

# Order Flow Dynamics

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Module 1 : Trade What's Right In Front Of You

# 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.

Most of the interest in order flow with traders is because they want to use it to understand the market. Most losing traders don't want to take time to understand the market, they just want to make money. But you can't consistently make money unless you understand the market.

Orderflows Market Exhaustion(ES 09-20 (1 Minute)), Current day OHL(ES 09-20 (1 Minute))

7/9/2020 06:23:00 - 7/9/2020 15:53:00

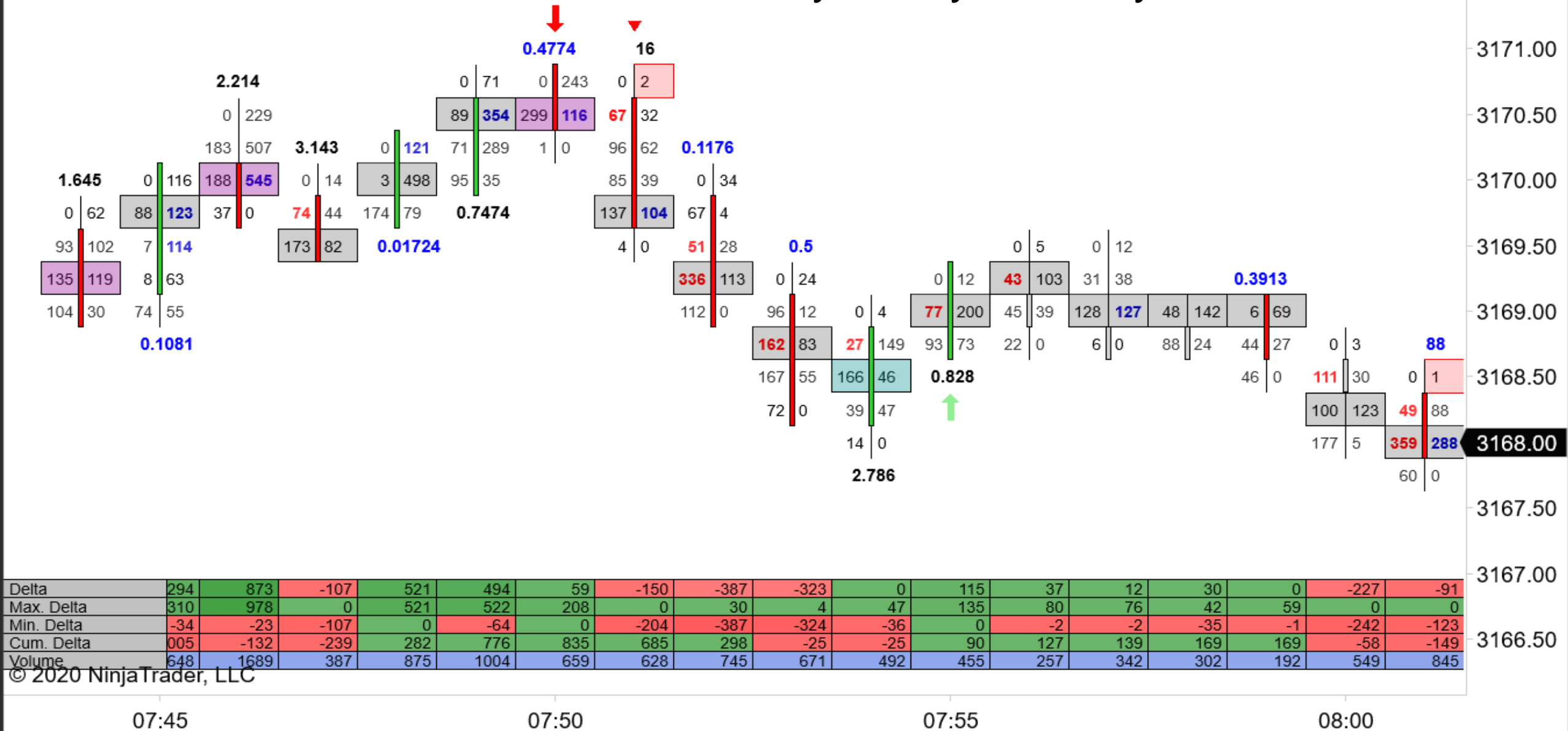
Retail traders want simplicity – just tell me where to buy and where to sell.



Order Flows Trader(ES 09-20 (1 Minute))

