

The Imbalance Course

Module 4: Imbalance trade setups.

Disclaimer

This presentation 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.

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Module 4

In module 4 I discuss 9 different order flow imbalance setups.

These are trade setups, not trading systems. Don't confuse trade setups with trading systems.

A trade setup appears when specific conditions are met in the market.

A trading system does everything for the trader – gives you the entry, the take profit, the stop loss, optimum amount to risk on the trade, etc.

From these setups you can develop a trading system.

Module 4

It should go without saying, but I will say it anyway, take the setup in context of what the market is doing.

As a trader your job is to interpret what is happening in the market and make a trade.

Would you trust your life to a self-driving car?

Take these setups in context of the market.

Module 4

The goal in explaining these setups is to get you understanding what is happening in the market. When you know what to look in the imbalances you can begin to put the pieces together to start read the market almost like a book or a sheet of music.

Trade Setups:

1. Big Imbalances.
2. Oversized Imbalances.
3. 2nd Slot Imbalances.
4. Imbalance Divergence.
5. Dangling Imbalance.
6. Multiple Imbalances.
7. Overlapping Imbalances.
8. Double Stacks.
9. Imbalance Reversals.

Imbalance set up #1 : Big Imbalance

A big imbalance occurs when the volume of the imbalance is above a predetermined amount.

For example, in the CL, on a 1 minute chart an imbalance of over 250 lots is considered big.

What is happening is there is a big bid or offer that gets eaten up, over run by an aggressive group of traders.

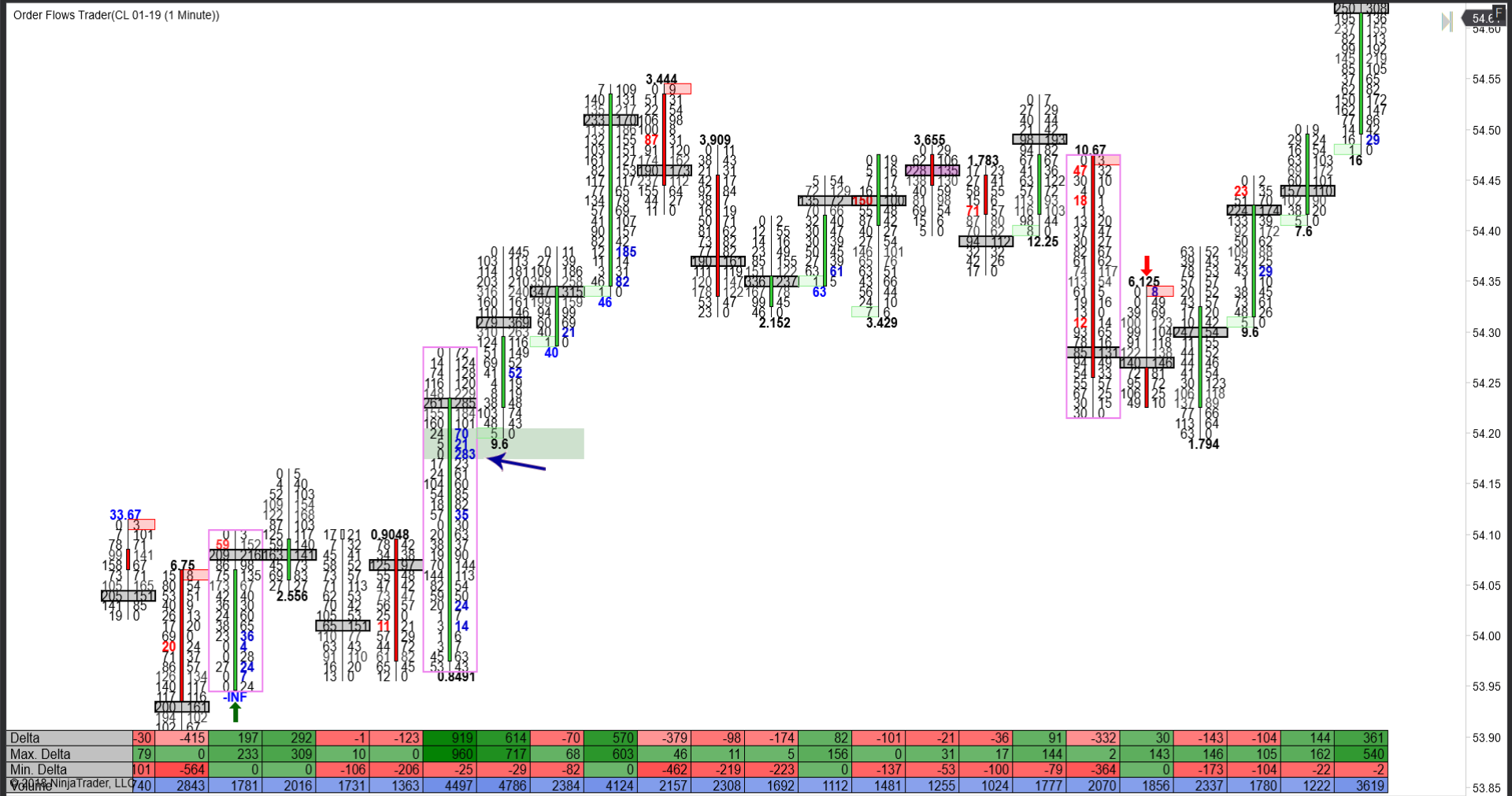
Know what is big for your market. Make sure it is big enough. Don't want too many.

