

# **Next Level Order Flow**

## **Module 6:**

## **Volume**

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# Disclaimer

This course is for educational and informational purposes only and should not be considered a solicitation to buy or sell a futures contract or make any other type of investment decision. Futures trading contains substantial risk and is not for every investor. An investor could potentially lose all or more than the initial investment. Risk capital is money that can be lost without jeopardizing ones financial security or life style. Only risk capital should be used for trading and only those with sufficient risk capital should consider trading. Past performance is not necessarily indicative of future results.

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.

Traders love statistics and prices, but when you mention volume, they dismiss it. Footprint same thing. The volume footprint chart will show you exactly how much volume transacted at a price on the bid and on the offer.

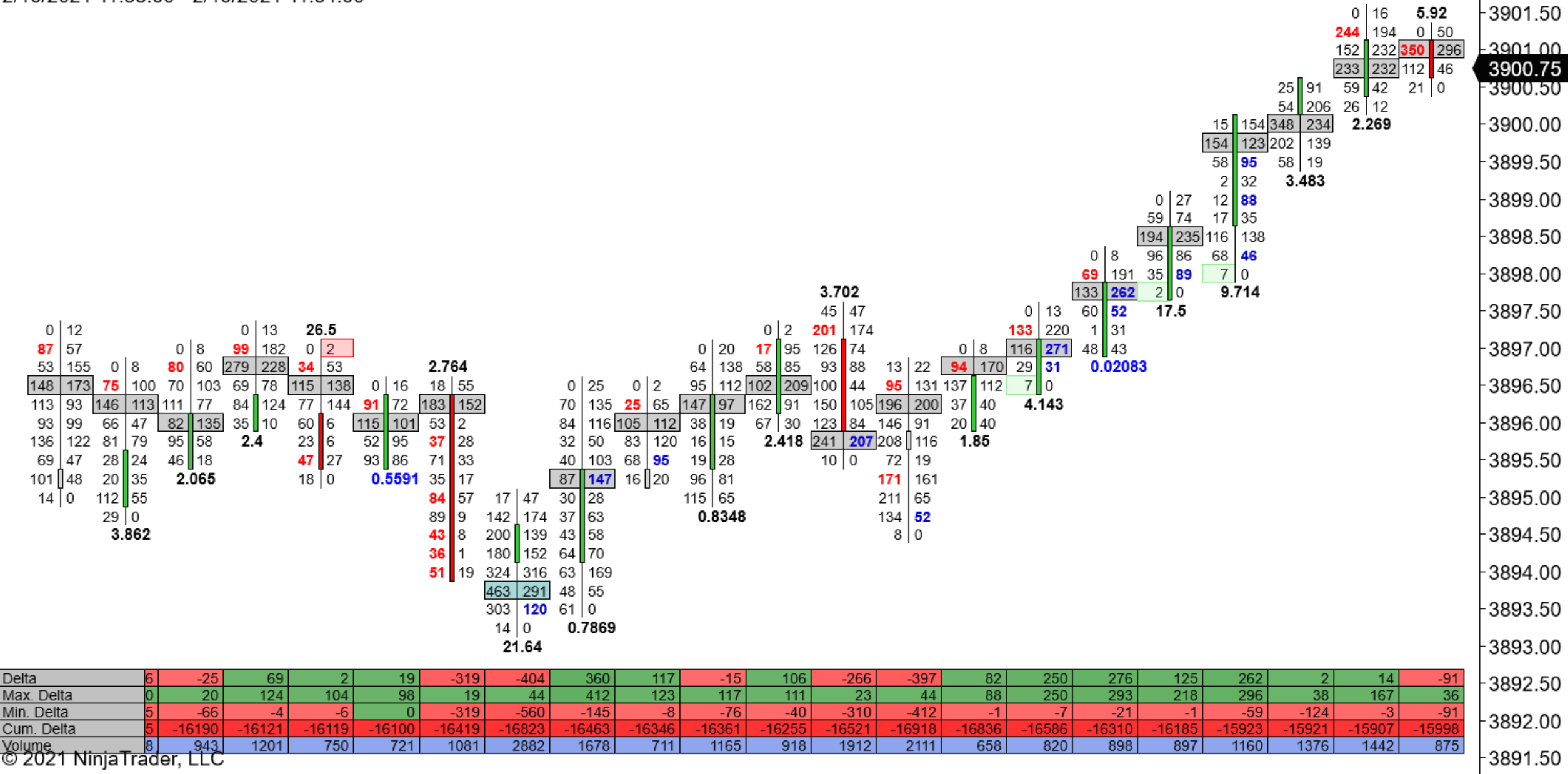
Most traders just look at volume after the bar closes.

Volume by itself isn't very useful. You have to know how to understand it and use it.

Volume – what makes volume different than price in terms of market activity is you can measure the intensity of volume. You cannot do that with price. The intensity of volume will enable to you see the fear and greed of traders.

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

2/10/2021 11:33:00 - 2/10/2021 11:54:00

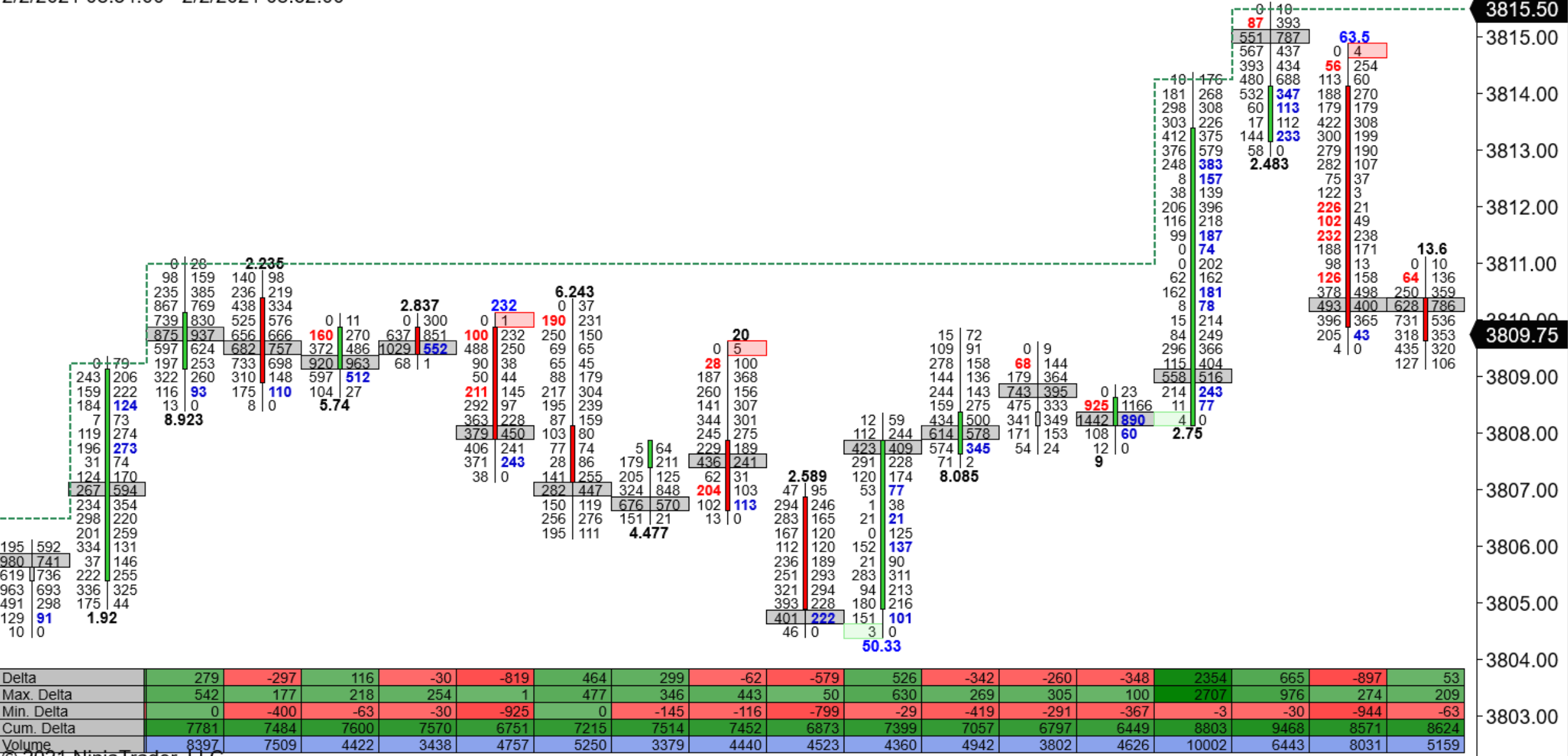


Delta	6	-25	69	2	19	-319	-404	360	117	-15	106	-266	-397	82	250	276	125	262	2	14	-91
Max. Delta	0	20	124	104	98	19	44	412	123	117	111	23	44	88	250	293	218	296	38	167	36
Min. Delta	5	-66	-4	-6	0	-319	-560	-145	-8	-76	-40	-310	-412	-1	-7	-21	-1	-59	-124	-3	-91
Cum. Delta	5	-16190	-16121	-16119	-16100	-16419	-16823	-16463	-16346	-16361	-16255	-16521	-16918	-16836	-16586	-16310	-16185	-15923	-15921	-15907	-15998
Volume	8	943	1201	750	721	1081	2882	1678	711	1165	918	1912	2111	658	820	898	897	1160	1376	1442	875



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

2/2/2021 08:34:00 - 2/2/2021 08:52:00

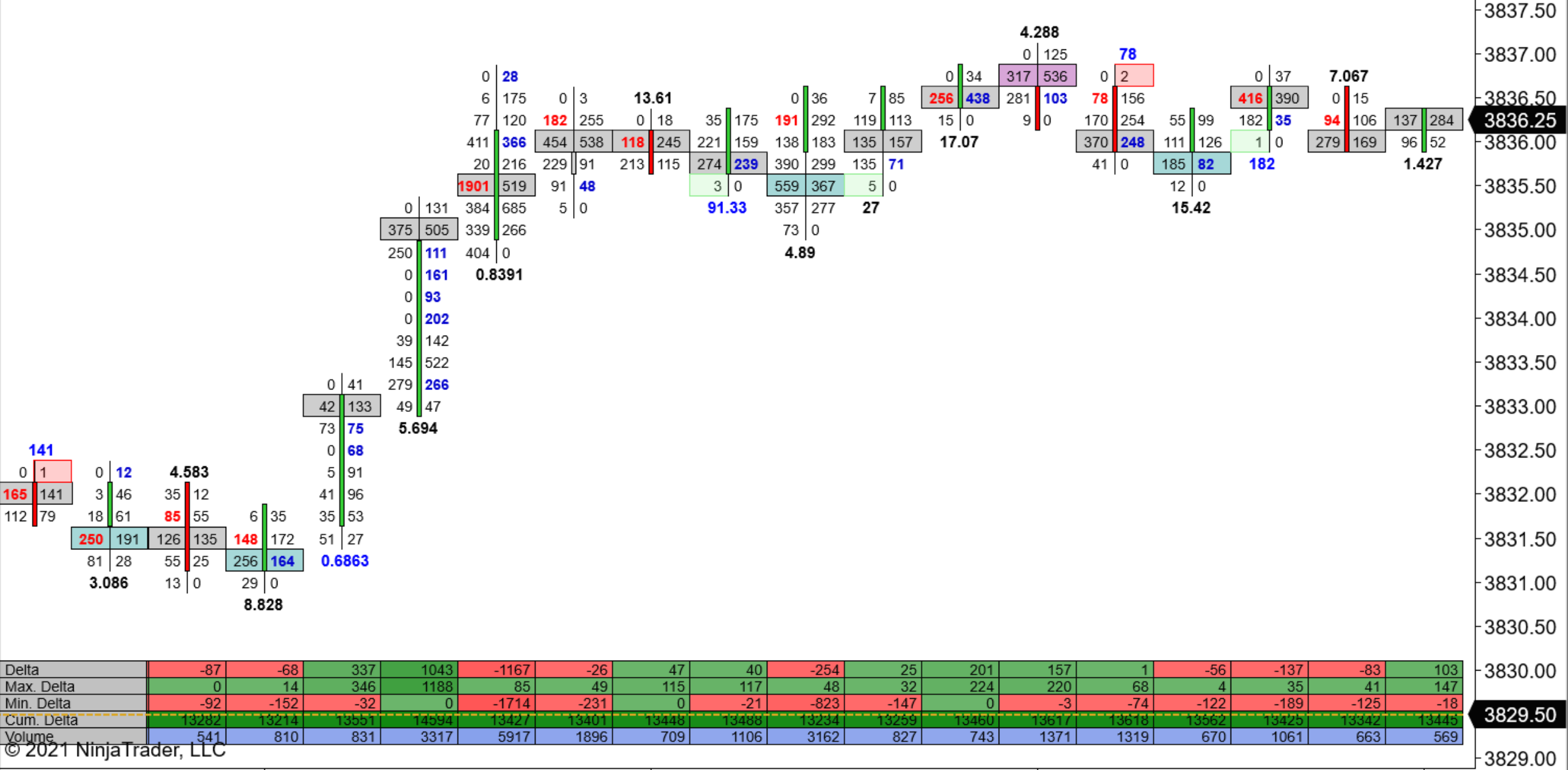


# Volume

What you must pay attention to is not only the price the market is trading at but how much is trading at that price. While the market is not perfect, its not perfectly efficient and all the information is not perfectly disseminated into the market. Its close but not perfect. But the market reflects all the thoughts on the market based on the information available. Price and volume tell you how much the market likes or dislikes the current price and whether agree with it or not.

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

2/3/2021 12:32:00 - 2/3/2021 12:50:00



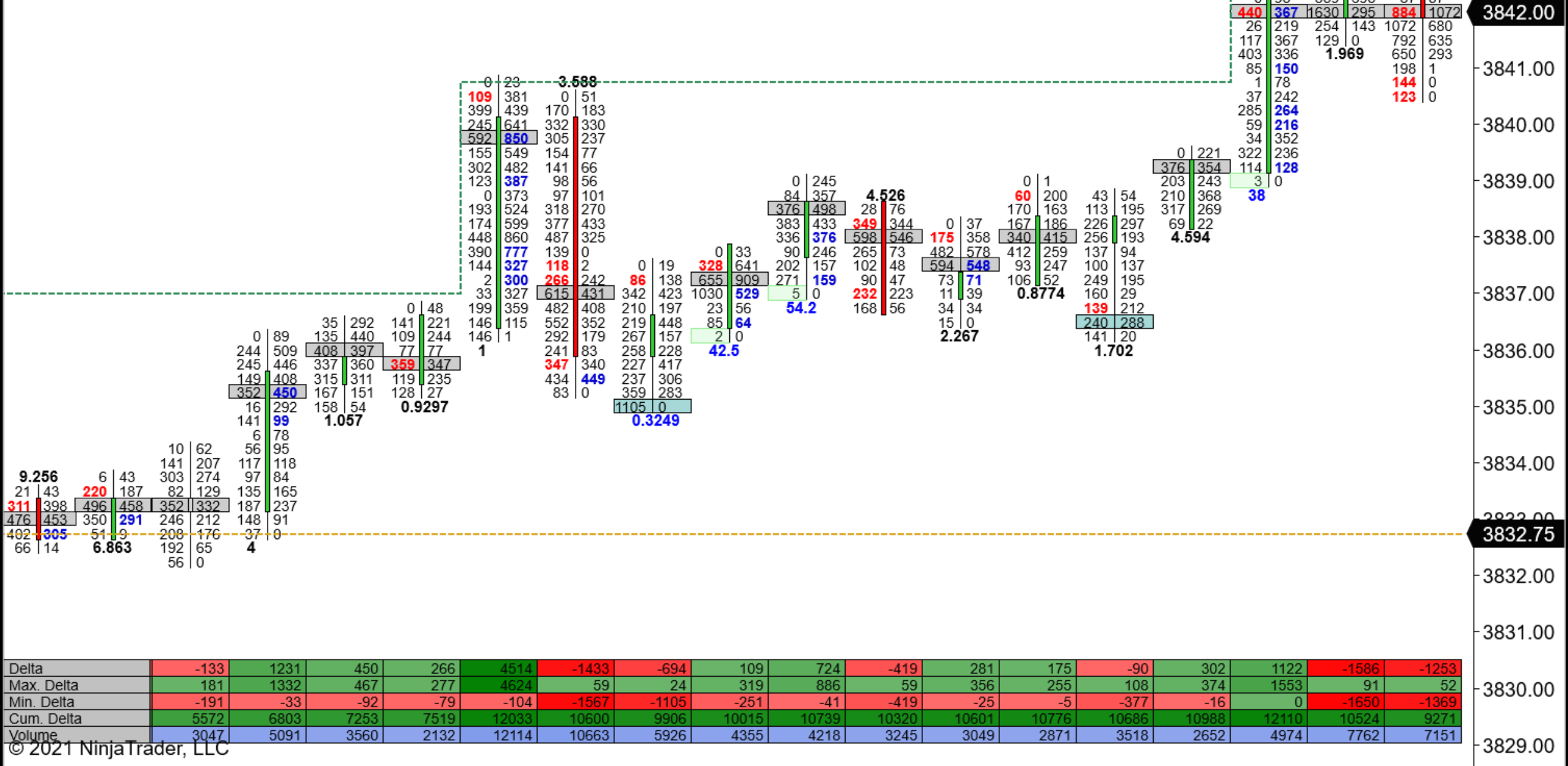


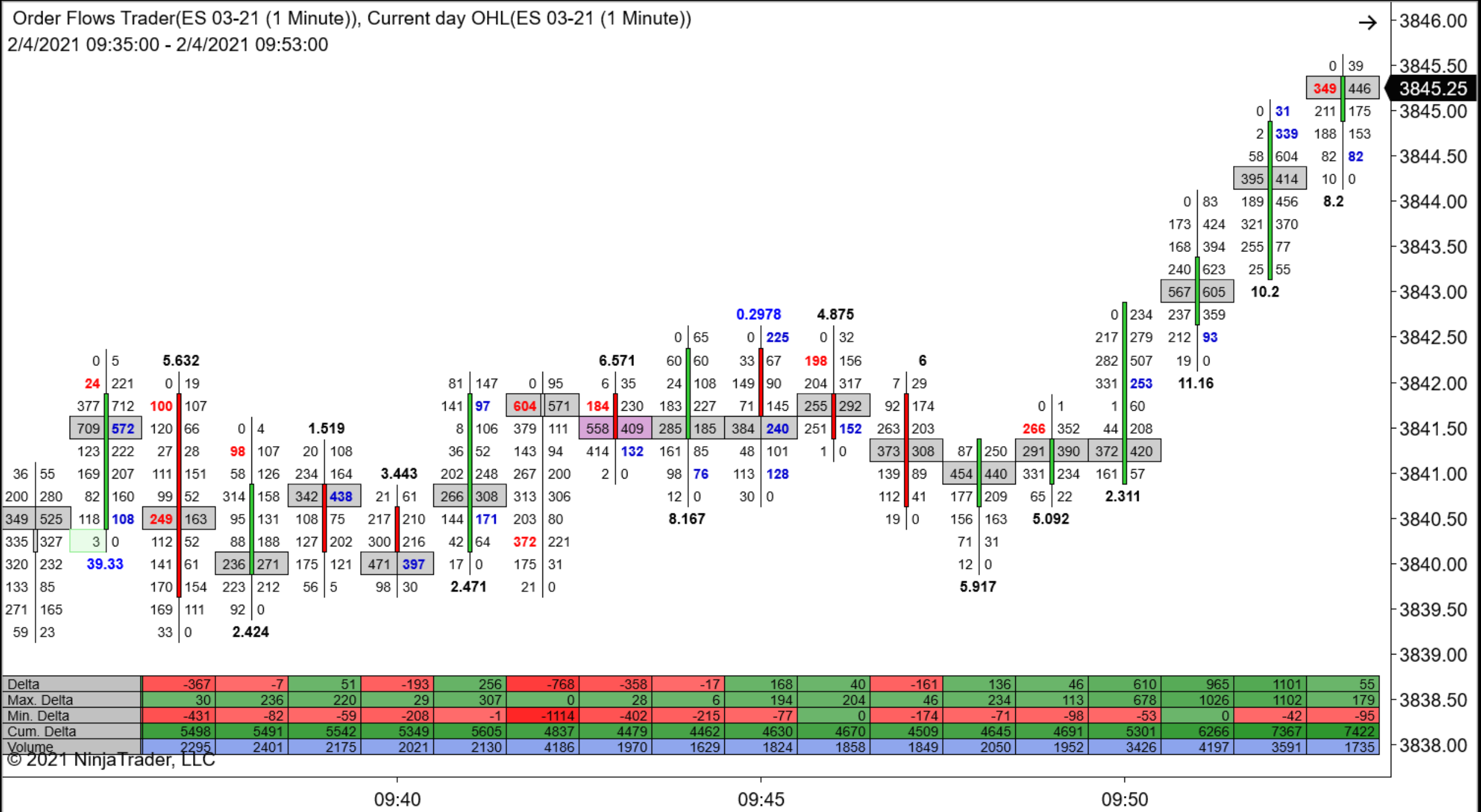
Volume is important because  
volume = money = commitment to a move.

