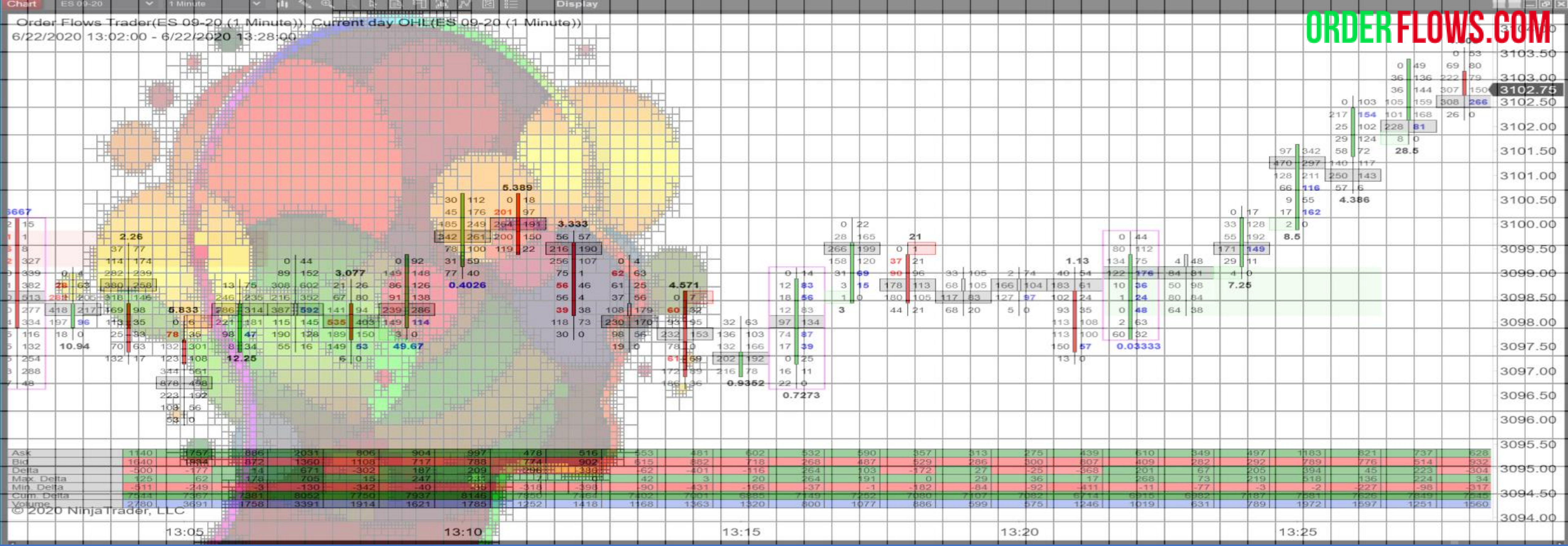


Order Flow Dynamics

By Michael Valtos – www.orderflows.com

Module 12 : Putting It All Together

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.

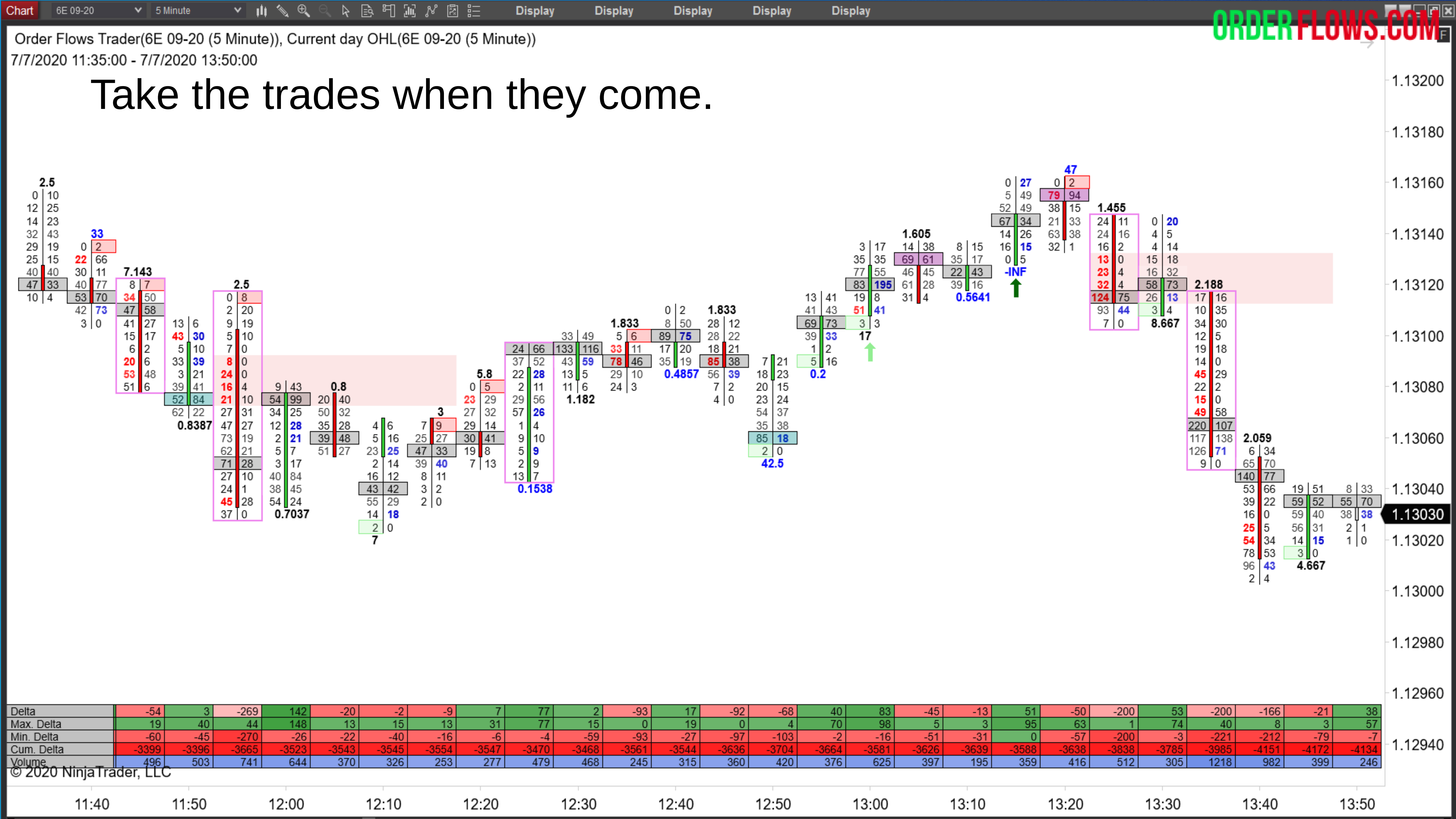
CFTC Rules 4.41 - Hypothetical or Simulated performance results have certain limitations, unlike an actual performance record, simulated results do not represent actual trading. Also, since the trades have not been executed, the results may have under-or-over compensated for the impact, if any, of certain 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.

