

# Order Flow Dynamics

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## Module 9 : Dynamic Order Flow Trade Set Ups

# Disclaimer

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One way to accelerate your understanding of order flow is to provide you a group of objective trade setups that will facilitate your use of order flow.

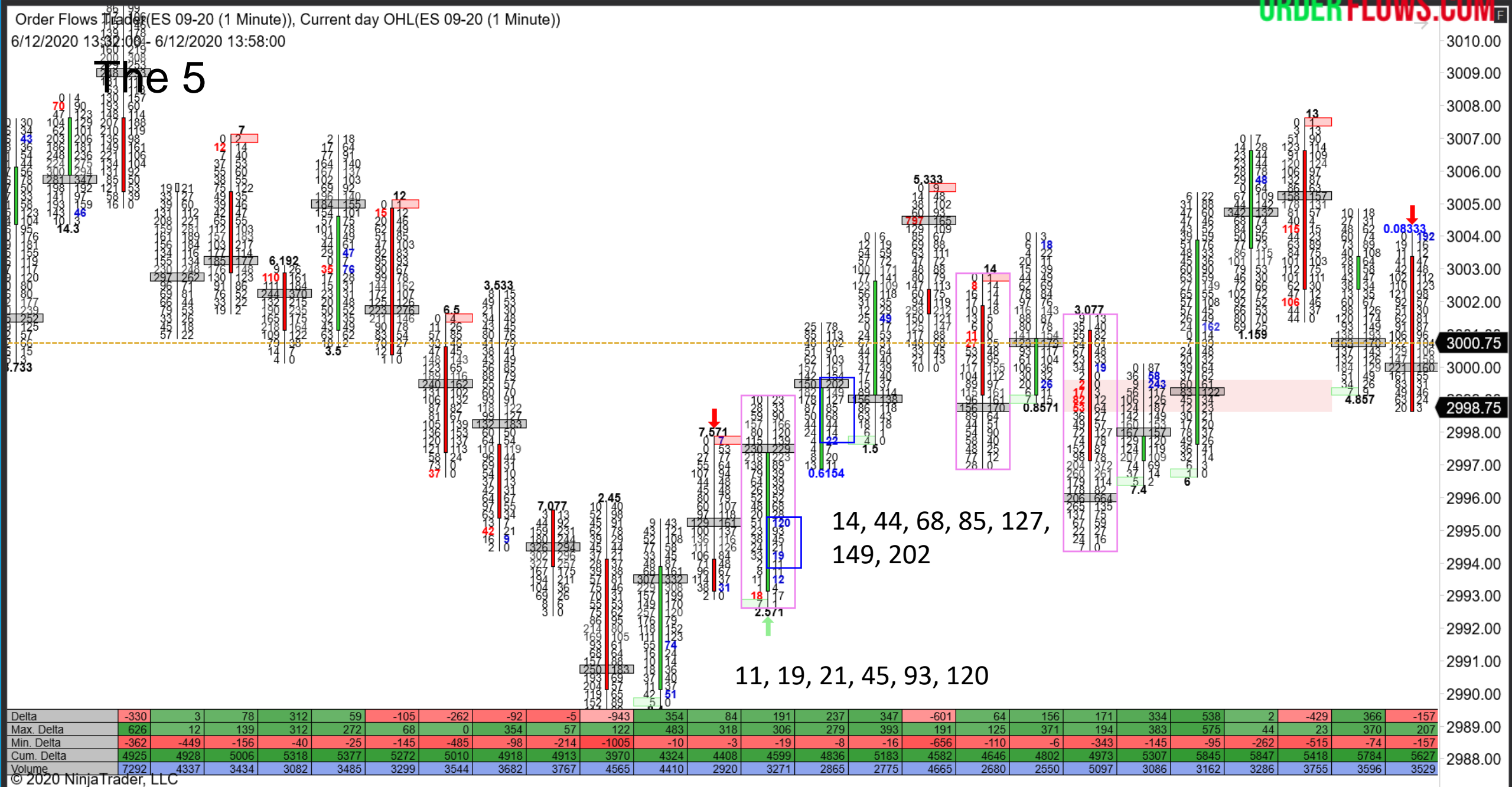
# Dynamic Order Flow Trade Set Ups

- 1) The Five
- 2) Oops POC
- 3) Parallel Bars
- 4) Naked POCs
- 5) Layering In
- 6) Bid/Ask Ratio
- 7) Delta Pair Ups

A pattern in isolation only tells part of the developing market activity. When you trade a pattern by itself and disregard the order flow surrounding the pattern you often find yourself taking bad trade after bad trade.

The Five analyzes the internal order flow in a bar and looks for a sequence of growing order flow traded on the offer side in an up green candle or a sequence of growing order flow traded on the bid side as the market is going down in a red down candle.

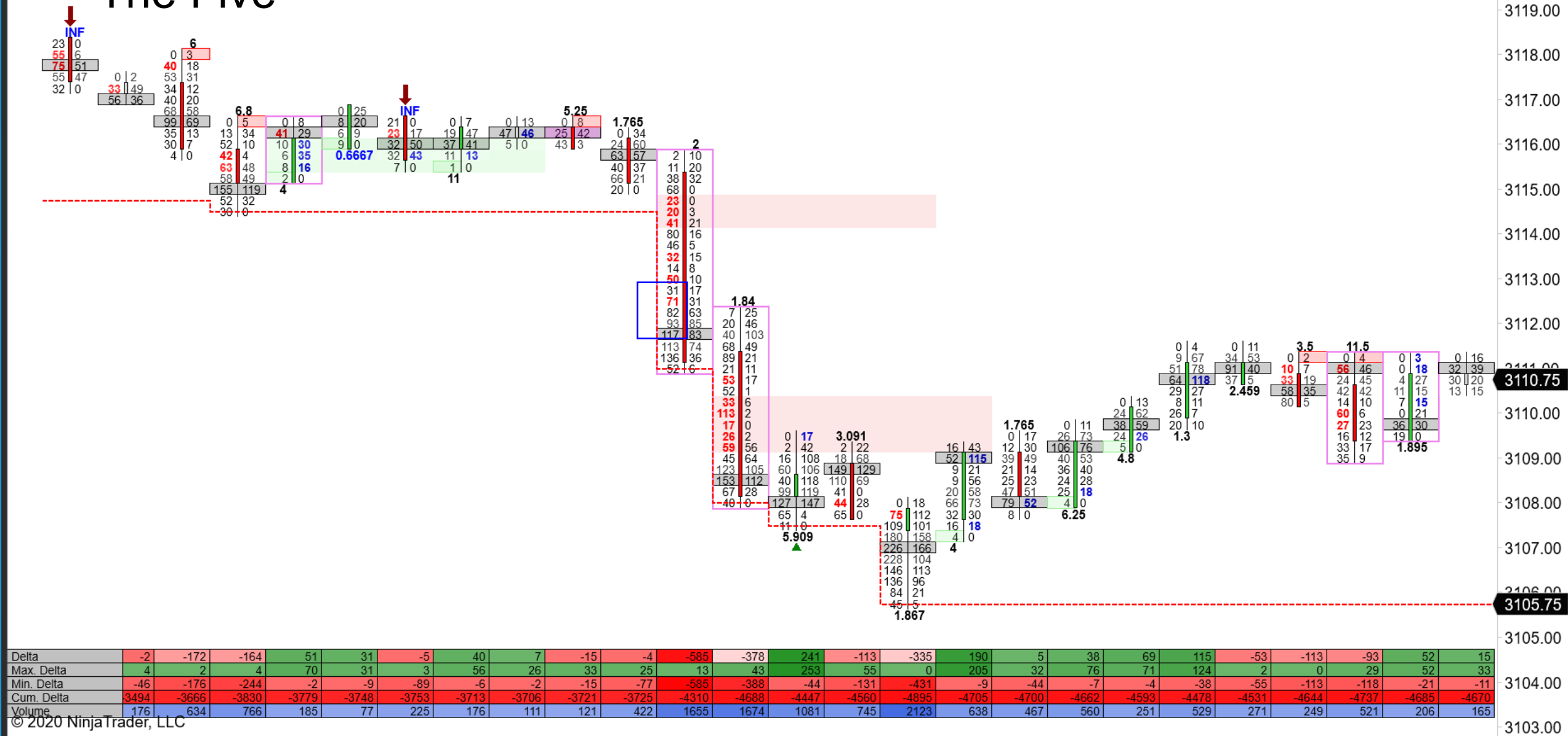




Order Flows Trader(ES 09-20 (1 Minute)), Current day OHL(ES 09-20 (1 Minute))

7/3/2020 09:23:00 - 7/3/2020 09:48:00

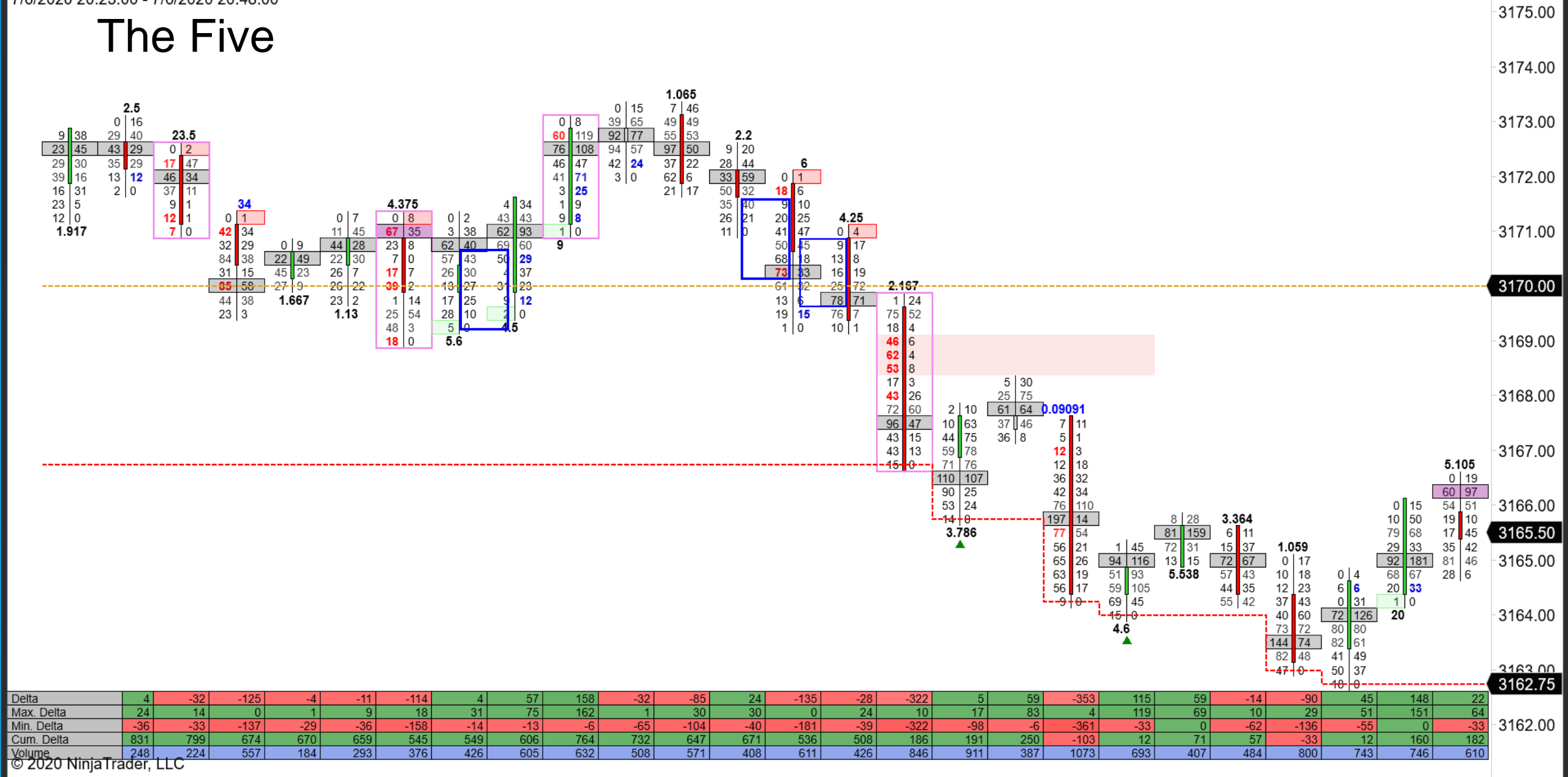
# The Five





Order Flows Trader(ES 09-20 (1 Minute)), Current day OHL(ES 09-20 (1 Minute))  
7/6/2020 20:23:00 - 7/6/2020 20:48:00

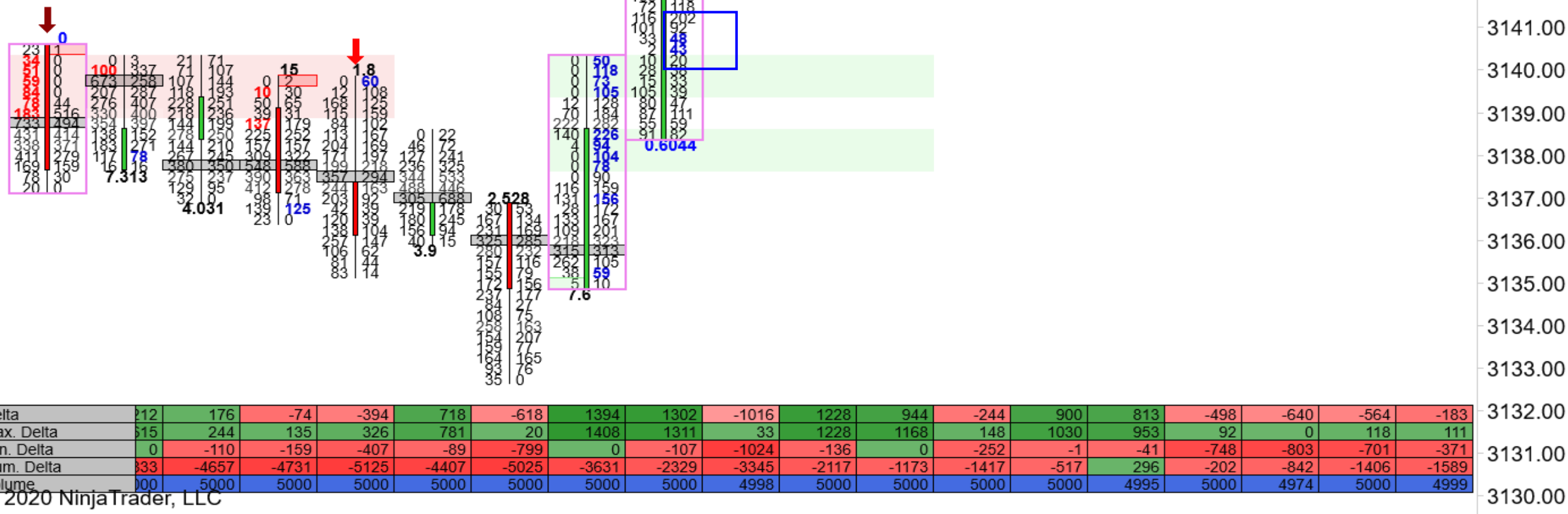
The Five



Order Flows Trader(ES 09-20 (5000 Volume)), Current day OHL(ES 09-20 (5000 Volume))

7/14/2020 08:34:55.541 - 7/14/2020 08:46:43.845

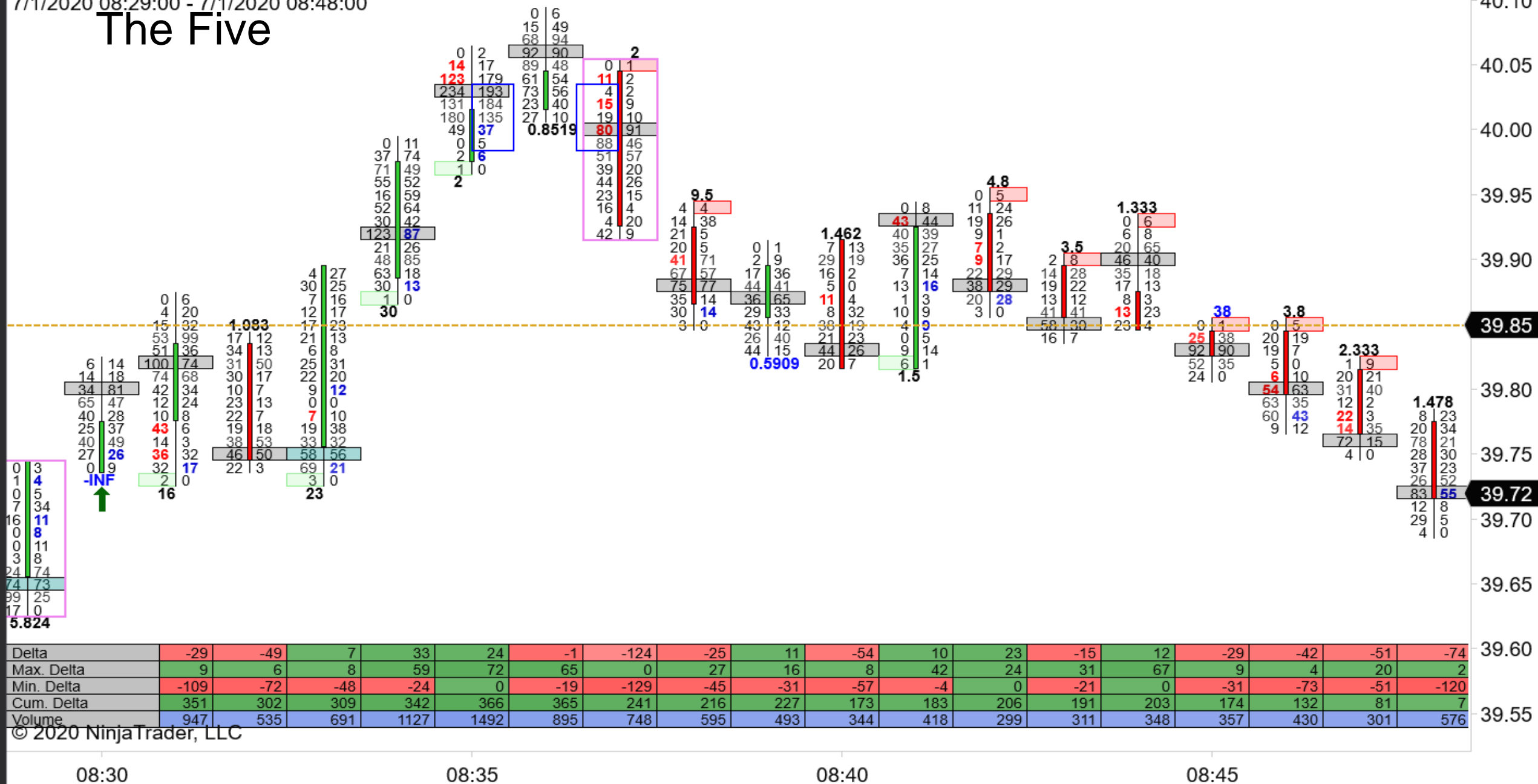
# The Five



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

7/1/2020 08:29:00 - 7/1/2020 08:48:00

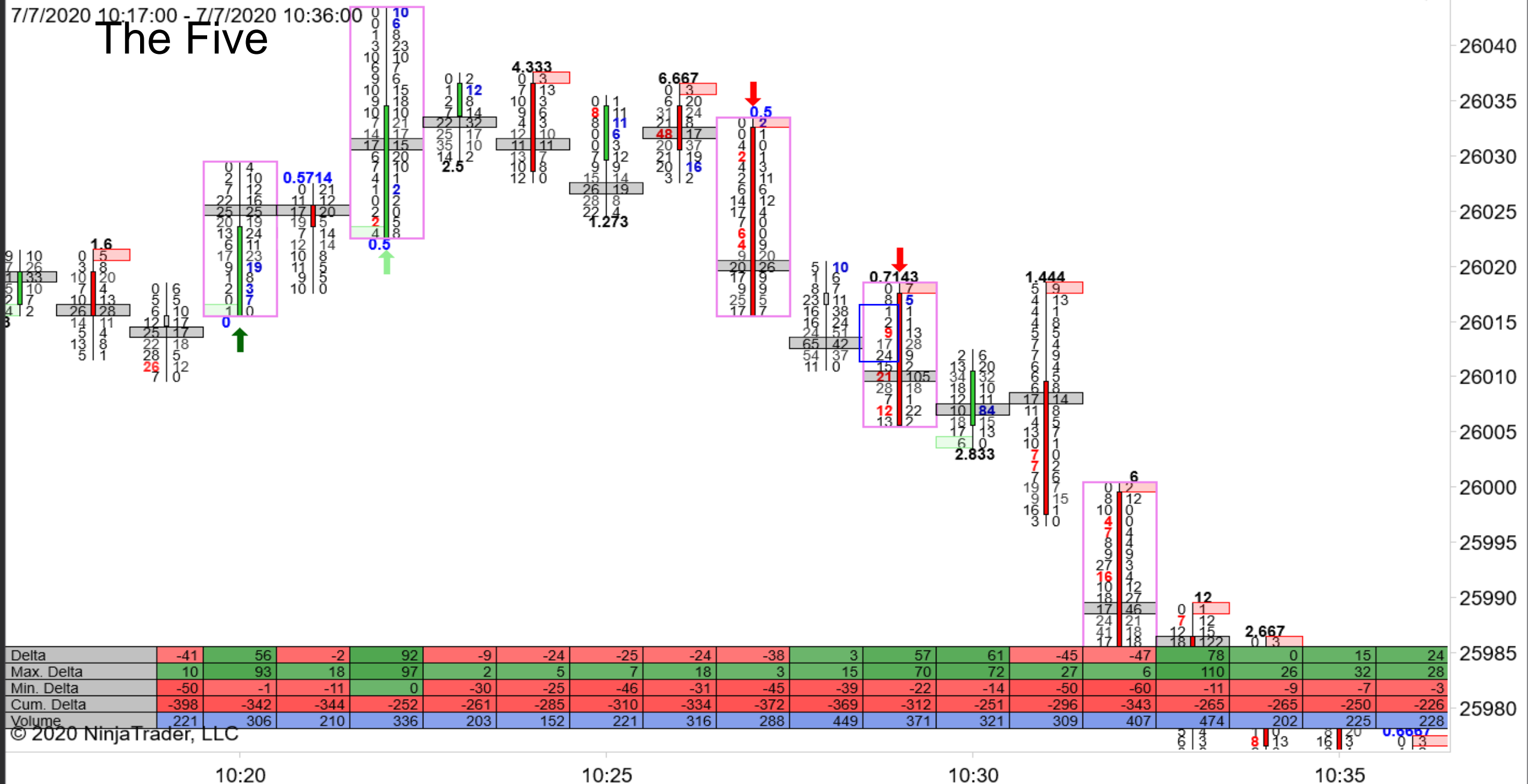
## The Five



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

7/7/2020 10:17:00 - 7/7/2020 10:36:00

## The Five



The Five – its preferred to use in a market at liquid times of day and in markets that have movement. You can't use it on a 4 range or 5 range chart. Ideally you want bars that cover 8-15 price levels.

## OOPS Trade –

Buy – Open below the prior day's low and come back into that low, buy.

Sell – Open above the prior day's high and come back into that high, sell.

## POC OOPS Trade – (short term trade)

Buy – Open below the prior bar's POC and close above the prior bar's POC, buy.

