

Disclaimer

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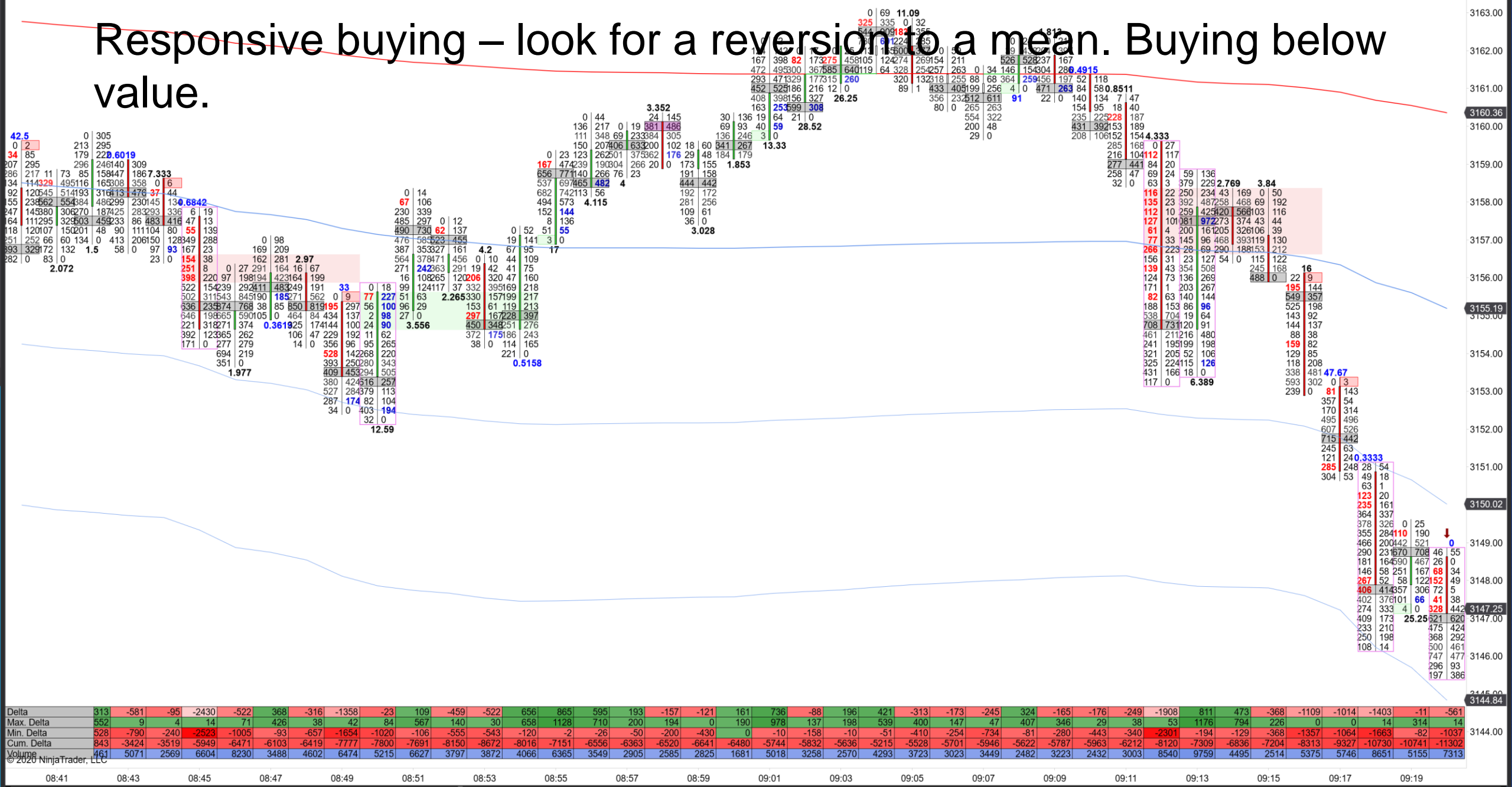
The terms initiative and responsive trading come from Market Profile analysis and define the type of buying or selling occurring in the market and where it occurs.

But the drawback with looking at initiative or responsive activity in Market Profile terms is you spend a lot of time on the sidelines. When you trade order flow you are much more active in the market.

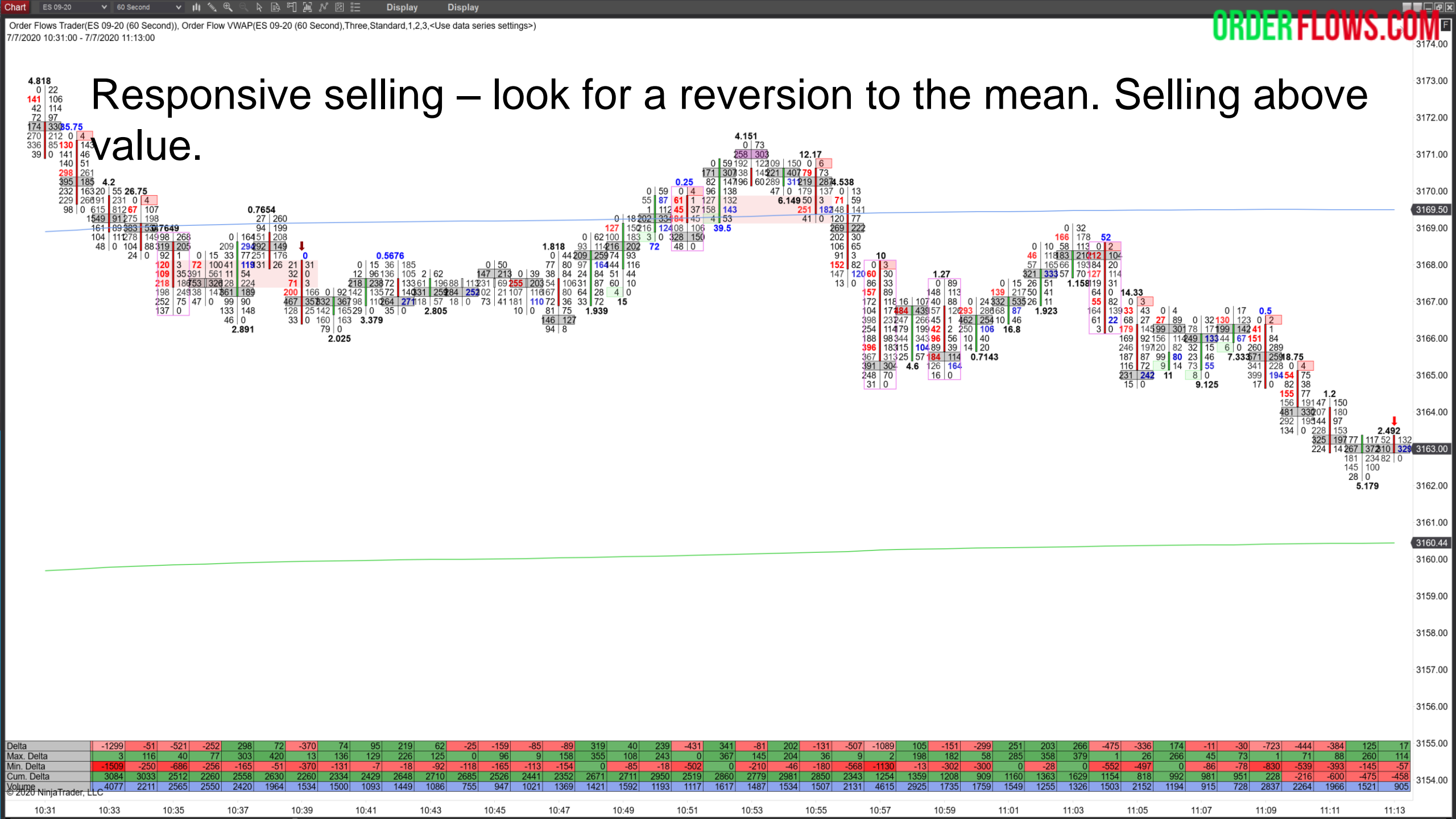
Initiative versus responsive. If open above the previous value area and go sideways, what is the market telling you? Responsive selling should take the market back to value area, but the market is not moving back to the value area. Instead initiative buying is keeping it above the value area, chances are stronger for a move away from the value area.