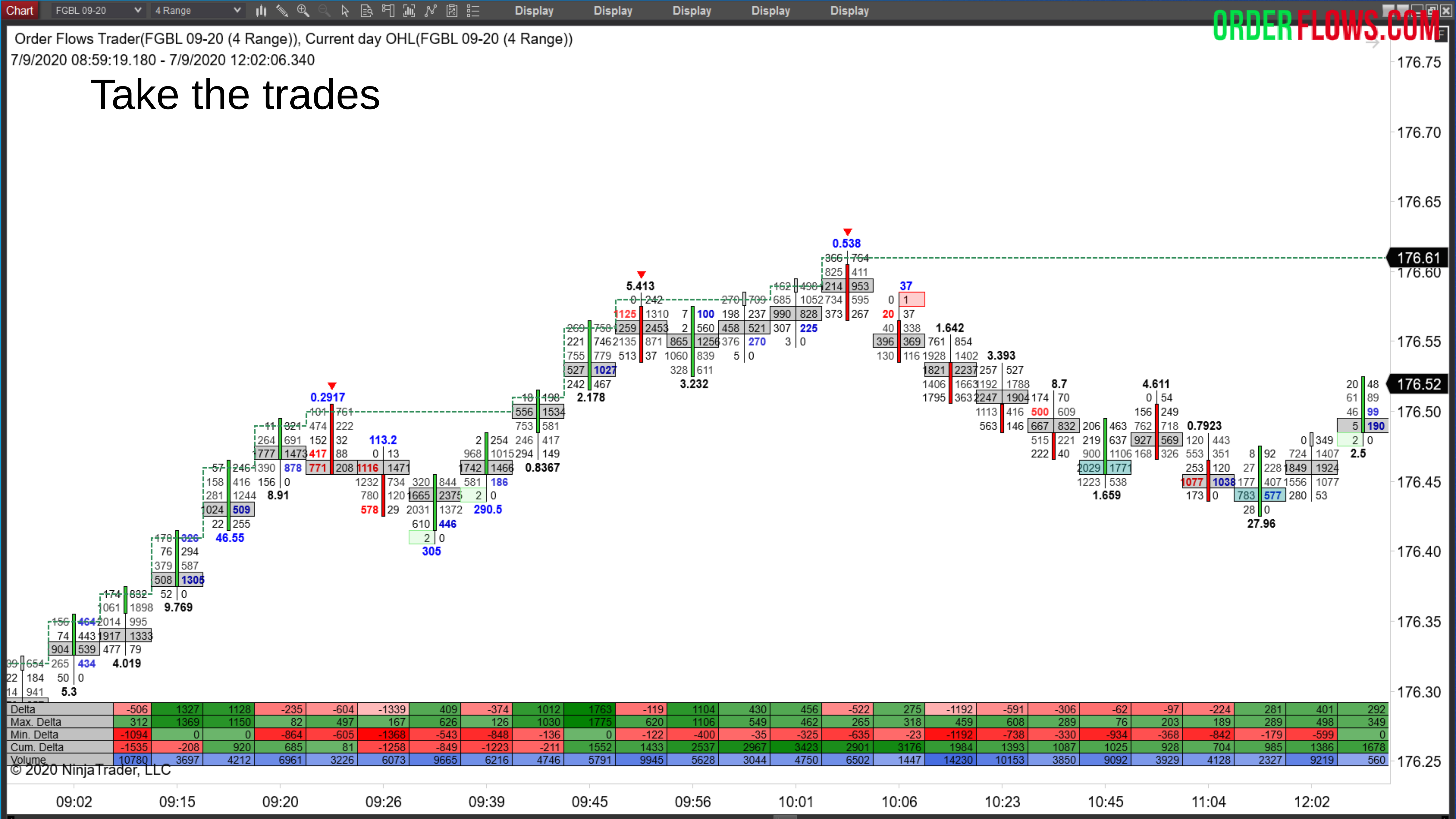
The purpose of this course is not to convince you that you must add order flow to your trading. You should already know and understand the benefits of that.

What I am trying to do is to expand your mind into new ways to analyze and trade your existing markets. The goal is that you will hopefully find a way to implement the parts of order flow analysis that fits with your trading method in order to maximize and improve your trading results.

In a trading day, it is impossible to predict which trades will be winners and which trades will be losers. Another thing impossible to predict is the amount of profit a winning trade will produce. The one thing that can be predicted is the exact amount a trader is willing to lose on a trade or in a trading day.

Take the trades when they come.