7/9/2020 07:44:00 - 7/9/2020 08:01:00

# Order flow traders want to know why to buy and why to sell.

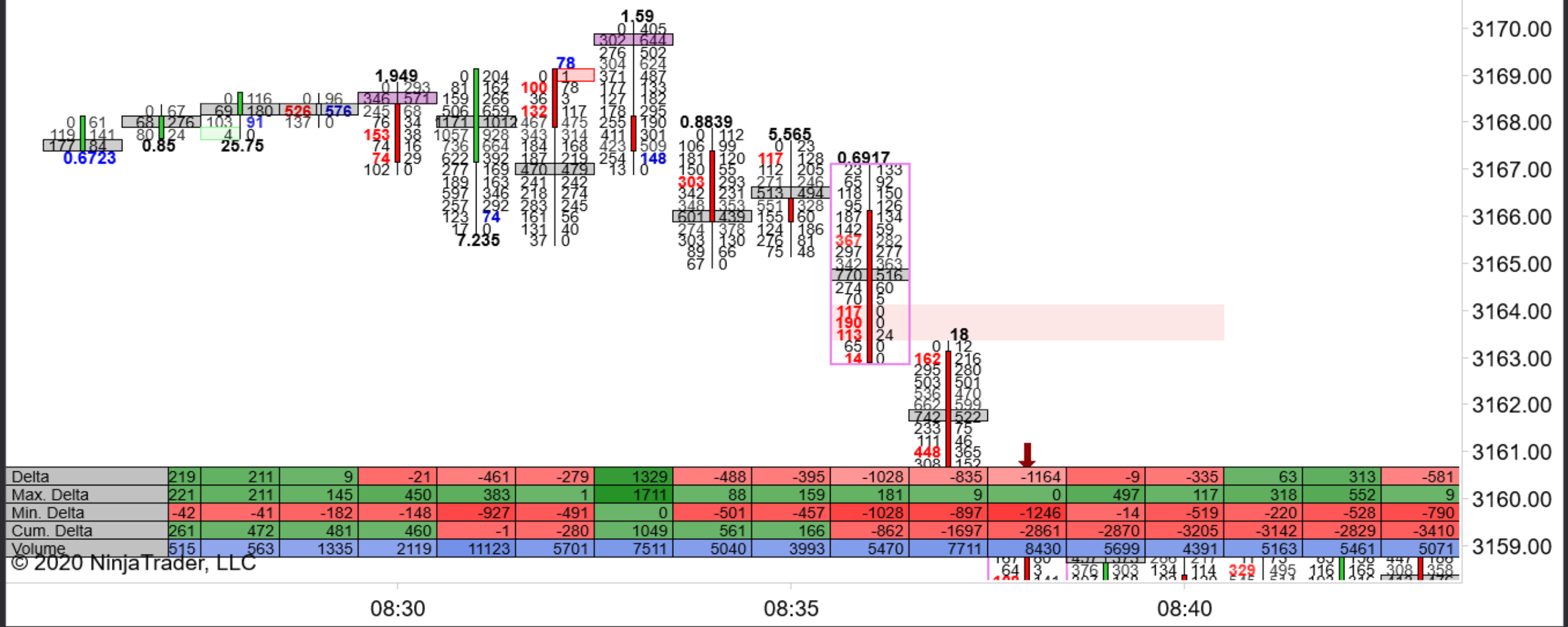




Order Flows Trader(ES 09-20 (1 Minute))

7/9/2020 08:26:00 - 7/9/2020 08:43:00

Trading is like being a detective. Looking for that clue that solve the mystery or in trading, the clue that can signal the beginning of a big move.

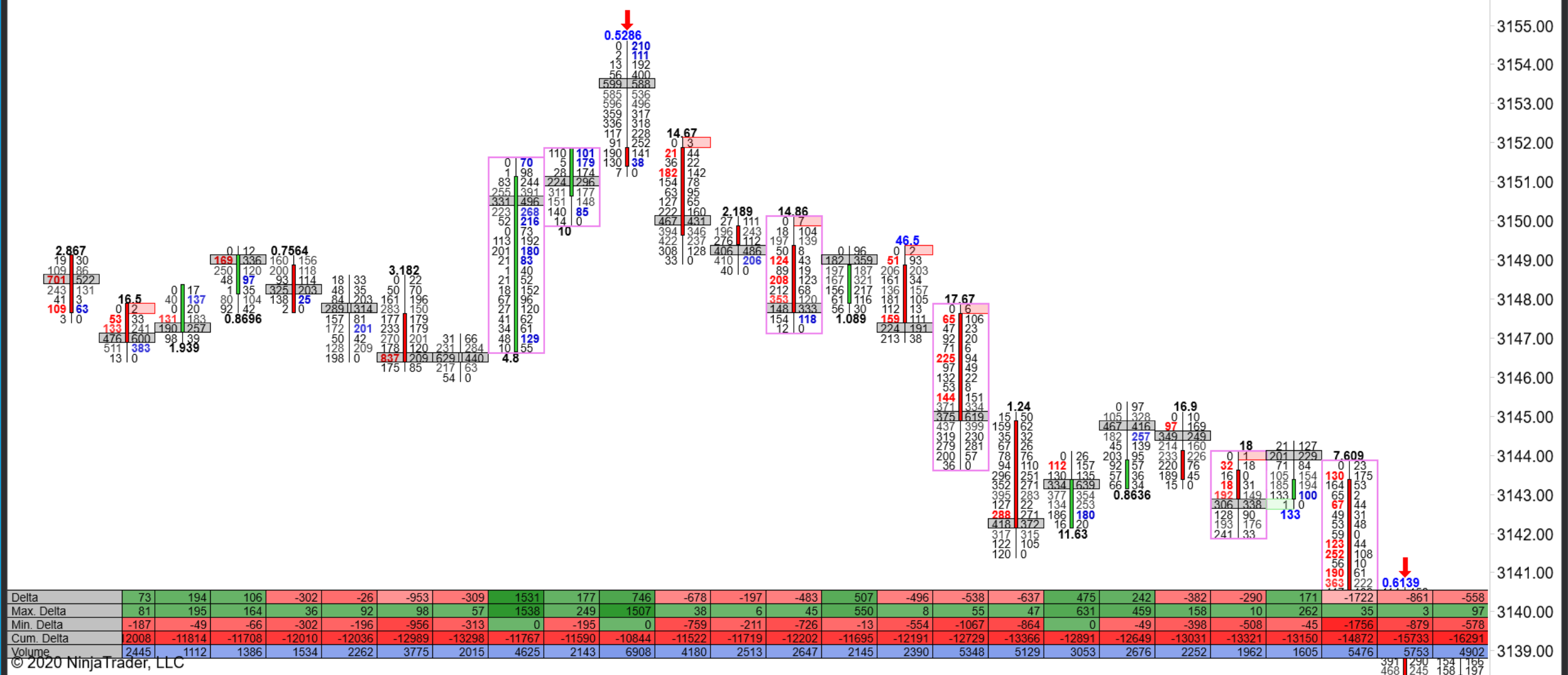


The biggest hurdle for many traders is learning to see an opportunity early as opposed to waiting for it to become more developed.

You want to get in as early as possible to a trading opportunity. If you “wait” for confirmation and get confirmation, the trading opportunity can well have passed, or profit potential decreased.