This is the reason why initiative activity lead to trends.

Responsive buying – look for a reversion to a mean. Buying below value.



Responsive selling – look for a reversion to the mean. Selling above value.



The key is understanding if the order flow is initiative or responsive.

Initiative activity you buy/sell break outs.

Responsive activity you trade off support/resistance back into the day's range and day's value area.

I have a simple way of differentiating between initiative versus responsive activity by looking at the order flow, specifically the order flow delta footprint chart, POCs.

A bar's POC is a form of recognizing value in the market.

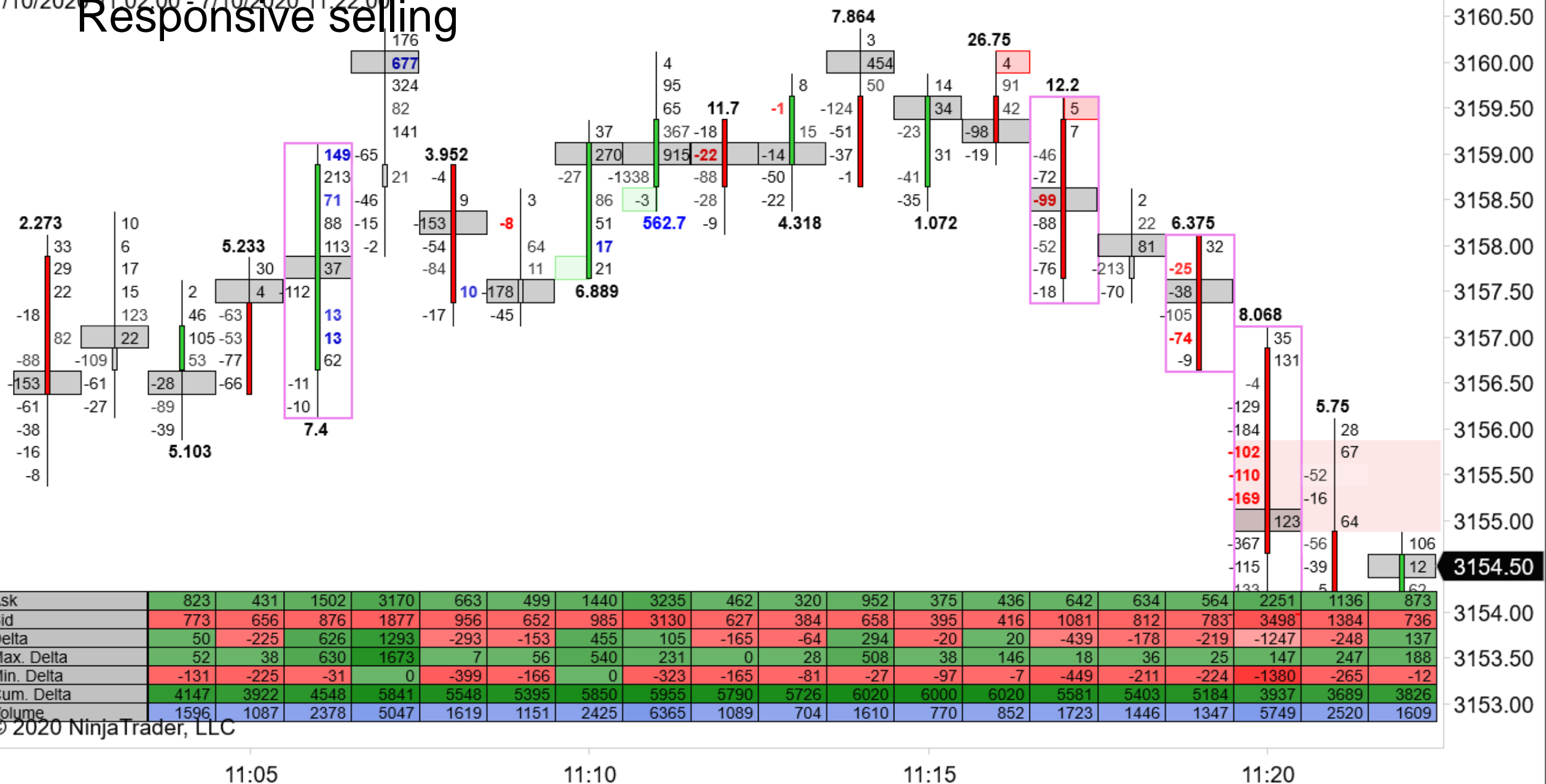
Think back to Module 5, about new money in the market.
Demand Lows are like responsive buying.
Supply Highs are like responsive selling.

What I like to look for in the order flow for responsive selling is an area I define as resistance by Prominent Points of Control, then footprint delta in the bar showing hitting just about all bids.