Lack of volume = lack of commitment of a price  
movement.

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

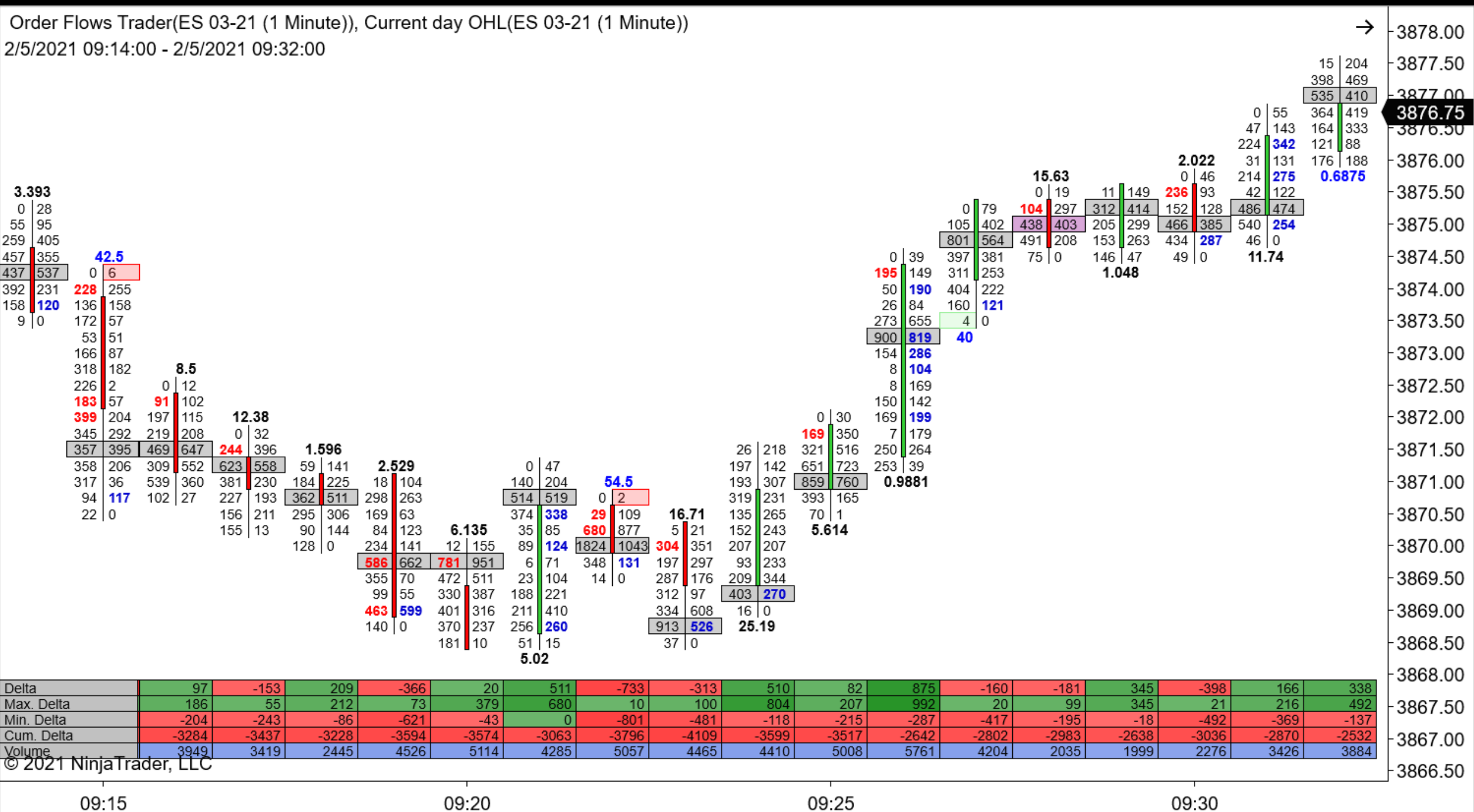




# Volume

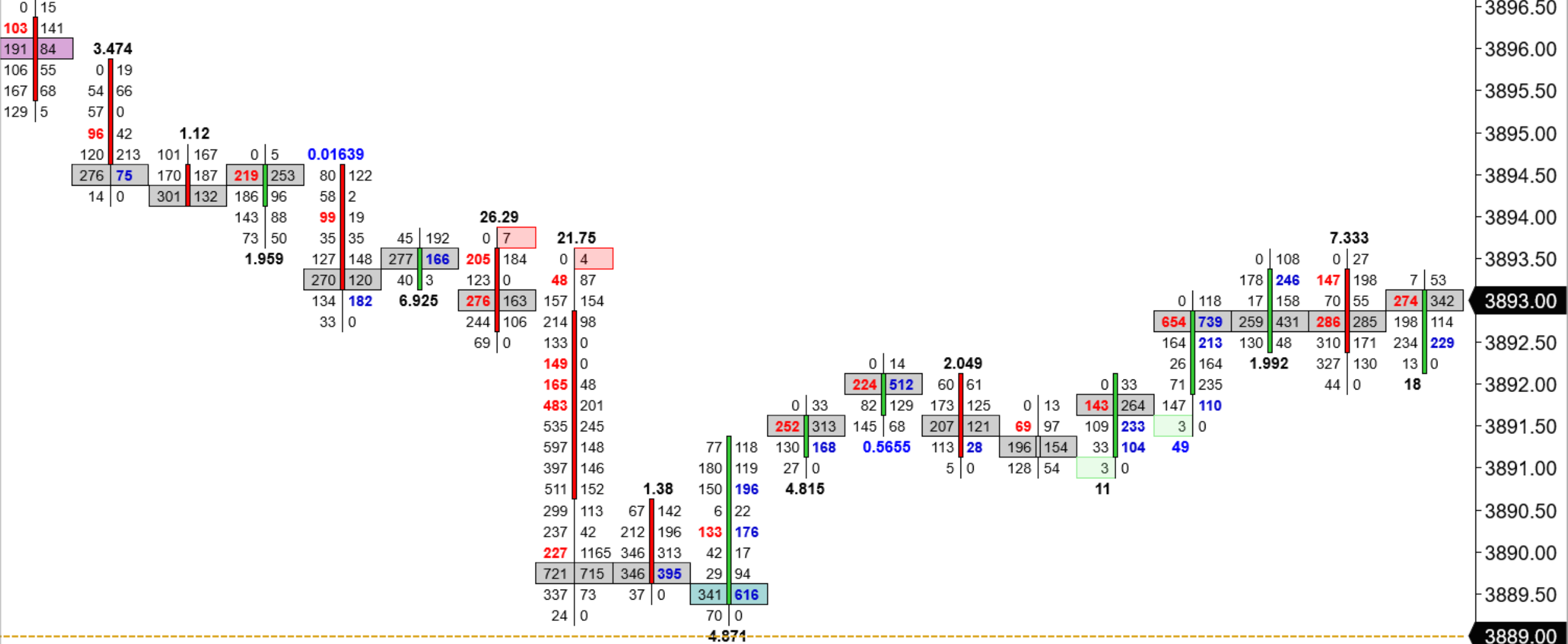
One of the tell-tale signs of big money participating in the market is volume. It's true size matters. When you see big volume appear it is often the result of a big size trader. The POC in a bar shows where the most volume is in a bar. You want to keep an eye on it as it can give you a clue as to where the big money is active.

Order Flows Trader(ES 03-21 (1 Minute)), Current day OHL(ES 03-21 (1 Minute))  
2/5/2021 09:14:00 - 2/5/2021 09:32:00



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

2/8/2021 12:47:00 - 2/8/2021 13:05:00



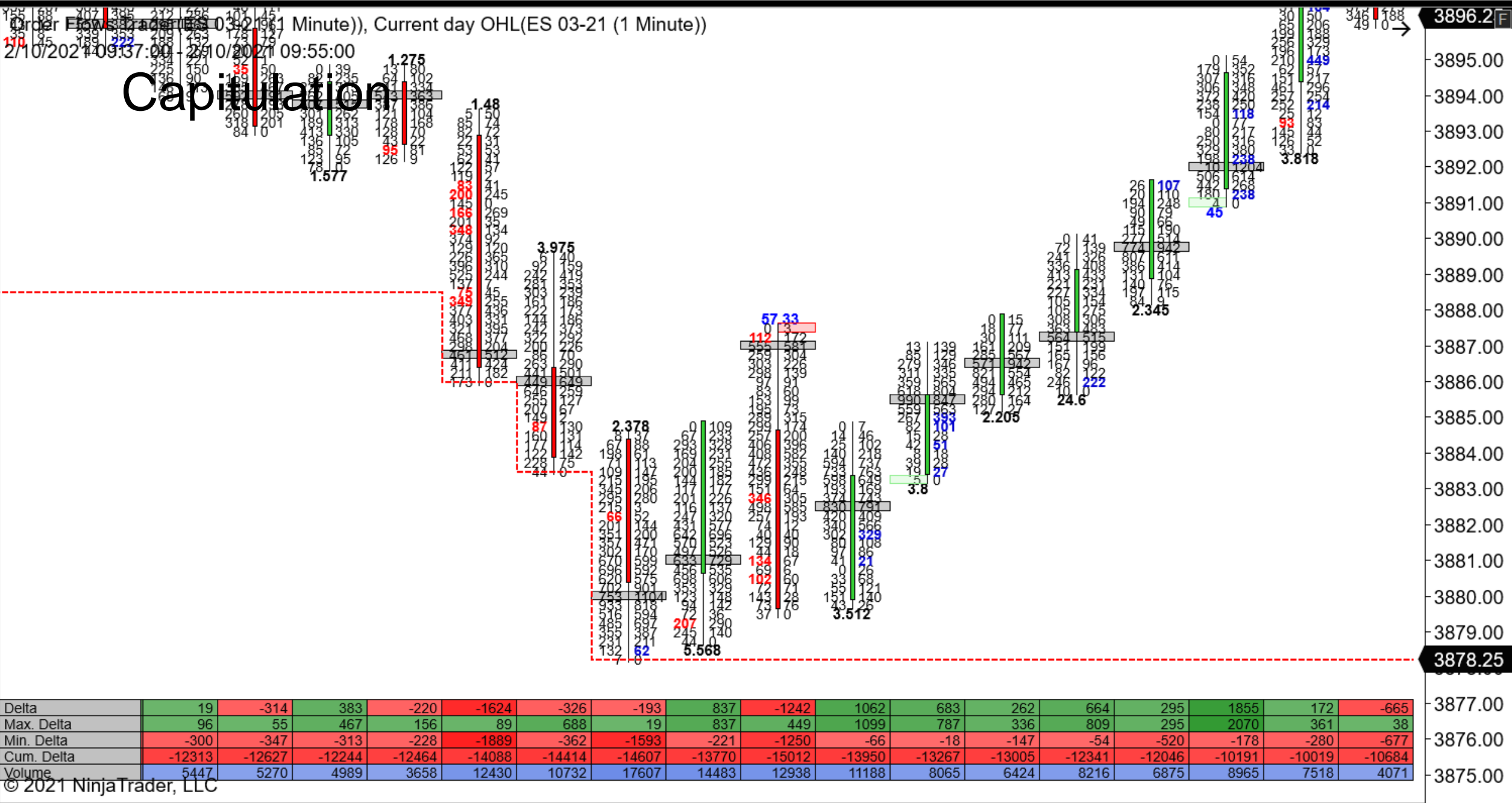
Delta	-86	-129	-208	-1	-457	-1843	38	330	105	272	-223	-75	346	514	407	-318	12
Max. Delta	0	29	40	35	41	154	84	443	115	272	33	0	366	647	436	90	156
Min. Delta	-132	-239	-355	-100	-545	-2260	-188	-54	0	-63	-229	-131	-20	-19	-28	-374	-142
Cum. Delta	5119	4990	4782	4781	4324	2481	2519	2849	2954	3226	3003	2928	3274	3788	4195	3877	3889
Volume	1058	1113	1464	723	1377	8625	2054	2386	923	1174	893	711	922	2644	1575	2050	1464



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

2/10/2021 09:37:00 - 2/10/2021 09:55:00

# Capitulation



# Volume

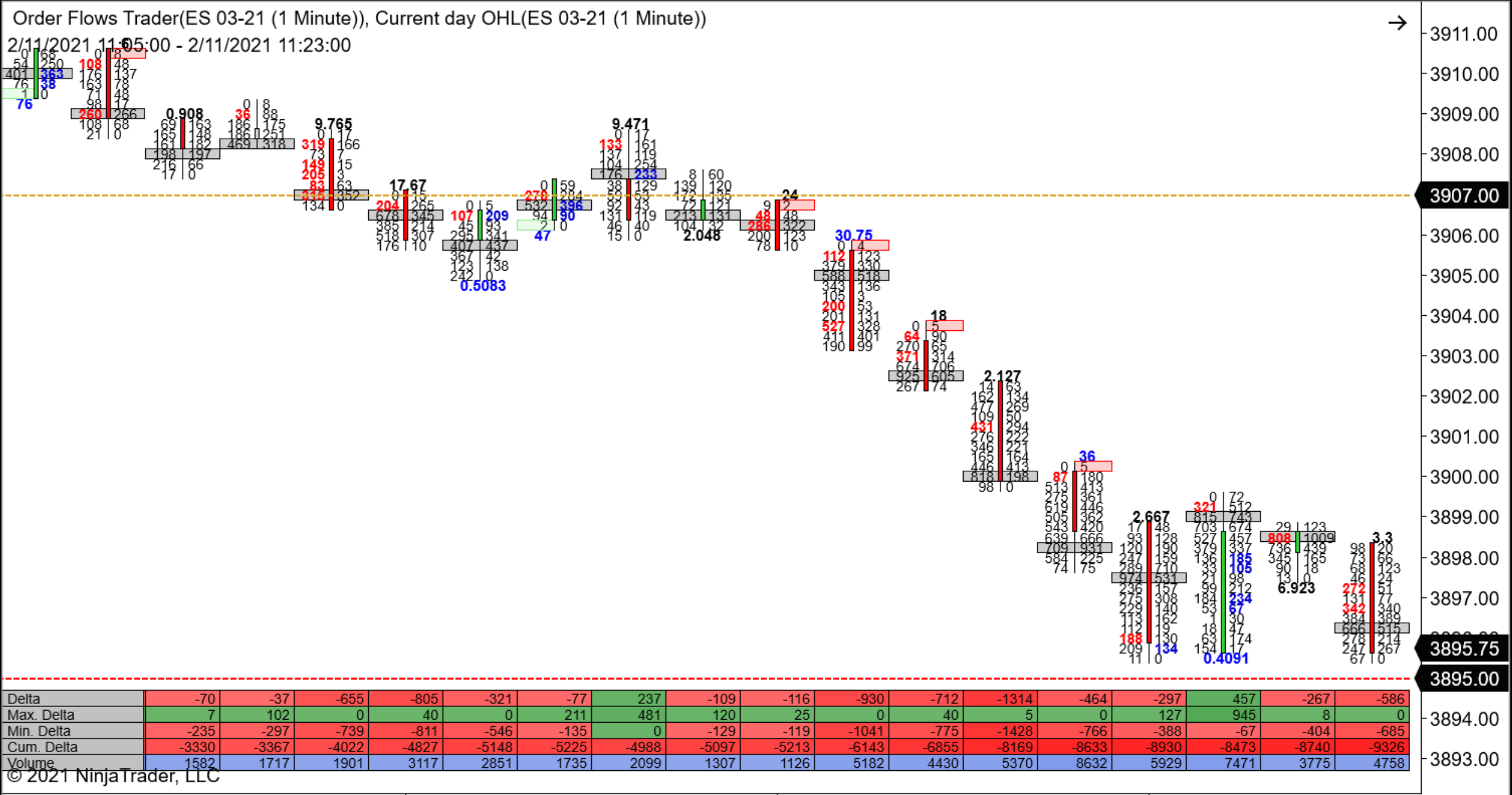
To use volume properly, a trader needs to look at volume traded at price, not just on bar close or later.

A move needs to be sustained with volume. A market can move on thin volume, but a market won't move on no volume.

Volume is a way to measure the strength or weakness of a move.

A trader must take volume not only in context but also in reality.

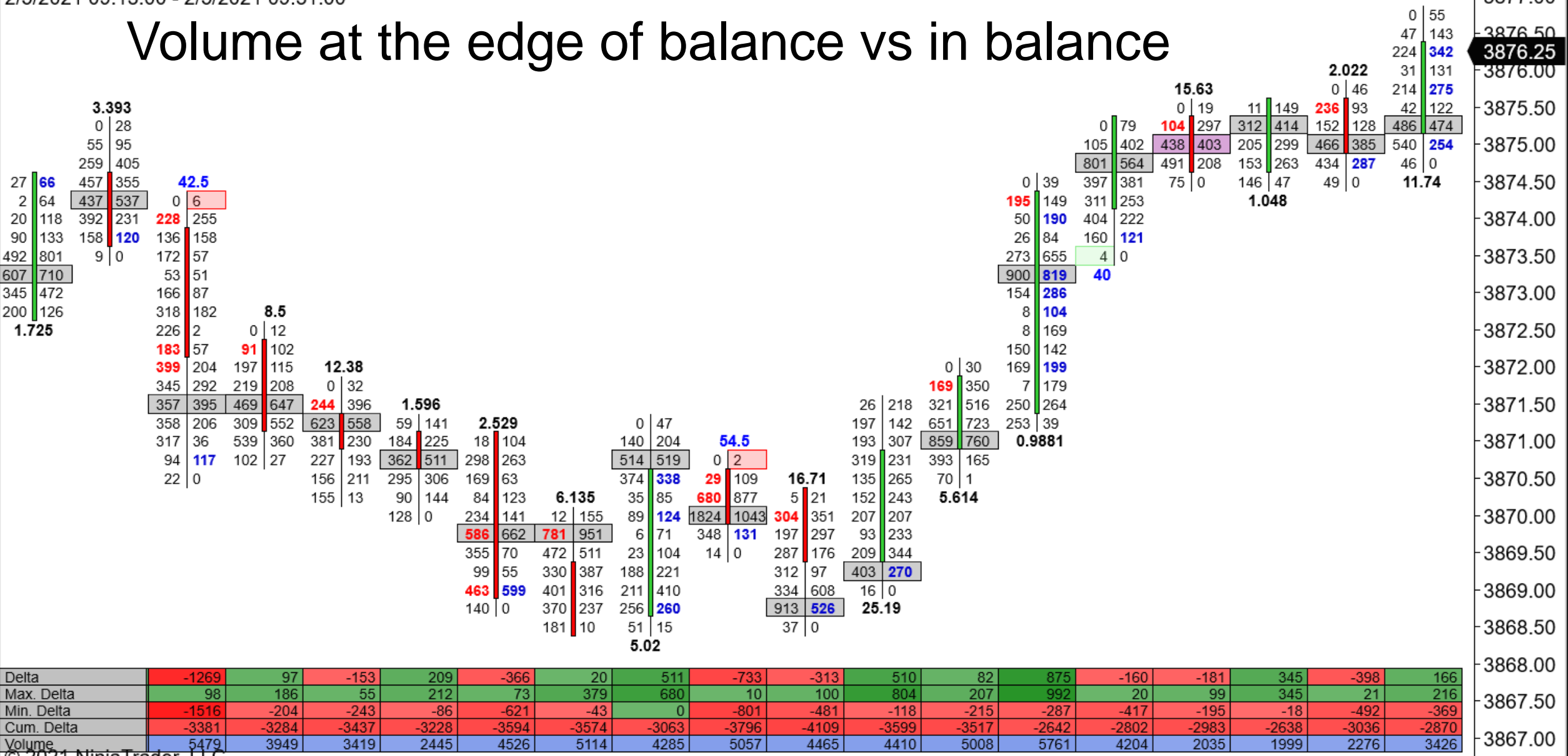
Volume that occurs in a balance area, in the value area should be considered different that when the market is breaking out of the value area.



