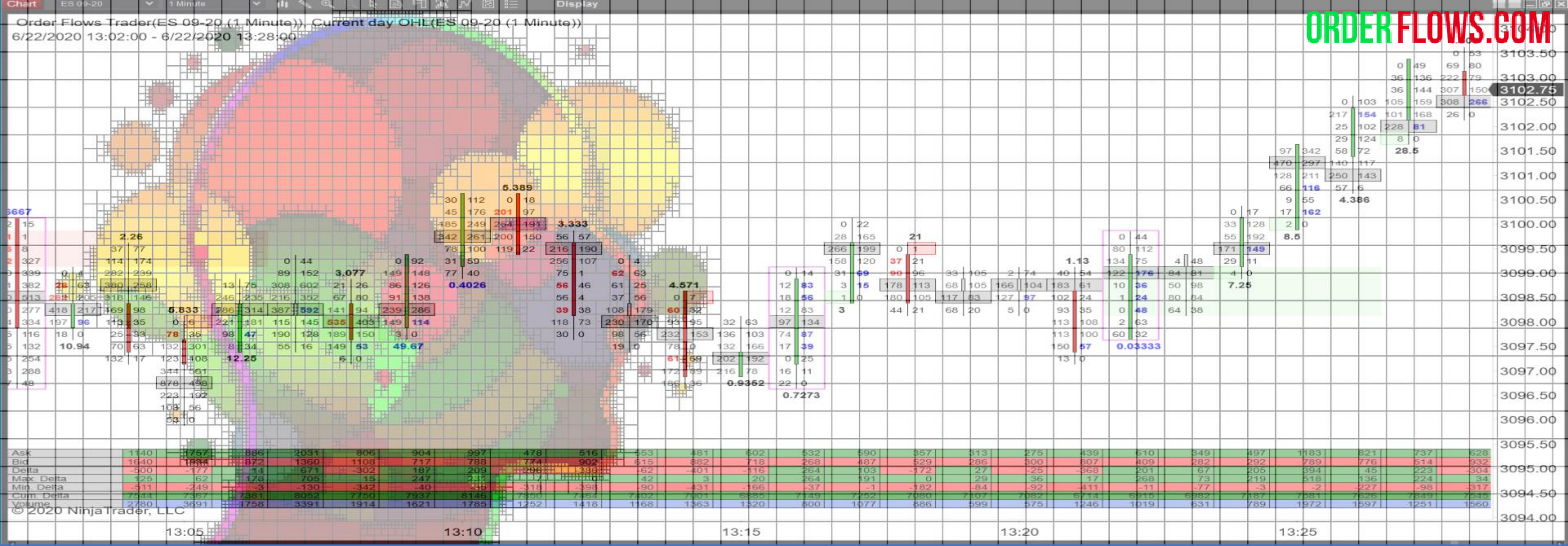

Order Flow Dynamics

By Michael Valtos – www.orderflows.com

Module 4 : Trading Vertical Versus Horizontal

Disclaimer

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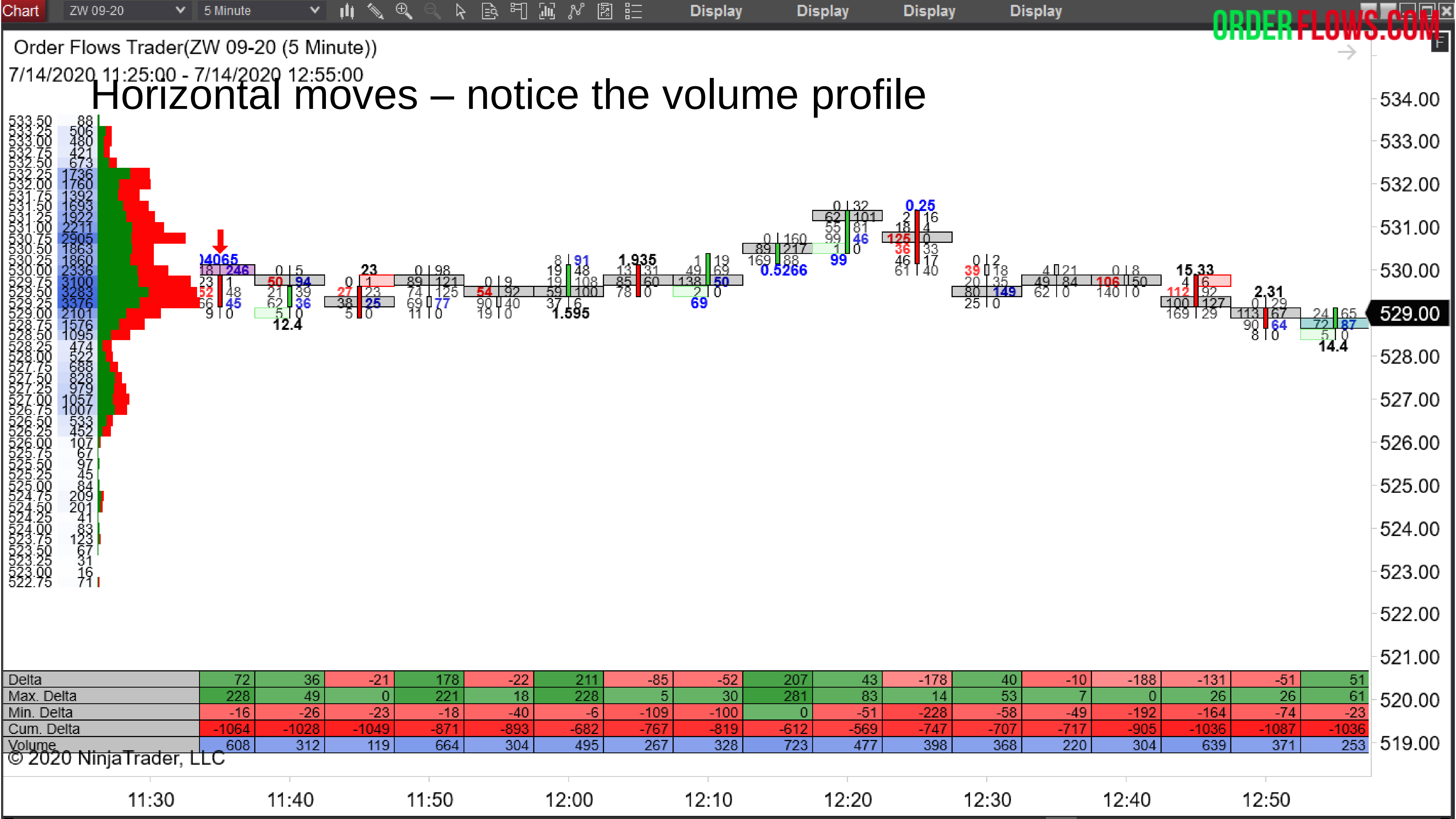
Horizontal levels versus Vertical levels.

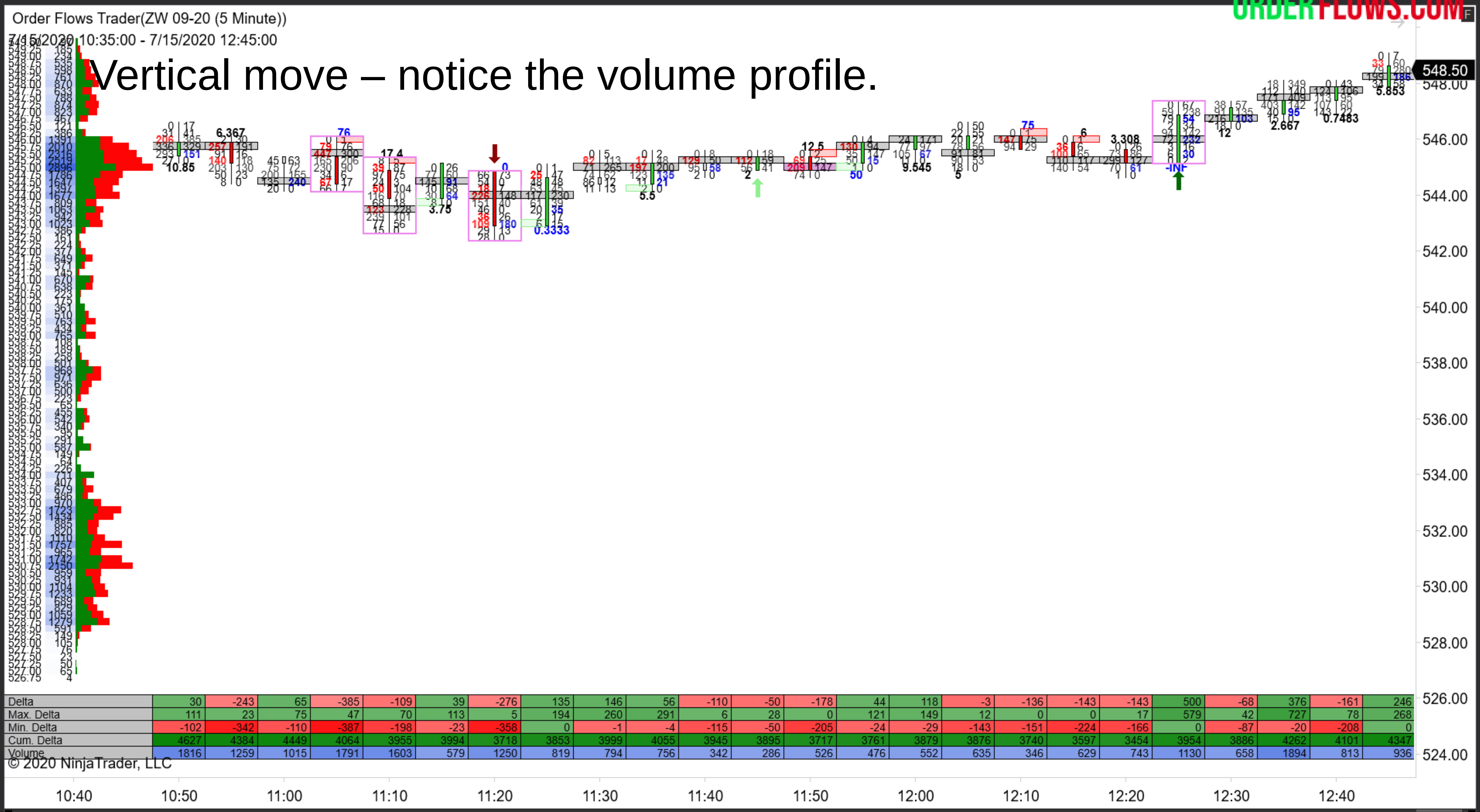
Most traders look at horizontal levels – volume profile, market profile, pivots, trend lines, etc.

Vertical levels are created in the moves up and down.

Horizontal moves – notice the volume profile



Vertical move – notice the volume profile.



Delta	30	-243	65	-385	-109	39	-276	135	146	56	-110	-50	-178	44	118	-3	-136	-143	-143	500	-68	376	-161	246
Max. Delta	111	23	75	47	70	113	5	194	260	291	6	28	0	121	149	12	0	0	17	579	42	727	78	268
Min. Delta	-102	-342	-110	-387	-198	-23	-358	0	-1	-4	-115	-50	-205	-24	-29	-143	-151	-224	-166	0	-87	-20	-208	0
Cum. Delta	4627	4384	4449	4064	3955	3994	3718	3853	3999	4055	3945	3895	3717	3761	3879	3876	3740	3597	3454	3954	3886	4262	4101	4347
Volume	1816	1259	1015	1791	1603	579	1250	819	794	756	342	286	526	476	552	635	346	629	743	1130	658	1894	813	936

Horizontal versus vertical market activity is not how many traders view the market. They simply think markets go up, markets go down or market go sideways.

However, you can split market activity into two different views – horizontal activity and vertical activity.

When a market tries to make a vertical move and fails, fading that vertical move is an easy trade to make because more often than not the move reverses or goes sideways.

This is information generated from the market. But you don’t have to rely on the Market Profile or Volume Profile. You can see it in the order flow.

Vertical moves are often to new highs or new lows.