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

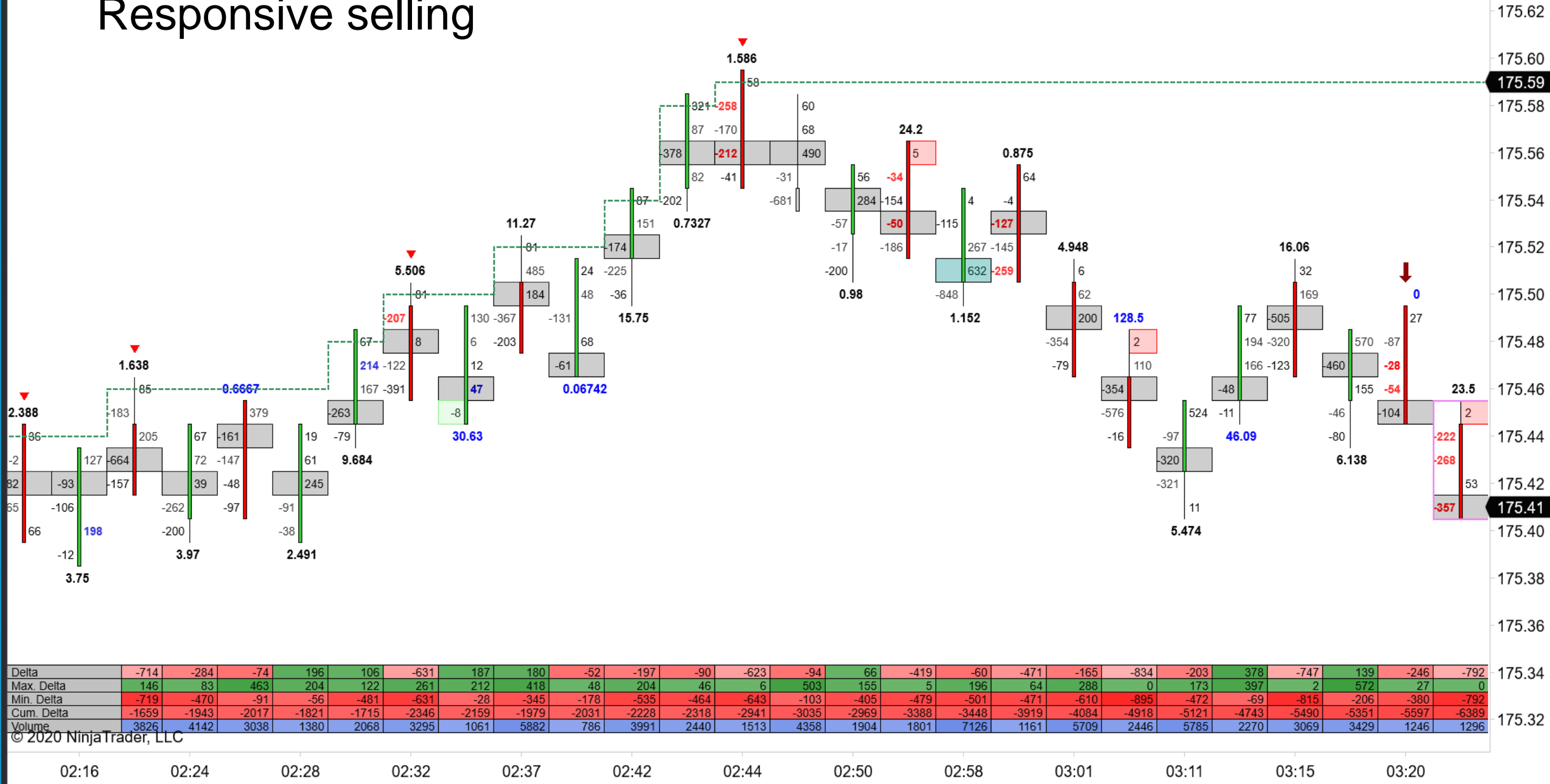
7/10/2020 11:02:00 - 7/10/2020 11:22:00

Responsive selling



7/2/2020 02:13:11.150 - 7/2/2020 03:22:30.513

Responsive selling

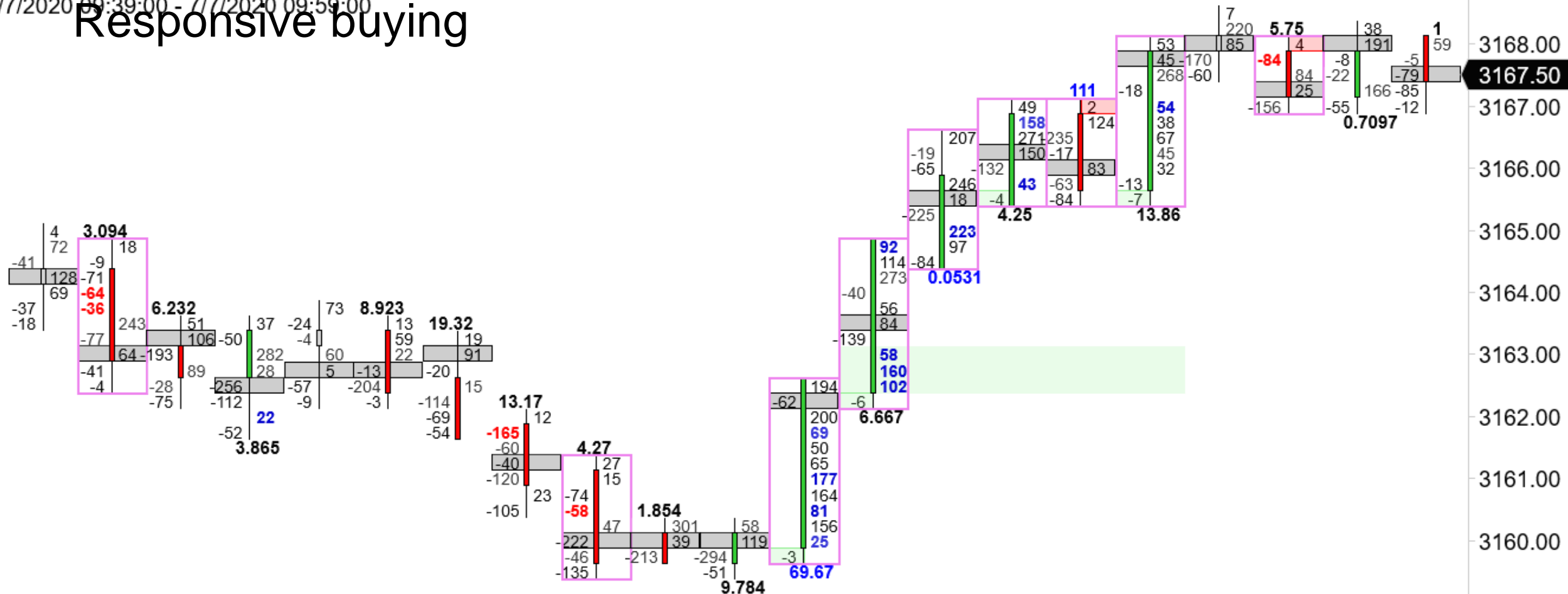


What I like to look for in the order flow for responsive buying is an area I define as support by Prominent Points of Control, then footprint delta in the bar showing lifting just about all offers.