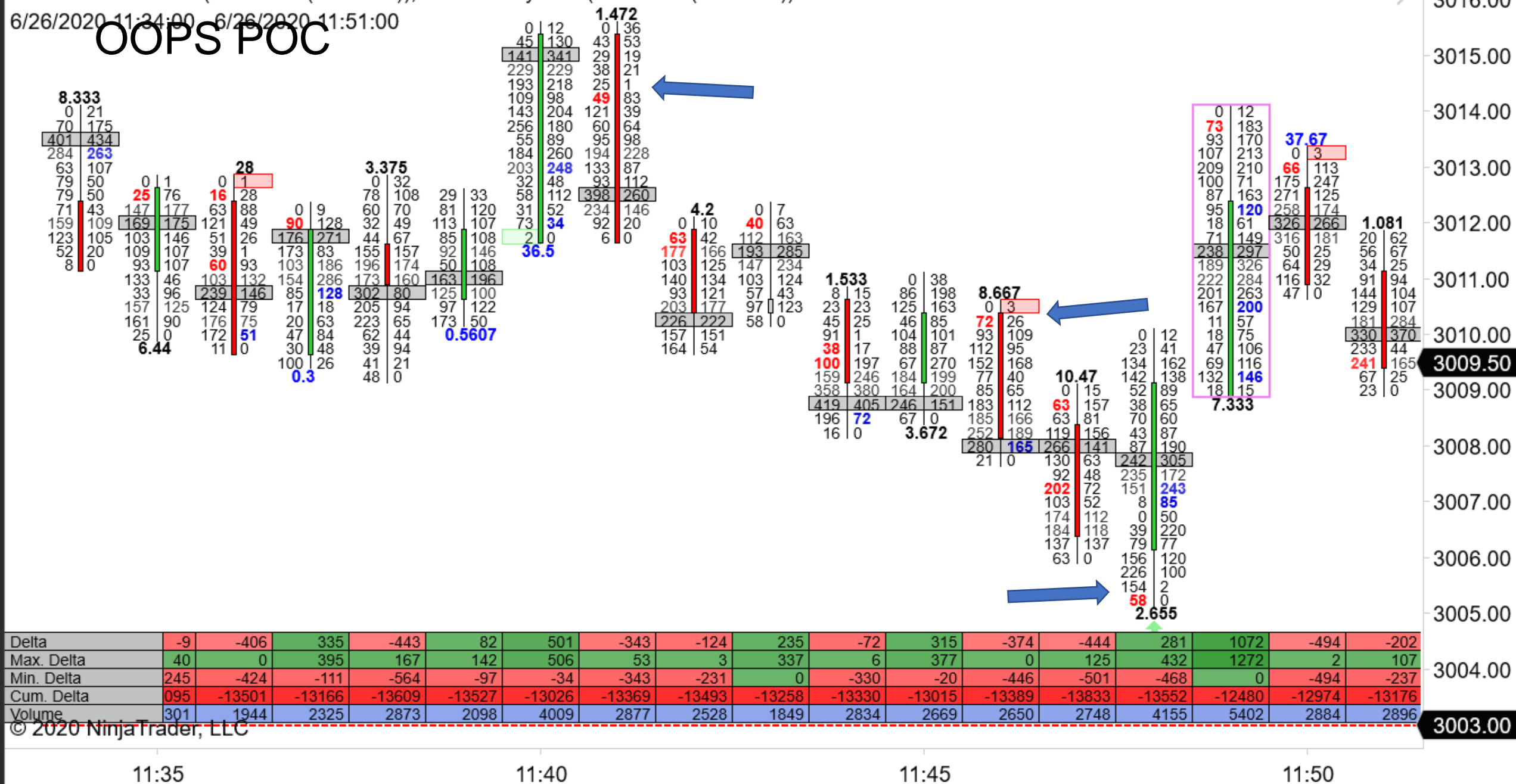
Sell – Open above the prior bar's POC and close below the prior bar's POC, sell.



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

6/26/2020 11:34:00 6/26/2020 11:51:00

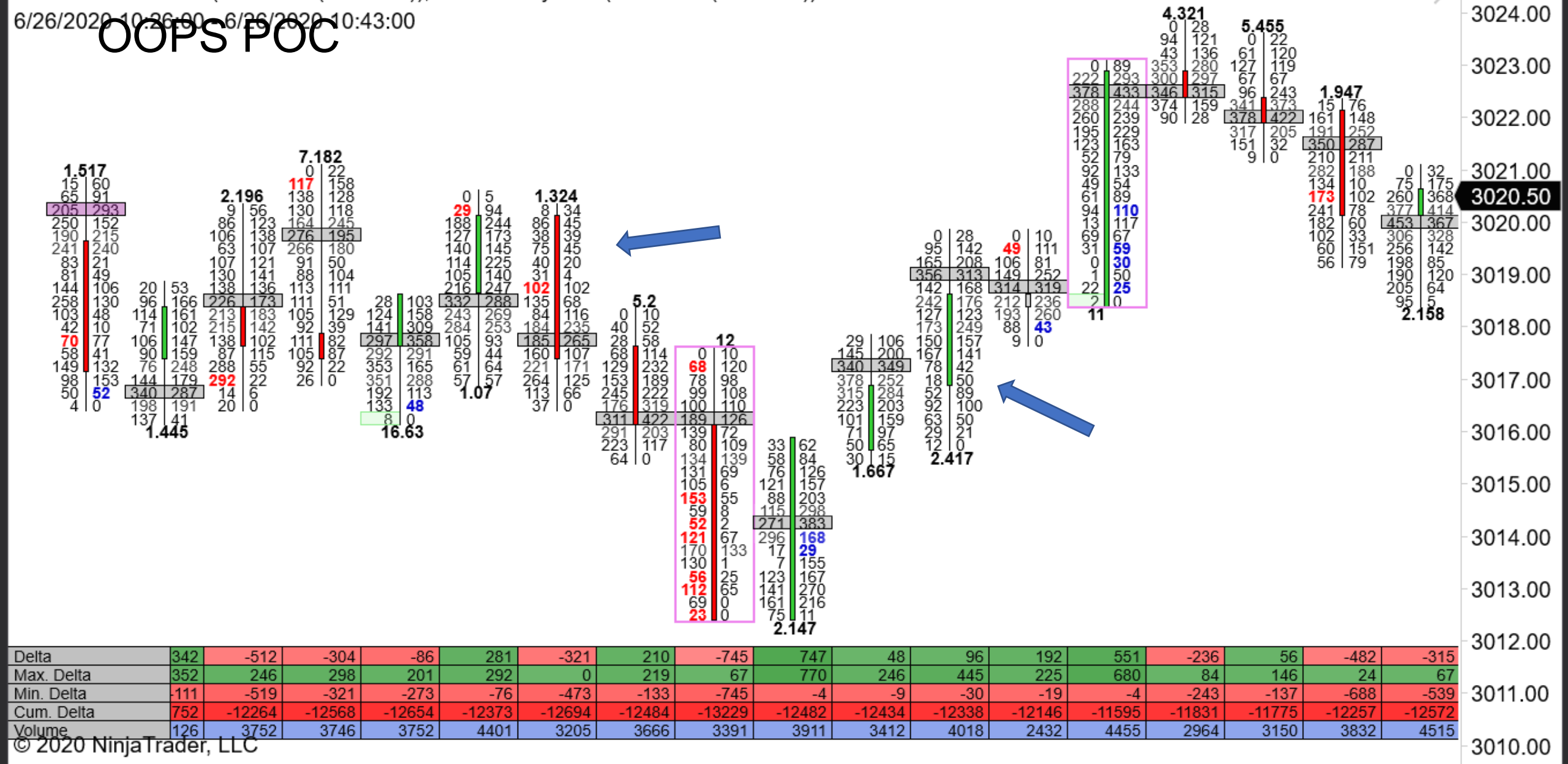
OOPS POC



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

6/26/2020 10:26:00 - 6/26/2020 10:43:00

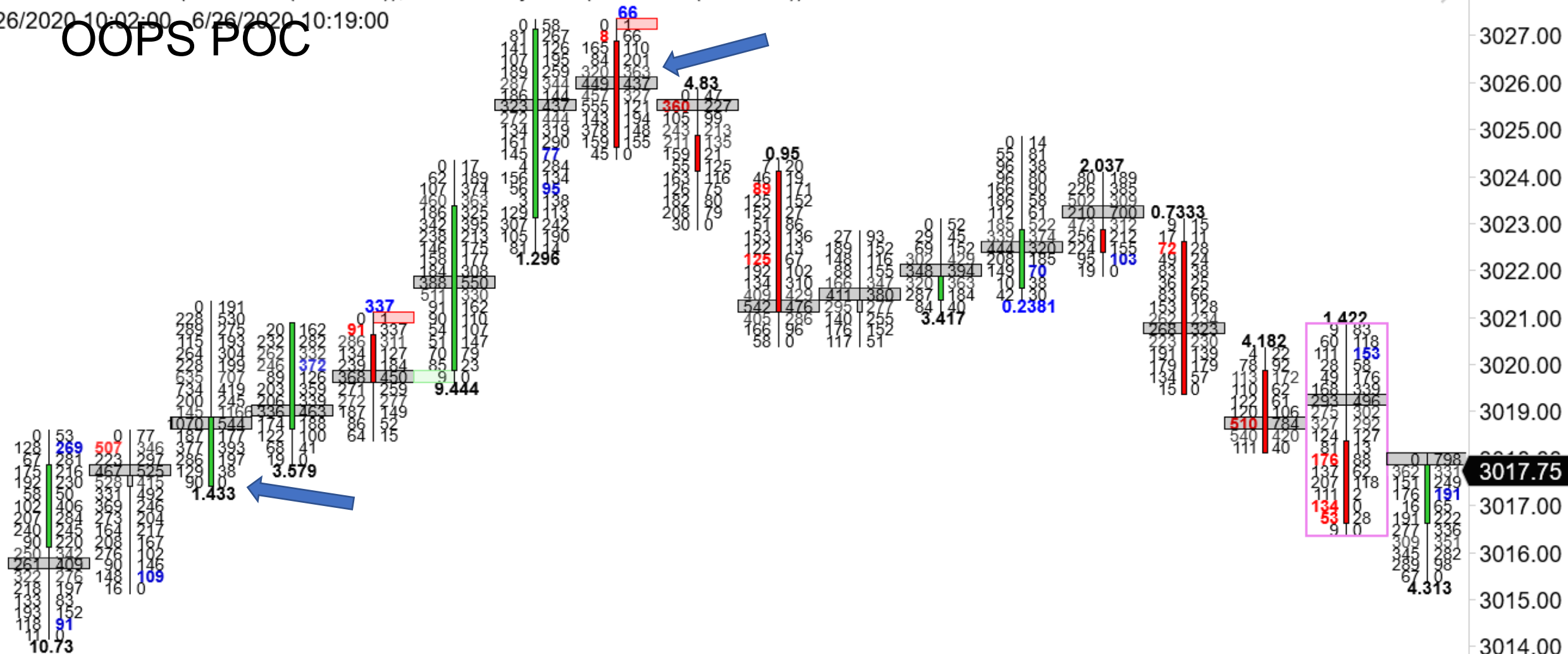
OOPS POC



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

6/26/2020 10:02:00 6/26/2020 10:19:00

OOPS POC



Delta	257	601	787	164	812	1303	-640	-625	-386	221	220	-127	280	-277	51	103	740
Max. Delta	172	1168	864	247	842	1324	54	79	19	290	348	246	488	22	82	923	751
Min. Delta	428	-4	-89	-66	-10	-90	-814	-752	-629	0	-121	-402	-71	-422	-230	-4	-381
Cum. Delta	522	-15921	-15134	-14970	-14158	-12855	-13495	-14120	-14506	-14285	-14065	-14192	-13912	-14189	-14138	-14035	-13295
Volume	943	10555	4741	4160	7276	7037	4886	3059	5166	3735	3098	4049	4450	3271	3467	4807	5106

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10:05

10:10

10:15

OOPS POC is a scalper's set up. You are trading the next bar.

Can it be held longer than 1 bar? Yes, it can if order flow is dominant in a direction. For example, short and the bar closes on the low. Or long and the bar closes on the high.

Parallel bars – consecutive bars where both bars look the same. The second bar can be a tick or two above or below the first bar. This signals effort is being made for continuation or reversal. Watch the 3<sup>rd</sup> bar for confirmation of direction.

Parallel bars are the result of false break outs.

Wyckoff method – jump the creek a wide price spread move with heavy volume through support or resistance followed immediately with a narrow price spread with lighter volume. Go in the direction of the breakout.

3 Bar play – wide range bar, narrow range bar, breakout.

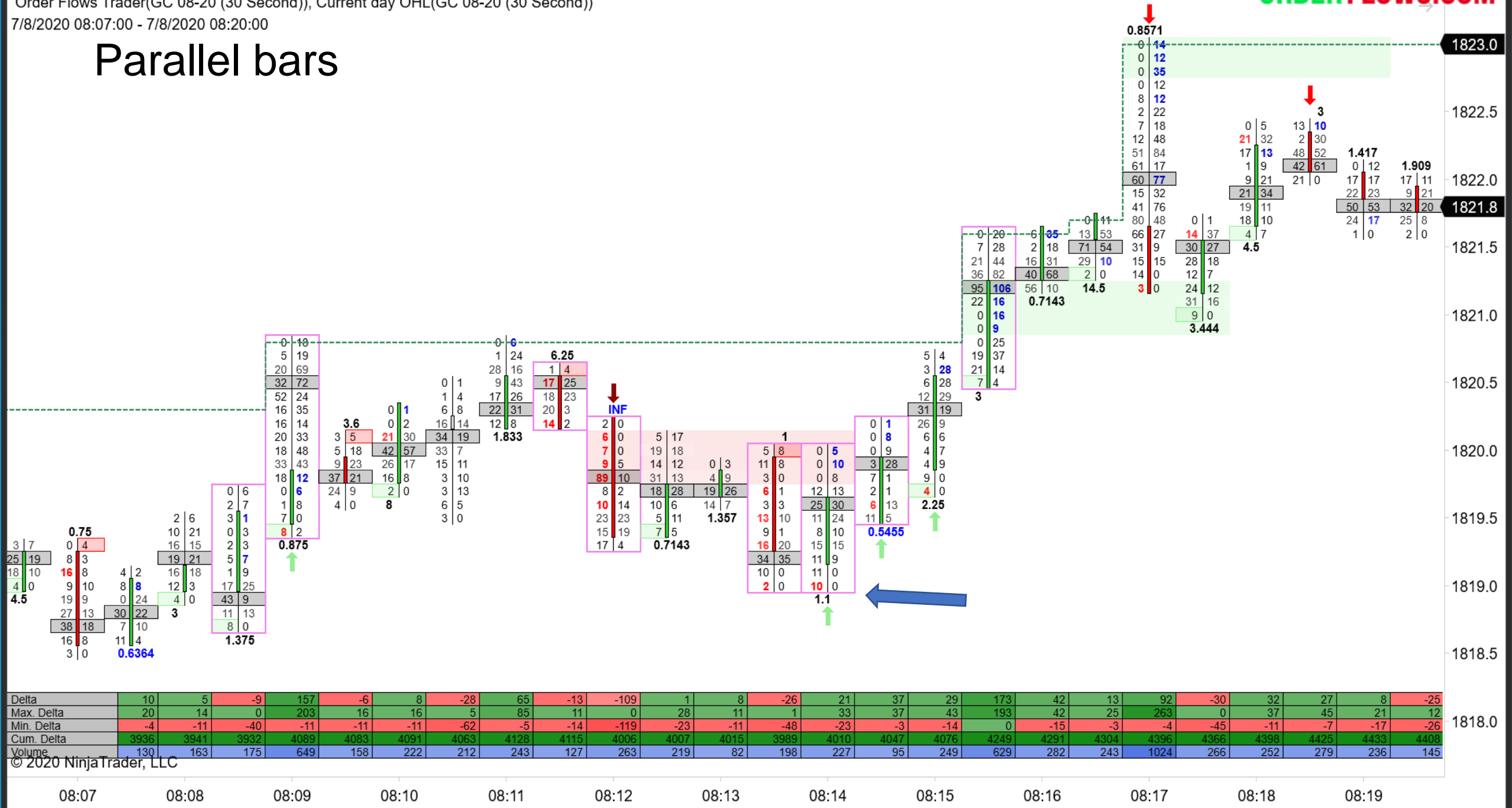
Parallel bars are what happens when the narrow range bar doesn't materialize.



Parallel bar are similar to the 2 bar flip. In the 2 bar flip, there is a strong up thrust bar giving the impression of strong demand. The next bar opens a little lower and sells off all bar closing near the bar's low and around the previous bar's low.

Order Flows Trader(GC 08-20 (30 Second)), Current day OHL(GC 08-20 (30 Second))  
7/8/2020 08:07:00 - 7/8/2020 08:20:00

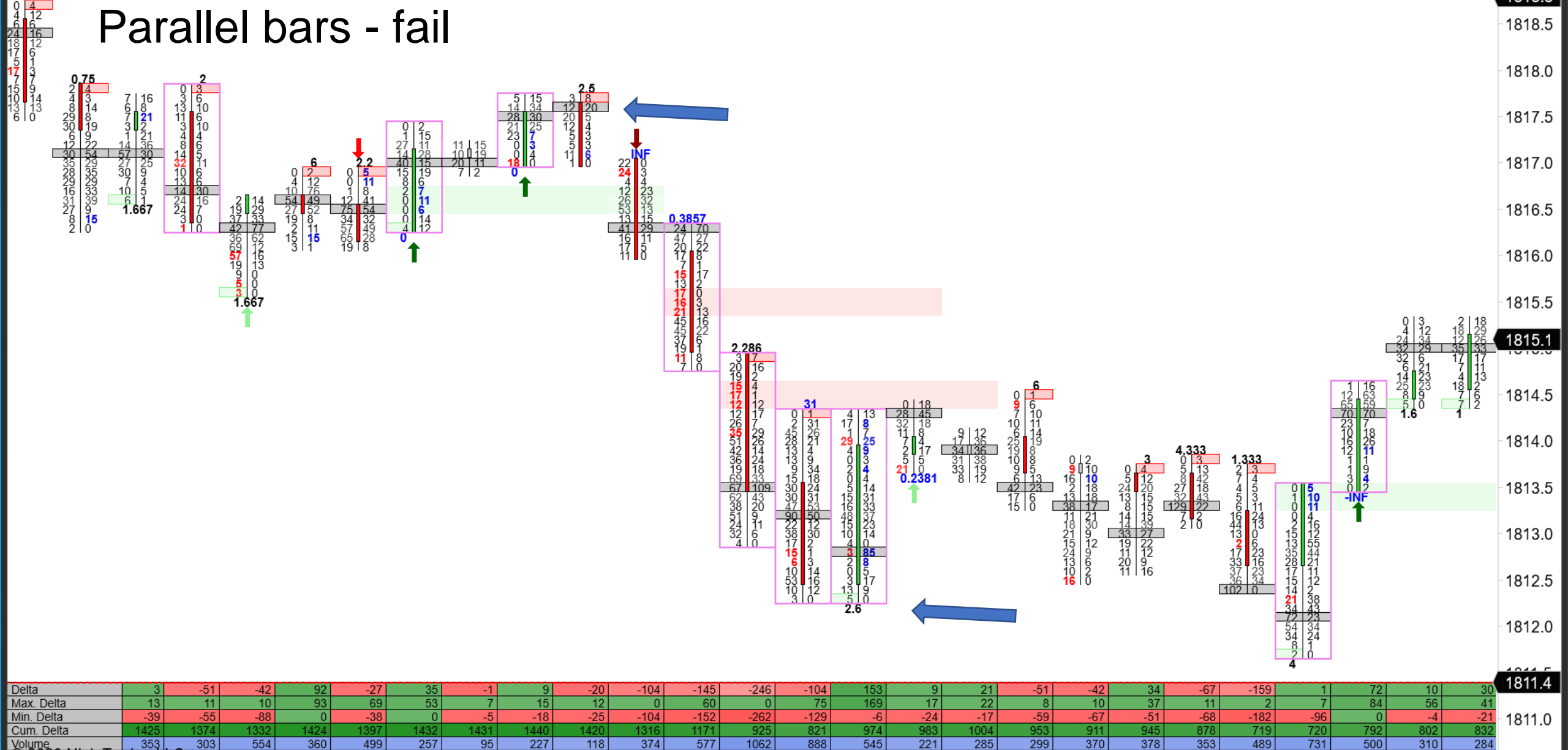
# Parallel bars



Order Flows Trader(GC 08-20 (30 Second)), Current day OHL(GC 08-20 (30 Second))

7/9/2020 09:39:00 - 7/9/2020 09:52:00

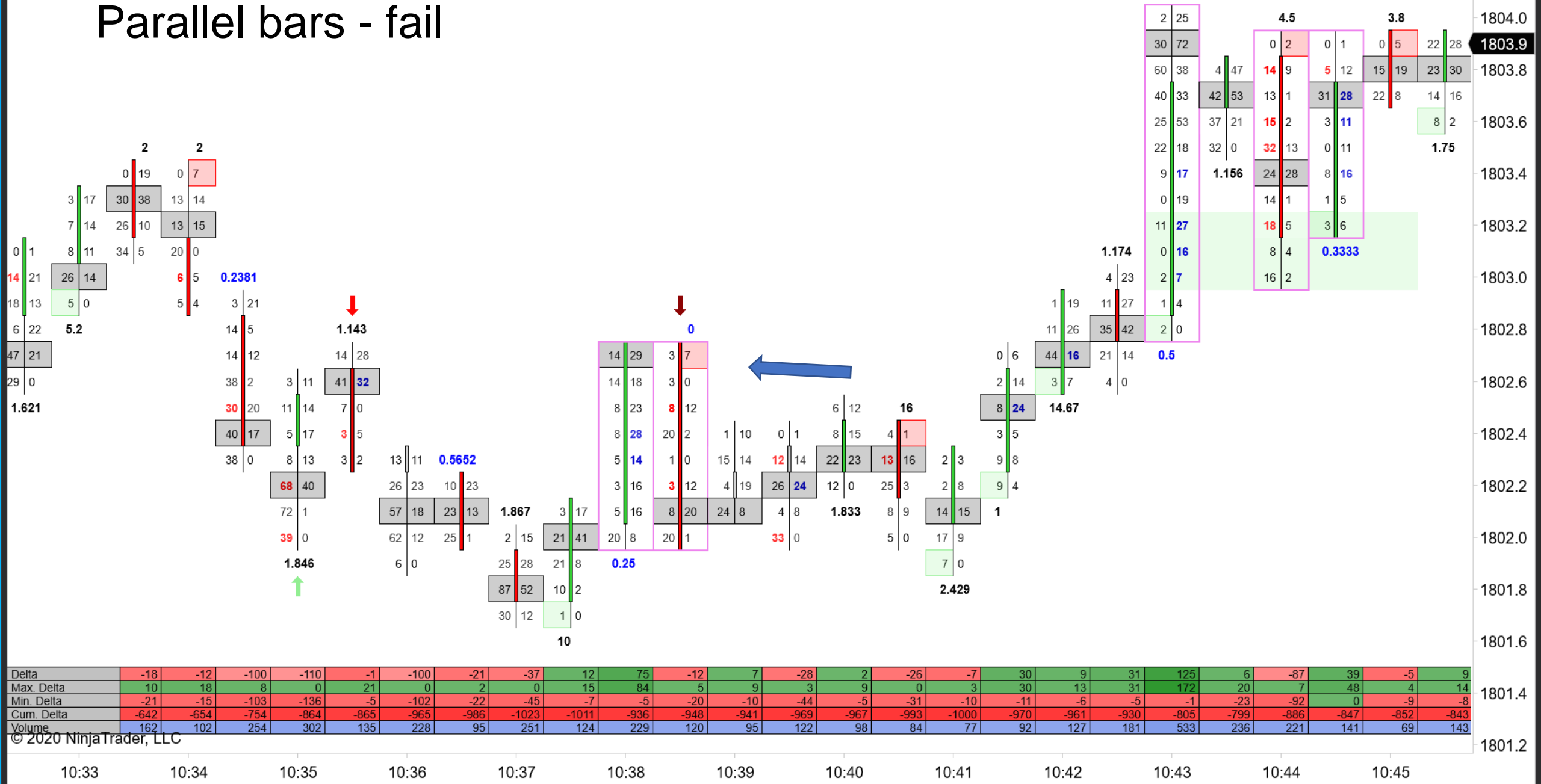
# Parallel bars - fail



Delta	3	-51	-42	92	-27	35	-1	9	-20	-104	-145	-246	-104	153	9	21	-51	-42	34	-67	-159	1	72	10	30
Max. Delta	13	11	10	93	69	53	7	15	12	0	60	0	75	169	17	22	8	10	37	11	2	7	84	56	41
Min. Delta	-39	-55	-88	0	-38	0	-5	-18	-25	-104	-152	-262	-129	-6	-24	-17	-59	-67	-51	-68	-182	-96	0	-4	-21
Cum. Delta	1425	1374	1332	1424	1397	1432	1431	1440	1420	1316	1171	925	821	974	983	1004	953	911	945	878	719	720	792	802	832
Volume	353	303	554	360	499	257	95	227	118	374	577	1062	888	545	221	285	299	370	378	353	489	731	500	310	284

