

# Orderflows.com Presents



## Delta Surge

APPLYING ORDERFLOW DELTA TO YOUR TRADING

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## Welcome to Orderflows.com Delta Surge

The Orderflows Delta Surge indicator was created to help traders understand and analyse order flow delta. The Delta Surge is unique and is based on my own trading with delta.

For those of you know me, know my experience. I have traded Futures my entire 20-year professional career at the highest institutional level.

I am not saying this to sound braggadocious, as Donald Trump would say. Rather I tell you so you know that my trading experience is real and based on sound principles. I think that with any trading method you need to know the background of the originator.

Before having this indicator coded I would manually watch the delta to judge whether or not I should take the trade.

I decided to release the Delta Surge indicator for free because a few vendors have started to copy some of my indicators and give them a fancy name and charge a lot of money for them. I think that if I didn't release this one for free, someone would come along and release this indicator and call it "Delta Algorithm" or something like that and charge \$500 for it.

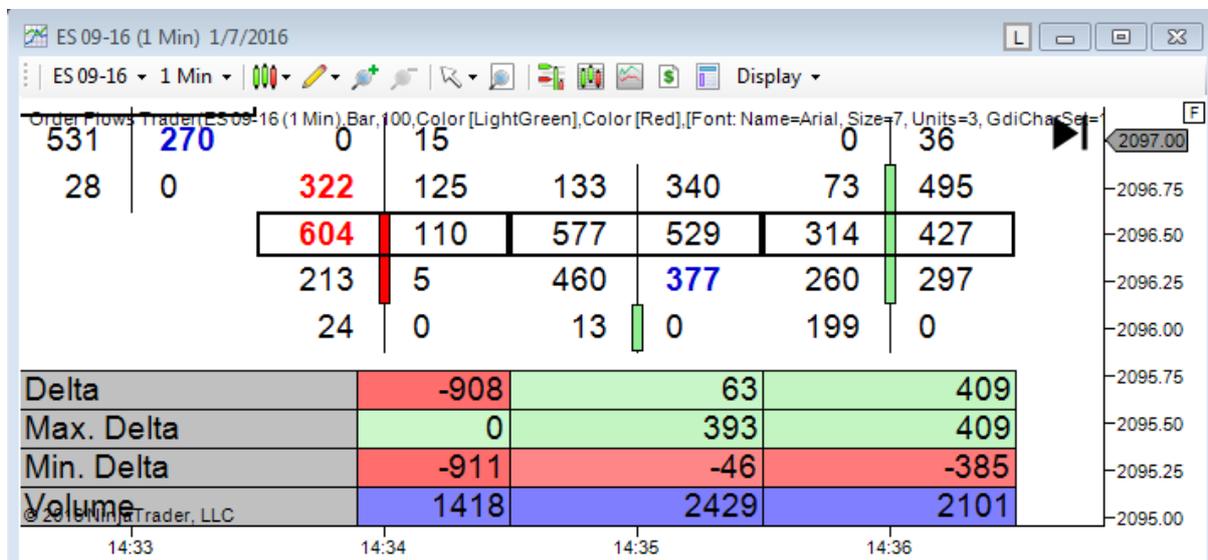
Delta Surge highlights your chart where there is a surge in either positive delta which often results in a strong push in that direction as traders are piling into the market. Or negative delta which is often a sign of increased supply

hitting the market or traders bailing out their long positions as the market drops further.

Before I jump into applications of the indicator, allow me to give you a quick refresher in delta as applied to order flow.

Delta is the difference between the volume traded on the offer minus the volume traded on the bid in a particular bar.

Each bar will have a delta number. Delta will either be positive or negative and on rare occasions it can even be zero.



There are a few other ways that you can look at delta. But for the Delta Surge we will only concern ourselves with the net delta of the bar.

A positive delta usually indicates buyers are in control since the buyers are aggressively buying the offer.

A negative delta usually indicates sellers are in control since the sellers are aggressively selling into the bid.

