

Order Flow Dynamics

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Module 8 : Trading The Stop Hunt

Disclaimer

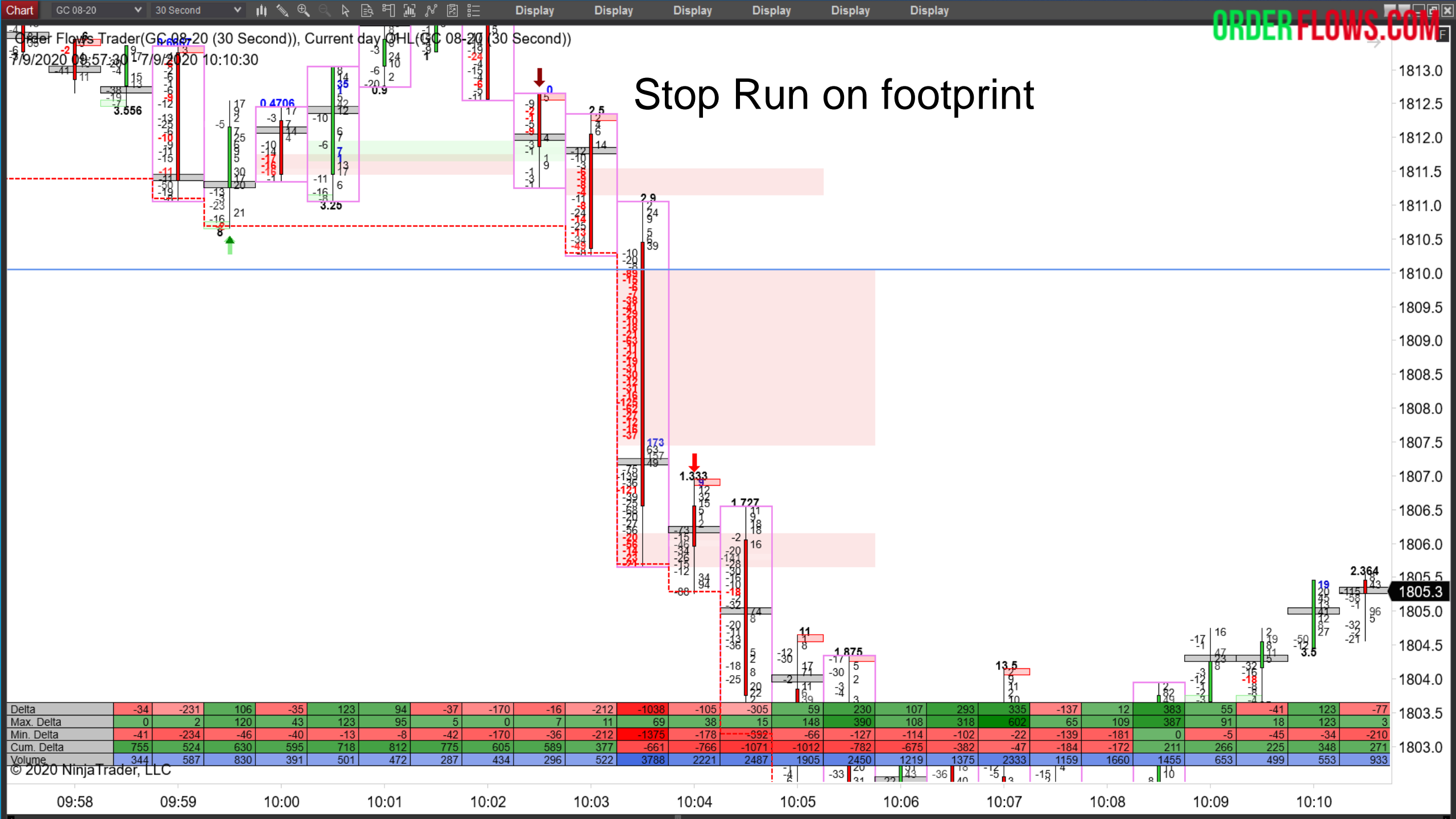
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Trading The Stop Hunt – stop hunts/runs are often false breakouts in disguise. There are always going to be traders who “hunt for stops.” What they are doing is looking for areas where they expect a lot of stops to be sitting that if triggered will cause continued buying or selling in a particular direction. Traders who hunt for stops are predatory in nature and they are generally not looking for the move to continue all day long. They want to trigger stops and scalp a few quick ticks.

Stop Run





Where stop hunts get interesting and useful for order flow traders is what happens after the stop gets triggered. If you are able to recognize when a stop hunt just happened, you can take advantage of the subsequent order flow as stop hunts are often short lived and offer great trading opportunities, in the opposite direction.

The duration of a stop run is very short and in reality, you most likely will not capitalize on the stop run itself, but you can capitalize on the resultant order flow.

Markets are always performing price discovery. Stop runs are a form of price discovery. And prices are rejecting the new levels. Instead of going with the momentum of the stop run, you are going to be fading momentum because the market is out of balance. When a market is out of balance that is where opportunity resides.

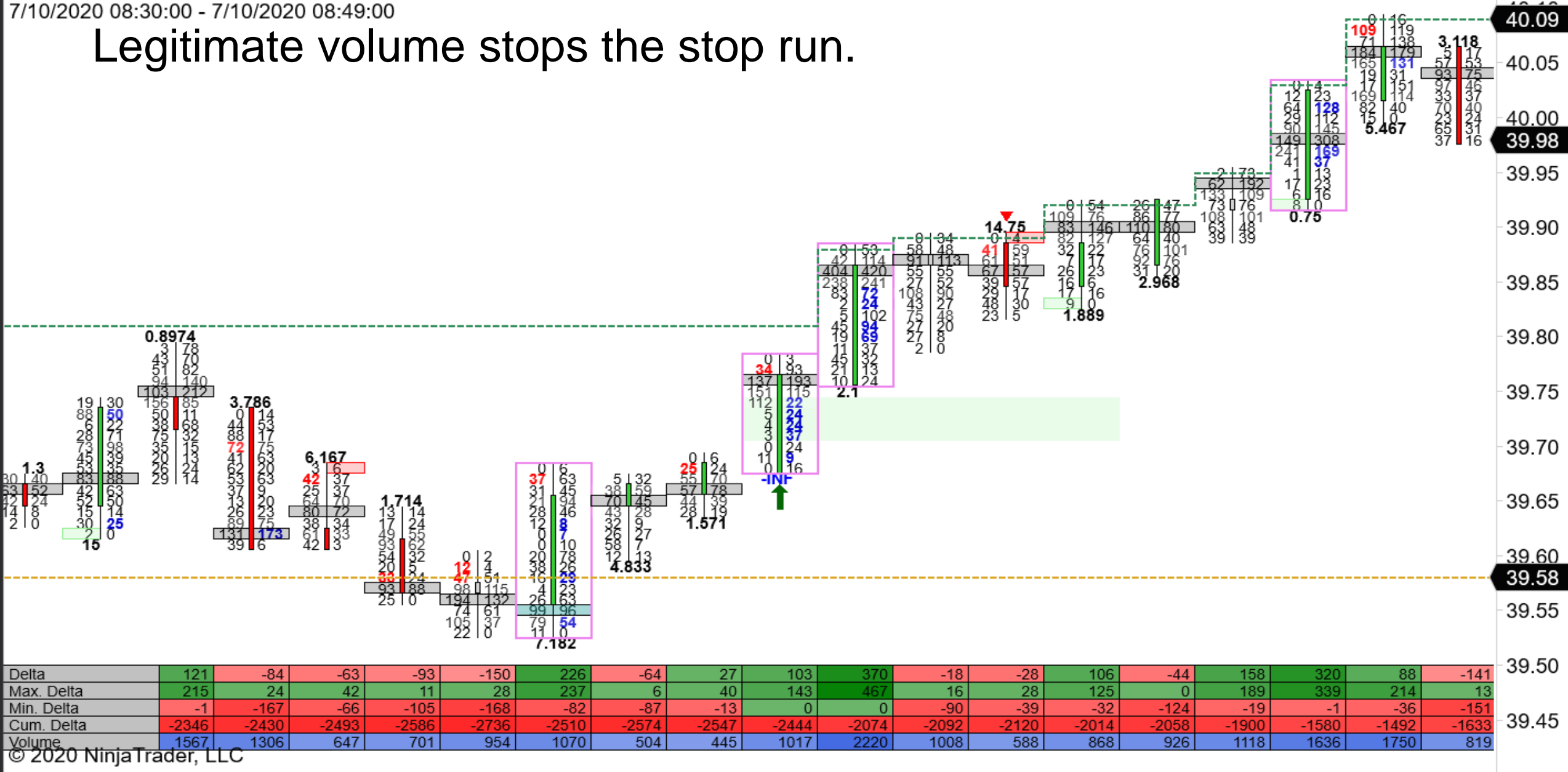
Traders like to trigger stops to jump start a move.