Order Flows Trader(ES 09-20 (1 Minute))  
7/9/2020 14:06:00 - 7/9/2020 14:31:00

# Get in trades quicker instead of waiting.



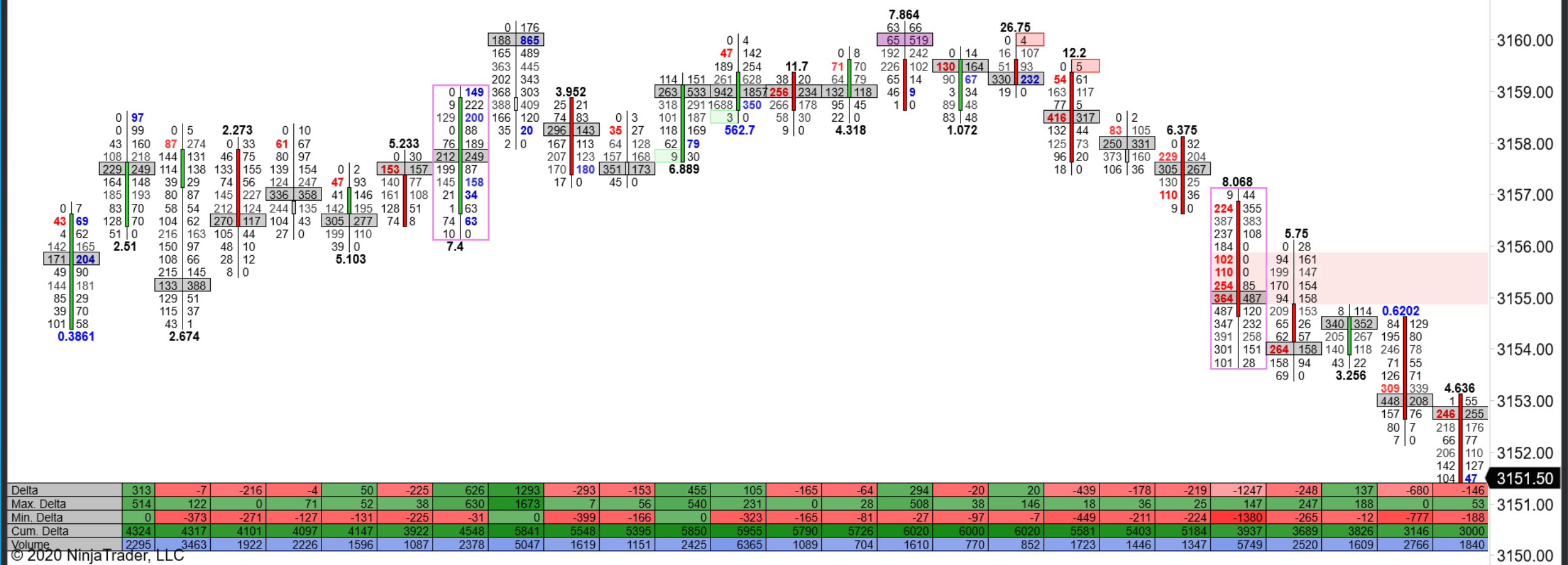


What you want to look for in the order flow is beyond just a series of price changes, you want to be able to see market change.

Look at how market change is different than just price change.

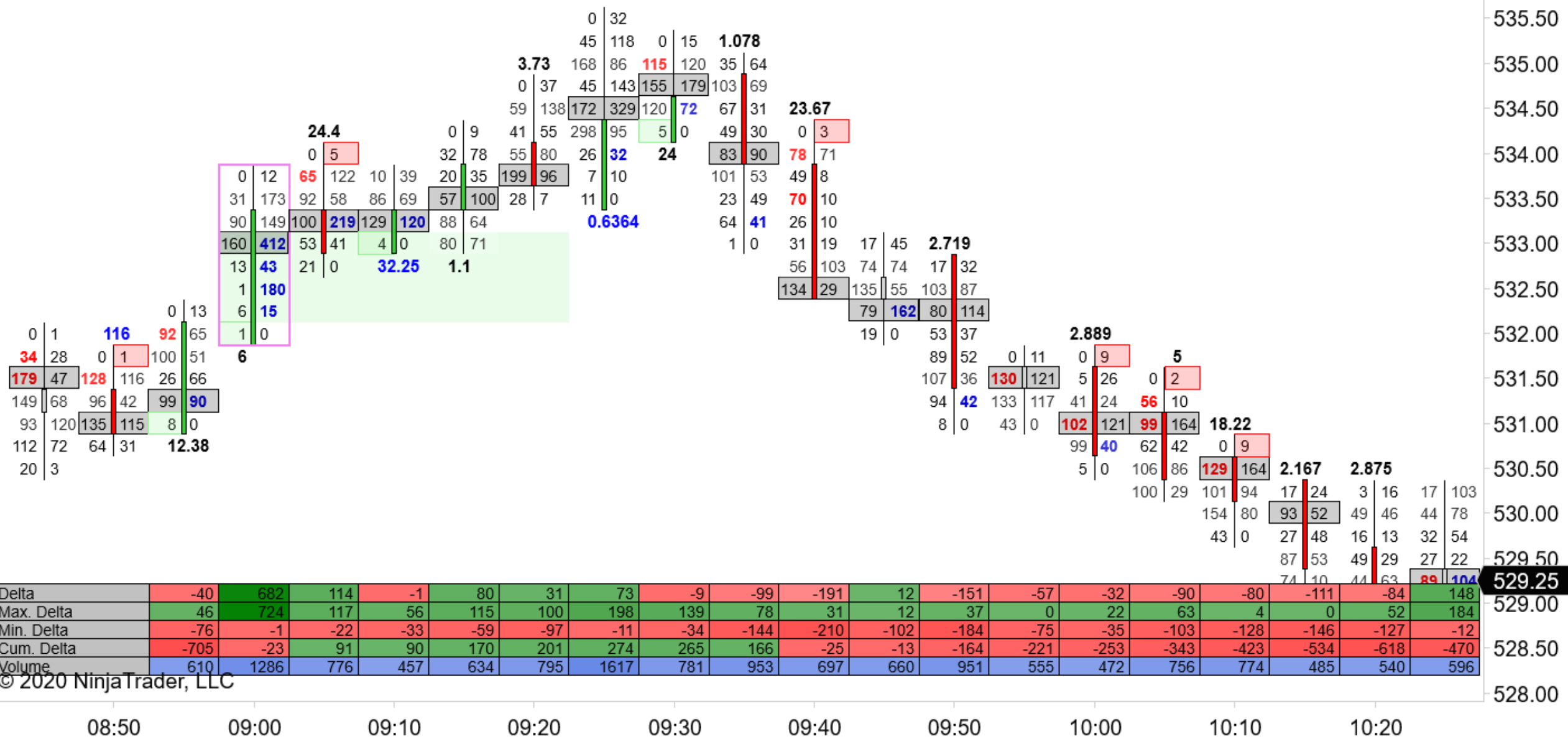
Order Flows Trader(ES 09-20 (1 Minute))  
7/10/2020 10:59:00 - 7/10/2020 11:24:00