What you want to look for is:

POCs migrating higher.
Strong delta.
Imbalances

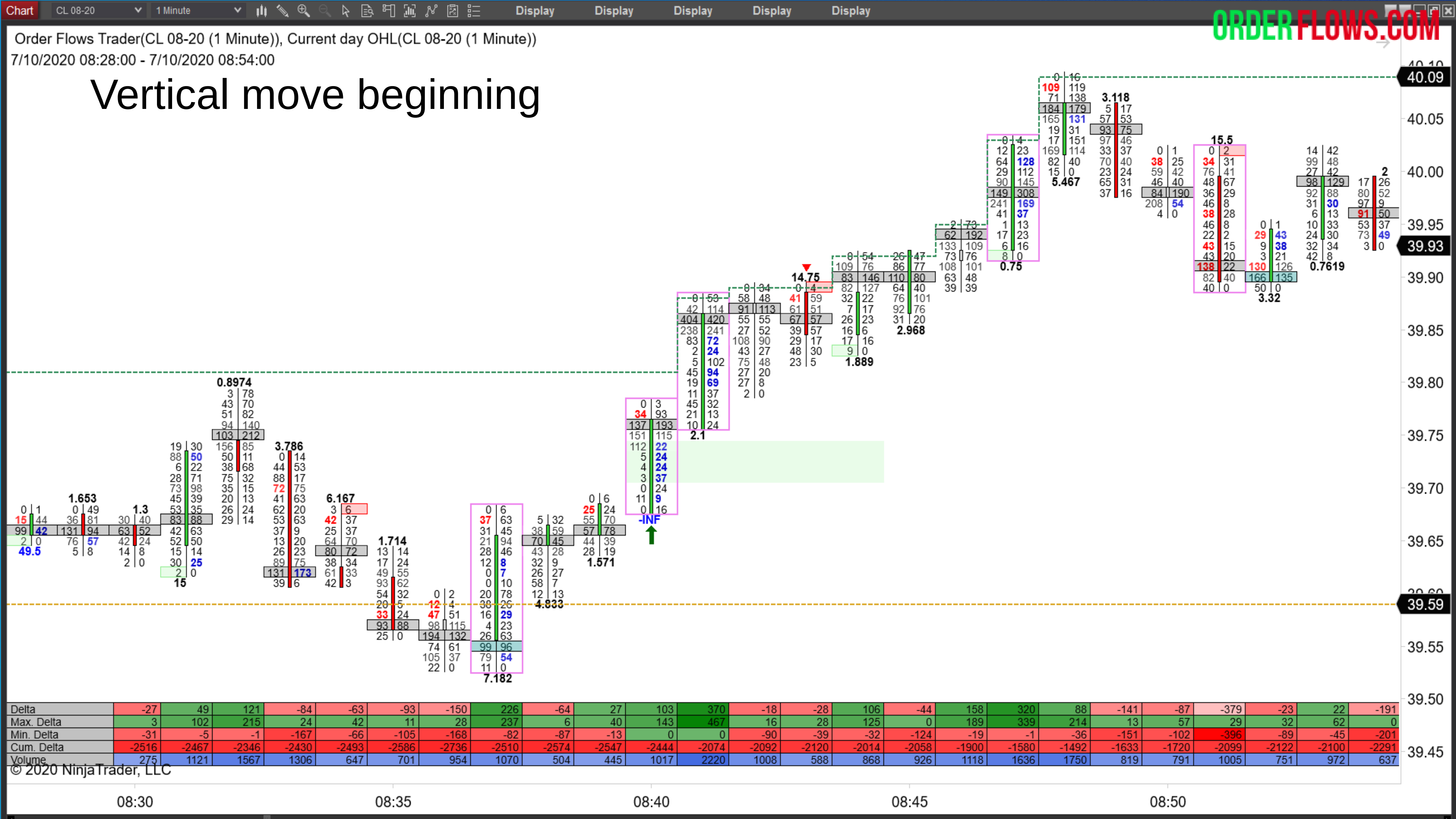
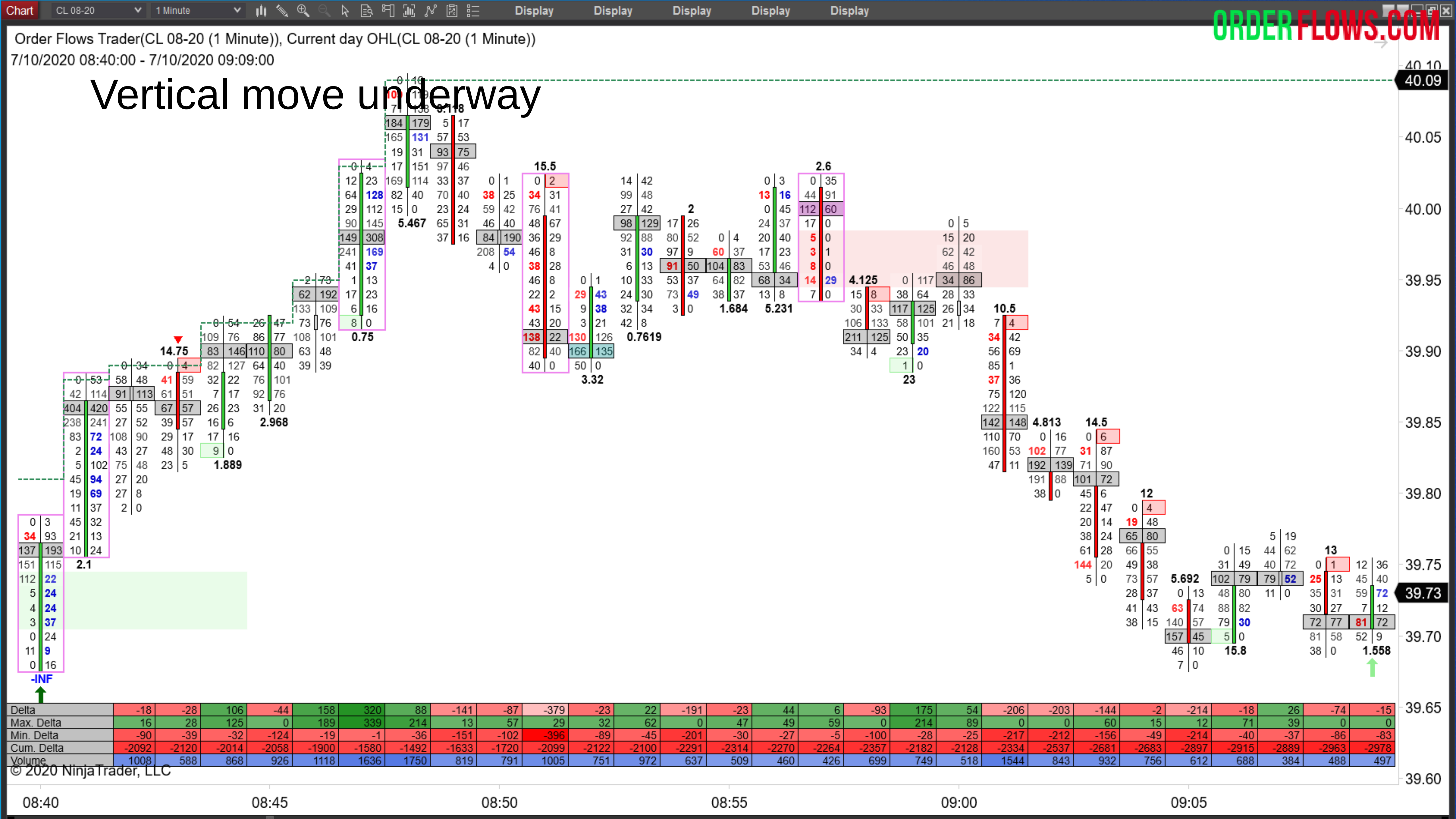
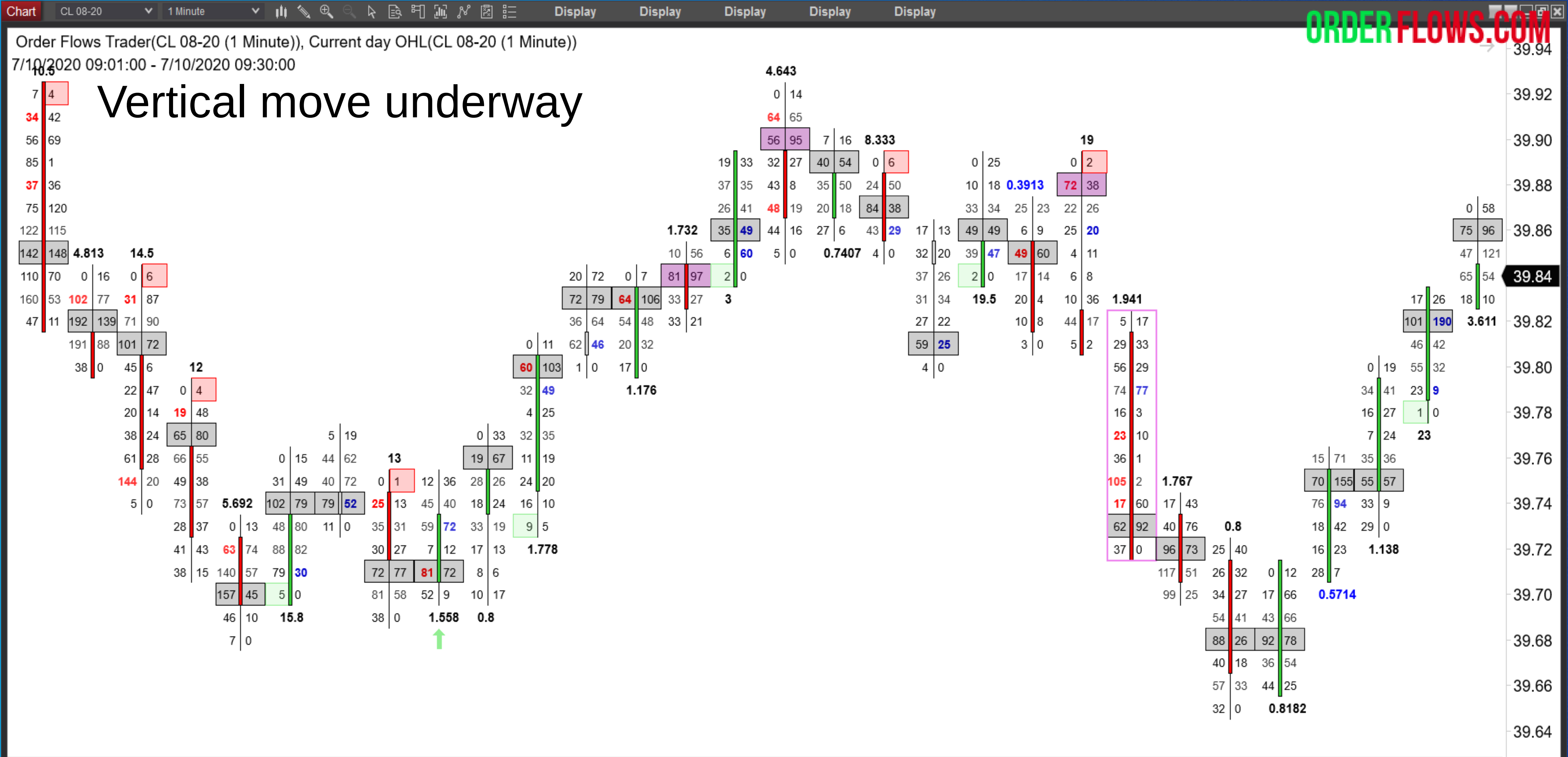


Chart
CL 08-20
1 Minute
ORDERFLOWS.COM
Order Flows Trader(CL 08-20 (1 Minute)), Current day OHL(CL 08-20 (1 Minute))
7/10/2020 08:28:00 - 7/10/2020 08:54:00
Vertical move beginning
Delta -27 49 121 -84 -63 -93 -150 226 -64 27 103 370 -18 -28 106 -44 158 320 88 -141 -87 -379 -23 22 -191
Max. Delta 3 102 215 24 42 11 28 237 6 40 143 467 16 28 125 0 189 339 214 13 57 29 32 62 0
Min. Delta -31 -5 -1 -167 -66 -105 -168 -82 -87 -13 0 0 -90 -39 -32 -124 -19 -1 -36 -151 -102 -396 -89 -45 -201
Cum. Delta -2516 -2467 -2346 -2430 -2493 -2586 -2736 -2510 -2574 -2547 -2444 -2074 -2092 -2120 -2014 -2058 -1900 -1580 -1492 -1633 -1720 -2099 -2122 -2100 -2291
Volume 275 1121 1567 1306 647 701 954 1070 504 445 1017 2220 1008 588 868 926 1118 1636 1750 819 791 1005 751 972 637
© 2020 NinjaTrader, LLC
08:30
08:35
08:40
08:45
08:50
40.09
39.93
39.59


ORDERFLOWS.COM
Order Flows Trader(CL 08-20 (1 Minute)), Current day OHL(CL 08-20 (1 Minute))
7/10/2020 08:40:00 - 7/10/2020 09:09:00
Vertical move underway
Delta -18 -28 106 -44 158 320 88 -141 -87 -379 -23 22 -191 -23 44 6 -93 175 54 -206 -203 -144 -2 -214 -18 26 -74 -15
Max. Delta 16 28 125 0 189 339 214 13 57 29 32 62 0 47 49 59 0 214 89 0 0 60 15 12 71 39 0 0
Min. Delta -90 -39 -32 -124 -19 -1 -36 -151 -102 -396 -89 -45 -201 -30 -27 -5 -100 -28 -25 -217 -212 -156 -49 -214 -40 -37 -86 -83
Cum. Delta -2092 -2120 -2014 -2058 -1900 -1580 -1492 -1633 -1720 -2099 -2122 -2100 -2291 -2314 -2270 -2264 -2357 -2182 -2128 -2334 -2537 -2681 -2683 -2897 -2915 -2889 -2963 -2978
Volume 1008 588 868 926 1118 1636 1750 819 791 1005 751 972 637 509 460 426 699 749 518 1544 843 932 756 612 688 384 488 497
© 2020 NinjaTrader, LLC
08:40
08:45
08:50
08:55
09:00
09:05

