Next Level Order Flow
Module 4:
Volatility

Disclaimer

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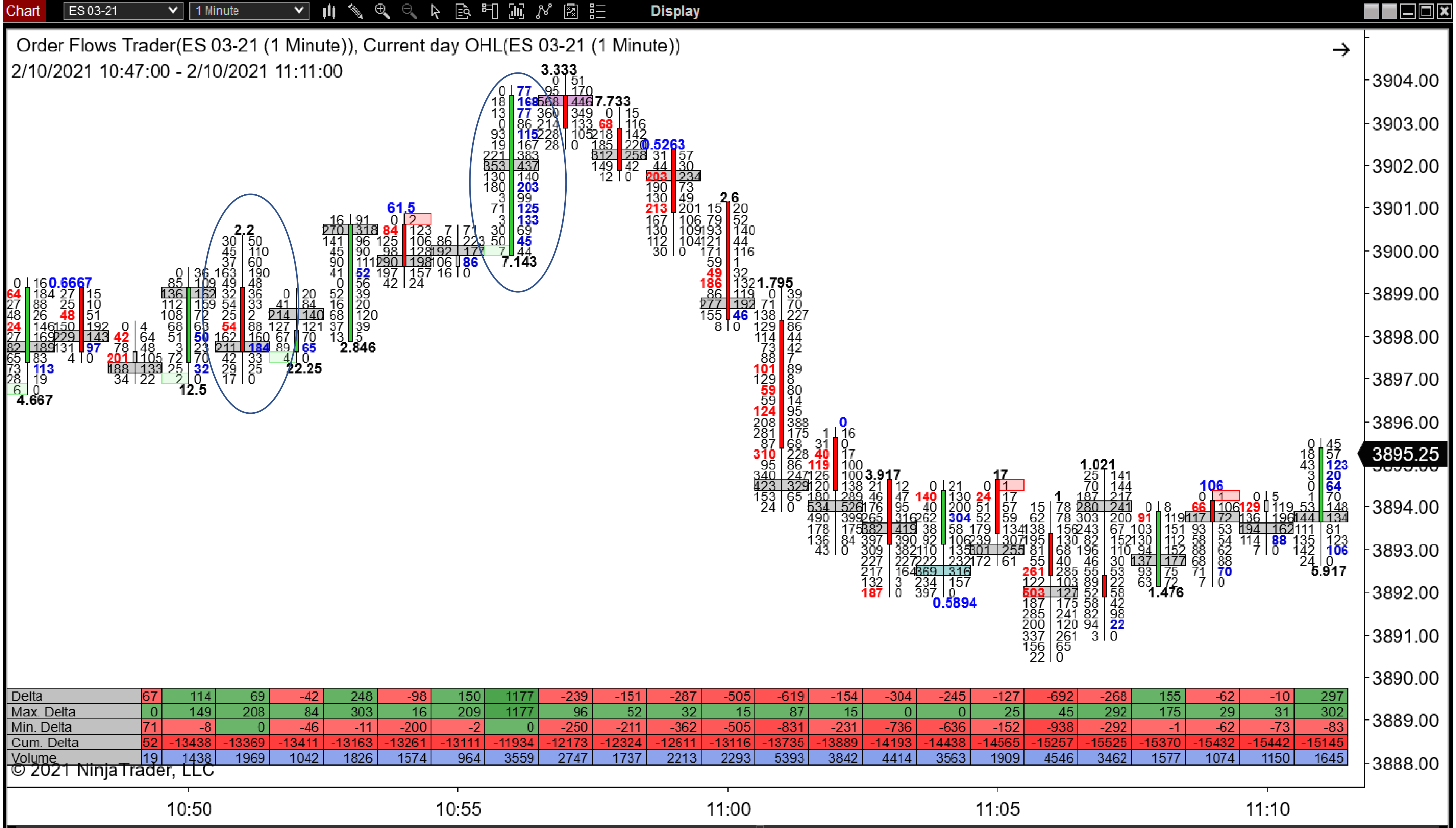
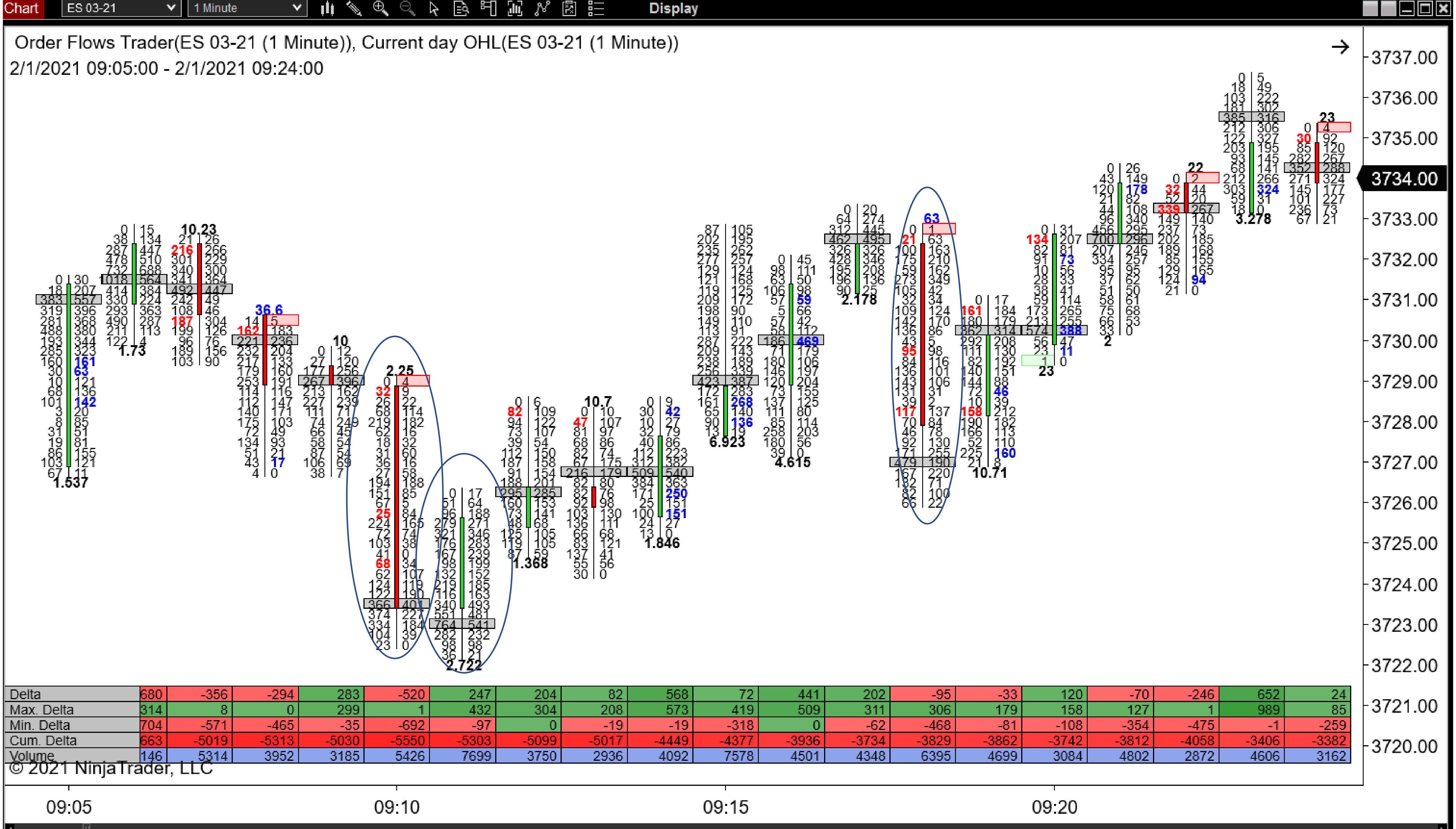
CFTC Rules 4.41 - Hypothetical or Simulated performance results have certain limitations, unlike an actual performance record, simulated results do not represent actual trading. Also, since the trades have not been executed, the results may have under-or-over compensated for the impact, if any, of certain market factors, such as lack of liquidity. Simulated trading programs in general are also subject to the fact that they are designed with the benefit of hindsight. No representation is being made that any account will or is likely to achieve profit or losses similar to those shown.

Volatility

How does one see volatility in the order flow?
You start to see elongated bars, more price levels trading in a bar with less volumes at price levels.



Delta	67	114	69	-42	248	-98	150	1177	-239	-151	-287	-505	-619	-154	-304	-245	-127	-692	-268	155	-62	-10	297
Max. Delta	0	149	208	84	303	16	209	1177	96	52	32	15	87	15	0	0	25	45	292	175	29	31	302
Min. Delta	71	-8	0	-46	-11	-200	-2	0	-250	-211	-362	-505	-831	-231	-736	-636	-152	-938	-292	-1	-62	-73	-83
Cum. Delta	52	-13438	-13369	-13411	-13163	-13261	-13111	-11934	-12173	-12324	-12611	-13116	-13735	-13889	-14193	-14438	-14565	-15257	-15525	-15370	-15432	-15442	-15145
Volume	19	1438	1969	1042	1826	1574	964	3559	2747	1737	2213	2293	5393	3842	4414	3563	1909	4546	3462	1577	1074	1150	1645



Delta	680	-356	-294	283	-520	247	204	82	568	72	441	202	-95	-33	120	-70	-246	652	24
Max. Delta	314	8	0	299	1	432	304	208	573	419	509	311	306	179	158	127	1	989	85
Min. Delta	704	-571	-465	-35	-692	-97	0	-19	-19	-318	0	-62	-468	-81	-108	-354	-475	-1	-259
Cum. Delta	663	-5019	-5313	-5030	-5550	-5303	-5099	-5017	-4449	-4377	-3936	-3734	-3829	-3862	-3742	-3812	-4058	-3406	-3382
Volume	146	5314	3952	3185	5426	7699	3750	2936	4092	7578	4501	4348	6395	4699	3084	4802	2872	4606	3162

Volatility

Does volatility provide opportunities? Yes, it does because the greater price levels the market must move more to find liquidity. Traders are forced to trade over the bigger price range. The key is when the market is more volatile, the less liquidity there is.