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

7/7/2020 09:39:00 - 7/7/2020 09:59:00

Responsive buying

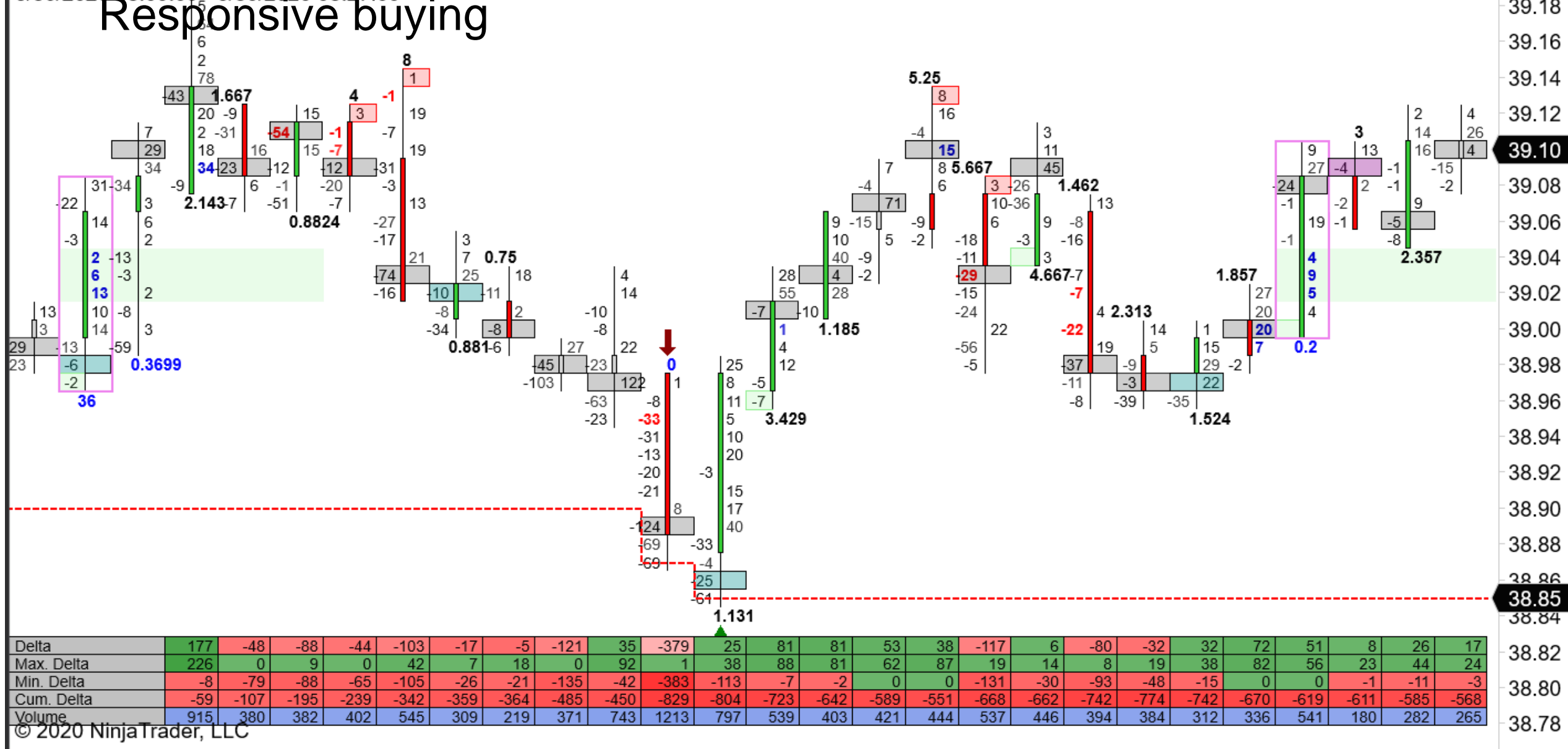


Ask	1178	1860	890	732	922	1454	1101	1014	760	2586	2729	2489	1587	1133	1857	1059	838	992	553
Bid	1228	1961	846	858	1054	1909	1547	887	928	1470	1975	2091	1052	1323	1293	977	965	682	675
Delta	-50	-101	44	-126	-132	-455	-446	127	-168	1116	754	398	535	-190	564	82	-127	310	-122
Max. Delta	170	126	44	124	249	20	52	250	65	1190	754	655	572	136	698	301	0	393	68
Min. Delta	-170	-334	-155	-134	-137	-554	-497	0	-210	-16	0	-92	-2	-508	-31	-7	-196	-26	-143
Cum. Delta	-1358	-1459	-1415	-1541	-1673	-2128	-2574	-2447	-2615	-1499	-745	-347	188	-2	562	644	517	827	705
Volume	2406	3821	1736	1590	1976	3363	2648	1901	1688	4056	4704	4580	2639	2456	3150	2036	1803	1674	1228