Why does this matter? Delta is a quick way to determine who is in control of the market, buyers or sellers.

There is not much information on trading order flow delta available on the market as most traders aren't even aware of order flow delta, let alone thought of trading with it.

But delta is a great tool for traders. However like every tool, it has its uses. You can't build a house with just a hammer, you need other tools to finish the house. Trading is the same way, to survive in the markets you need different tools to be used at different times.

When a trend is healthy, it builds on itself. Volume will increase slowly, as new buyers are drawn into the move.

If you are an analyst of sort, you believe in patterns and their repetition. Technical analysts look at chart patterns – whether it is candlestick patterns or head and shoulder formations, etc. Fundamental analysts look at fundamental patterns – it could be the weather, it could be supply and demand, etc.

Commercial traders, firms that often take a portion of their position to delivery, tend to be opportunistic at times in their trading and when they think price has moved away from value. When they think prices are cheap they can get involved because they know they will have to use the commodity.

Retail traders have a mentality that they want to be involved at every price. They don't want to miss a move and when the market is against them they have to get out.

Funds tend to go with the prevailing trend. They don't necessarily care if prices are already high, if they think prices are going higher they will still buy. If prices are low and they think prices will go lower they will sell. The reason for this is because their view is longer term, a more macro view of the market. This explains why at first glance this style of trading is contrary to logic, but they are still buying high with the intention of selling higher and selling low with the intention of buying back lower.

When trading you want to be positioned with the institutional and commercial traders because they often have access to information the average trader does not have and more importantly they can come in and defend their position when it moves against them. Knowing how the institutional traders act gives you an edge. That is not delta specific – that is trading in general.

The primary purpose of delta is to help determine the likelihood of continuation or change in the market. In general, more delta, coupled with a clear direction for the market, means continuation.

In its simplest form, the Delta Surge is nothing more than the directional price movement confirmed by delta.

When you are trading you want to be positioned in such a way that you can eliminate one side of the market, so that you make money or can break even or take a small, small loss. What that means is that if you are getting long, you want to be positioned in such a way that the market should be ready to move up. If you are getting short you want to be getting short in a place where the market is ready to break lower.

Most of the time the market trades back and forth, that is what the market is supposed to do – facilitate trade. It trades in balance where buying and selling is more or less equal. Some people call this market action “noise.” Delta Surge will highlight when markets are starting to move out of balance.

When a Delta Surge appears one of two things is happening:  
1). Buyers are starting to overwhelm the sellers.

Or

2). Sellers are starting to overwhelm the buyers.

What causes a Delta Surge?

There are a few situations in the market that will cause a Delta Surge to appear. The point in the market when many of the participants find themselves on the wrong side and are competing against each other to get out of their positions. A shift in market value from undervalued to value or overvalued back to value. This often happens quickly.

