

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.

All markets rotate.

What is a rotation? Earlier I talked about vertical and horizontal markets. Markets tend to rotate more in horizontal market conditions than vertical. A lot of traders think when a market goes sideways it is rotating.

Market rotations give traders opportunity to get into trades at good levels.

Traders often get caught offside in rotations.

For example, if ES has a rotation of 3.5 points, 14 ticks. The market moves up 10 points and then starts selling off 2 points, 3 points, and you think the move is over and you get short at 3 points or worse, 3.5 points from the high and then BAM, the market reverses and starts going higher again. You got caught in a rotation.

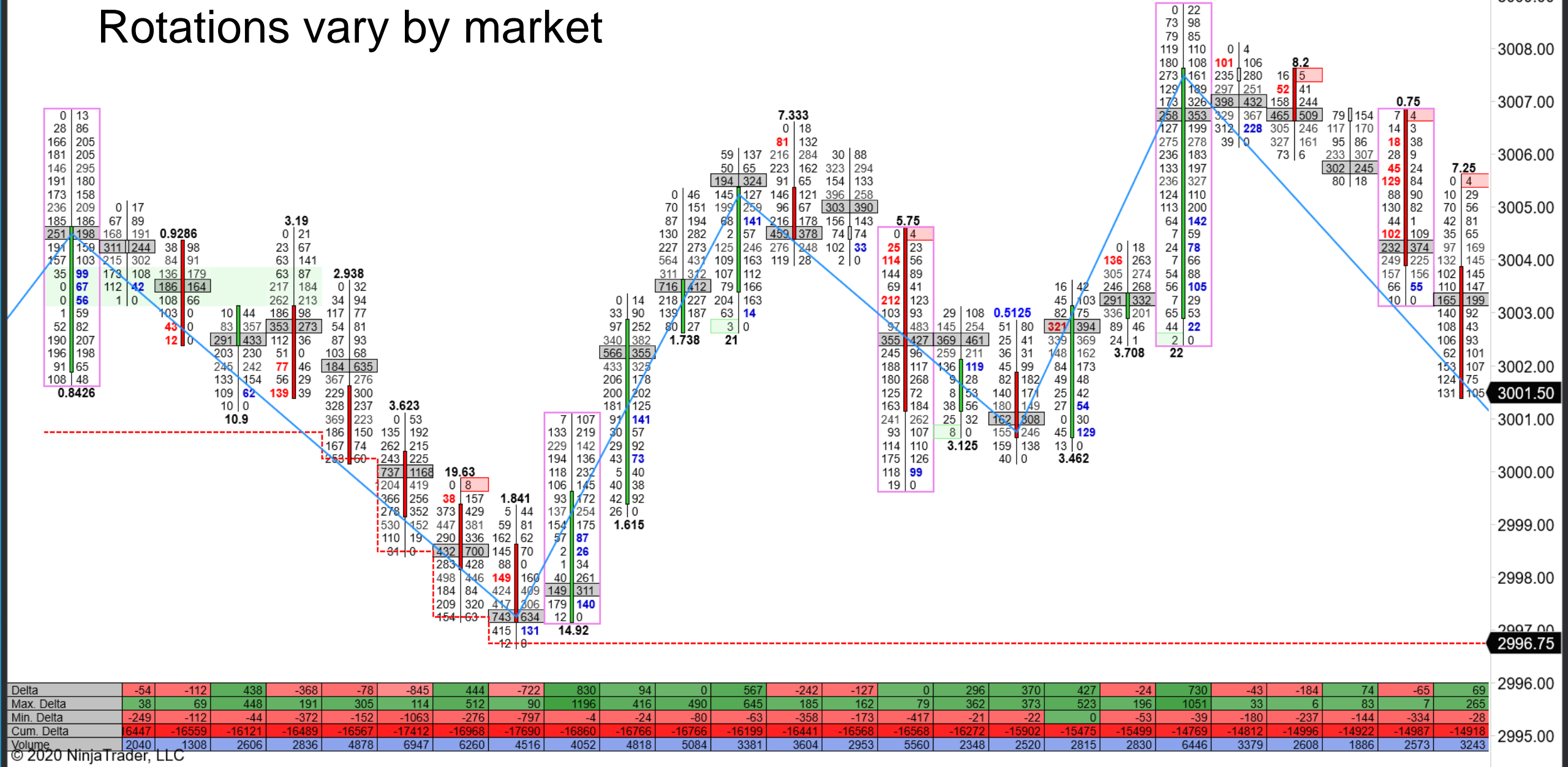
All markets rotate. Knowing the rotation will help keep you out of bad trades as well as help you know when to get into trades.

How do you know a market's rotation?

A tool to use is the Zig Zag indicator.

Order Flows Trader(ES 09-20 (1 Minute)), Current day OHL(ES 09-20 (1 Minute)), Zig zag(ES 09-20 (1 Minute),Points,1,false)
6/26/2020 13:41:00 - 6/26/2020 14:06:00