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

6/30/2020 08:00:00 - 6/30/2020 08:27:00

Responsive buying

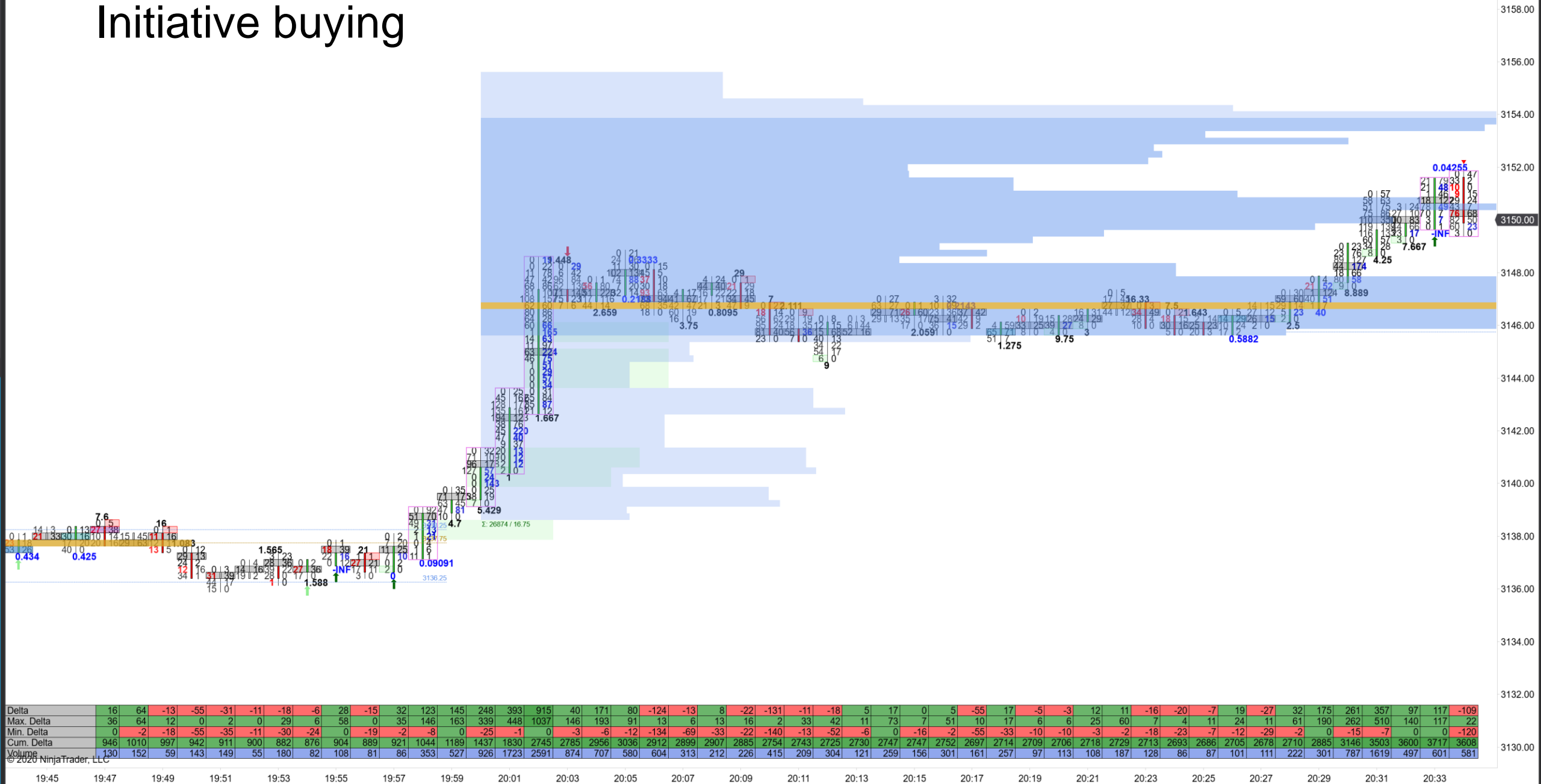


Initiative buying – initiative activity can signal a trend. Go with the direction of the initiative activity to maximize it. Don't trade mean reversion.

Trade around previous levels – swing highs/lows, pivots, etc.

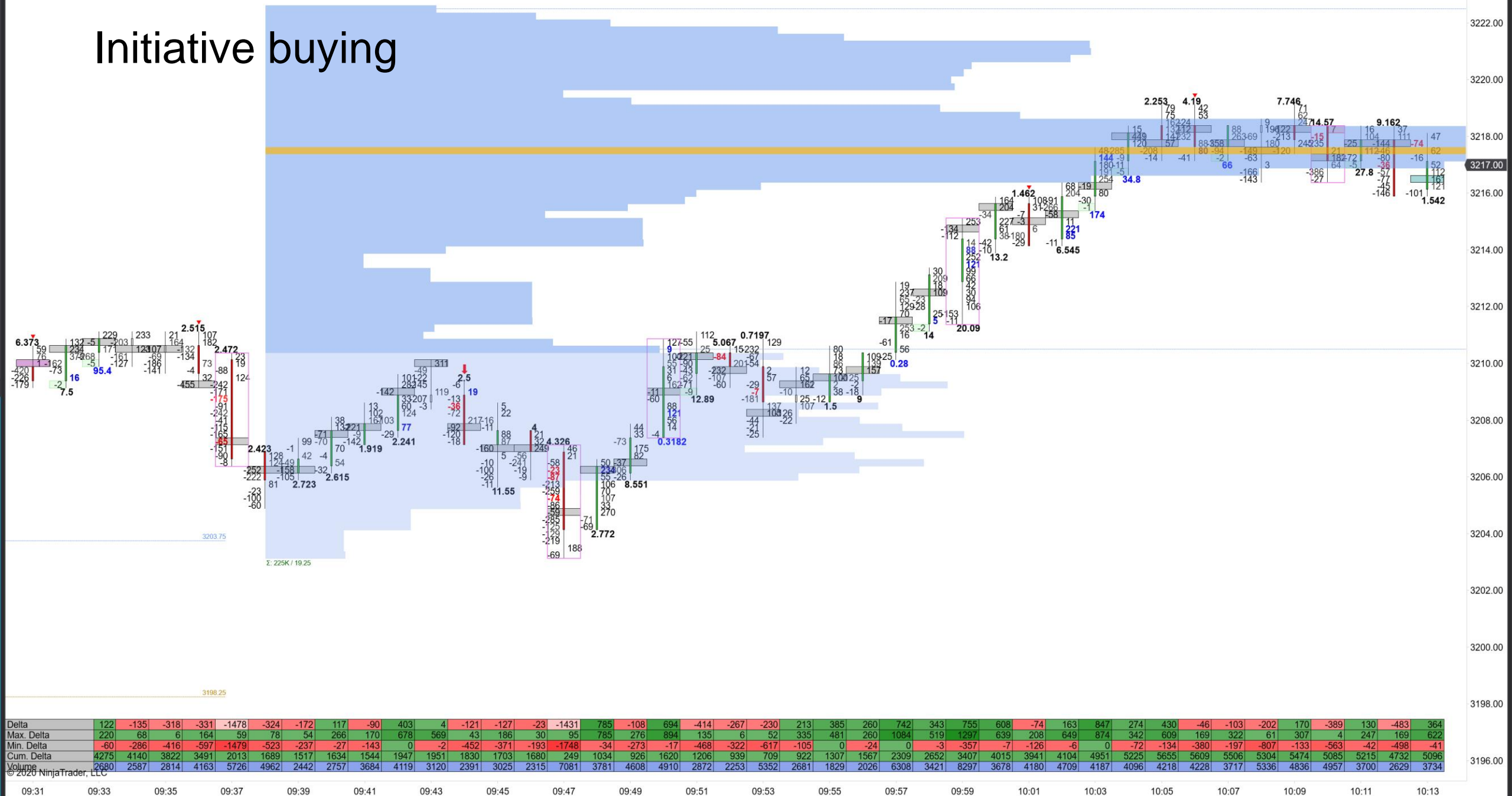
Order Flows Trader(ES 09-20 (60 Second)), Order Flow Volume Profile
7/5/2020 19:44:00 - 7/5/2020 20:34:00