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

2/5/2021 09:13:00 - 2/5/2021 09:31:00

# Volume at the edge of balance vs in balance



## Value, Volume

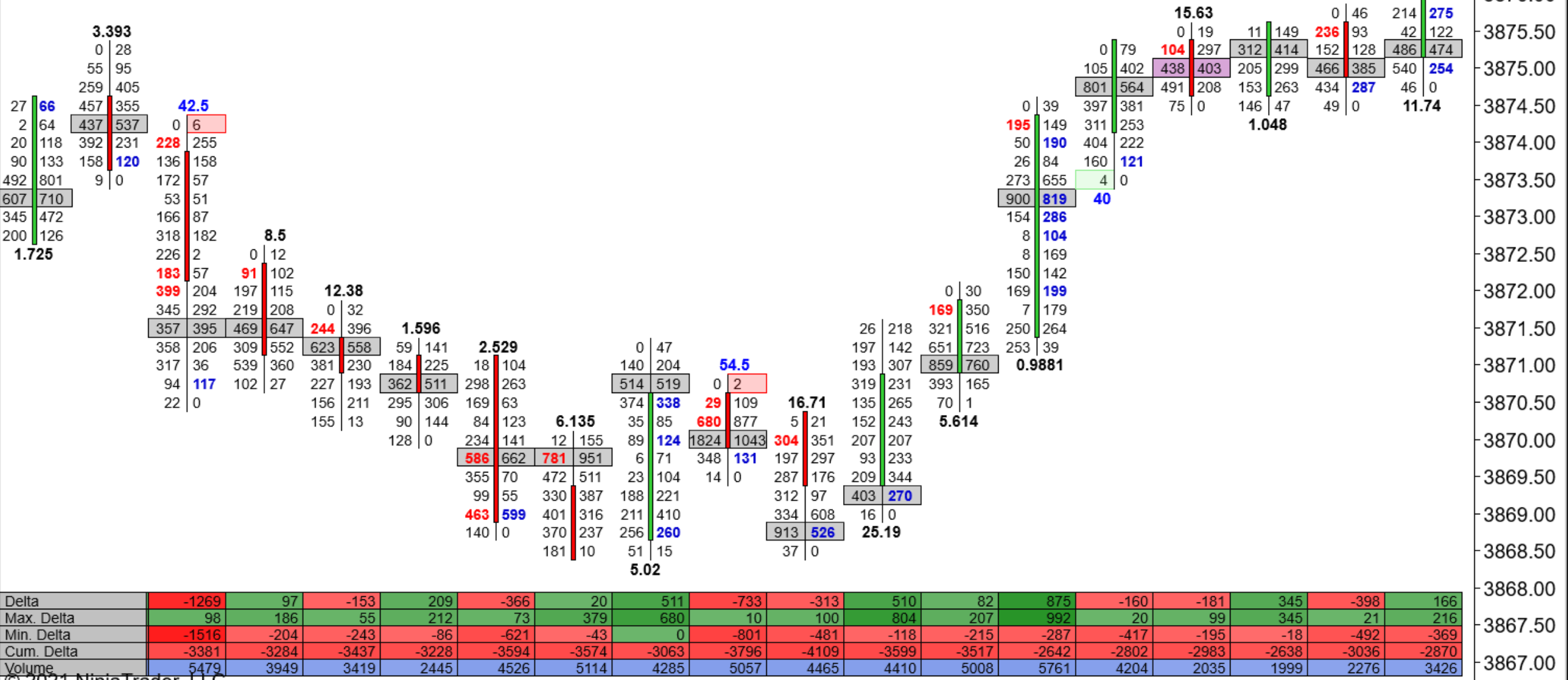
You are always looking at volume based on the distribution at price levels where the market traded. When you see low volume pops or drops, what is the market telling you? Is price being accepted? When price isn't being accepted, there is a strong tendency for price to move in the opposite direction.



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

2/5/2021 09:13:00 - 2/5/2021 09:31:00

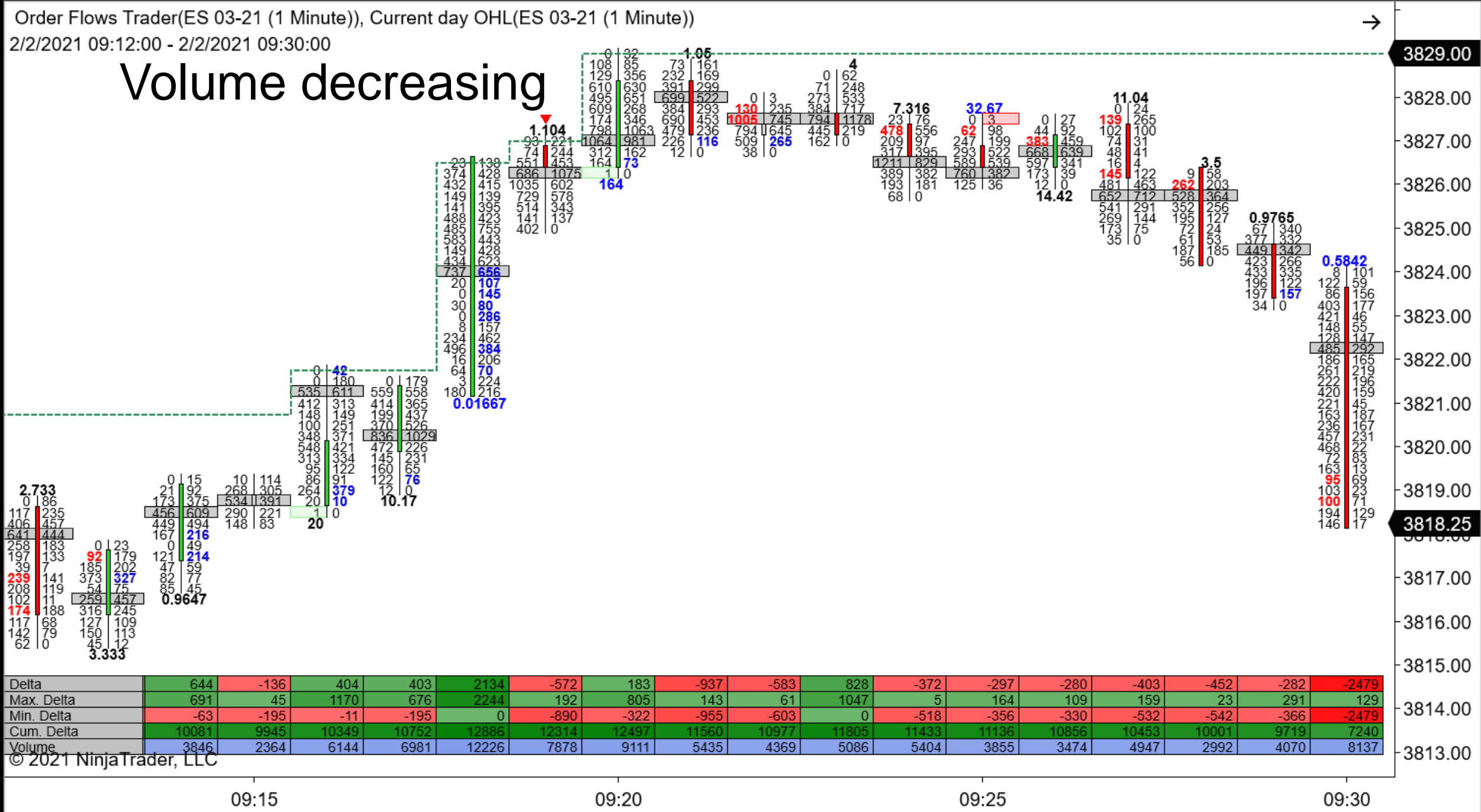
# What does volume tell you the market is doing here?





# Volume

Does volume increase or decrease in the direction where the market is facilitating trade? Decreasing volume indicates trend weakness and most likely the value area won't expand anymore.

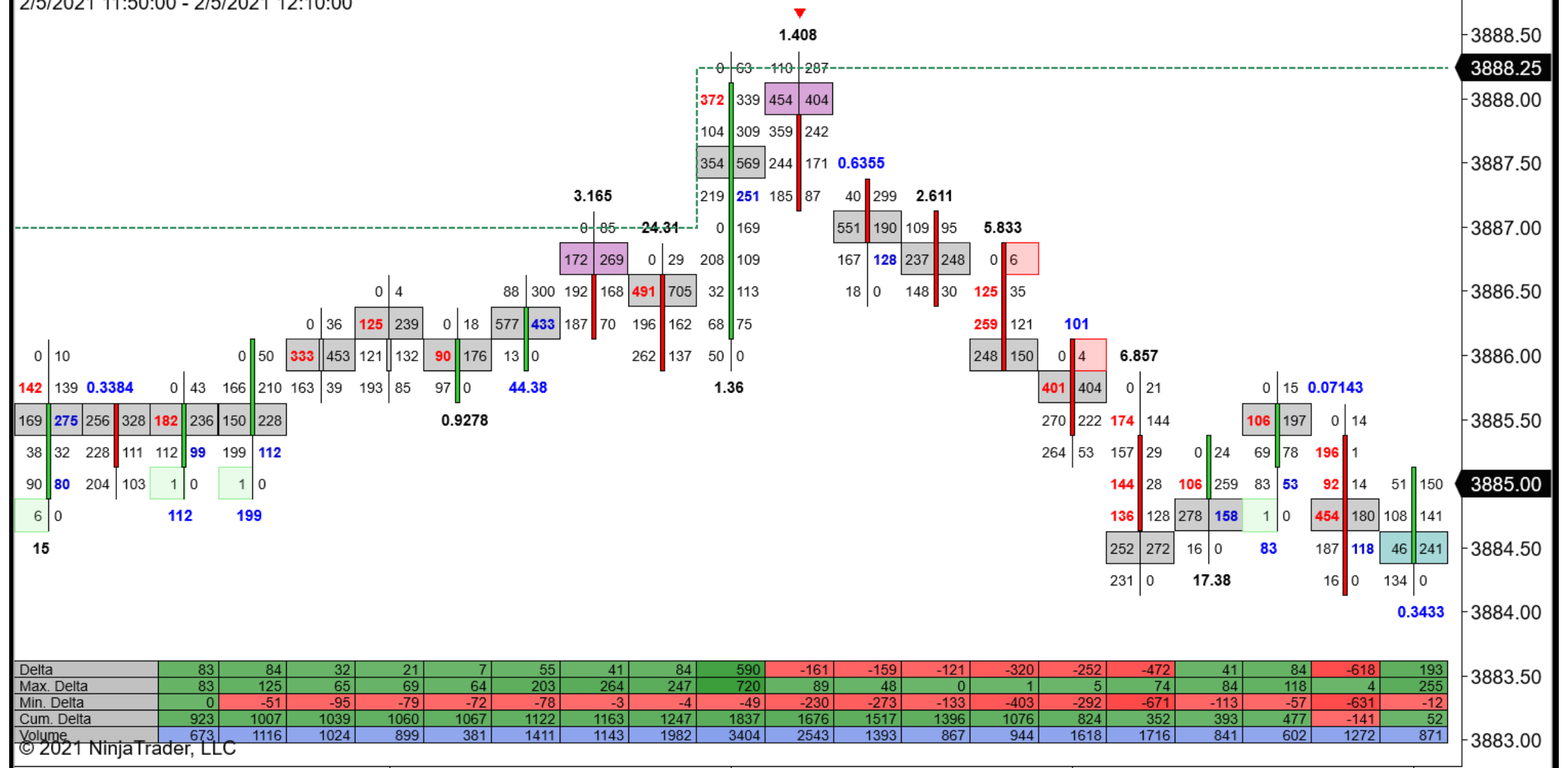


# Volume

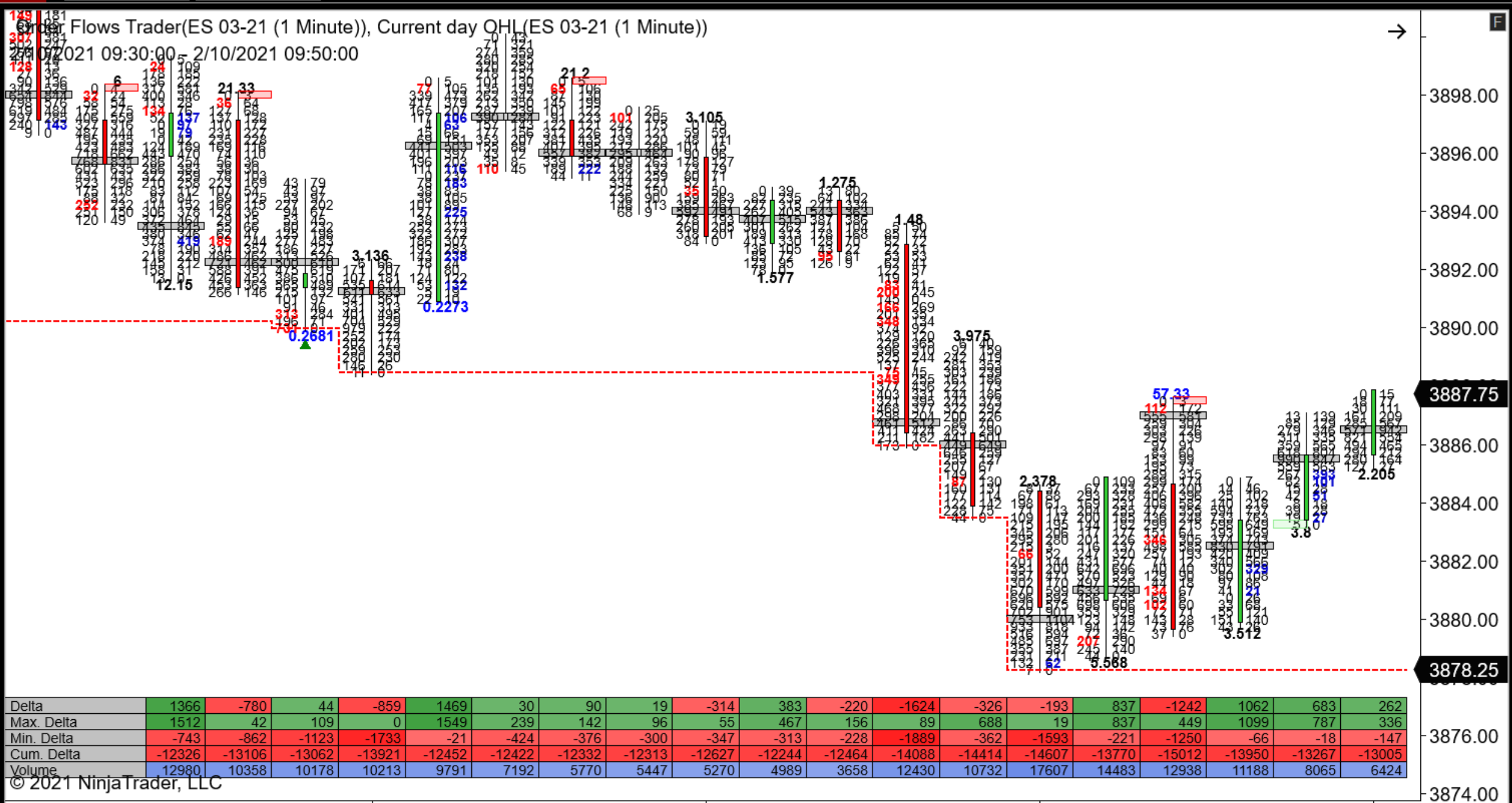
When a market reaches or makes a new high or low, look to the left and judge the volume. Was the volume down considered high volume, average volume or low volume. You want to be able to decide if the high or low is going to hold or if the market will break to new lows. If the volume was low, chances are high that there is a pretty good chance the high or low may hold.

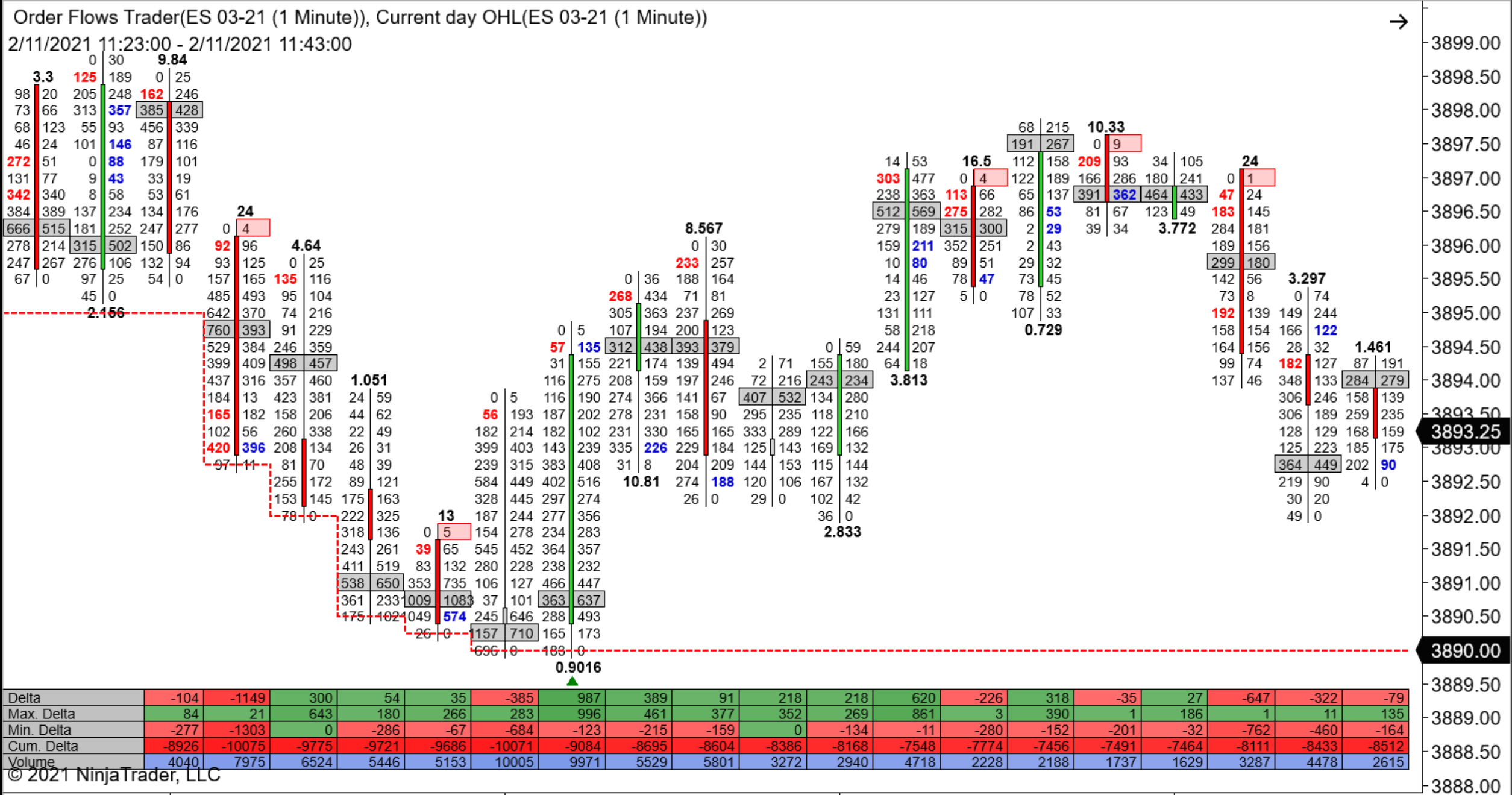
Order Flows Trader(ES 03-21 (1 Minute)), Current day OHL(ES 03-21 (1 Minute))