Order Flows Trader(GC 08-20 (30 Second)), Current day OHL(GC 08-20 (30 Second))  
7/10/2020 10:32:30 - 7/10/2020 10:45:30

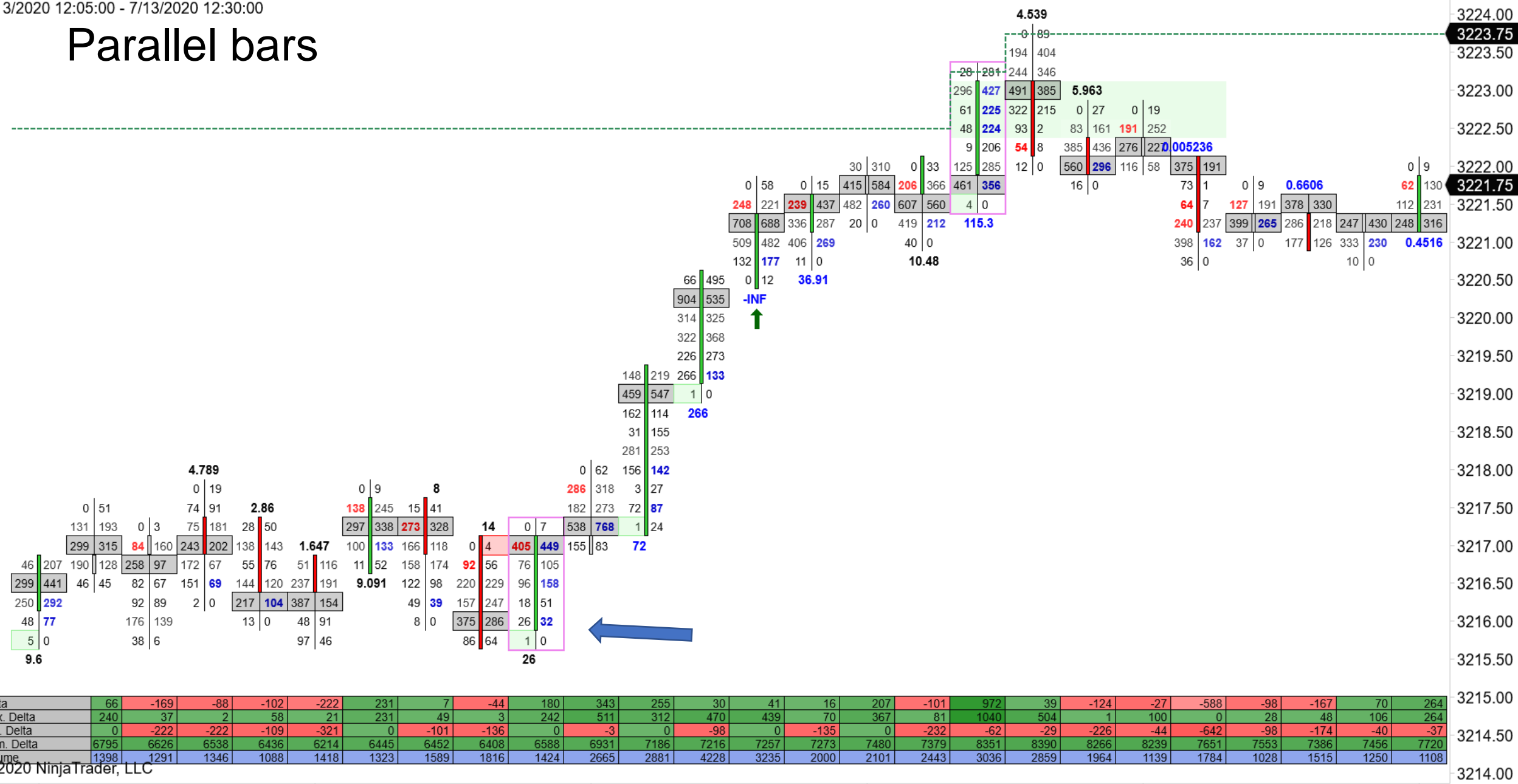
# Parallel bars - fail



Parallel bar— consecutive bars that appear as mirror opposites. First bar green, second bar red or first bar red and second bar green. All the effort made in the first bar seems erased in the second bar. Watch how the order flow goes in the next bars for direction.

7/13/2020 12:05:00 - 7/13/2020 12:30:00

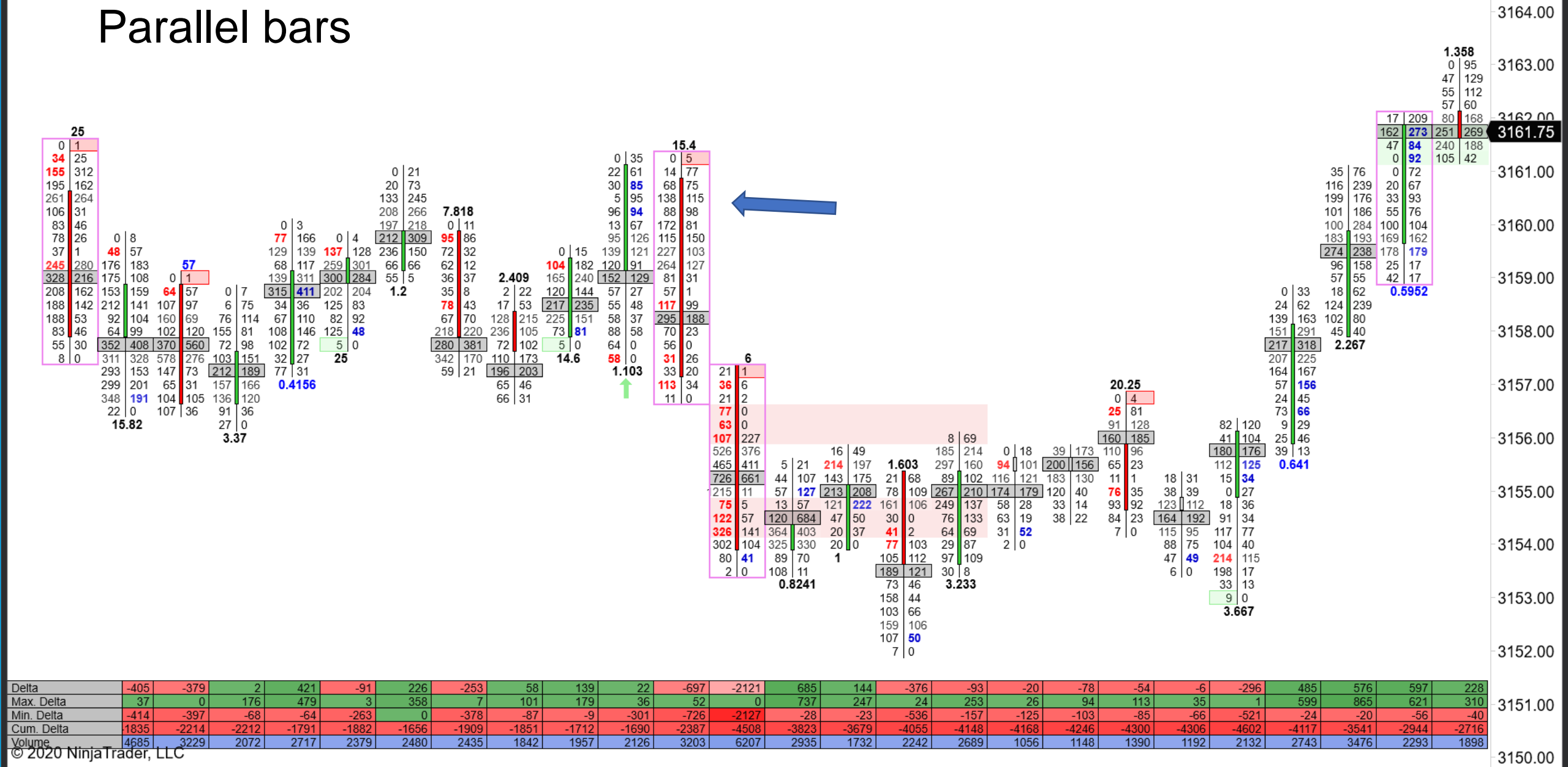
# Parallel bars





7/14/2020 10:55:00 - 7/14/2020 11:20:00

# Parallel bars



Parallel bars are not engulfing bars.

Naked POC (Points of Control) are POCs that have not been traded back to.

When two bars in the same direction with Naked POCs appear, look for a rotation back to the 2<sup>nd</sup> Naked POC on the 4<sup>th</sup> or 5<sup>th</sup> bars to enter into a position to go with the trend.

Buying (selling on a pullback) so you can have a nice low risk trade.

More effective on time-based charts than range based charts.

Order Flows Trader(ES 09-20 (1 Minute)), Orderflows Market Exhaustion(ES 09-20 (1 Minute))

7/10/2020 08:59:00 - 7/10/2020 09:16:00

Two Naked POCs, 2 bars  
later retrace back to the  
2<sup>nd</sup> Naked POC

Delta	202	-2164	670	-493	102	149	304	272	-213	914	-293	1189	-461	-934	-244	566	-46
Max. Delta	507	0	810	64	393	149	515	424	0	1218	5	1246	852	47	212	572	720
Min. Delta	-31	-2175	-126	-517	-24	-135	0	-8	-492	-71	-353	-111	-462	-1117	-320	-29	-46
Cum. Delta	704	-4868	-4198	-4691	-4589	-4440	-4136	-3864	-4077	-3163	-3456	-2267	-2728	-3662	-3906	-3340	-3386
Volume	282	10934	6328	4621	3894	2977	5676	4120	2975	5062	3299	4967	7571	4462	2736	3190	4976

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09:00

09:05

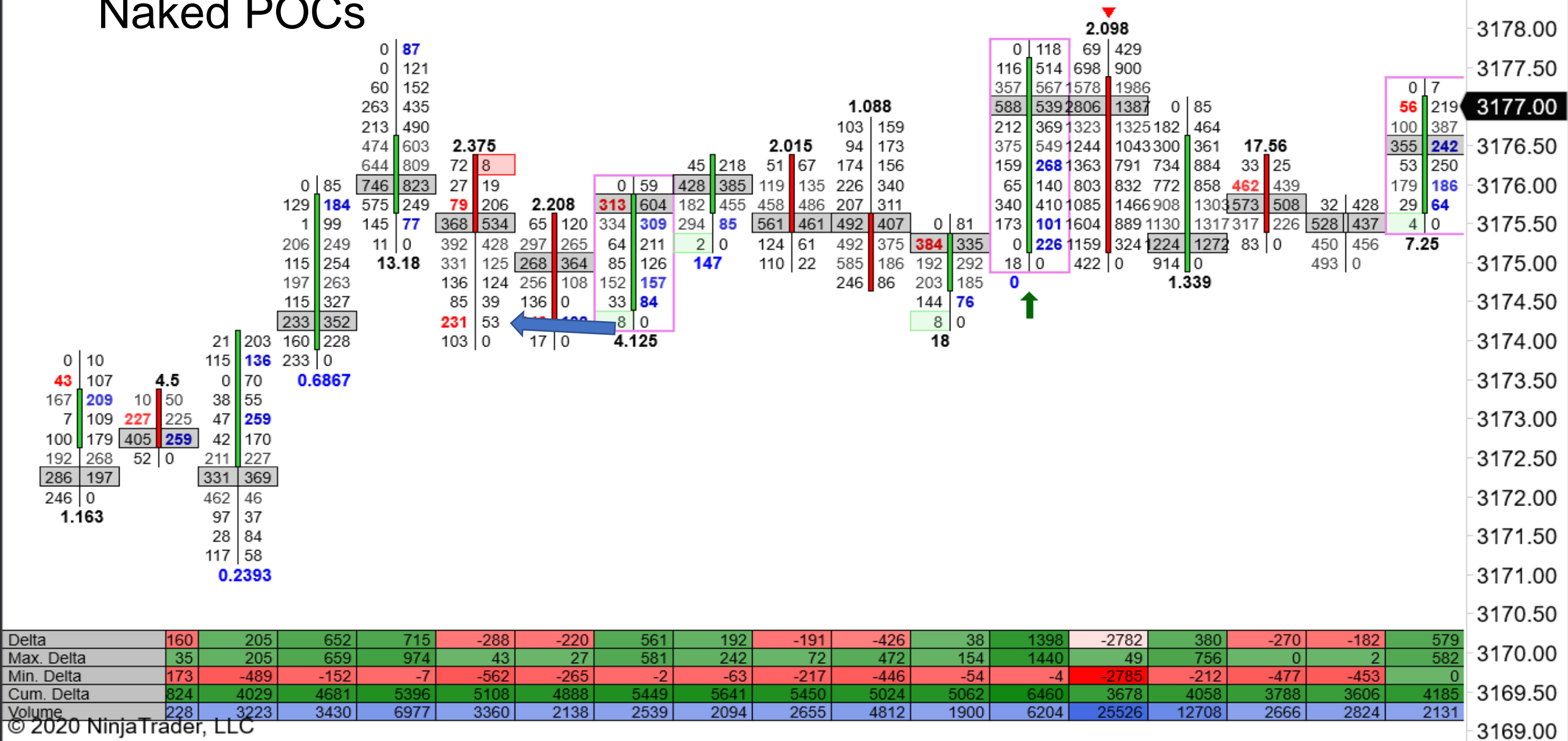
09:10

09:15

Order Flows Trader(ES 09-20 (1 Minute)), Orderflows Market Exhaustion(ES 09-20 (1 Minute))

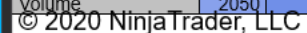
7/10/2020 14:47:00 - 7/10/2020 15:04:00

## Naked POCs



7/2/2020 07:02:45.707 - 7/2/2020 07:37:20.191

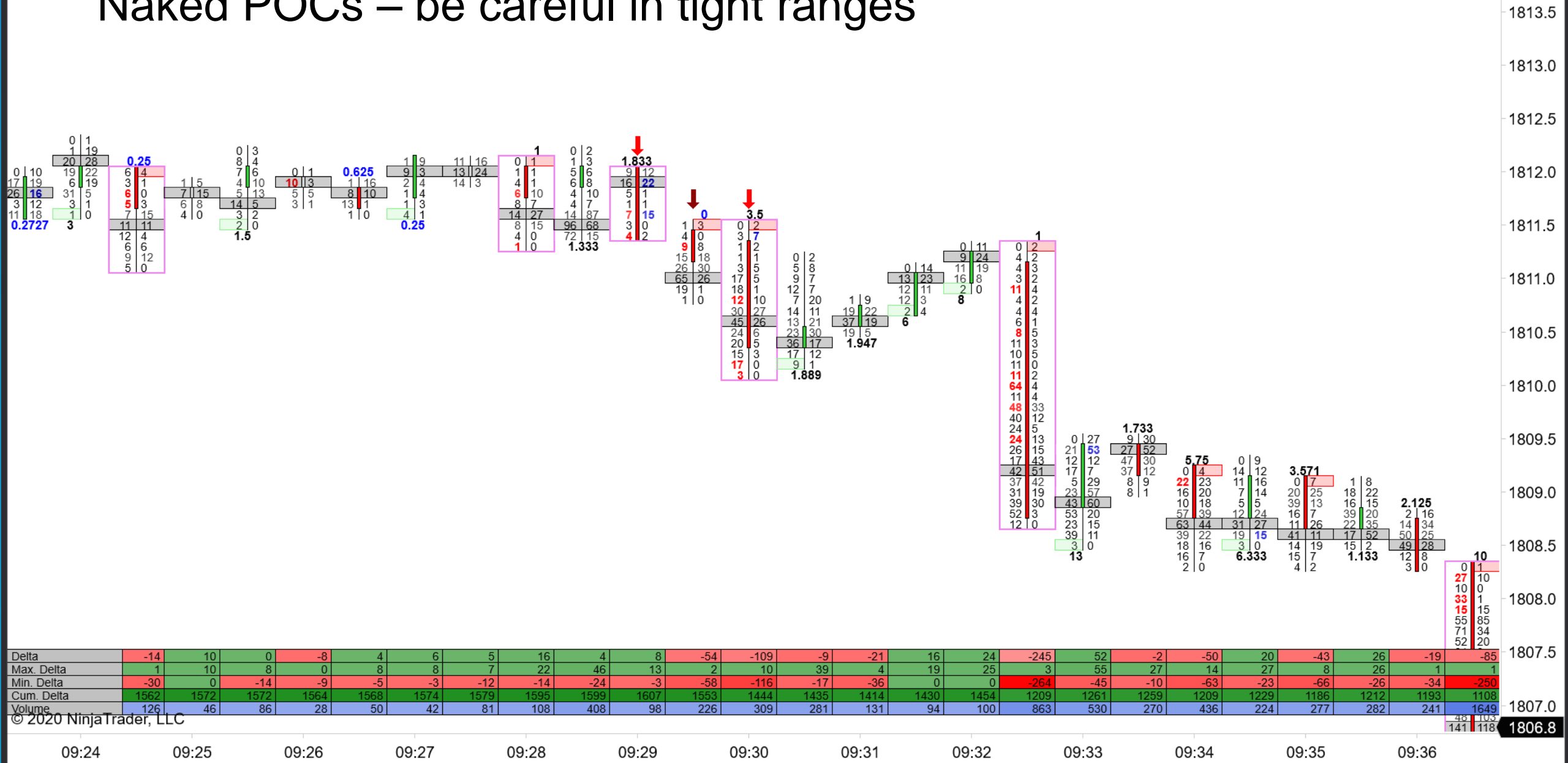
# Naked POCs





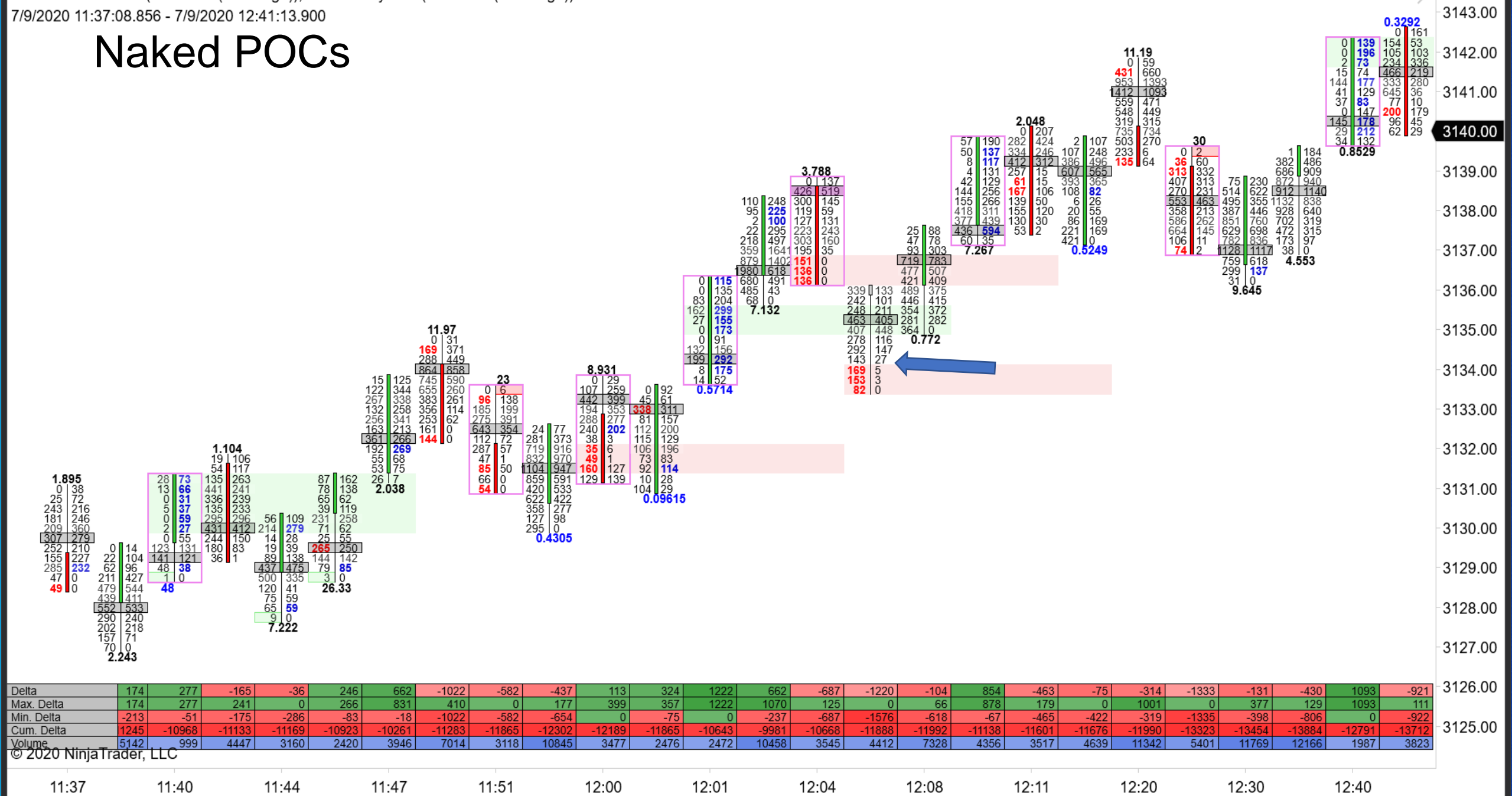
Order Flows Trader(GC 08-20 (30 Second)), Current day OHL(GC 08-20 (30 Second))  
7/13/2020 09:23:30 - 7/13/2020 09:36:30

# Naked POCs – be careful in tight ranges



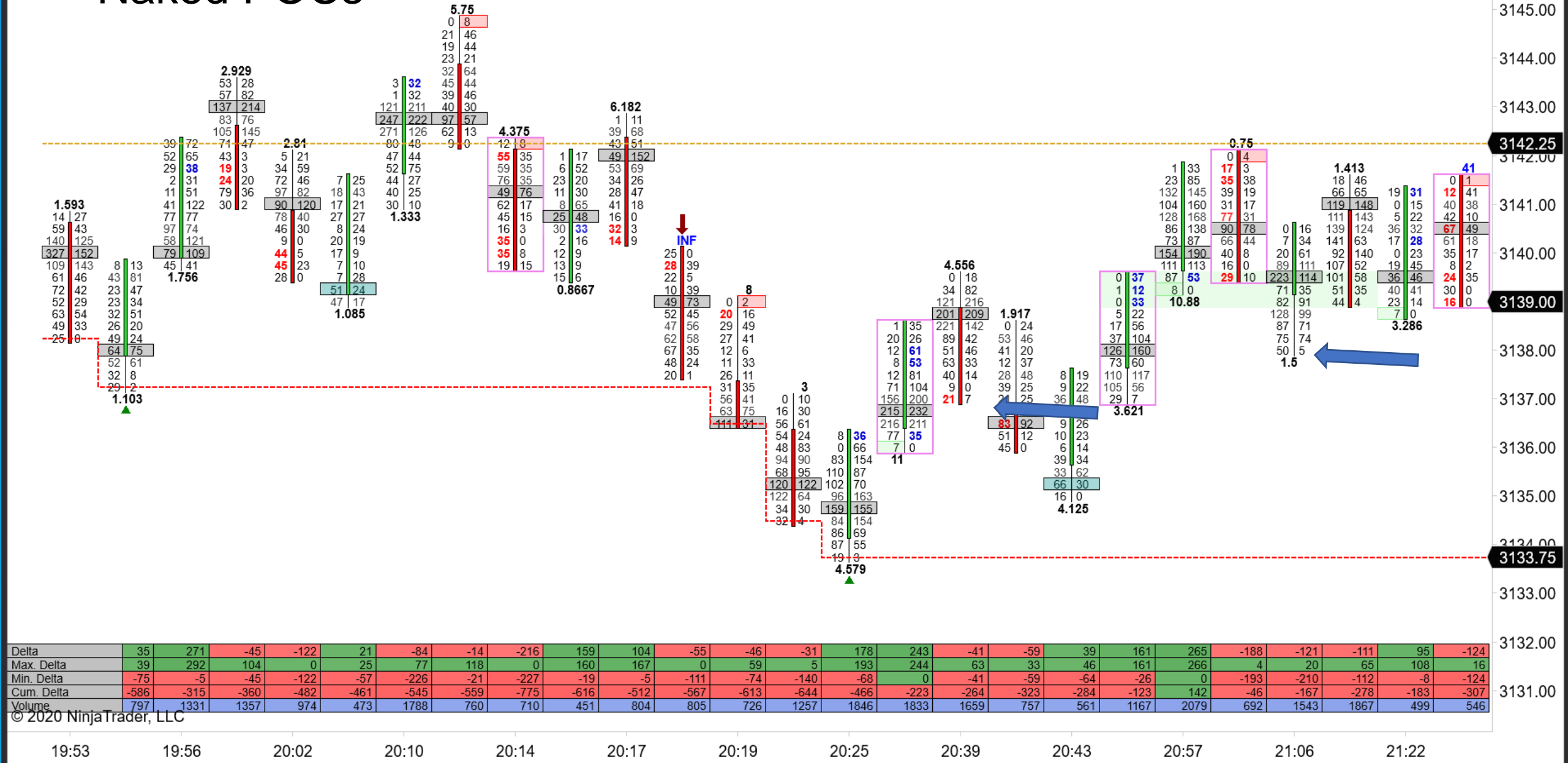
Order Flows Trader(ES 09-20 (10 Range)), Current day OHL(ES 09-20 (10 Range))  
7/9/2020 11:37:08.856 - 7/9/2020 12:41:13.900