Traders who get stopped out in obvious areas will claim their stop got picked off.

So what exactly is a stop hunt. An astute trader will look for areas in the market where traders are likely to place stops. Ideally where a lot of traders will have placed stops.

Order Flows Trader(CL 08-20 (1 Minute)), Current day OHL(CL 08-20 (1 Minute))
 7/10/2020 08:30:00 - 7/10/2020 08:49:00

Legitimate volume stops the stop run.



There are different types of traders who try to trigger stops.

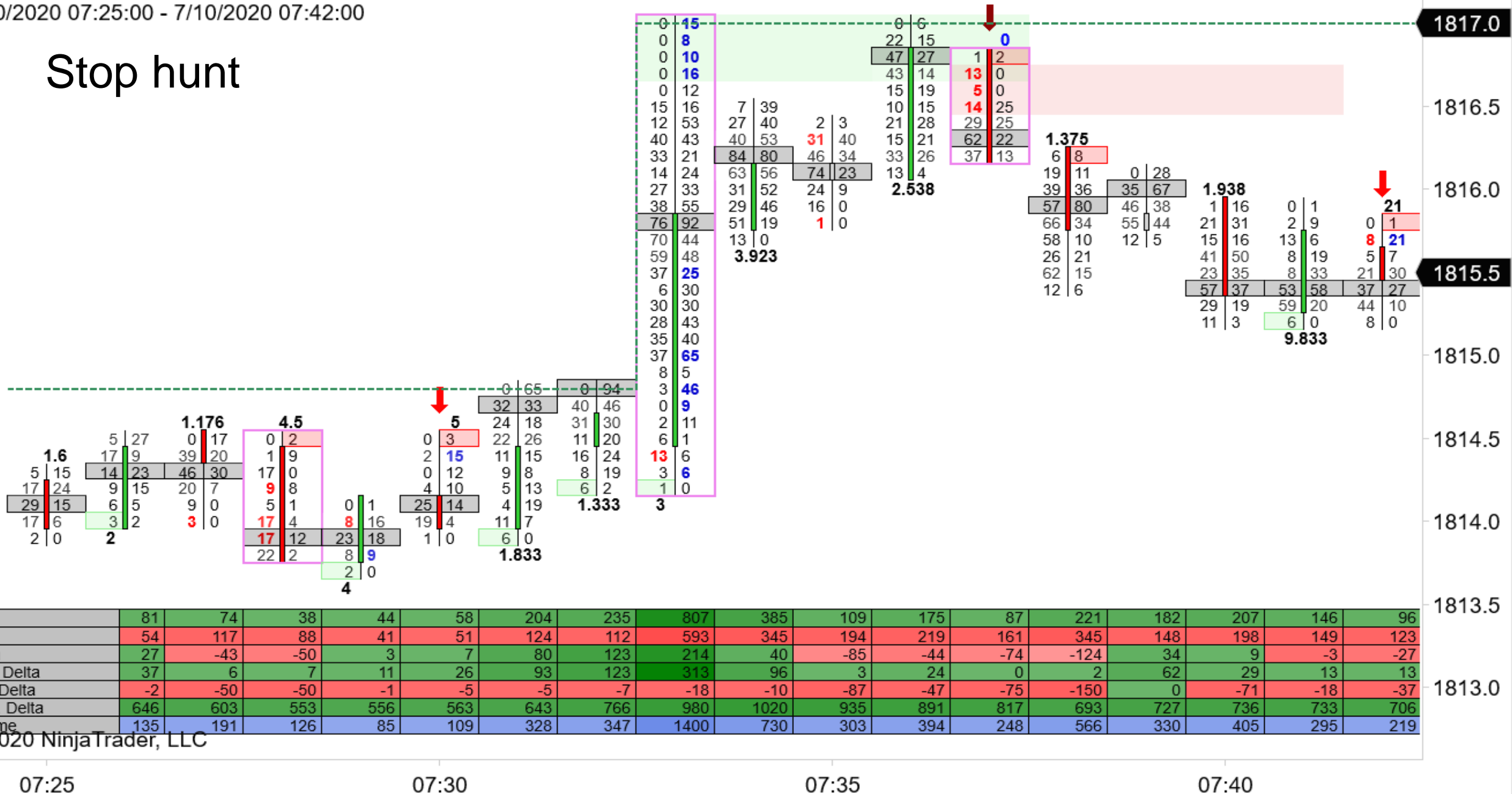
1. The scalper, someone who is looking for a quick score. When these guys trigger stops, the market often reverts back to its pre stop level.
2. The size trader who knows he may trigger stops but wants to get as much on as possible before he does. When this guy triggers stops the market often continues in that direction.

How do you tell the difference? Watch the size trading after a level where stops are going to be placed. If legitimate size trades after the potential stop level, then chances are there is more to the move. If there is no follow through activity in the order flow, fade the move, as it will likely revert back to pre stop level.