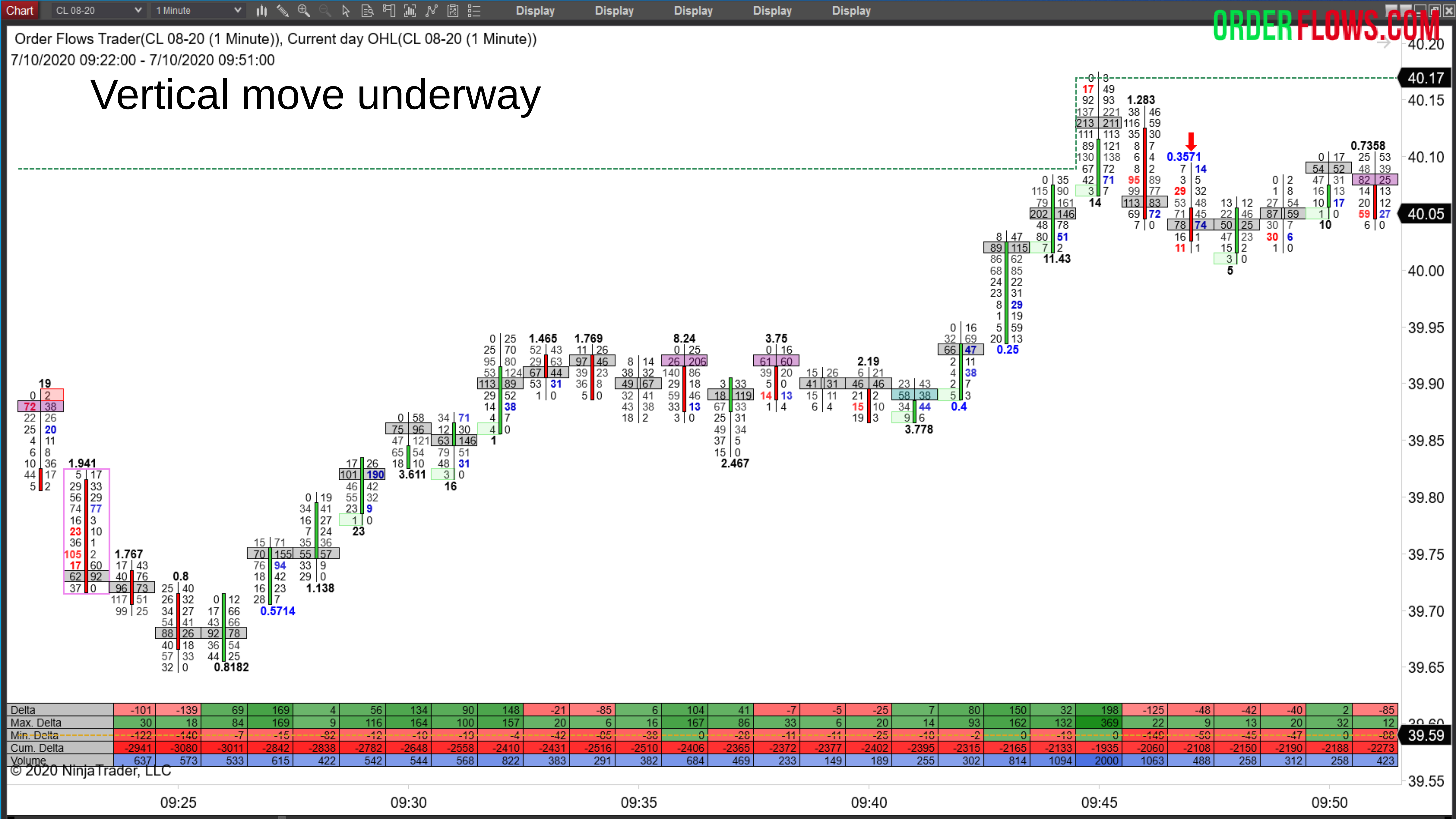
Vertical move underway



Delta	-144	-2	-214	-18	26	-74	-15	72	89	70	38	44	93	-48
Max. Delta	60	15	12	71	39	0	0	91	93	101	59	49	112	73
Min. Delta	-156	-49	-214	-40	-37	-86	-83	-12	-8	-4	-16	-8	-1	-48
Cum. Delta	-2681	-2683	-2897	-2915	-2889	-2963	-2978	-2906	-2817	-2747	-2709	-2665	-2572	-2620
Volume	932	756	612	688	384	488	497	338	465	452	348	358	343	536

Delta	15	-32	-67	40	-12	-28	-136	-101	-139	69	169	4	56	134
Max. Delta	31	10	0	58	30	47	10	30	18	84	169	9	116	164
Min. Delta	-13	-42	-85	-16	-17	-33	-213	-122	-140	-7	-15	-82	-12	-10
Cum. Delta	-2605	-2637	-2704	-2664	-2676	-2704	-2840	-2941	-3080	-3011	-2842	-2838	-2782	-2648
Volume	273	278	347	306	248	348	784	637	573	533	615	422	542	544

09:05 09:10 09:15 09:20 09:25 09:30



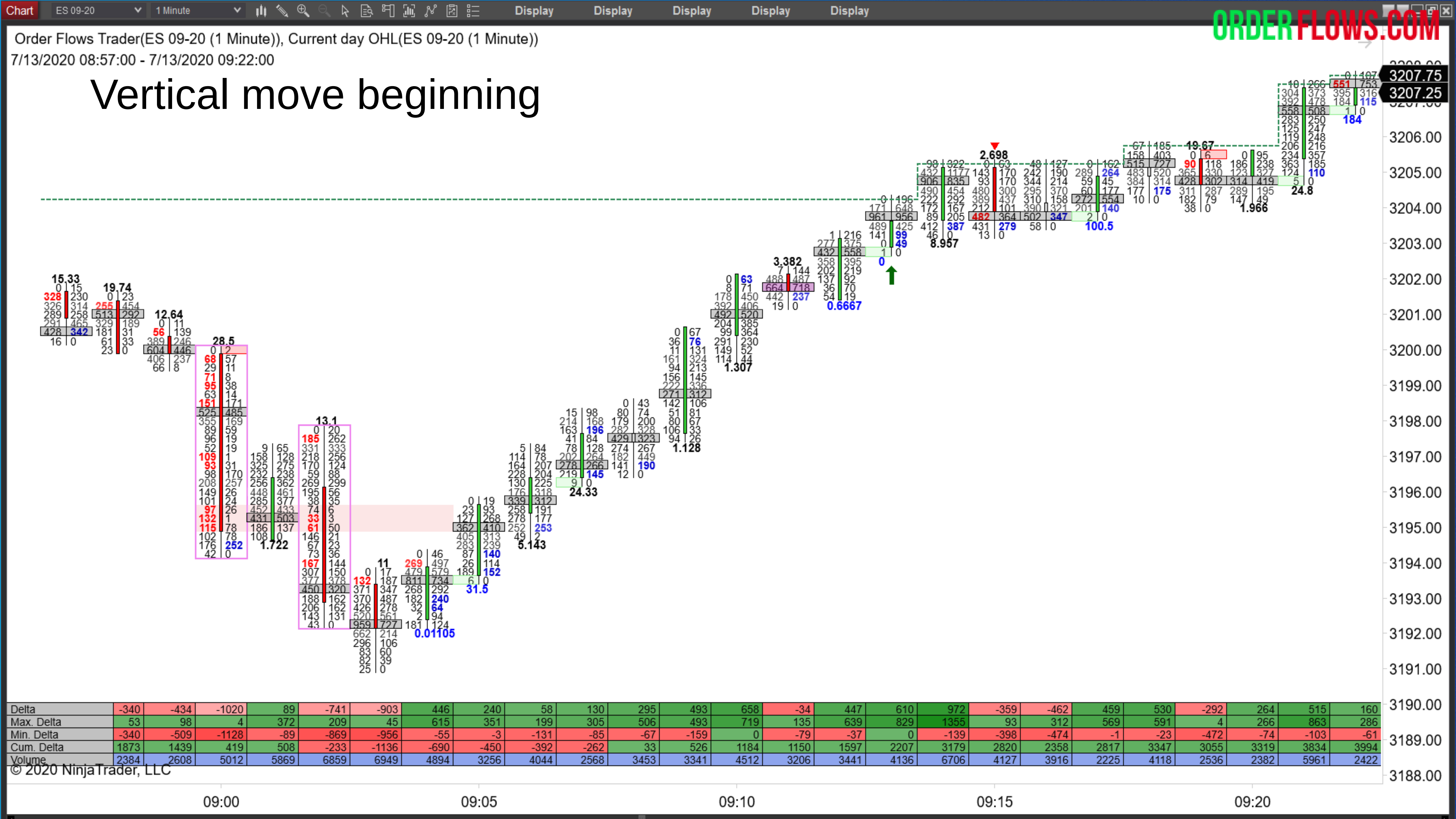
Delta	-101	-139	69	169	4	56	134	90	148	-21	-85	6	104	41	-7	-5	-25	7	80	150	32	198	-125	-48	-42	-40	2	-85
Max. Delta	30	18	84	169	9	116	164	100	157	20	6	16	167	86	33	6	20	14	93	162	132	369	22	9	13	20	32	12
Min. Delta	-122	-140	-7	-15	-82	-12	-10	-13	-4	-42	-85	-38	0	-28	-11	-11	-25	-10	-2	0	-13	0	-149	-50	-45	-47	0	-88
Cum. Delta	-2941	-3080	-3011	-2842	-2838	-2782	-2648	-2558	-2410	-2431	-2516	-2510	-2406	-2365	-2372	-2377	-2402	-2395	-2315	-2165	-2133	-1935	-2060	-2108	-2150	-2190	-2188	-2273
Volume	637	573	533	615	422	542	544	568	822	383	291	382	684	469	233	149	189	255	302	814	1094	2000	1063	488	258	312	258	423

When a market is trading horizontally, we think of consolidation, rotation, market efficiency. When you are in a trade and wrong, the damage is limited.

When a market is trading vertically, the markets are more volatile, move quicker to profit targets. In a vertical moving market, you want to get in as early as possible.

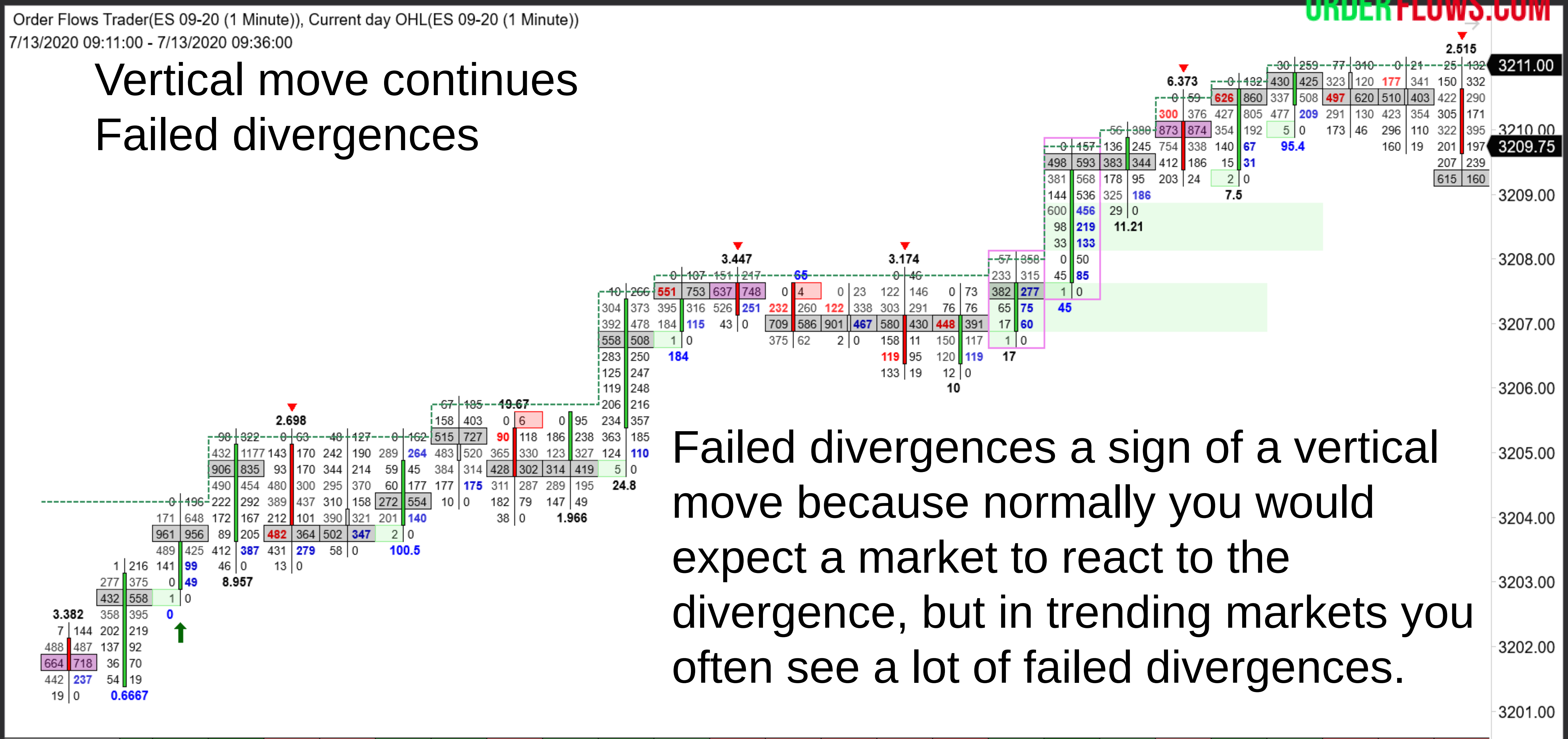
Which is better for trading? It is two different market environments.

Vertical move beginning



Vertical move continues

Failed divergences



Failed divergences a sign of a vertical move because normally you would expect a market to react to the divergence, but in trending markets you often see a lot of failed divergences.

Delta	447	610	972	-359	-462	459	530	-292	264	515	160	-141	-404	-197	-377	-30	330	997	143	-685	523	122	-135	-318	-331
Max. Delta	639	829	1355	93	312	569	591	4	266	863	286	208	4	77	86	104	343	1083	259	178	627	220	68	6	164
Min. Delta	-37	0	-139	-398	-474	-1	-23	-472	-74	-103	-61	-181	-436	-204	-413	-55	0	0	-277	-704	-39	-60	-286	-416	-597
Cum. Delta	1597	2207	3179	2820	2358	2817	3347	3055	3319	3834	3994	3853	3449	3252	2875	2845	3175	4172	4315	3630	4153	4275	4140	3822	3491
Volume	3441	4136	6706	4127	3916	2225	4118	2536	2382	5961	2422	2573	2228	1853	2453	1582	1840	4597	2357	4399	3651	2680	2587	2814	4163

Horizontal markets are safe, but profits are limited.

Vertical markets are riskier, but profits are higher.

Horizontal markets are efficient markets. Price is being accepted. But horizontal markets are not static, there are different conditions of horizontal markets. Vertical markets come out of horizontal markets.

Market could be in a tight trading range, the market could be top heavy, the market could be tired, the market could be catching it breath. All these terms describe horizontal markets.

What you are looking for in the order flow is an inefficient area that the market is going to resolve. Often you have to pay a premium in price to take advantage of the inefficiency in terms of trade location. The reason inefficiency occurs is because markets conditions keep changing. It is imperative to know that inefficiencies have a life span and are not static. It is during the life span of the inefficiency that a trader who can identify the inefficiency has a chance to capitalize on it before it subsides and the market resumes to its normal conditions.