2/5/2021 11:50:00 - 2/5/2021 12:10:00



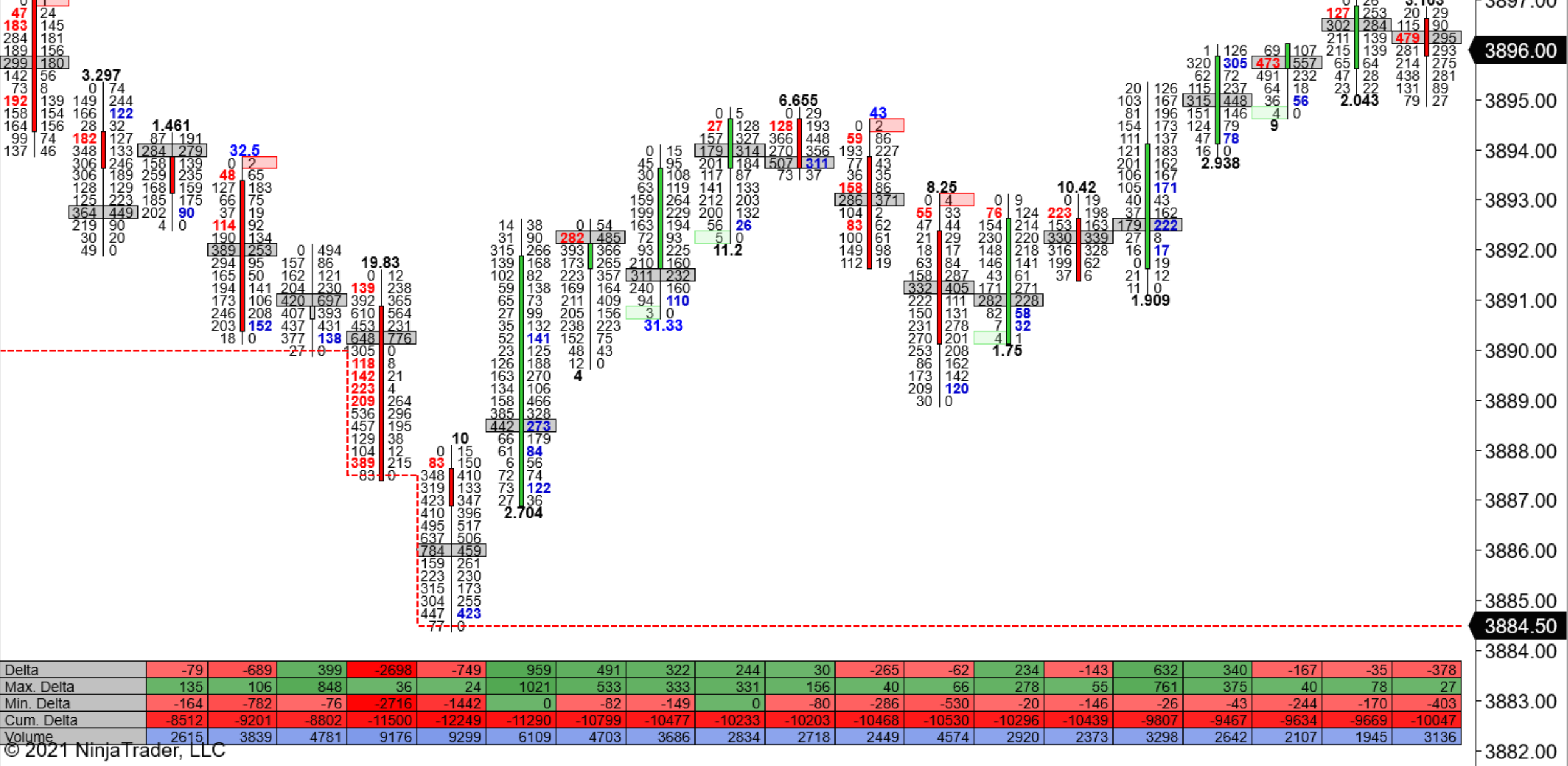






Order Flows Trader(ES 03-21 (1 Minute)), Current day OHL(ES 03-21 (1 Minute))

2/11/2021 11:41:00 - 2/11/2021 12:01:00



# Volume

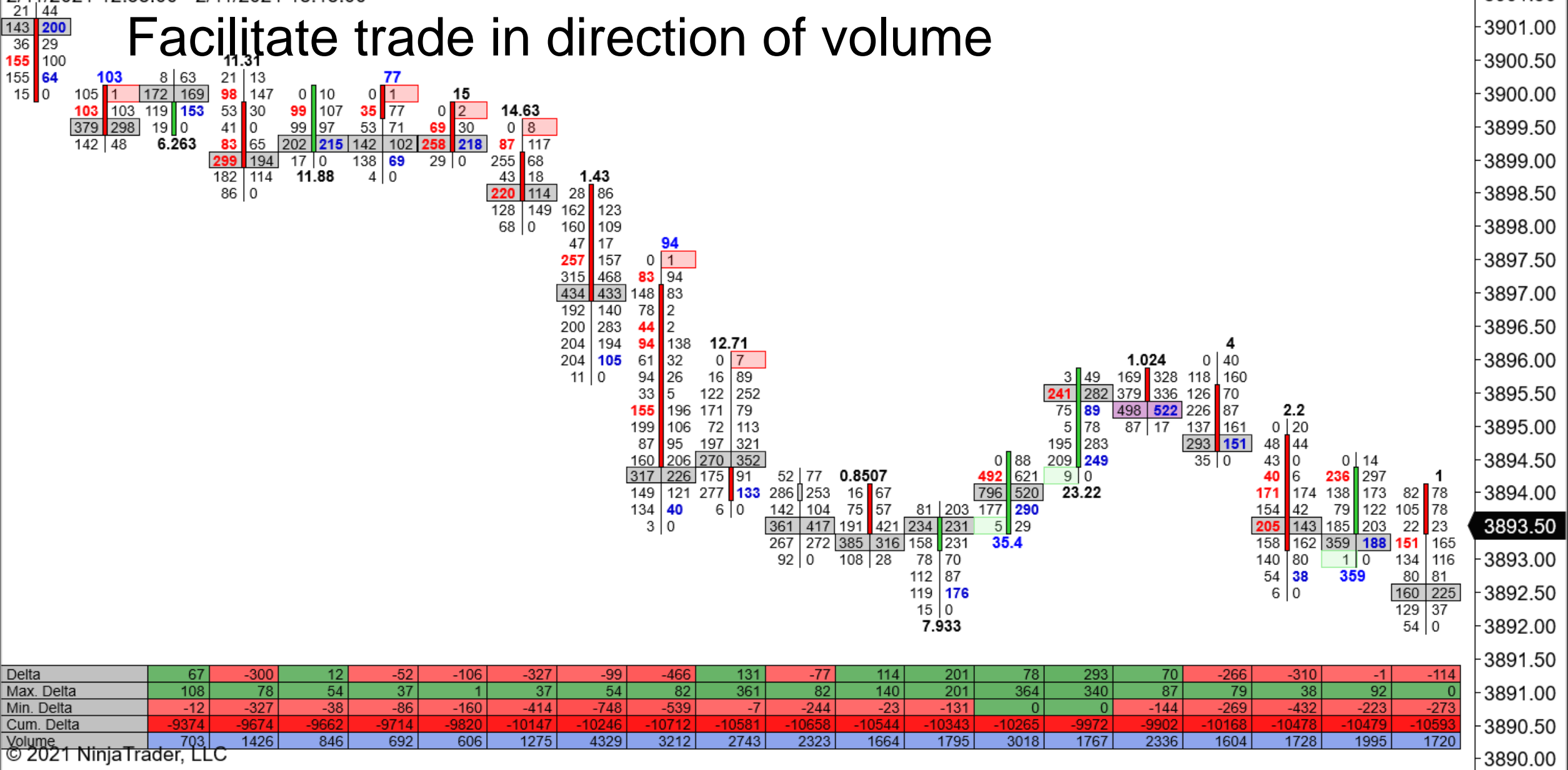
Volume helps you determine the direction of the market. The market always facilitates trade in the direction of volume. If volume is starting to dry up, then the move in that direction is likely not going to continue very much longer unless more volume comes in.

However, if you continue to see volume increasing as the market is making a directional move, chances are the market will continue in that direction. The market is facilitating trade in that direction.

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

2021 12:53:00 - 2/11/2021 13:13:00

# Facilitate trade in direction of volume





# Volume

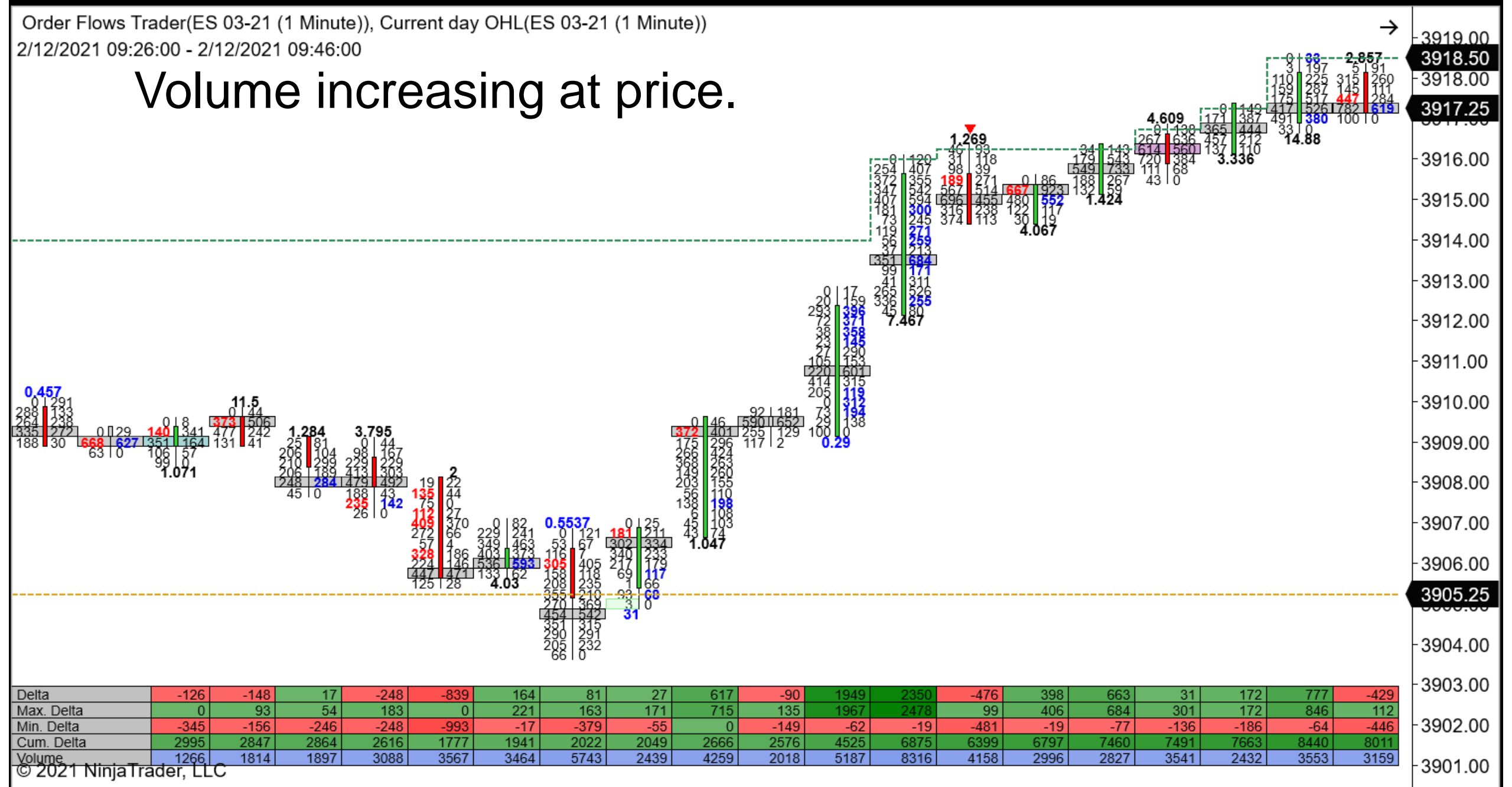
Volume is the fuel that not only moves price. Often to create price movements it takes significant volume. Keep an eye on price levels where you see increased volume. Most traders are just looking at time where volume increased but not price.



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

2/12/2021 09:26:00 - 2/12/2021 09:46:00

Volume increasing at price.



Delta	-126	-148	17	-248	-839	164	81	27	617	-90	1949	2350	-476	398	663	31	172	777	-429
Max. Delta	0	93	54	183	0	221	163	171	715	135	1967	2478	99	406	684	301	172	846	112
Min. Delta	-345	-156	-246	-248	-993	-17	-379	-55	0	-149	-62	-19	-481	-19	-77	-136	-186	-64	-446
Cum. Delta	2995	2847	2864	2616	1777	1941	2022	2049	2666	2576	4525	6875	6399	6797	7460	7491	7663	8440	8011
Volume	1266	1814	1897	3088	3567	3464	5743	2439	4259	2018	5187	8316	4158	2996	2827	3541	2432	3553	3159

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

2021 12:03:00 - 2/2/2021 12:23:00

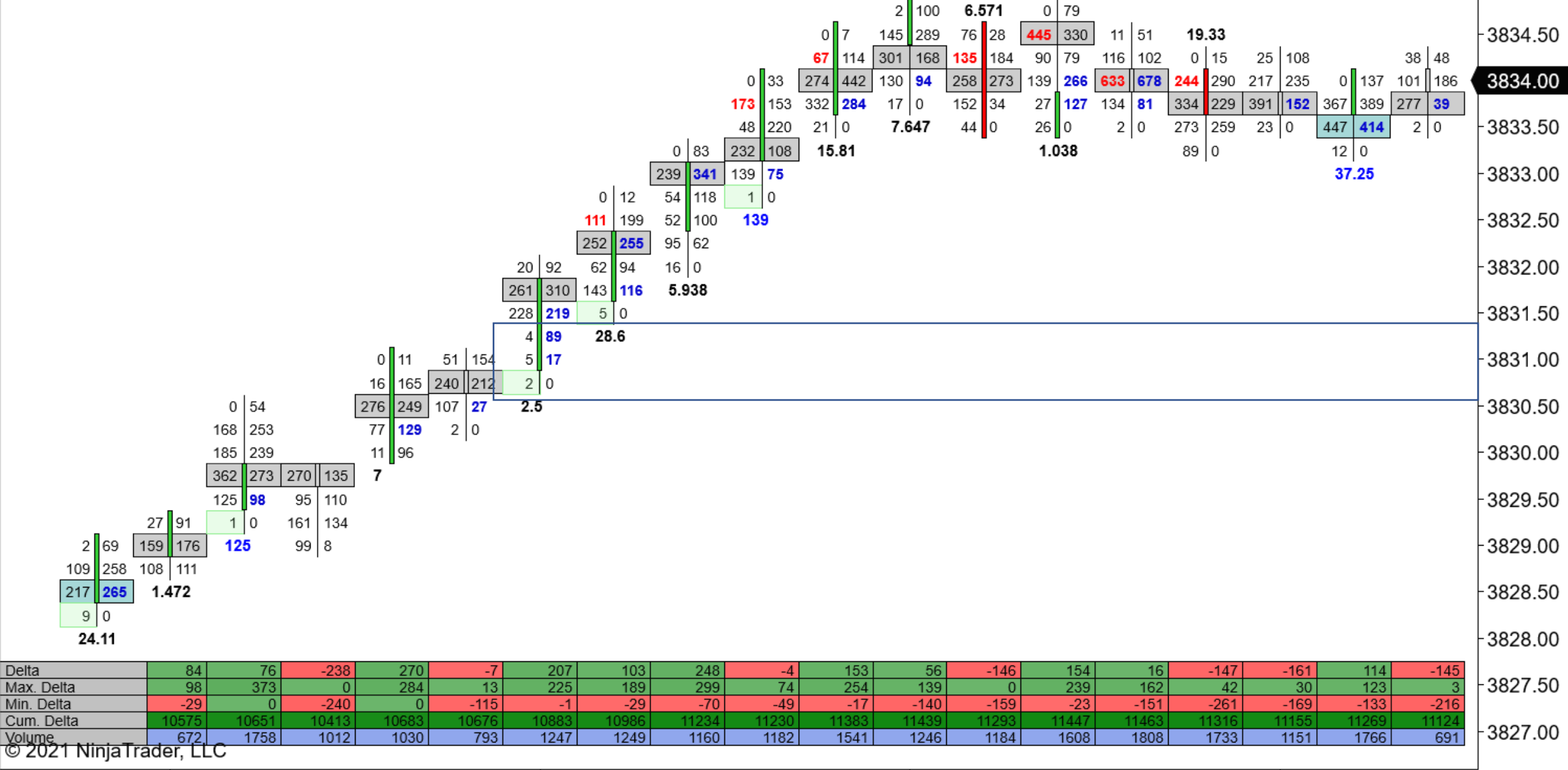


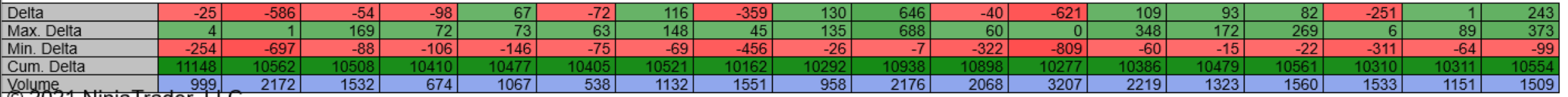
Delta	-18	-169	43	91	54	-161	177	96	25	-34	-222	-209	-185	-92	-301	-850	83	-620	-179
Max. Delta	94	134	147	94	139	41	216	104	32	15	3	125	55	1	34	0	158	6	17
Min. Delta	-74	-192	-54	-117	-76	-190	-27	-47	-93	-81	-239	-251	-218	-168	-363	-957	-21	-811	-273
Cum. Delta	9003	8834	8877	8968	9022	8861	9038	9134	9159	9125	8903	8694	8509	8417	8116	7266	7349	6729	6550
Volume	1158	1153	1045	841	906	847	1065	634	885	620	1090	1069	953	982	1127	2804	1287	2900	1817

Misconception of volume in order flow – most traders will tell you volume should increase in the direction of the trend. However, this does not always apply to a market moving fast. In a fast market, all the bids will get hit or all the offers will get lifted. Where volume increases is when price moves to an area of support or resistance. The thin areas in the order flow becomes your next support or resistance levels.

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

2/2/2021 13:29:00 - 2/2/2021 13:47:00





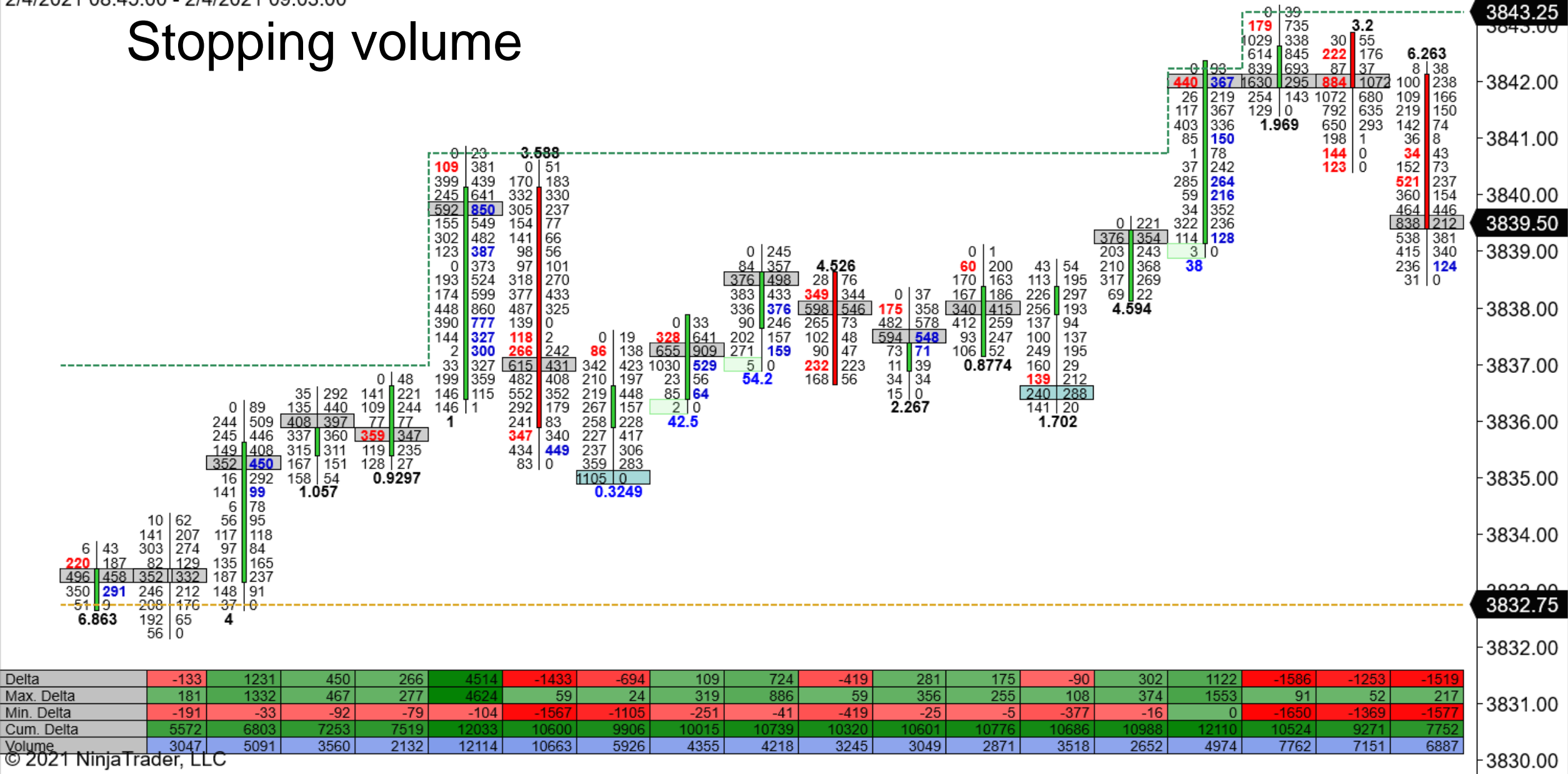
# Volume

Stopping volume is where a rotation occurs. Stopping volume is where the big money traders come in to distribute supply (at a high) or absorb supply (at a low). This is different than supply and demand. Because in stopping volume, buyers are not stepping up aggressively, instead they are supporting the market.