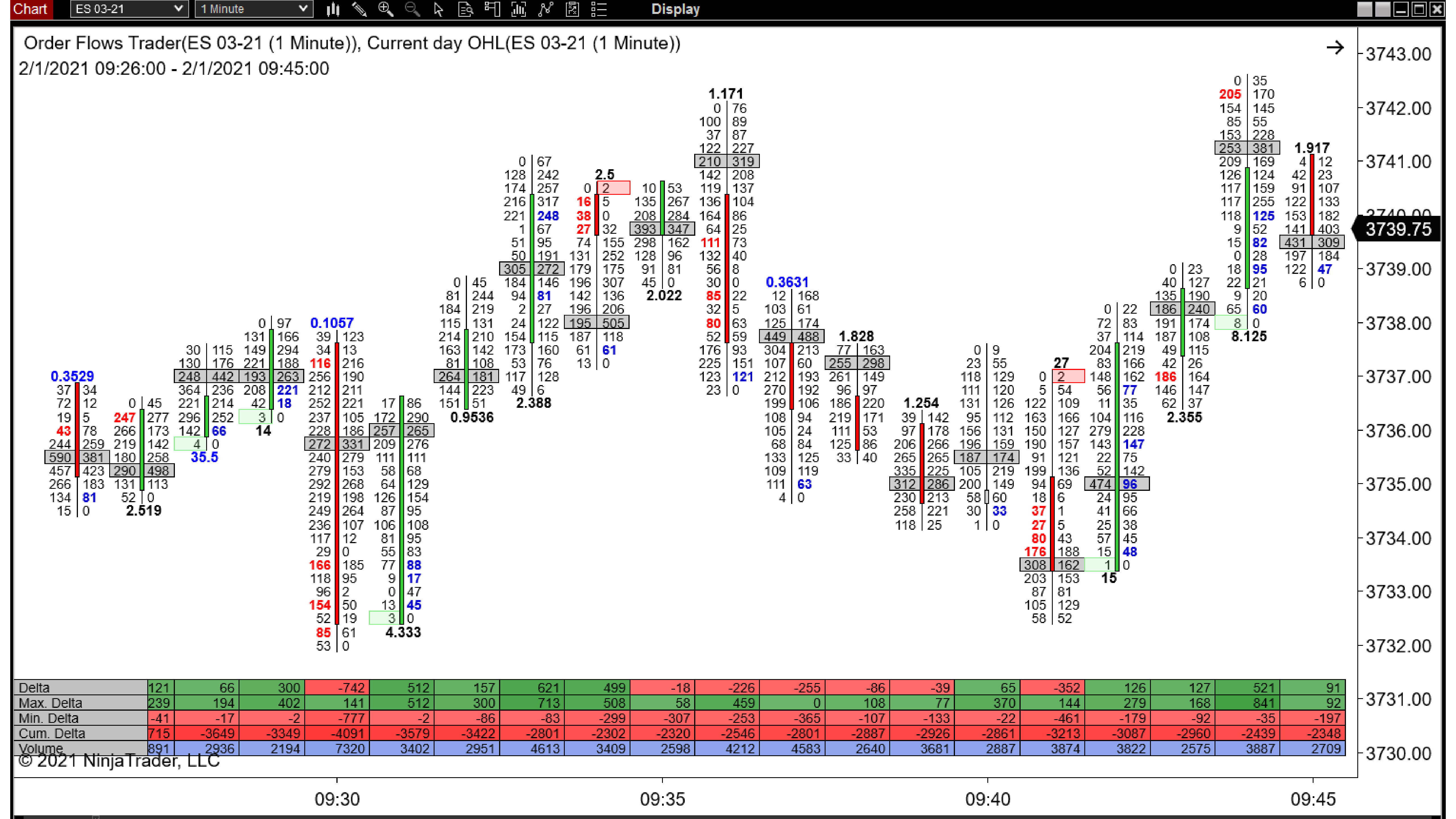


Chart
ES 03-21
1 Minute
Display
Order Flows Trader(ES 03-21 (1 Minute)), Current day OHL(ES 03-21 (1 Minute))
2/1/2021 09:26:00 - 2/1/2021 09:45:00
3743.00
3742.00
3741.00
3739.75
3739.00
3738.00
3737.00
3736.00
3735.00
3734.00
3733.00
3732.00
3731.00
3730.00
Delta 121 66 300 -742 512 157 621 499 -18 -226 -255 -86 -39 65 -352 126 127 521 91
Max. Delta 239 194 402 141 512 300 713 508 58 459 0 108 77 370 144 279 168 841 92
Min. Delta -41 -17 -2 -777 -2 -86 -83 -299 -307 -253 -365 -107 -133 -22 -461 -179 -92 -35 -197
Cum. Delta 715 -3649 -3349 -4091 -3579 -3422 -2801 -2302 -2320 -2546 -2801 -2887 -2926 -2861 -3213 -3087 -2960 -2439 -2348
Volume 891 2936 2194 7320 3402 2951 4613 3409 2598 4212 4583 2640 3681 2887 3874 3822 2575 3887 2709
© 2021 NinjaTrader, LLC
09:30
09:35
09:40
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Volatility

When there is volatility, the market facilitates trade over a wider range of prices. When a market facilitates trade over a wider range of prices, there is less liquidity at each price – hence the price movements.

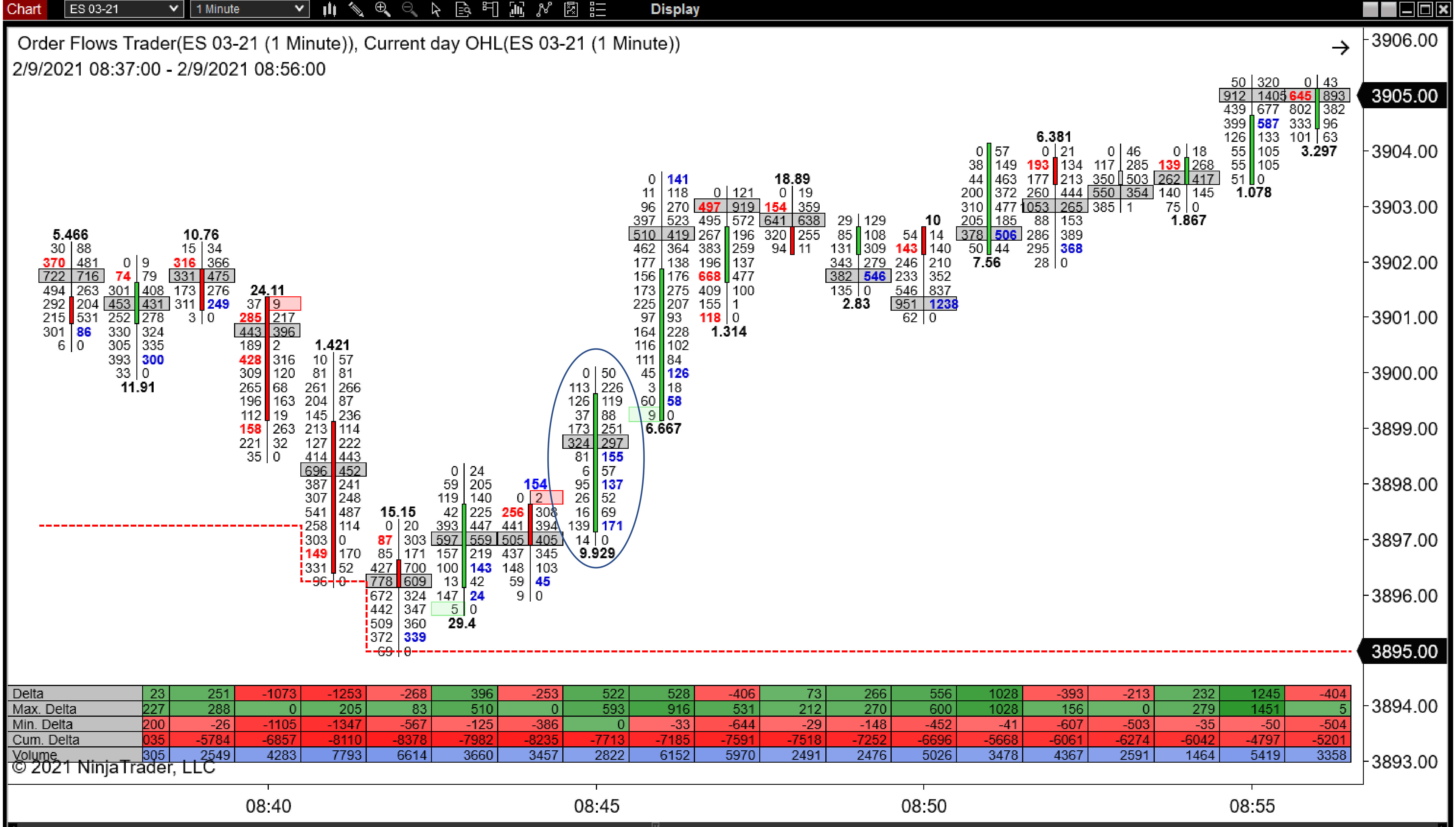
Chart
ES 03-21
1 Minute
Display
Order Flows Trader(ES 03-21 (1 Minute)), Current day OHL(ES 03-21 (1 Minute))
2/9/2021 08:37:00 - 2/9/2021 08:56:00
3906.00
3905.00
3904.00
3903.00
3902.00
3901.00
3900.00
3899.00
3898.00
3897.00
3896.00
3895.00
3894.00
3893.00
Delta 23 251 -1073 -1253 -268 396 -253 522 528 -406 73 266 556 1028 -393 -213 232 1245 -404
Max. Delta 227 288 0 205 83 510 0 593 916 531 212 270 600 1028 156 0 279 1451 5
Min. Delta 200 -26 -1105 -1347 -567 -125 -386 0 -33 -644 -29 -148 -452 -41 -607 -503 -35 -50 -504
Cum. Delta 035 -5784 -6857 -8110 -8378 -7982 -8235 -7713 -7185 -7591 -7518 -7252 -6696 -5668 -6061 -6274 -6042 -4797 -5201
Volume 305 2549 4283 7793 6614 3660 3457 2822 6152 5970 2491 2476 5026 3478 4367 2591 1464 5419 3358
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08:40
08:45
08:50
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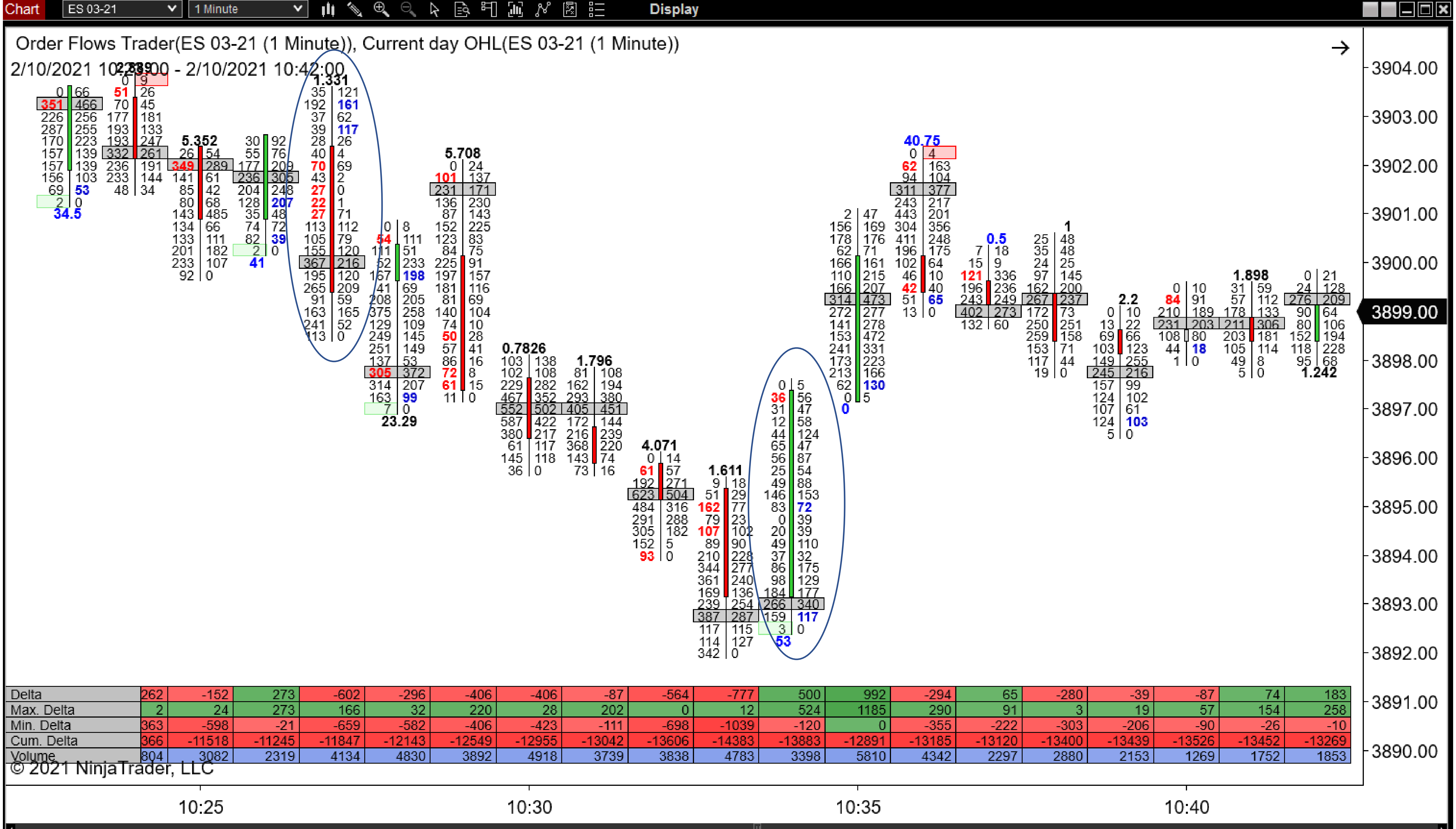
Volatility