Market efficiency is determined when examining horizontal or vertical activity.

Markets are not efficient very long, but when they are that is where you find opportunity.

When a market is trading at full efficiency, there is solid volume and trade is evenly matched (small delta) and price not really moving. Wyckoff called this absorption. Vertical moves occur when markets move out of efficiency areas.

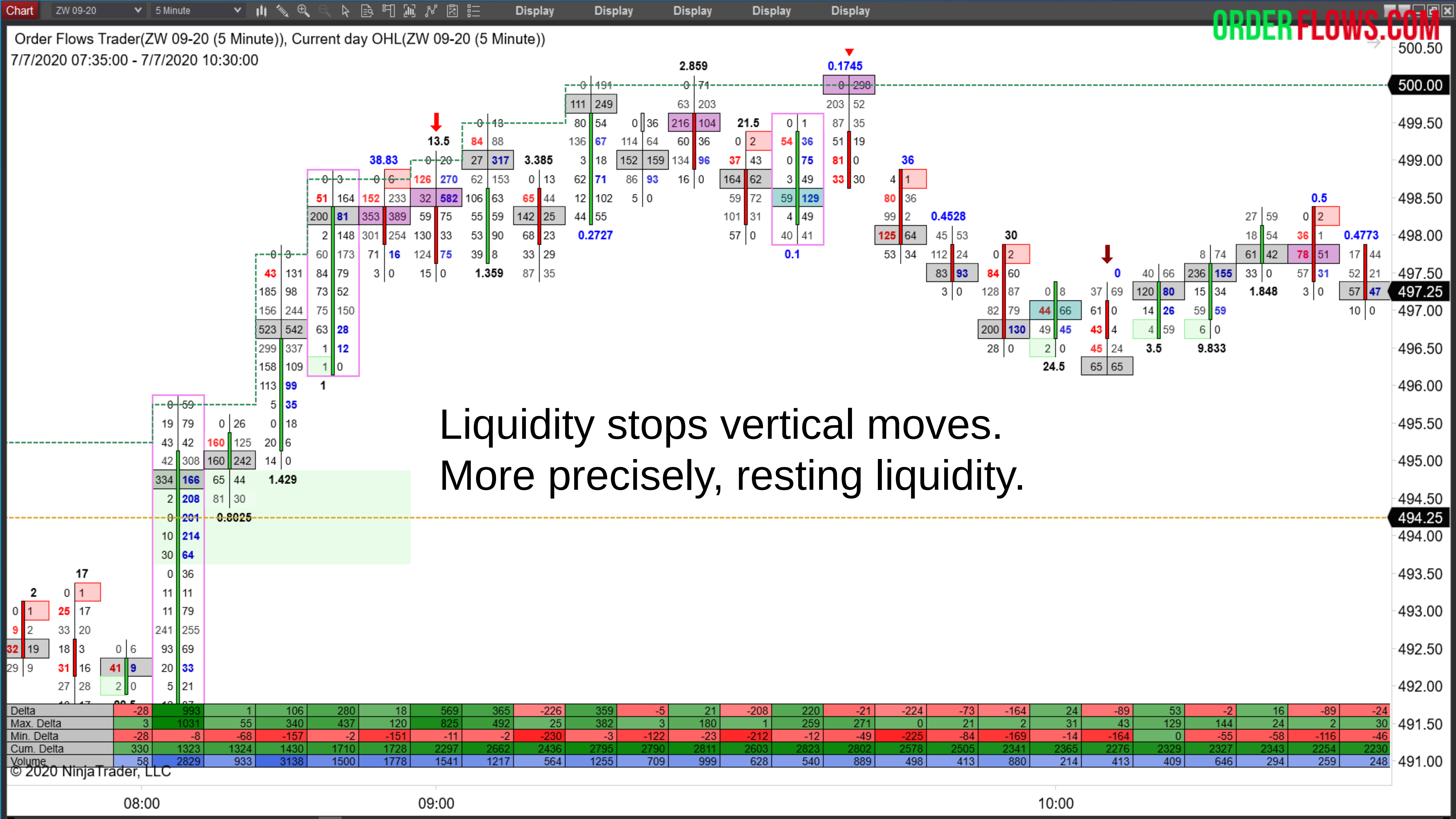
Efficient market – stringing together bars with solid volume and small deltas. Look for a vertical move. Then you start to see higher and higher POCS.

Delta	473	233	-36	292	541	578	560	330	-650	-160	-200	-26	19
Max. Delta	600	284	143	405	599	664	620	393	12	204	4	162	186
Min. Delta	-52	-33	-187	-2	-30	-148	-84	-7	-683	-216	-333	-94	-44
Cum. Delta	-128	105	69	361	902	1480	2040	2370	1720	1560	1360	1334	1353
Volume	3825	2773	4560	3770	3593	4892	4596	2802	4026	3722	3538	3608	3655

Delta	344	1	272	338	520	-51	-220	-223	87	157	-62	404
Max. Delta	354	87	385	348	579	231	28	22	210	700	409	459
Min. Delta	-75	-91	-11	-324	-41	-286	-350	-439	-54	0	-90	-3
Cum. Delta	1697	1698	1970	2308	2828	2777	2557	2334	2421	2578	2516	2920
Volume	4194	3541	4138	3704	3746	4159	3420	3377	2527	4481	3760	2900

Markets go to where they can trade efficiently.

How a market makes a vertical move is important to note. Was the amount of volume trading heavy or did the market slice through levels on light volume.



Order Flows Trader(ZW 09-20 (5 Minute)), Current day OHL(ZW 09-20 (5 Minute))
7/7/2020 07:35:00 - 7/7/2020 10:30:00
Liquidity stops vertical moves.
More precisely, resting liquidity.
Delta
Max. Delta
Min. Delta
Cum. Delta
Volume
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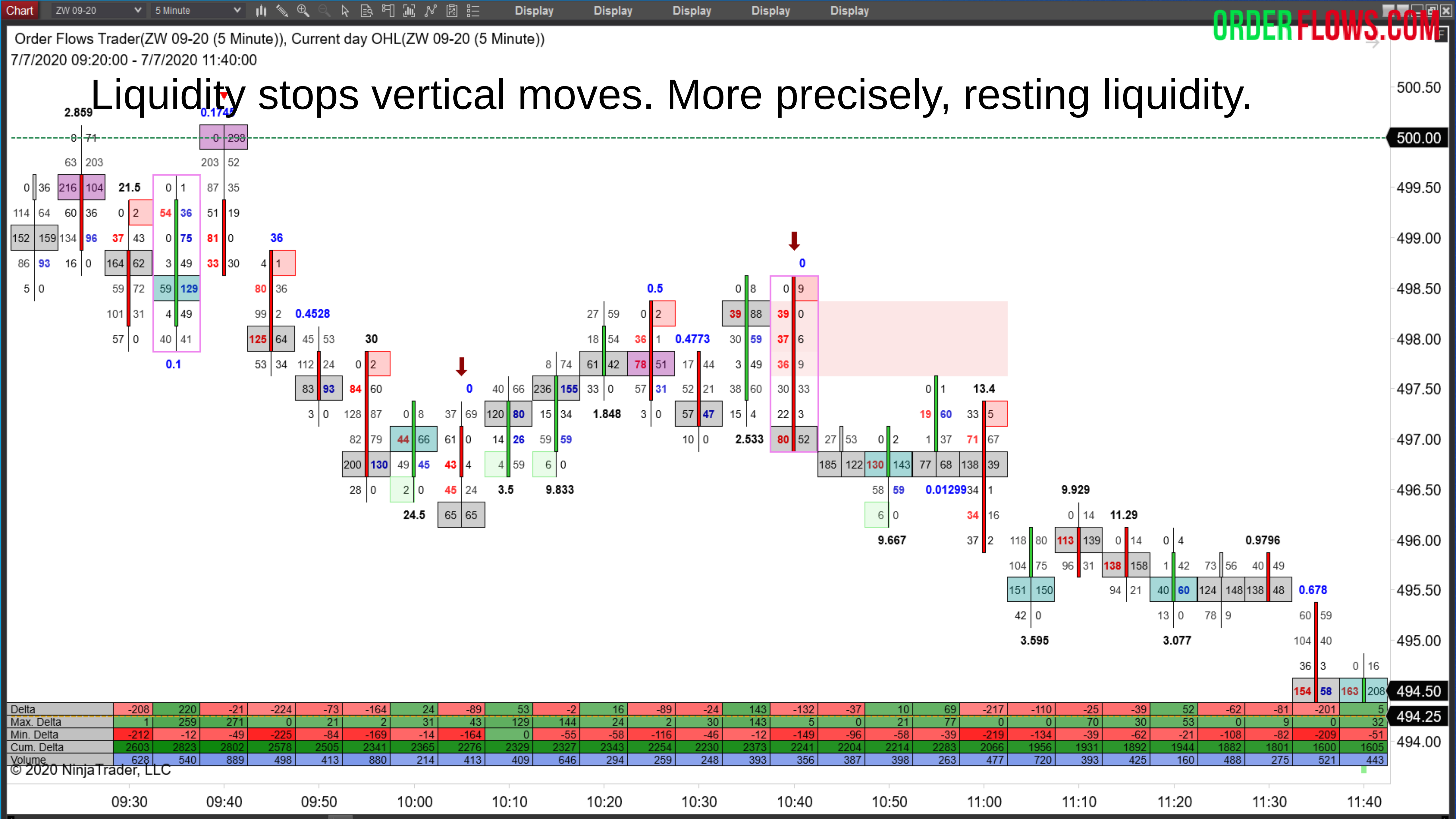
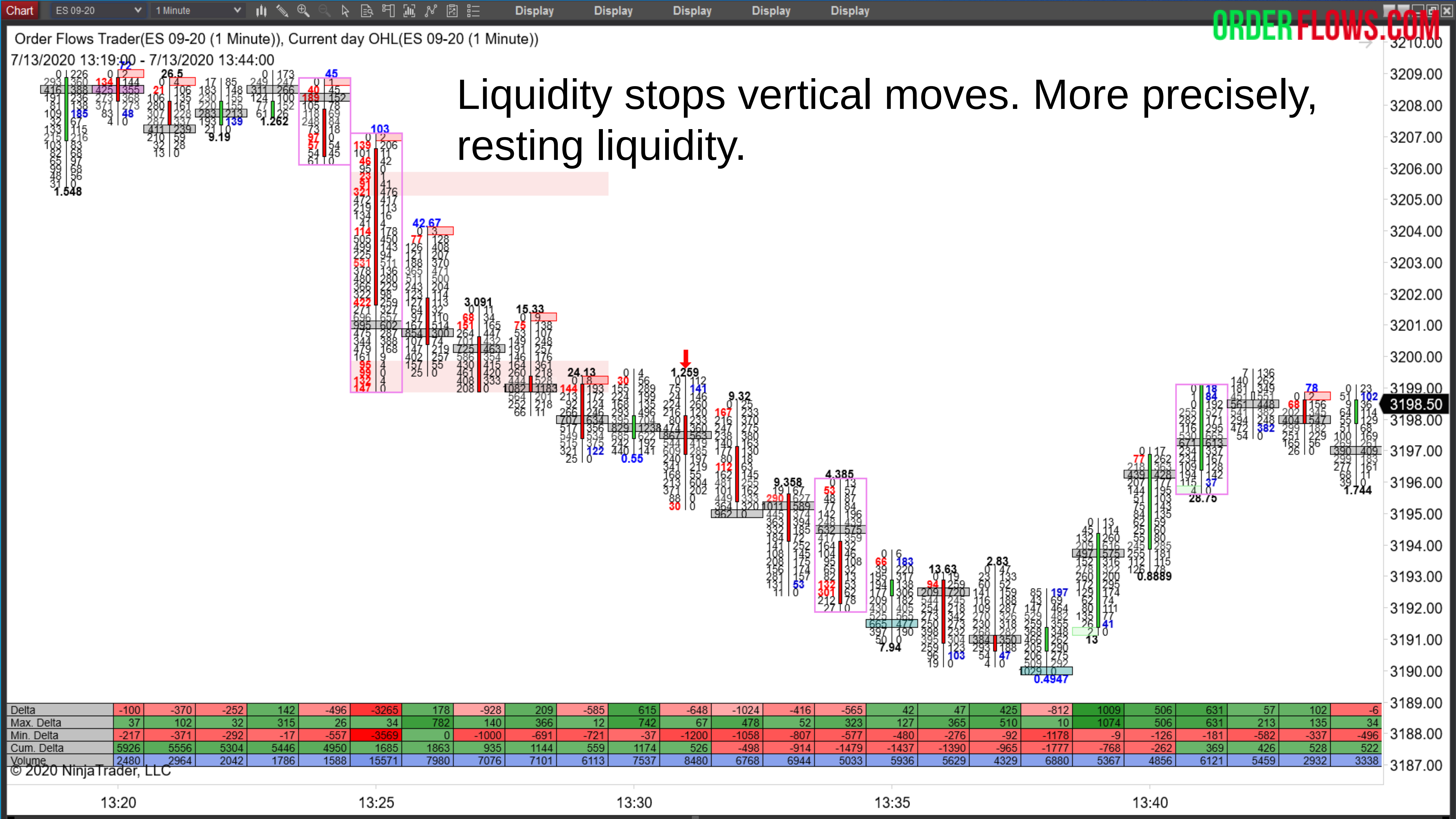
08:00
09:00
10:00


ORDERFLOWS.COM
Order Flows Trader(ZW 09-20 (5 Minute)), Current day OHL(ZW 09-20 (5 Minute))
7/7/2020 09:20:00 - 7/7/2020 11:40:00
Liquidity stops vertical moves. More precisely, resting liquidity.
Delta
Max. Delta
Min. Delta
Cum. Delta
Volume
© 2020 NinjaTrader, LLC