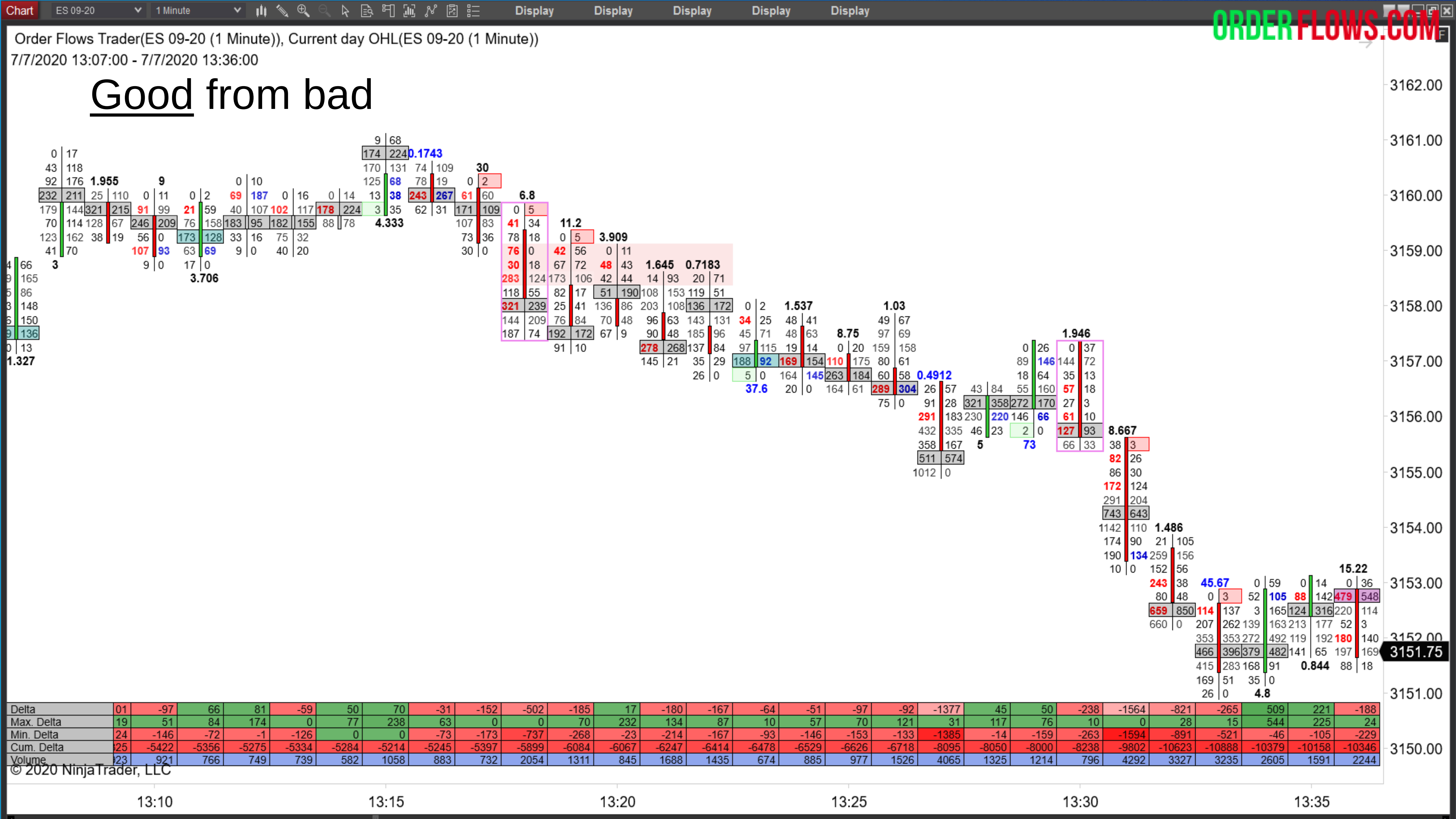
Delta	-506	1327	1128	-235	-604	-1339	409	-374	1012	1763	-119	1104	430	456	-522	275	-1192	-591	-306	-62	-97	-224	281	401	292
Max. Delta	312	1369	1150	82	497	167	626	126	1030	1775	620	1106	549	462	265	318	459	608	289	76	203	189	289	498	349
Min. Delta	-1094	0	0	-864	-605	-1368	-543	-848	-136	0	-122	-400	-35	-325	-635	-23	-1192	-738	-330	-934	-368	-842	-179	-599	0
Cum. Delta	-1535	-208	920	685	81	-1258	-849	-1223	-211	1552	1433	2537	2967	3423	2901	3176	1984	1393	1087	1025	928	704	985	1386	1678
Volume	10780	3697	4212	6961	3226	6073	9665	6216	4746	5791	9945	5628	3044	4750	6502	1447	14230	10153	3850	9092	3929	4128	2327	9219	560

For a trader to make money, he must trade when the edge is present. That means each and every time. Not “well, I had 3 losers in a row so I will sit the next trade out to get my bearings back.” You might think your edge is gone, but is it? Loses do come in groups.

Trading is a process, and part of the process is having losing trades. Once a trader embraces that then they understand that despite facing a losing streak, they can still come out ahead.

What distinguishes a good trading opportunity from a bad trading opportunity is often found in the surrounding order flow activity. The context of the pattern in relation to the developing surrounding order flow impacts the success or failure of the trade.