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

2/4/2021 08:45:00 - 2/4/2021 09:03:00

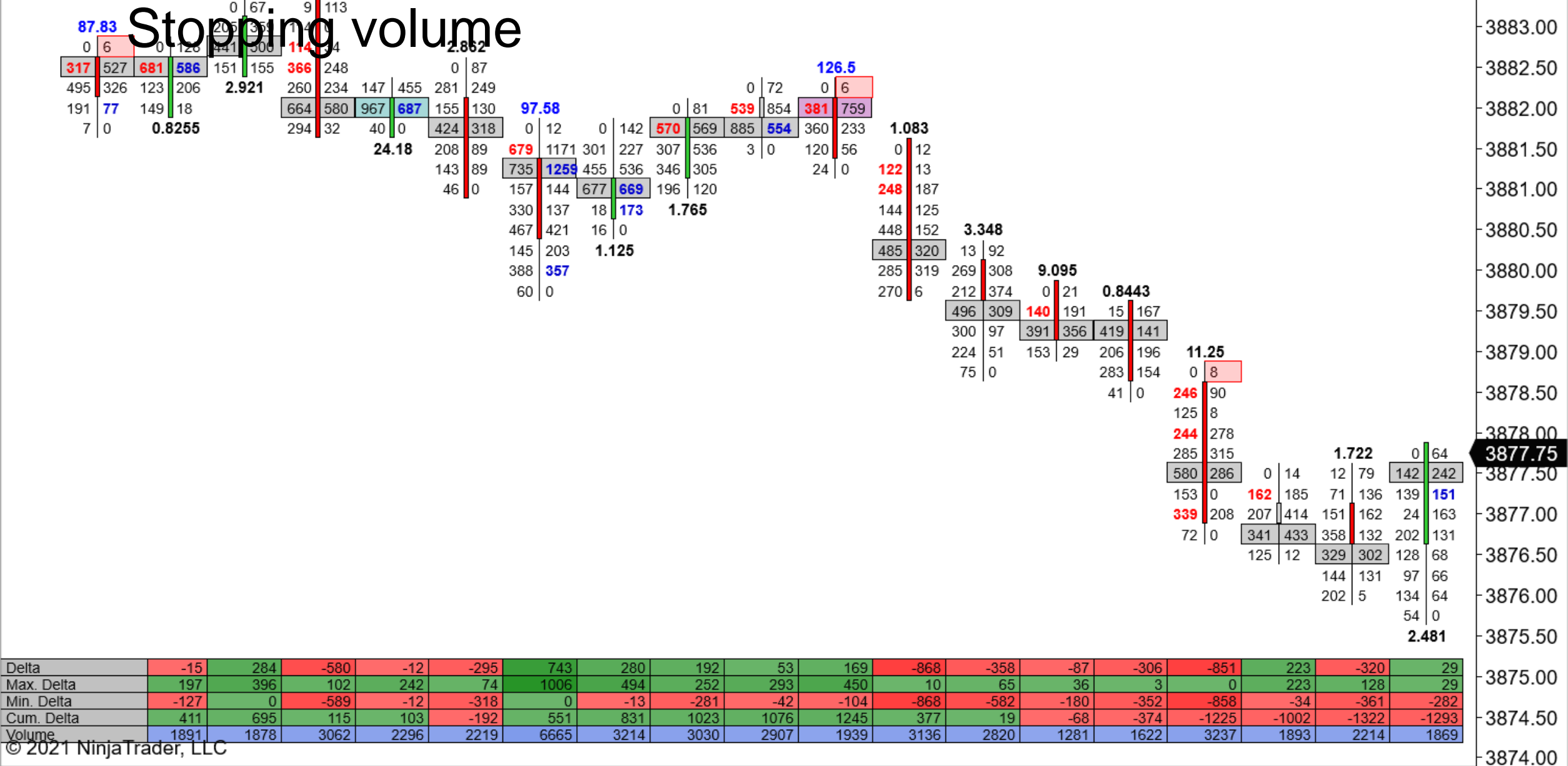
# Stopping volume



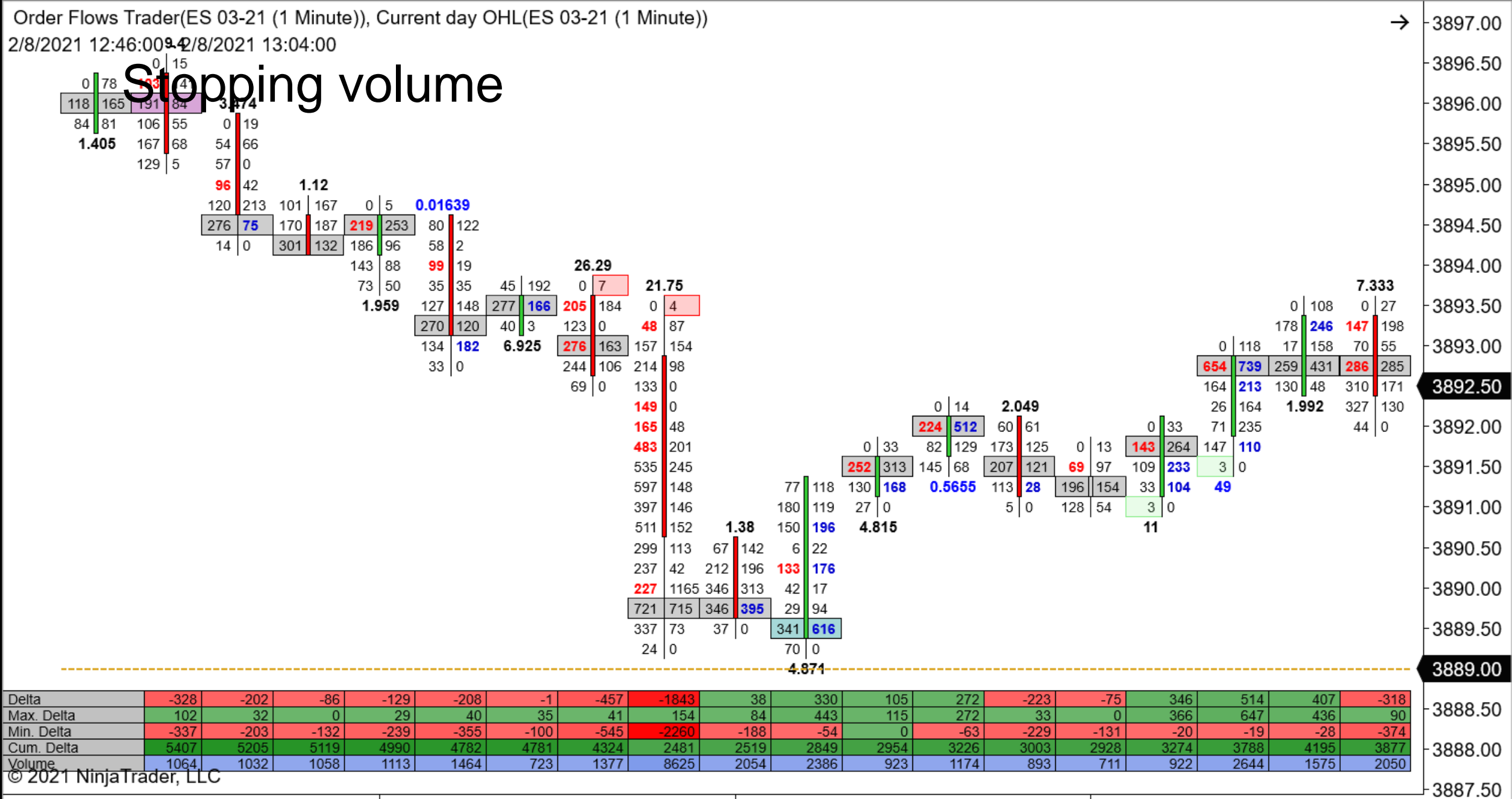


Order Flows Trader(ES 03-21 (1 Minute)), Current day OHL(ES 03-21 (1 Minute))

2/5/2021 09:54:00 - 2/5/2021 10:12:00



Delta	-15	284	-580	-12	-295	743	280	192	53	169	-868	-358	-87	-306	-851	223	-320	29
Max. Delta	197	396	102	242	74	1006	494	252	293	450	10	65	36	3	0	223	128	29
Min. Delta	-127	0	-589	-12	-318	0	-13	-281	-42	-104	-868	-582	-180	-352	-858	-34	-361	-282
Cum. Delta	411	695	115	103	-192	551	831	1023	1076	1245	377	19	-68	-374	-1225	-1002	-1322	-1293
Volume	1891	1878	3062	2296	2219	6665	3214	3030	2907	1939	3136	2820	1281	1622	3237	1893	2214	1869

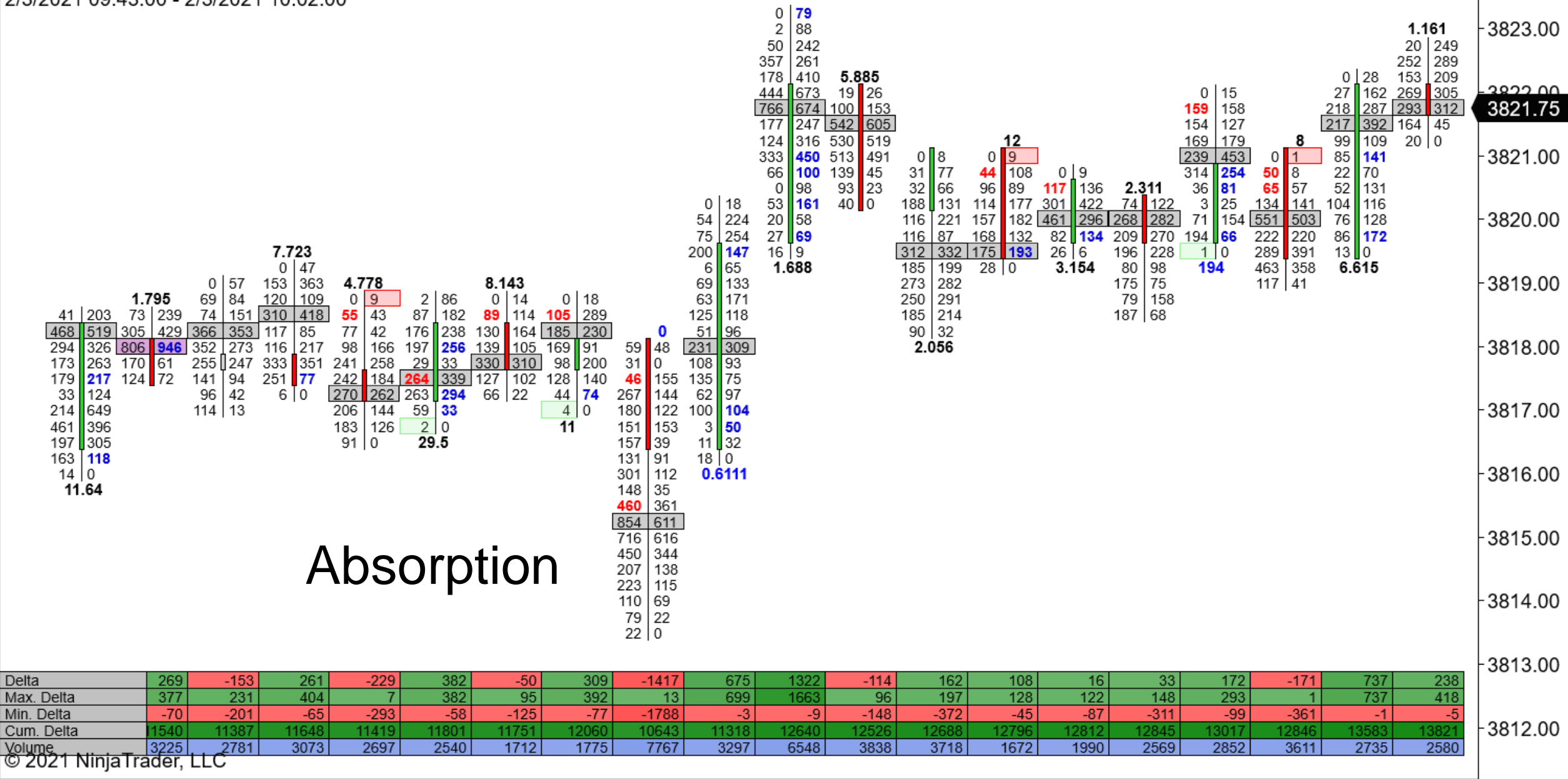


## Absorption versus consolidation

The most important clue in determining absorption or consolidation is volume. Absorption tends to happen on high volume. Someone is providing liquidity to absorb the aggressive trading.

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

2/3/2021 09:43:00 - 2/3/2021 10:02:00



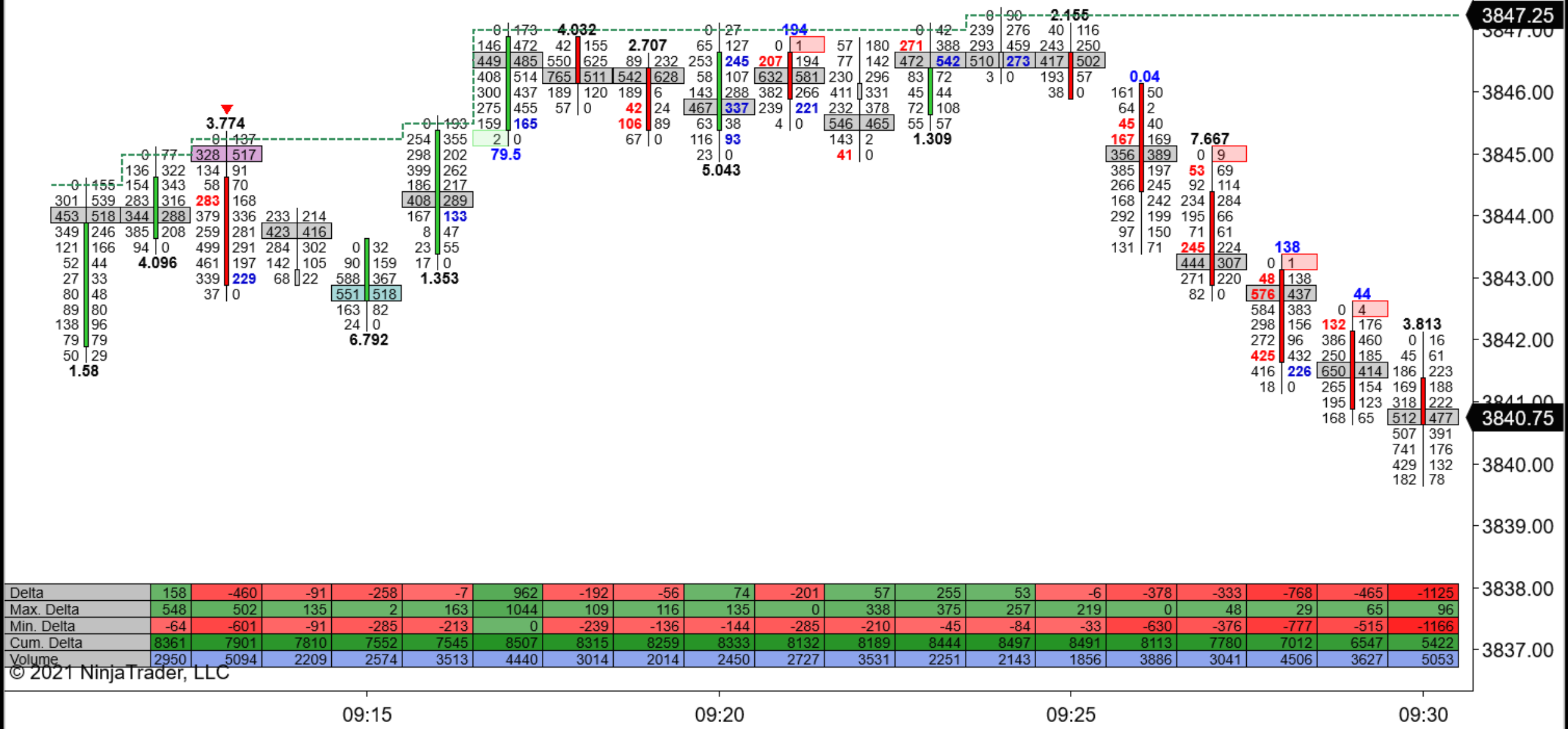
Order Flows Trader(ES 03-21 (1 Minute)), Current day OHL(ES 03-21 (1 Minute))

2/4/2021 09:11:00 - 2/4/2021 09:30:00

→

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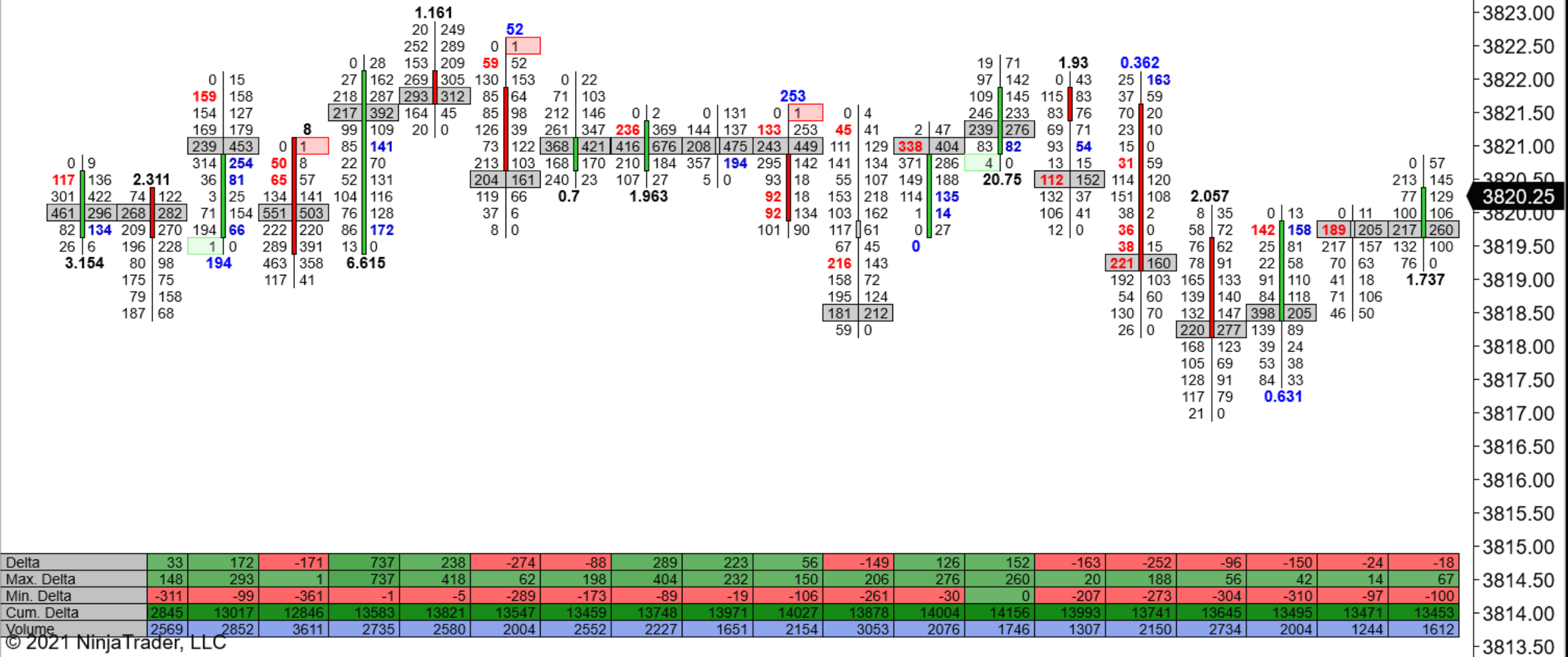
# Absorption, not distribution (but does it matter?)