# Understanding market change



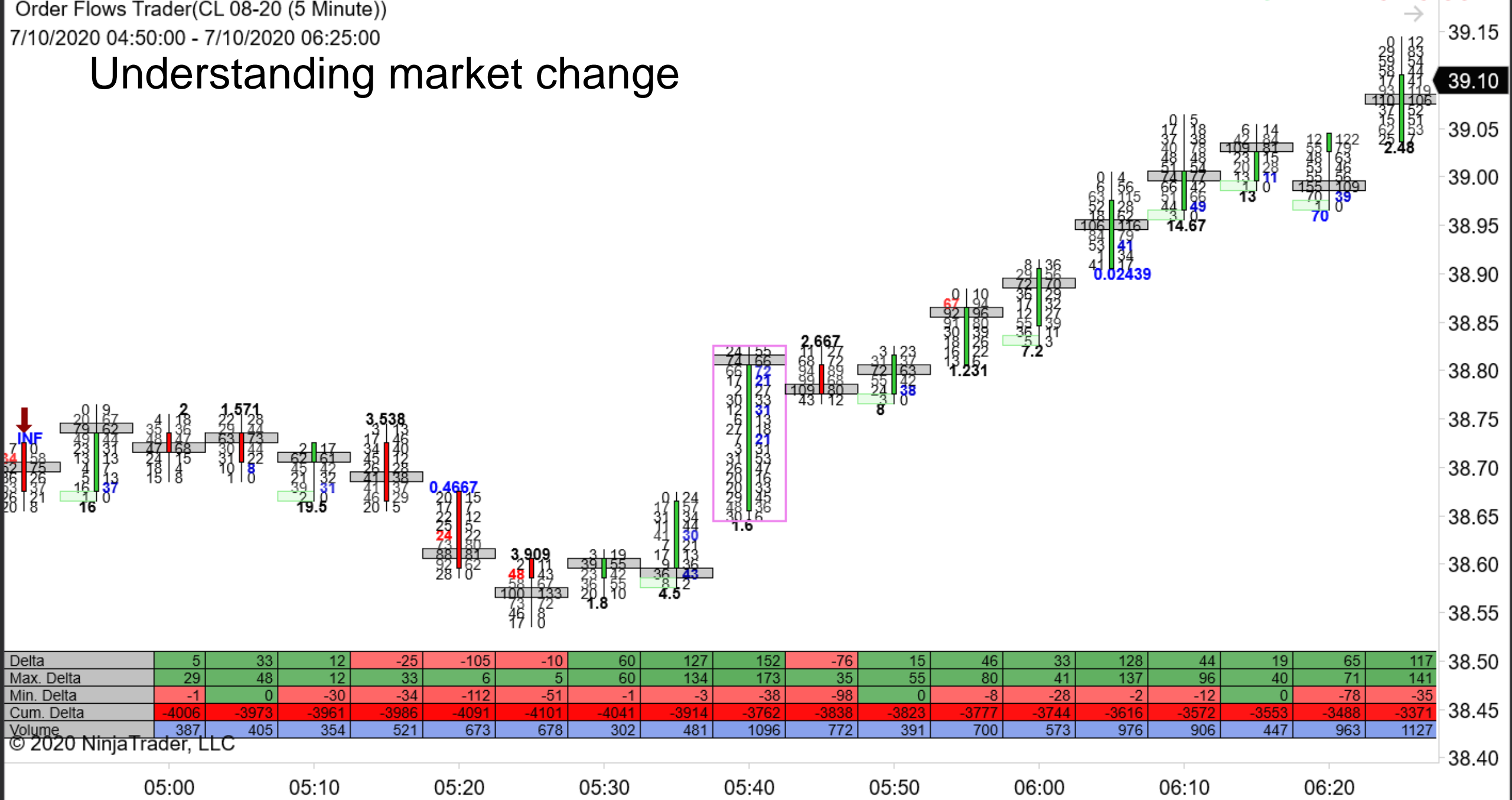
Order Flows Trader(ZW 09-20 (5 Minute))  
7/13/2020 08:45:00 - 7/13/2020 10:25:00

# Understanding market change



Order Flows Trader(CL 08-20 (5 Minute))  
7/10/2020 04:50:00 - 7/10/2020 06:25:00

# Understanding market change



Price is decided by market participants who react to prices on the screen, to external information, which may or may not be readily available to all traders and react to that information at different times.

Traders do not all operate on the same time frame.

Traders do not all trade from the same information.

Traders do not all trade on from the same chart.

Once we accept that the market is made up of traders with different time frame views, information and durations we can respond accordingly to what transpires in the order flow in the near term and potentially the rest of the session.