Initiative buying



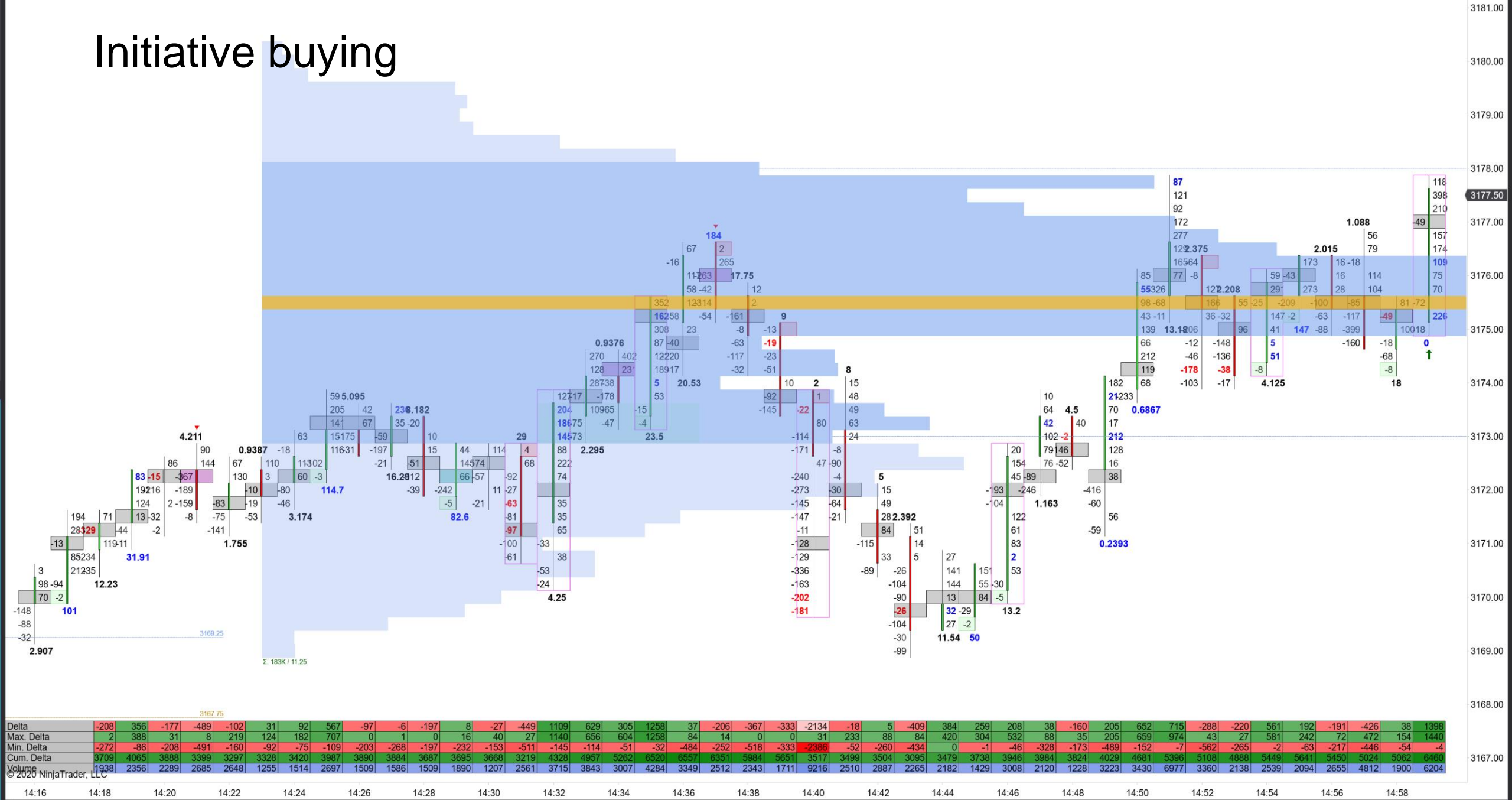
Order Flows Trader(ES 09-20 (60 Second)), Order Flow Volume Profile
7/13/2020 09:31:00 - 7/13/2020 10:13:00

Initiative buying



Order Flows Trader(ES 09-20 (60 Second)), Order Flow Volume Profile
7/10/2020 14:16:00 - 7/10/2020 14:59:00

Initiative buying

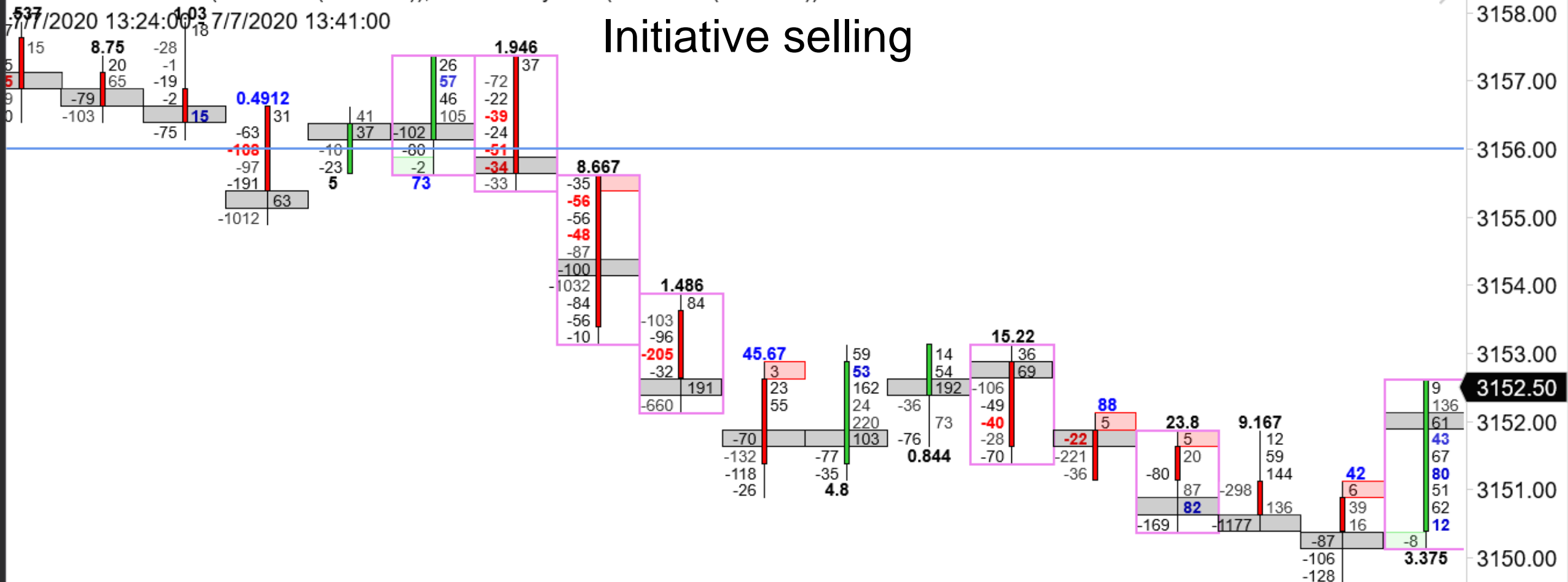


Initiative selling – when you open out of value and below a key level, for example, yesterday's low. Look for the move away to keep going as new money comes into the market.

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

7/7/2020 13:24:00 7/7/2020 13:41:00

Initiative selling



Ask	717	1344	685	632	279	1364	1253	1485	1557	906	1028	641	1272	1036	958	1559
Bid	809	2721	640	582	517	2928	2074	1750	1048	685	1216	915	1327	2160	1218	1046
Delta	-92	-1377	45	50	-238	-1564	-821	-265	509	221	-188	-274	-55	-1124	-260	513
Max. Delta	121	31	117	76	10	0	28	15	544	225	24	0	35	203	0	520
Min. Delta	-133	-1385	-14	-159	-263	-1594	-891	-521	-46	-105	-229	-274	-287	-1131	-540	-18
Cum. Delta	-6718	-8095	-8050	-8000	-8238	-9802	-10623	-10888	-10379	-10158	-10346	-10620	-10675	-11799	-12059	-11546
Volume	1526	4065	1325	1214	796	4292	3327	3235	2605	1591	2244	1556	2599	3196	2176	2605