Good from bad



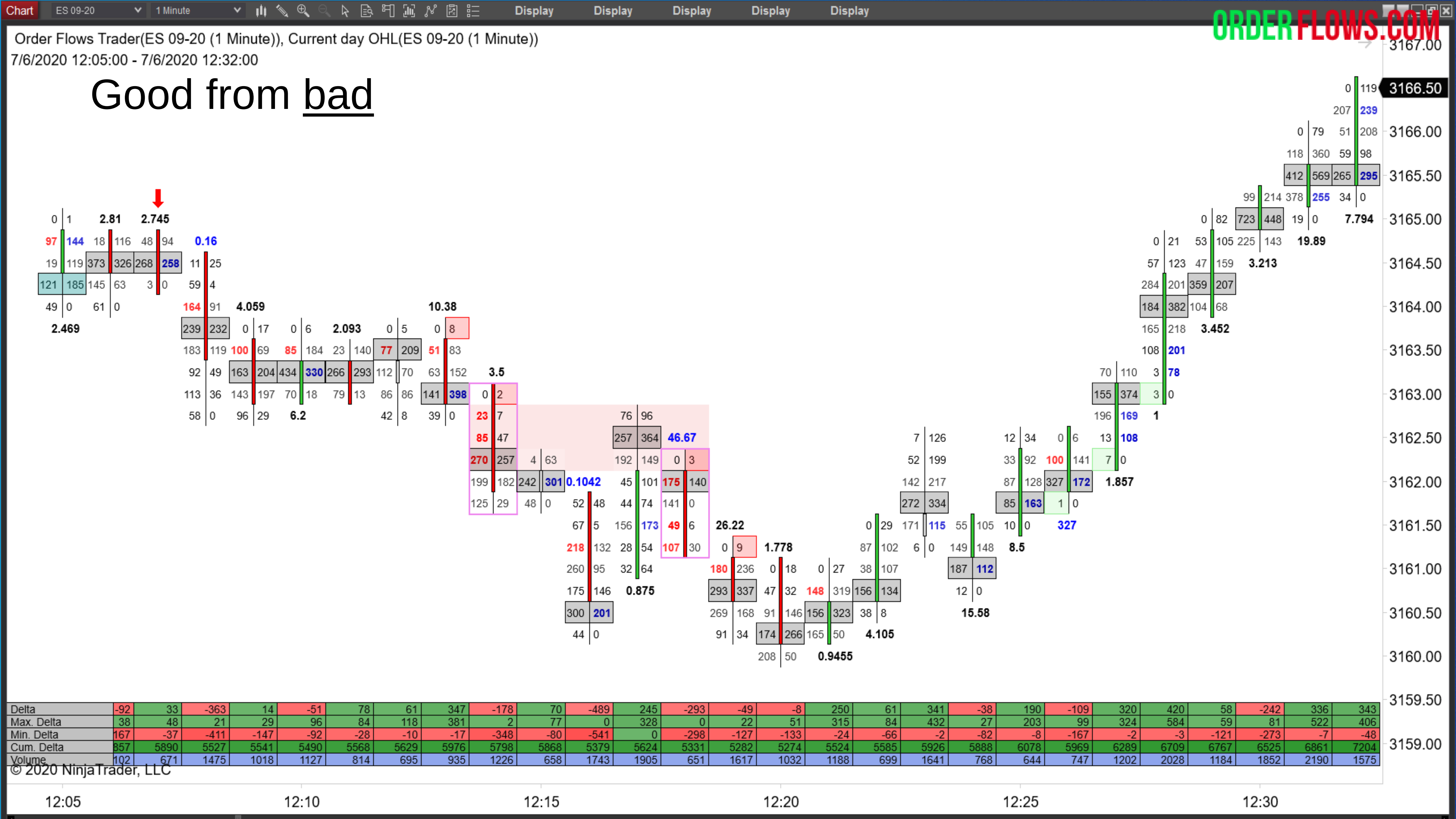


Chart
ES 09-20
1 Minute
Display
ORDERFLOWS.COM
Order Flows Trader(ES 09-20 (1 Minute)), Current day OHL(ES 09-20 (1 Minute))
7/6/2020 12:05:00 - 7/6/2020 12:32:00