Rotations vary by market

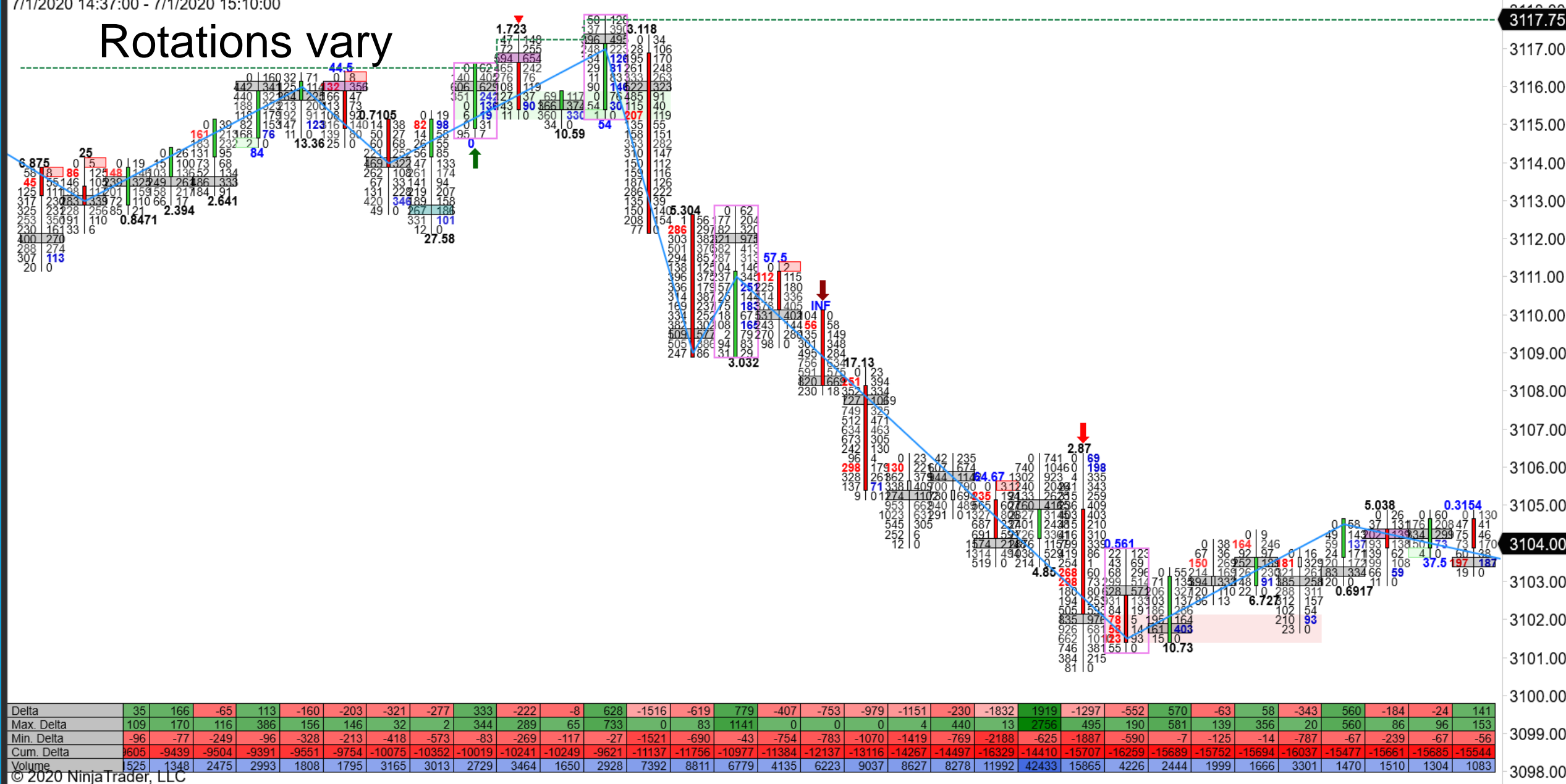


Where traders get mixed up in intra-day rotations occurs when they start thinking a market must adhere to its average rotation.

For example, say the ES has an average rotation of 3.5 points. But after 4 points it hasn't rotated, then 6 points, then 8 points and finally around 10 points it rotates back 3.5 – 4 points. Rotations are not set in stone.

Order Flows Trader(ES 09-20 (1 Minute)), Current day OHL(ES 09-20 (1 Minute)), Zig zag(ES 09-20 (1 Minute),Points,1,false)
7/1/2020 14:37:00 - 7/1/2020 15:10:00

Rotations vary



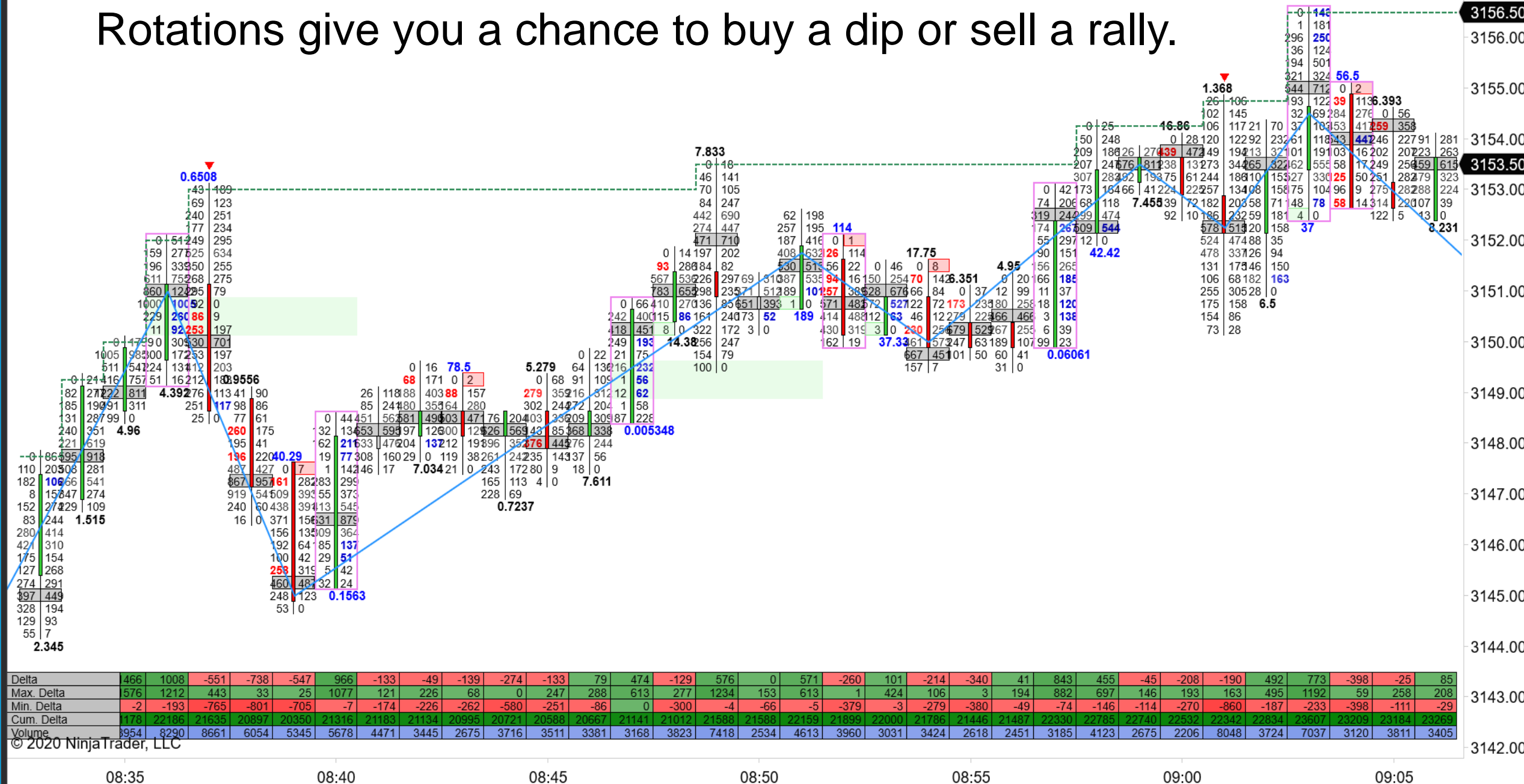
Traders often struggle on where to get in on a prevailing trend, by understanding rotations a trader can more easily enter a trend move because market rarely move in a straight line.