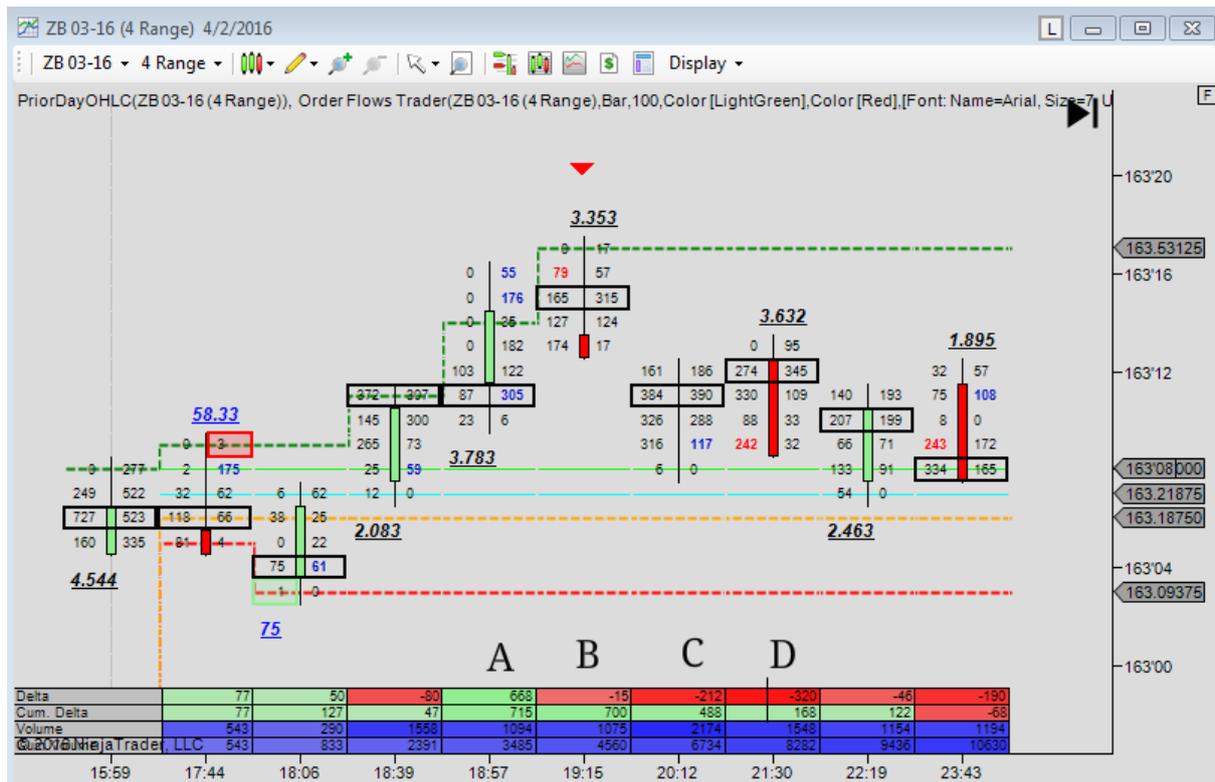
Another situation would be when a move higher is underway and a lot of traders are jumping on the bandwagon and

getting long for fear of missing out on the move. You see the delta growing positive over the next few bars.

On any given trading day, institutions are active market participants buying when they think price is below value and selling when they think price is above value. Their activities are often visible in the order flow. However, you don't want to focus on the normal trading activities happening in the market, rather you want to find and trade when there are unusual activities happening. When there is stopping volume, market imbalances or areas that buying or selling has dried up.

Institutions are always present during the day's trading range and it is important to know when they have activity at areas their normal areas of trading.