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

7/10/2020 07:25:00 - 7/10/2020 07:42:00

Stop hunt



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

7/13/2020 14:40:00 - 7/13/2020 14:59:00

No follow through

1.833

0 12

29 22

26 29

13 1

3 3

36 48

15 0

1

0 1

11 21

24 12

0 2

1 2

2 5

2 0

10

0 1

10 11

12 18

17 10

36 33

29 17

1 0

1.5

6 2

3 3

10 5

10 8

12 15

2 0

4.5

0 2

13 9

57 4

18 16

2 0

6

1 3

16 18

48 22

81 10

7 9

36 11

71 76

119 0

2.857

0 7

66 20

96 50

72 78

130 133

191 107

86 11

76 33

83 4

63 1

31 0

33 0

4 0

0 1

28 86

28 77

22 80

15 44

50 103

24 23

2.083

0 1

14 28

81 99

74 30

2 53

5 6

27 11

0 2

71 84

9 109

17 72

13 57

4 21

5 5

0.8

13 35

20 31

53 62

7 16

25 49

18 19

8 1

3.875

0 2

18 26

56 40

6 8

0 7

8 8

5 0

4 6

11 0

0.3636

0 40

22 46

7 8

43 28

10 9

24 12

15 18

18 8

1.125

18 28

16 10

39.66

39.64

39.62

39.60

39.58

39.56

39.54

39.52

39.50

39.48

39.46

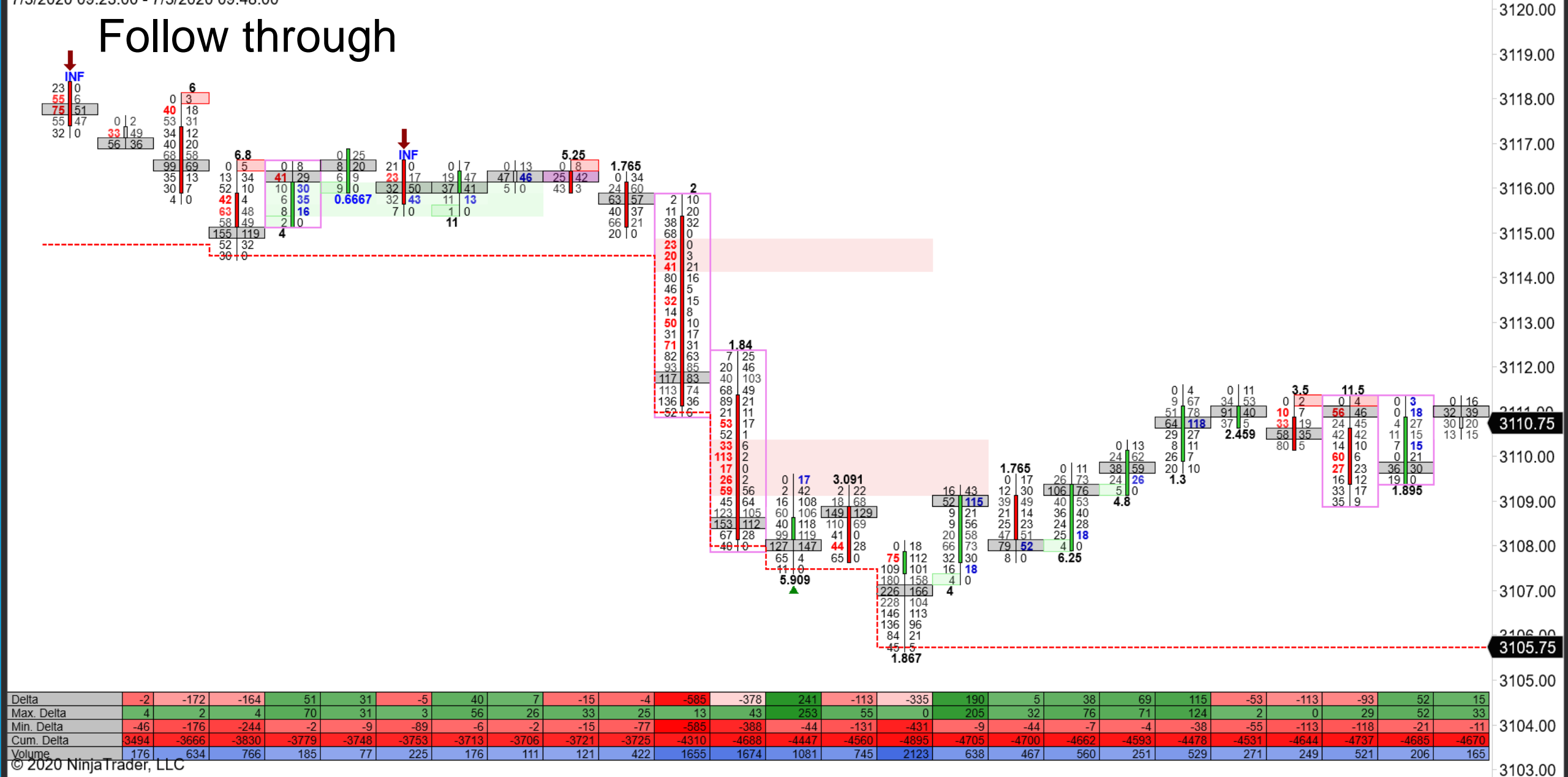
39.44

39.42

Delta	3	24	15	-15	-10	-59	-230	-487	247	39	-15	256	29	36	-11	51	-19	4
Max. Delta	11	26	29	3	0	1	4	1	250	40	2	262	31	49	21	71	8	10
Min. Delta	-9	-9	0	-32	-16	-68	-231	-515	0	-40	-22	-5	-3	-27	-24	0	-24	-1
Cum. Delta	-2083	-2059	-2044	-2059	-2069	-2128	-2358	-2845	-2598	-2559	-2574	-2318	-2289	-2253	-2264	-2213	-2232	-2228
Volume	83	138	165	195	76	121	528	1375	581	381	111	592	103	258	205	215	95	72

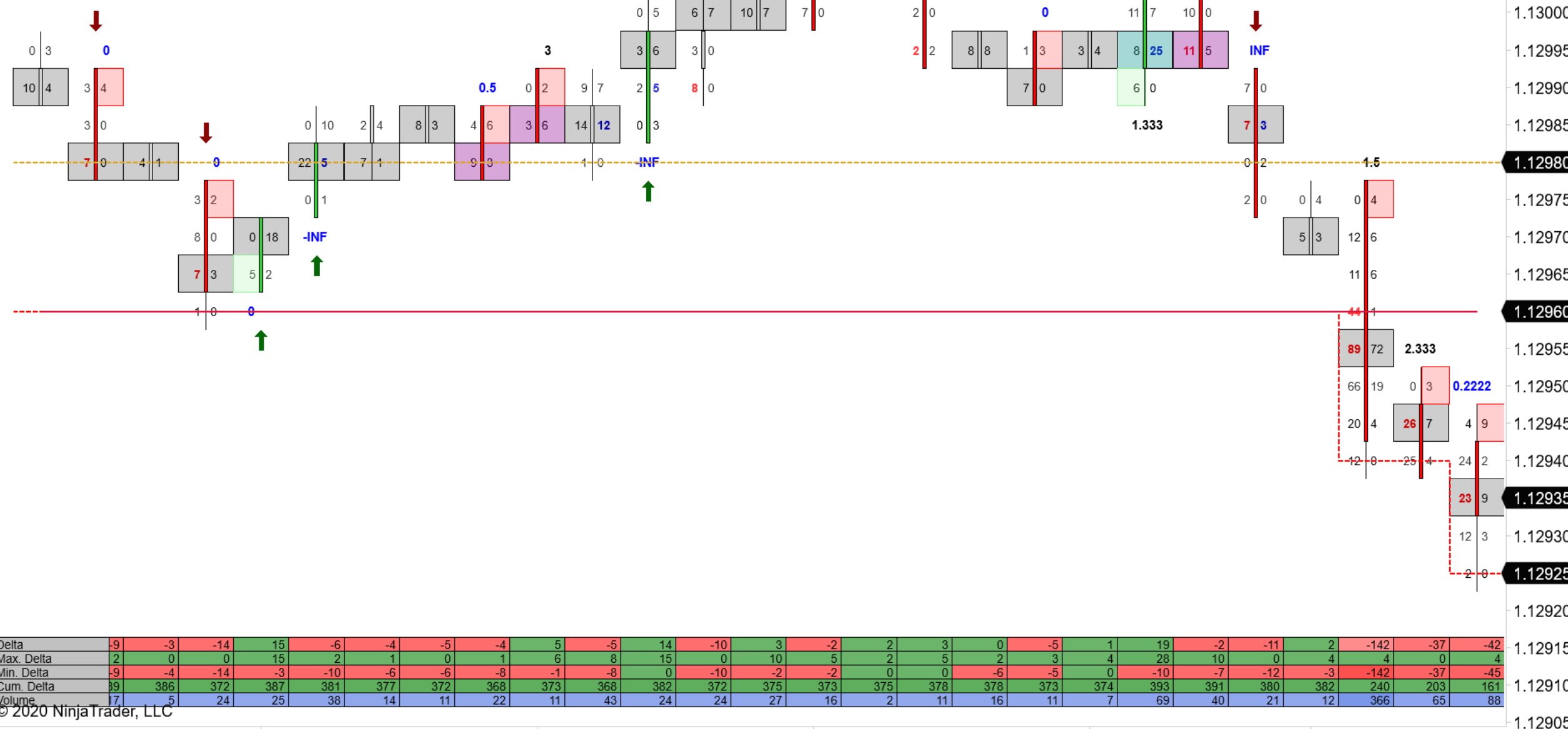
Order Flows Trader(ES 09-20 (1 Minute)), Current day OHL(ES 09-20 (1 Minute))
7/3/2020 09:23:00 - 7/3/2020 09:48:00