Rotations give you a chance to buy a dip or sell a rally.

7/2/2020 08:33:00 - 7/2/2020 09:06:00

Delta	466	1008	-551	-738	-547	966	-133	-49	-139	-274	-133	79	474	-129	576	0	571	-260	101	-214	-340	41	843	455	-45	-208	-190	492	773	-398	-25	85
Max. Delta	576	1212	443	33	25	1077	121	226	68	0	247	288	613	277	1234	153	613	1	424	106	3	194	882	697	146	193	163	495	1192	59	258	208
Min. Delta	-2	-193	-765	-801	-705	-7	-174	-226	-262	-580	-251	-86	0	-300	-4	-66	-5	-379	-3	-279	-380	-49	-74	-146	-114	-270	-860	-187	-233	-398	-111	-29
Cum. Delta	1178	22186	21635	20897	20350	21316	21183	21134	20995	20721	20588	20667	21141	21012	21588	21588	22159	21899	22000	21786	21446	21487	22330	22785	22740	22532	22342	22834	23607	23209	23184	23269
Volume	8954	8290	8661	6054	5345	5678	4471	3445	2675	3716	3511	3381	3168	3823	7418	2534	4613	3960	3031	3424	2618	2451	3185	4123	2675	2206	8048	3724	7037	3120	3811	3405

© 2020 NinjaTrader, LLC



7/2/2020 10:09:00 - 7/2/2020 10:42:00

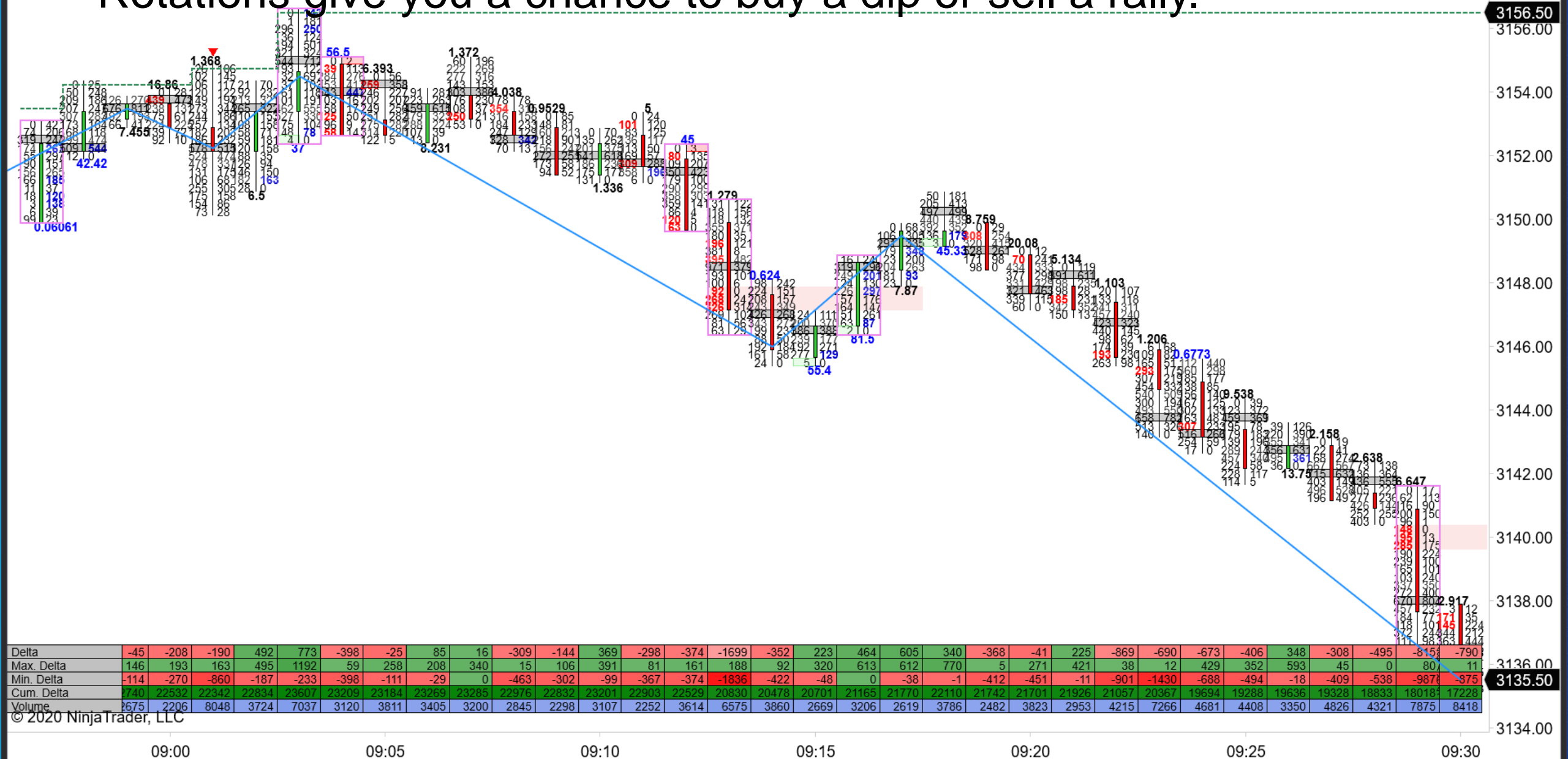
Rotations give you a chance to buy a dip or sell a rally.