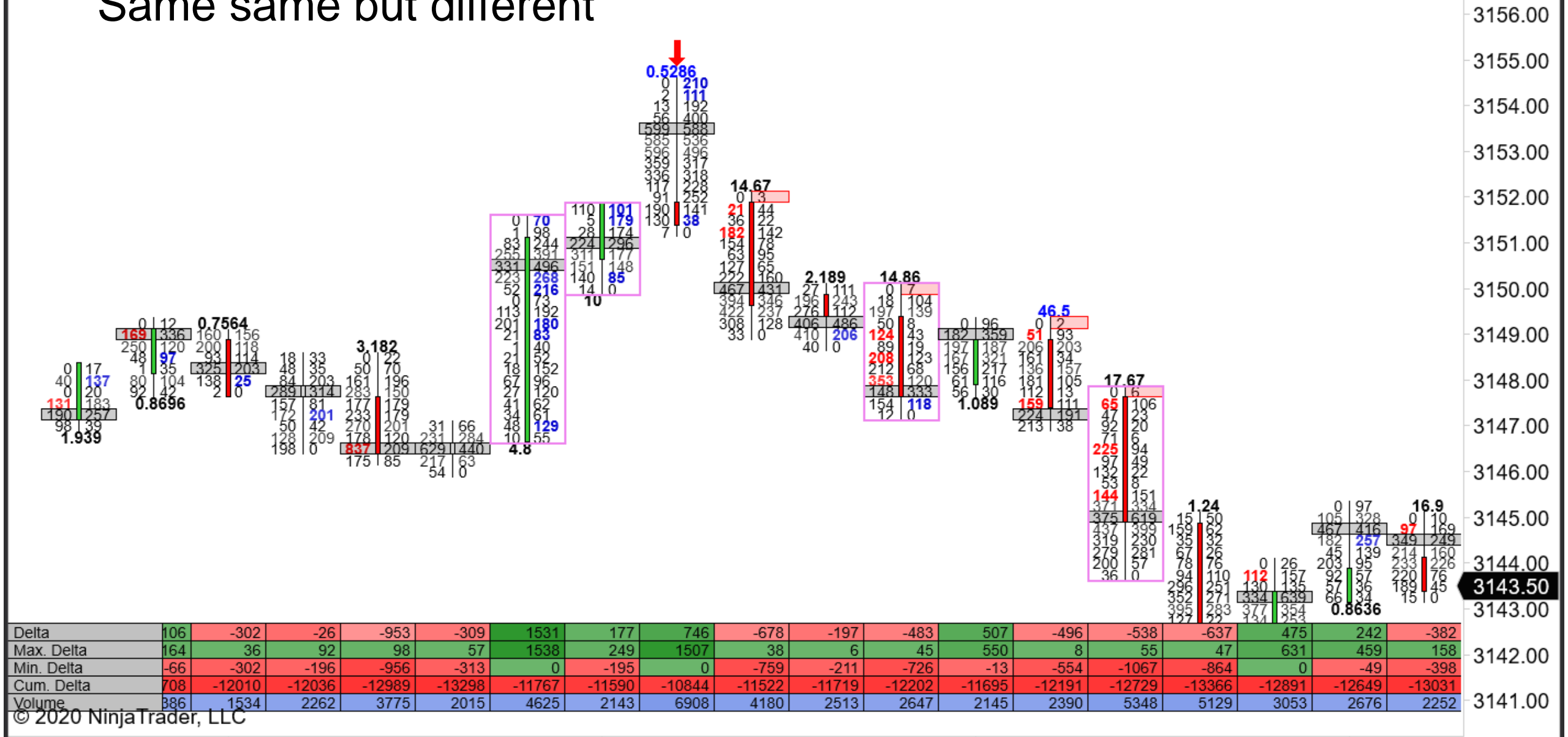


Traders deal in the real world not the theoretical world of mathematical formulas and that is why order flow footprint chart patterns don't repeat themselves exactly like fractals do. Instead they repeat themselves in their behavior around price.

Order Flows Trader(ES 09-20 (1 Minute))

7/9/2020 14:08:00 - 7/9/2020 14:26:00

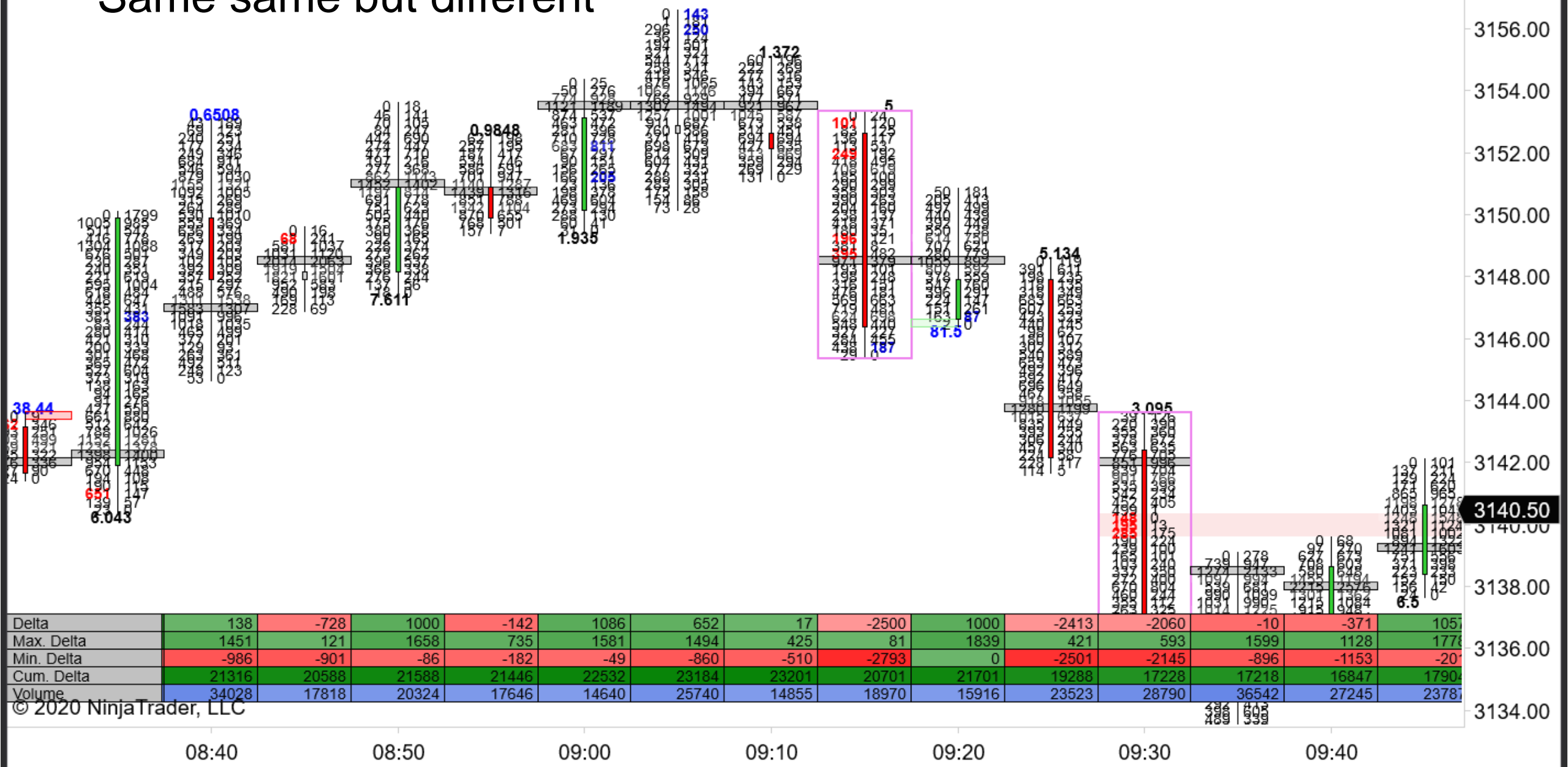
Same same but different



Order Flows Trader(ES 09-20 (5 Minute))

7/2/2020 08:30:00 - 7/2/2020 09:45:00

Same same but different



A footprint does not repeat itself, but the behavior of the order flow does. This is important to understand when you consider all the different traders out there and their time frame for a trade and even what type of chart they watch.

