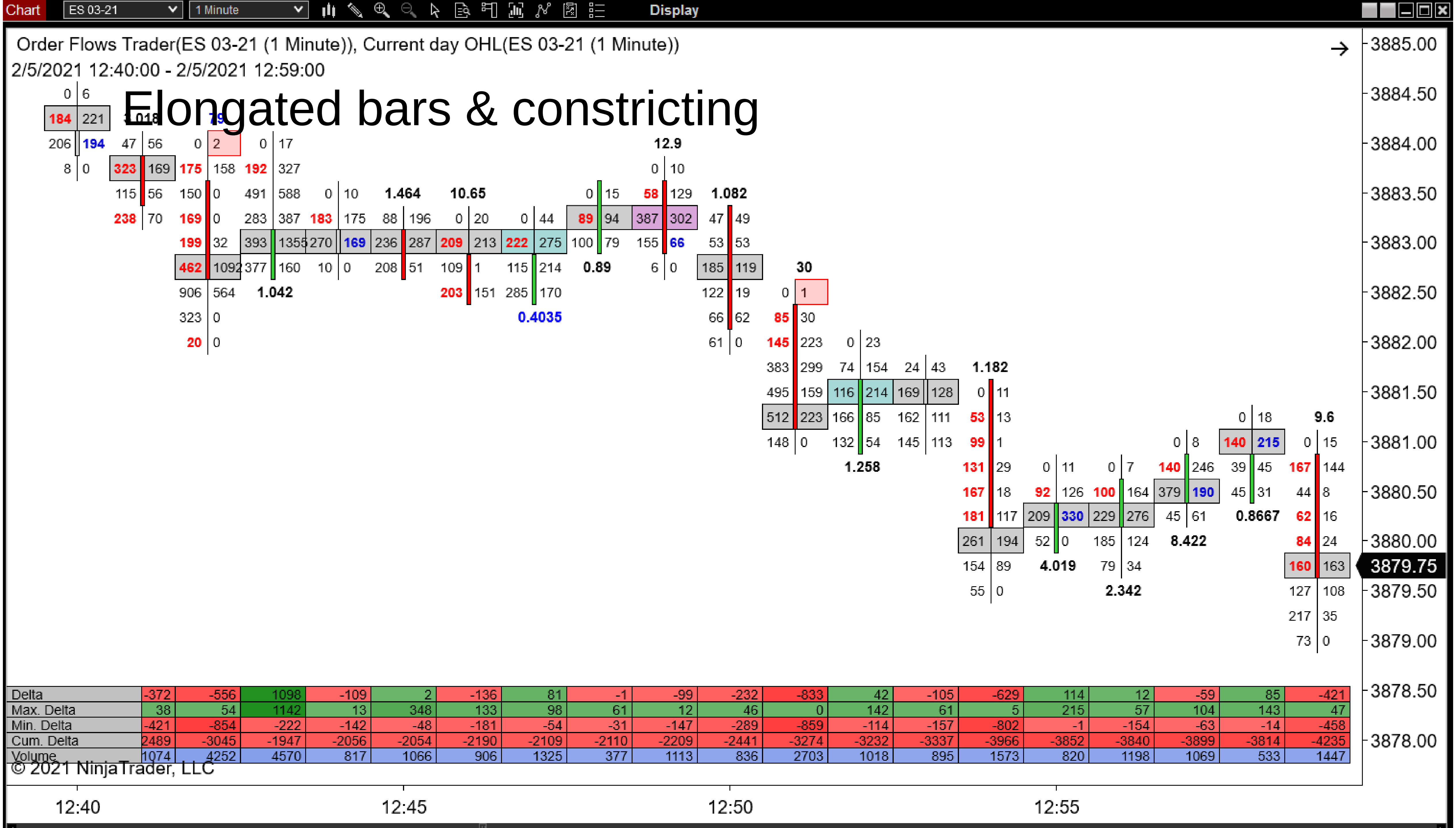
3884.00
3883.00
3882.00
3881.00
3880.00
3879.00
3878.00
3877.00
3876.00
3875.25
3874.00
3873.00
3872.00
3871.00
08:50
08:55
09:00
09:05

Elongating or constricting – when a market is exhibiting elongation that is a sign of potential directional movement. When a market is constricting that is a sign of potential balance.