Order Flows Trader(ES 09-20 (1 Minute)), Current day OHL(ES 09-20 (1 Minute)), Zig zag(ES 09-20 (1 Minute),Points,1,false)

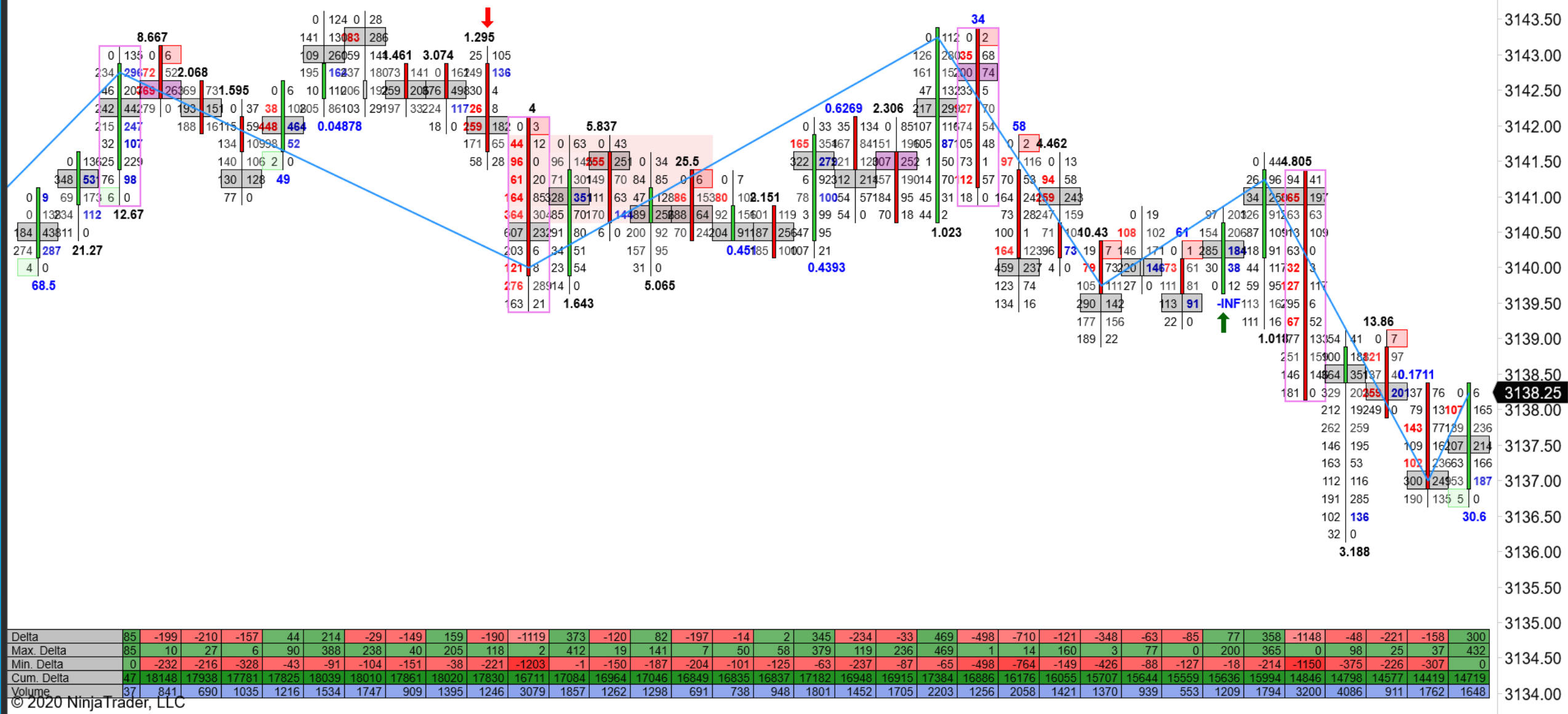
7/2/2020 08:57:00 - 7/2/2020 09:30:00

Rotations give you a chance to buy a dip or sell a rally.



7/2/2020 13:31:00 - 7/2/2020 14:06:00

Rotations give you a chance to buy a dip or sell a rally.



Rotations occur is a trend all the time. Think of rotations like this - There are forces in nature that we just cannot fight such as the current tide of the ocean, it is either coming in or going out. Yet during the different tides, there are waves approaching the beach or receding from the beach. But when you want to go into the water and swim, you time your entry on what the waves are doing, you usually go into the water when the wave is receding even though the tide may be coming in (rising). Suppose the tide is going out and the wave is receding and you are going into to water, you can find yourself further out in the water than you want and you will want to use a wave going in to the beach to bring you back to safety.

Substitute the tide for the prevailing trend in the market and substitute the waves for the market rotations. Where traders often get lost is watching the rotations and mistaking them for the prevailing trend.

Long term traders are focused on the prevailing trend in the market and ideally enter on rotations.

Short term traders are focused on the rotations, but need to be aware of the prevailing trend.

Rotations – when a market sells off from an intraday high by a certain amount of points, that high will not be tested again on that day. What happens is the market goes sideways or lower. The reverse is true when the market rallies from an intraday low. When a market moves from the low by certain amount of points, the low is in for the day. Get out of any shorts.

Zig zag(ES 09-20 (1 Minute),Points,1,false), Current day OHL(ES 09-20 (1 Minute))
7/13/2020 09:20:00 - 7/13/2020 13:46:00

Rotations away from a high.



Zig zag(ES 09-20 (1 Minute),Points,1,false), Current day OHL(ES 09-20 (1 Minute))
7/10/2020 08:13:00 - 7/10/2020 15:45:00