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13:25

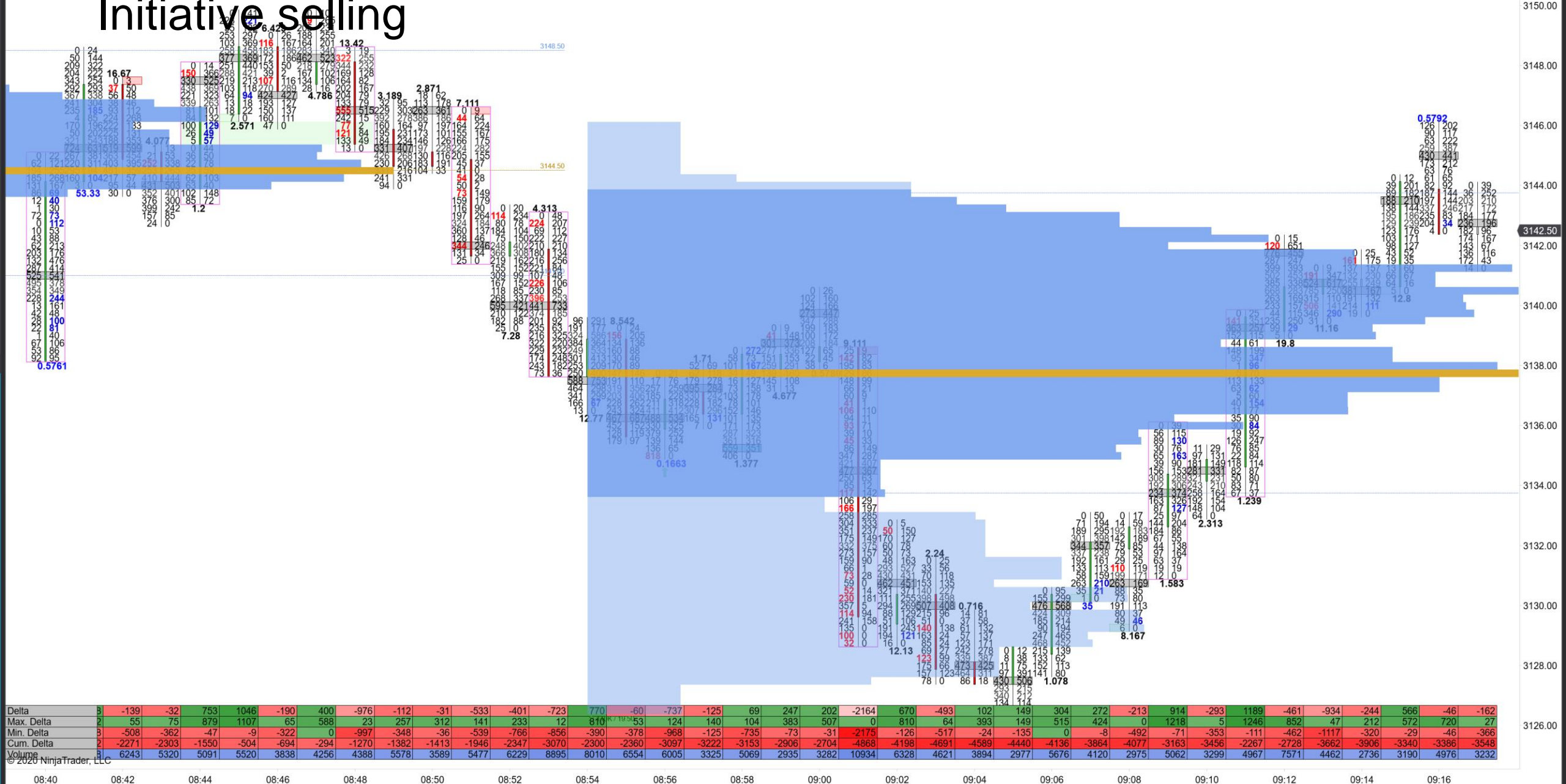
13:30

13:35

13:40

Order Flows Trader(ES 09-20 (60 Second)), Order Flow Volume Profile
7/10/2020 08:40:00 - 7/10/2020 09:17:00