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

2/3/2021 09:57:00 - 2/3/2021 10:16:00

# Consolidation



# Absorption versus consolidation

Algos tend to run consolidation areas.

Long term traders tend to run absorption areas.

If traders are putting in a lot of effort to move the market but it doesn't move there is someone absorbing that aggressive trading.



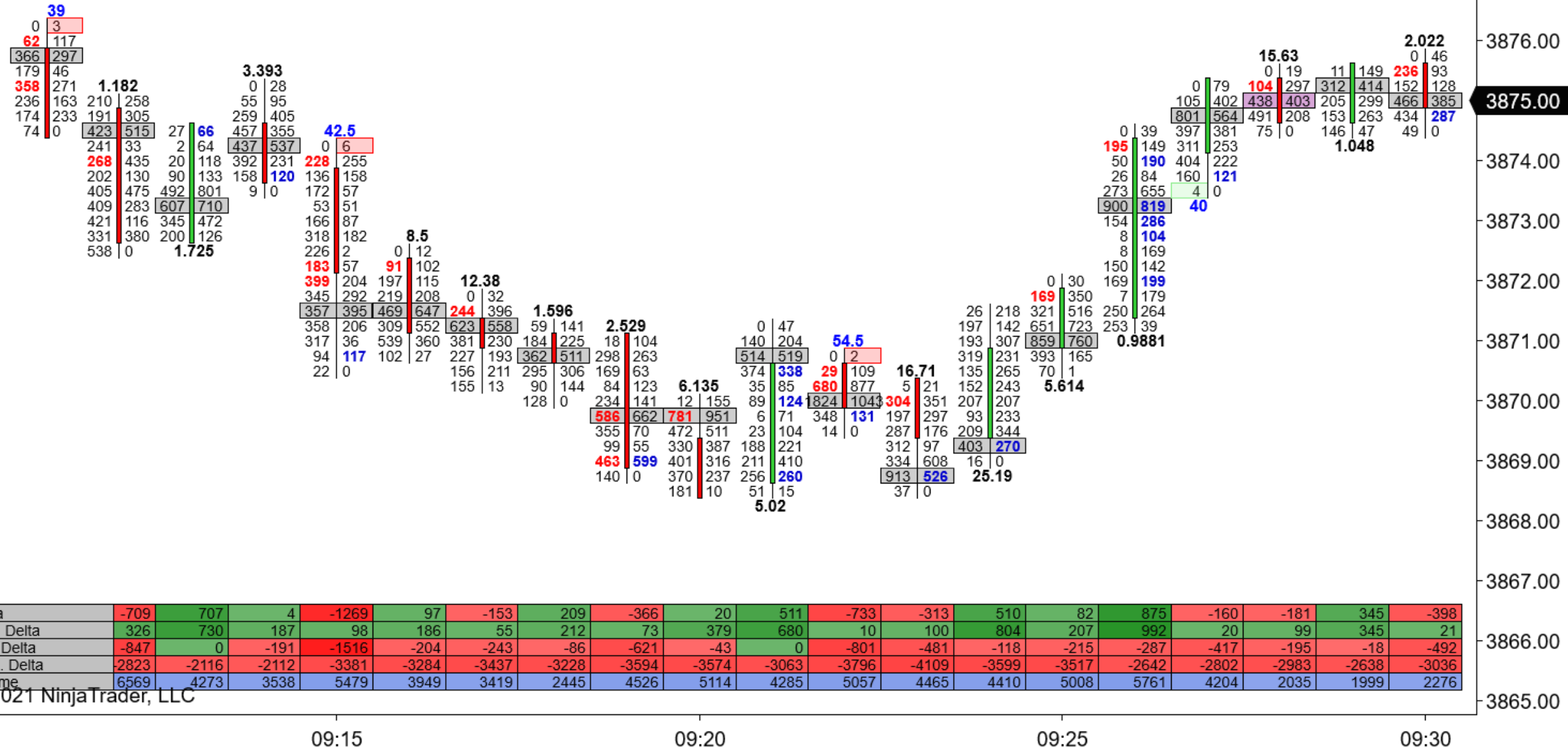
## Absorption v. Consolidation

Example, the market hits a low and you see big strong negative deltas, but the market is not really going lower. You see more selling, selling, selling. But what is happening? Buyers just keep reloading their bids, that is why you have the big negative deltas, and the market doesn't go lower.

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

2/5/2021 09:11:00 - 2/5/2021 09:30:00

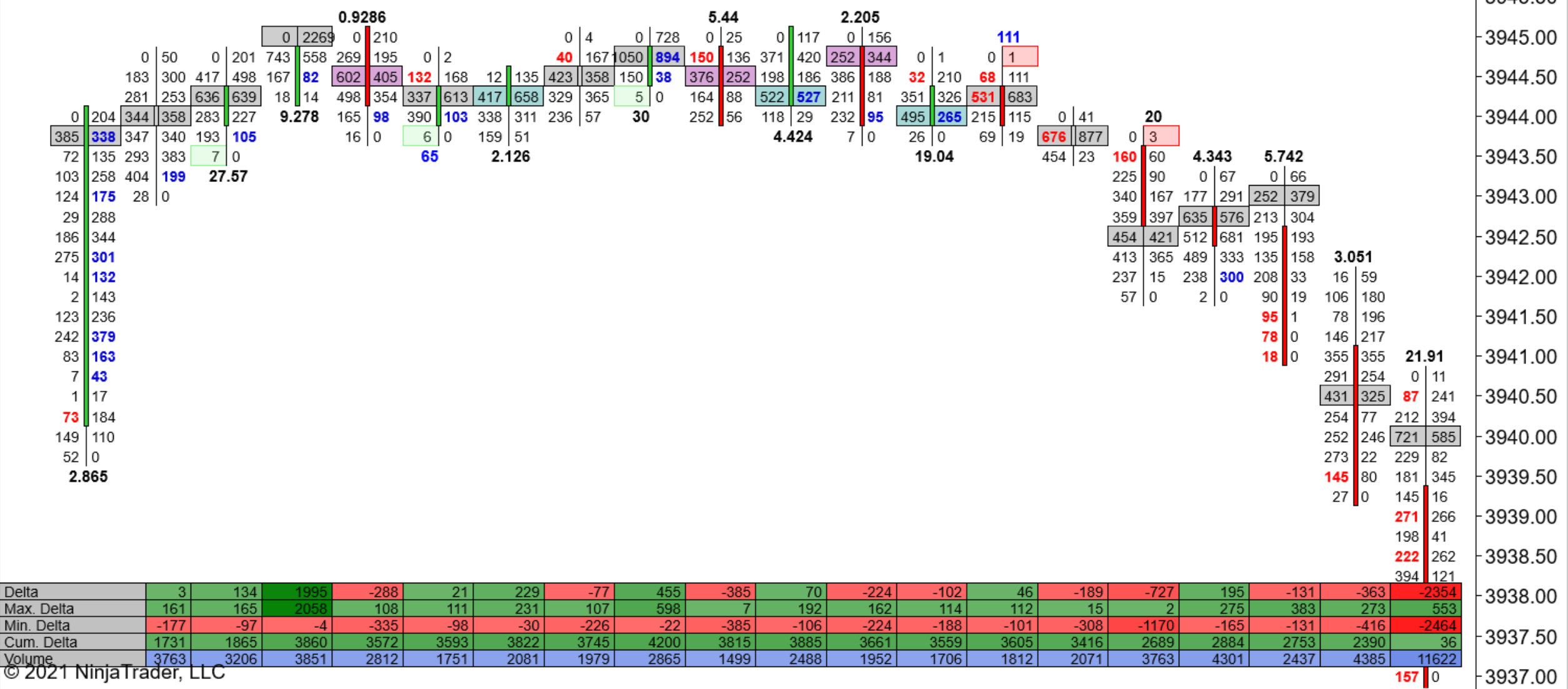
# Sellers selling but market not moving lower.



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

2/16/2021 09:30:00 - 2/16/2021 09:49:00

# Buyers buying but market not moving higher.



## Absorption v. Consolidation

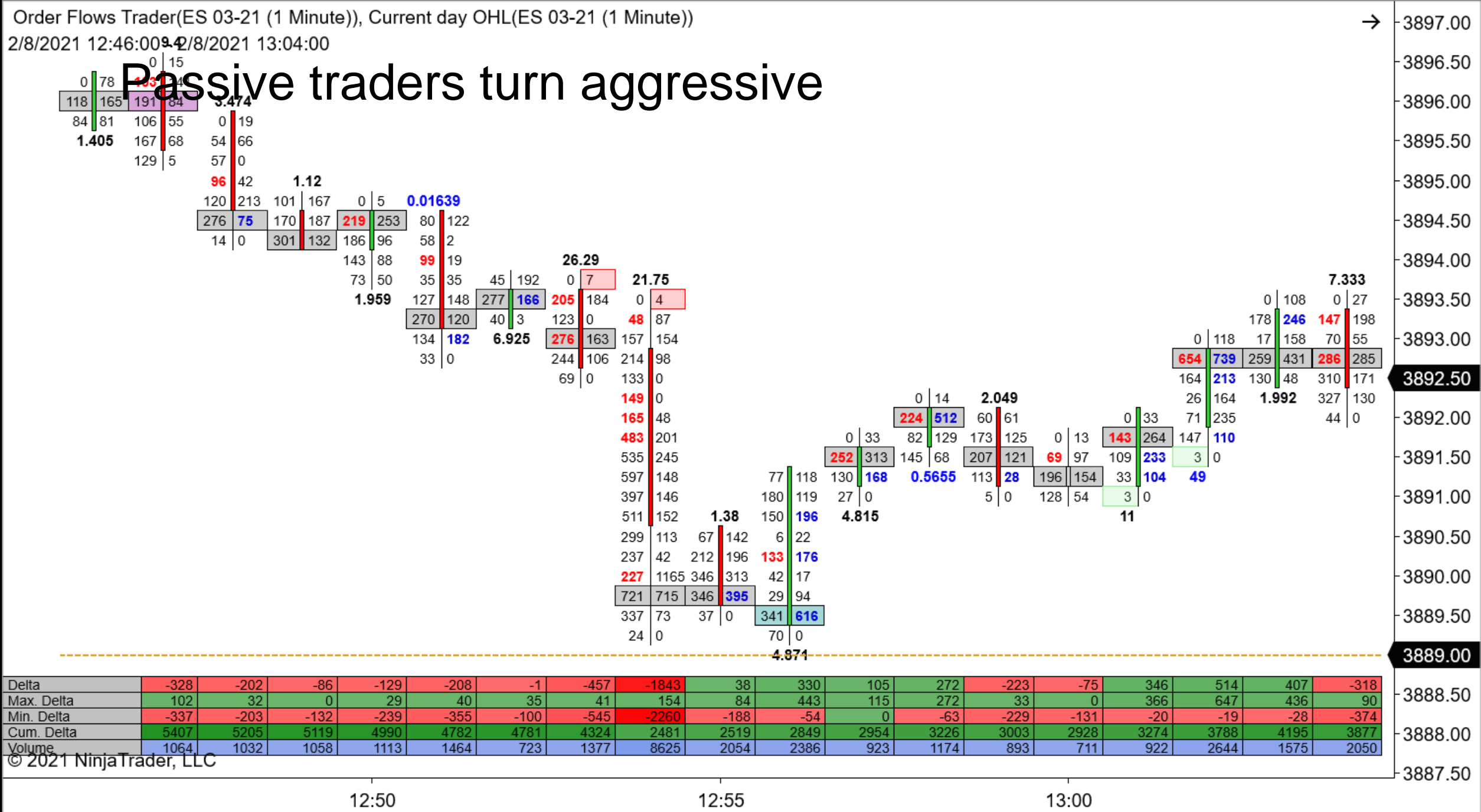
When aggressive traders put in a lot of effort, there needs to be a result for them in the form of price moving in their direction. If not, what is the market telling you? Someone is on the other side of the market absorbing that volume. What will happen? One side will give up and when that side gives up, the other side can press it further and shift prices in their favor.

## Absorption v. Consolidation

The difference between absorption and consolidation is often found in the volume. Absorption tends to have significant amounts of volume going through. The aggressor's effort is not causing a reaction in the market. The market is not moving in the direction of the aggressive activity.

## Absorption v. Consolidation

Absorption tends to resolve itself after the aggressive trader give up. Then the passive traders turn into the aggressive trader and start initiating. What does it mean absorption resolve itself? It means there is a continuation of price.

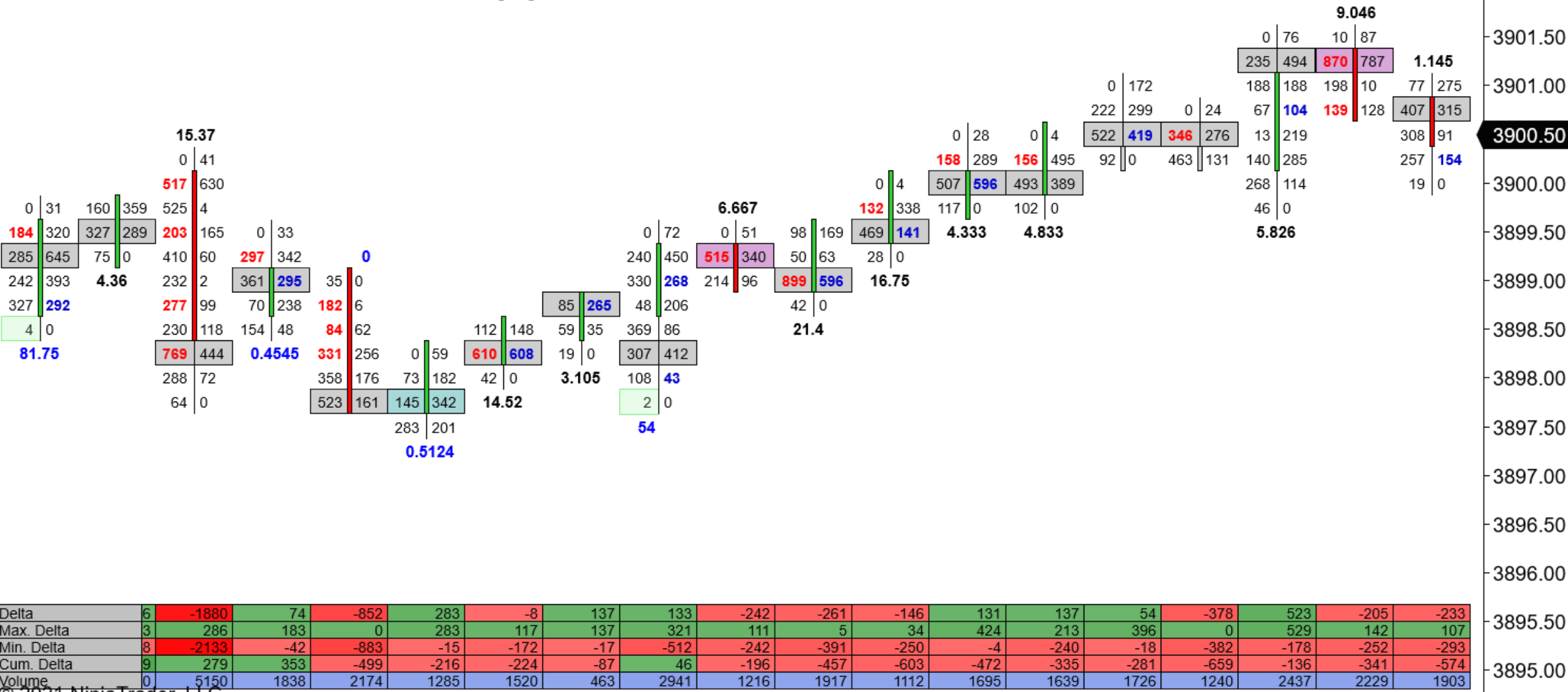




Order Flows Trader(ES 03-21 (1 Minute)), Current day OHL(ES 03-21 (1 Minute))