# Naked POCs



7/9/2020 19:53:00.461 - 7/9/2020 21:26:12.799

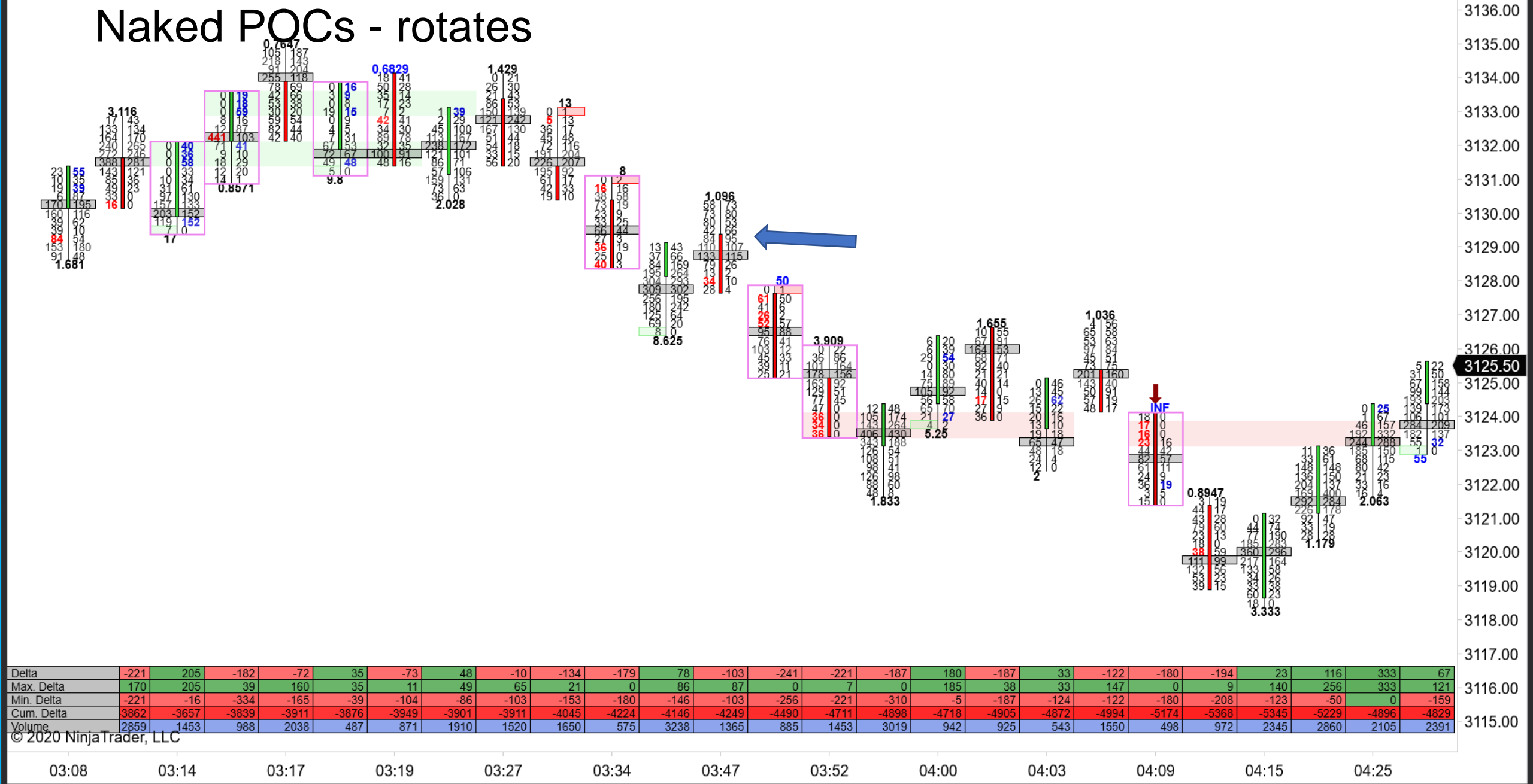
# Naked POCs



The Naked POC has its beginnings in the understanding of Rotations. The market rotates.

7/10/2020 03:08:21.289 - 7/10/2020 04:32:05.860

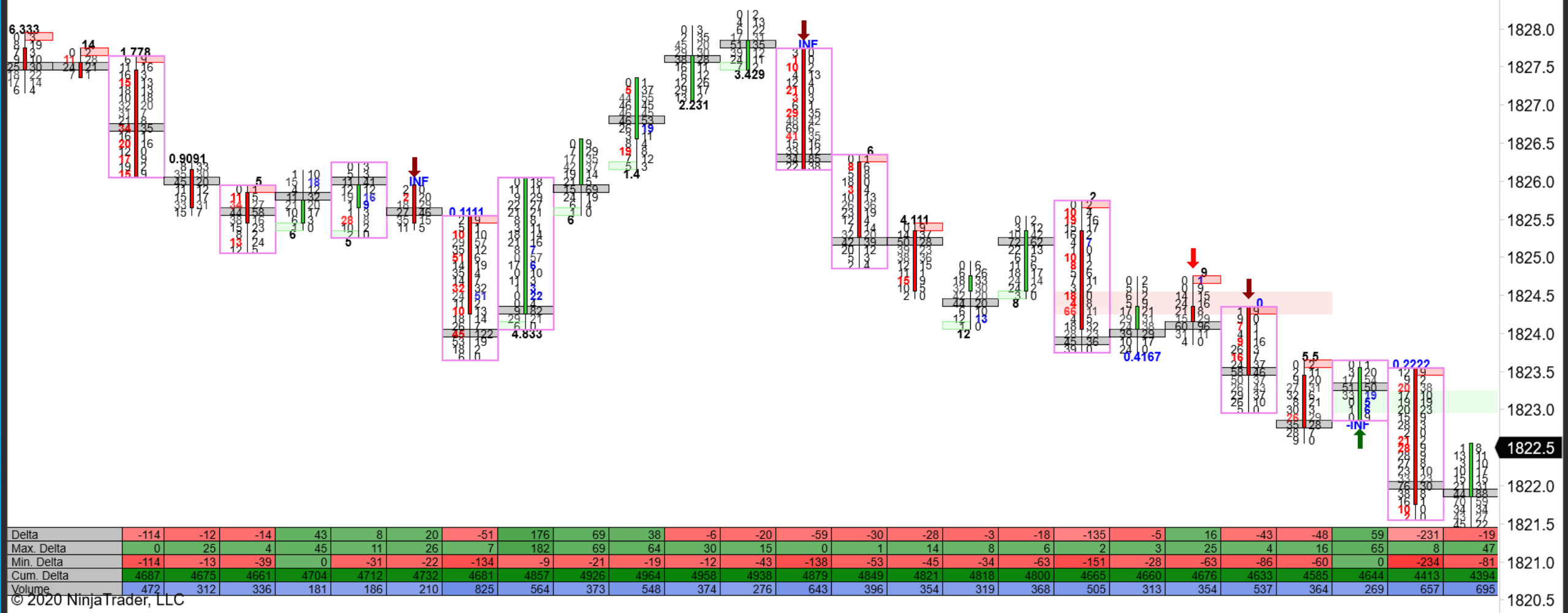
# Naked POCs - rotates



If the Naked POC is not retraced to by the 4<sup>th</sup> or 5<sup>th</sup> bar, when the market does retrace it will often keep going in the opposite direction.

Order Flows Trader(GC 08-20 (1 Minute)), Current day OHL(GC 08-20 (1 Minute))  
7/8/2020 09:37:00 - 7/8/2020 10:03:00

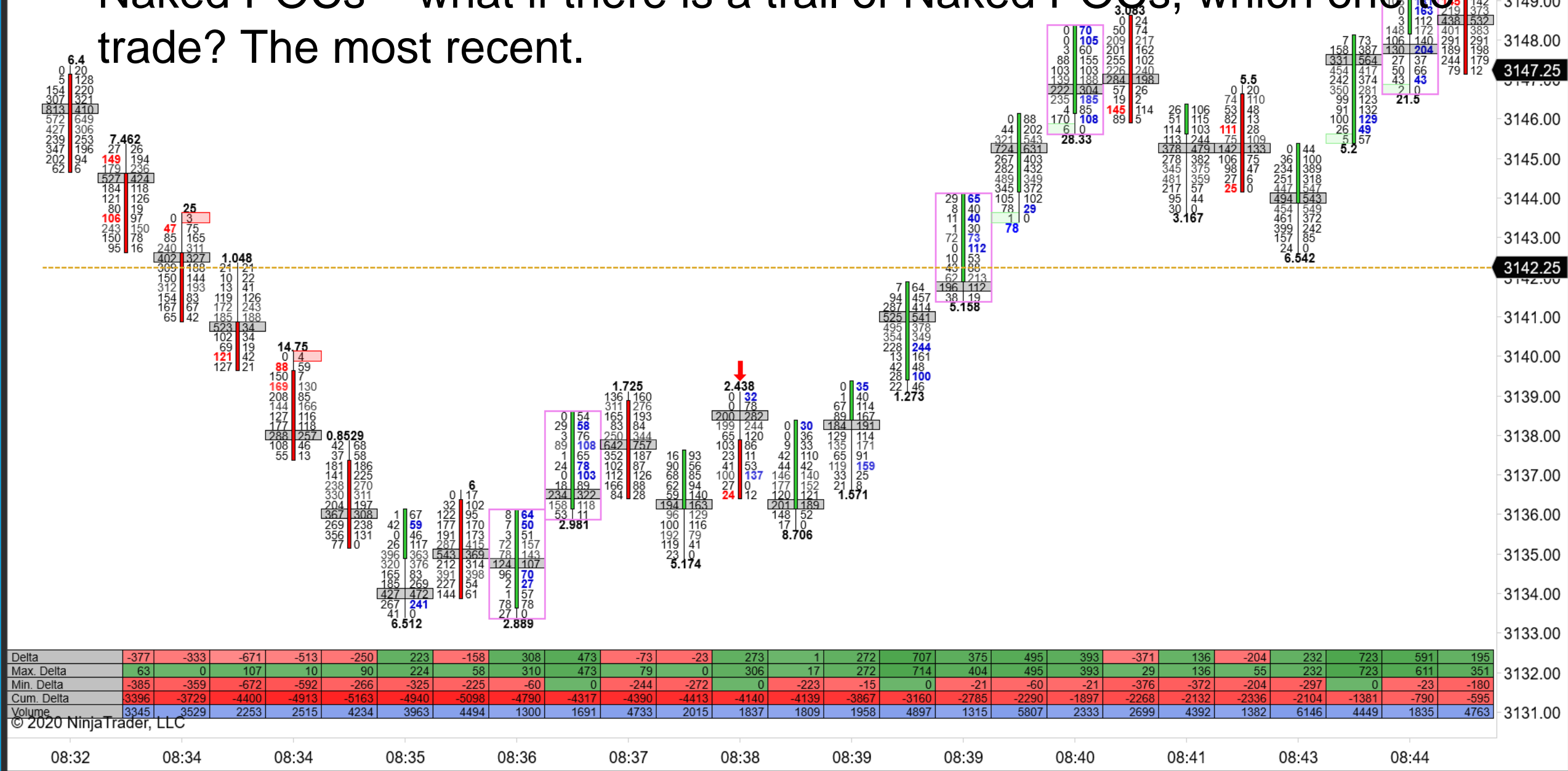
# Naked POCs - fail





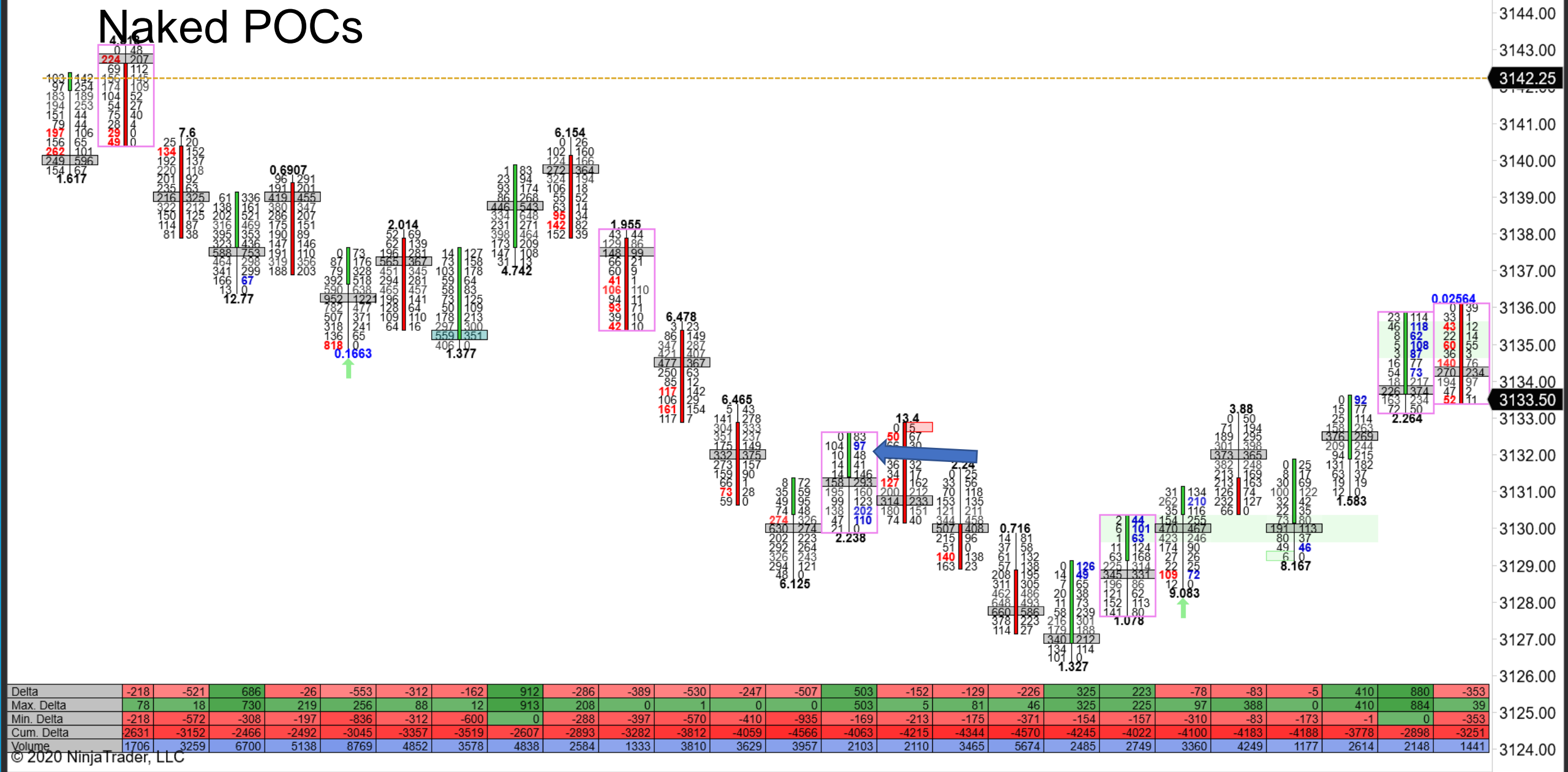
7/10/2020 08:32:35.967 - 7/10/2020 08:45:16.946

# Naked POCs – what if there is a trail of Naked POCs, which one to trade? The most recent.



Order Flows Trader(ES 09-20 (10 Range)), Current day OHL(ES 09-20 (10 Range))  
7/10/2020 08:52:13.949 - 7/10/2020 09:09:02.442

Naked POCs



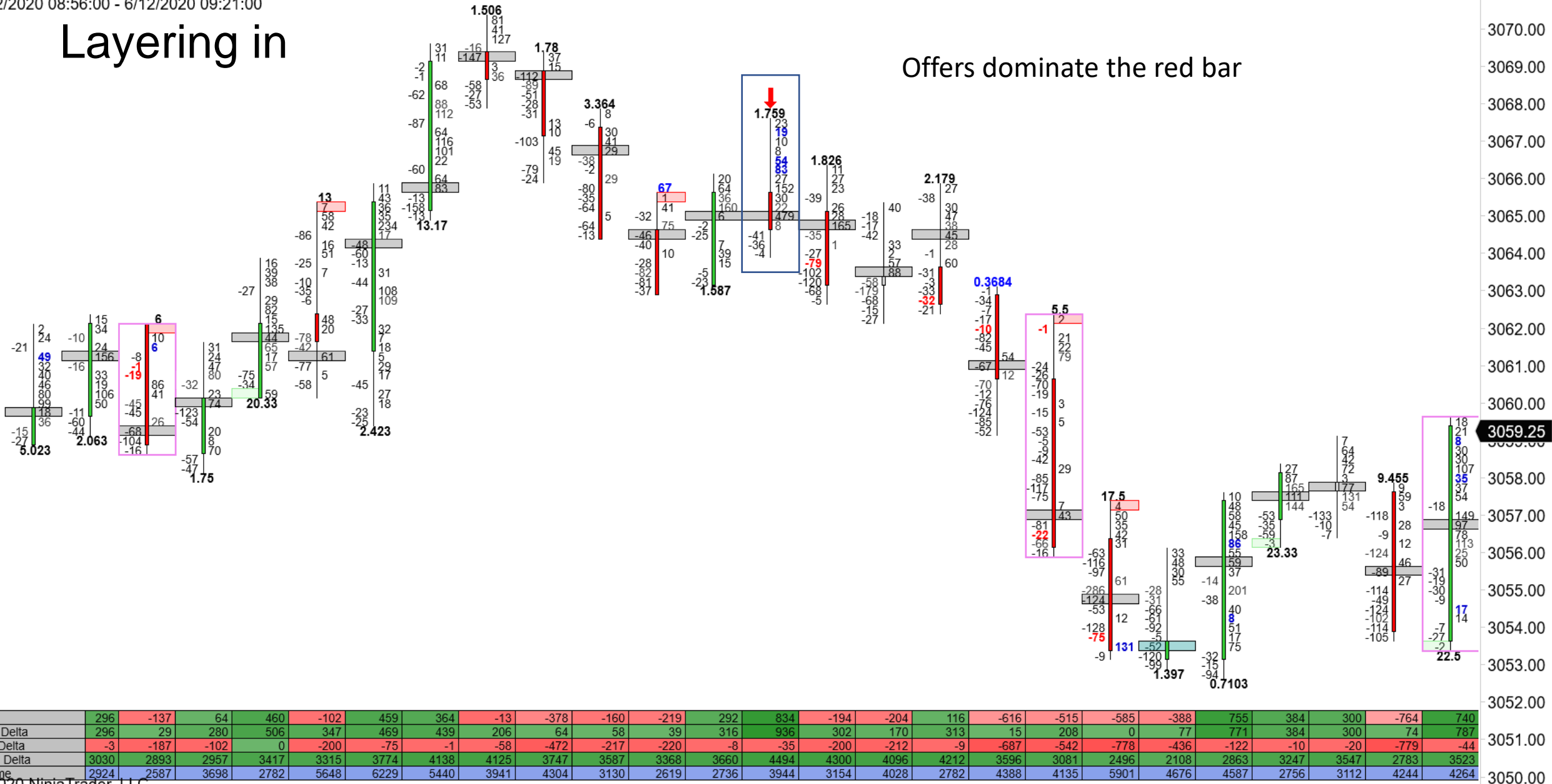
Layering In occurs when buyers join bids in moves up where they absorb the selling pressure as the market moves higher or in markets moving down big sellers offering supply by joining the offer absorbing all the aggressive buying.

Want to see it coming in on a pull back.