When market volatility increases, the market undergoes changes. It often changes from a technical market to a more flow-based market. Trying to fade a move in a volatile market can kill your account. A trader is often better served going with the flow.



Delta	262	-152	273	-602	-296	-406	-406	-87	-564	-777	500	992	-294	65	-280	-39	-87	74	183
Max. Delta	2	24	273	166	32	220	28	202	0	12	524	1185	290	91	3	19	57	154	258
Min. Delta	363	-598	-21	-659	-582	-406	-423	-111	-698	-1039	-120	0	-355	-222	-303	-206	-90	-26	-10
Cum. Delta	366	-11518	-11245	-11847	-12143	-12549	-12955	-13042	-13606	-14383	-13883	-12891	-13185	-13120	-13400	-13439	-13526	-13452	-13269
Volume	804	3082	2319	4134	4830	3892	4918	3739	3838	4783	3398	5810	4342	2297	2880	2153	1269	1752	1853

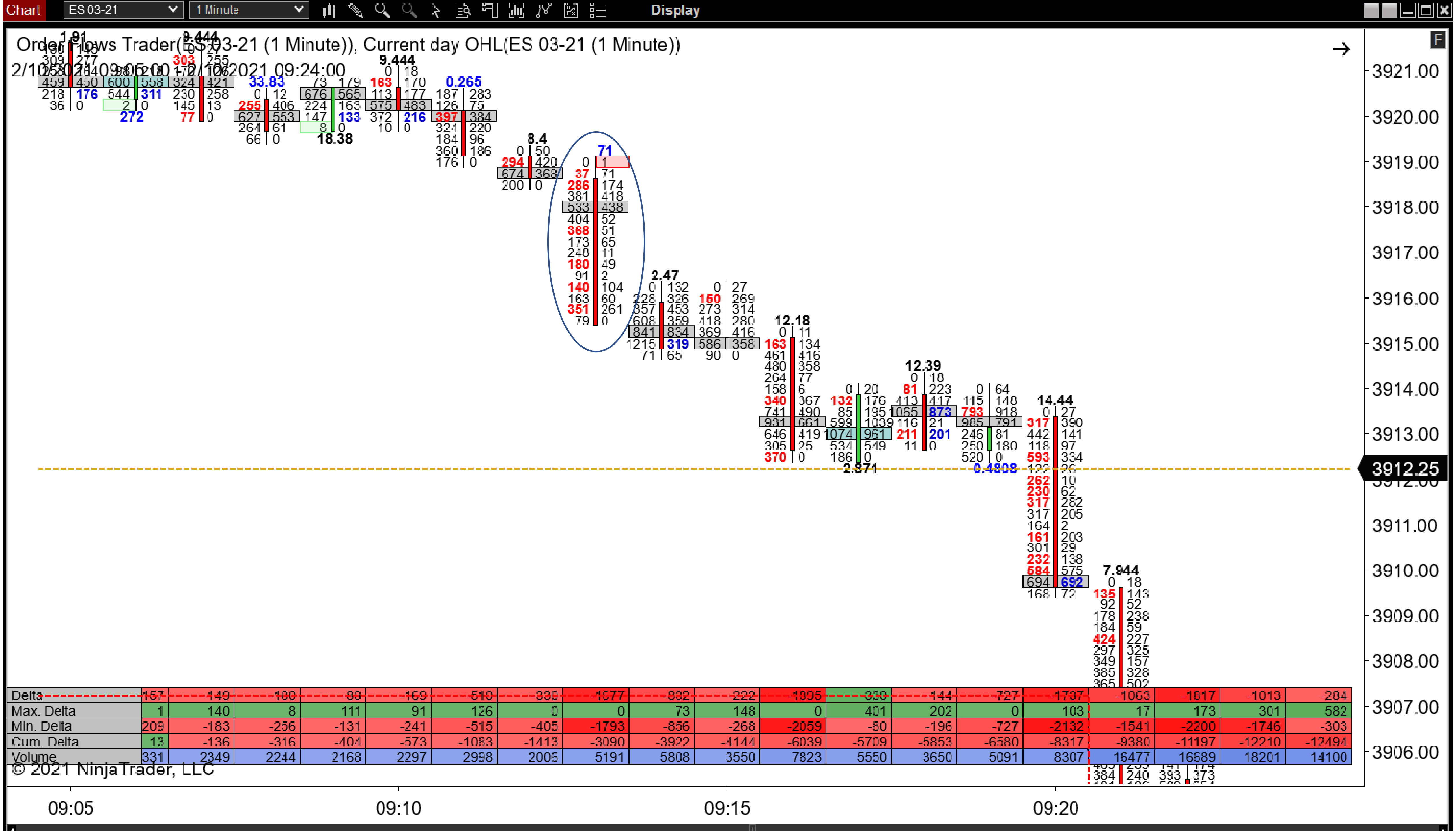


Chart
ES 03-21
1 Minute
Display
Order Flows Trader(ES 03-21 (1 Minute)), Current day OHL(ES 03-21 (1 Minute))
2/10/2021 09:05:00 - 2/10/2021 09:24:00
3921.00
3920.00
3919.00
3918.00
3917.00
3916.00
3915.00
3914.00
3913.00
3912.25
3911.00
3910.00
3909.00
3908.00
3907.00
3906.00
Delta 157 -149 -180 -88 -169 -510 -330 -1677 -832 -222 -1895 330 -144 -727 -1737 -1063 -1817 -1013 -284
Max. Delta 1 140 8 111 91 126 0 0 73 148 0 401 202 0 103 17 173 301 582
Min. Delta 209 -183 -256 -131 -241 -515 -405 -1793 -856 -268 -2059 -80 -196 -727 -2132 -1541 -2200 -1746 -303
Cum. Delta 13 -136 -316 -404 -573 -1083 -1413 -3090 -3922 -4144 -6039 -5709 -5853 -6580 -8317 -9380 -11197 -12210 -12494
Volume 331 2349 2244 2168 2297 2998 2006 5191 5808 3550 7823 5550 3650 5091 8307 16477 16689 18201 14100
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09:05
09:10
09:15
09:20

Volatility

There is a difference between liquidity and volatility. Low liquidity does not imply high volatility. Liquidity is how much volume buyers and sellers are willing to provide a price over a range of prices. When volatility goes up, the amount of liquidity tends to decrease. Its like the market is catching its breath.