**Let me explain how the Delta Surge works:**



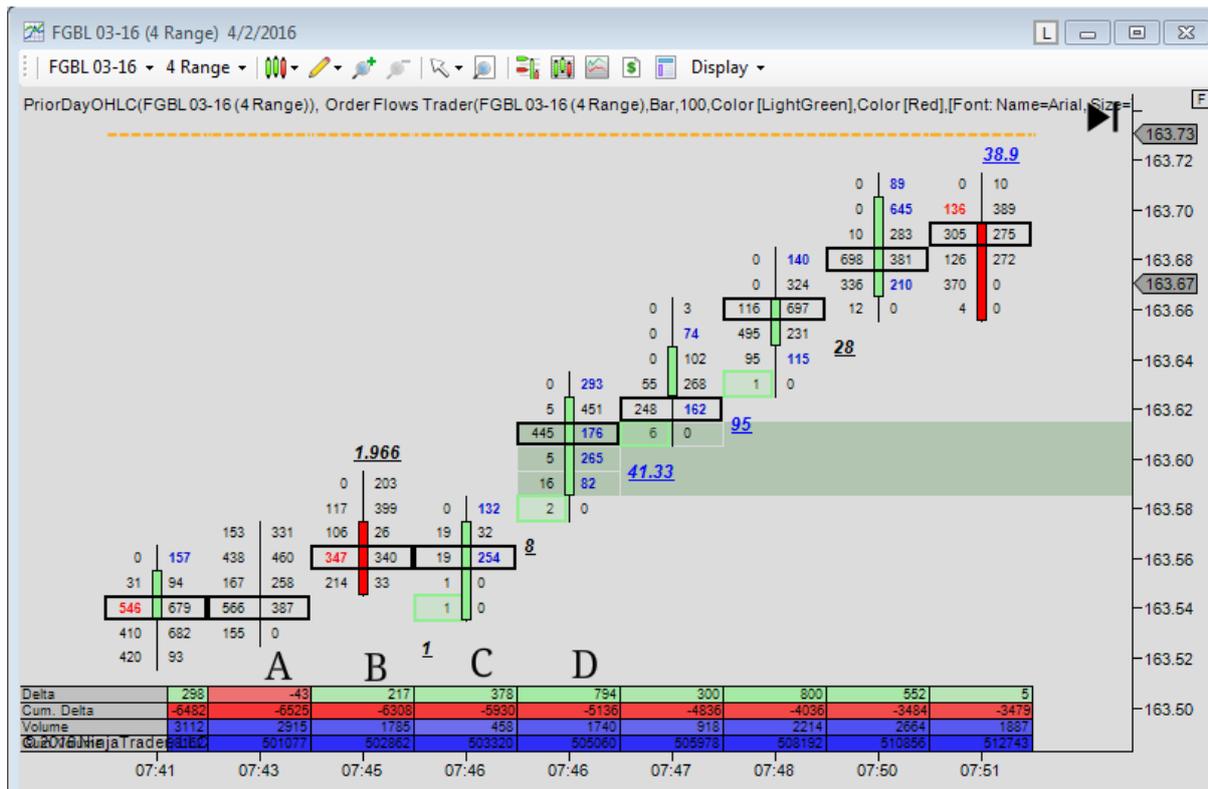
### Pattern 1 For Sells:

Bar A - Positive Delta, can be any number as long as it is 0 or positive.

Bar B - Negative Delta, can be any number as long as it is 0 or negative.

Bar C - Negative Delta, volume of negative delta should be 50% more negative than the negative delta number in Bar B.

Bar D - Negative Delta, volume of negative delta should be 25% more negative than the negative delta number in Bar C.



### Pattern 2 For Buys:

Bar A - Negative Delta can be any number as long as it is 0 or negative.

Bar B - Positive Delta, can be any number as long as it is 0 or positive.

Bar C - Positive Delta, volume of positive delta should be 50% more than the negative delta number in Bar B.

Bar D - Positive Delta, volume of positive delta should be 25% more than the negative delta number in Bar C.

When the requirements are met for each pattern draw a down arrow for a sell signal and a zone just like in the Delta Scalper and an up arrow and a zone just like in the Delta Scalper. The signal should occur in Bar D as soon as the delta volume is met, but if the volume drops below the percentage, then the signal disappears.

User defined areas:

Bar A – Minimum volume.

Bar B – Minimum volume.

Bar C – Minimum volume. % of delta being greater than Bar B. Default is 50%.

Bar D – Minimum volume. % of delta being greater than Bar C. Default is 25%.