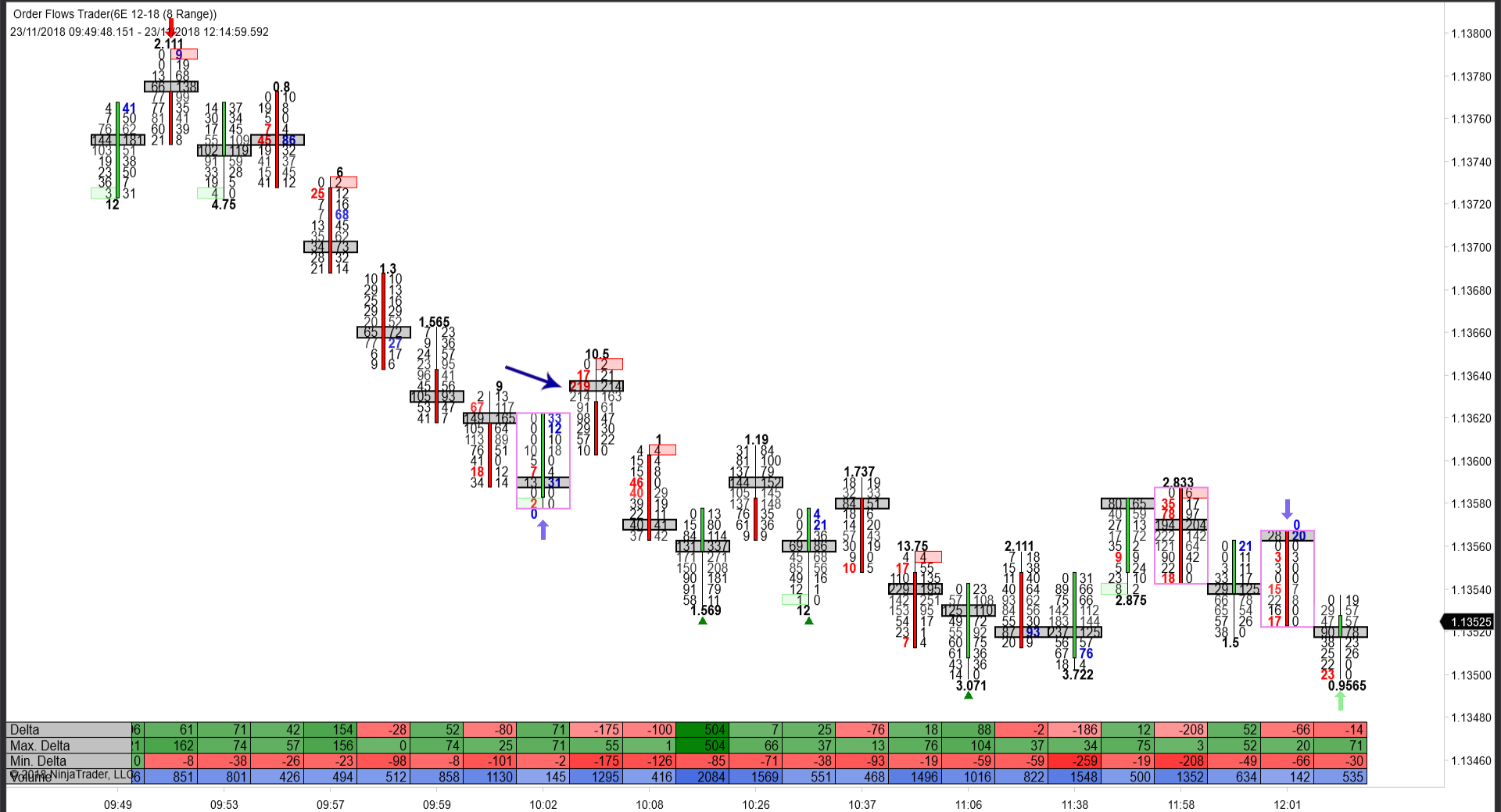
The rules I follow on this set up are:

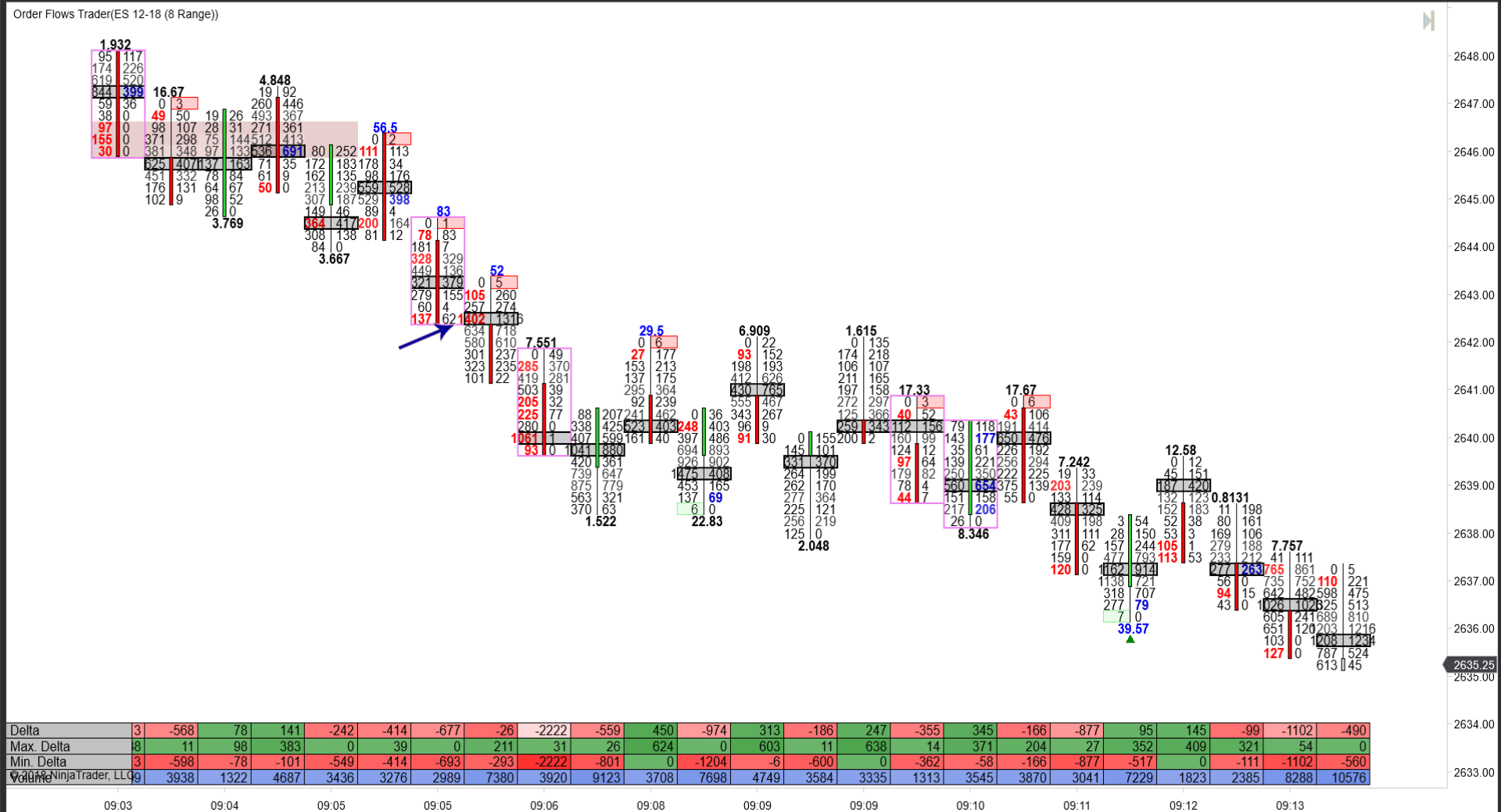
For buys – green candle, single buying imbalance above a minimum volume.

For sells – red candle, single selling imbalance above a minimum level.

Not too concerned about bar location on the day.