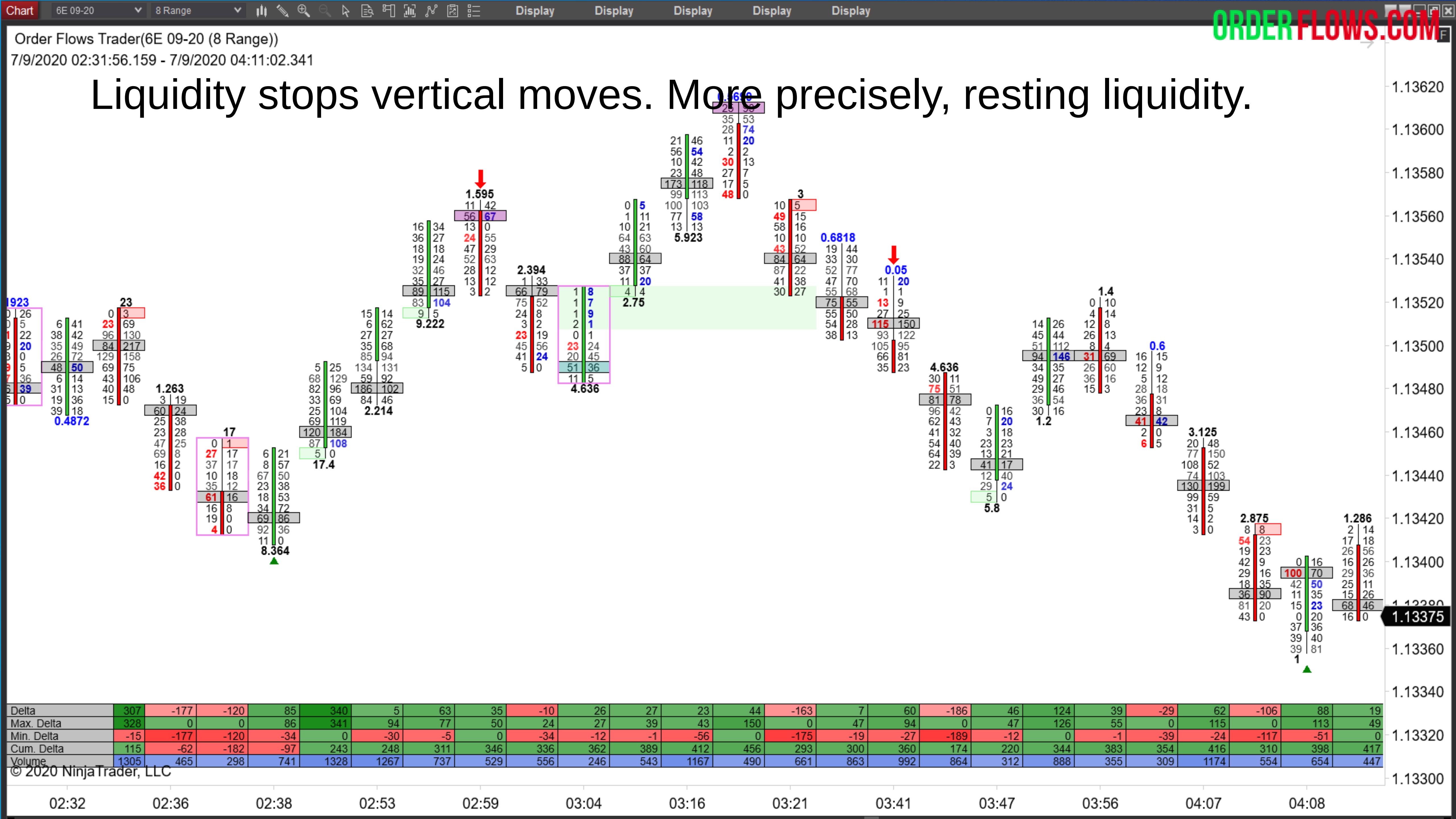
Liquidity stops vertical moves. More precisely, resting liquidity.



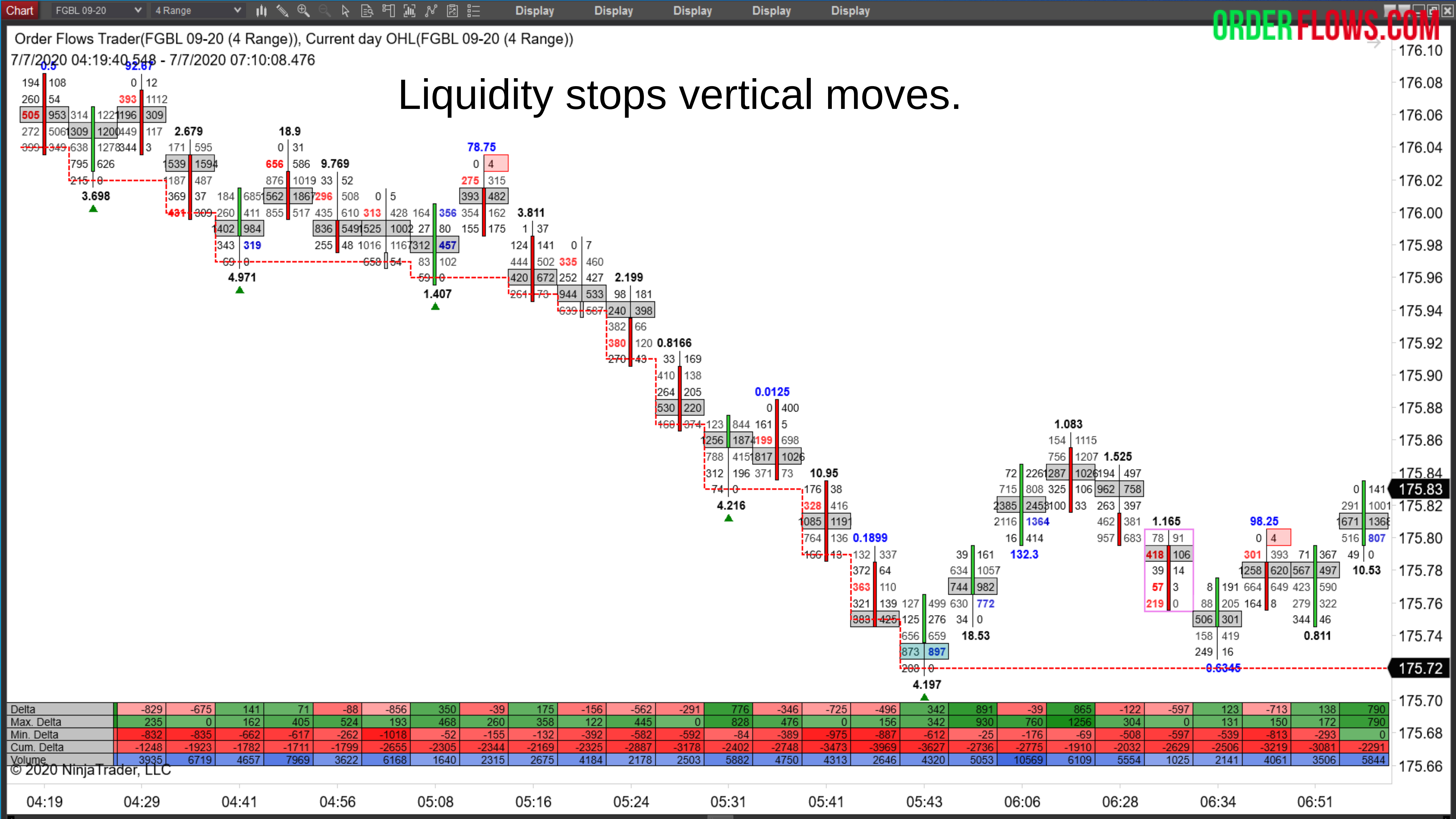
Order Flows Trader(6E 09-20 (8 Range))

7/9/2020 02:31:56.159 - 7/9/2020 04:11:02.341

Liquidity stops vertical moves. More precisely, resting liquidity.



Delta	307	-177	-120	85	340	5	63	35	-10	26	27	23	44	-163	7	60	-186	46	124	39	-29	62	-106	88	19
Max. Delta	328	0	0	86	341	94	77	50	24	27	39	43	150	0	47	94	0	47	126	55	0	115	0	113	49
Min. Delta	-15	-177	-120	-34	0	-30	-5	0	-34	-12	-1	-56	0	-175	-19	-27	-189	-12	0	-1	-39	-24	-117	-51	0
Cum. Delta	115	-62	-182	-97	243	248	311	346	336	362	389	412	456	293	300	360	174	220	344	383	354	416	310	398	417
Volume	1305	465	298	741	1328	1267	737	529	556	246	543	1167	490	661	863	992	864	312	888	355	309	1174	554	654	447