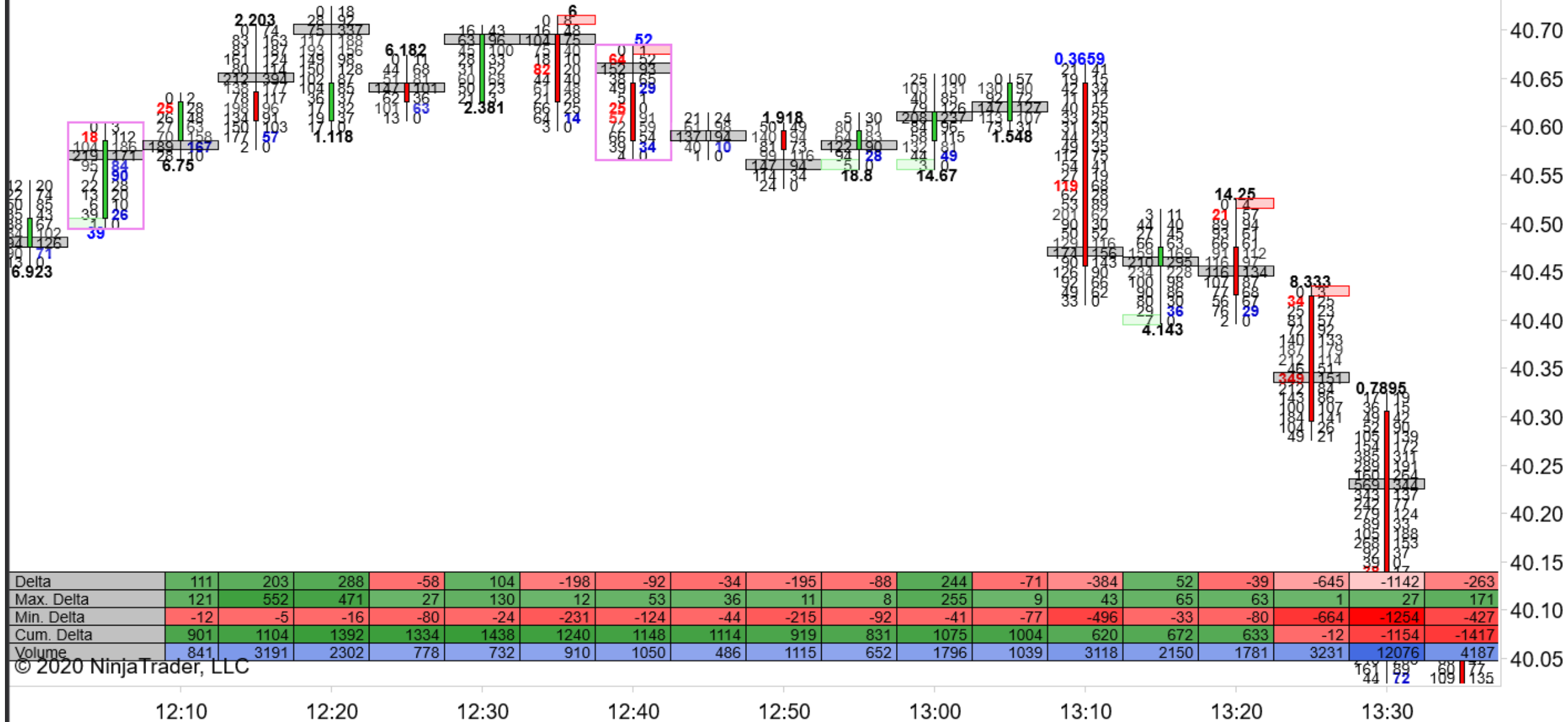
Reading order flow in trading ranges – there are different types of trading ranges but the most useful trading range for traders is when the trading range is due to equilibrium between supply and demand.

It is from supply and demand trading ranges that big moves evolve.



Order Flows Trader(CL 08-20 (5 Minute))  
7/13/2020 12:00:00 - 7/13/2020 13:35:00

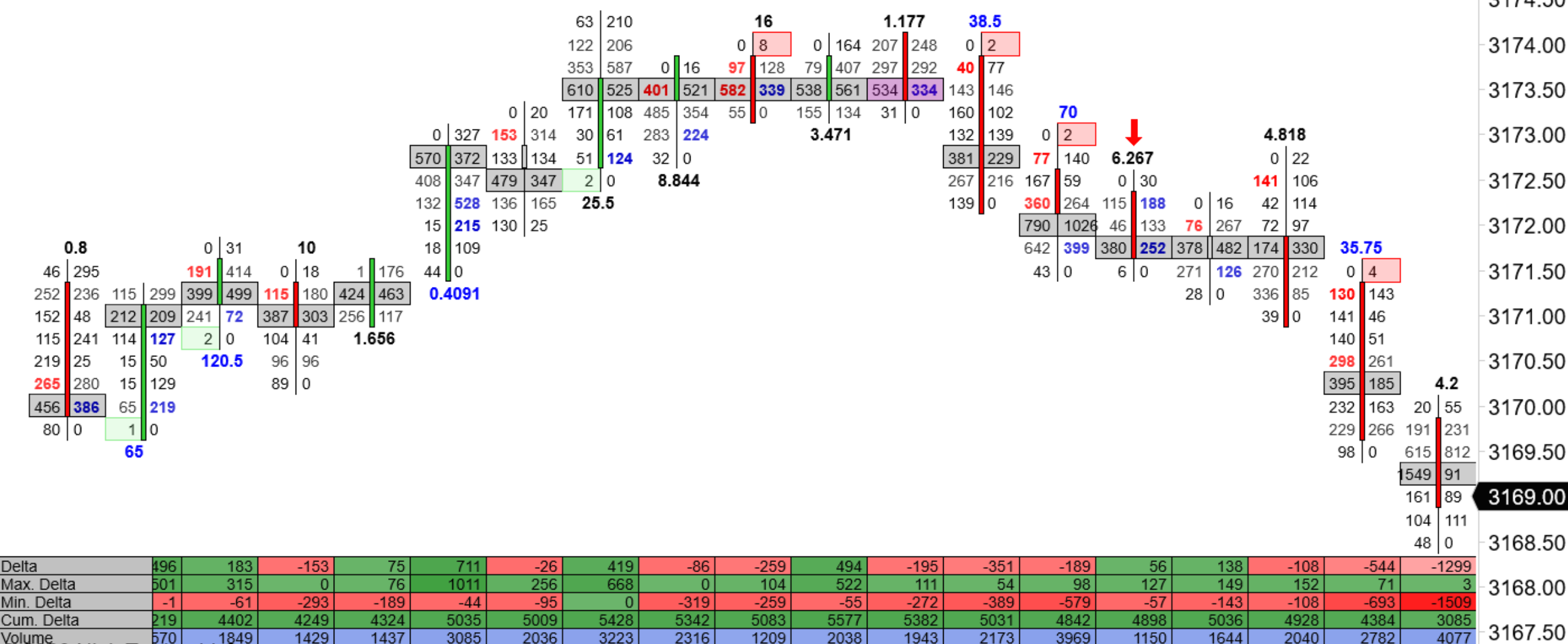
# Equilibrium



Order Flows Trader(ES 09-20 (1 Minute))