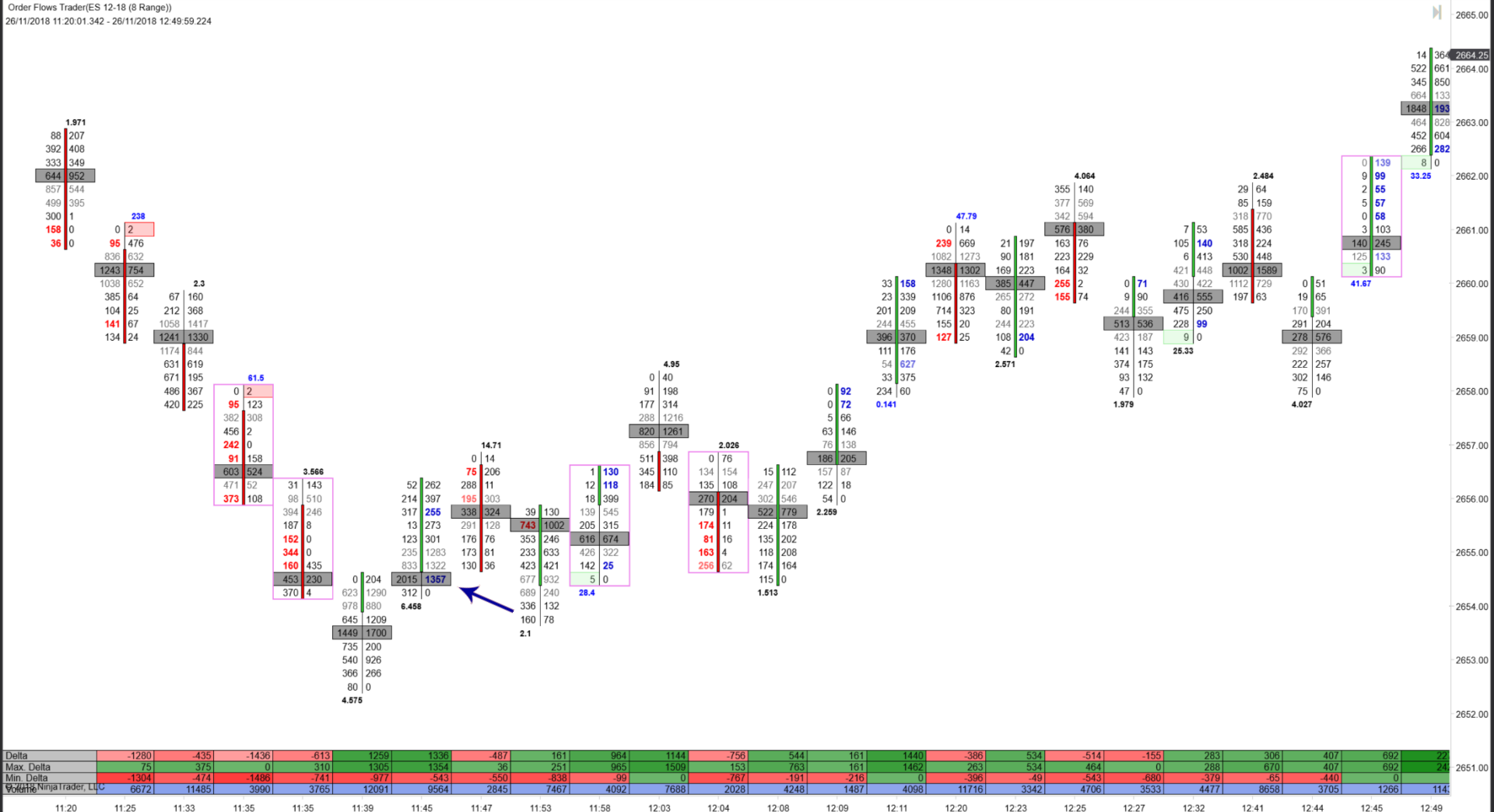


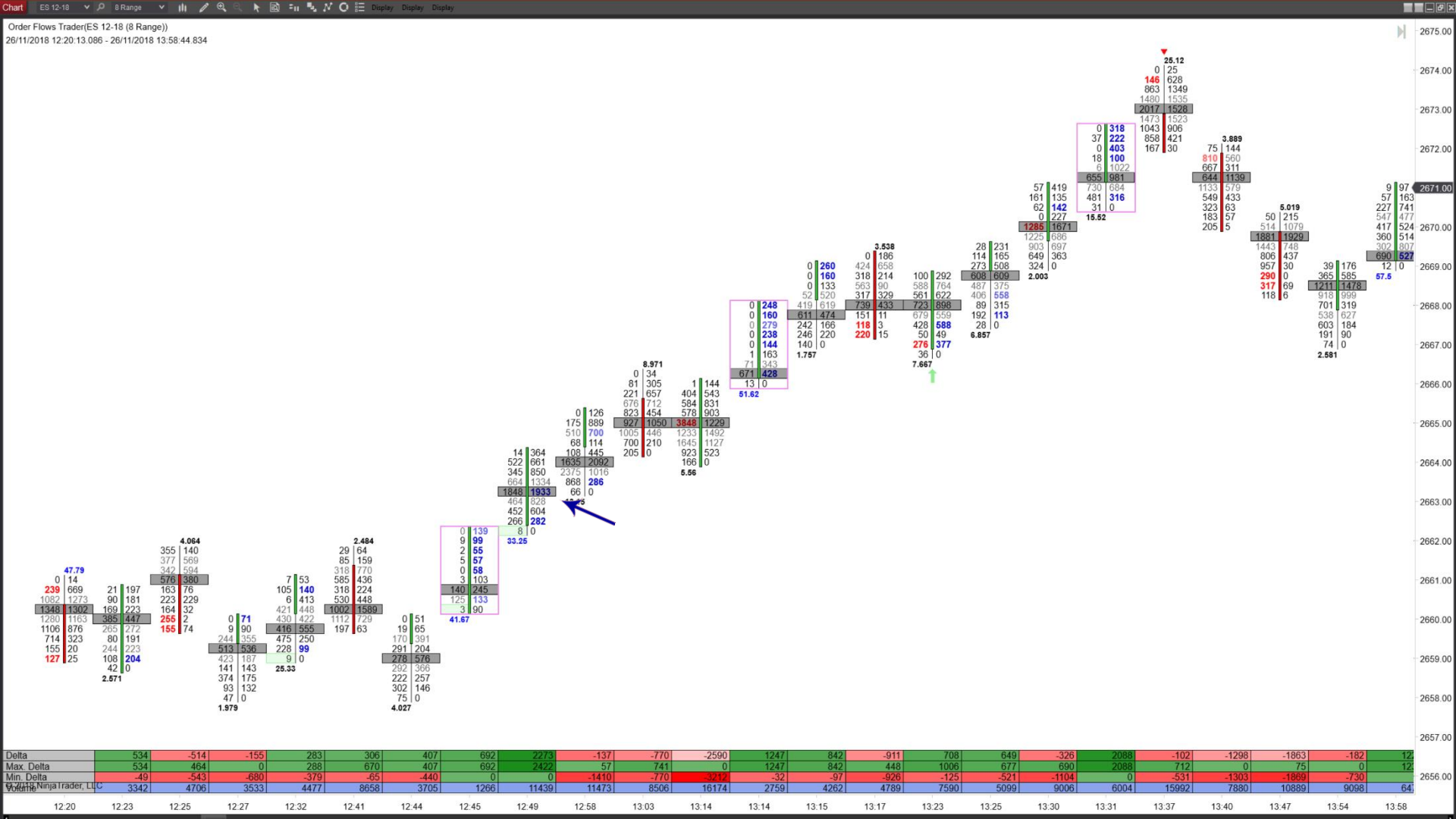


Imbalance set up #1 : Big Imbalance

A big imbalance shouldn't happen very often.

If you are seeing a lot of “Big Imbalances” in a trading day, then your big imbalance is too small.





Imbalance set up #2 : Oversized Imbalances

An oversized imbalance occurs when you set your imbalance ratio at a much higher ratio than the industry standard of 400%.

The first starting point would be 1000% or 10 to 1.