Order Flows Trader(ES 09-20 (1 Minute)), Current day OHL(ES 09-20 (1 Minute))  
6/12/2020 08:56:00 - 6/12/2020 09:21:00

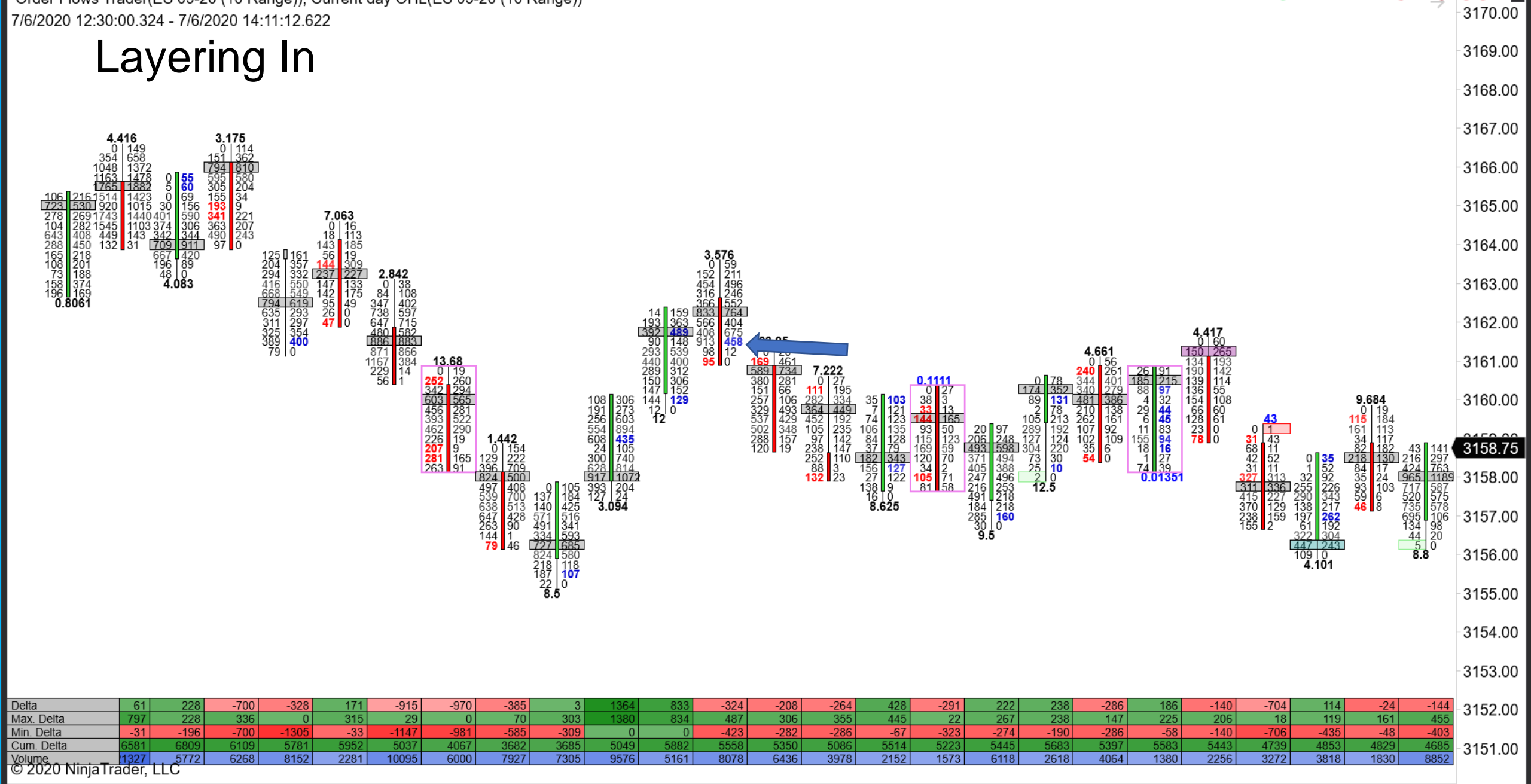
Layering in

Offers dominate the red bar



Order Flows Trader(ES 09-20 (10 Range)), Current day OHL(ES 09-20 (10 Range))  
7/6/2020 12:30:00.324 - 7/6/2020 14:11:12.622

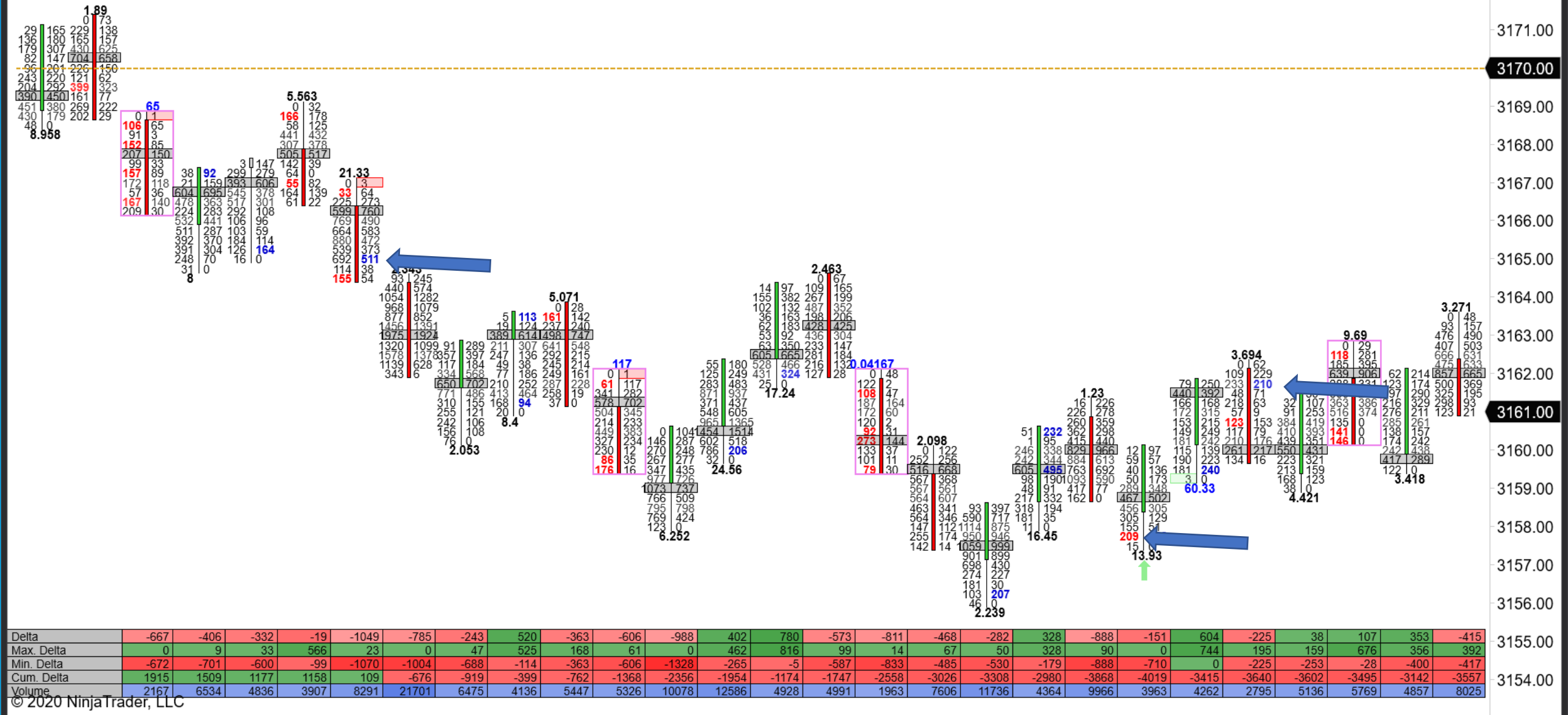
Layering In





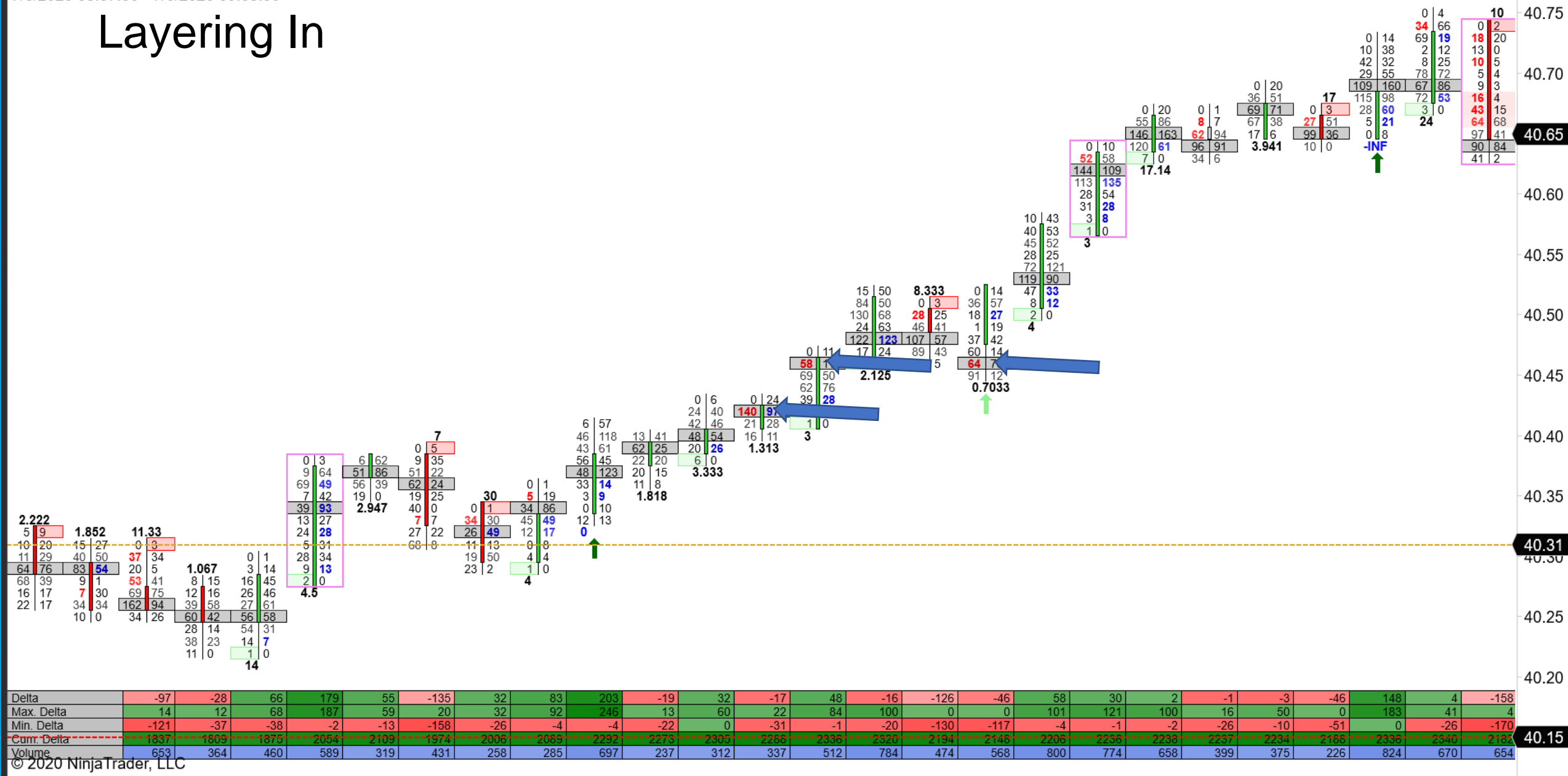
Order Flows Trader(ES 09-20 (10 Range)), Current day OHL(ES 09-20 (10 Range))  
7/7/2020 10:52:19.323 - 7/7/2020 12:53:25.505

# Layering In



7/6/2020 08:37:00 - 7/6/2020 09:03:00

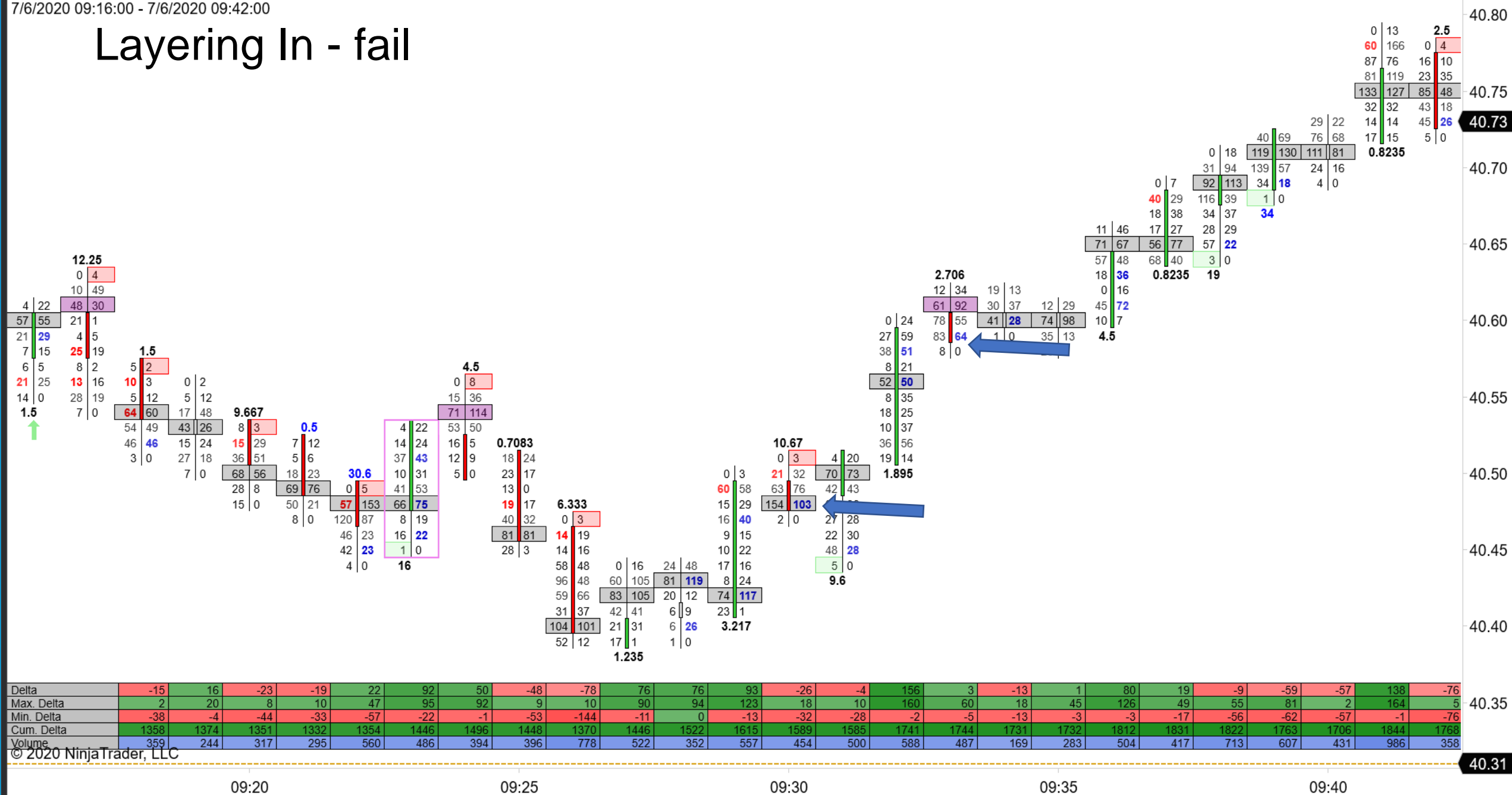
# Layering In





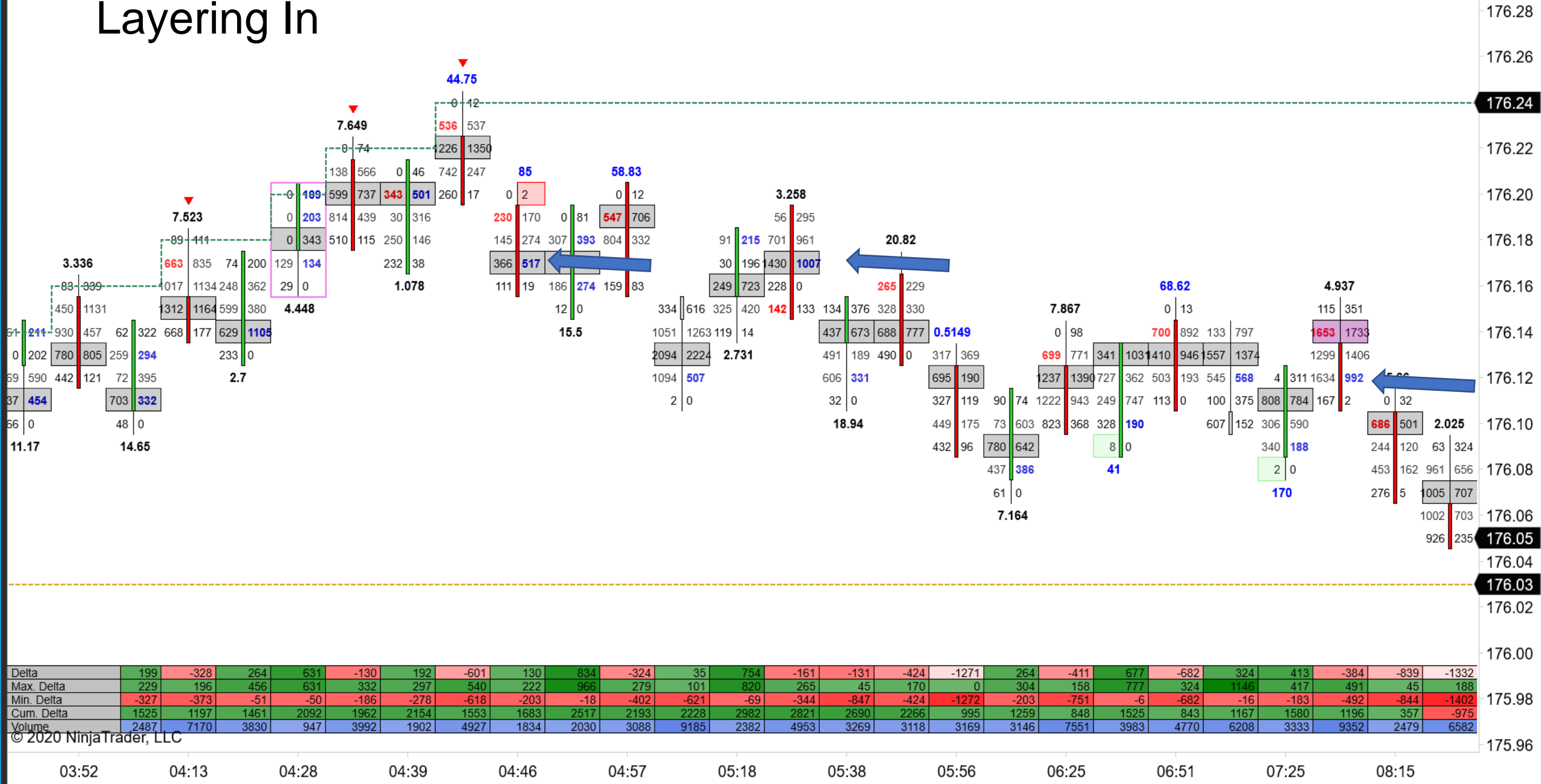
7/6/2020 09:16:00 - 7/6/2020 09:42:00

# Layering In - fail



Order Flows Trader(FGBL 09-20 (4 Range)), Current day OHL(FGBL 09-20 (4 Range))  
7/3/2020 03:45:58.620 - 7/3/2020 08:29:34.361

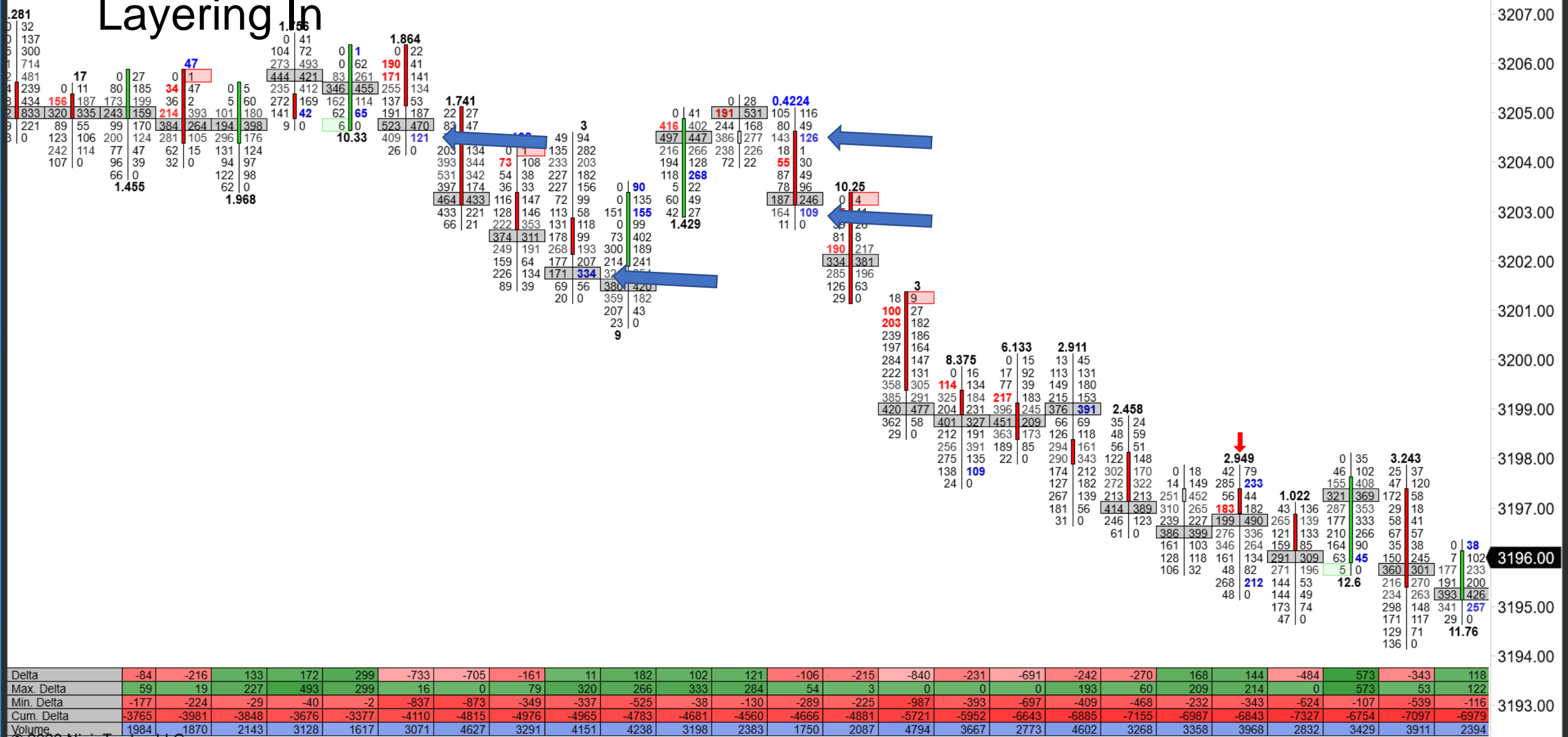
# Layering In



Be careful trading around data releases because after data is released big traders can throw size in the market to get out of positions.