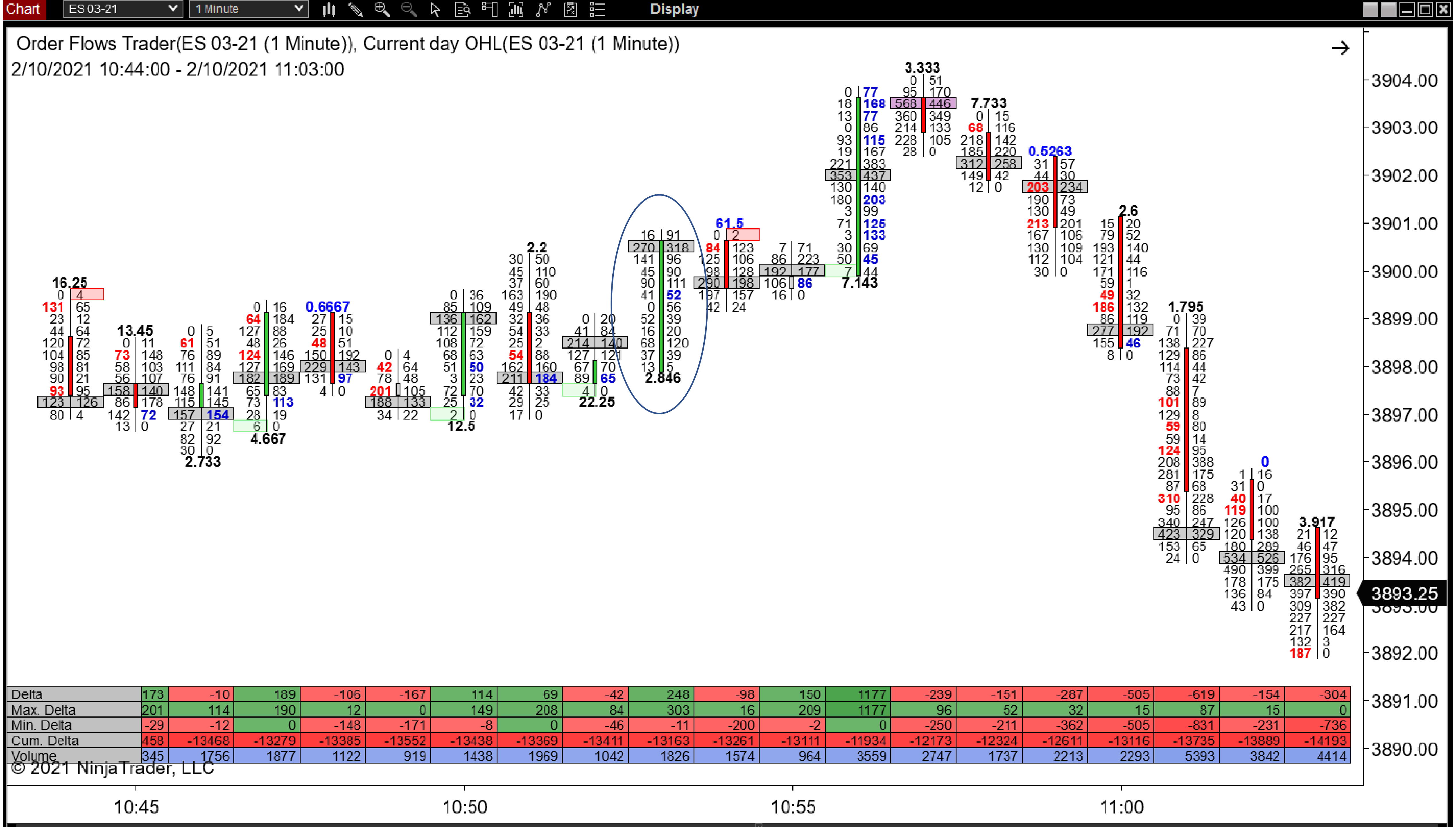
Chart
ES 03-21
1 Minute
Display
Order Flows Trader(ES 03-21 (1 Minute)), Current day OHL(ES 03-21 (1 Minute))
2/10/2021 10:44:00 - 2/10/2021 11:03:00
Delta 173 -10 189 -106 -167 114 69 -42 248 -98 150 1177 -239 -151 -287 -505 -619 -154 -304
Max. Delta 201 114 190 12 0 149 208 84 303 16 209 1177 96 52 32 15 87 15 0
Min. Delta -29 -12 0 -148 -171 -8 0 -46 -11 -200 -2 0 -250 -211 -362 -505 -831 -231 -736
Cum. Delta 458 -13468 -13279 -13385 -13552 -13438 -13369 -13411 -13163 -13261 -13111 -11934 -12173 -12324 -12611 -13116 -13735 -13889 -14193
Volume 345 1756 1877 1122 919 1438 1969 1042 1826 1574 964 3559 2747 1737 2213 2293 5393 3842 4414
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10:45
10:50
10:55
11:00
3904.00
3903.00
3902.00
3901.00
3900.00
3899.00
3898.00
3897.00
3896.00
3895.00
3894.00
3893.25
3892.00
3891.00
3890.00

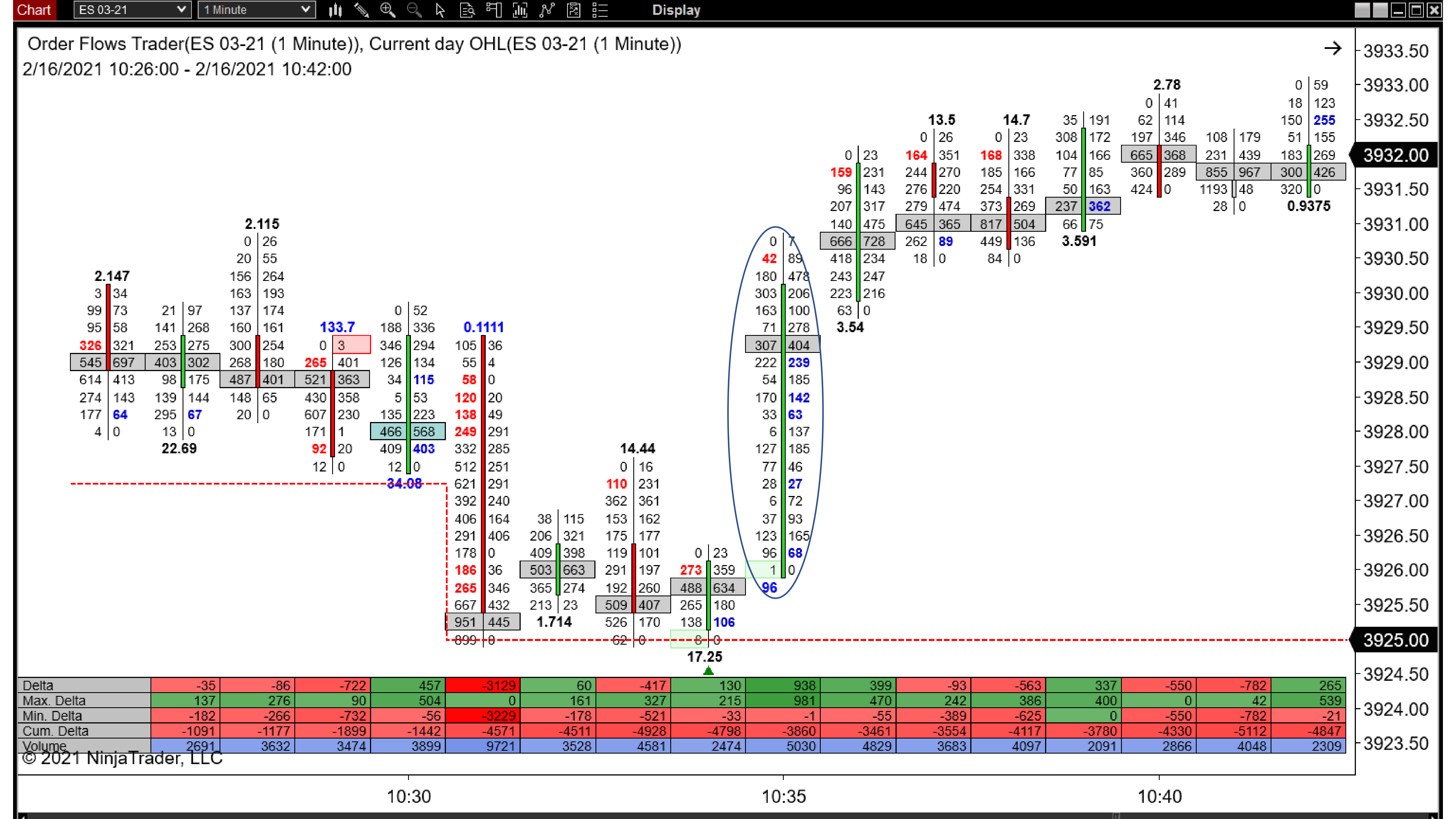
Chart
ES 03-21
1 Minute
Display
Order Flows Trader(ES 03-21 (1 Minute)), Current day OHL(ES 03-21 (1 Minute))
2/16/2021 10:26:00 - 2/16/2021 10:42:00
Delta -35 -86 -722 457 -3129 60 -417 130 938 399 -93 -563 337 -550 -782 265
Max. Delta 137 276 90 504 0 161 327 215 981 470 242 386 400 0 42 539
Min. Delta -182 -266 -732 -56 -3229 -178 -521 -33 -1 -55 -389 -625 0 -550 -782 -21
Cum. Delta -1091 -1177 -1899 -1442 -4571 -4511 -4928 -4798 -3860 -3461 -3554 -4117 -3780 -4330 -5112 -4847
Volume 2691 3632 3474 3899 9721 3528 4581 2474 5030 4829 3683 4097 2091 2866 4048 2309
© 2021 NinjaTrader, LLC
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10:35
10:40
3932.00
3925.00

Volatility

Where a lot of traders run into trouble is trying to trade a volatile market the same as a non-volatile market.
You must realize conditions change all the time.
It is like the difference between trading a trending market and a range bound market. In a range bound market you often provide liquidity. In a trending market you often take liquidity. Another example, are markets driven by day-time frame traders or longer-term traders.