Good from bad
Delta
Max. Delta
Min. Delta
Cum. Delta
Volume
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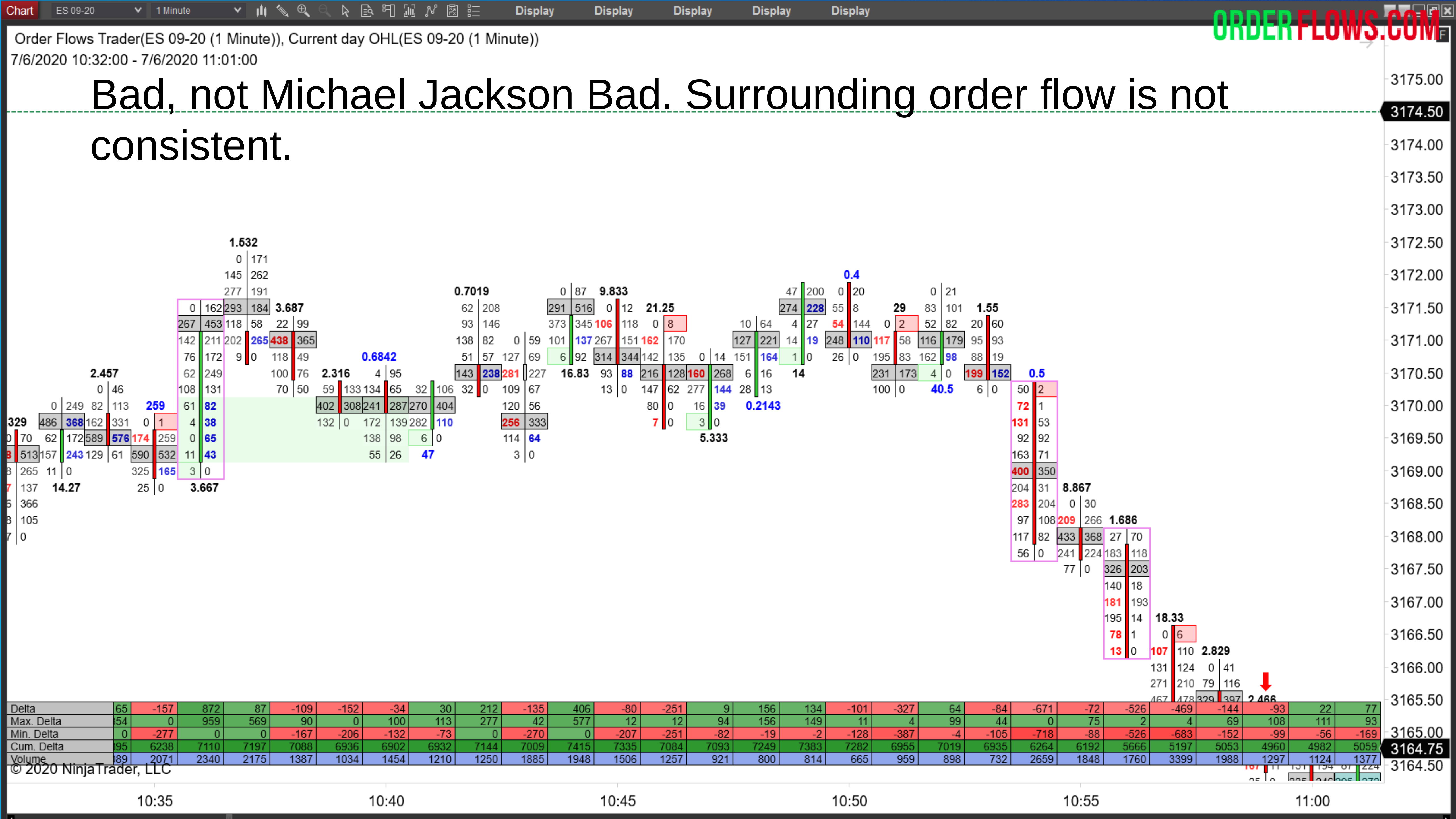
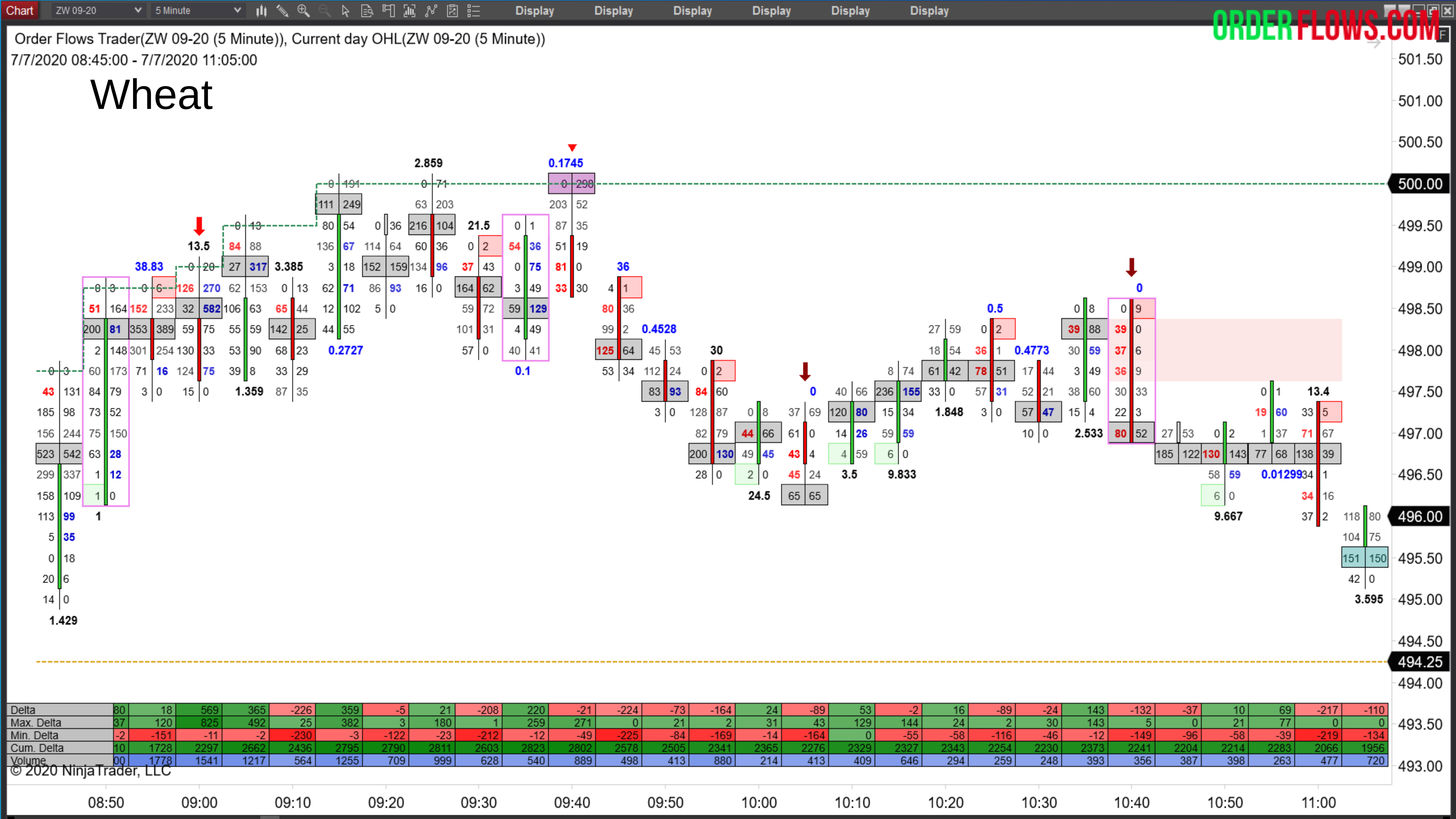
12:05
12:10
12:15
12:20
12:25
12:30