Delta	-372	-556	1098	-109	2	-136	81	-1	-99	-232	-833	42	-105	-629	114	12	-59	85	-421
Max. Delta	38	54	1142	13	348	133	98	61	12	46	0	142	61	5	215	57	104	143	47
Min. Delta	-421	-854	-222	-142	-48	-181	-54	-31	-147	-289	-859	-114	-157	-802	-1	-154	-63	-14	-458
Cum. Delta	2489	-3045	-1947	-2056	-2054	-2190	-2109	-2110	-2209	-2441	-3274	-3232	-3337	-3966	-3852	-3840	-3899	-3814	-4235
Volume	1074	4252	4570	817	1066	906	1325	377	1113	836	2703	1018	895	1573	820	1198	1069	533	1447

Spikes

When a market spikes up, the base is support. You want to know if the market will accept or reject the spike. If the market continues above the spike, it still hasn’t found a level to shut off buying. When the buying gets shut off where do you expect the market to trade back to? If the market stays within the spike the market can balance.

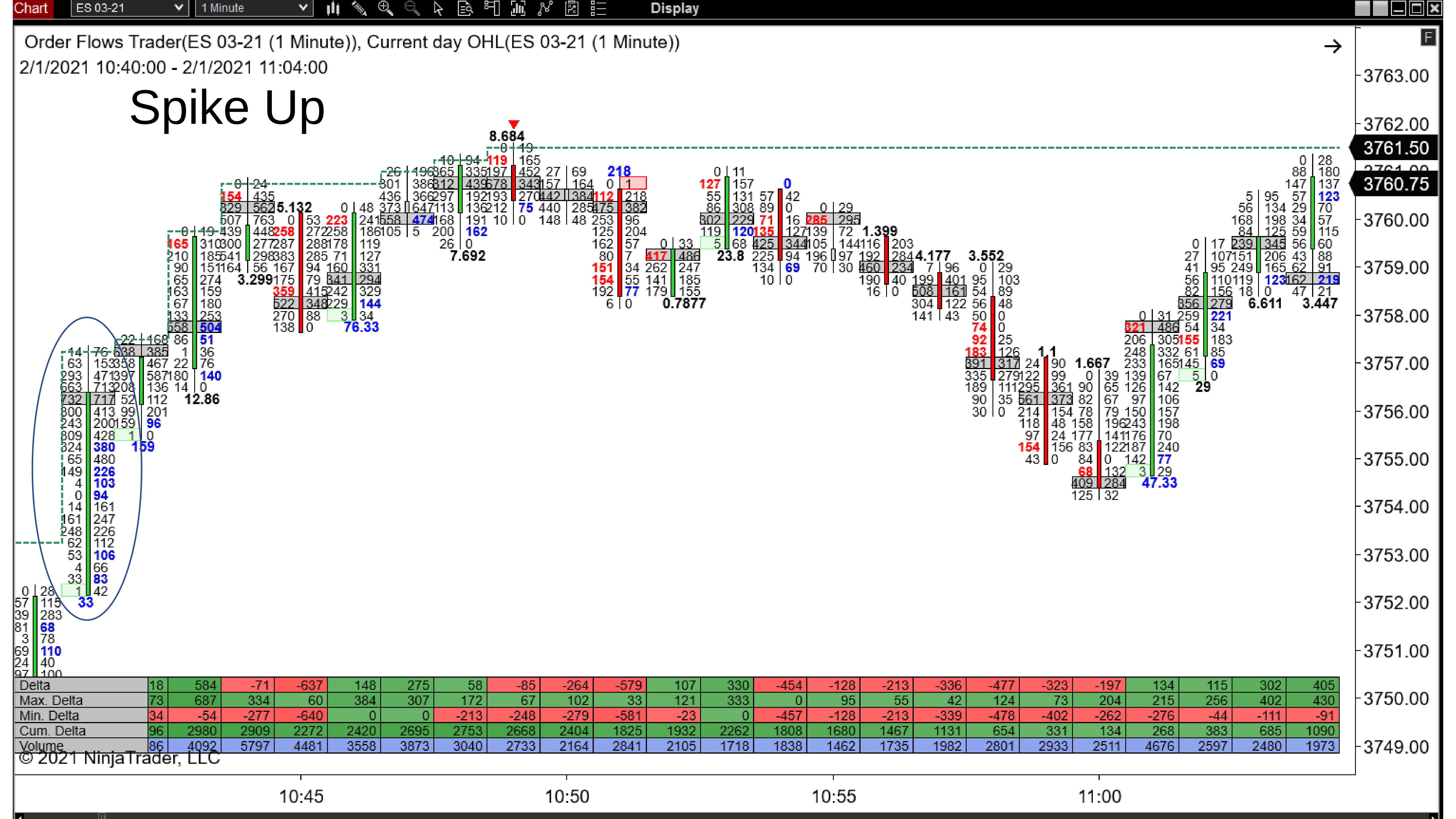


Chart
ES 03-21
1 Minute
Display
Order Flows Trader(ES 03-21 (1 Minute)), Current day OHL(ES 03-21 (1 Minute))
2/1/2021 10:40:00 - 2/1/2021 11:04:00
Spike Up
Delta 18 584 -71 -637 148 275 58 -85 -264 -579 107 330 -454 -128 -213 -336 -477 -323 -197 134 115 302 405
Max. Delta 73 687 334 60 384 307 172 67 102 33 121 333 0 95 55 42 124 73 204 215 256 402 430
Min. Delta 34 -54 -277 -640 0 0 -213 -248 -279 -581 -23 0 -457 -128 -213 -339 -478 -402 -262 -276 -44 -111 -91
Cum. Delta 96 2980 2909 2272 2420 2695 2753 2668 2404 1825 1932 2262 1808 1680 1467 1131 654 331 134 268 383 685 1090
Volume 86 4092 5797 4481 3558 3873 3040 2733 2164 2841 2105 1718 1838 1462 1735 1982 2801 2933 2511 4676 2597 2480 1973
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10:45
10:50
10:55
11:00
3763.00
3762.00
3761.50
3760.75
3760.00
3759.00
3758.00
3757.00
3756.00
3755.00
3754.00
3753.00
3752.00
3751.00
3750.00
3749.00