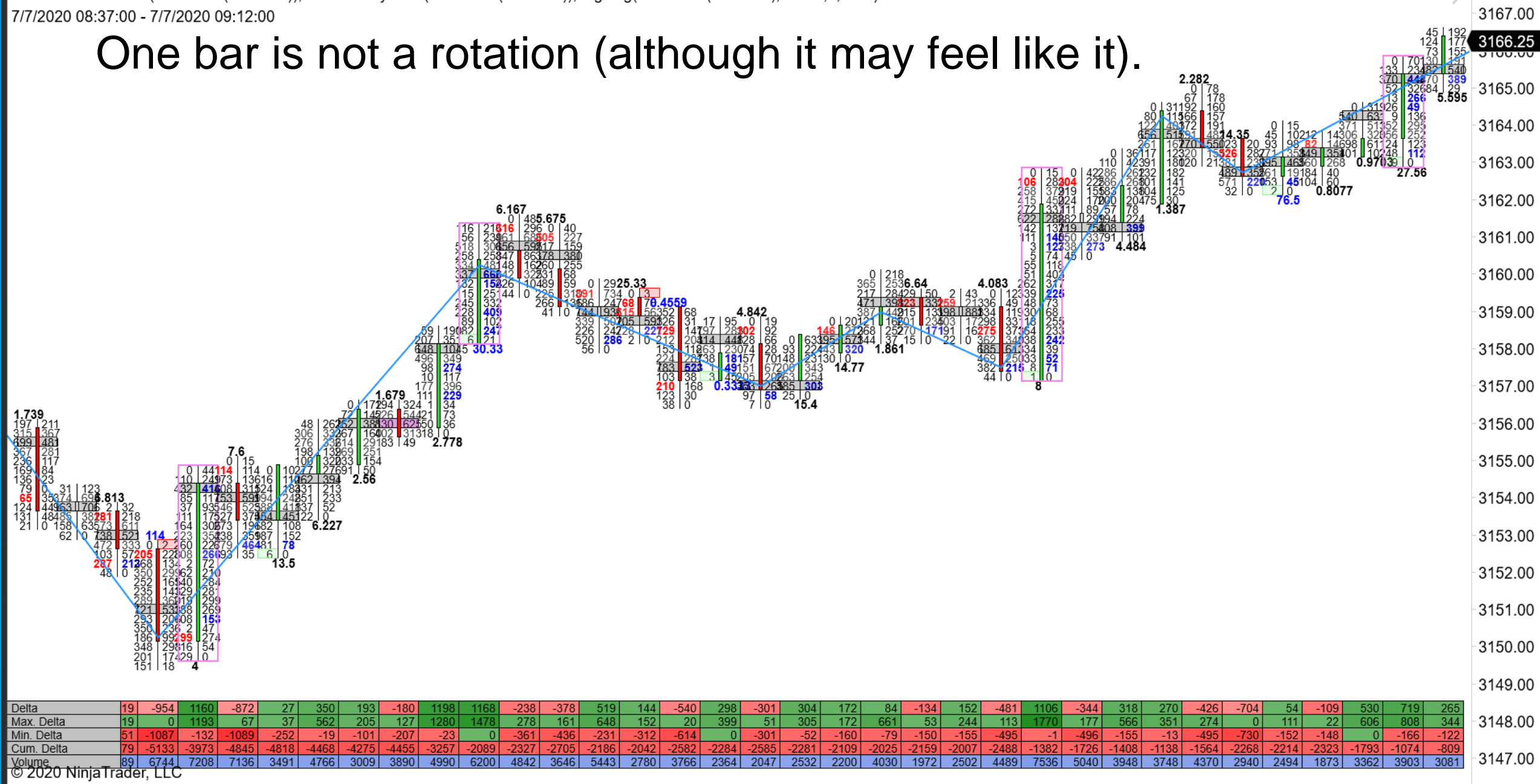
Rotations away from a high.



When looking for a potential high, most traders look for the reversal bar. A single bar to signal a reversal. But a single bar can be misleading, often you have to look at the bar after the high is made and combine it together.

7/7/2020 08:37:00 - 7/7/2020 09:12:00

One bar is not a rotation (although it may feel like it).



Delta	19	-954	1160	-872	27	350	193	-180	1198	1168	-238	-378	519	144	-540	298	-301	304	172	84	-134	152	-481	1106	-344	318	270	-426	-704	54	-109	530	719	265
Max. Delta	19	0	1193	67	37	562	205	127	1280	1478	278	161	648	152	20	399	51	305	172	661	53	244	113	1770	177	566	351	274	0	111	22	606	808	344
Min. Delta	51	-1087	-132	-1089	-252	-19	-101	-207	-23	0	-361	-436	-231	-312	-614	0	-301	-52	-160	-79	-150	-155	-495	-1	-496	-155	-13	-495	-730	-152	-148	0	-166	-122
Cum. Delta	79	-5133	-3973	-4845	-4818	-4468	-4275	-4455	-3257	-2089	-2327	-2705	-2186	-2042	-2582	-2284	-2585	-2281	-2109	-2025	-2159	-2007	-2488	-1382	-1726	-1408	-1138	-1564	-2268	-2214	-2323	-1793	-1074	-809
Volume	89	6744	7208	7136	3491	4766	3009	3890	4990	6200	4842	3646	5443	2780	3766	2364	2047	2532	2200	4030	1972	2502	4489	7536	5040	3948	3748	4370	2940	2494	1873	3362	3903	3081