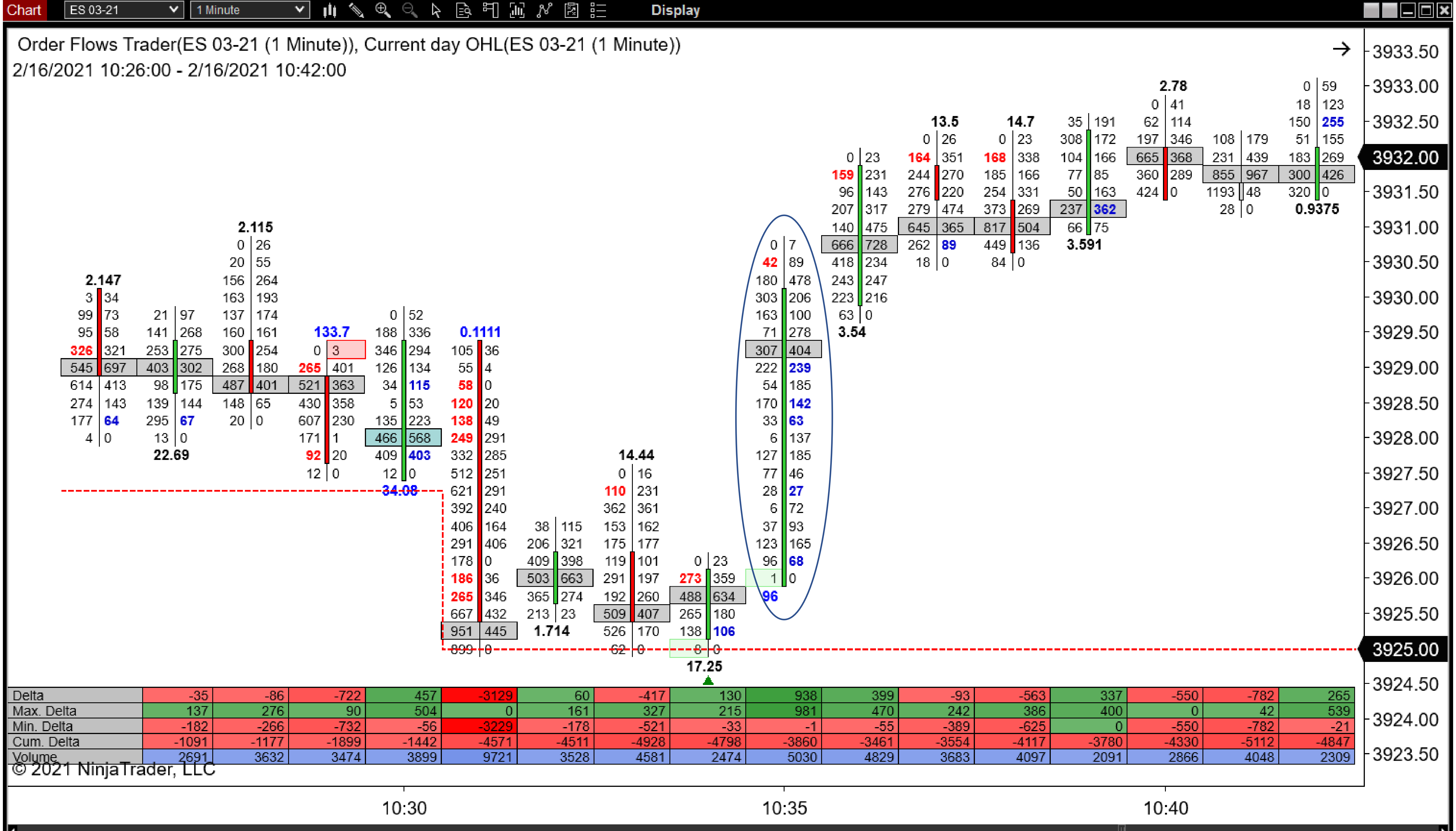
Chart
ES 03-21
1 Minute
Display
Order Flows Trader(ES 03-21 (1 Minute)), Current day OHL(ES 03-21 (1 Minute))
2/16/2021 10:26:00 - 2/16/2021 10:42:00
Delta -35 -86 -722 457 -3129 60 -417 130 938 399 -93 -563 337 -550 -782 265
Max. Delta 137 276 90 504 0 161 327 215 981 470 242 386 400 0 42 539
Min. Delta -182 -266 -732 -56 -3229 -178 -521 -33 -1 -55 -389 -625 0 -550 -782 -21
Cum. Delta -1091 -1177 -1899 -1442 -4571 -4511 -4928 -4798 -3860 -3461 -3554 -4117 -3780 -4330 -5112 -4847
Volume 2691 3632 3474 3899 9721 3528 4581 2474 5030 4829 3683 4097 2091 2866 4048 2309
© 2021 NinjaTrader, LLC
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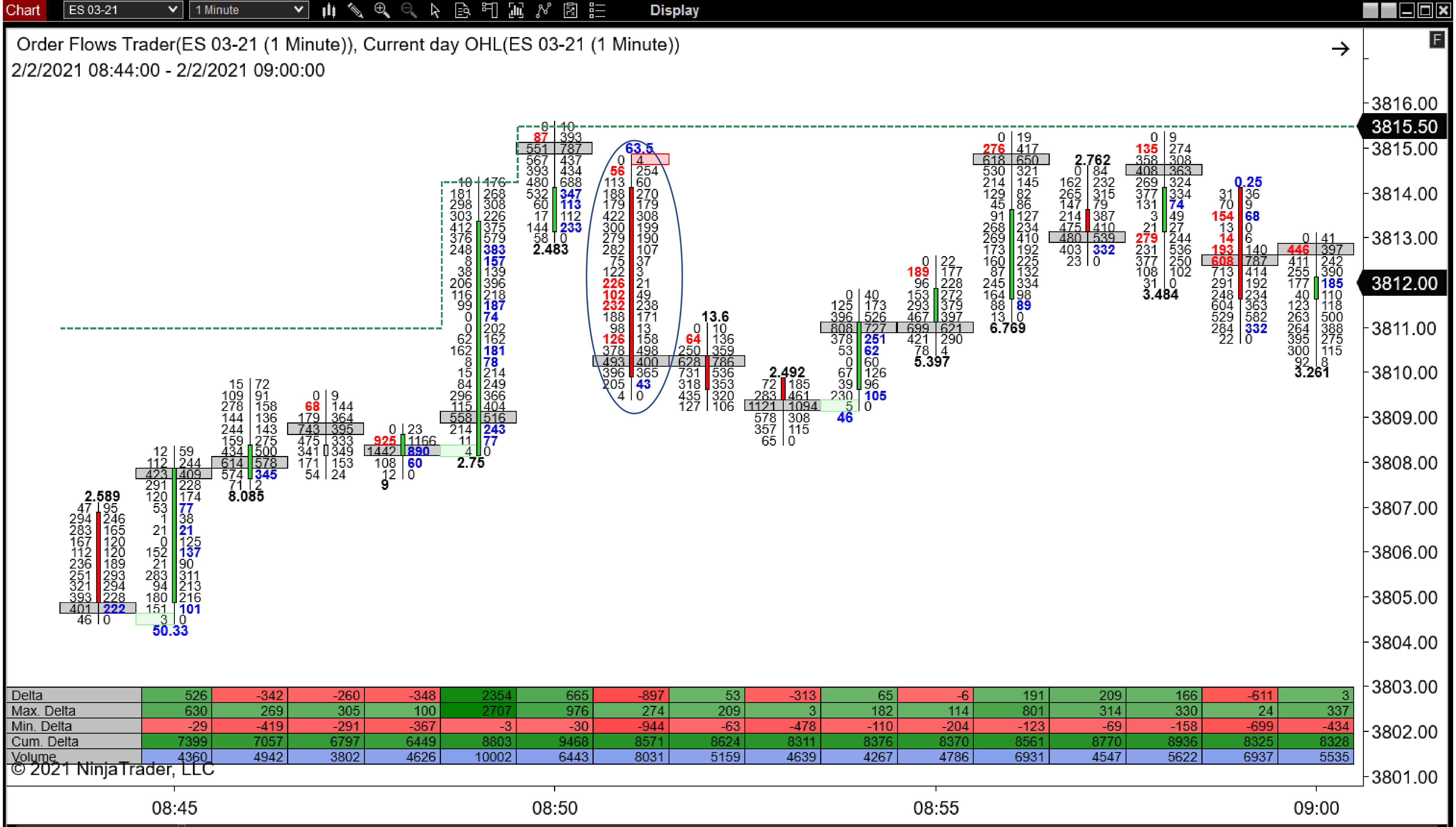
Chart
ES 03-21
1 Minute
Display
Order Flows Trader(ES 03-21 (1 Minute)), Current day OHL(ES 03-21 (1 Minute))
2/2/2021 08:44:00 - 2/2/2021 09:00:00
3815.50
3812.00
Delta 526 -342 -260 -348 2354 665 -897 53 -313 65 -6 191 209 166 -611 3
Max. Delta 630 269 305 100 2707 976 274 209 3 182 114 801 314 330 24 337
Min. Delta -29 -419 -291 -367 -3 -30 -944 -63 -478 -110 -204 -123 -69 -158 -699 -434
Cum. Delta 7399 7057 6797 6449 8803 9468 8571 8624 8311 8376 8370 8561 8770 8936 8325 8328
Volume 4360 4942 3802 4626 10002 6443 8031 5159 4639 4267 4786 6931 4547 5622 6937 5535
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08:45
08:50
08:55
09:00

Volatility

In a market exhibiting above average volatility, generally you want to be a liquidity taker getting into the market, buying the offer or hitting the bid – trading at the market as opposed to a liquidity provider, working bids to buy or offers to sell. Why? The market is moving quick and trying to pick a level can leave you out of a trade. Getting out is another story. You can work take profit orders far away and get hit.