Its called an oversized imbalance because it blows out the ratio. A ratio of 500% or 600% I would not consider an oversized imbalance.

When I say oversized imbalance I mean the ratio not the volume.

The rules I follow on this set up are:

For buys – green candle, single buying imbalance with an imbalance ratio above minimum percentage.

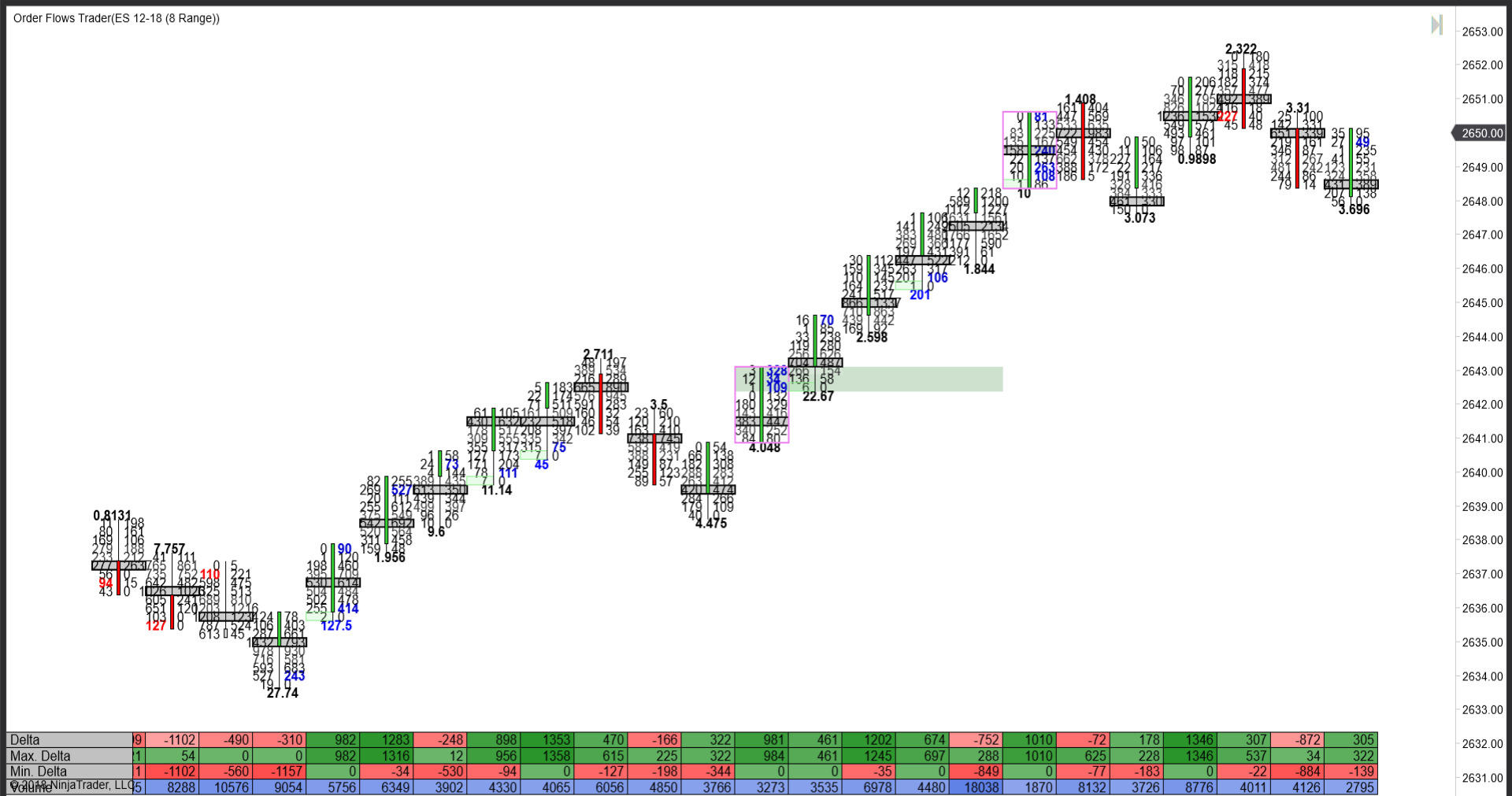
For sells – red candle, single selling imbalance with an imbalance ratio above minimum percentage.