2/8/2021 14:31:00 - 2/8/2021 14:49:00

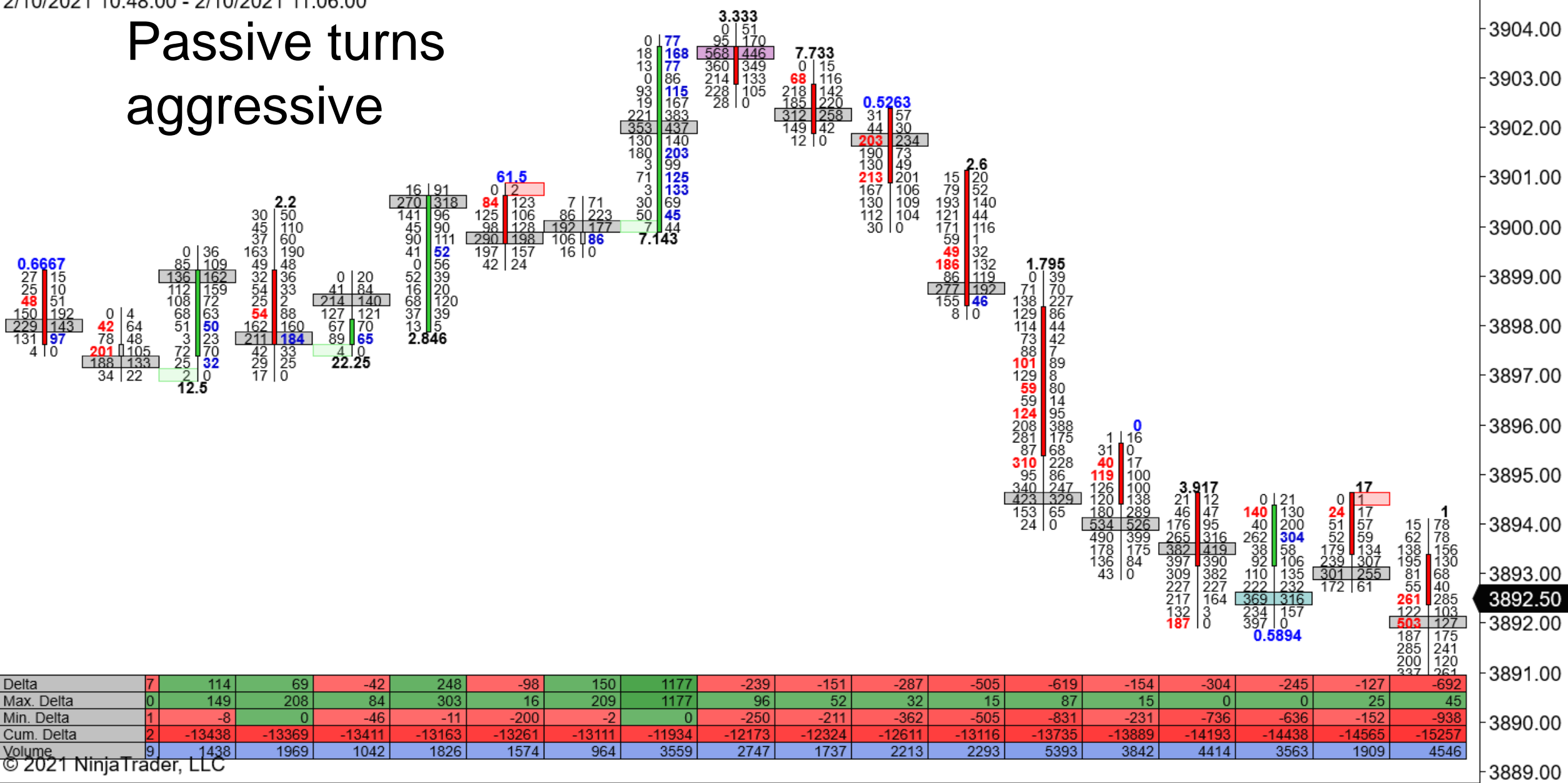
# Passive turns aggressive



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

2/10/2021 10:48:00 - 2/10/2021 11:06:00

# Passive turns aggressive



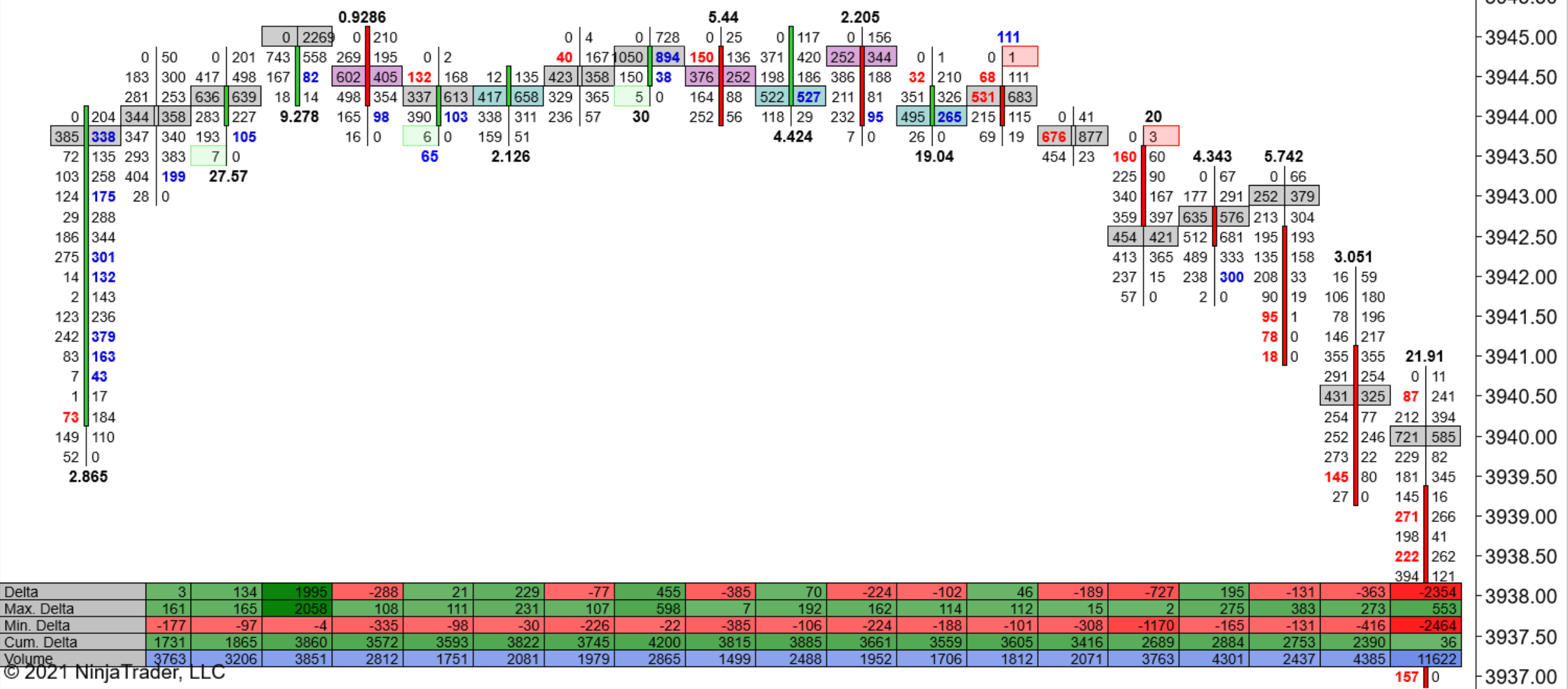
## Absorption v. Consolidation

The real giveaway in recognizing absorption is when you see big effort but no reward. Watch price and volume. Is price moving with all that volume?

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

2/16/2021 09:30:00 - 2/16/2021 09:49:00

# Why isn't the market moving higher?



## Absorption v. Consolidation

Absorption is sometimes the meeting of short-term trading and longer-term traders. The short-term traders are helping to facilitate trade up or down until they meet a longer-term trader who needs to fill an order.

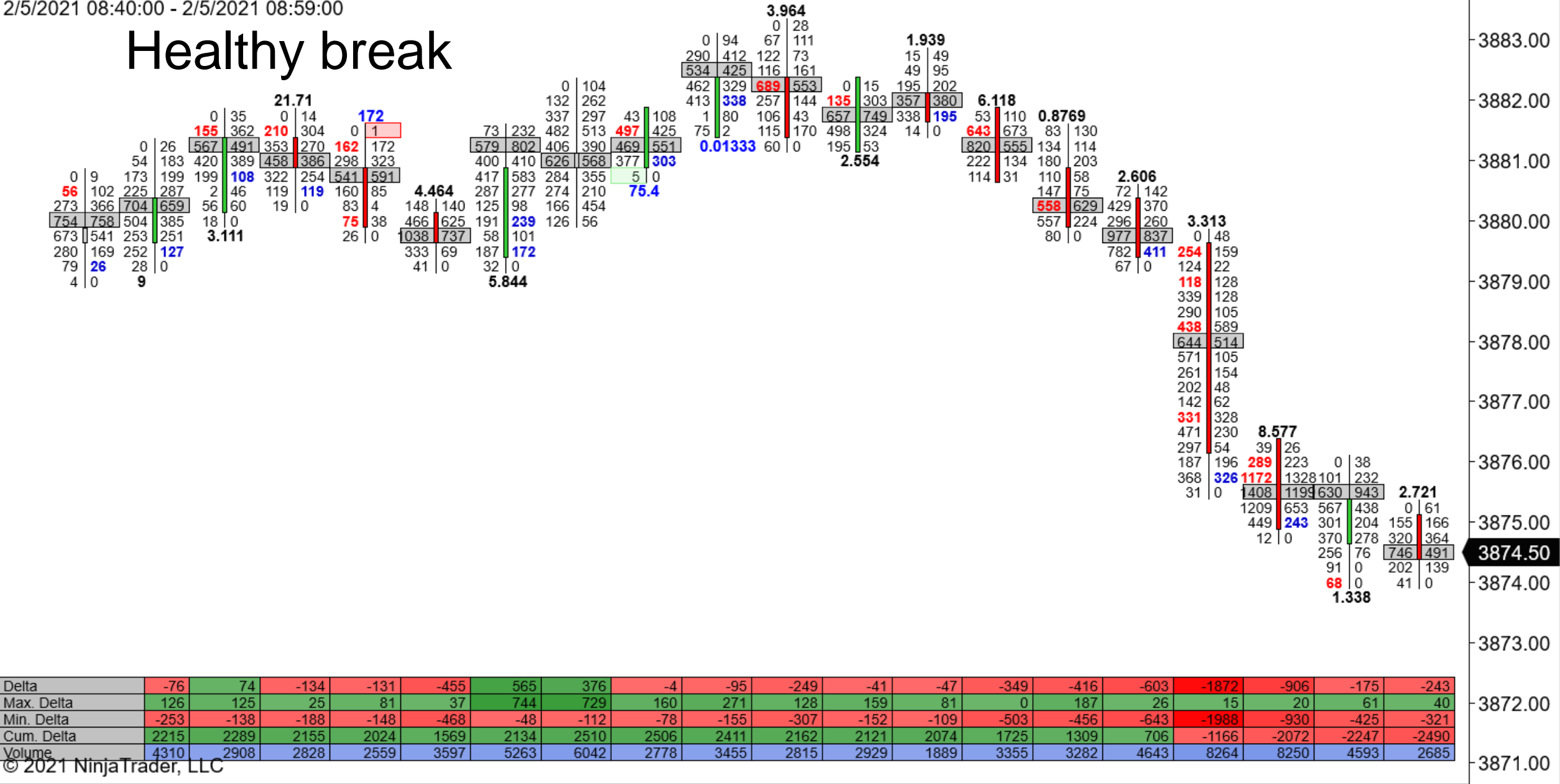
# Volume

What does a healthy move or break out look like? A combination of short covering and new longs (on a breakout to the upside). Or long liquidation and new shorts. It is a combination of short-term trading and longer-term trading. You do get an increase in volume as well as elongated bars.

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

2/5/2021 08:40:00 - 2/5/2021 08:59:00

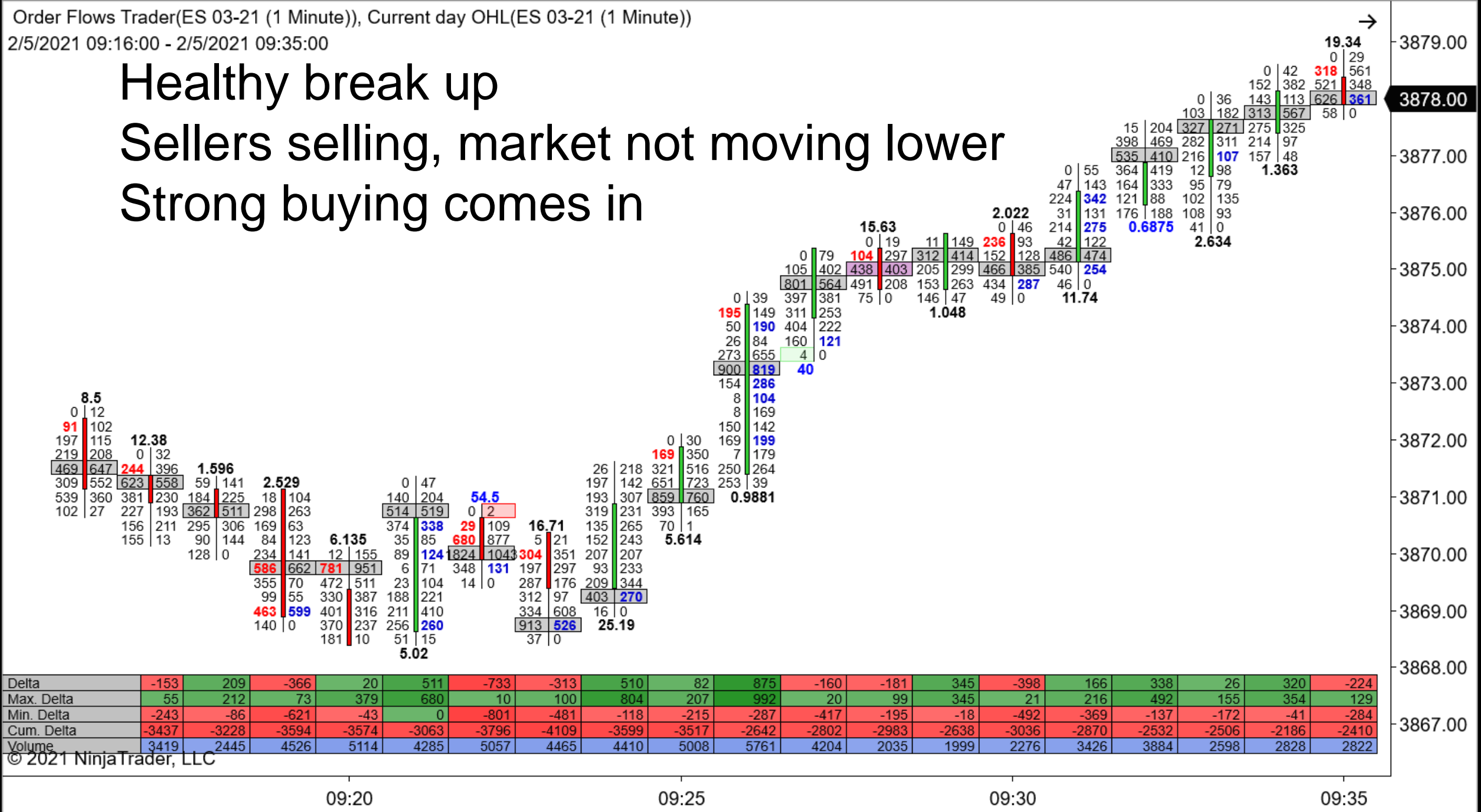
Healthy break





Order Flows Trader(ES 03-21 (1 Minute)), Current day OHL(ES 03-21 (1 Minute))  
2/5/2021 09:16:00 - 2/5/2021 09:35:00

Healthy break up  
Sellers selling, market not moving lower  
Strong buying comes in



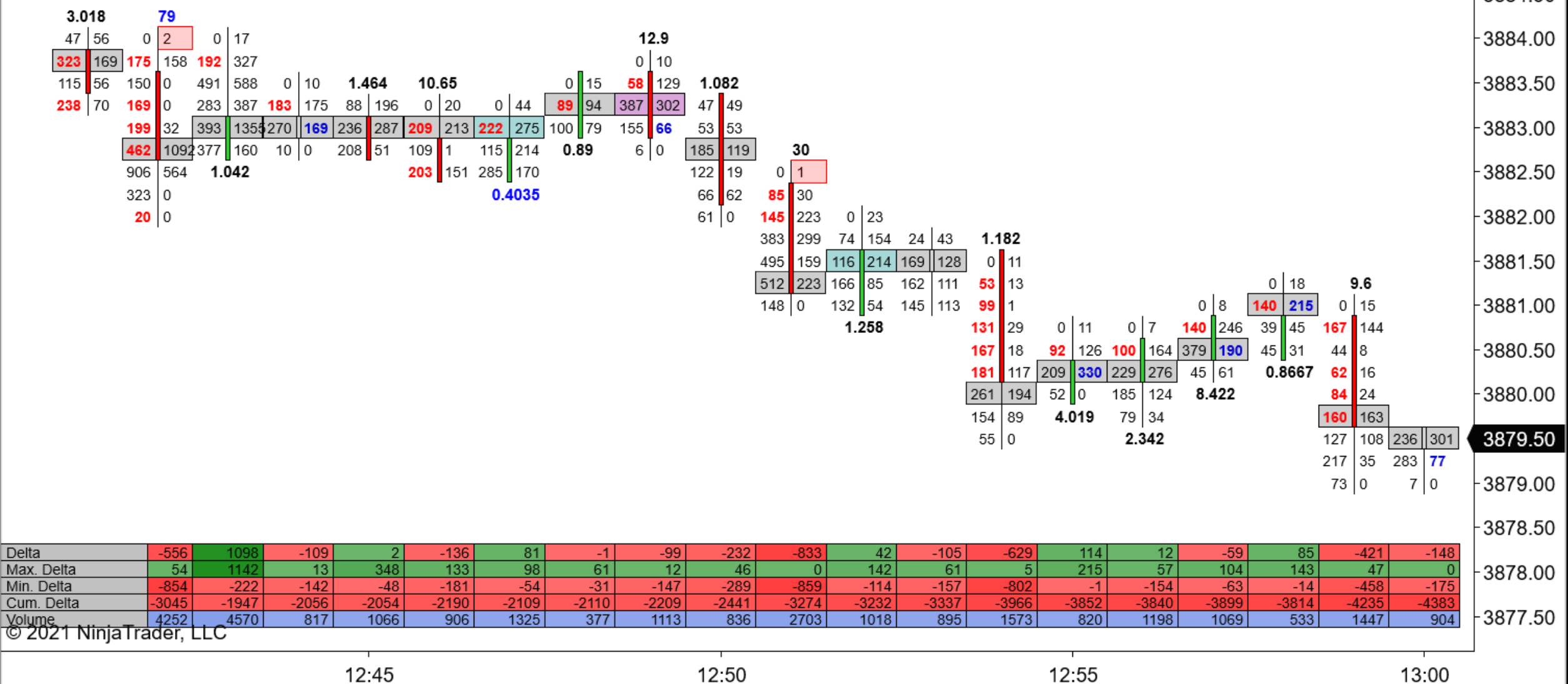
# Volume Consolidations

Many traders think trading consolidations are boring, but when you understand consolidations, you know that when the market moves out of consolidation that is where the really big moves can occur.