## **How I use the Delta Surge:**

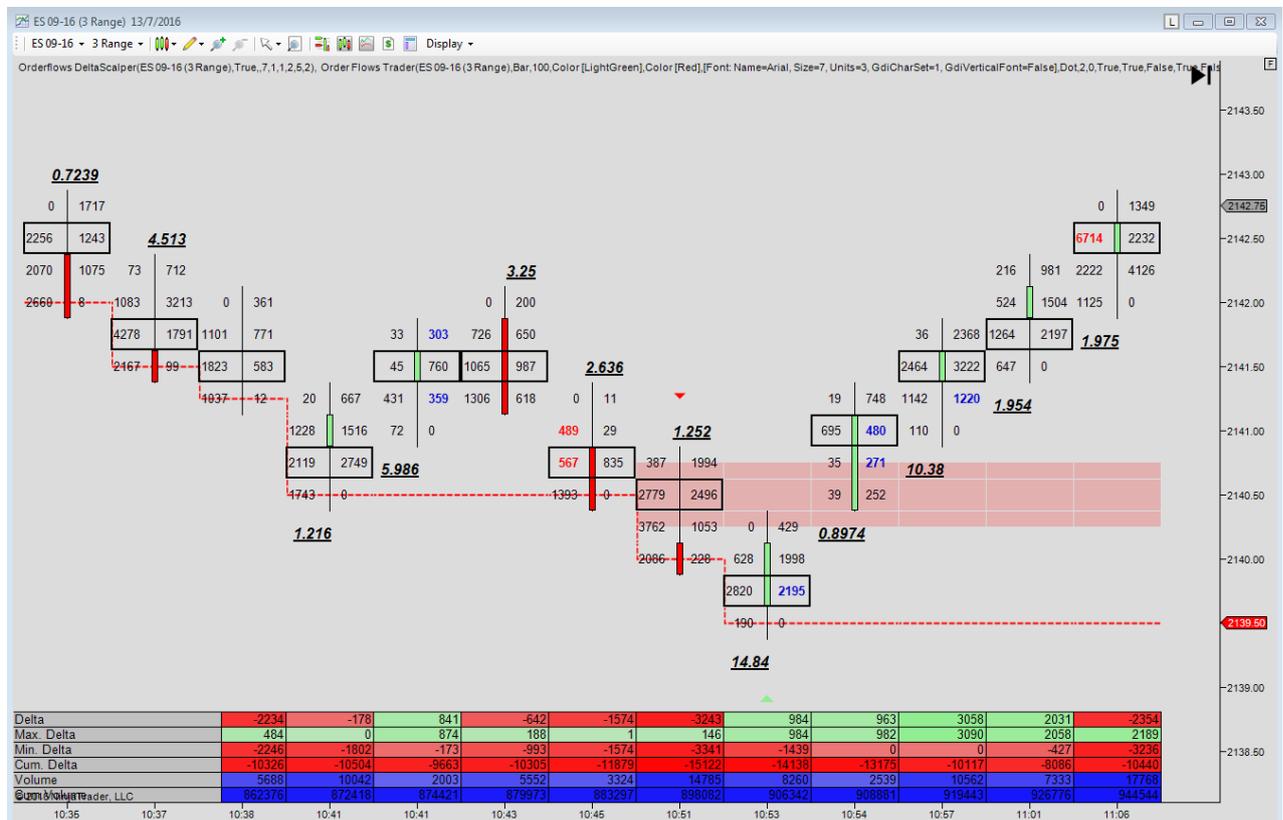
First of all, I trade intraday. Usually 4 range, 5 range and 10 range charts. I am not a position trader. I am in and out in the same day. The Delta Surge can be used on longer term charts like 15 minute to 30 minute charts, however you won't get many signals and some days you might not even have any. I like to watch the market on range charts so I can see how price is reacting. The market doesn't wear a watch and doesn't move because its 9:50am.

When watching delta I think it is important to use a chart that is based on price movement rather than time movement. You want to see how price rotates and where buyers are coming in. That is my own opinion based on how I traded it myself. Testing may prove otherwise.

One of the things I noticed when trading with Delta Surge occurs when the market is making new lows with a strong increase in delta and culminating with a big strong negative delta right on the low. The market would then have a tendency to bounce back. My why this happens is traders are

capitulating and dumping their positions at any price because it has dropped too much.

Here is an example. As we go into new low, you see the delta growing -642, -1574, -3243. Then boom the extreme low is made and you have a divergence (positive delta on the low) and the market snaps back up. You often hear me talk about taking trades in context of the market. I don't like to sell into lows for this reason. That is not to say you can't but just be aware of your surroundings.