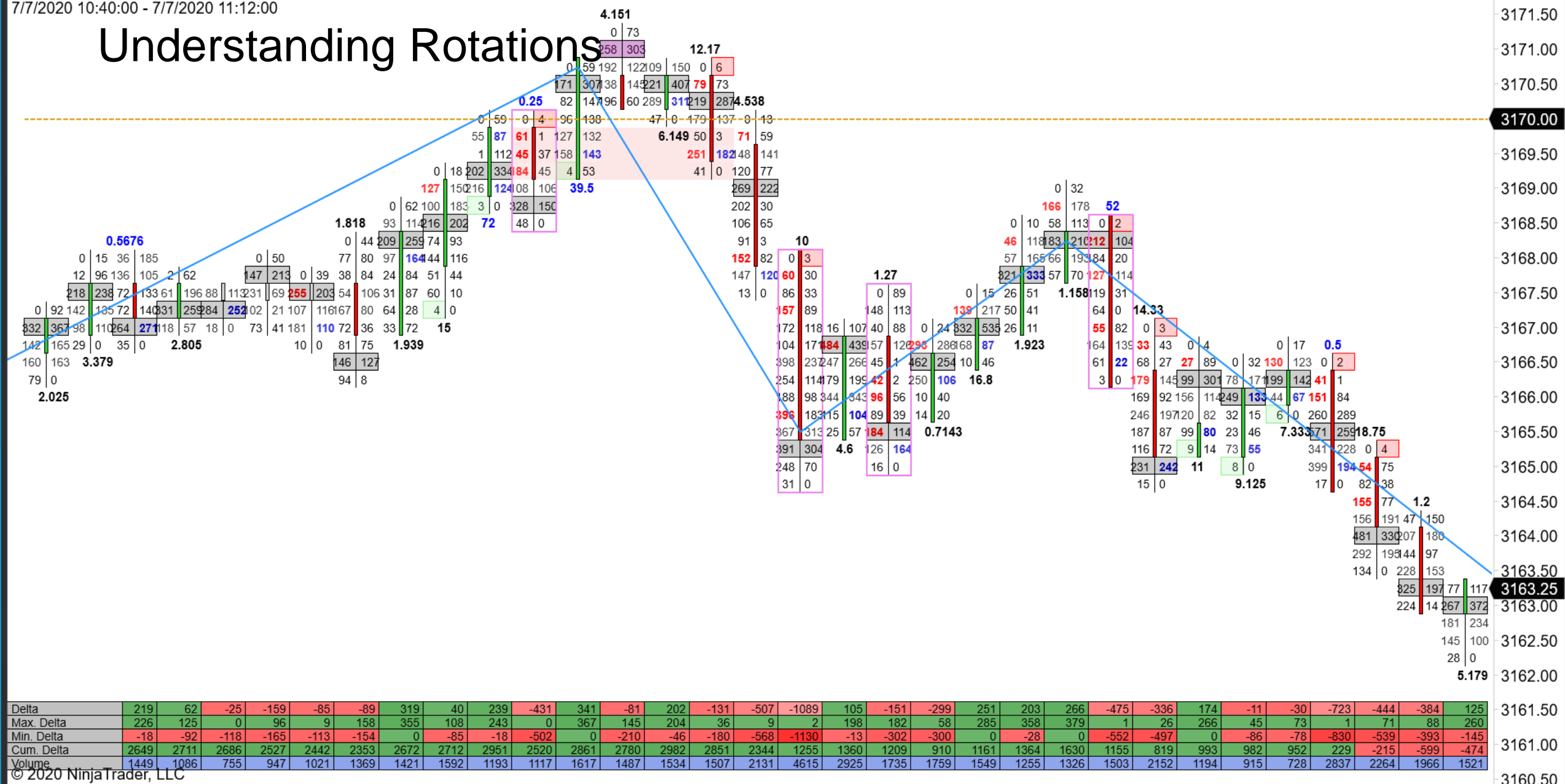
Once you understand rotations you start to see them everywhere, even areas that are not rotating. In other words, times where the market could legitimately be reversing.

How to tell the difference?

Read the order flow. Watch the delta, watch for imbalances, watch for bars that snap back on thin volume in the footprint.

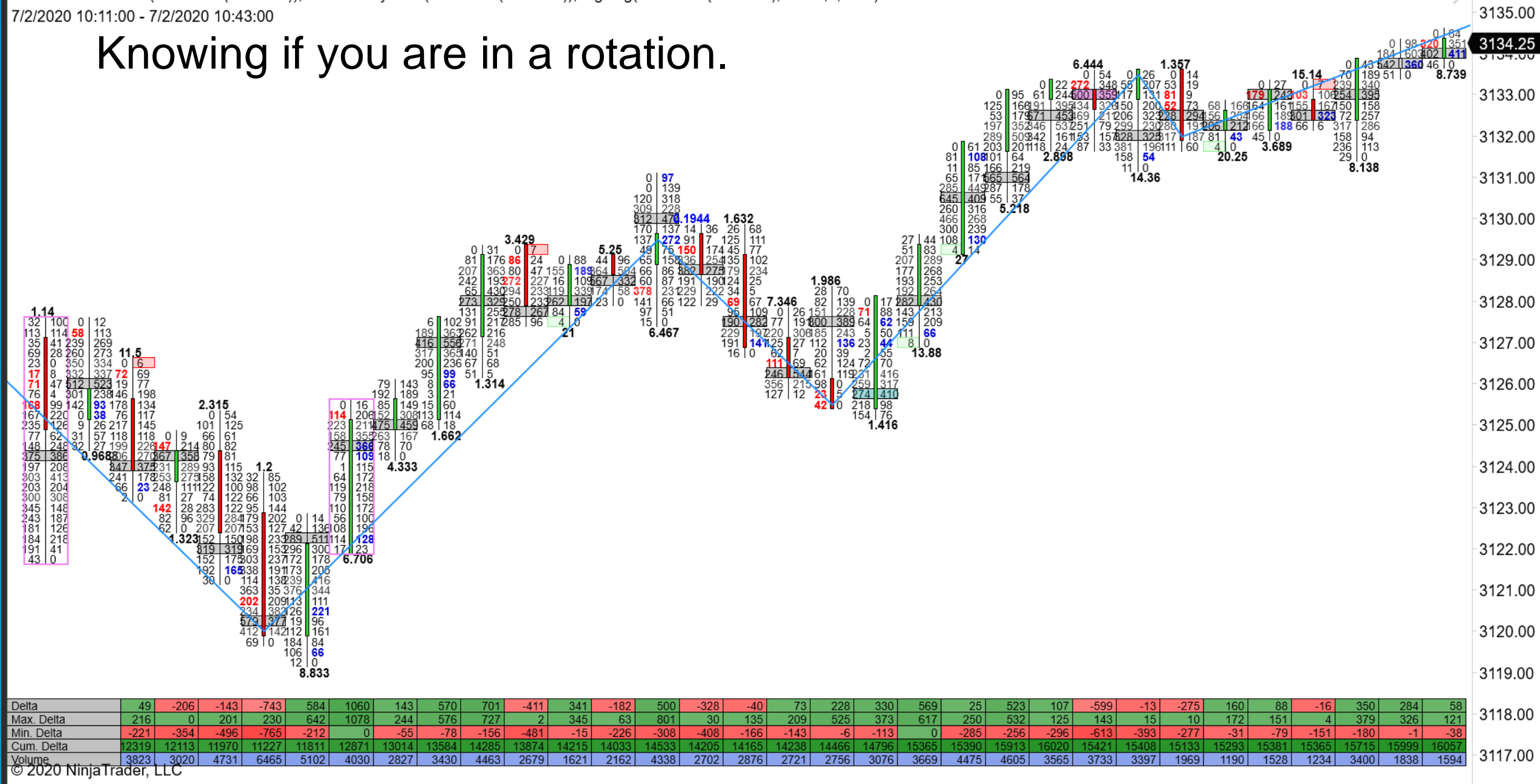
Order Flows Trader(ES 09-20 (1 Minute)), Current day OHL(ES 09-20 (1 Minute)), Zig zag(ES 09-20 (1 Minute)),Points,1,false
7/7/2020 10:40:00 - 7/7/2020 11:12:00

Understanding Rotations



7/2/2020 10:11:00 - 7/2/2020 10:43:00

Knowing if you are in a rotation.