Follow through



7/9/2020 19:21:00 - 7/9/2020 19:48:00

Stop run at low



Stop Hunts/Triggering— look for them at support or resistance levels, highs or lows.

Reverse is very rapid. Market pops up and drops. Breaks the high or low by 1 or 2 ticks. Traders looking to trigger stops. Test the high or low trying to attract other traders to come in and push the market but it fails.

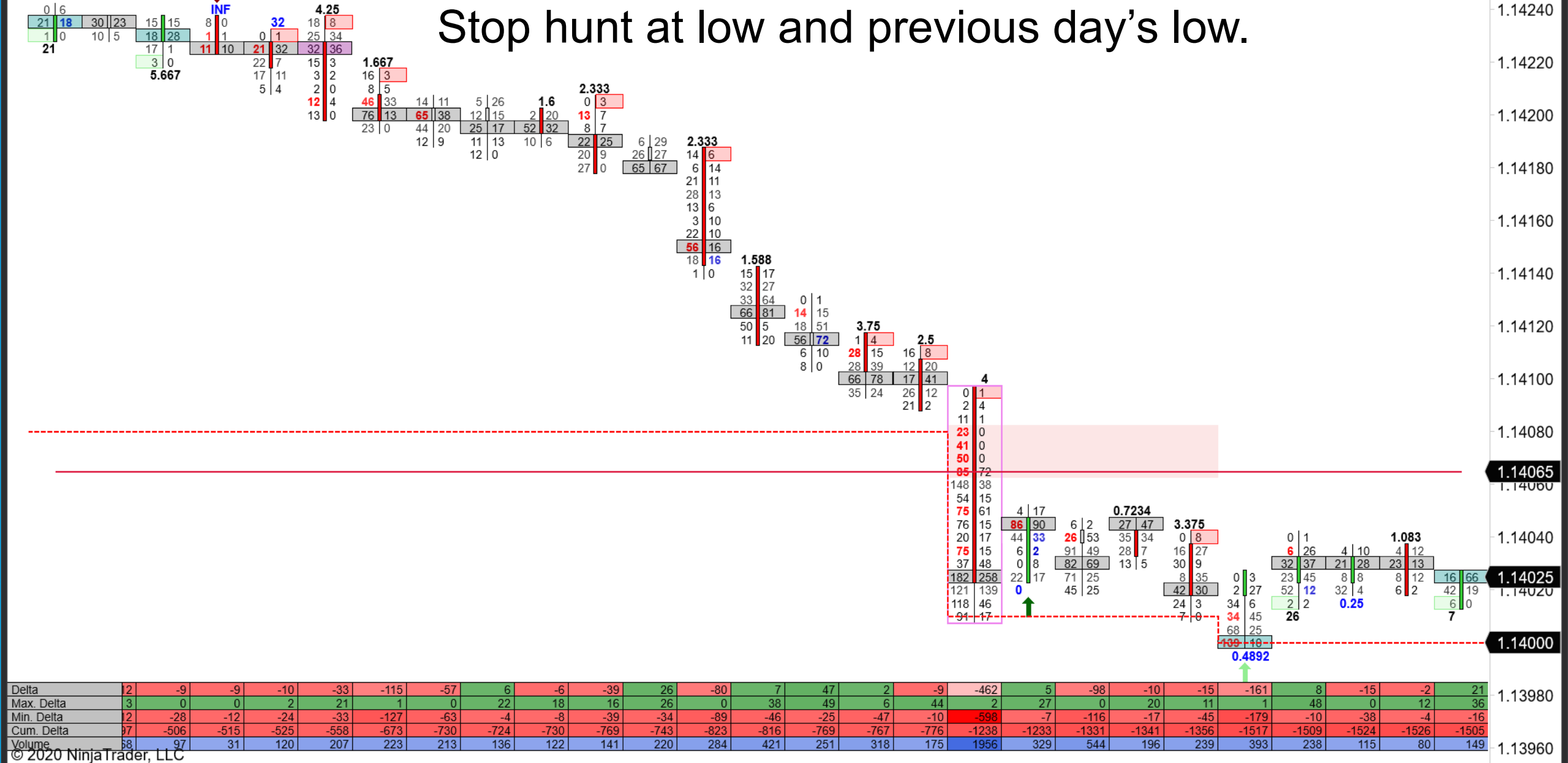
Get past a level of heavy volume (PPOC) or high/low by a tick or two but no follow through. Unfinished auction.

If there is size at a level, then the stop hunt will fail.

Order Flows Trader(6E 09-20 (1 Minute)), Current day OHL(6E 09-20 (1 Minute)), Prior day OHLC(6E 09-20 (1 Minute))