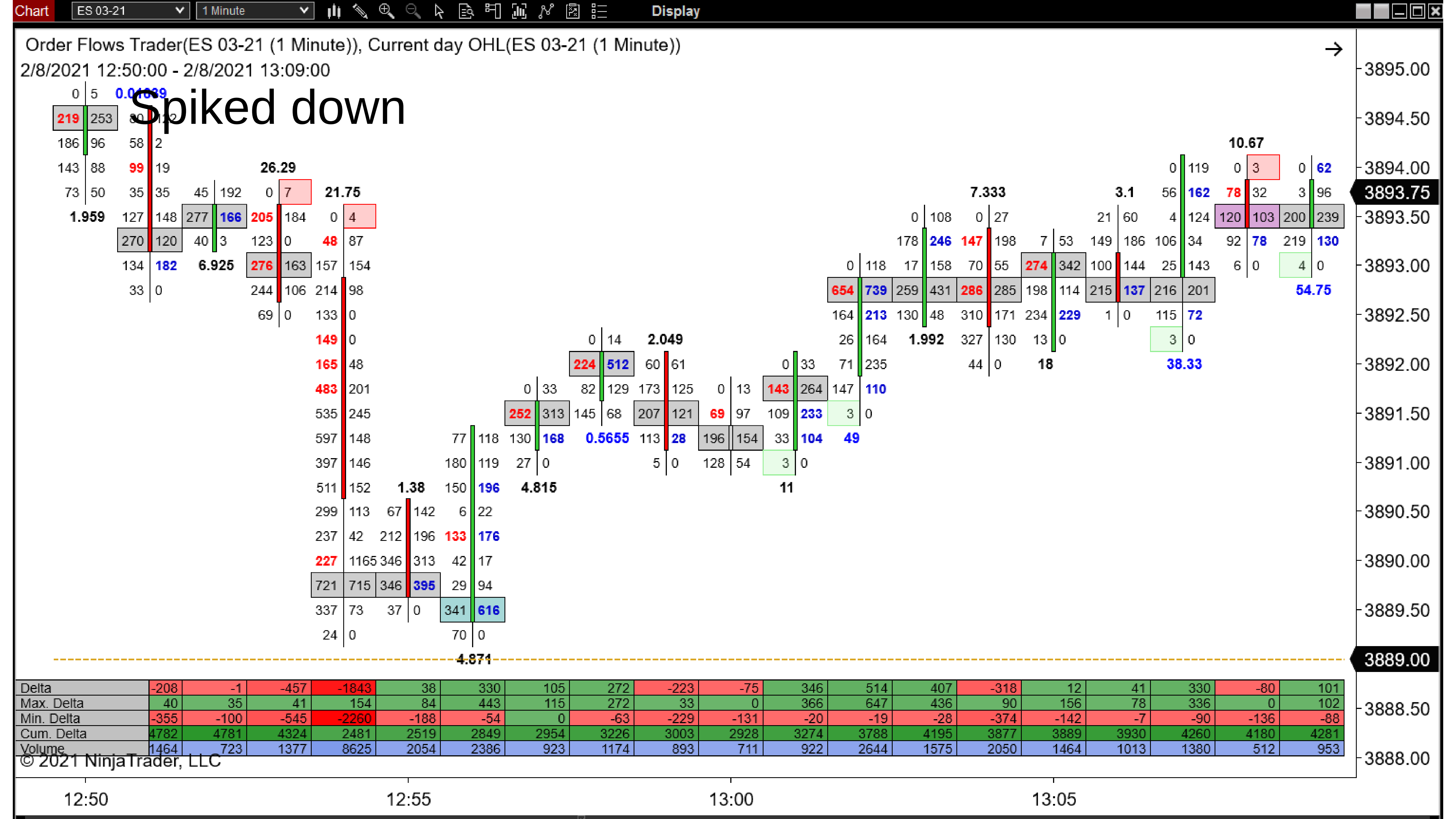