Another way to mark rotations is look for probes (candle wicks).

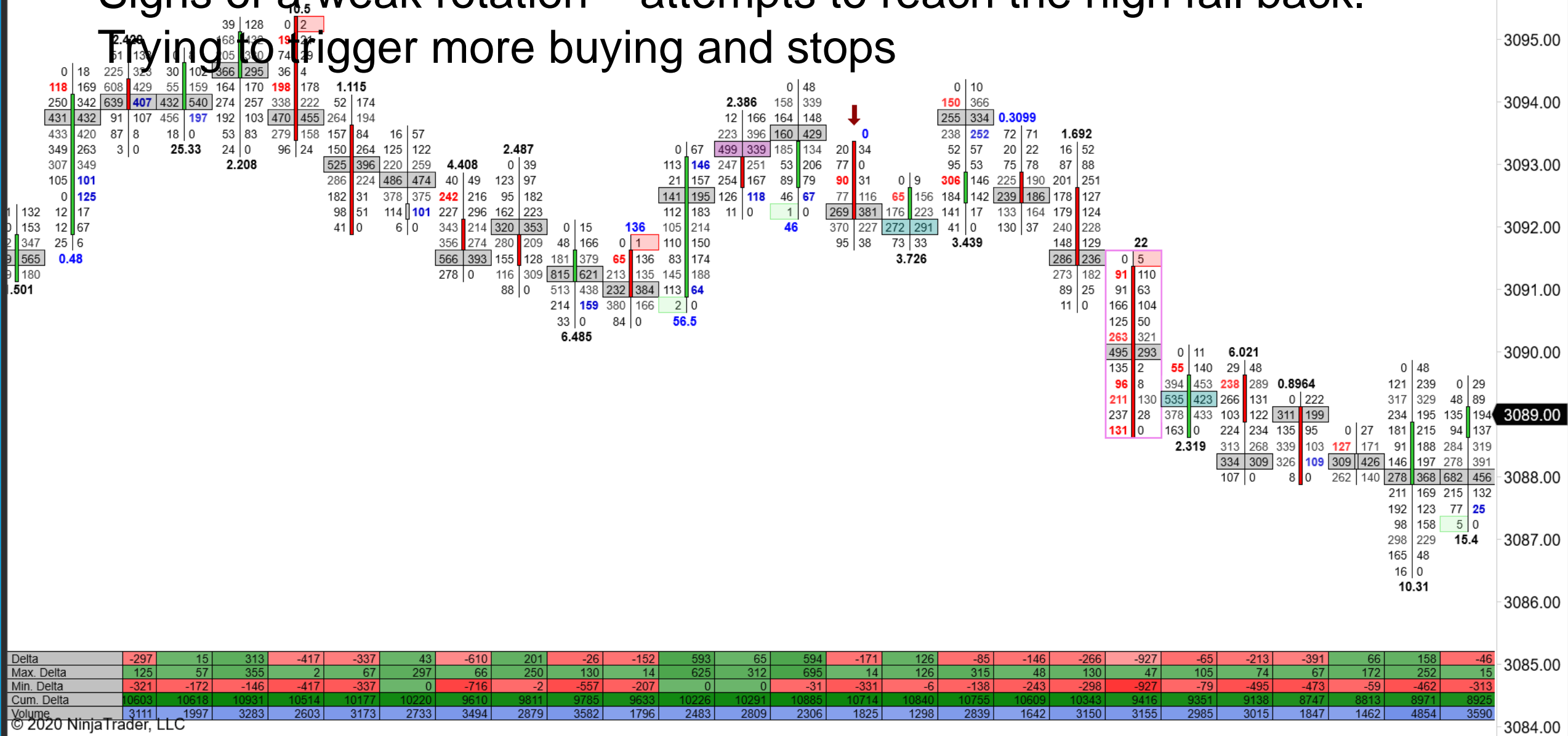
A probe up that comes after a period of weakness, meaning a new high and sideways activity, is a good sign of a market ready to sell off.

Probes Up in downtrends – 2nd attempts to test the high. Chance to shake out weak longs. Optically, it looks like it is about to break loose higher, but when the selling comes it, the 2nd time around the market often falls over. When it has extra heavy volume, it is looks even better.

Order Flows Trader(ES 09-20 (1 Minute)), Current day OHL(ES 09-20 (1 Minute))