Bad, not Michael Jackson Bad. Surrounding order flow is not consistent.



Differences in order flow between markets because of the participants. Major markets such as ES, NQ, CL have a good mix of participants between proprietary, retail, institutional and commercial traders. Specialized markets, markets that don’t see as much retail and prop activity, such as deliverable commodities such as Wheat, Corn, Soybean Oil, Soybean Meal, are driven predominately by supply and demand and as such are just about completely dominated by commercial and institutional traders who leave clear footprints in the market.


ORDERFLOWS.COM
Order Flows Trader(ZW 09-20 (5 Minute)), Current day OHL(ZW 09-20 (5 Minute))
7/7/2020 08:45:00 - 7/7/2020 11:05:00
Wheat
Delta
Max. Delta
Min. Delta
Cum. Delta
Volume
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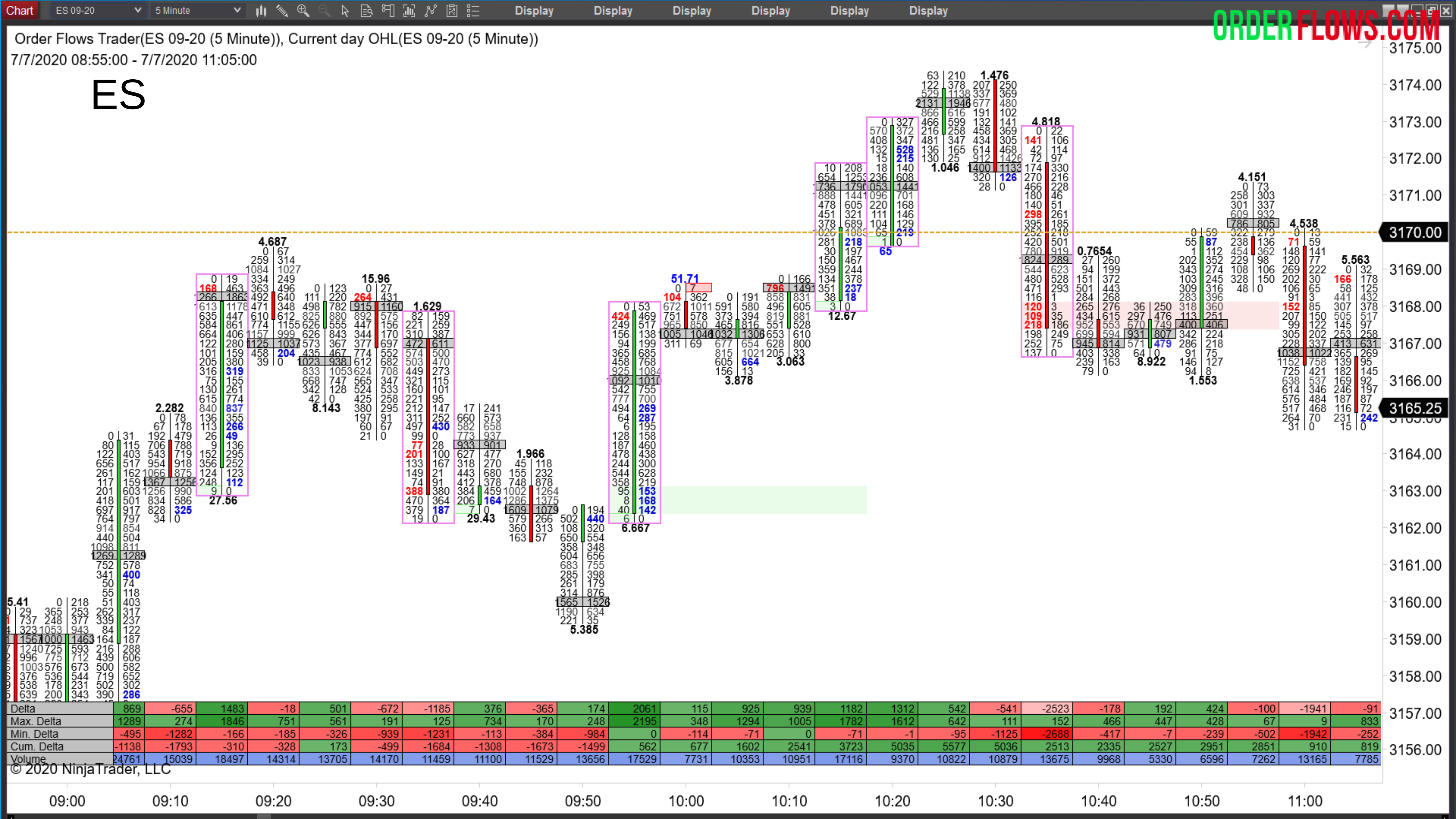