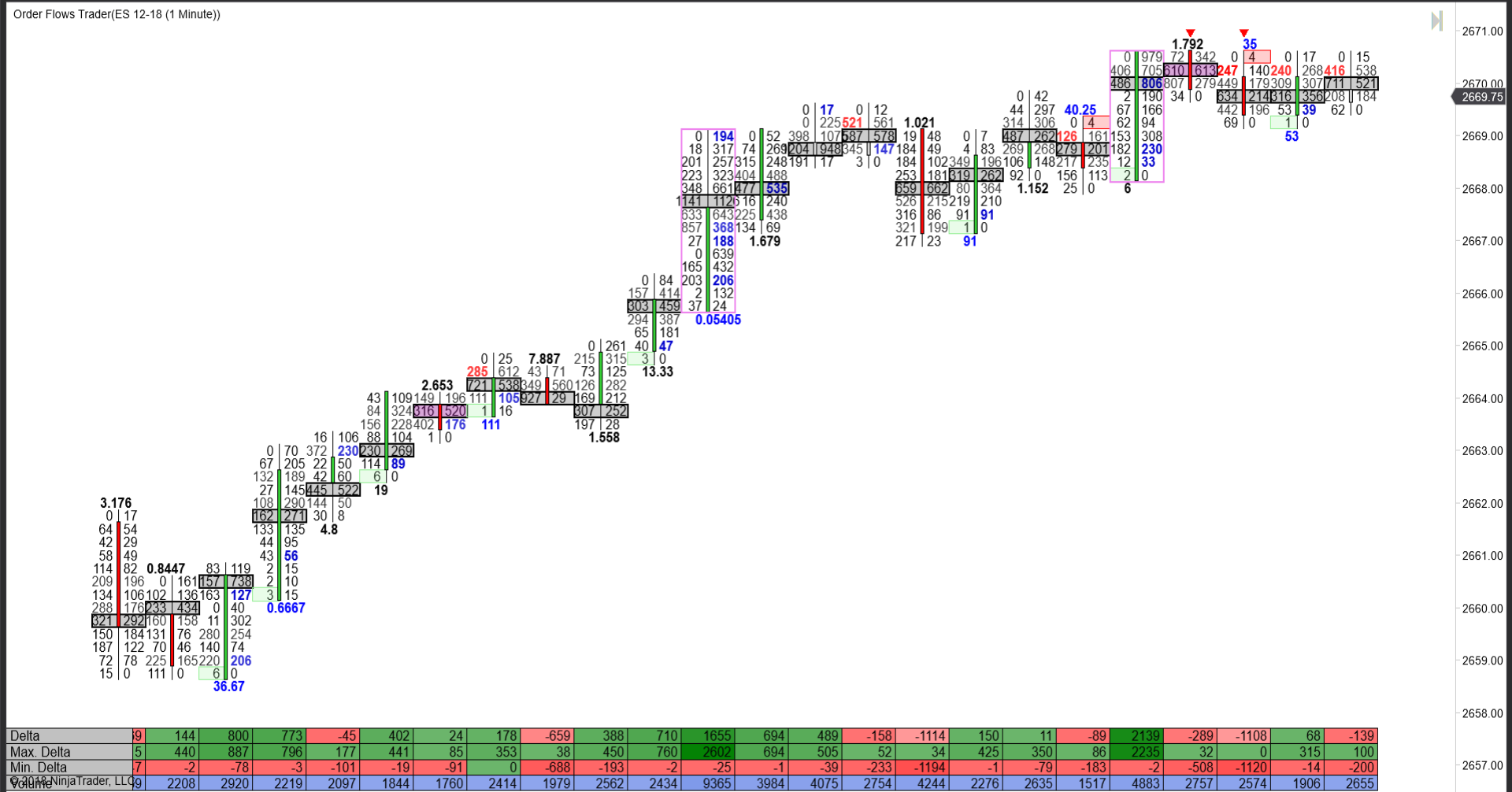
Not too concerned about bar location on the day.