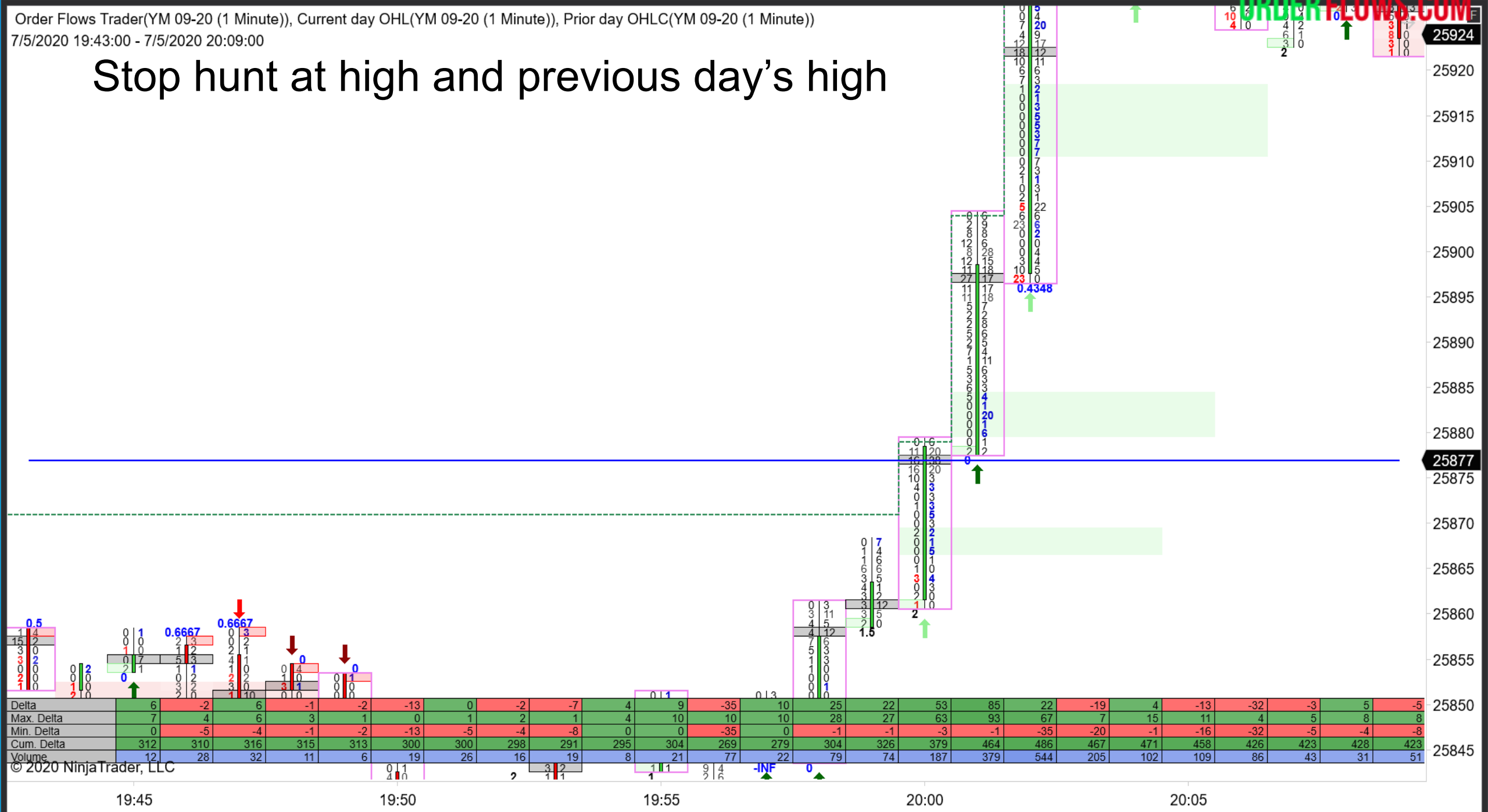
7/16/2020 03:24:00 - 7/16/2020 03:50:00

Stop hunt at low and previous day's low.