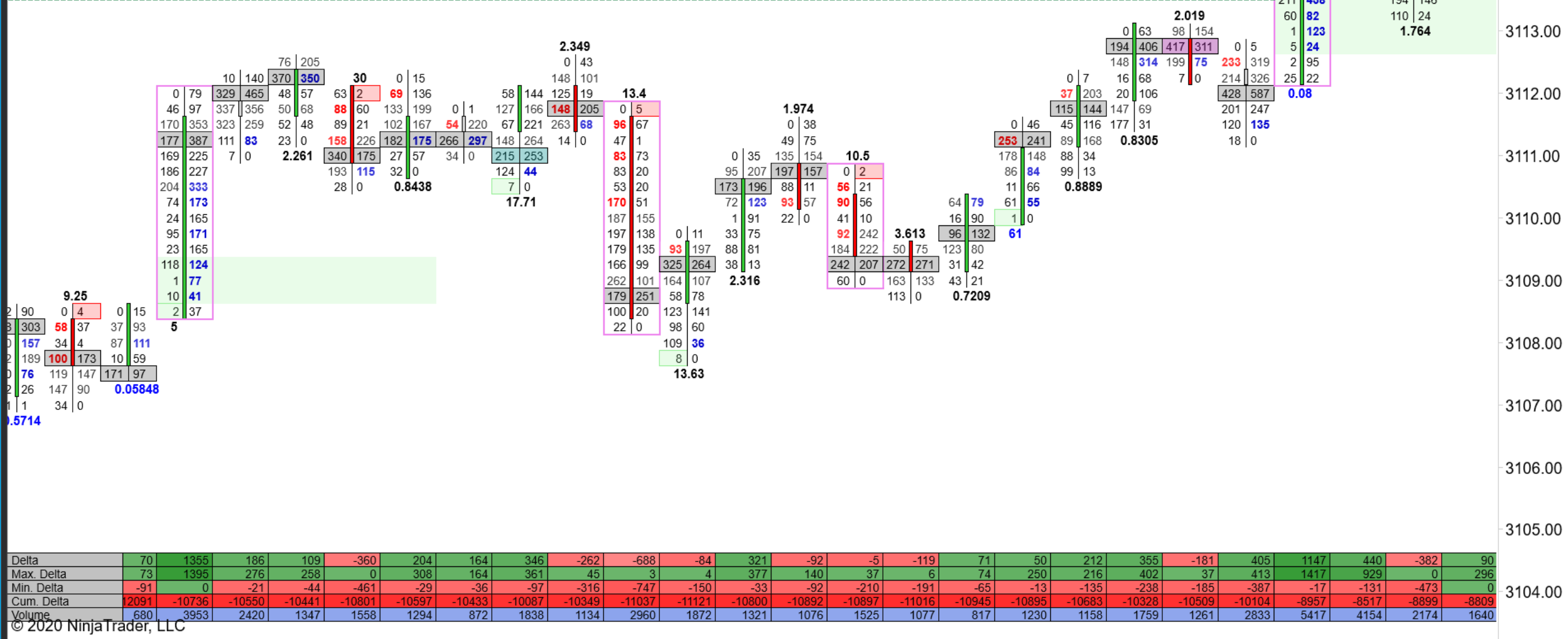
6/22/2020 09:12:00 - 6/22/2020 09:38:00

Signs of a weak rotation – attempts to reach the high fall back. Trying to trigger more buying and stops



7/1/2020 14:02:00 - 7/1/2020 14:28:00

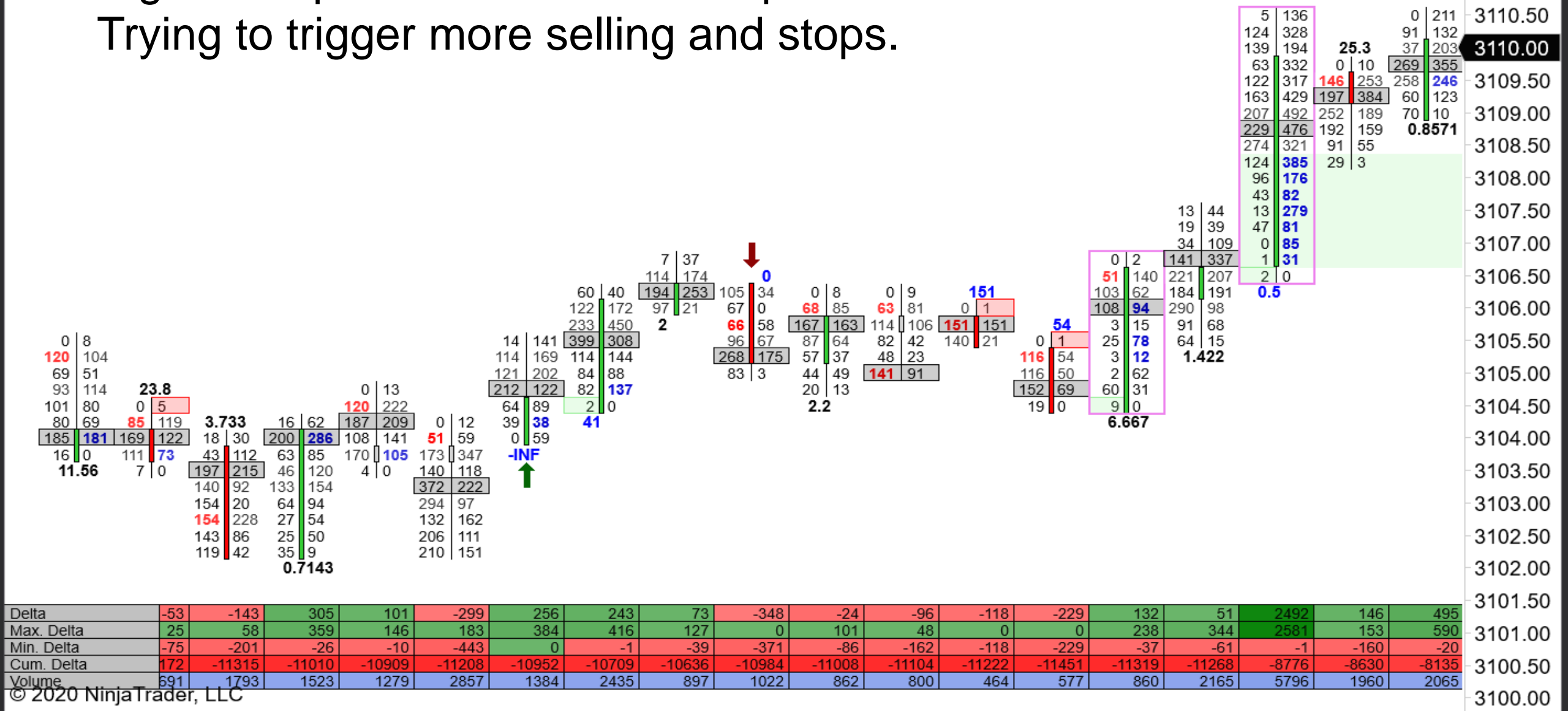
Rotation probe back into an area.



Order Flows Trader(ES 09-20 (1 Minute)), Current day OHL(ES 09-20 (1 Minute))

7/1/2020 12:46:00 - 7/1/2020 13:04:00

Signs of a probe rotation – attempts to reach the low revert back.
Trying to trigger more selling and stops.



Look for these probes AFTER periods of strong selling or strong buying. Look for the up probes after a strong buying move up, what is happening during this move up is institutional selling, there is distribution going occurring. Once supply has been adequately distributed, the selling rotates as it decides which direction to go next, but really the direction is down. The retail traders think the market is just getting primed for a move higher, but in reality, the institutions are just reloading their guns so to speak for more selling.

Rotations – all markets have rotations. Knowing your market's rotation will enable you to work stops and take profits more effectively.

Market do overshoot rotations.

Some traders use pivot points as levels for rotation.

Use Zig Zag indicator to help you see the rotations and become more comfortable in seeing them.

This concludes Module 6. In Module 7 we will discuss recognizing initiative and responsive order flow.