7/7/2020 10:15:00 - 7/7/2020 10:33:00

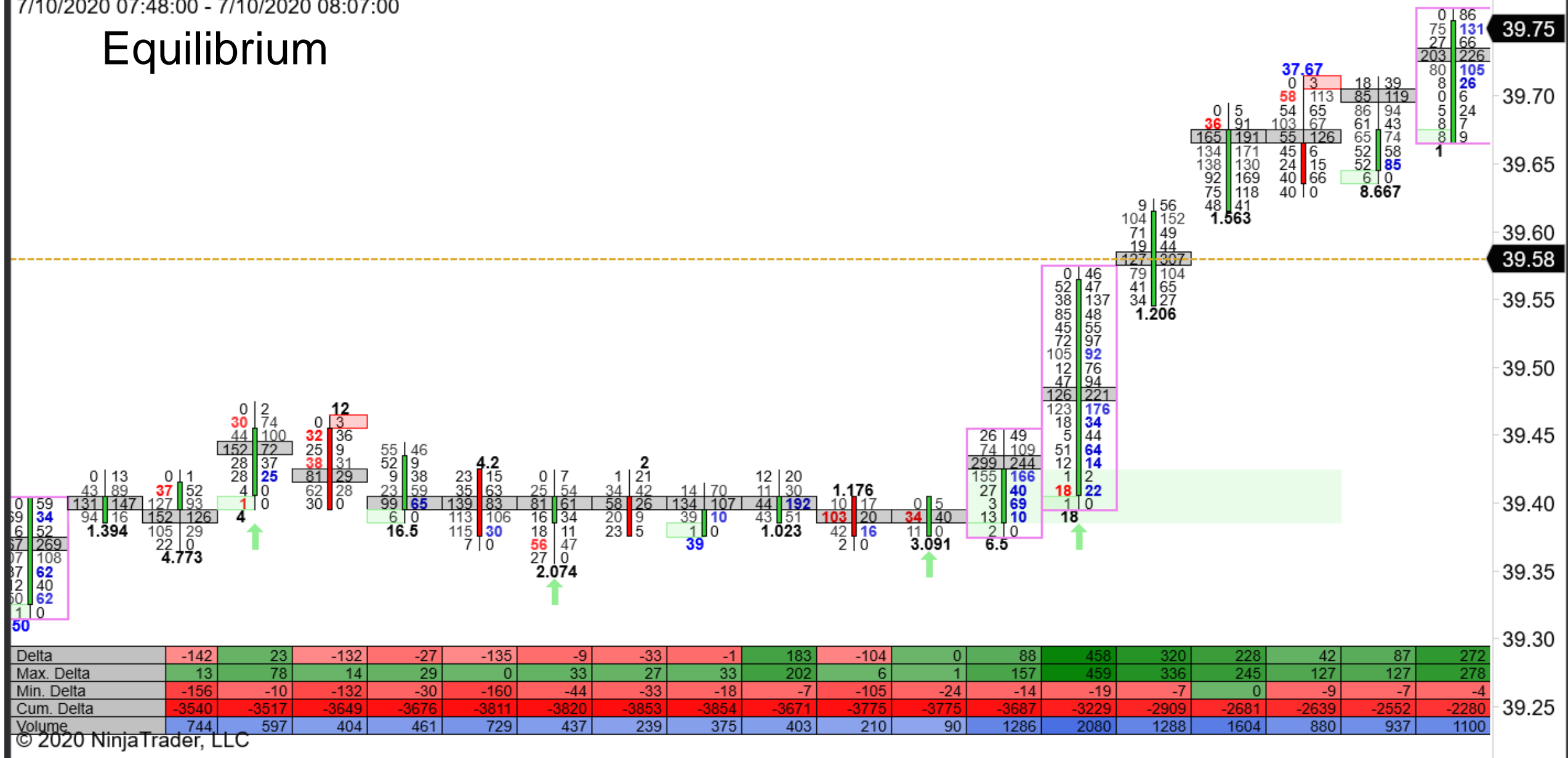
Equilibrium



Order Flows Trader(CL 08-20 (1 Minute)), Current day OHL(CL 08-20 (1 Minute))