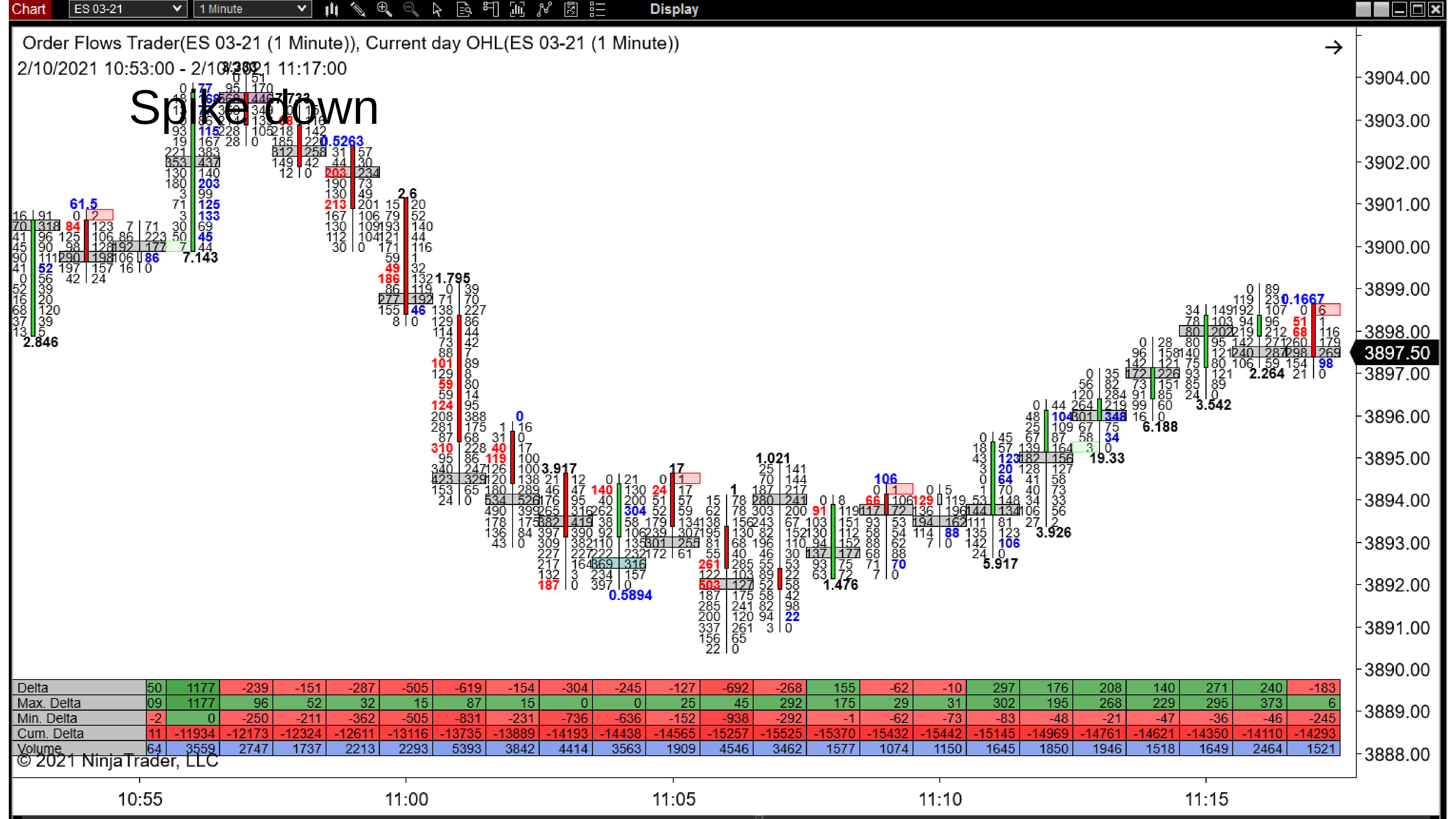