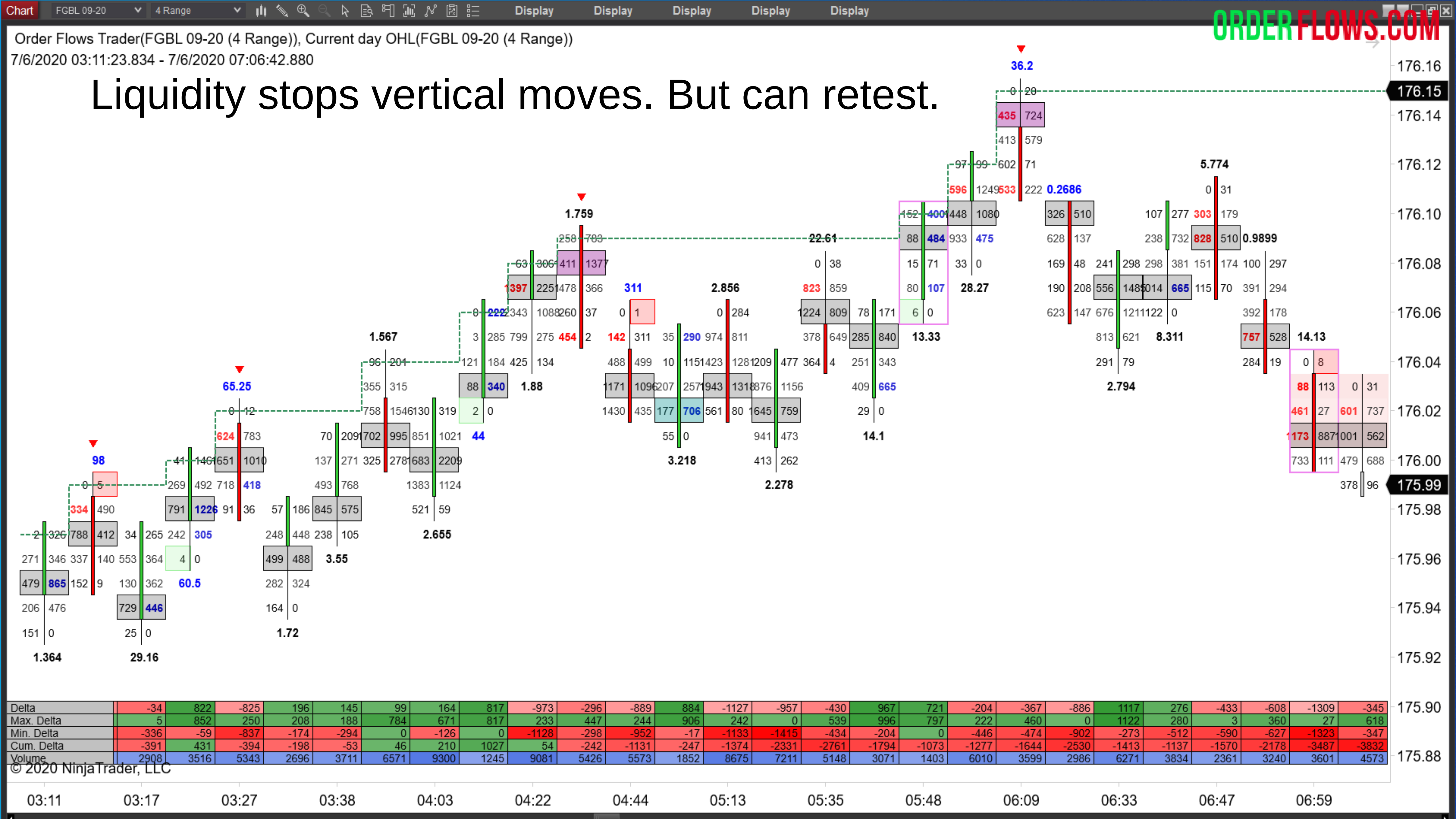


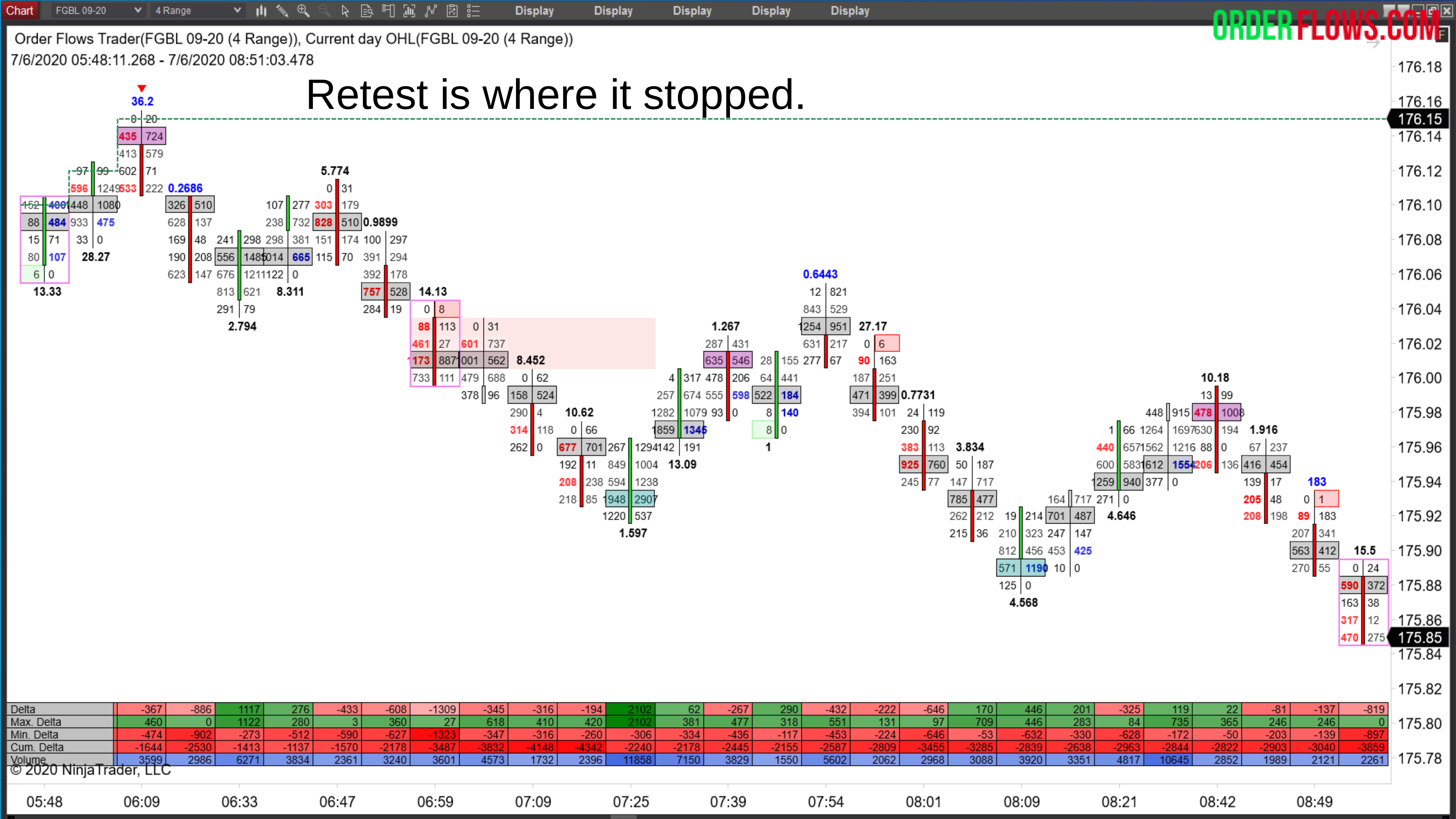
Delta	-829	-675	141	71	-88	-856	350	-39	175	-156	-562	-291	776	-346	-725	-496	342	891	-39	865	-122	-597	123	-713	138	790
Max. Delta	235	0	162	405	524	193	468	260	358	122	445	0	828	476	0	156	342	930	760	1256	304	0	131	150	172	790
Min. Delta	-832	-835	-662	-617	-262	-1018	-52	-155	-132	-392	-582	-592	-84	-389	-975	-887	-612	-25	-176	-69	-508	-597	-539	-813	-293	0
Cum. Delta	-1248	-1923	-1782	-1711	-1799	-2655	-2305	-2344	-2169	-2325	-2887	-3178	-2402	-2748	-3473	-3969	-3627	-2736	-2775	-1910	-2032	-2629	-2506	-3219	-3081	-2291
Volume	3935	6719	4657	7969	3622	6168	1640	2315	2675	4184	2178	2503	5882	4750	4313	2646	4320	5053	10569	6109	5554	1025	2141	4061	3506	5844

Just because you hit a spot of resting liquidity does not mean the market can’t revisit it and take it out. It doesn’t mean the market has to stop and reverse to new highs or lows.

Be aware of when the market retests an area of resting liquidity.

Liquidity stops vertical moves. But can retest.




Order Flows Trader(FGBL 09-20 (4 Range)), Current day OHL(FGBL 09-20 (4 Range))
7/6/2020 05:48:11.268 - 7/6/2020 08:51:03.478
Retest is where it stopped.
ORDERFLOWS.COM
Delta
Max. Delta
Min. Delta
Cum. Delta
Volume
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Vertical moves (market inefficiencies) end or become complete when horizontal moves begin (market efficiency).

Most of the time the markets are efficient. When markets are operating efficiently trading is orderly and random.

When markets are not being efficient, that is when trading becomes disorderly and non-random. When something is non-random that means you can make a determination of what happens next because it is no longer random.

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You can’t talk about vertical or horizontal activity without understanding bar strength. Without underlying bar strength there would be no vertical movement.

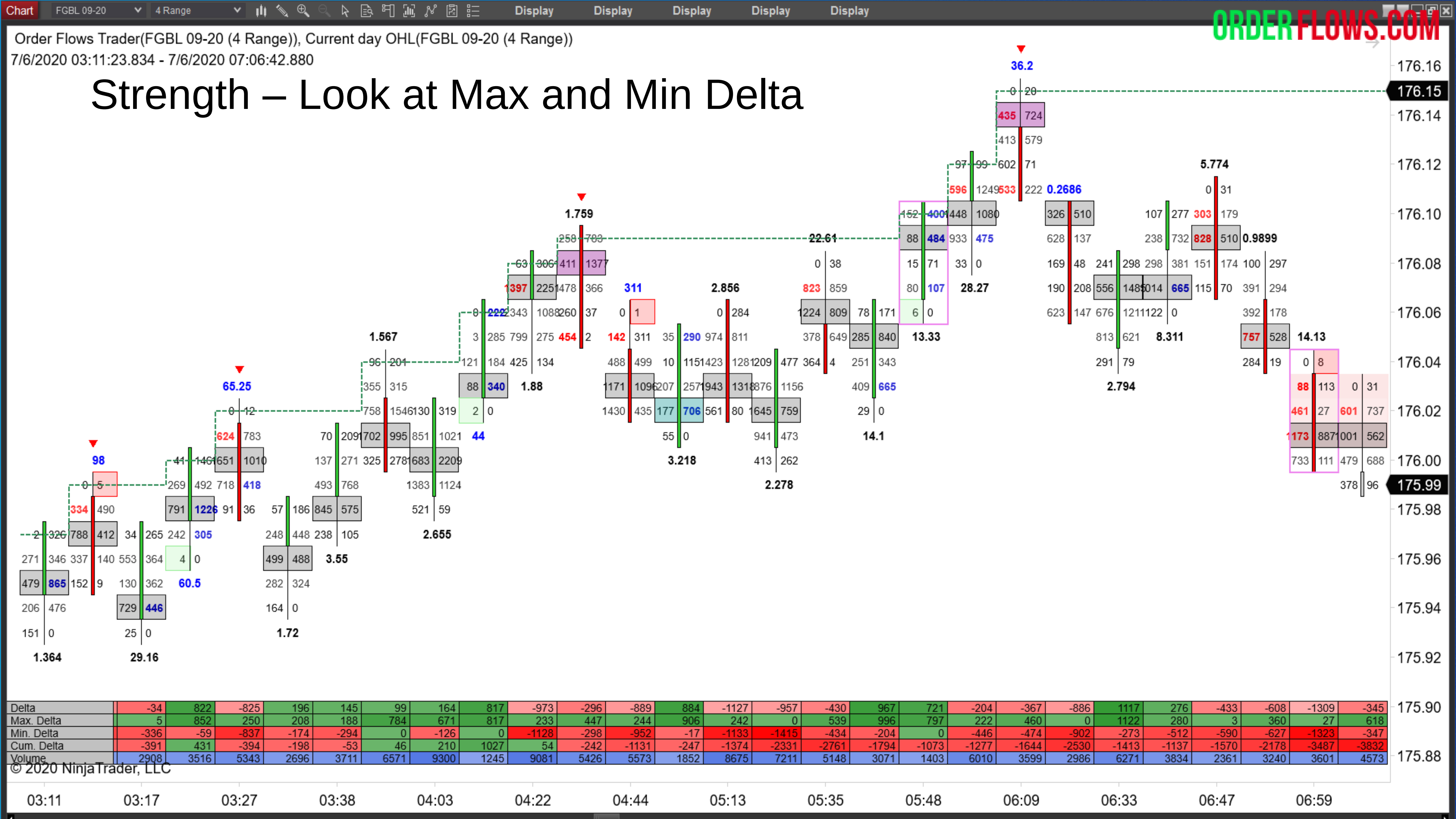
So how can you determine bar strength?

Bar strength and bar weakness.
Strength – up bars close near their highs. Max delta closes.
Weakness – up bars close mid bar or lower.

Strength – down bars close near their lows. Min delta closes.
Weakness – down bars close mid bar or higher.

We know markets move on supply and demand. When an up bar closes near it high or a down bar closes near it low, supply and demand is one-direction and you can expect the market to move in that direction. But if an up bar trades to it high and then selling comes in, supply comes in, and the bar closes near its mid point, what do you think if happening?

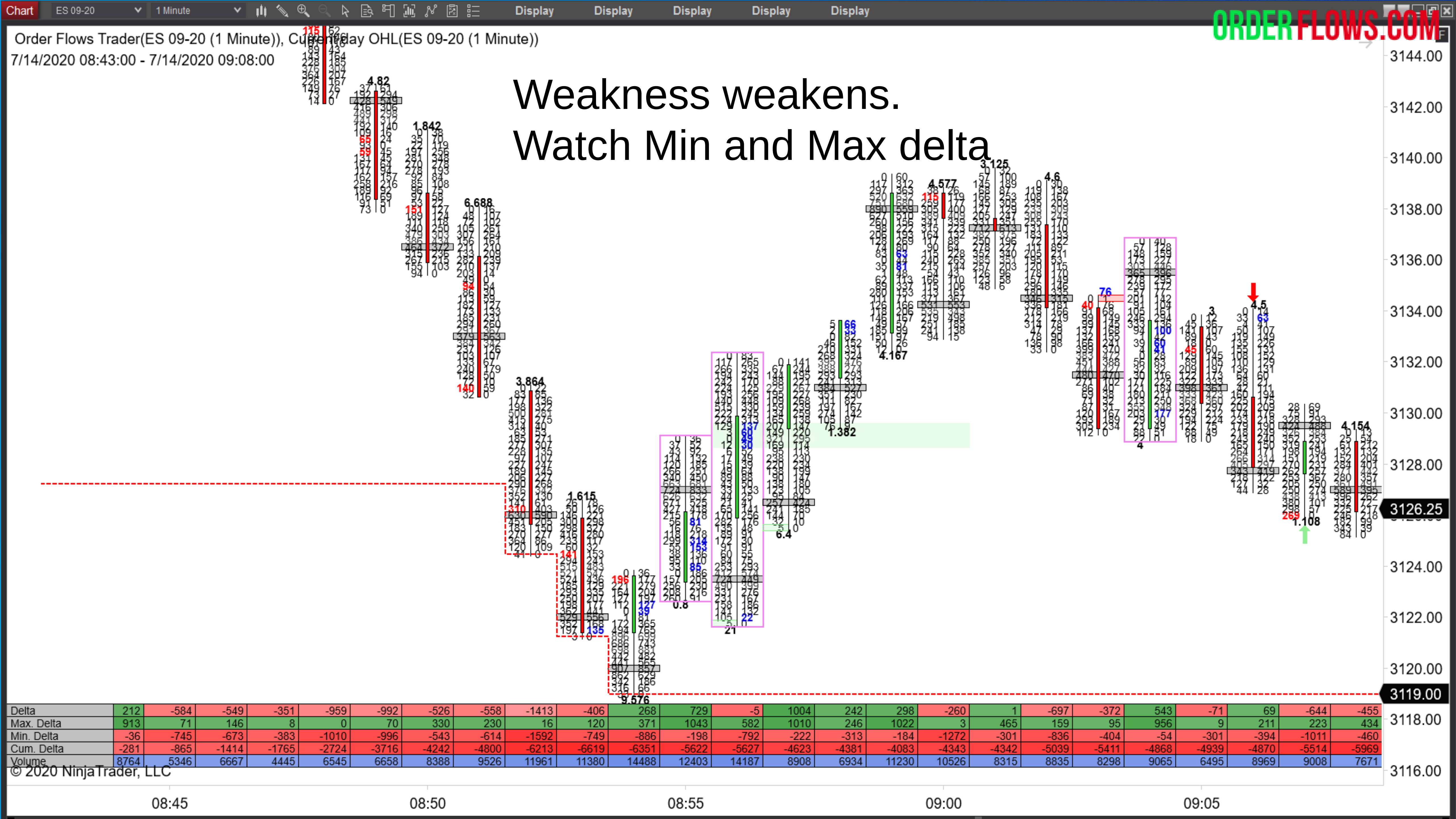
Strength – Look at Max and Min Delta



Delta	-34	822	-825	196	145	99	164	817	-973	-296	-889	884	-1127	-957	-430	967	721	-204	-367	-886	1117	276	-433	-608	-1309	-345
Max. Delta	5	852	250	208	188	784	671	817	233	447	244	906	242	0	539	996	797	222	460	0	1122	280	3	360	27	618
Min. Delta	-336	-59	-837	-174	-294	0	-126	0	-1128	-298	-952	-17	-1133	-1415	-434	-204	0	-446	-474	-902	-273	-512	-590	-627	-1323	-347
Cum. Delta	-391	431	-394	-198	-53	46	210	1027	54	-242	-1131	-247	-1374	-2331	-2761	-1794	-1073	-1277	-1644	-2530	-1413	-1137	-1570	-2178	-3487	-3832
Volume	2908	3516	5343	2696	3711	6571	9300	1245	9081	5426	5573	1852	8675	7211	5148	3071	1403	6010	3599	2986	6271	3834	2361	3240	3601	4573

Weakness weakens.