Order Flows Trader(ES 09-20 (1 Minute)), Current day OHL(ES 09-20 (1 Minute))  
7/16/2020 09:42:00 - 7/16/2020 10:08:00

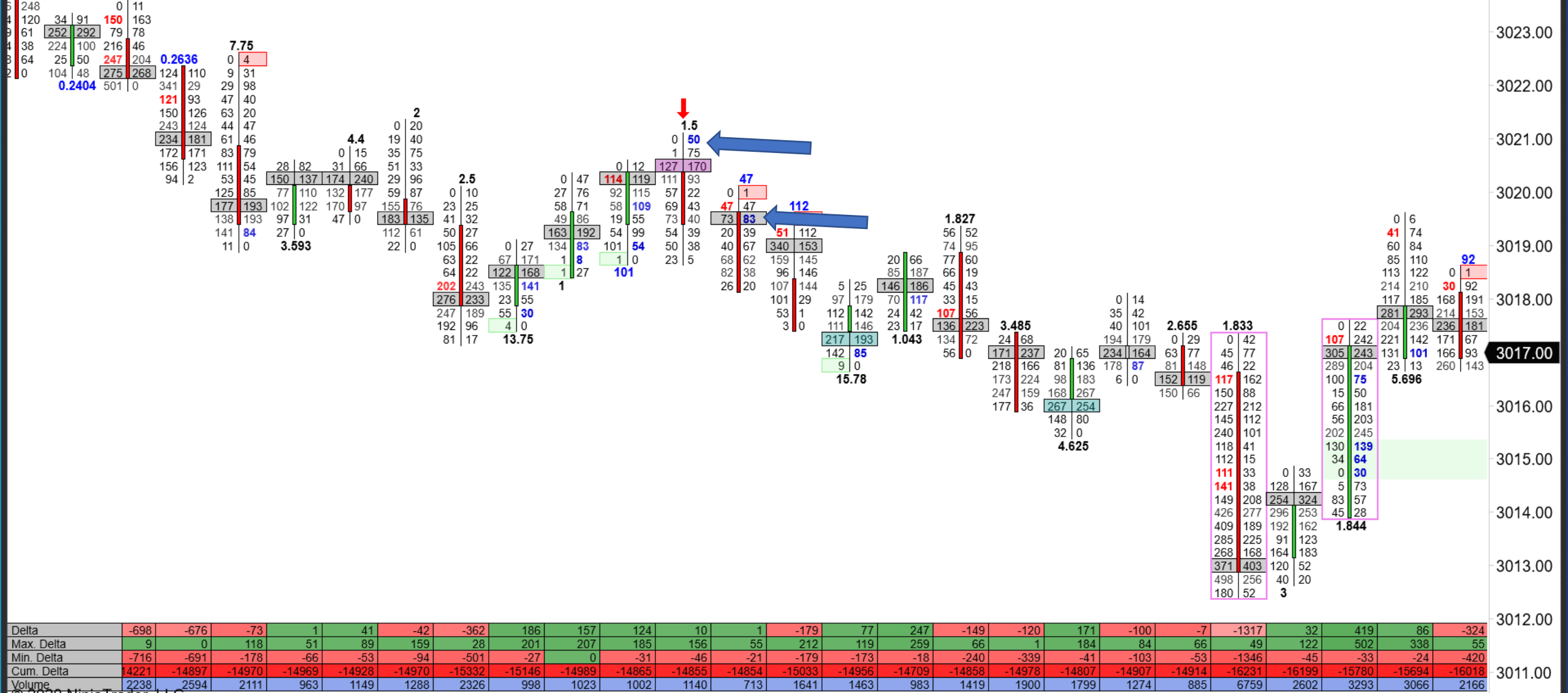
# Layering In



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

6/26/2020 12:39:00 - 6/26/2020 13:05:00

# Layering In



Bid Ask Ratio

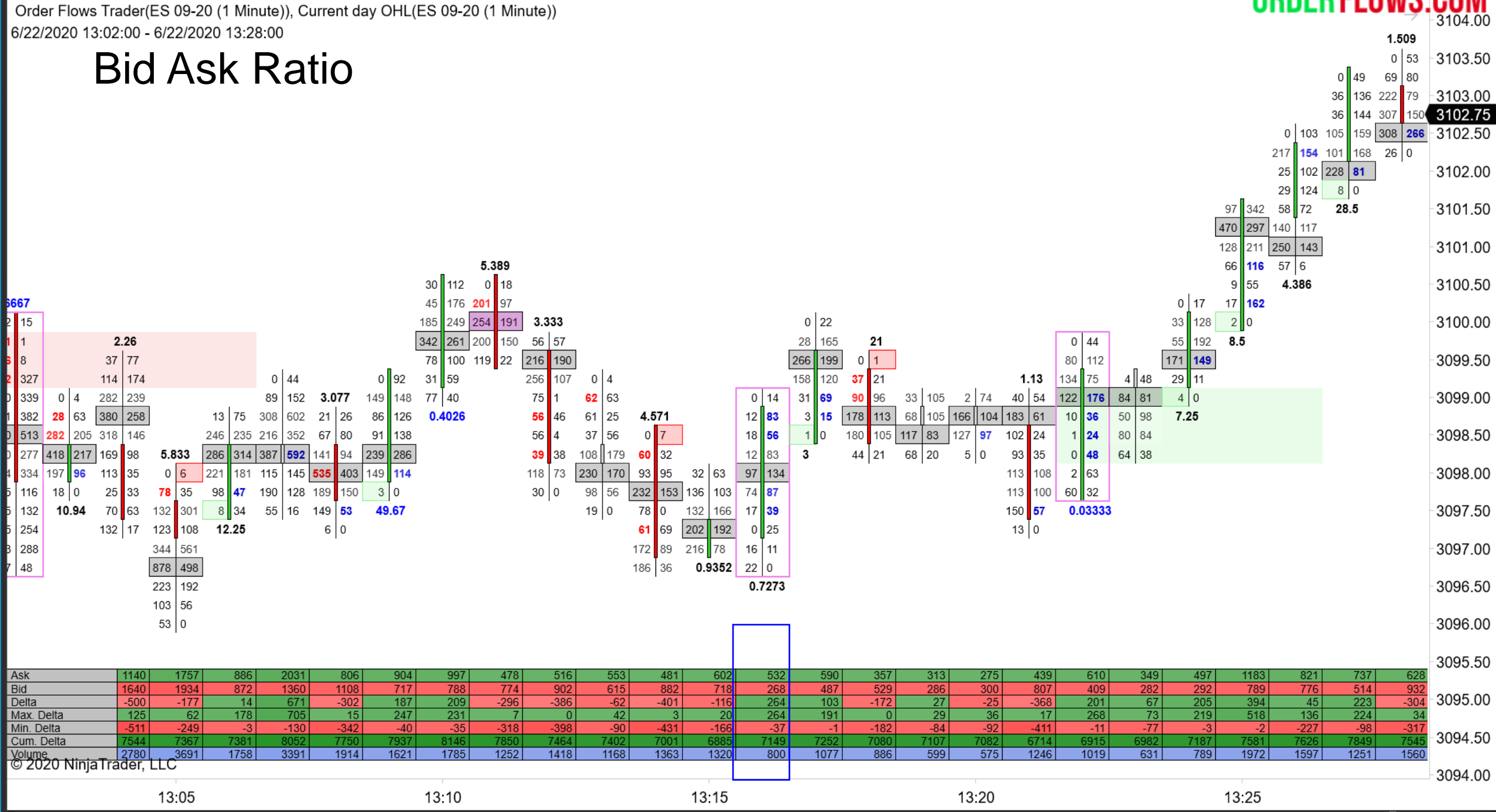
Bid Volume vs. Ask Volume

I like to look for 2:1 strength for potential directional moves as well as follow through in the next bar(s).

2:1 is not set in stone. I would take 1.95:1 or even 1.8:1.

Order Flows Trader(ES 09-20 (1 Minute)), Current day OHL(ES 09-20 (1 Minute))  
6/22/2020 13:02:00 - 6/22/2020 13:28:00

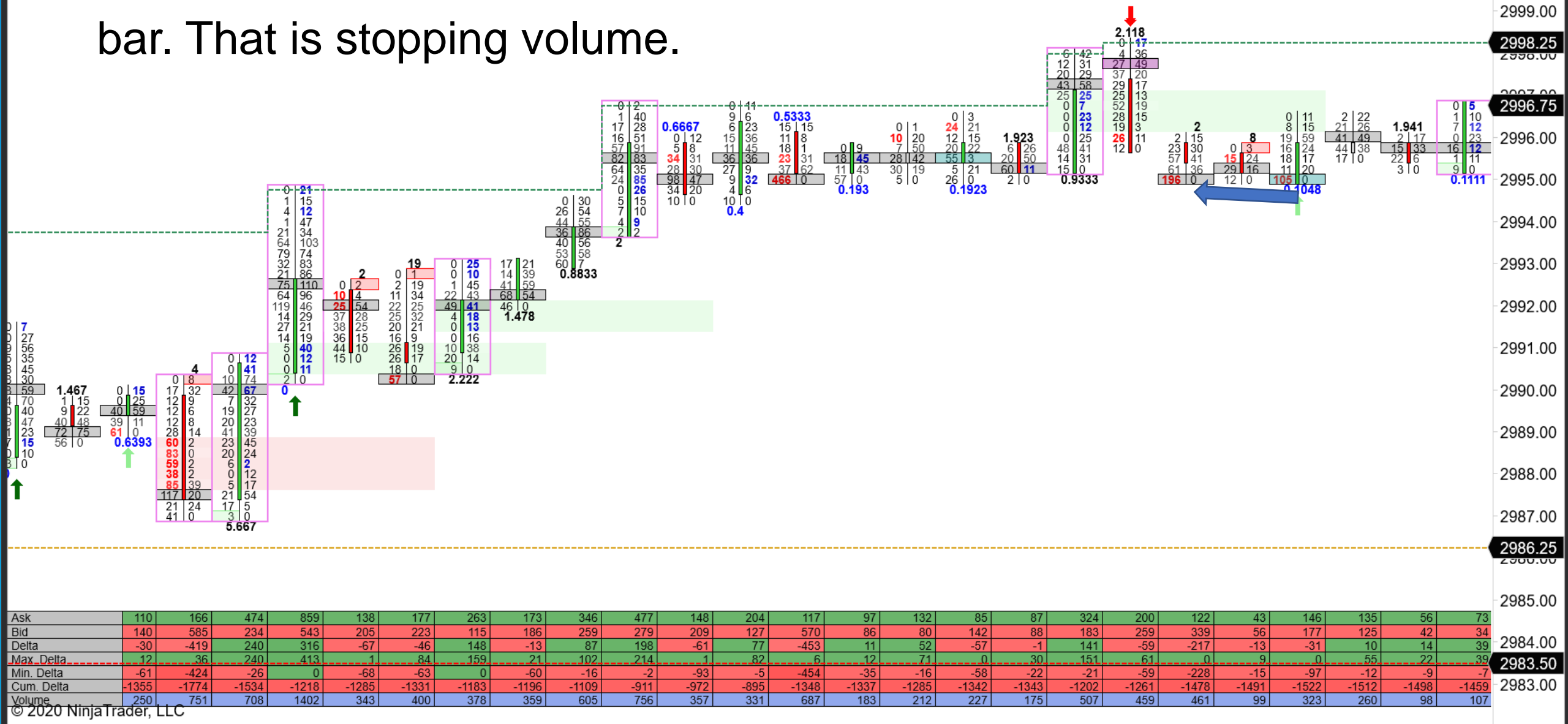
# Bid Ask Ratio





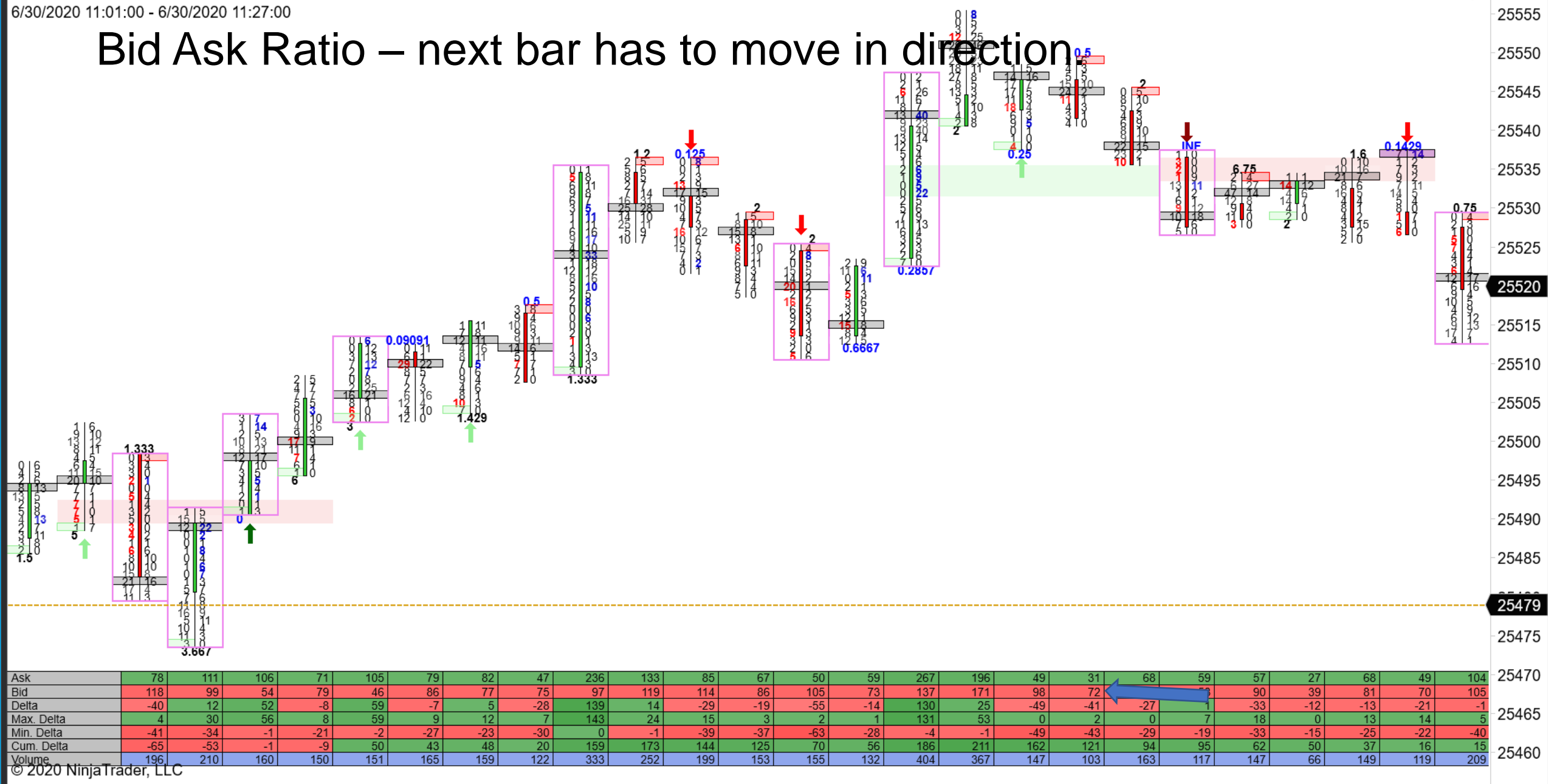
6/28/2020 17:12:00 - 6/28/2020 17:38:00

Bid Ask Ratio – don't take when the POC is on the bottom of the bar. That is stopping volume.

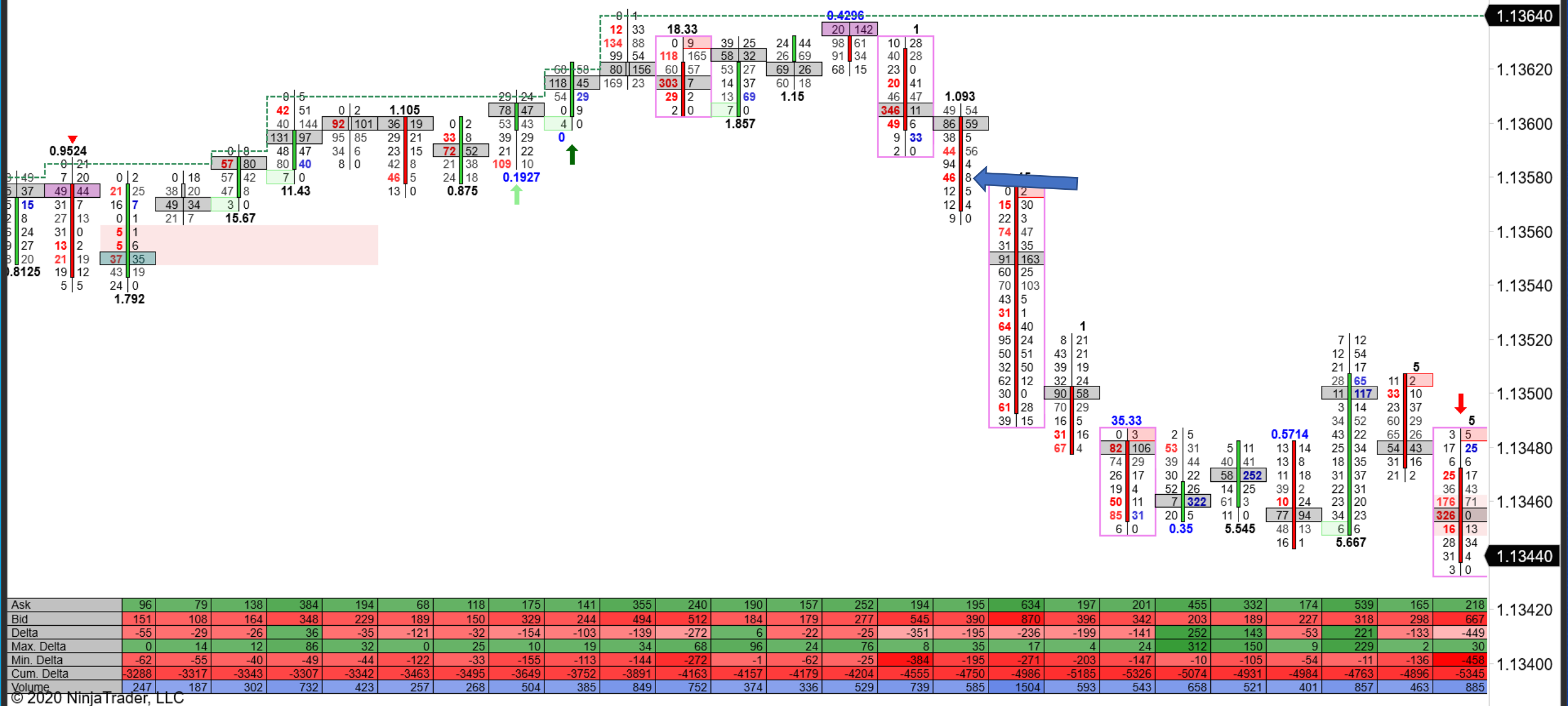


6/30/2020 11:01:00 - 6/30/2020 11:27:00

# Bid Ask Ratio – next bar has to move in direction

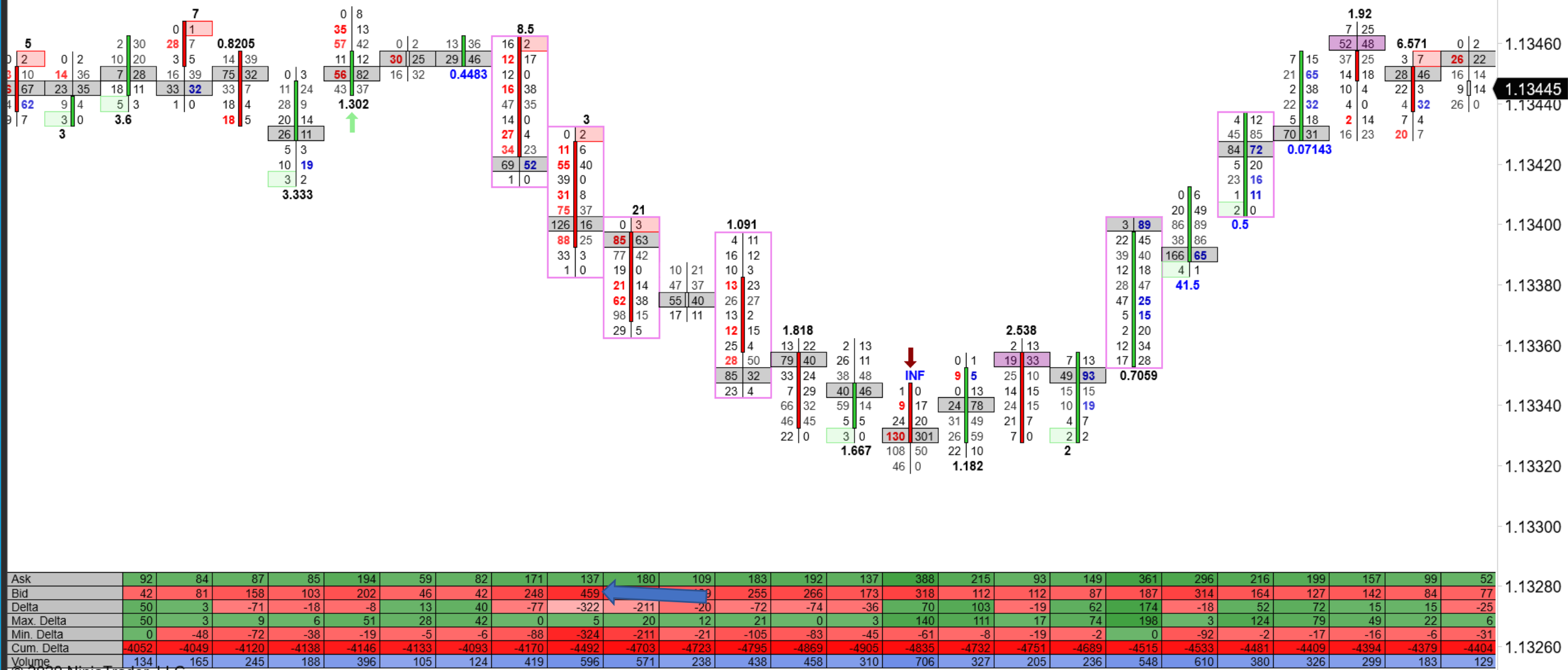


# Bid Ask Ratio



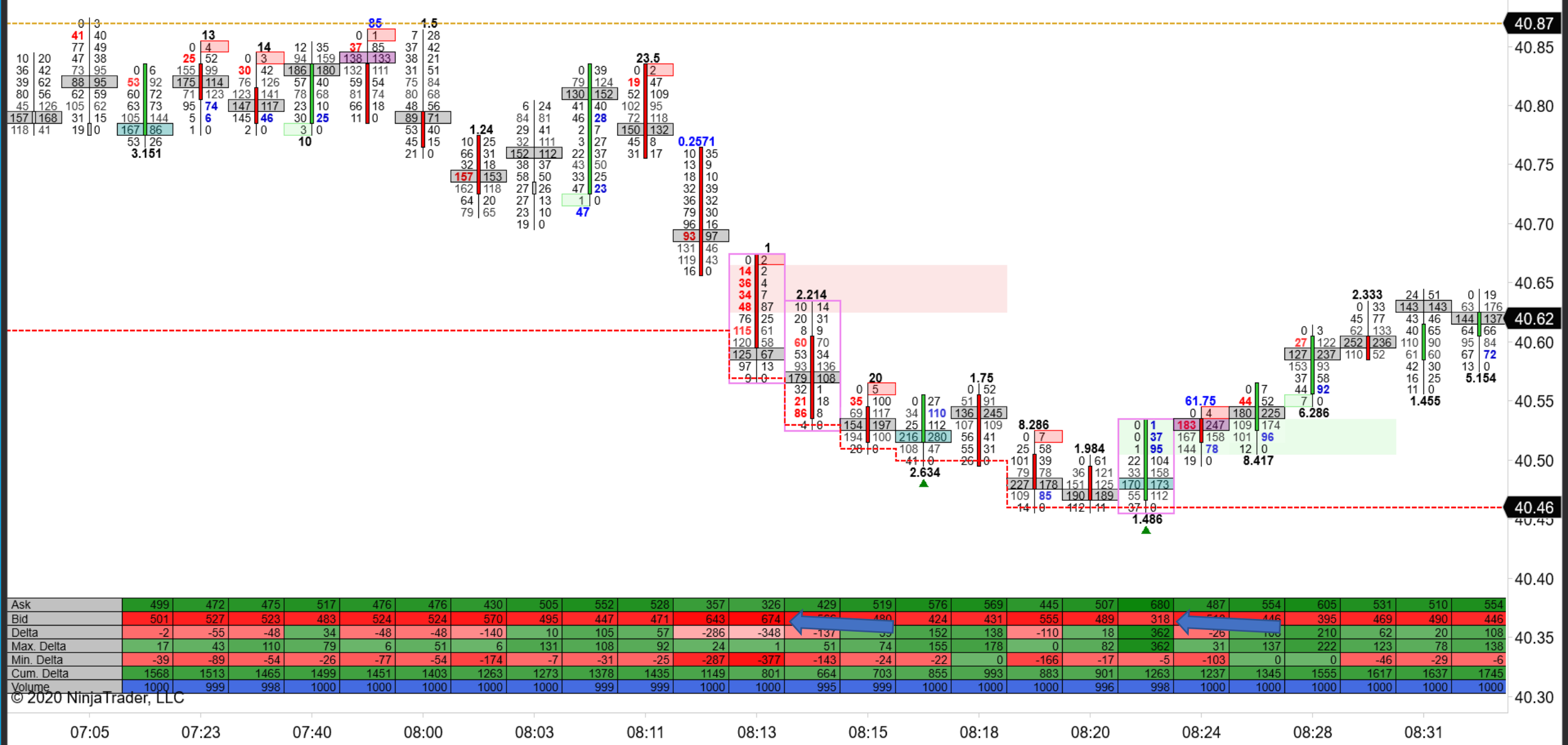
7/8/2020 10:10:00 - 7/8/2020 10:36:00

# Bid Ask Ratio as close as you can get.



Order Flows Trader(CL 08-20 (1000 Volume)), Current day OHL(CL 08-20 (1000 Volume))  
7/9/2020 06:57:04.873 - 7/9/2020 08:33:44.593