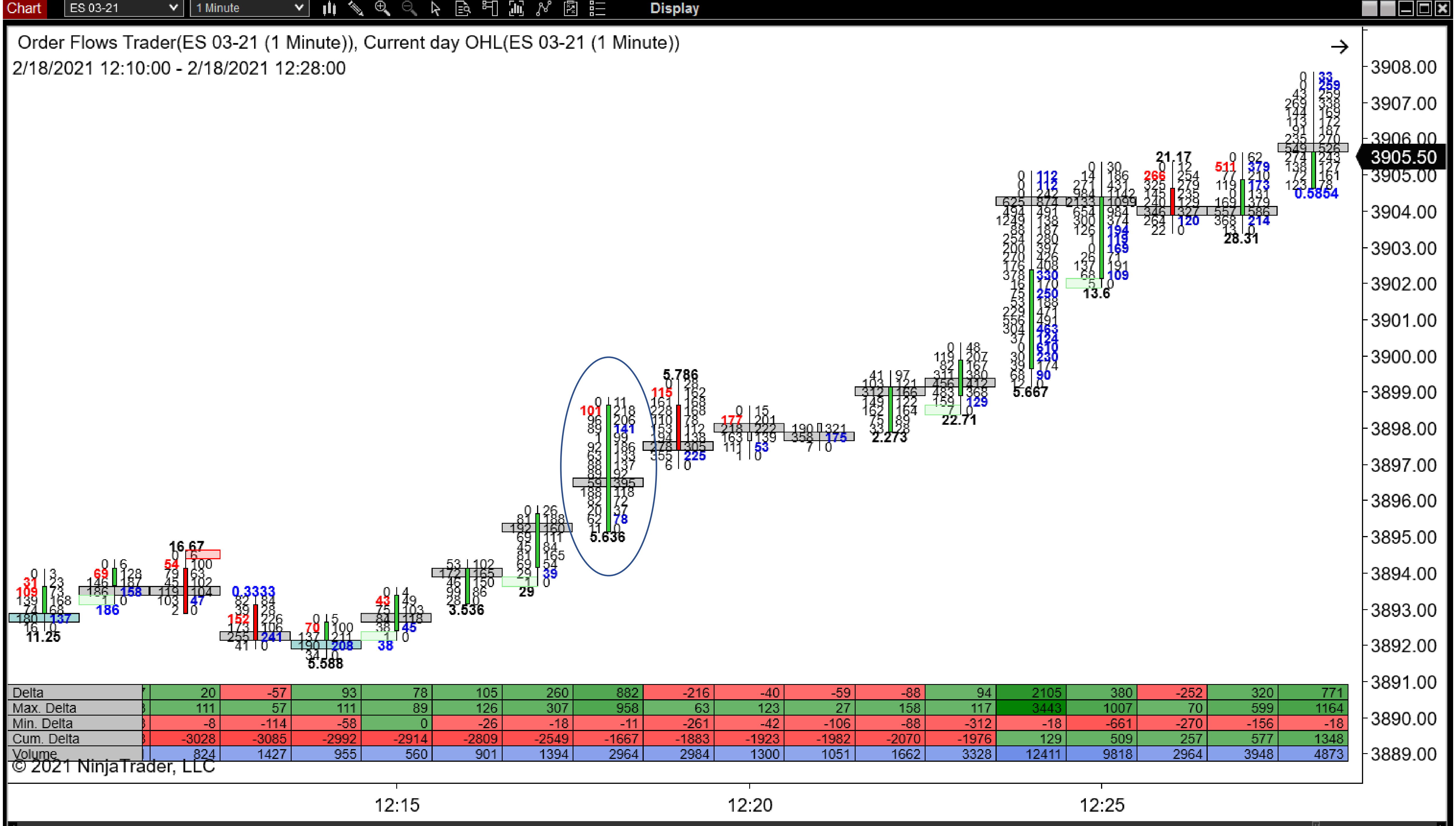
Chart
ES 03-21
1 Minute
Display
Order Flows Trader(ES 03-21 (1 Minute)), Current day OHL(ES 03-21 (1 Minute))
2/18/2021 12:10:00 - 2/18/2021 12:28:00
3905.50
Delta 20 -57 93 78 105 260 882 -216 -40 -59 -88 94 2105 380 -252 320 771
Max. Delta 111 57 111 89 126 307 958 63 123 27 158 117 3443 1007 70 599 1164
Min. Delta -8 -114 -58 0 -26 -18 -11 -261 -42 -106 -88 -312 -18 -661 -270 -156 -18
Cum. Delta -3028 -3085 -2992 -2914 -2809 -2549 -1667 -1883 -1923 -1982 -2070 -1976 129 509 257 577 1348
Volume 824 1427 955 560 901 1394 2964 2984 1300 1051 1662 3328 12411 9818 2964 3948 4873
© 2021 NinjaTrader, LLC
12:15
12:20
12:25
3908.00
3907.00
3906.00
3905.00
3904.00
3903.00
3902.00
3901.00
3900.00
3899.00
3898.00
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3890.00
3889.00

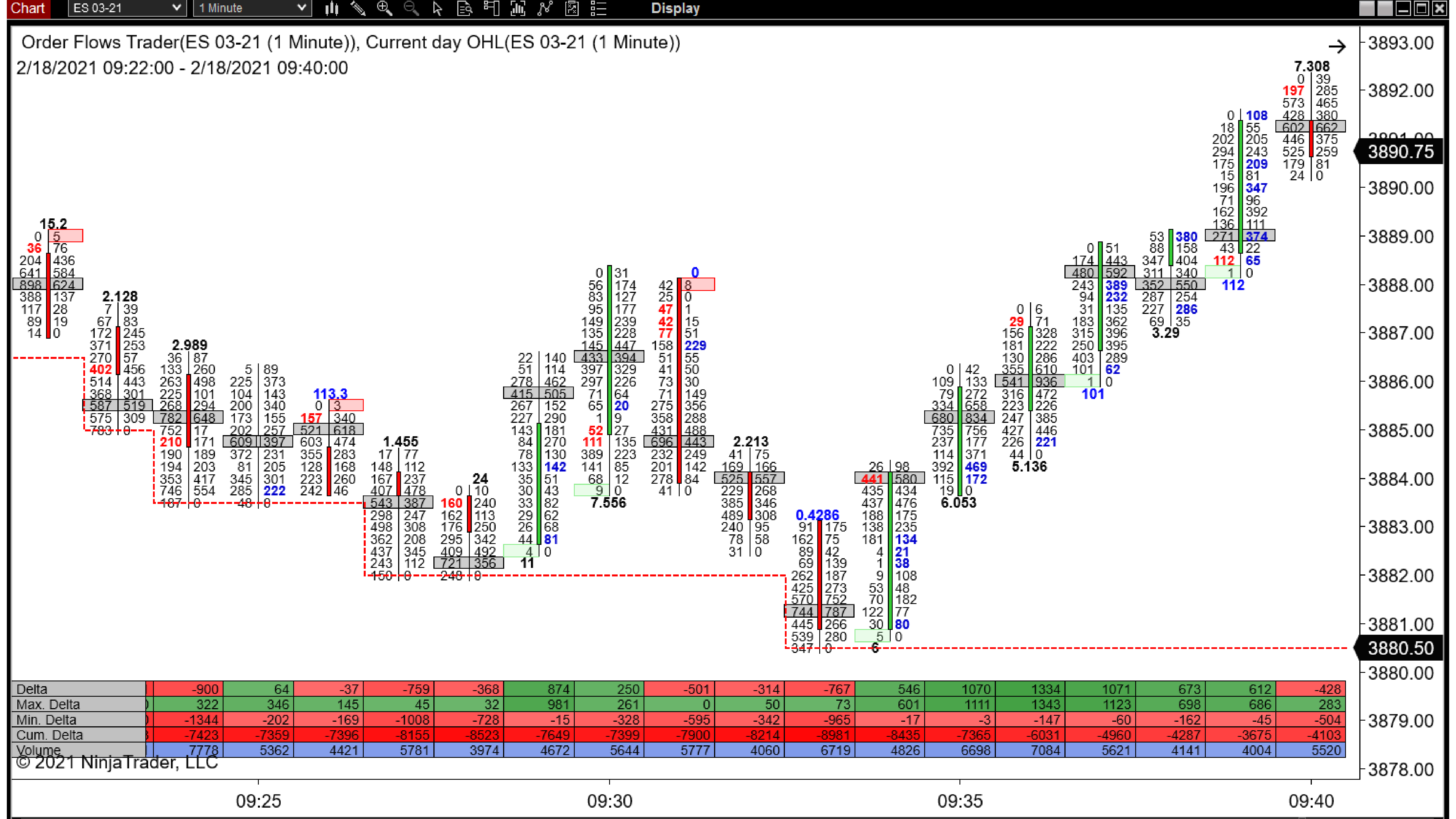
Chart
ES 03-21
1 Minute
Display
Order Flows Trader(ES 03-21 (1 Minute)), Current day OHL(ES 03-21 (1 Minute))
2/18/2021 09:22:00 - 2/18/2021 09:40:00
3893.00
3892.00
3890.75
3890.00
3889.00
3888.00
3887.00
3886.00
3885.00
3884.00
3883.00
3882.00
3881.00
3880.50
3880.00
3879.00
3878.00
Delta -900 64 -37 -759 -368 874 250 -501 -314 -767 546 1070 1334 1071 673 612 -428
Max. Delta 322 346 145 45 32 981 261 0 50 73 601 1111 1343 1123 698 686 283
Min. Delta -1344 -202 -169 -1008 -728 -15 -328 -595 -342 -965 -17 -3 -147 -60 -162 -45 -504
Cum. Delta -7423 -7359 -7396 -8155 -8523 -7649 -7399 -7900 -8214 -8981 -8435 -7365 -6031 -4960 -4287 -3675 -4103
Volume 7778 5362 4421 5781 3974 4672 5644 5777 4060 6719 4826 6698 7084 5621 4141 4004 5520
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Volatility

Some markets have low liquidity, but that doesn’t mean they are more volatile. It is just the nature of that market.