Delta	869	-655	1483	-18	501	-672	-1185	376	-365	174	2061	115	925	939	1182	1312	542	-541	-2523	-178	192	424	-100	-1941	-91
Max. Delta	1289	274	1846	751	561	191	125	734	170	248	2195	348	1294	1005	1782	1612	642	111	152	466	447	428	67	9	833
Min. Delta	-495	-1282	-166	-185	-326	-939	-1231	-113	-384	-984	0	-114	-71	0	-71	-1	-95	-1125	-2688	-417	-7	-239	-502	-1942	-252
Cum. Delta	-1138	-1793	-310	-328	173	-499	-1684	-1308	-1673	-1499	562	677	1602	2541	3723	5035	5577	5036	2513	2335	2527	2951	2851	910	819
Volume	24761	15039	18497	14314	13705	14170	11459	11100	11529	13656	17529	7731	10353	10951	17116	9370	10822	10879	13675	9968	5330	6596	7262	13165	7785

What makes commodity markets more interesting to trade with order flow is the fact that generally renewable resources and are often subject to cyclical forces that stock indices are not. They are deliverable as opposed to cash settled. But what really has strong force in commodity markets are supply and demand because commodities can experience disruptions in production, delivery, supply and cyclical demand.

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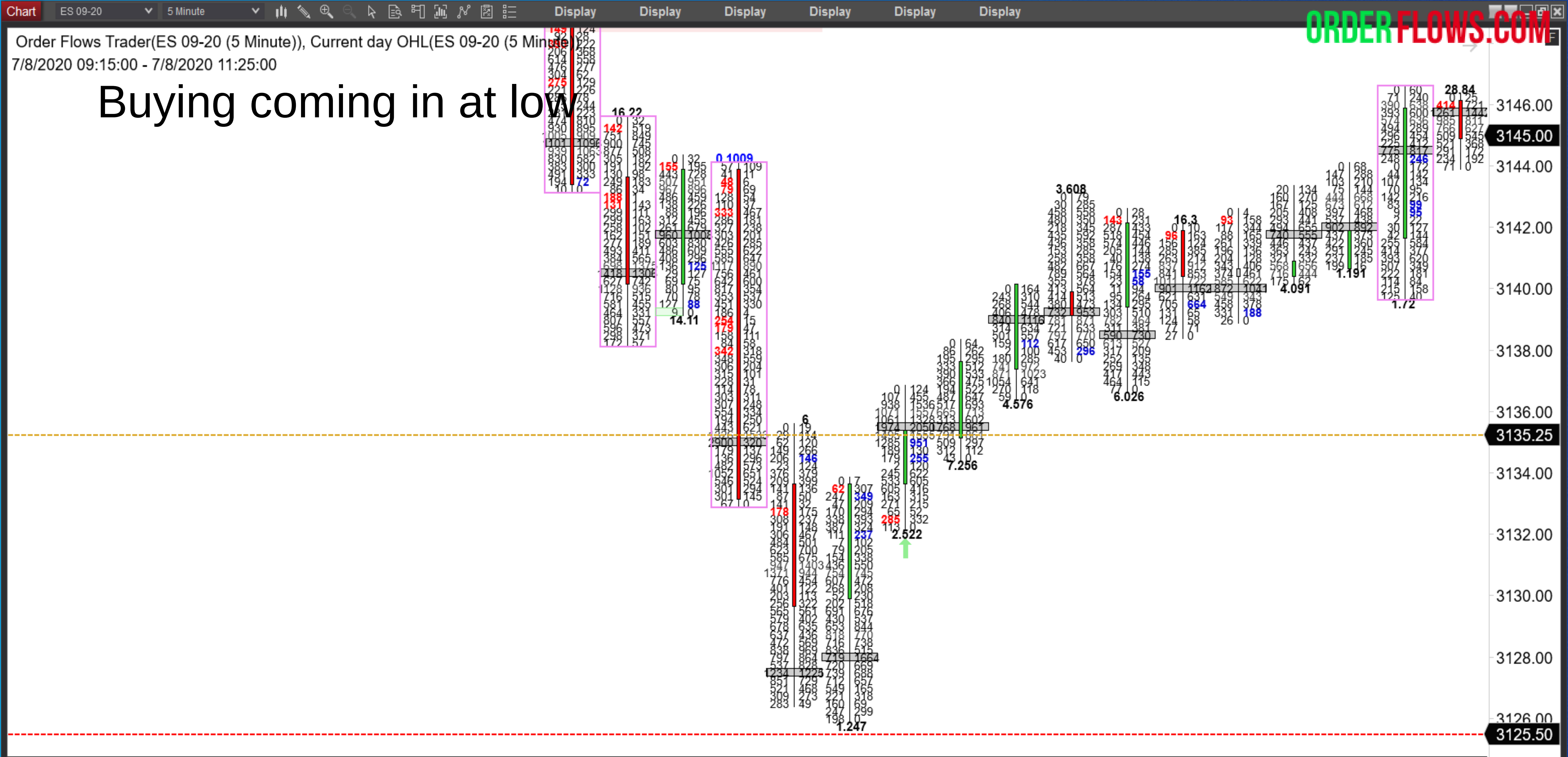
Observe what markets do at overnight highs and low. If the market can’t get into the overnight high or low, why? What is stopping it.