# Bid Ask Ratio – 1000 volume

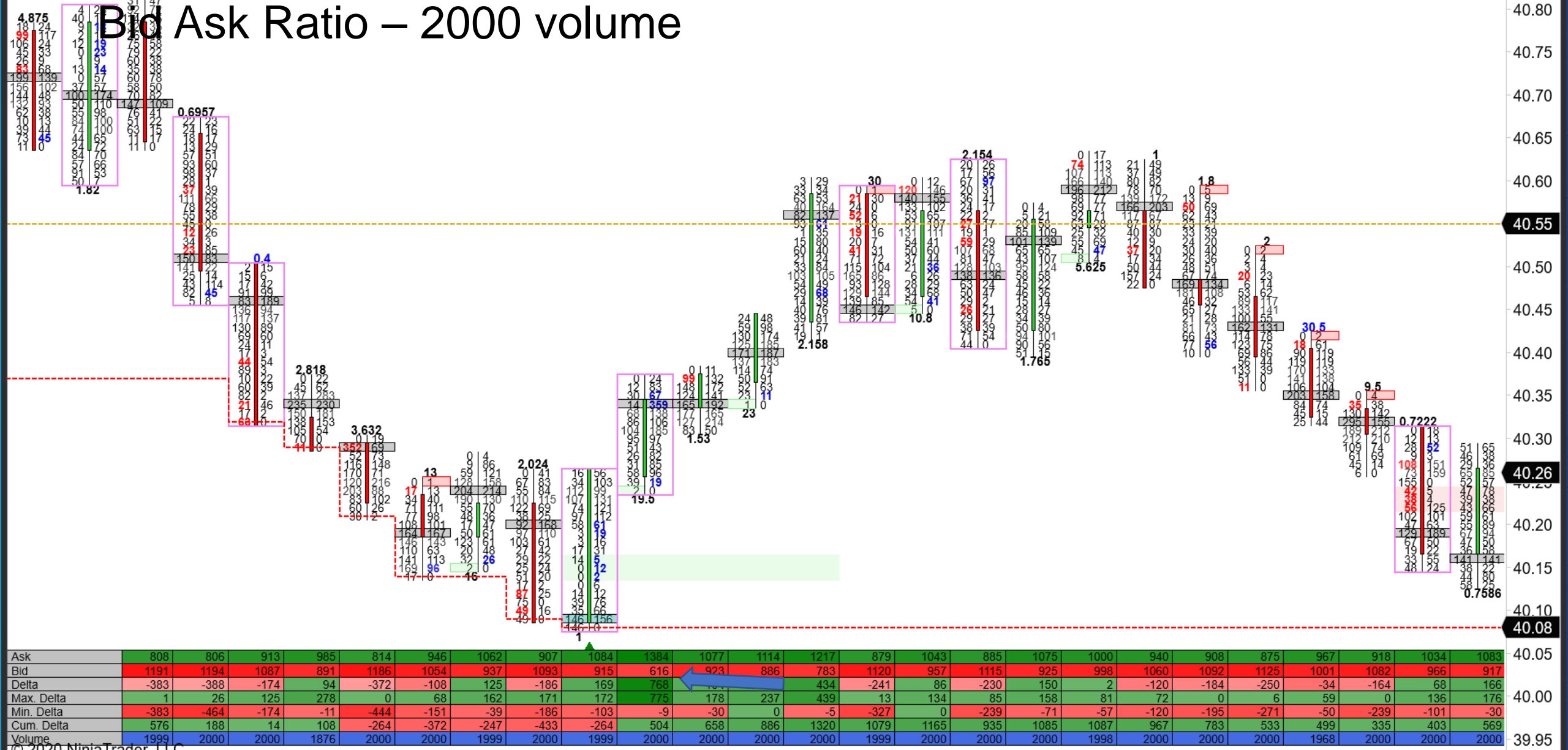




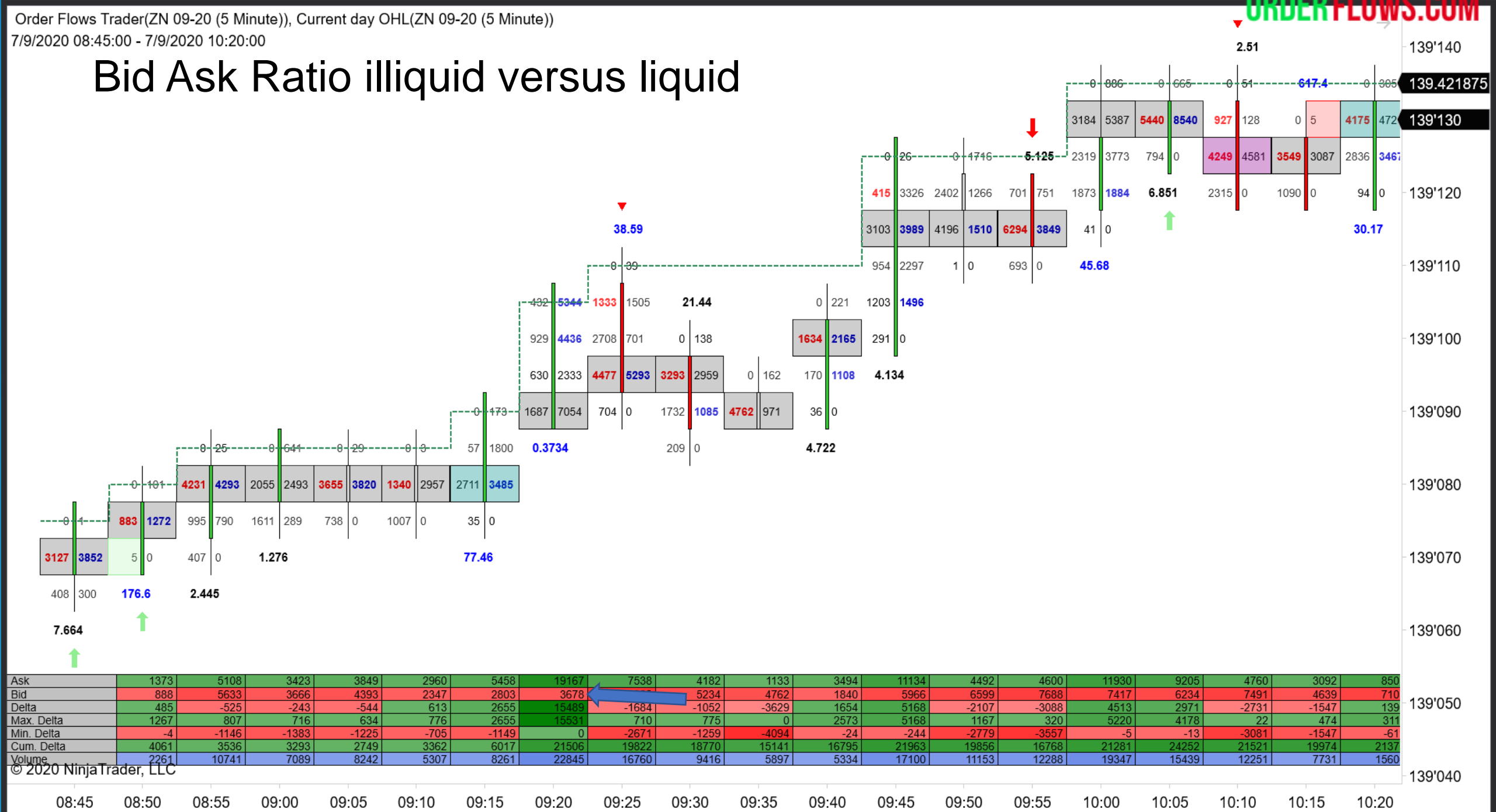
Order Flows Trader(CL 08-20 (2000 Volume)), Current day OHL(CL 08-20 (2000 Volume))

7/15/2020 08:03:00.786 - 7/15/2020 09:14:47.937

# Bid Ask Ratio – 2000 volume



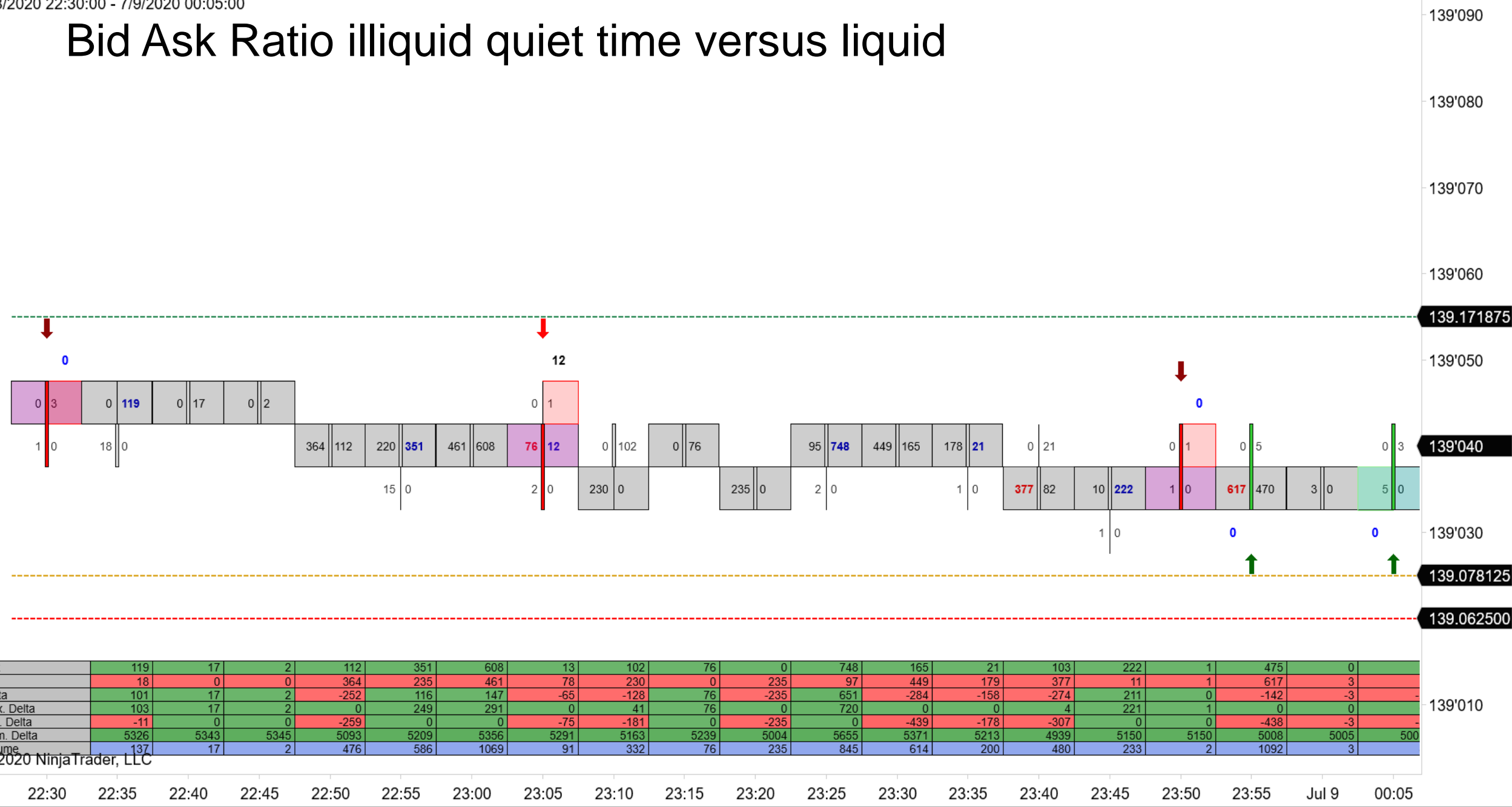
# Bid Ask Ratio illiquid versus liquid





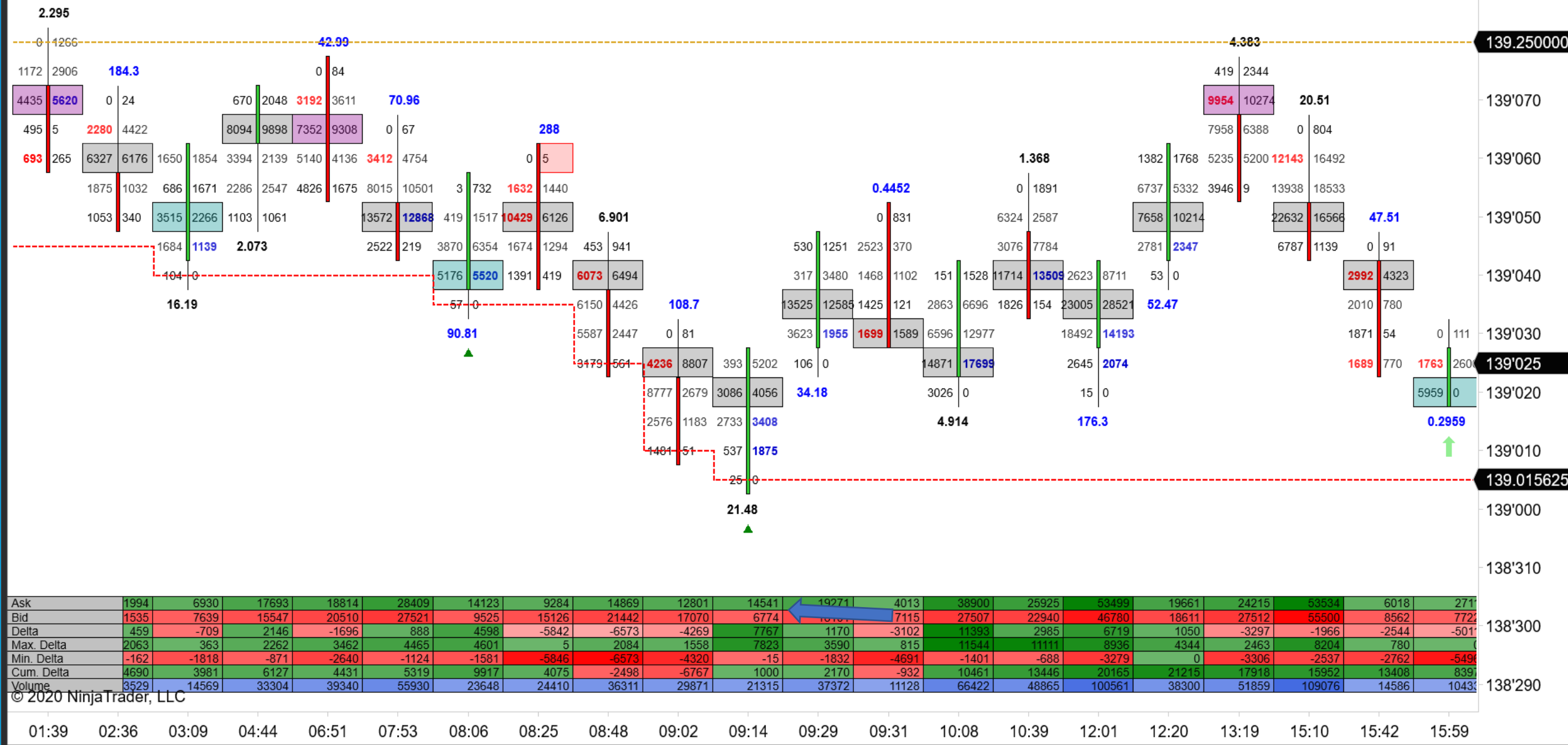
7/8/2020 22:30:00 - 7/9/2020 00:05:00

# Bid Ask Ratio illiquid quiet time versus liquid



Order Flows Trader(ZN 09-20 (4 Range)), Current day OHL(ZN 09-20 (4 Range))  
7/8/2020 01:39:49.261 - 7/8/2020 15:59:59.945

# Bid Ask Ratio



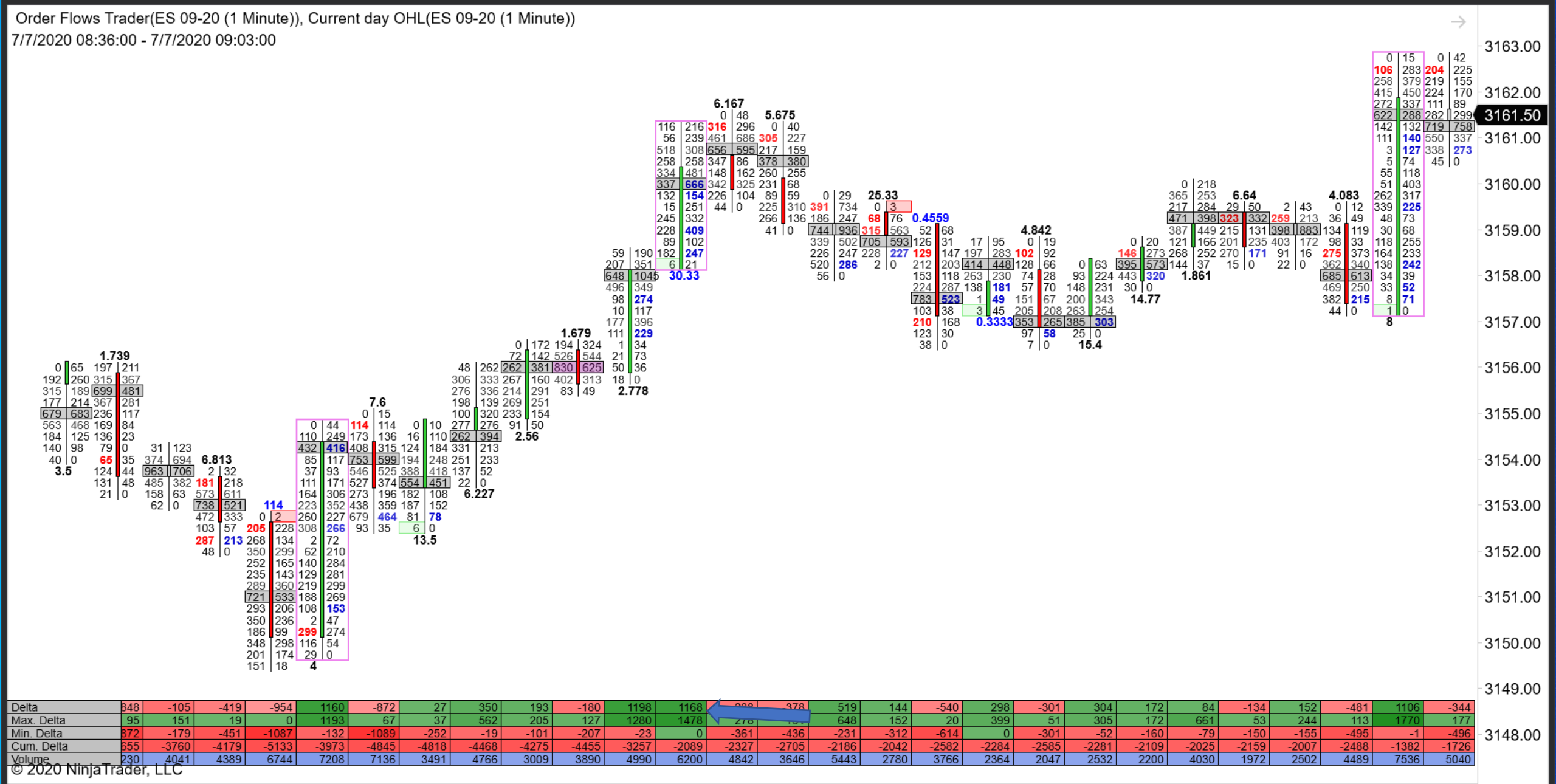
## Delta Pair Ups

1. Back to back big delta.
2. Back to back small delta.

Back to back big delta bars are a sign the market may go sideways, especially when they occur after a directional move.

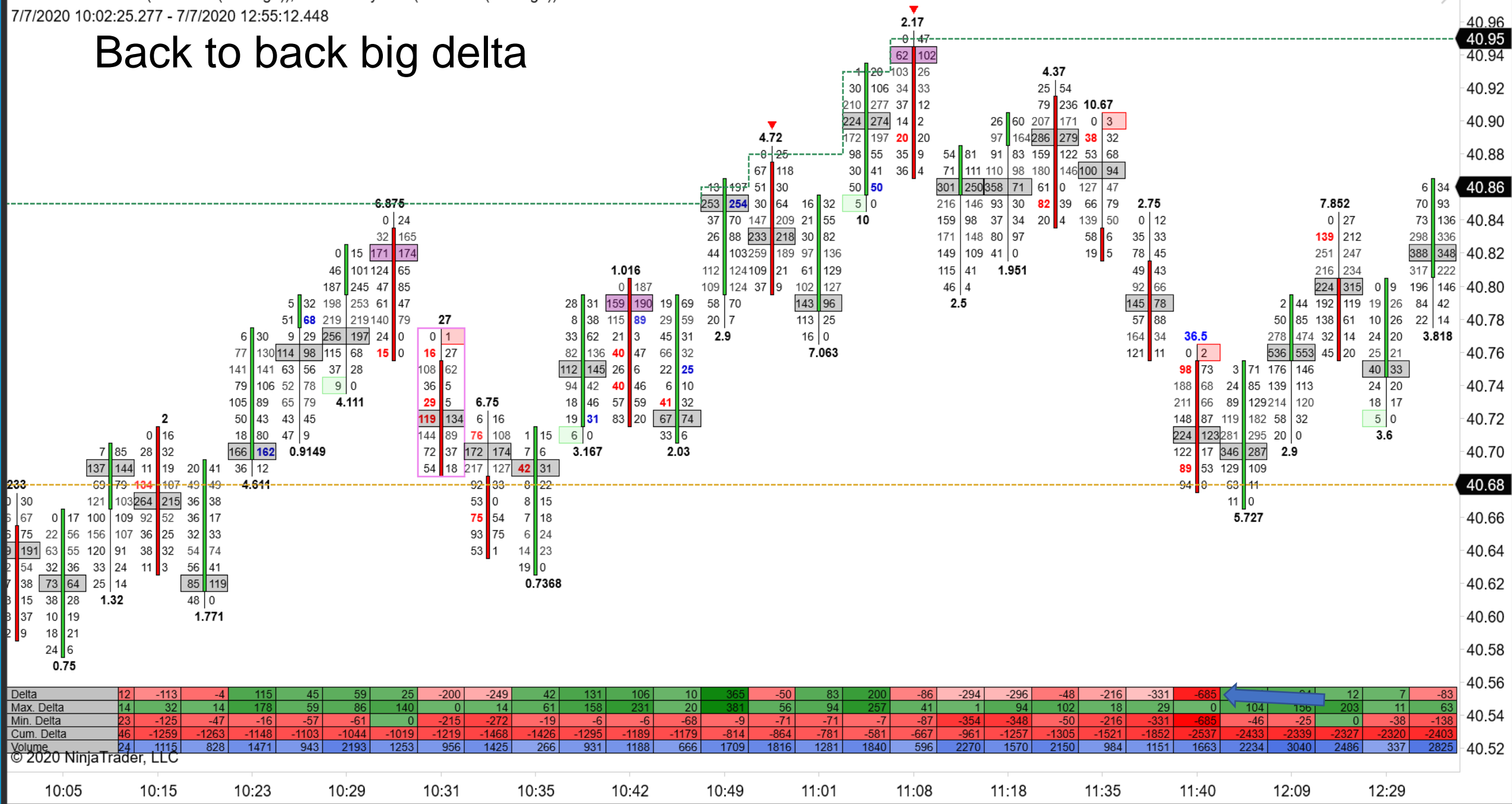
What happens when bars put back to back big POSITIVE delta bars after a move up is a lot aggressive buyers came in late. It is often a sign of FOMO. If you were long from lower prices, now is a good time to take profits. There is a tendency for the market to move sideways and even reverse after back to back big delta bars.

What is considered big delta? 10-20% of bar volume.