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

2/5/2021 12:41:00 - 2/5/2021 13:00:00

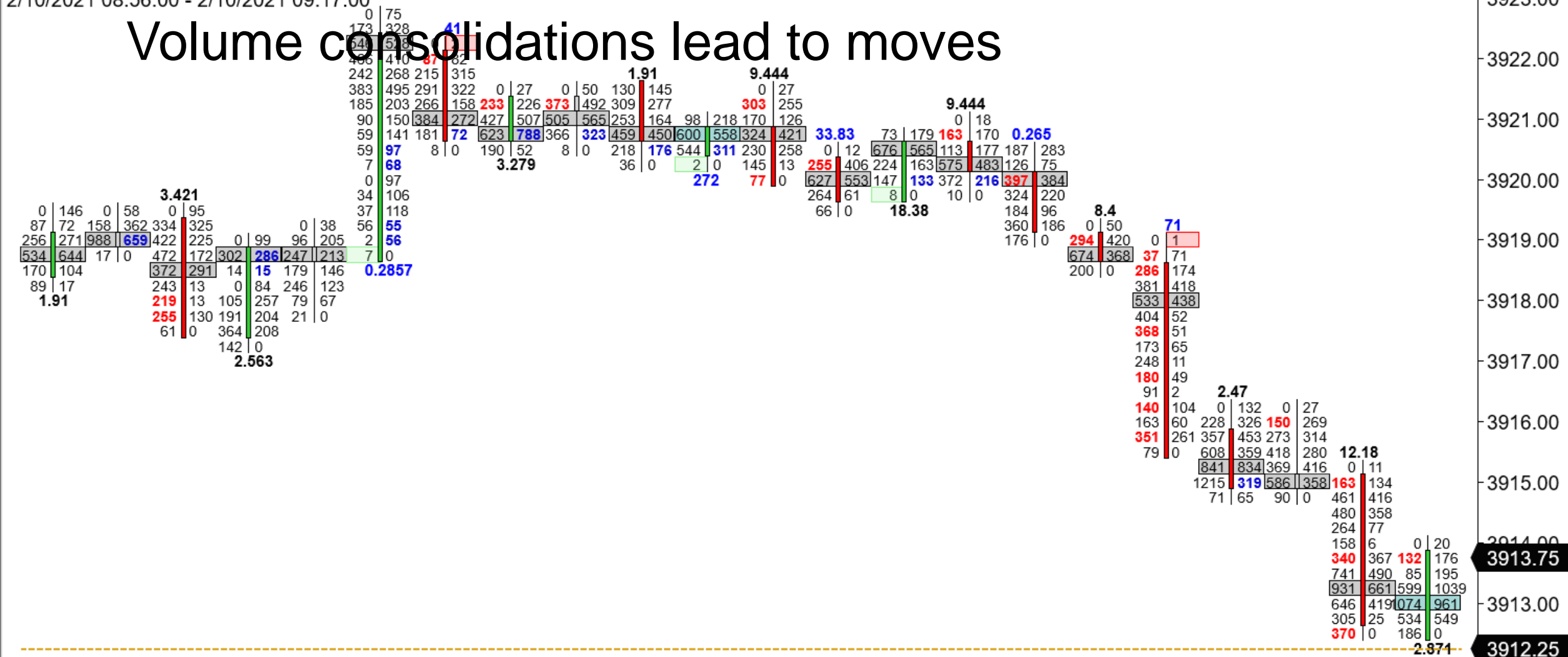
# Volume consolidations lead to moves



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

2/10/2021 08:56:00 - 2/10/2021 09:17:00

# Volume consolidations lead to moves

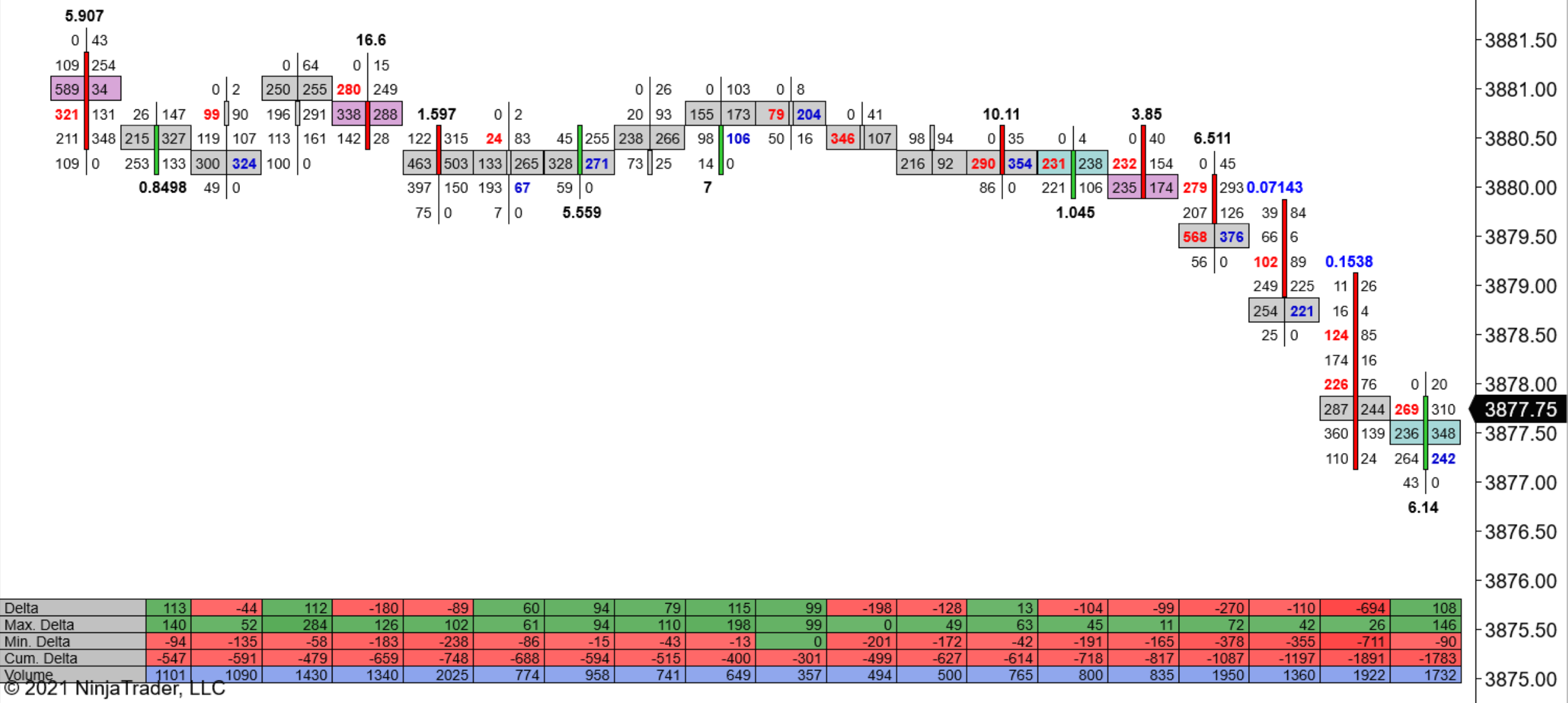


Delta	-1114	35	-76	849	-209	127	178	-193	-157	-149	-180	-88	-169	-510	-330	-1677	-832	-222	-1895	330
Max. Delta	117	129	84	1044	9	210	258	36	1	140	8	111	91	126	0	0	73	148	0	401
Min. Delta	-1148	-284	-111	-5	-240	-152	-169	-307	-209	-183	-256	-131	-241	-515	-405	-1793	-856	-268	-2059	-80
Cum. Delta	-541	-506	-582	267	58	185	363	170	13	-136	-316	-404	-573	-1083	-1413	-3090	-3922	-4144	-6039	-5709
Volume	3642	2271	1660	5541	2655	3073	2682	2617	2331	2349	2244	2168	2297	2998	2006	5191	5808	3550	7823	5550

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

2/5/2021 10:37:00 - 2/5/2021 10:56:00

# Volume consolidations lead to moves



# Volume

There are different types of volume.

There is initiative volume and responsive volume.

Initiative volume starts moves, gives the market direction.

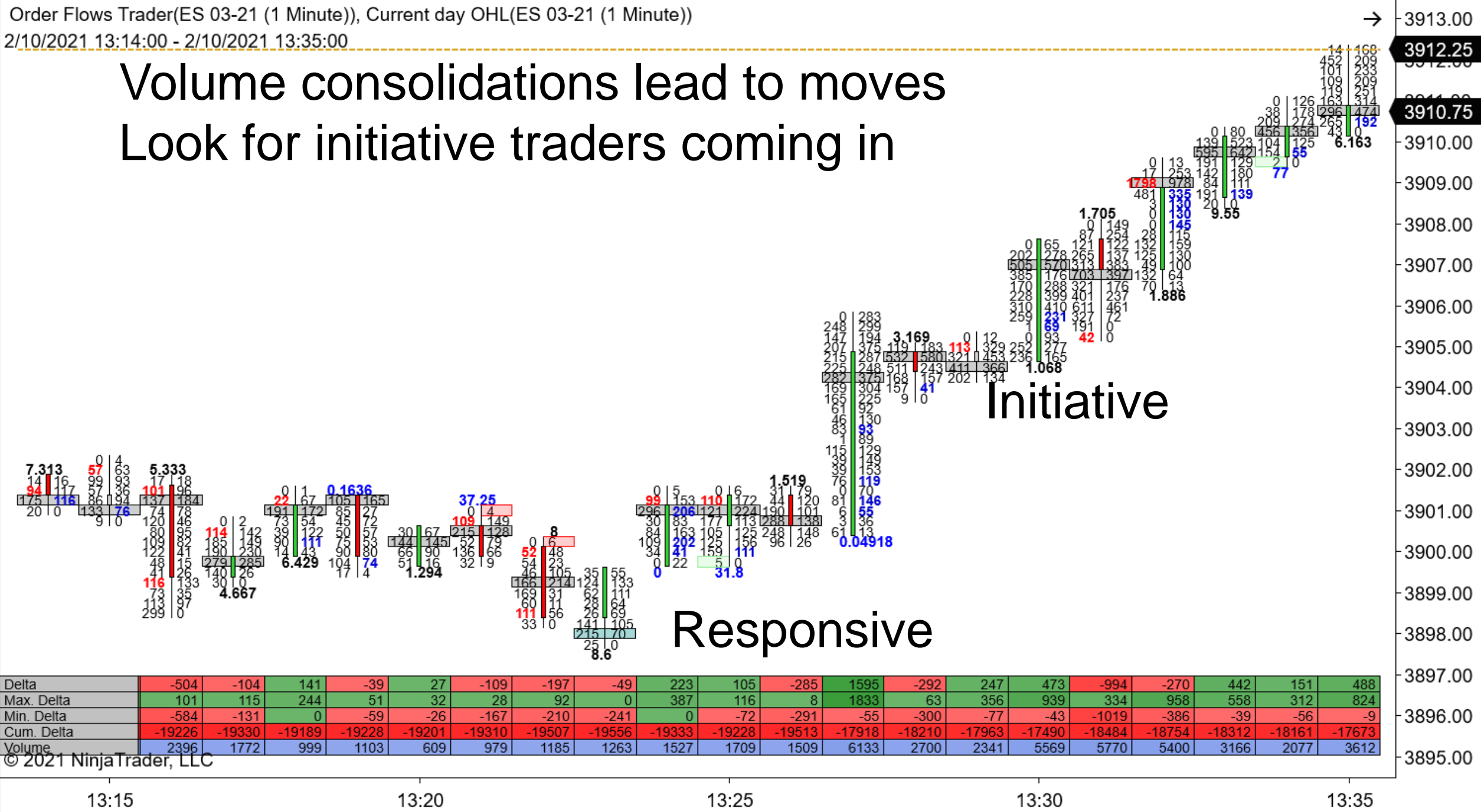
Responsive volume responds to an opportunity in the market.

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

2/10/2021 13:14:00 - 2/10/2021 13:35:00

# Volume consolidations lead to moves

## Look for initiative traders coming in



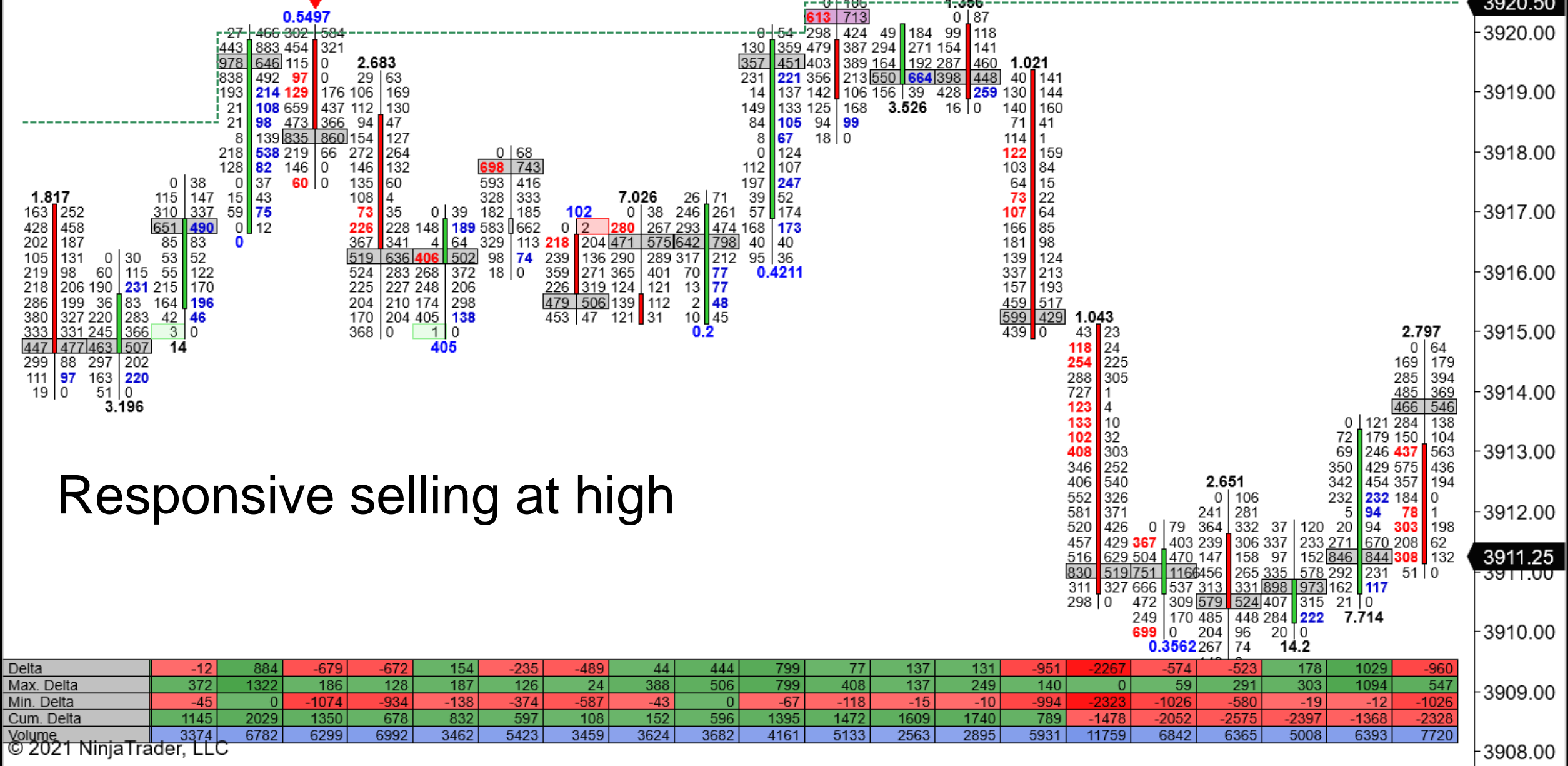


## Volume Responsive

Responsive buyers think “oh, wow this is a great deal, I will buy it here.” They respond to the low prices. You can see this on a delta chart when there is strong volume delta. Going back to volume. Remember I said volume is a sign of smart (big) money. When there is solid volume what do you think is happening. The big traders weren’t going to let prices drop further and responded to the low prices by buying. You also want to be buying.

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

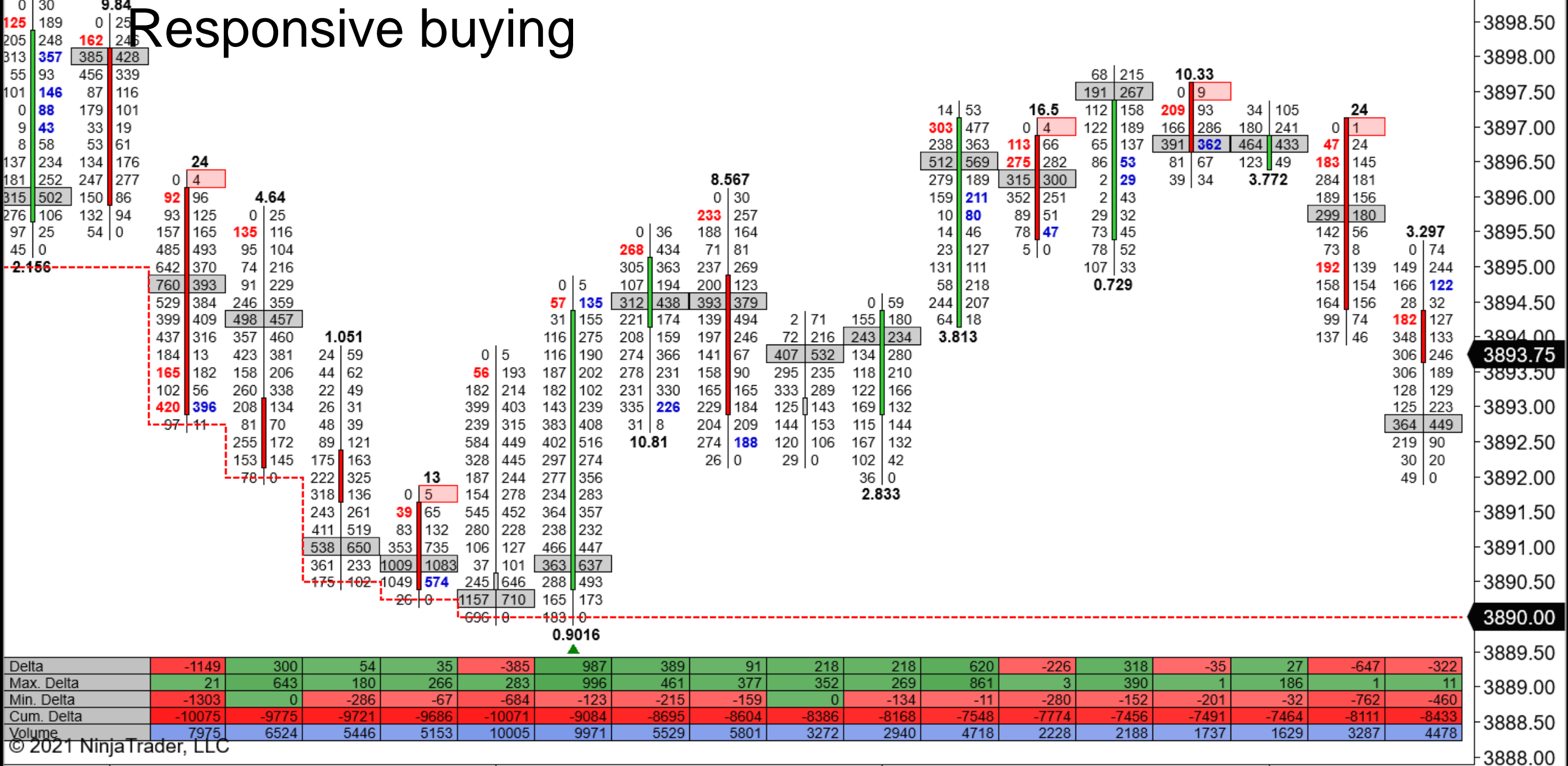
2/11/2021 08:36:00 - 2/11/2021 08:57:00



Responsive selling at high

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

2/11/2021 11:24:00 - 2/11/2021 11:42:00

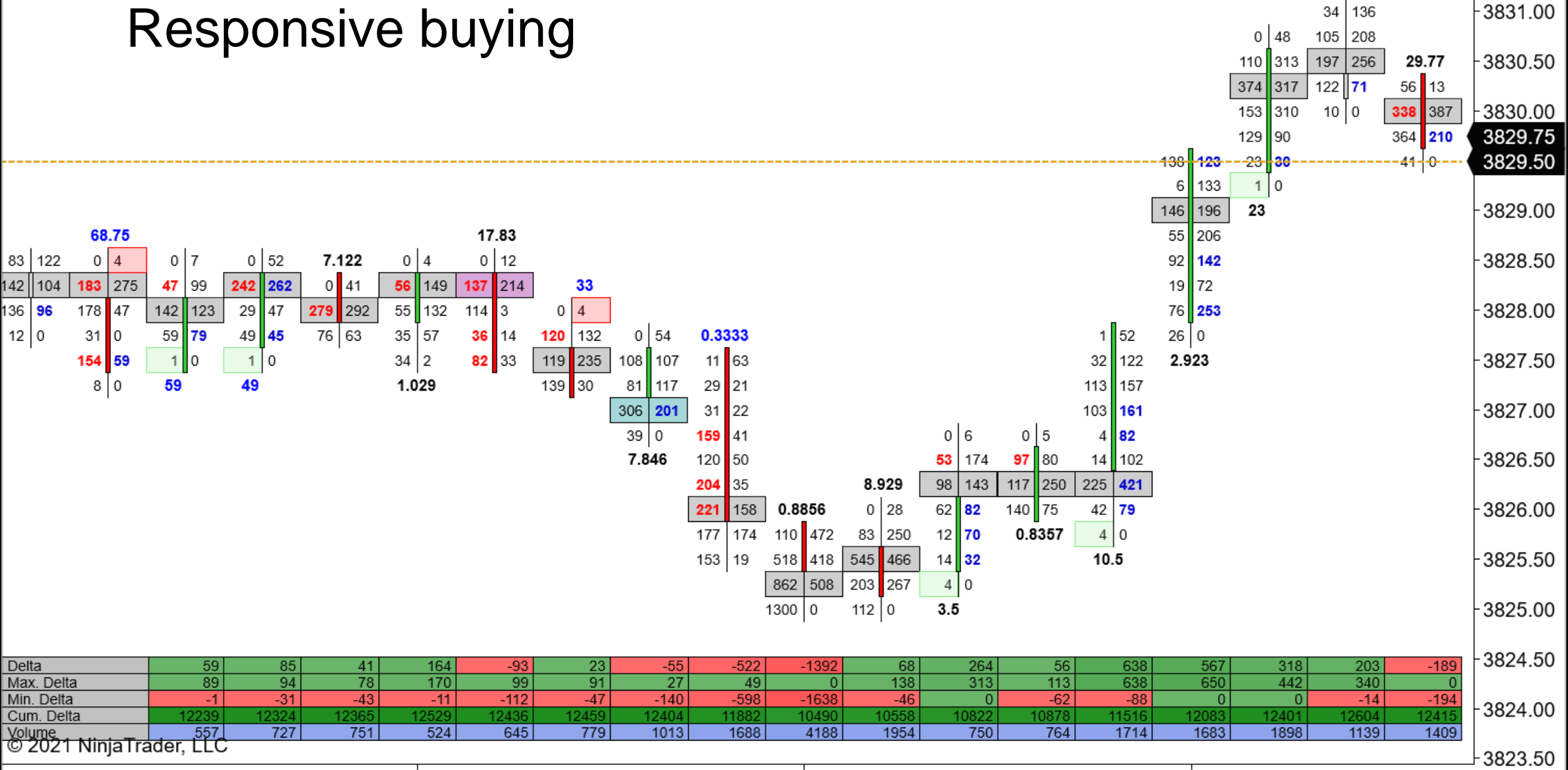


Order Flows Trader(ES 03-21 (1 Minute)), Current day OHL(ES 03-21 (1 Minute))

2/3/2021 11:25:00 - 2/3/2021 11:43:00

→ 3831.50

# Responsive buying



# Volume

Volume is the backbone of the market. Some call it the fuel of the market. But one thing you have to know is the market needs volume to facilitate trade. In some markets volume is extremely big, while others it is much smaller. You have to understand what is considered big volume and small volume in your market.

# Volume

The key concept to take away from volume is that the market facilitates trade in the direction of volume.

Volume is what causes a market to move. Being able to see price levels where heavy volume traded will help you determine what is going to happen in the market.

This concludes the Module 6: Volume.

In the next module we will discuss Value and how to see and use Value in the order flow.