You might think “well, what about when the market goes into new highs and you get big buying and delta surge there?” When markets rally the sentiment is completely different than when the market is selling off. People can't get enough of something when the market is driven by demand. But flip

the situation when the market is flooded with supply and people want to sell as fast as they can before prices get too low.

You often hear me say “take trades in context of the market.” I prefer to get short after rallies as opposed to sell into new lows. Or buy near lows rather than buying into new highs.

That doesn't mean I am a bottom picker or a top picker, rather what I am trying to do is buy below value or sell above value.

Markets can and do make new highs/lows throughout the day so to completely disregard buy signals near highs or sell signals near lows is not a prudent way to trade. To catch big moves you do need to buy into breakouts or sell into breakdowns.

Knowing which breakouts to buy or sell is a trait of a successful trader.

## **How to find better trades with the Delta Surge.**

If I am buying I prefer when the bar closes higher than where it opened. If I am going to be taking a long trade I expect the signal bar to close up.

If I am selling I prefer when the bar closes lower than where it opened. If I am going to be taking a short trade I expect the signal bar to close down.



If you are selling I prefer when the bar closes lower than where it opened.

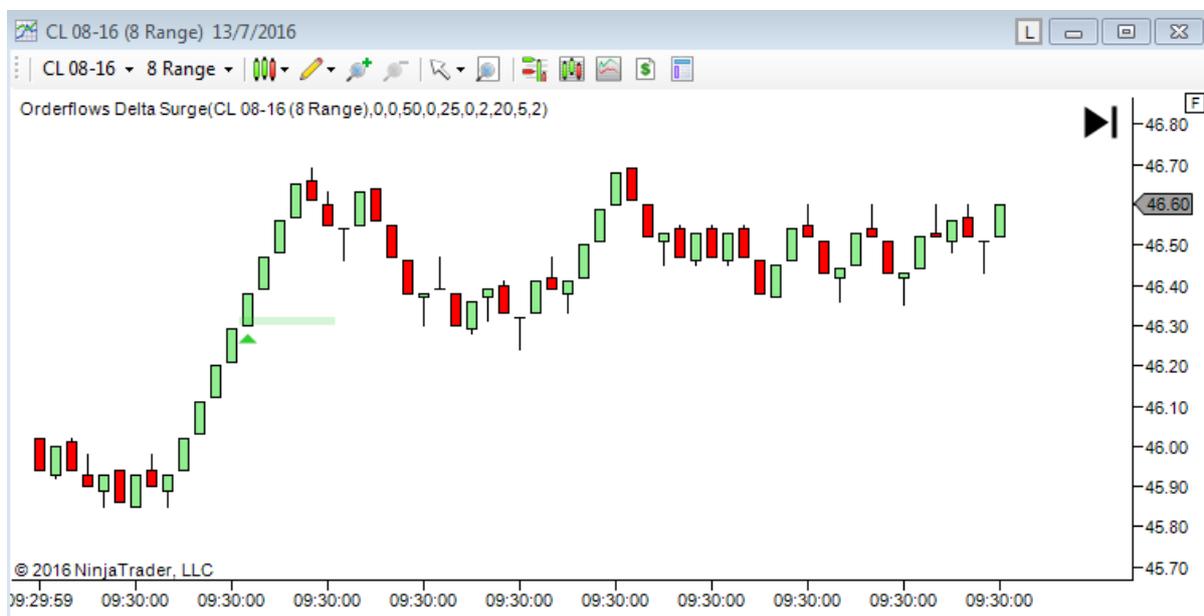


I don't like to take sells after the market has already declined quite a bit. What does "quite a bit" mean? Its subjective but if I feel the market has had a big selloff and then the delta surge appears I tend to not take the trade. Why would you get short after a giant move?



During the release of economic data the volume tends to dry up and you can get delta surges as someone comes in and sweeps the book and with less volume you can get signals that are going to be difficult profit from.

Here is an example from July 13, 2016 at 9:30am Central Time when the Oil Inventory numbers are released. You see a lot of bars printing during the first second. Often the volume is extremely light, you have to take that with a grain of salt.