Chart
ES 03-21
1 Minute
Display
Order Flows Trader(ES 03-21 (1 Minute)), Current day OHL(ES 03-21 (1 Minute))
2/8/2021 12:50:00 - 2/8/2021 13:09:00
Spiked down
Delta -208 -1 -457 -1843 38 330 105 272 -223 -75 346 514 407 -318 12 41 330 -80 101
Max. Delta 40 35 41 154 84 443 115 272 33 0 366 647 436 90 156 78 336 0 102
Min. Delta -355 -100 -545 -2260 -188 -54 0 -63 -229 -131 -20 -19 -28 -374 -142 -7 -90 -136 -88
Cum. Delta 4782 4781 4324 2481 2519 2849 2954 3226 3003 2928 3274 3788 4195 3877 3889 3930 4260 4180 4281
Volume 1464 723 1377 8625 2054 2386 923 1174 893 711 922 2644 1575 2050 1464 1013 1380 512 953
© 2021 NinjaTrader, LLC
12:50
12:55
13:00
13:05



Delta	50	1177	-239	-151	-287	-505	-619	-154	-304	-245	-127	-692	-268	155	-62	-10	297	176	208	140	271	240	-183
Max. Delta	09	1177	96	52	32	15	87	15	0	0	25	45	292	175	29	31	302	195	268	229	295	373	6
Min. Delta	-2	0	-250	-211	-362	-505	-831	-231	-736	-636	-152	-938	-292	-1	-62	-73	-83	-48	-21	-47	-36	-46	-245
Cum. Delta	11	-11934	-12173	-12324	-12611	-13116	-13735	-13889	-14193	-14438	-14565	-15257	-15525	-15370	-15432	-15442	-15145	-14969	-14761	-14621	-14350	-14110	-14293
Volume	64	3559	2747	1737	2213	2293	5393	3842	4414	3563	1909	4546	3462	1577	1074	1150	1645	1850	1946	1518	1649	2464	1521

Trading is about recognizing change. Without change the market won’t move. The most obvious change in the market is momentum. Traders are rushing into the market. The so-called herd.

This concludes the Module 3: Momentum.

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