I would prefer to see more than one imbalance in the bar.

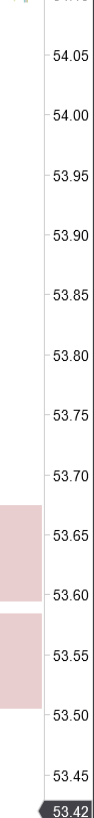
Or would like to see something else in the order flow (multiple imbalance, stacked imbalance, bullish ratio, etc.)

Volume threshold – the bigger the volume, the better.





54.10

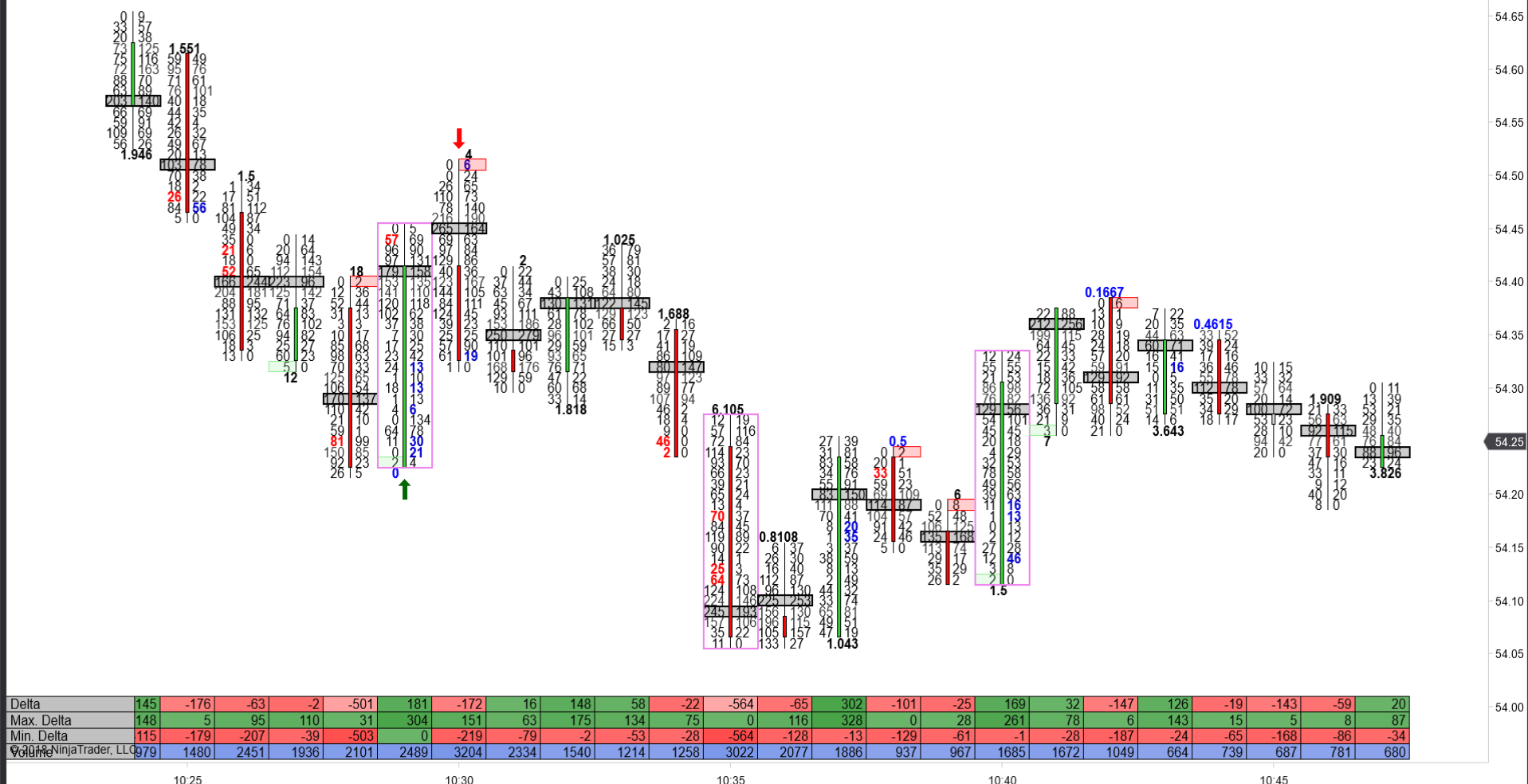


53.35
53.30

Module 4

A limitation with this set up is on minute based charts, the volume can be light while the percentage ratio is strong.