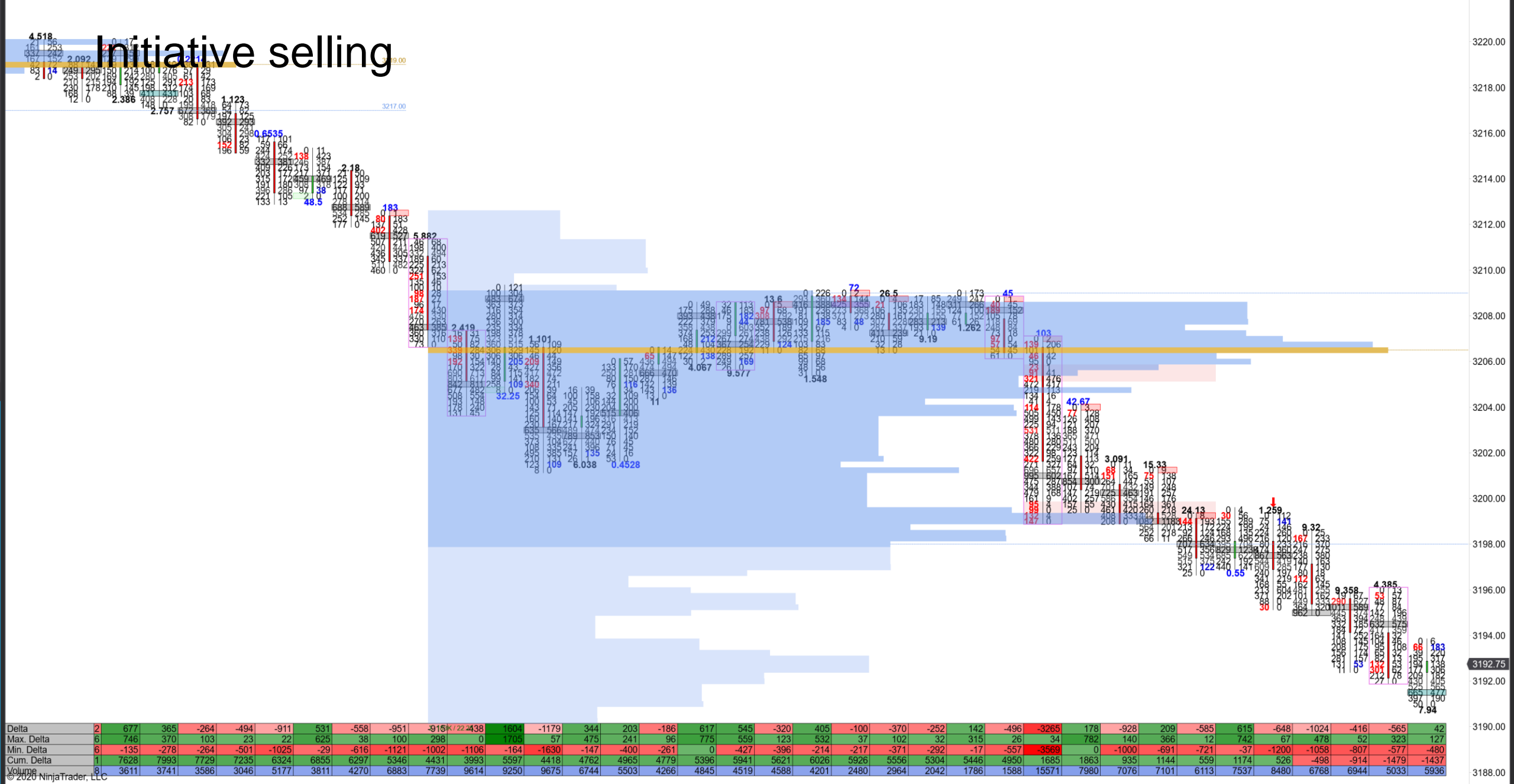
Initiative selling



Delta	3	-139	-32	753	1046	-190	400	-976	-112	-31	-533	-401	-723	770	-60	-737	-125	69	247	202	-2164	670	-493	102	149	304	272	-213	914	-293	1189	-461	-934	-244	566	-46	-162
Max. Delta	2	55	75	879	1107	65	588	23	257	312	141	233	12	810	53	124	140	104	383	507	0	810	64	393	149	515	424	0	1218	5	1246	852	47	212	572	720	27
Min. Delta	3	-508	-362	-47	-9	-322	0	-997	-348	-36	-539	-766	-856	-390	-378	-968	-125	-735	-73	-31	-2175	-126	-517	-24	-135	0	-8	-492	-71	-353	-111	-462	-1117	-320	-29	-46	-366
Cum. Delta	2	-2271	-2303	-1550	-504	-694	-294	-1270	-1382	-1413	-1946	-2347	-3070	-2300	-2360	-3097	-3222	-3153	-2906	-2704	-4868	-4198	-4691	-4589	-4440	-4136	-3864	-4077	-3163	-3456	-2267	-2728	-3662	-3906	-3340	-3386	-3548
Volume	3	6243	5320	5091	5520	3838	4256	4388	5578	3589	5477	6229	8895	8010	6554	6005	3325	5069	2935	3282	10934	6328	4621	3894	2977	5676	4120	2975	5062	3299	4967	7571	4462	2736	3190	4976	3232

Order Flows Trader(ES 09-20 (60 Second)), Order Flow Volume Profile

7/13/2020 12:59:00 - 7/13/2020 13:35:00

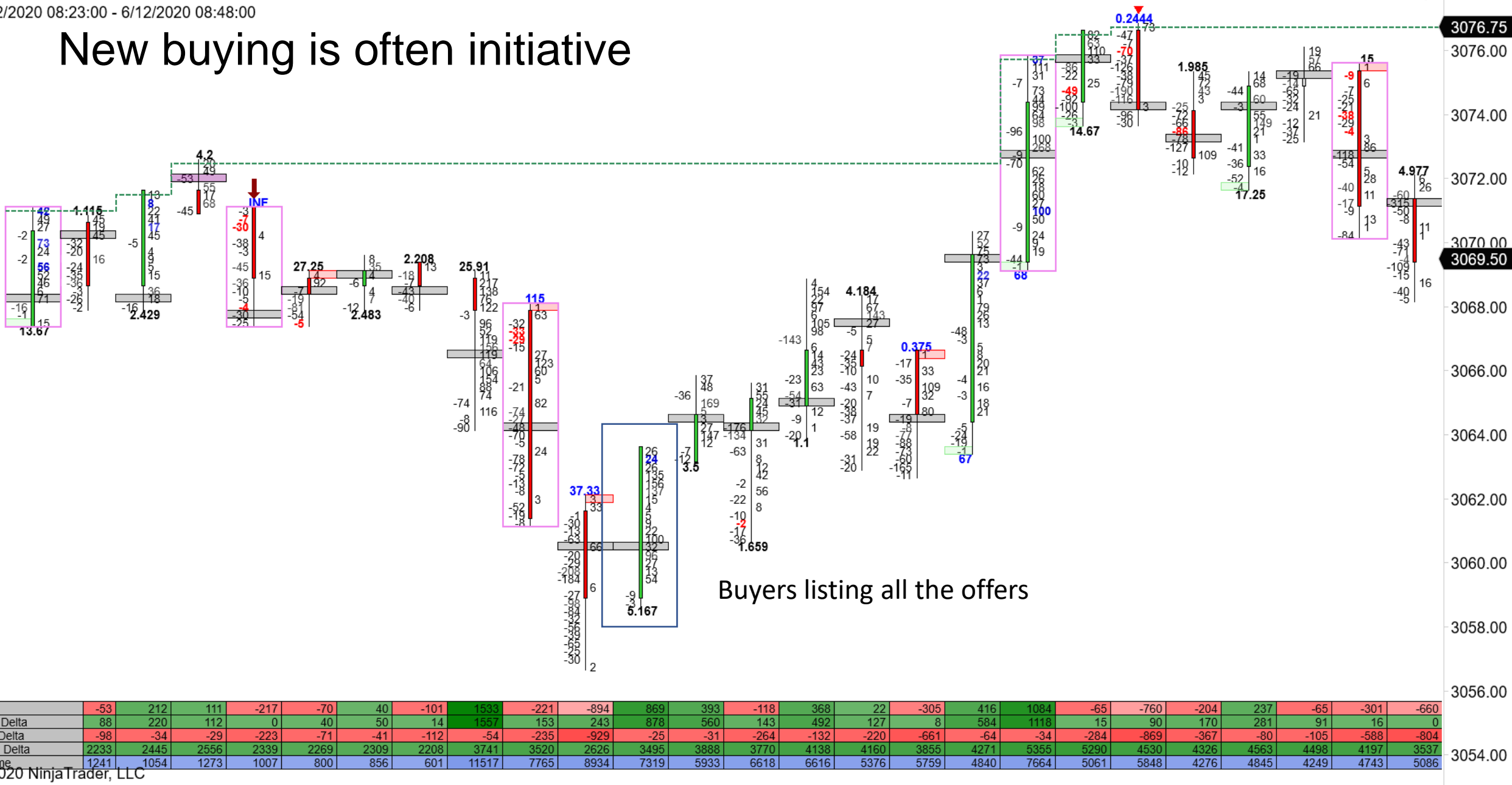


When long-term traders are getting into new positions.

When long-term traders are getting out of positions – could be winning trades, could be losing trades they are exiting. We don't know why they are getting out. That is why you need to understand market context.

Order Flows Trader(ES 09-20 (1 Minute)), Current day OHL(ES 09-20 (1 Minute))
6/12/2020 08:23:00 - 6/12/2020 08:48:00

New buying is often initiative



Initiative trades should take place sooner rather than later since the move is already happening. Holding periods vary, you can hit and run or ride the trend.

Responsive trades take longer to work out as the market is often rotating back into value. Responsive trades often need to be held longer.

This concludes Module 7. In Module 8 we will discuss trading the stop hunt.