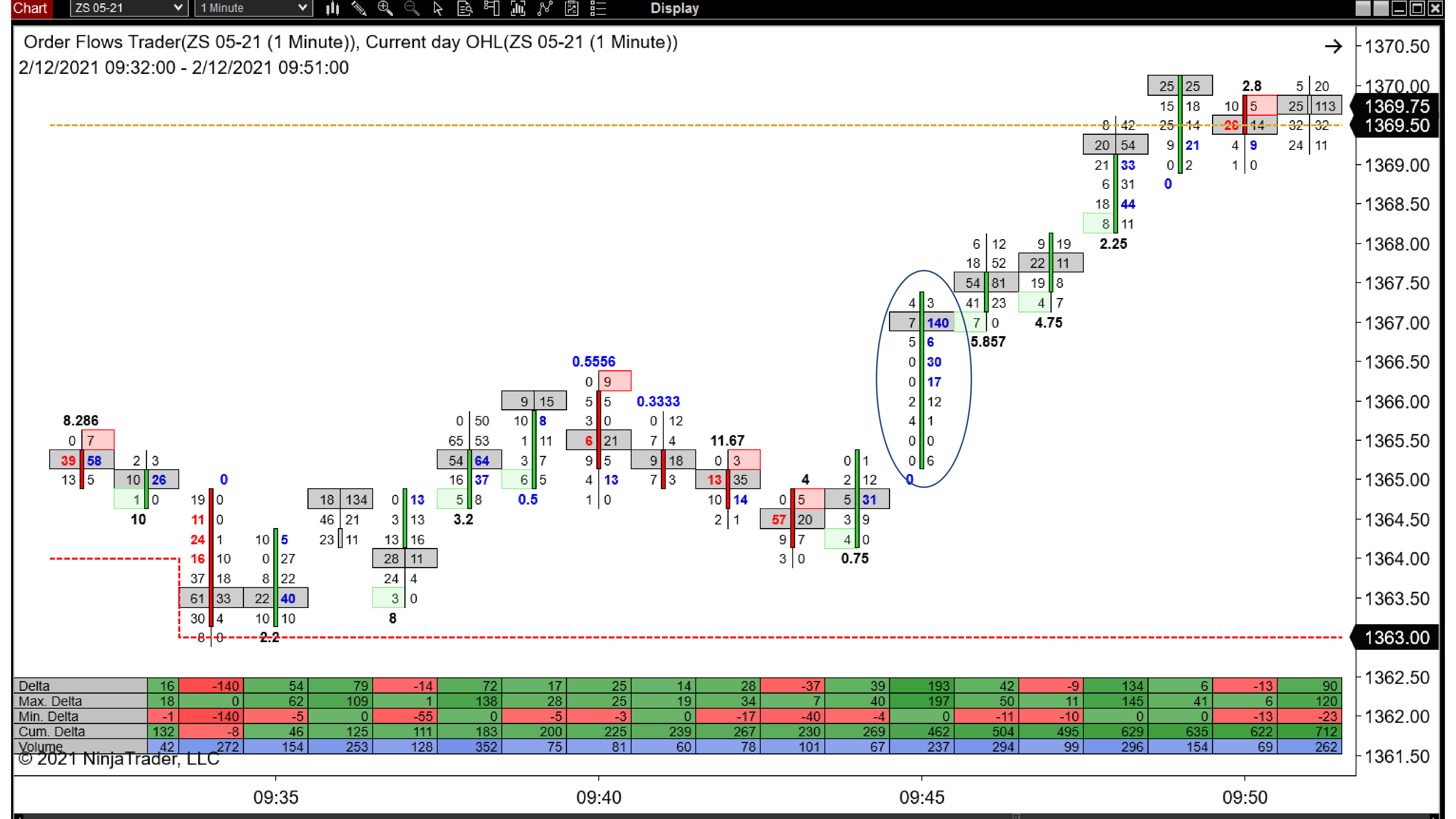
Chart
ZS 05-21
1 Minute
Display
Order Flows Trader(ZS 05-21 (1 Minute)), Current day OHL(ZS 05-21 (1 Minute))
2/12/2021 09:32:00 - 2/12/2021 09:51:00
Delta
Max. Delta
Min. Delta
Cum. Delta
Volume
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09:35
09:40
09:45
09:50

Volatility

Volatility forces traders to respond which in turn creates opportunity because there will be a wider range of price levels.

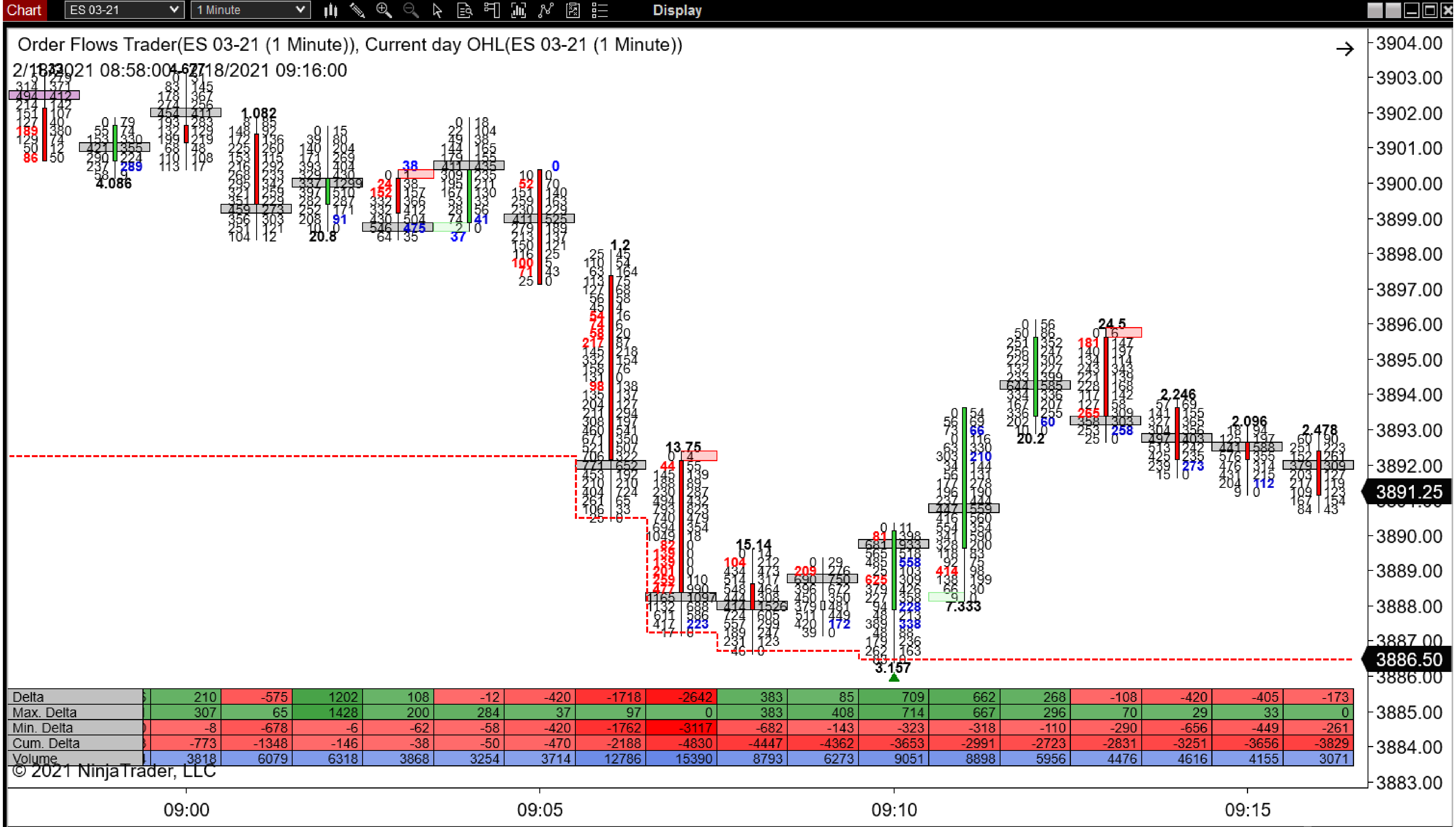
Chart
ES 03-21
1 Minute
Display
Order Flows Trader(ES 03-21 (1 Minute)), Current day OHL(ES 03-21 (1 Minute))
2/18/2021 08:58:00 - 2/18/2021 09:16:00
3904.00
3903.00
3902.00
3901.00
3900.00
3899.00
3898.00
3897.00
3896.00
3895.00
3894.00
3893.00
3892.00
3891.25
3890.00
3889.00
3888.00
3887.00
3886.50
3886.00
3885.00
3884.00
3883.00
Delta 210 -575 1202 108 -12 -420 -1718 -2642 383 85 709 662 268 -108 -420 -405 -173
Max. Delta 307 65 1428 200 284 37 97 0 383 408 714 667 296 70 29 33 0
Min. Delta -8 -678 -6 -62 -58 -420 -1762 -3117 -682 -143 -323 -318 -110 -290 -656 -449 -261
Cum. Delta -773 -1348 -146 -38 -50 -470 -2188 -4830 -4447 -4362 -3653 -2991 -2723 -2831 -3251 -3656 -3829
Volume 3818 6079 6318 3868 3254 3714 12786 15390 8793 6273 9051 8898 5956 4476 4616 4155 3071
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09:00
09:05
09:10
09:15

Volatility

Often, and I admit I fall into this too, traders see how volatile the market is and think “it’s too crazy, I am not trading this market.” But there is a lot of opportunity for traders. Now if you can differentiate between flow driven market, increased volatility you know that the market conditions changed and that you know you need to have a different playbook instead of your normal market condition playbook.