Watch Min and Max delta

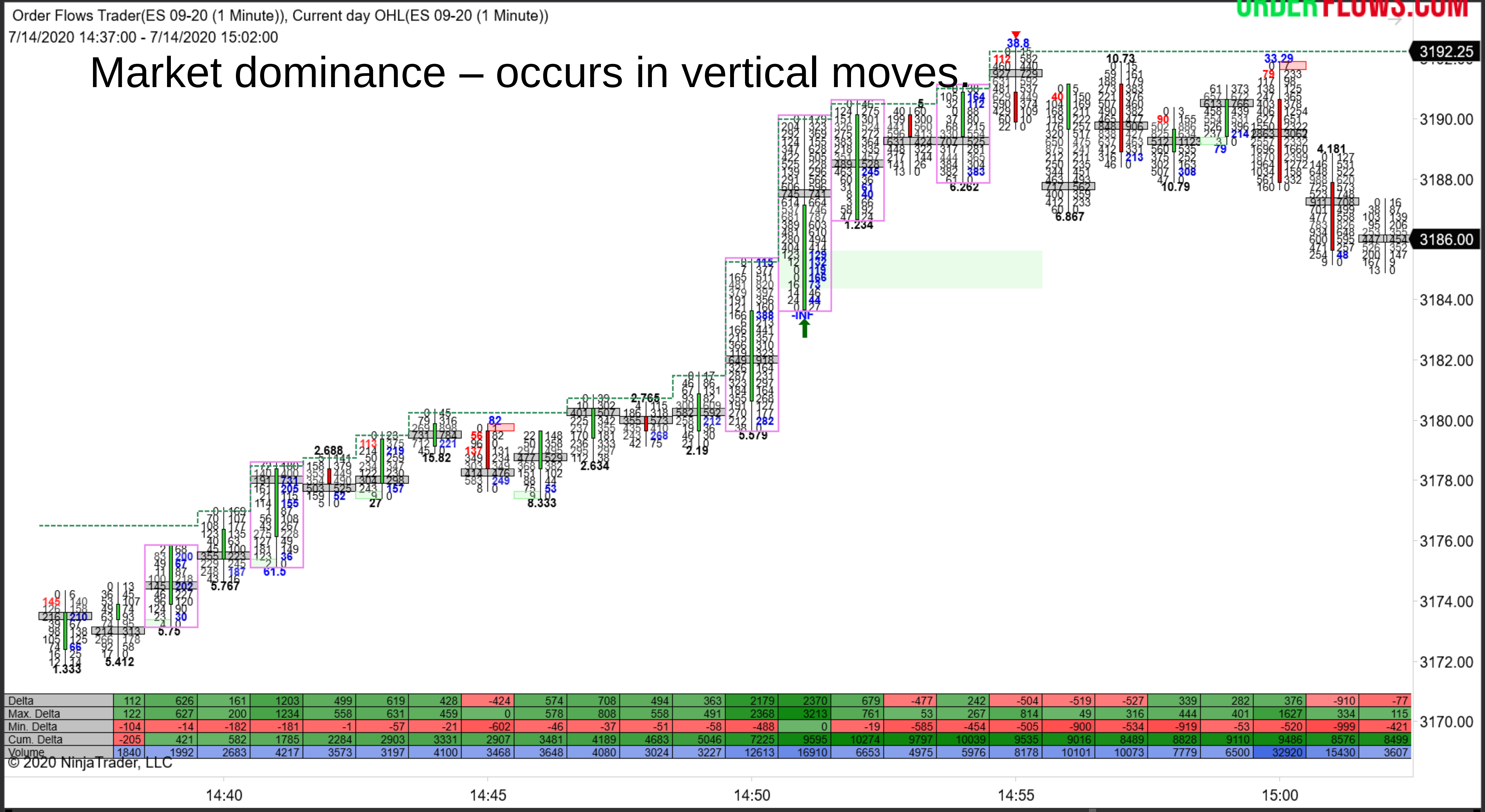


Delta	212	-584	-549	-351	-959	-992	-526	-558	-1413	-406	268	729	-5	1004	242	298	-260	1	-697	-372	543	-71	69	-644	-455
Max. Delta	913	71	146	8	0	70	330	230	16	120	371	1043	582	1010	246	1022	3	465	159	95	956	9	211	223	434
Min. Delta	-36	-745	-673	-383	-1010	-996	-543	-614	-1592	-749	-886	-198	-792	-222	-313	-184	-1272	-301	-836	-404	-54	-301	-394	-1011	-460
Cum. Delta	-281	-865	-1414	-1765	-2724	-3716	-4242	-4800	-6213	-6619	-6351	-5622	-5627	-4623	-4381	-4083	-4343	-4342	-5039	-5411	-4868	-4939	-4870	-5514	-5969
Volume	8764	5346	6667	4445	6545	6658	8388	9526	11961	11380	14488	12403	14187	8908	6934	11230	10526	8315	8835	8298	9065	6495	8969	9008	7671

Market dominance – occurs in vertical moves.

Watch the Max Delta and Min Delta. It is often one-sided.

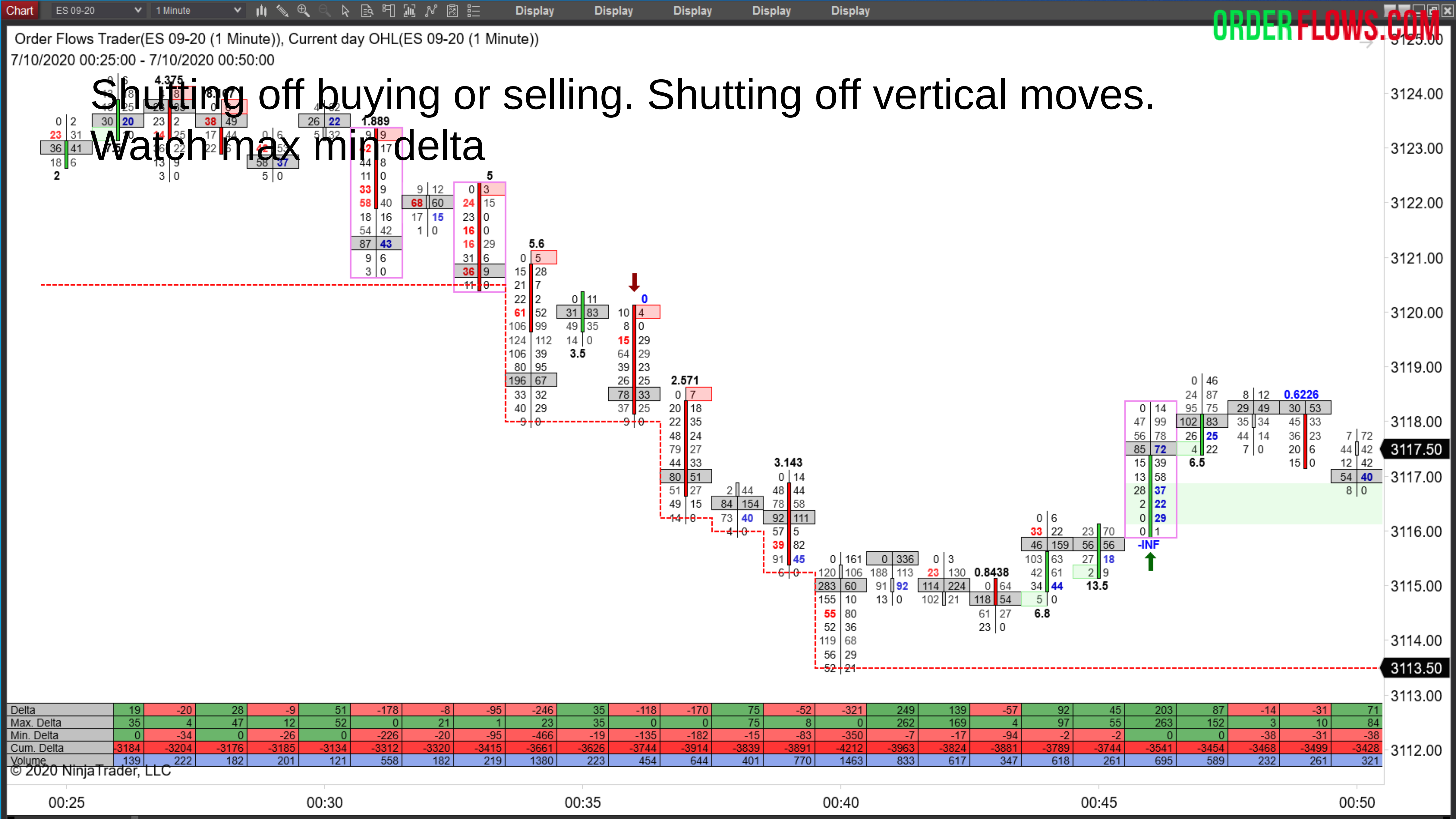
Market dominance – occurs in vertical moves.



Delta	112	626	161	1203	499	619	428	-424	574	708	494	363	2179	2370	679	-477	242	-504	-519	-527	339	282	376	-910	-77
Max. Delta	122	627	200	1234	558	631	459	0	578	808	558	491	2368	3213	761	53	267	814	49	316	444	401	1627	334	115
Min. Delta	-104	-14	-182	-181	-1	-57	-21	-602	-46	-37	-51	-58	-488	0	-19	-585	-454	-505	-900	-534	-919	-53	-520	-999	-421
Cum. Delta	-205	421	582	1785	2284	2903	3331	2907	3481	4189	4683	5046	7225	9595	10274	9797	10039	9535	9016	8489	8828	9110	9486	8576	8499
Volume	1840	1992	2683	4217	3573	3197	4100	3468	3648	4080	3024	3227	12613	16910	6653	4975	5976	8178	10101	10073	7779	6500	32920	15430	3607

Shutting off buying or selling. Shutting off vertical moves.

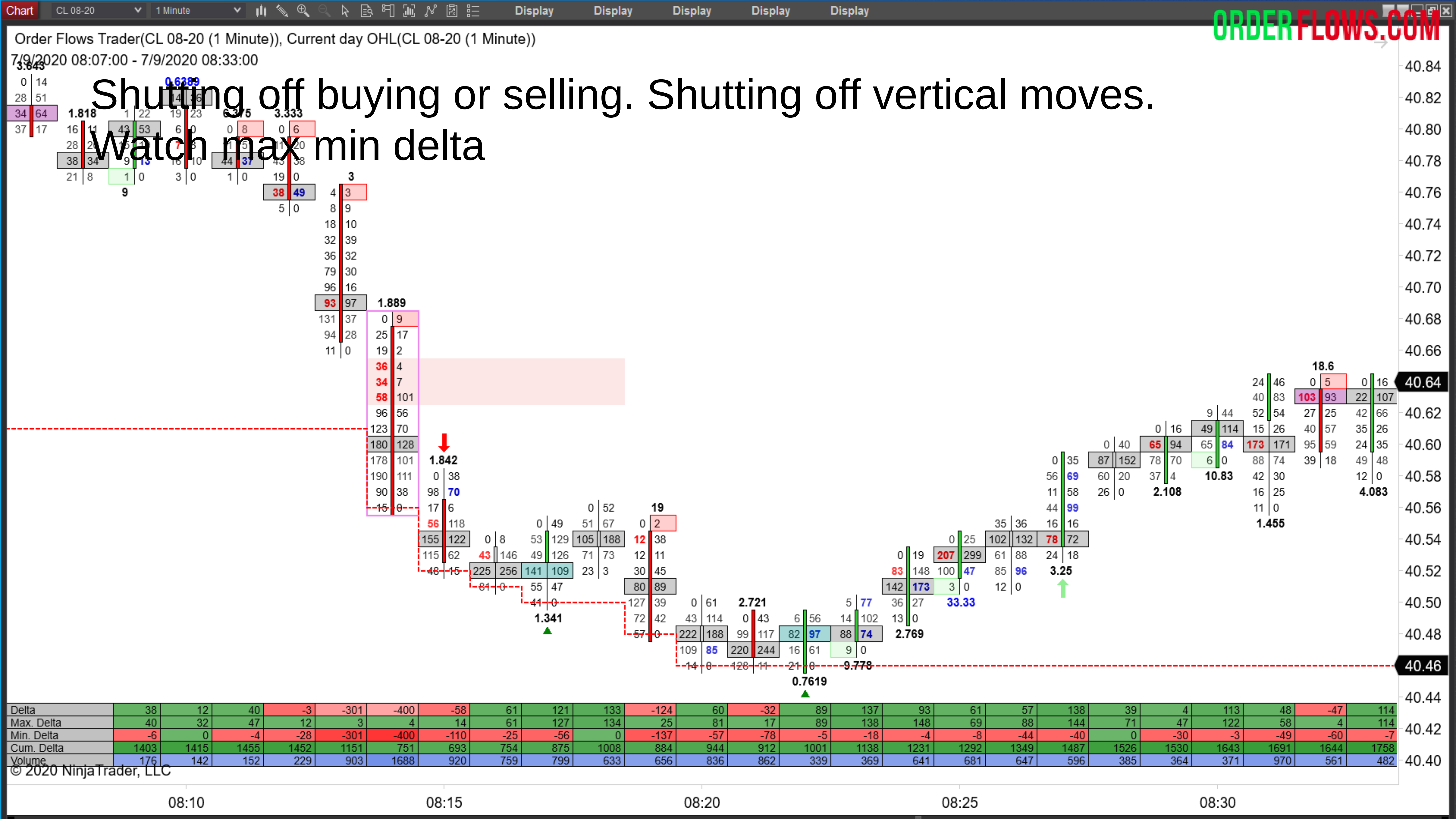
Watch max min delta



Delta	19	-20	28	-9	51	-178	-8	-95	-246	35	-118	-170	75	-52	-321	249	139	-57	92	45	203	87	-14	-31	71
Max. Delta	35	4	47	12	52	0	21	1	23	35	0	0	75	8	0	262	169	4	97	55	263	152	3	10	84
Min. Delta	0	-34	0	-26	0	-226	-20	-95	-466	-19	-135	-182	-15	-83	-350	-7	-17	-94	-2	-2	0	0	-38	-31	-38
Cum. Delta	-3184	-3204	-3176	-3185	-3134	-3312	-3320	-3415	-3661	-3626	-3744	-3914	-3839	-3891	-4212	-3963	-3824	-3881	-3789	-3744	-3541	-3454	-3468	-3499	-3428
Volume	139	222	182	201	121	558	182	219	1380	223	454	644	401	770	1463	833	617	347	618	261	695	589	232	261	321

Shutting off buying or selling. Shutting off vertical moves.