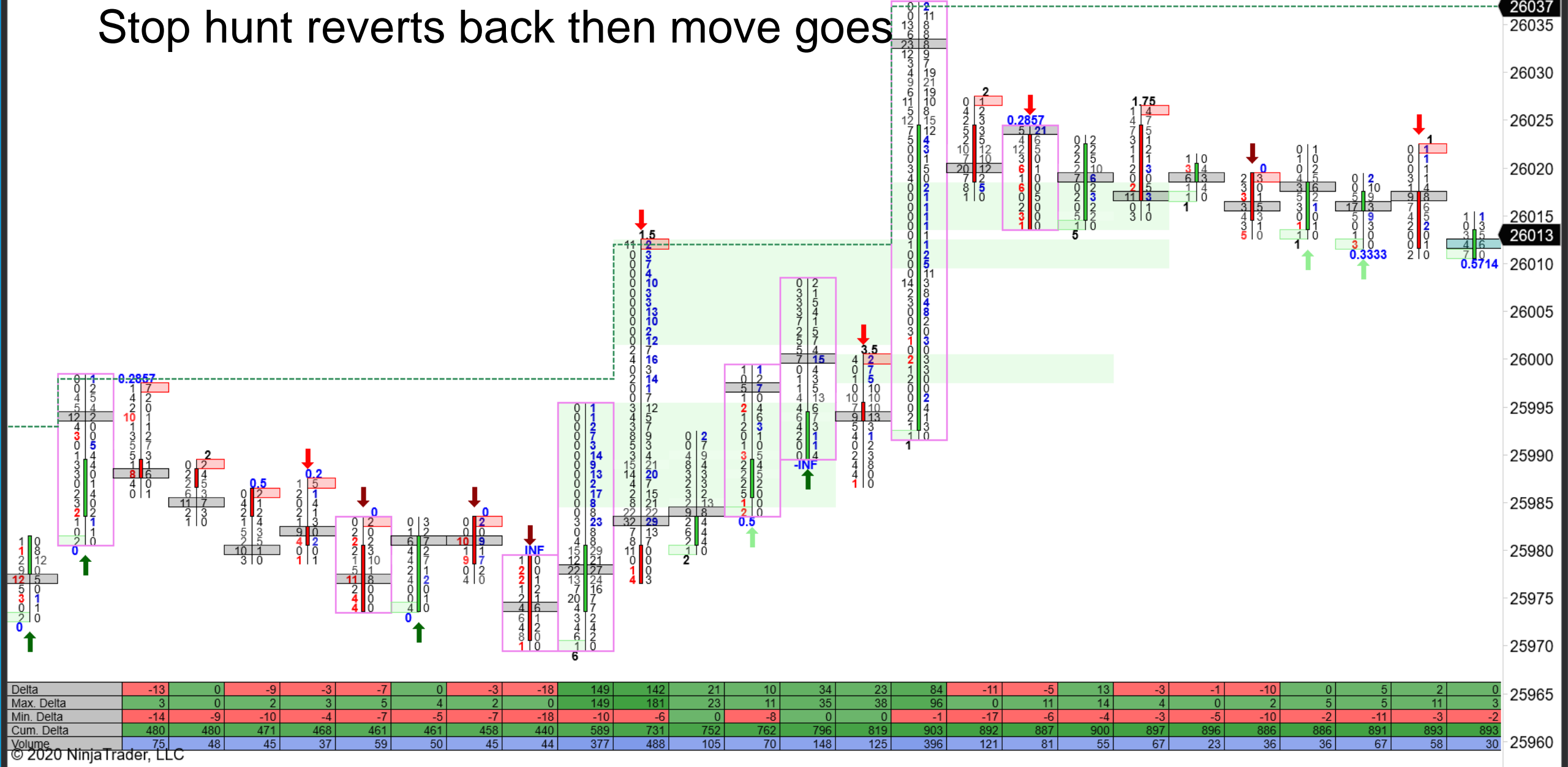
7/5/2020 19:43:00 - 7/5/2020 20:09:00

Stop hunt at high and previous day's high

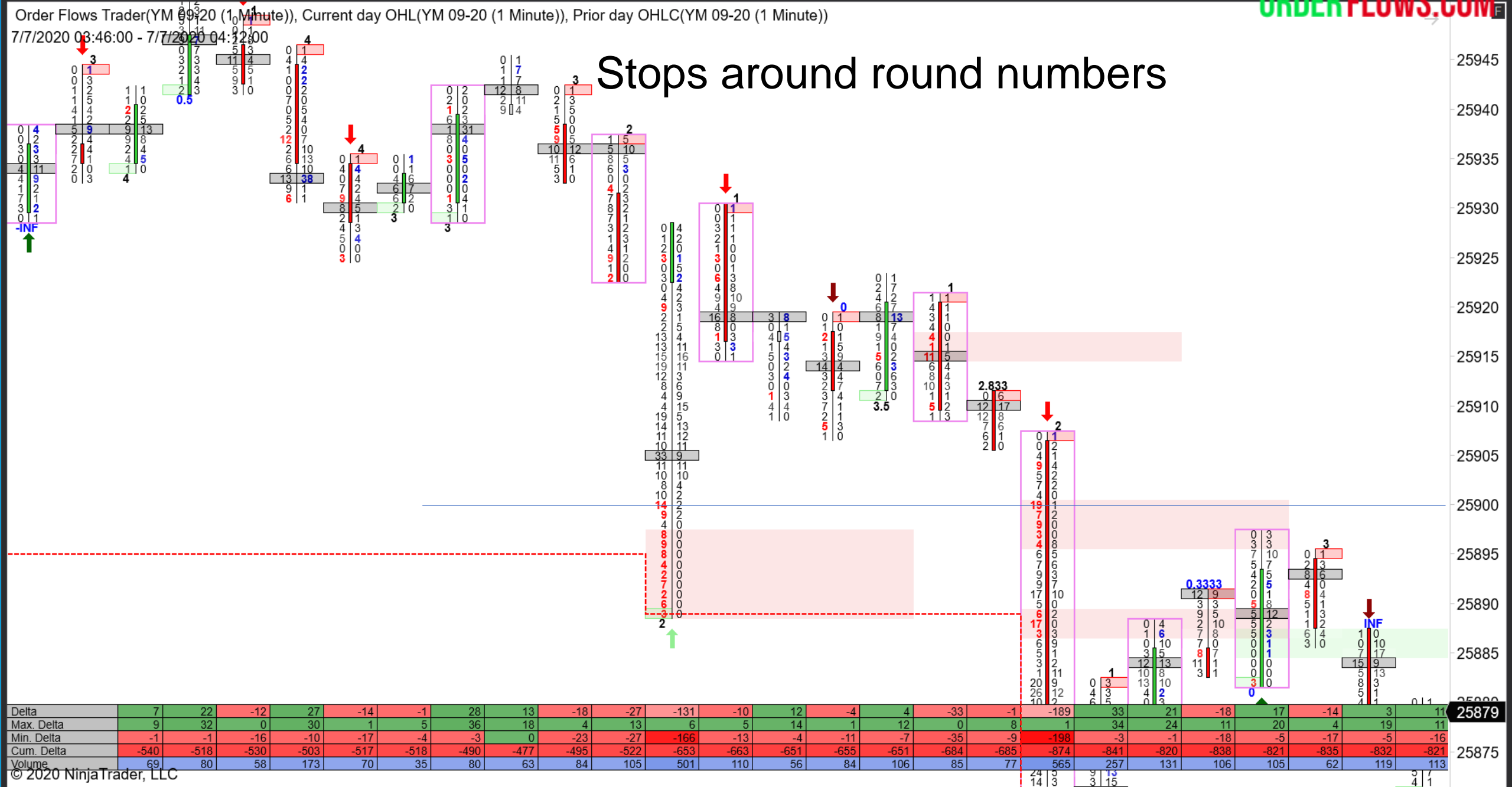


Order Flows Trader(YM 09-20 (1 Minute)), Current day OHL(YM 09-20 (1 Minute)), Prior day OHLC(YM 09-20 (1 Minute))
7/5/2020 20:49:00 - 7/5/2020 21:15:00

Stop hunt reverts back then move goes



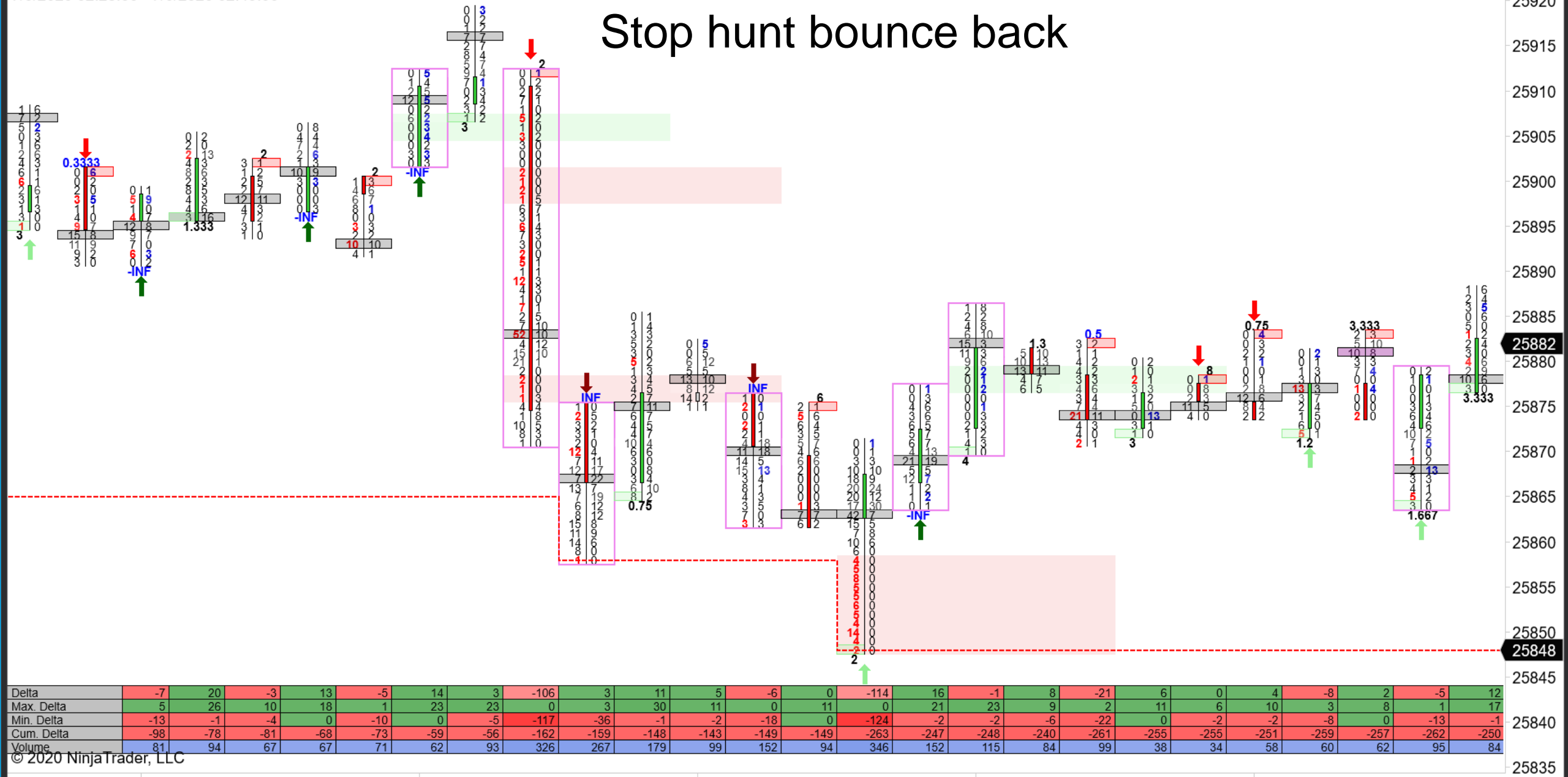
Delta	-13	0	-9	-3	-7	0	-3	-18	149	142	21	10	34	23	84	-11	-5	13	-3	-1	-10	0	5	2	0
Max. Delta	3	0	2	3	5	4	2	0	149	181	23	11	35	38	96	0	11	14	4	0	2	5	5	11	3
Min. Delta	-14	-9	-10	-4	-7	-5	-7	-18	-10	-6	0	-8	0	0	-1	-17	-6	-4	-3	-5	-10	-2	-11	-3	-2
Cum. Delta	480	480	471	468	461	461	458	440	589	731	752	762	796	819	903	892	887	900	897	896	886	886	891	893	893
Volume	75	48	45	37	59	50	45	44	377	488	105	70	148	125	396	121	81	55	67	23	36	36	67	58	30