# Delta Surge settings

Indicators

- Order Flows Trader
- Orderflows Delta Surge
- Orderflows DeltaScalper
- Orderflows Enigma
- POC Trader
- Price Rejector
- ADL
- ADX
- ADXr
- APZ
- Aroon
- AroonOscillator
- ATR
- BarTimer
- Bollinger
- BOP
- BuySellPressure
- BuySellVolume
- CandleStickPattern
- CCI
- ChaikinMoneyFlow
- ChaikinOscillator
- ChaikinVolatility
- CMO
- Constant Lines
- CurrentDayOHL
- CustomPlotSample
- Darvas
- DEMA
- DM

Orderflows Delta Surge(NQ 09-16 (8 Range),0,0.50,0.25,0.2,20,5,2)

New Remove

OK Apply Close

Parameters	
Bar A Minimum Volume	0
Bar B Minimum Volume	0
Bar C Minimum Delta Differe	50
Bar C Minimum Volume	0
Bar D Minimum Delta Differe	25
Bar D Minimum Volume	0

Visual setting	
Signal Box height in ticks (0=	2
Signal Box opacity (0% - 100	20
Signal box width in bars (0=d	5
Signal mark displacement in	2

Data	
Calculate on bar close	False
Input series	NQ 09-16 (8 Range)
Maximum bars look back	TwoHundredFiftySix

Visual	
Auto scale	True
Displacement	0
Display in Data Box	True
Label	Orderflows Delta Surge
Panel	Same as input series
Price marker(s)	True
Scale justification	Right

Plots	
Buy signal	TriangleUp; Solid; 4px
Color	LimeGreen
Dash style	Solid
Plot style	TriangleUp
Width	4
Sell signal	TriangleDown; Solid; 4px
Color	Red
Dash style	Solid
Plot style	TriangleDown
Width	4

Buy signal

The Delta Surge comes pre-set with the settings I use. But you can adjust some of them to suit your own needs.

**Setting 1:** Parameters – You can adjust the measurement of the increase in delta between the bars also you can set a

minimum volume to filter out some signals if you want real solid jumps in volume.

I set the volumes to 0 because I want to see all. If you are trading some of the thinner markets you may want to increase the volume to certain thresholds. For example, you can set a minimum of 10 and the volume in that bar would need to be at least 10 lots.

The first increase in delta I have set at 50%. This is the Minimum Delta Difference. It is the percentage increase in delta. If you want to see delta increase of 200% of more you change it to 200.

The second increase in delta I have set at 25%. Again you can adjust that if you wish.

**Setting 2:** Visual setting. This section will allow you to adjust the indicator zone on your chart.

Signal Box Height in Ticks is set at 2 so the zone is 2 price levels tall.

Signal Box Opacity is set to 20 so that you can see the volume footprint more clearly.

Signal Box Width in Bars is set at 5 so it will draw a zone out over the next 5 bars.

Signal mark displacement is set to 2. This setting is related to setting #5 below – the plots. It is set to 2 so it will plot the indicator 2 ticks away from the top or bottom of the bar depending if it is a buy or sell.

**Setting 3:** Data. No need to touch this section.

**Setting 4:** Visual. No need to touch this section.

**Setting 5:** Plots. Here you can adjust the color, size and shape of what the indicator plots on the screen.

I tried to make this indicator as adjustable as I could.

Over the last few years I have worked with many retail traders. The big difference I have come to realize between professional traders and retail traders is that retail traders don't want to think about the market. Generally retail traders want a red light/green light trading system. That is not what trading is about. Successful traders have learned to understand what the market is telling them and trade accordingly.

Hopefully with this indicator you will begin to realize that to be successful in trading that you should know how to understand what the market is revealing to you and make good, informed trading decisions.

If you want to learn more about order flow trading be sure to visit my website <http://www.orderflows.com> where you will find tons of free order flow trading training.

Happy trading,  
Michael Valtos