Watch max min delta



Delta	38	12	40	-3	-301	-400	-58	61	121	133	-124	60	-32	89	137	93	61	57	138	39	4	113	48	-47	114
Max. Delta	40	32	47	12	3	4	14	61	127	134	25	81	17	89	138	148	69	88	144	71	47	122	58	4	114
Min. Delta	-6	0	-4	-28	-301	-400	-110	-25	-56	0	-137	-57	-78	-5	-18	-4	-8	-44	-40	0	-30	-3	-49	-60	-7
Cum. Delta	1403	1415	1455	1452	1151	751	693	754	875	1008	884	944	912	1001	1138	1231	1292	1349	1487	1526	1530	1643	1691	1644	1758
Volume	176	142	152	229	903	1688	920	759	799	633	656	836	862	339	369	641	681	647	596	385	364	371	970	561	482

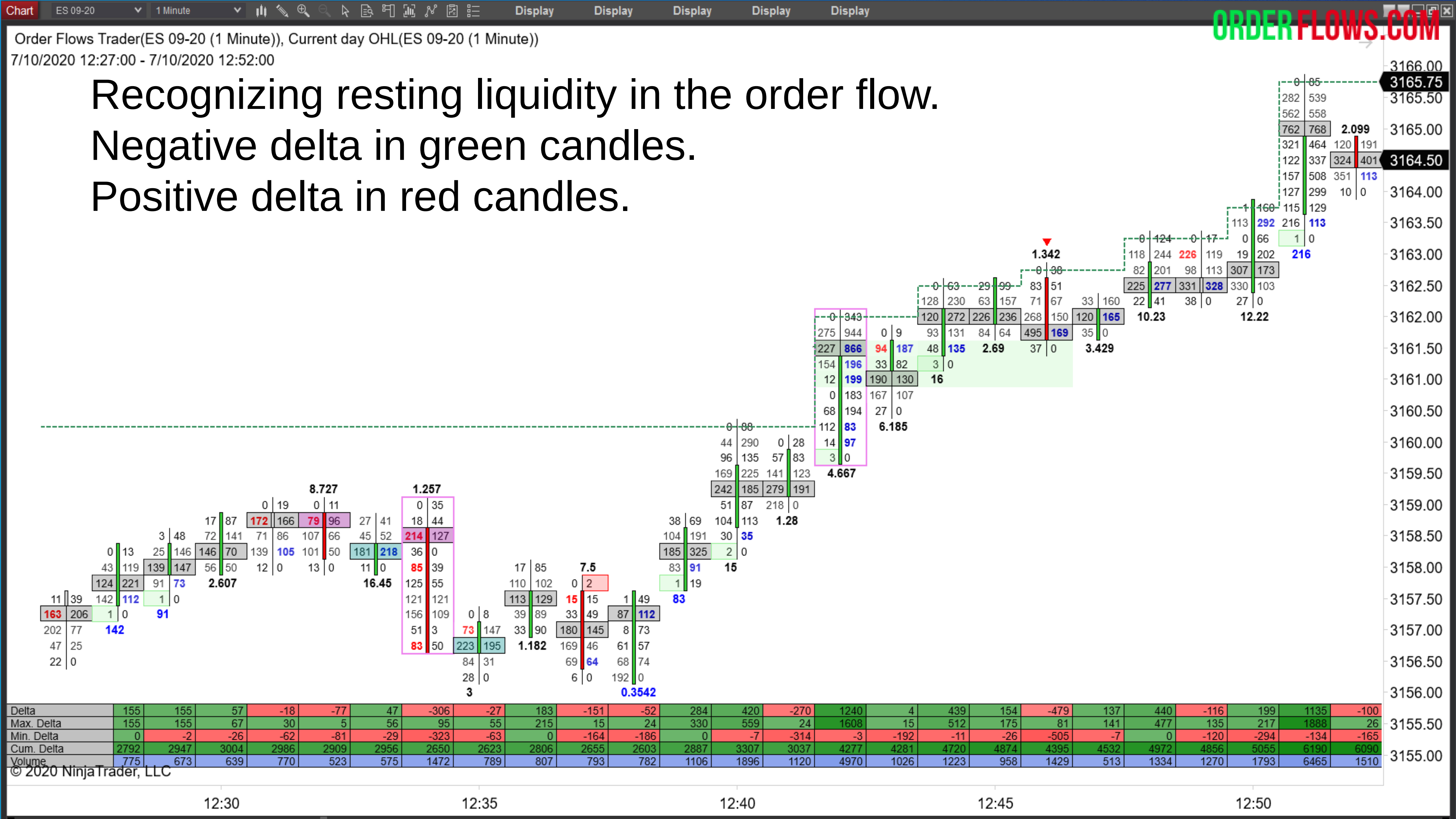
In vertical moves you often see what you don’t expect in terms of price action in relation to delta.

Normally you expect to see up bars with positive delta, but often you see up bars with negative delta.

Conversely, you expect to see down red candles with negative delta, but often you see down red candles with positive delta.

This is a form of resting liquidity support the market on the way up or offering resistance on the way down.

Recognizing resting liquidity in the order flow.
Negative delta in green candles.
Positive delta in red candles.

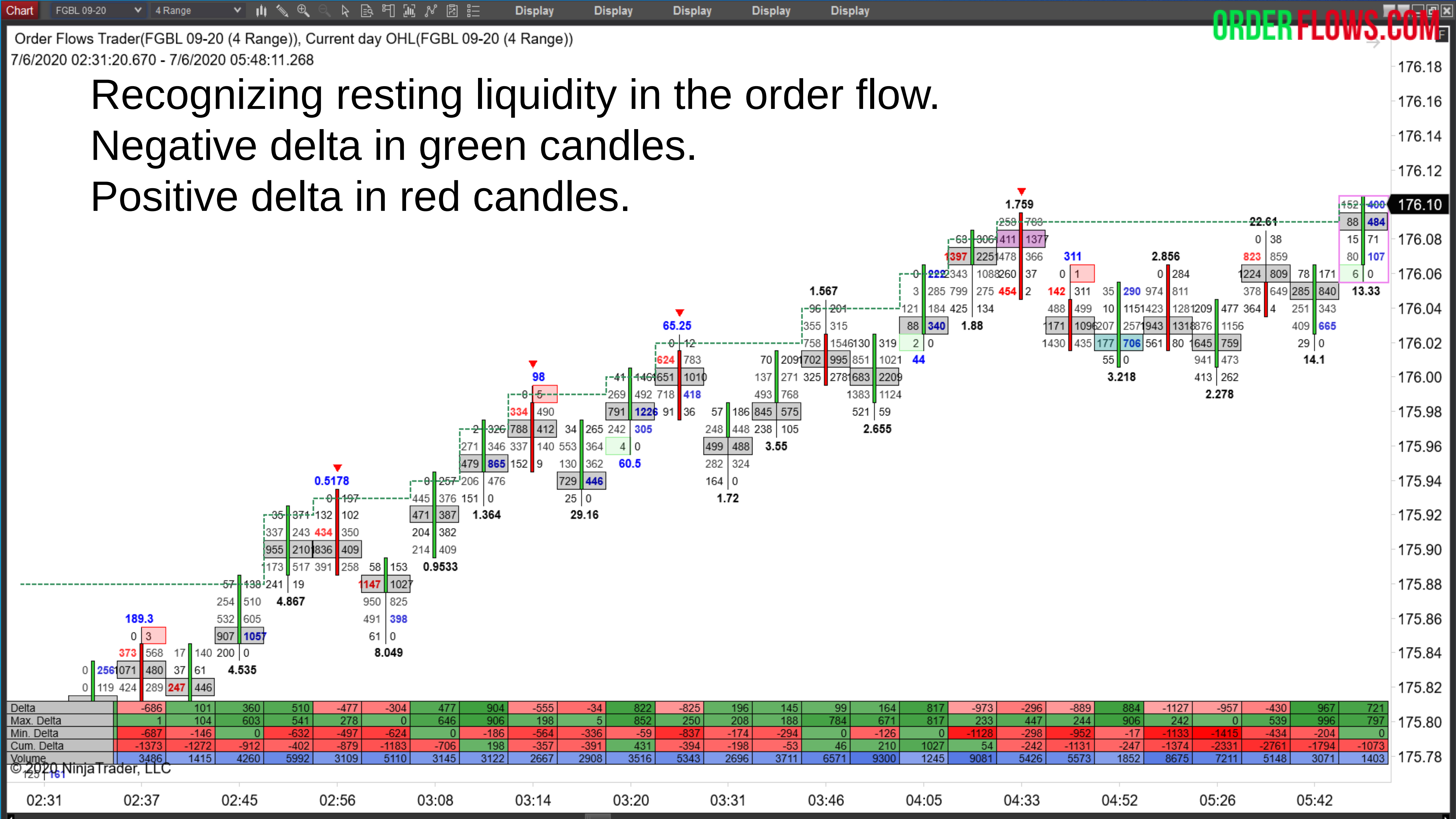


Delta	155	155	57	-18	-77	47	-306	-27	183	-151	-52	284	420	-270	1240	4	439	154	-479	137	440	-116	199	1135	-100
Max. Delta	155	155	67	30	5	56	95	55	215	15	24	330	559	24	1608	15	512	175	81	141	477	135	217	1888	26
Min. Delta	0	-2	-26	-62	-81	-29	-323	-63	0	-164	-186	0	-7	-314	-3	-192	-11	-26	-505	-7	0	-120	-294	-134	-165
Cum. Delta	2792	2947	3004	2986	2909	2956	2650	2623	2806	2655	2603	2887	3307	3037	4277	4281	4720	4874	4395	4532	4972	4856	5055	6190	6090
Volume	775	673	639	770	523	575	1472	789	807	793	782	1106	1896	1120	4970	1026	1223	958	1429	513	1334	1270	1793	6465	1510

Recognizing resting liquidity in the order flow.

Negative delta in green candles.

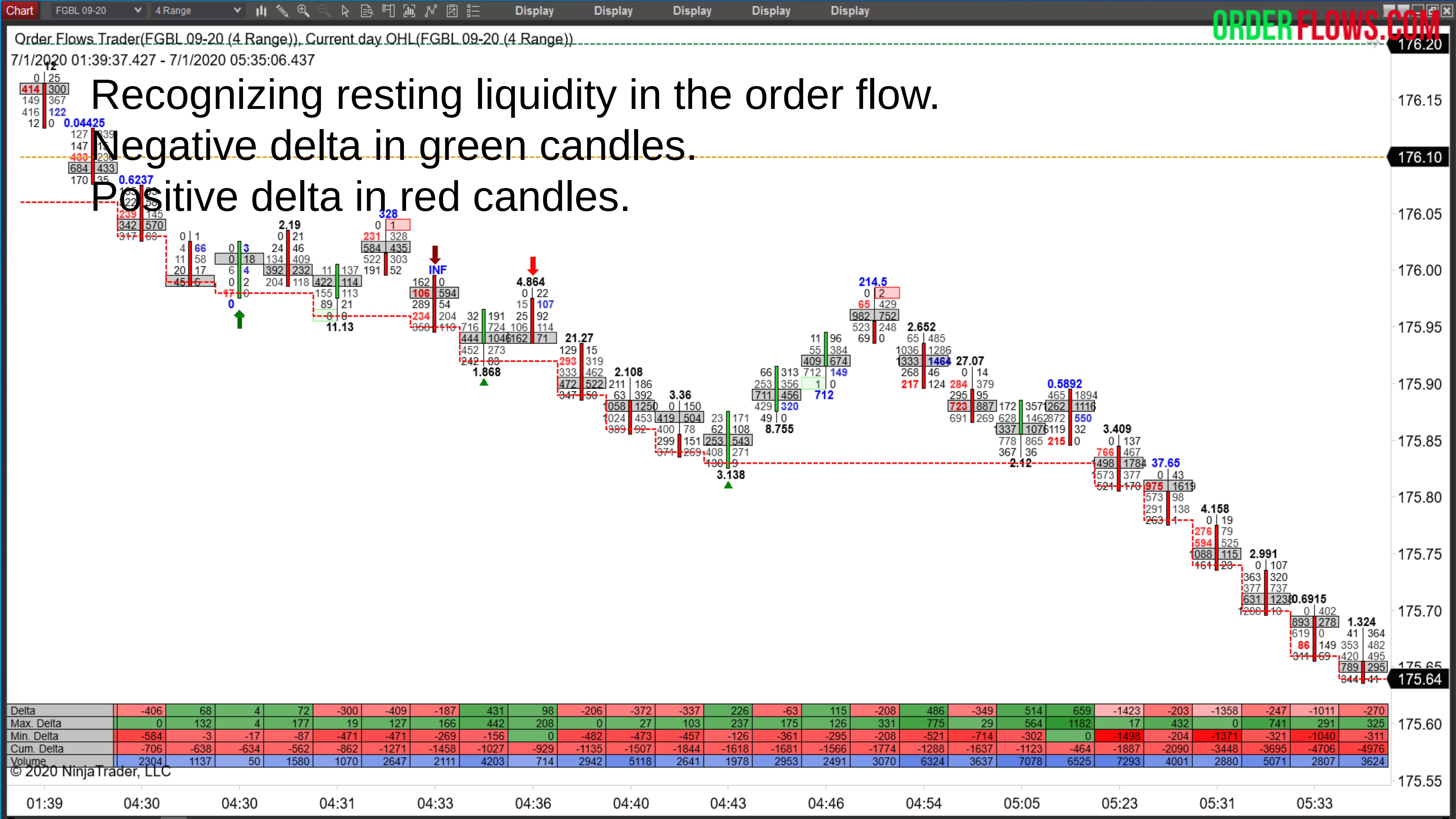
Positive delta in red candles.



Recognizing resting liquidity in the order flow.

Negative delta in green candles.

Positive delta in red candles.



Vertical moves offer great profit potential compared to markets that are trading horizontally. By now you should be able to identify vertical movements when they are underway and more importantly when they are ending.

This concludes Module 4. In Module 5 we will discuss fresh money in the order flow.