Order Flows Trader(YM 09-20 (1 Minute)), Current day OHL(YM 09-20 (1 Minute)), Prior day OHLC(YM 09-20 (1 Minute))

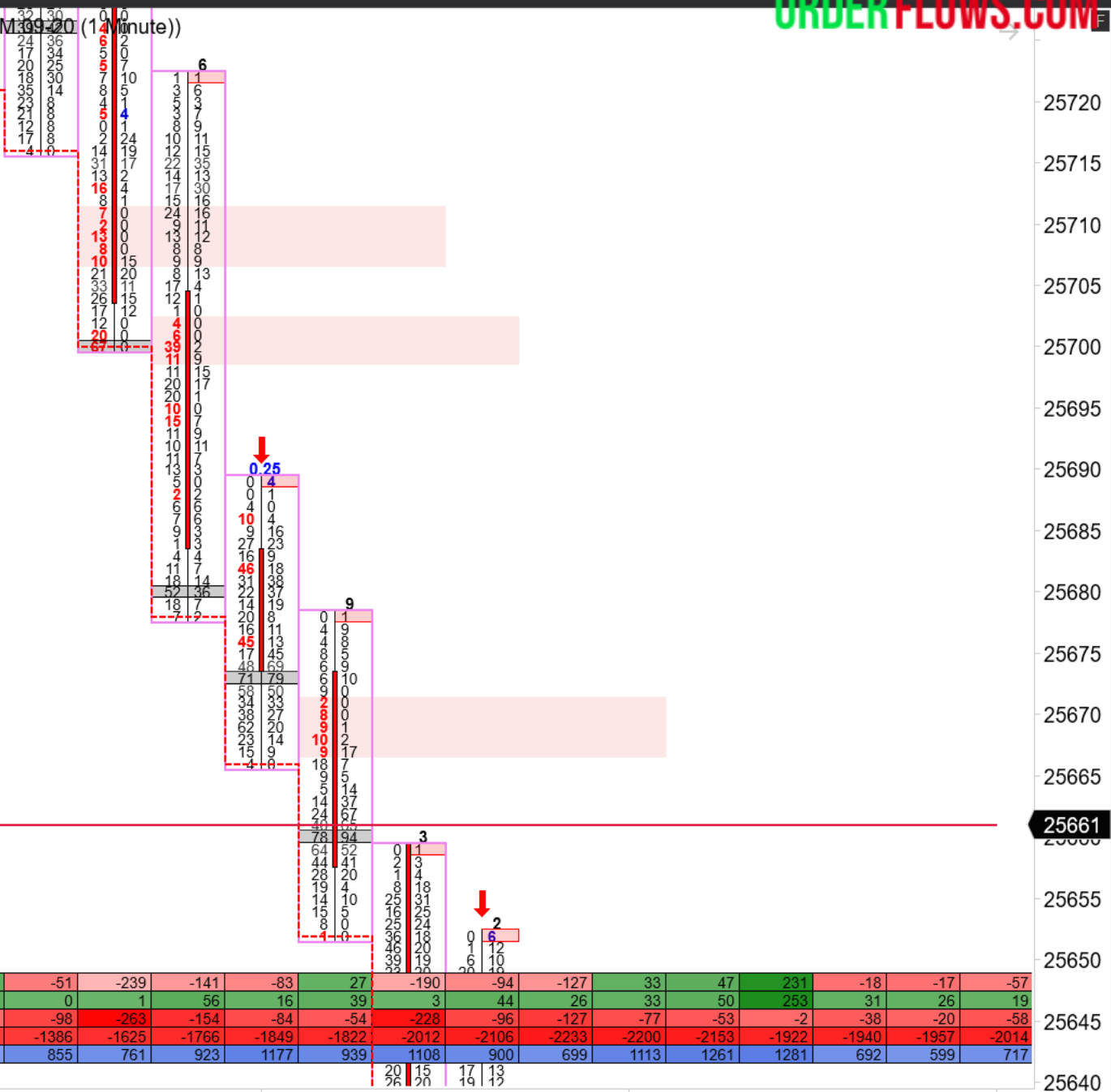
7/9/2020 02:23:00 - 7/9/2020 02:49:00

Stop hunt bounce back



7/9/2020 09:24:00 - 7/9/2020 09:50:00

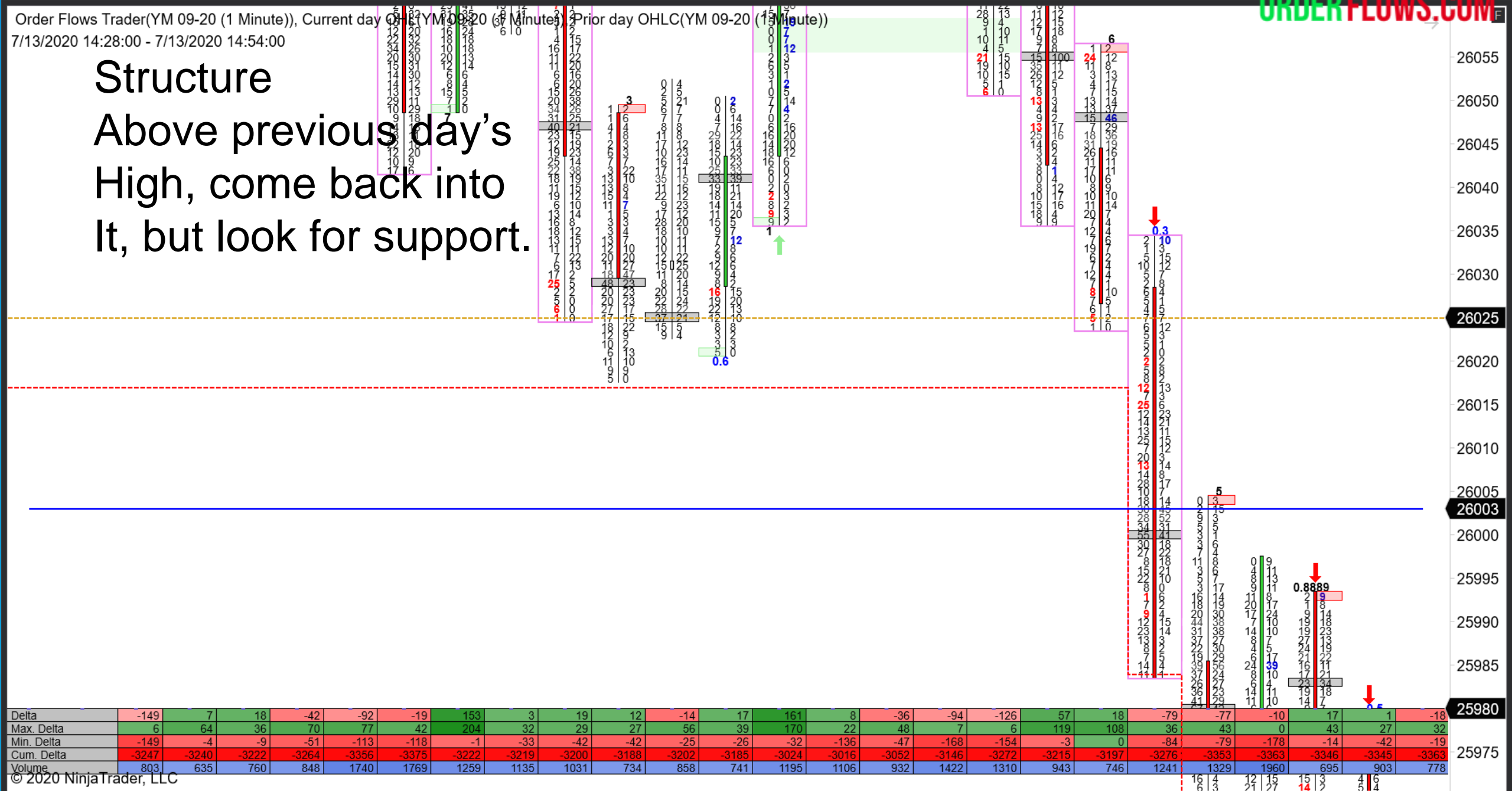
Stop hunt? Hunted?