7/7/2020 10:02:25.277 - 7/7/2020 12:55:12.448

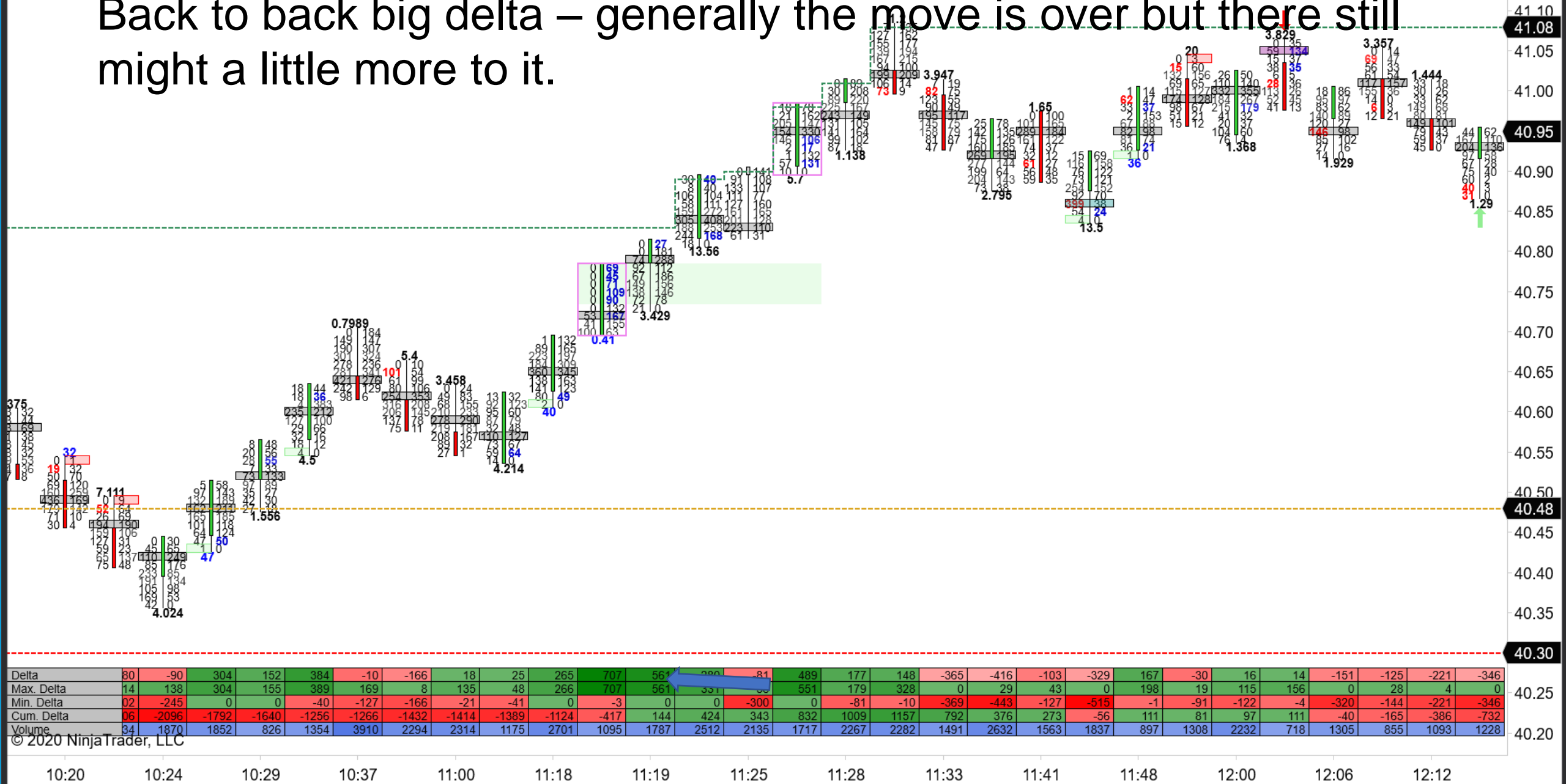
# Back to back big delta





Order Flows Trader(CL 08-20 (8 Range)), Current day OHL(CL 08-20 (8 Range))  
7/8/2020 10:18:38.715 - 7/8/2020 12:15:46.810

Back to back big delta – generally the move is over but there still might a little more to it.



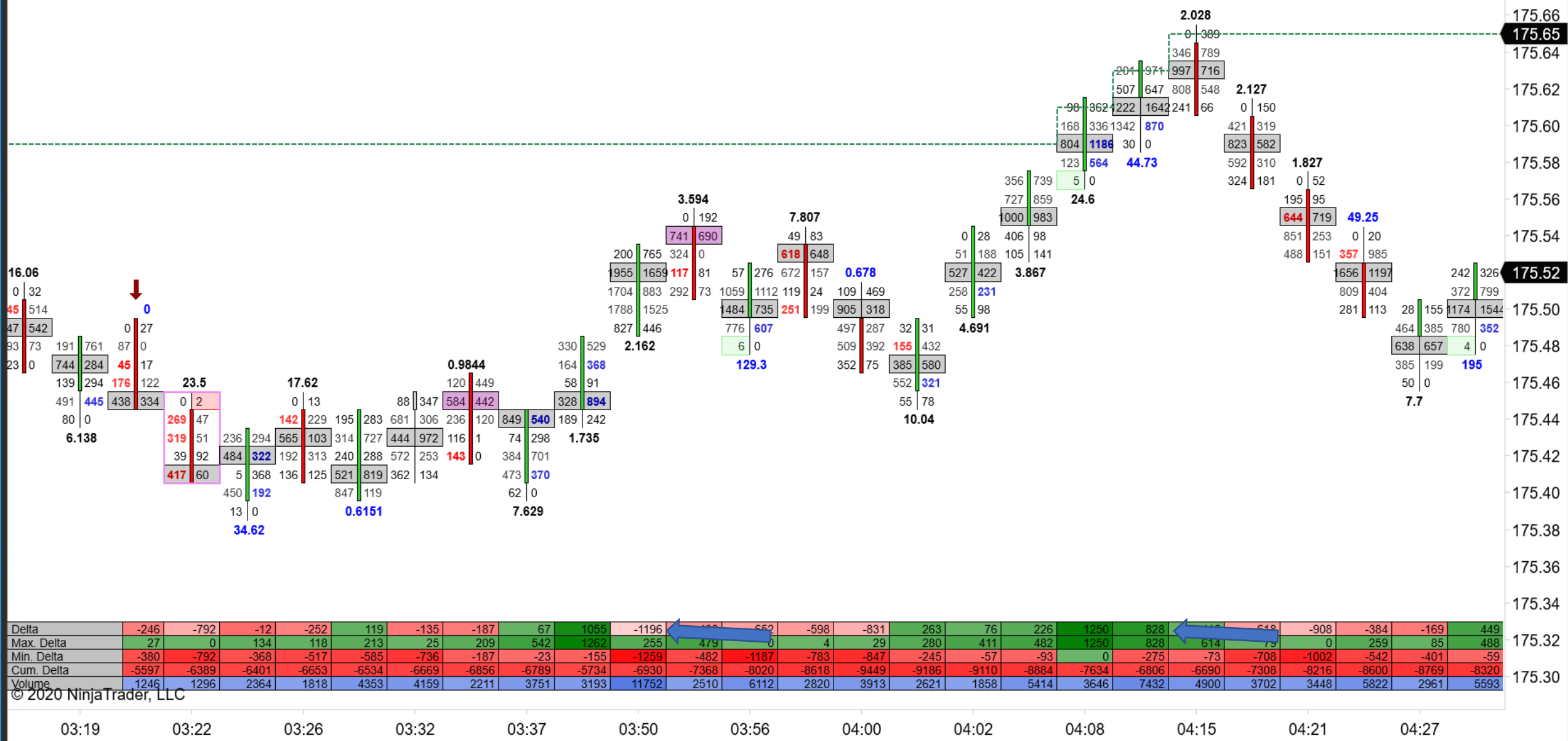
7/9/2020 10:46:00 - 7/9/2020 11:15:00

Back to back big delta – notice how the market stalls right after the back to back big deltas.



Order Flows Trader(FGBL 09-20 (4 Range)), Current day OHL(FGBL 09-20 (4 Range))  
7/2/2020 03:15:37.745 - 7/2/2020 04:33:42.147

Back to back big delta – needs to be in same direction. This is not.



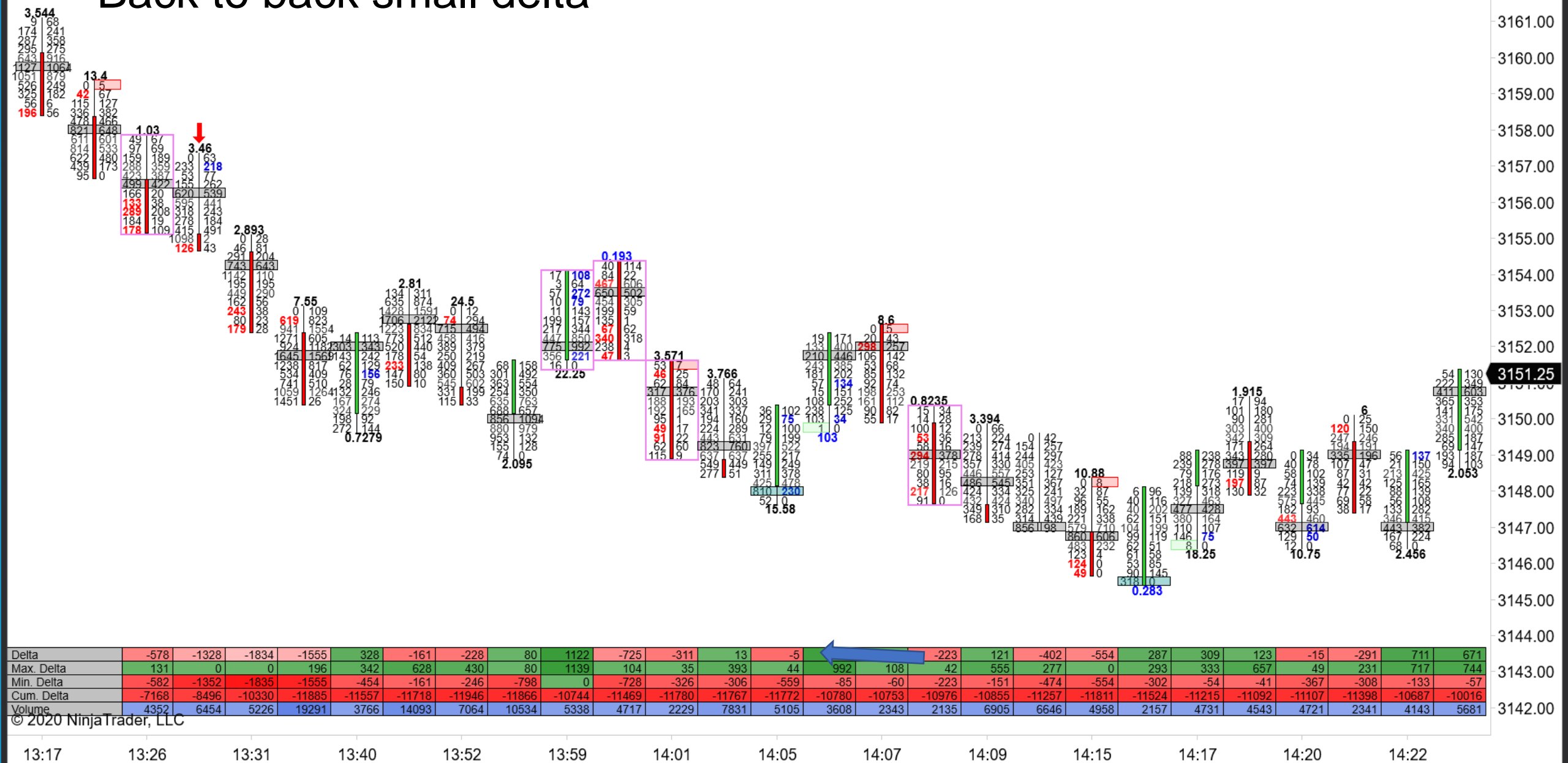
Back to back small delta bars are easier to spot because they stick out and are more optically visual. You are looking for consecutive bars with very small delta, positive or negative. You have to understand what is considered small delta for your market. Generally any delta value of 10 or less or 20 or less. On markets that trade a lot of volume you might consider 25 or 50 small delta.

A misconception is small delta is a sign of absorption, but it is often a result of small volume.

Look for a breakout of recent swing highs or swing lows, not a breakout of the back to back bars ranges.

Order Flows Trader(ES 09-20 (10 Range)), Current day OHL(ES 09-20 (10 Range))  
7/7/2020 13:17:35.497 - 7/7/2020 14:24:34.148

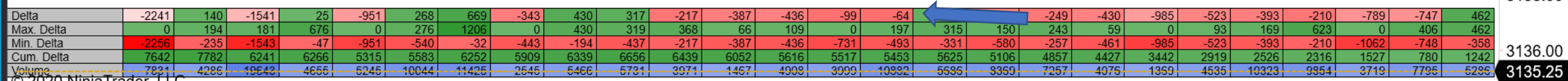
Back to back small delta





7/8/2020 09:14:11.548 - 7/8/2020 10:09:22.611

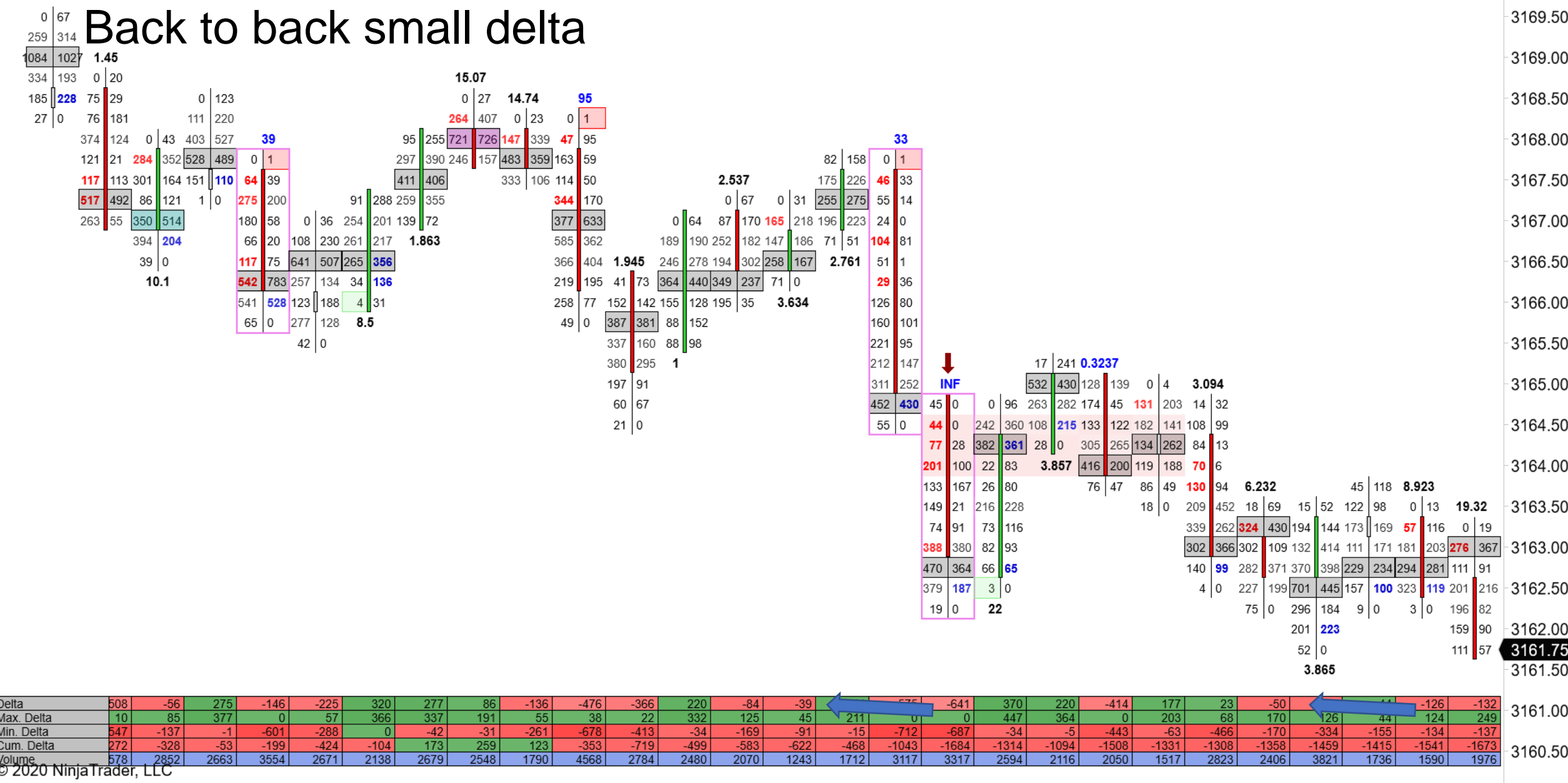
3162.25  
3160.00  
3158.00  
3156.00  
3154.00  
3152.00  
3150.00  
3148.00  
3146.00  
3144.00  
3142.00  
3140.75  
3140.00  
3138.00  
3136.00  
3135.25





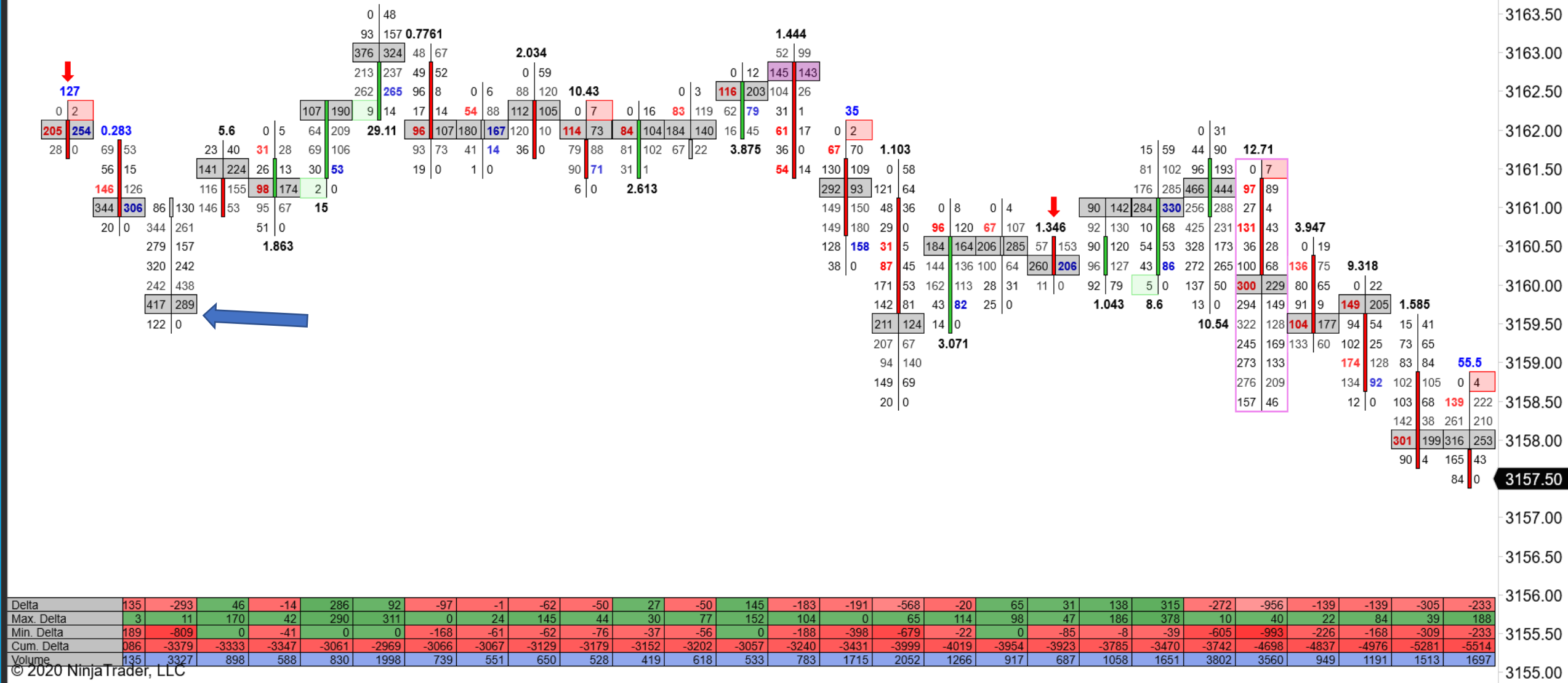
Order Flows Trader(ES 09-20 (1 Minute)), Current day OHL(ES 09-20 (1 Minute))

7/7/2020 09:18:00 - 7/7/2020 09:45:00



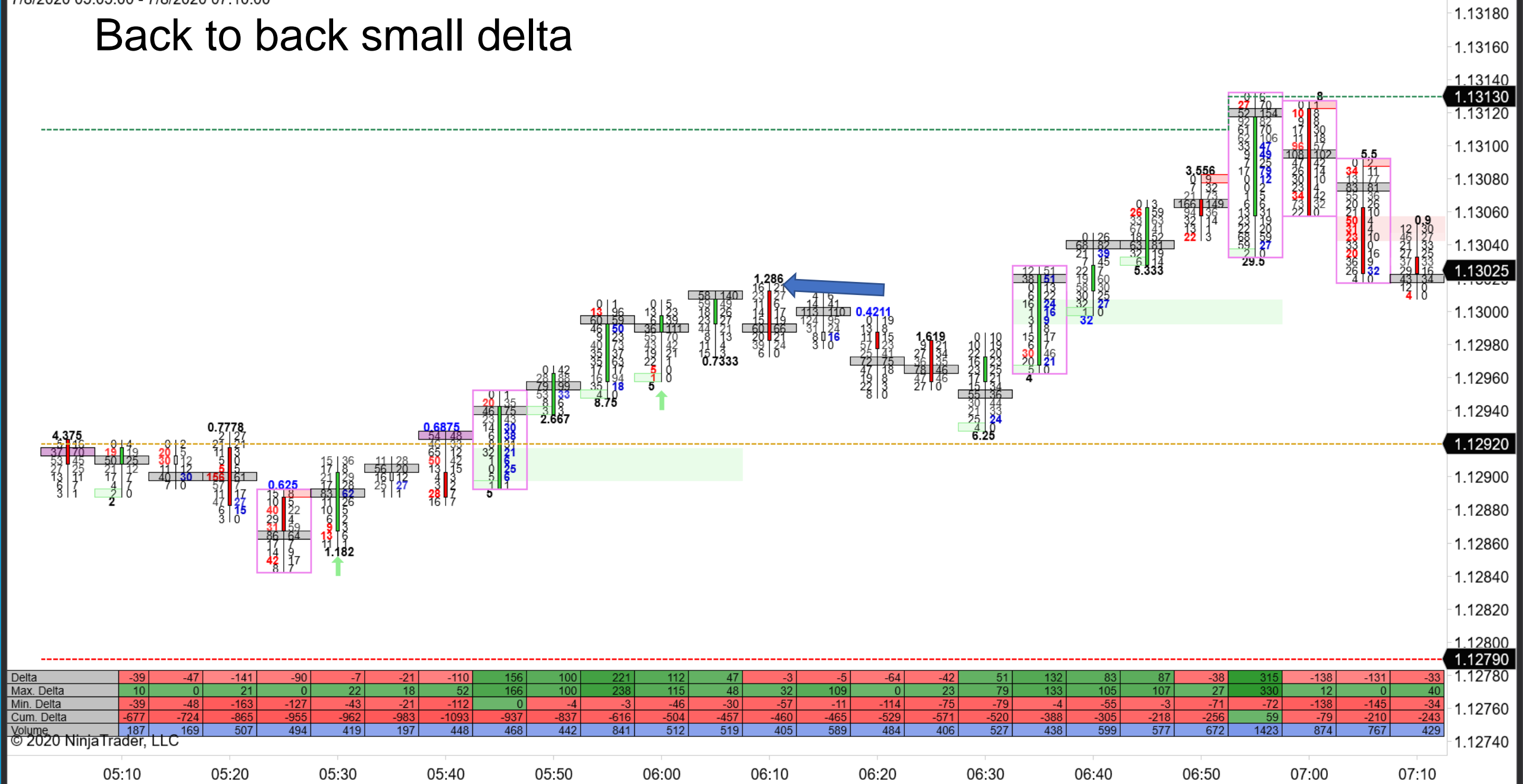
7/7/2020 12:39:00 - 7/7/2020 13:06:00

# Back to back small delta – not back to back but spread out. Not this.



Order Flows Trader(6E 09-20 (5 Minute)), Current day OHL(6E 09-20 (5 Minute))  
7/8/2020 05:05:00 - 7/8/2020 07:10:00

# Back to back small delta



Certain order flow setups allow you to sell into market strength or buy into market weakness without emotion no matter what is happening in the news, technical analysis, fundamental analysis or any other price-based indicator.

Most trading setups deal with trend reversals or trend continuation. Very few setups deal with trend beginnings. Often trends start with a bang so to speak. A big order hitting the market out of nowhere.

What are the signs to look for?

A sudden jump in delta.

Imbalances in the direction of the trade.

Where to look for it?

As the market is trending down, look for buys.

As the market is trending up, look for sells.

Once you have a trade setup that you want to build a trading plan around you now have a reason for taking a trade, then you can wrap it around your own trading style, adapt your money management and risk management. Most importantly, it will let you relax as you will know how much you can risk, where your potential exit level is. Trading relaxed makes for much better trading results.



This concludes Module 9. In Module 10 we will discuss risk, money and trade management.