Delta	-778	-1375	1347	-88	-427	-322	-387	-257	-2270	-1331	1814	-5157	-299
Max. Delta	151	345	1592	1	568	3	68	258	112	356	1995	76	760
Min. Delta	-816	-1797	-143	-829	-753	-1144	-662	-432	-2606	-2371	-178	-5159	-1181
Cum. Delta	6572	5197	6544	6456	6029	5707	5320	5063	2793	1462	3276	-1881	-2180
Volume	10284	18399	14821	10478	13999	18236	9147	8391	24086	25923	14482	32881	32407

Delta	1767	2037	1580	1146	1100	121	-41	216	94	103	1791	-149
Max. Delta	1775	2055	1792	1212	1864	246	285	600	652	1040	1820	125
Min. Delta	-956	-233	-23	-571	-2	-688	-562	-2	-108	-58	-354	-758
Cum. Delta	-413	1624	3204	4350	5450	5571	5530	5746	5840	5943	7734	7585
Volume	26427	23199	13518	12962	19984	13631	12109	9210	9430	9831	14271	9955

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If you get outside of the overnight range, and struggle to get back into it, watch the order flow as the market could be trending.

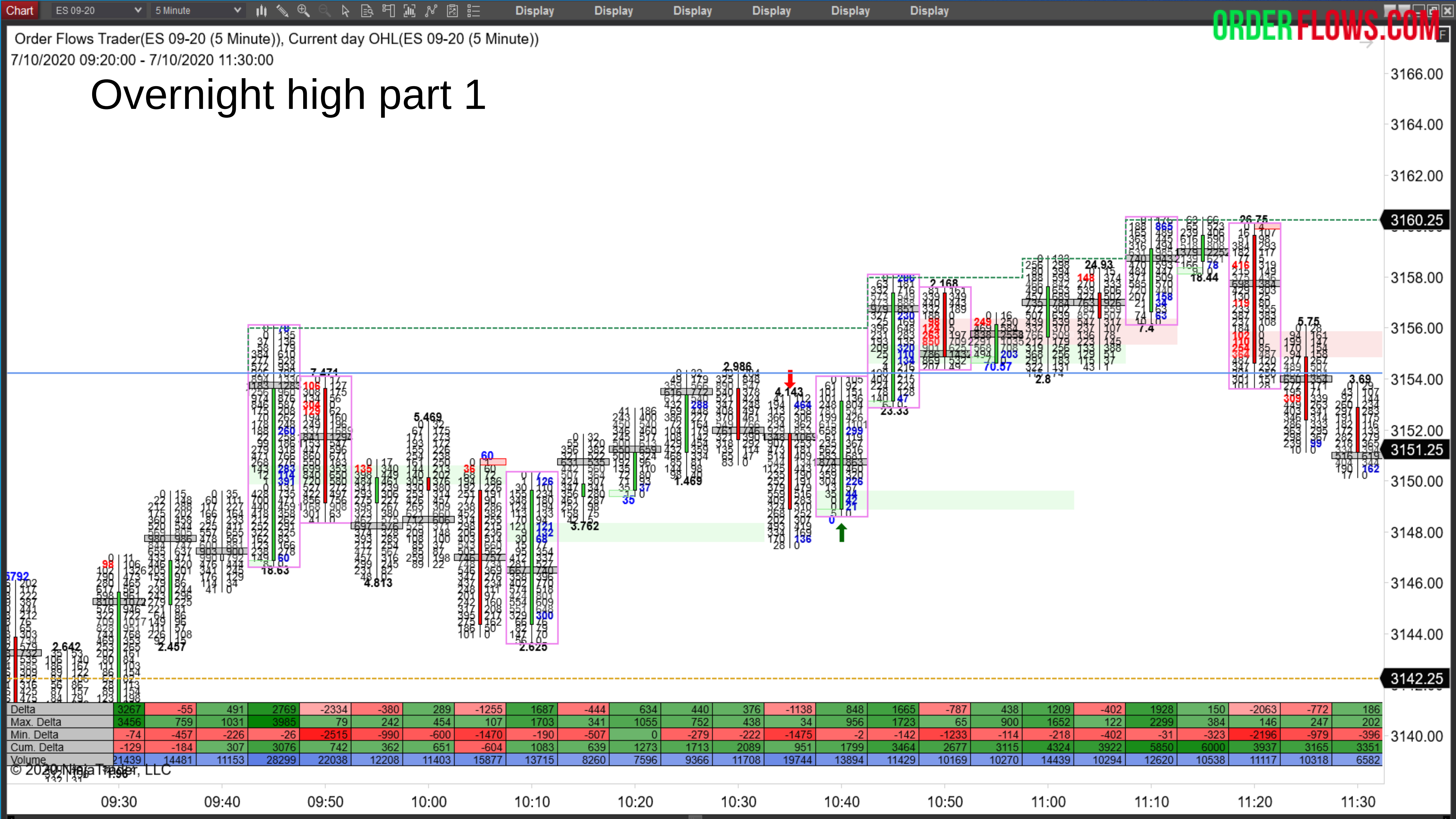
Chart
ES 09-20
5 Minute
Display
ORDERFLOWS.COM
Order Flows Trader(ES 09-20 (5 Minute)), Current day OHL(ES 09-20 (5 Minute))
7/10/2020 09:20:00 - 7/10/2020 11:30:00
Overnight high part 1
3166.00
3164.00
3162.00
3160.25
3158.00
3156.00
3154.00
3152.00
3151.25
3150.00
3148.00
3146.00
3144.00
3142.25
3140.00
Delta 3267 -55 491 2769 -2334 -380 289 -1255 1687 -444 634 440 376 -1138 848 1665 -787 438 1209 -402 1928 150 -2063 -772 186
Max. Delta 3456 759 1031 3985 79 242 454 107 1703 341 1055 752 438 34 956 1723 65 900 1652 122 2299 384 146 247 202
Min. Delta -74 -457 -226 -26 -2515 -990 -600 -1470 -190 -507 0 -279 -222 -1475 -2 -142 -1233 -114 -218 -402 -31 -323 -2196 -979 -396
Cum. Delta -129 -184 307 3076 742 362 651 -604 1083 639 1273 1713 2089 951 1799 3464 2677 3115 4324 3922 5850 6000 3937 3165 3351
Volume 21439 14481 11153 28299 22038 12208 11403 15877 13715 8260 7596 9366 11708 19744 13894 11429 10169 10270 14439 10294 12620 10538 11117 10318 6582
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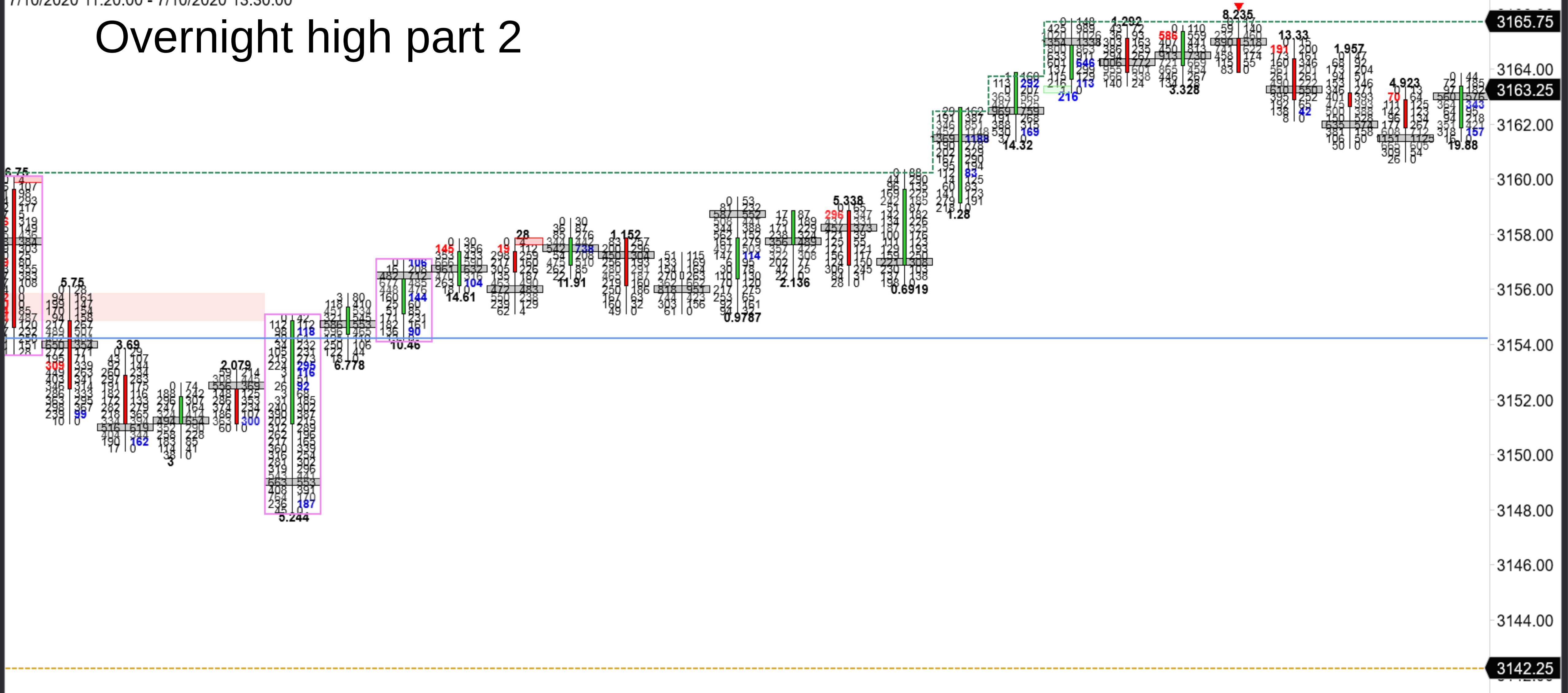
09:30
09:40
09:50
10:00
10:10
10:20
10:30
10:40
10:50
11:00
11:10
11:20
11:30

Order Flows Trader(ES 09-20 (5 Minute)), Current day OHL(ES 09-20 (5 Minute))

7/10/2020 11:20:00 - 7/10/2020 13:30:00

Overnight high part 2



Delta	186	5	-193	-67	187	397	-415	-468	556	-610	7	-89	343
Max. Delta	202	175	271	97	294	727	274	26	587	171	177	787	353
Min. Delta	-396	-209	-242	-1403	-335	-149	-482	-612	-113	-632	-171	-407	-78
Cum. Delta	3351	3356	3163	3096	3283	3680	3265	2797	3353	2743	2750	2661	3004
Volume	6582	4993	4487	12793	5507	5119	5337	5052	4196	4548	5799	7429	3957

Delta	-381	684	1567	181	1160	-1164	-451	-592	-864	-237	-133	285	
Max. Delta	47	823	1588	233	1888	33	90	97	68	185	78	411	
Min. Delta	-417	-154	-314	-505	-134	-1368	-493	-592	-907	-755	-308	-71	
Cum. Delta	2623	3307	4874	5055	6215	5051	4600	4008	3144	2907	2774	3059	
Volume	4129	5384	9297	6339	11764	6294	8593	4564	5494	6827	6577	4157	

11:30 11:40 11:50 12:00 12:10 12:20 12:30 12:40 12:50 13:00 13:10 13:20 13:30

Overnight high part 3

When can’t get into the overnight range, that is a structure trade.

We have covered a lot of topics in the Order Flow Dynamics course and the goal is to get you thinking outside of the normal trading methods of just looking at price and consider the aggressiveness of volume traded and market context.

Thank you for completing the Order Flow Dynamics course.

Take what you have learned and apply it to the market and improve your trading.

Happy trading!


The End