Delta	25	26	-20	-56	4	-13	49	-41	-5	-48	43	-51	-239	-141	-83	27	-190	-94	-127	33	47	231	-18	-17	-57
Max. Delta	29	39	17	3	12	3	57	17	5	4	49	0	1	56	16	39	3	44	26	33	50	253	31	26	19
Min. Delta	-10	-6	-22	-61	-7	-37	-6	-41	-80	-59	-1	-98	-263	-154	-84	-54	-228	-96	-127	-77	-53	-2	-38	-20	-58
Cum. Delta	-1274	-1248	-1268	-1324	-1320	-1333	-1284	-1325	-1330	-1378	-1335	-1386	-1625	-1766	-1849	-1822	-2012	-2106	-2233	-2200	-2153	-1922	-1940	-1957	-2014
Volume	277	372	338	388	298	423	453	359	579	424	395	855	761	923	1177	939	1108	900	699	1113	1261	1281	692	599	717

7/13/2020 14:28:00 - 7/13/2020 14:54:00

Structure
Above previous day's
High, come back into
It, but look for support.

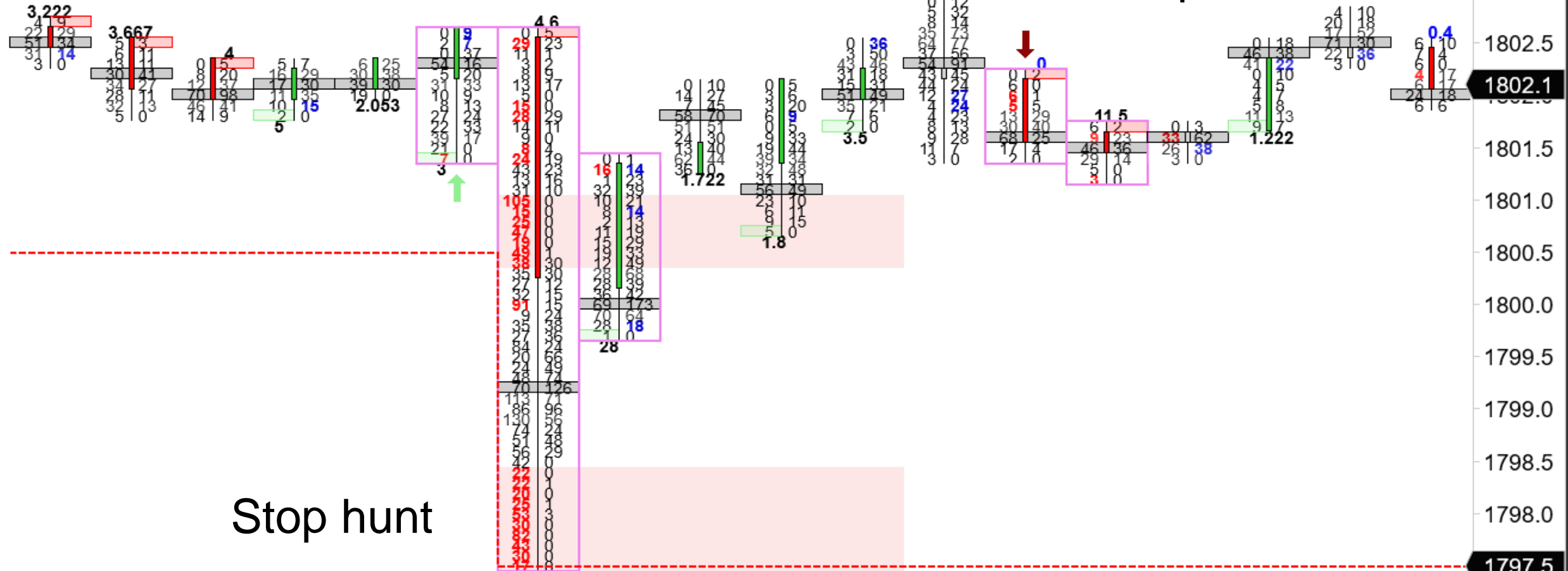


Delta	-149	7	18	-42	-92	-19	153	3	19	12	-14	17	161	8	-36	-94	-126	57	18	-79	-77	-10	17	-18
Max. Delta	6	64	36	70	77	42	204	32	29	27	56	39	170	22	48	7	6	119	108	36	43	0	43	32
Min. Delta	-149	-4	-9	-51	-113	-118	-1	-33	-42	-42	-25	-26	-32	-136	-47	-168	-154	-3	0	-84	-79	-178	-14	-19
Cum. Delta	-3247	-3240	-3222	-3264	-3356	-3375	-3222	-3219	-3200	-3188	-3202	-3185	-3024	-3016	-3052	-3146	-3272	-3215	-3197	-3276	-3353	-3363	-3346	-3345
Volume	803	635	760	848	1740	1769	1259	1135	1031	734	858	741	1195	1106	932	1422	1310	943	746	1241	1329	1960	695	778

Often what characterizes a stop run that run its course is a stacked imbalance at the end of a bar that closes opposite of it. If you were to take the stacked imbalance in isolation by itself, it would be a quickly losing trade.

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

7/10/2020 10:52:00 - 7/10/2020 11:09:00



Ask	117	210	116	93	218	1038	659	317	320	257	643	106	75	103	128	146	72
Bid	153	150	61	94	226	1950	386	265	241	187	343	147	98	62	120	137	59
Delta	-36	60	55	-1	-8	-912	273	52	79	70	300	-41	-23	41	8	9	13
Max. Delta	1	69	55	24	4	0	288	74	79	102	303	0	4	48	47	33	13
Min. Delta	-68	-9	-2	-17	-60	-1141	-28	-24	-31	-19	-32	-59	-35	-2	0	-4	-6
Cum. Delta	-924	-864	-809	-810	-818	-1730	-1457	-1405	-1326	-1256	-956	-997	-1020	-979	-971	-962	-949
Volume	270	360	177	187	444	2988	1045	582	561	444	986	253	173	165	248	283	131

Sometimes traders will complain that their stop got picked off by a stop hunter when really all they had was a bad stop placement.

A bad stop placement is often due to not understanding market rotations. The stop is placed within a rotation, so the chances of the stop getting elected is high.

The thing with stop hunts is it is easier to do in thinner traded markets. YM, NQ, 6E than in more liquid markets like ES or CL. When it is done intentionally, the trader trying to do it has to be able to move the market to a level to trigger stops without running into much size.

This concludes Module 8. In Module 9 we will discuss order flow trade setups.