7/10/2020 07:48:00 - 7/10/2020 08:07:00

# Equilibrium

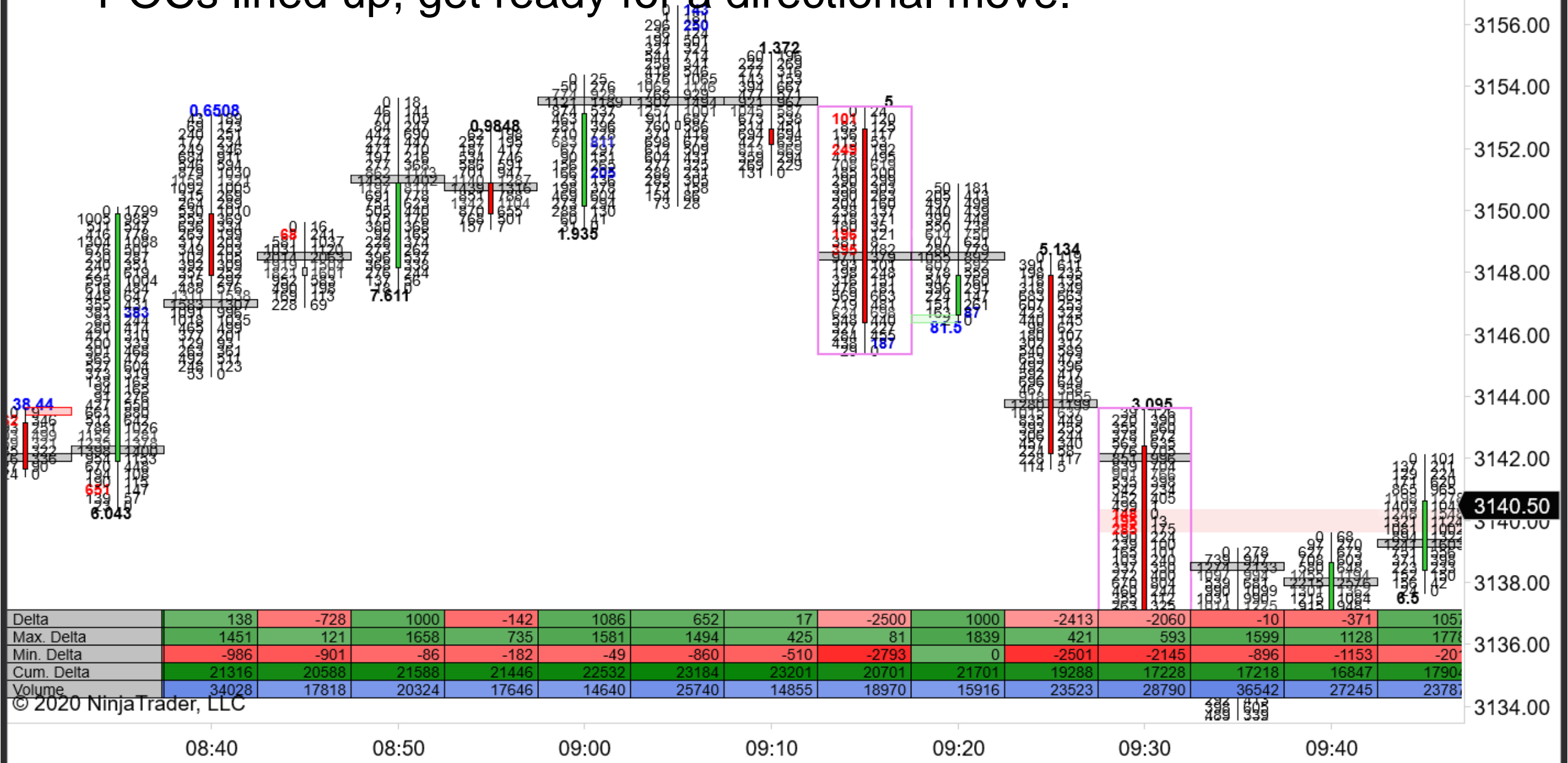


Bracketed Markets (markets trading in a range) vs. Trending Markets – understand what type of market you are in. Adjust to it.

Order Flows Trader(ES 09-20 (5 Minute))

7/2/2020 08:30:00 - 7/2/2020 09:45:00

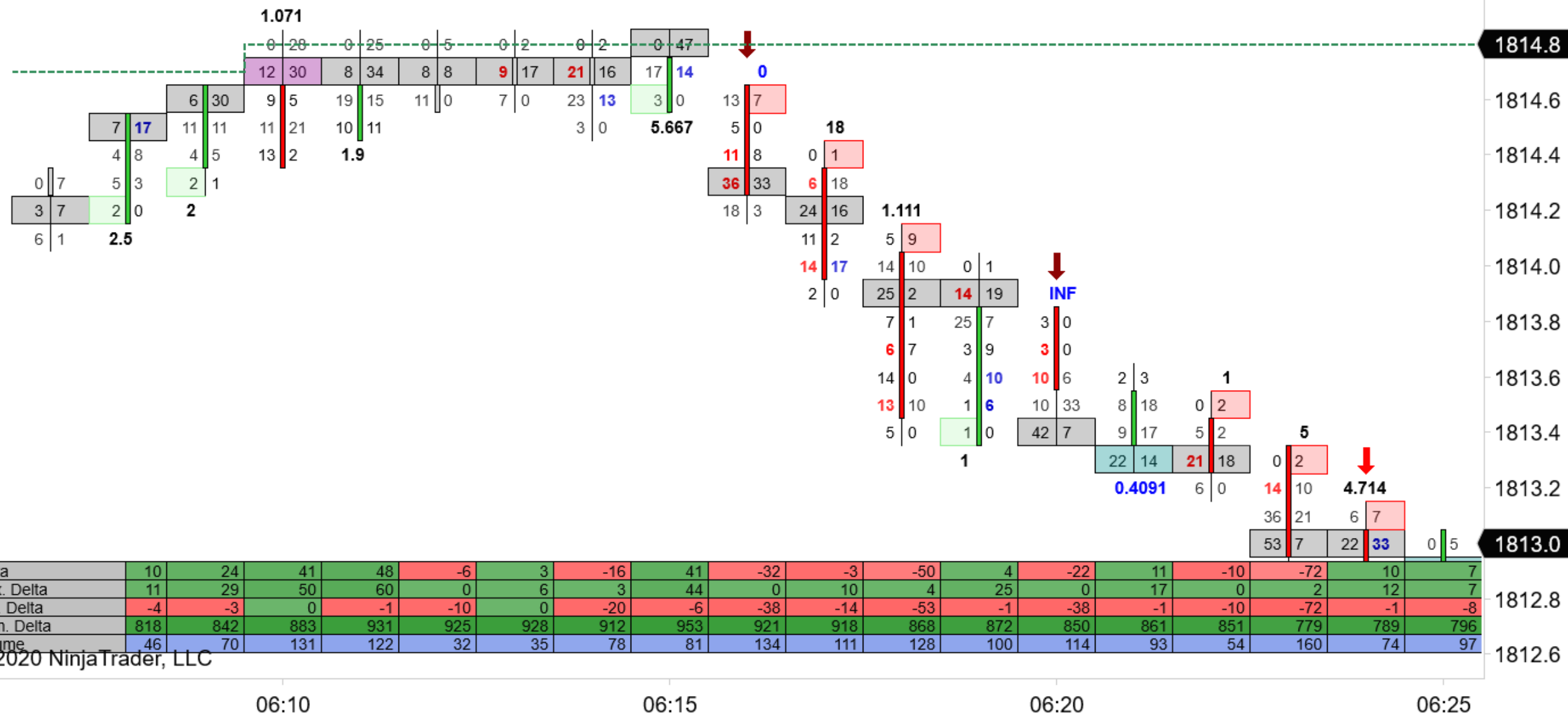
POCs lined up, get ready for a directional move.





7/10/2020 06:07:00 - 7/10/2020 06:25:00

POCs are lined up are a good sign of a market ready to break.



Order flow trader versus long term trader.

With order flow you have a short-term market outlook and you are trying to coexist with long term market outlook of the long-term trader.

Essentially what you are doing is trying to go along with the near-term market movements that are created when the long-term traders are active in the market.

This concludes Module 1. In Module 2 we will discuss market internals.