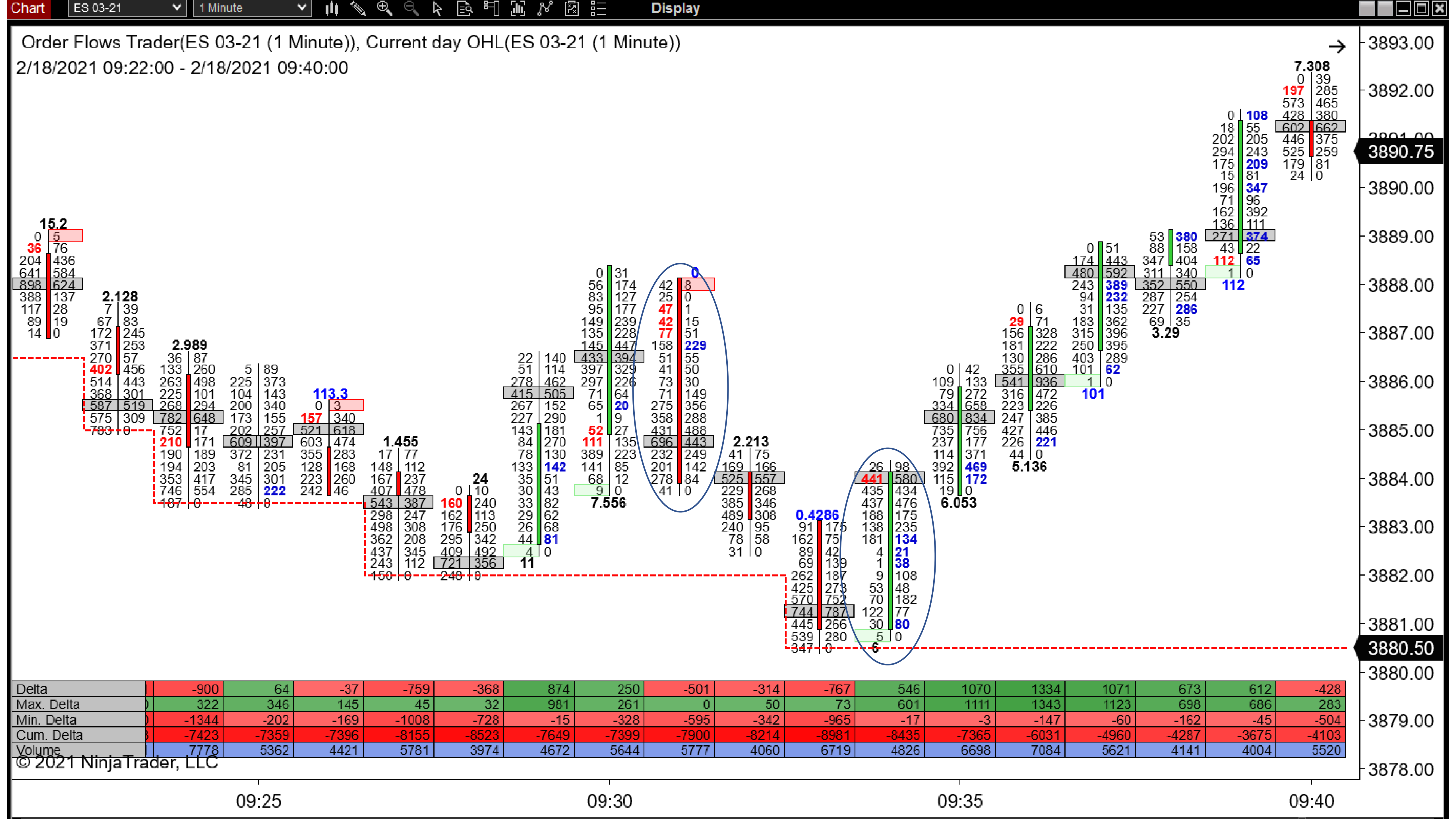
Chart
ES 03-21
1 Minute
Display
Order Flows Trader(ES 03-21 (1 Minute)), Current day OHL(ES 03-21 (1 Minute))
2/18/2021 09:22:00 - 2/18/2021 09:40:00
3893.00
3892.00
3890.75
3890.00
3889.00
3888.00
3887.00
3886.00
3885.00
3884.00
3883.00
3882.00
3881.00
3880.50
3880.00
3879.00
3878.00
Delta -900 64 -37 -759 -368 874 250 -501 -314 -767 546 1070 1334 1071 673 612 -428
Max. Delta 322 346 145 45 32 981 261 0 50 73 601 1111 1343 1123 698 686 283
Min. Delta -1344 -202 -169 -1008 -728 -15 -328 -595 -342 -965 -17 -3 -147 -60 -162 -45 -504
Cum. Delta -7423 -7359 -7396 -8155 -8523 -7649 -7399 -7900 -8214 -8981 -8435 -7365 -6031 -4960 -4287 -3675 -4103
Volume 7778 5362 4421 5781 3974 4672 5644 5777 4060 6719 4826 6698 7084 5621 4141 4004 5520
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09:25
09:30
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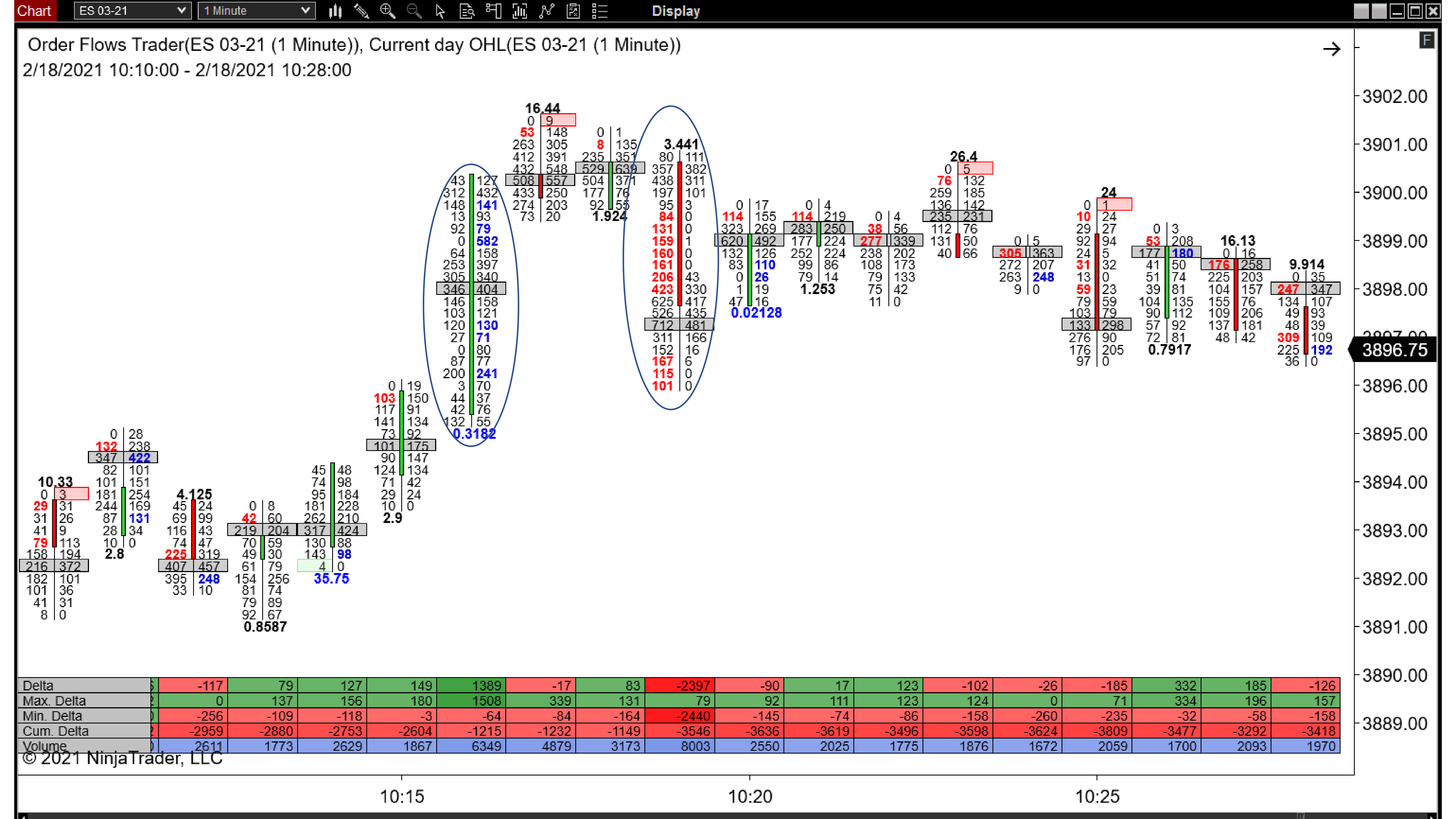
09:40

Volatility

If you don’t understand how a market moves with volatility – trades more price levels vertically in order to facilitate trade, then you are going to struggle to put together a proper trading strategy. You cannot use the same trading plan for a normal market, non or low volatile market, that you would in a volatile market.



Delta	-117	79	127	149	1389	-17	83	-2397	-90	17	123	-102	-26	-185	332	185	-126
Max. Delta	0	137	156	180	1508	339	131	79	92	111	123	124	0	71	334	196	157
Min. Delta	-256	-109	-118	-3	-64	-84	-164	-2440	-145	-74	-86	-158	-260	-235	-32	-58	-158
Cum. Delta	-2959	-2880	-2753	-2604	-1215	-1232	-1149	-3546	-3636	-3619	-3496	-3598	-3624	-3809	-3477	-3292	-3418
Volume	2611	1773	2629	1867	6349	4879	3173	8003	2550	2025	1775	1876	1672	2059	1700	2093	1970

Volatility

With higher volatility comes higher risk but also higher opportunity.

Volatility

I can’t stress this enough. With an increase in volatility there is an increase in opportunity but there is also an increase in potential disaster. There is no possible reward in the market without commensurate risk. Traders make the mistake of only looking one way, they look at the profit potential, but not the risk. Or they look at the potential risk and not the profit potential.

This concludes the Module 4: Volatility.

In the next module we will discuss Balance; what it is and why it matters in the order flow.