Order Flows Trader(CL 01-19 (1 Minute))



Module 4

With oversize imbalance you will get fewer imbalances, but the ones you see will be stronger.

Imbalance set up #3 : 2nd Slot Imbalances

A 2nd slot imbalance is one of my favorite setups, not just for imbalances, but in all of order flow analysis.

In a green candle it is a selling imbalance in the 2nd price level on the bid side from the low of the bar.

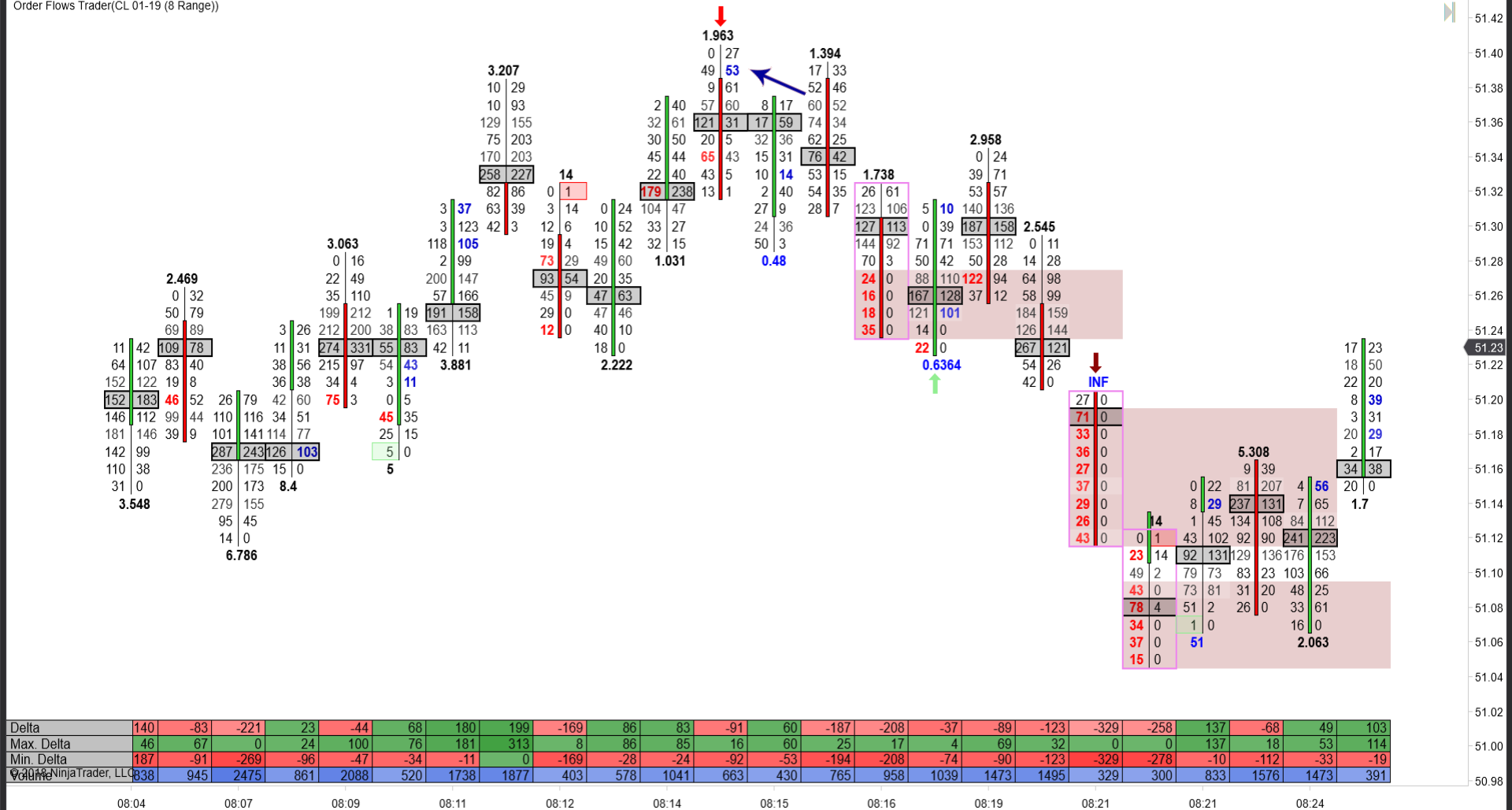
In a red candle it is a buying imbalance in the 2nd price level on the offer side from the high of the bar.

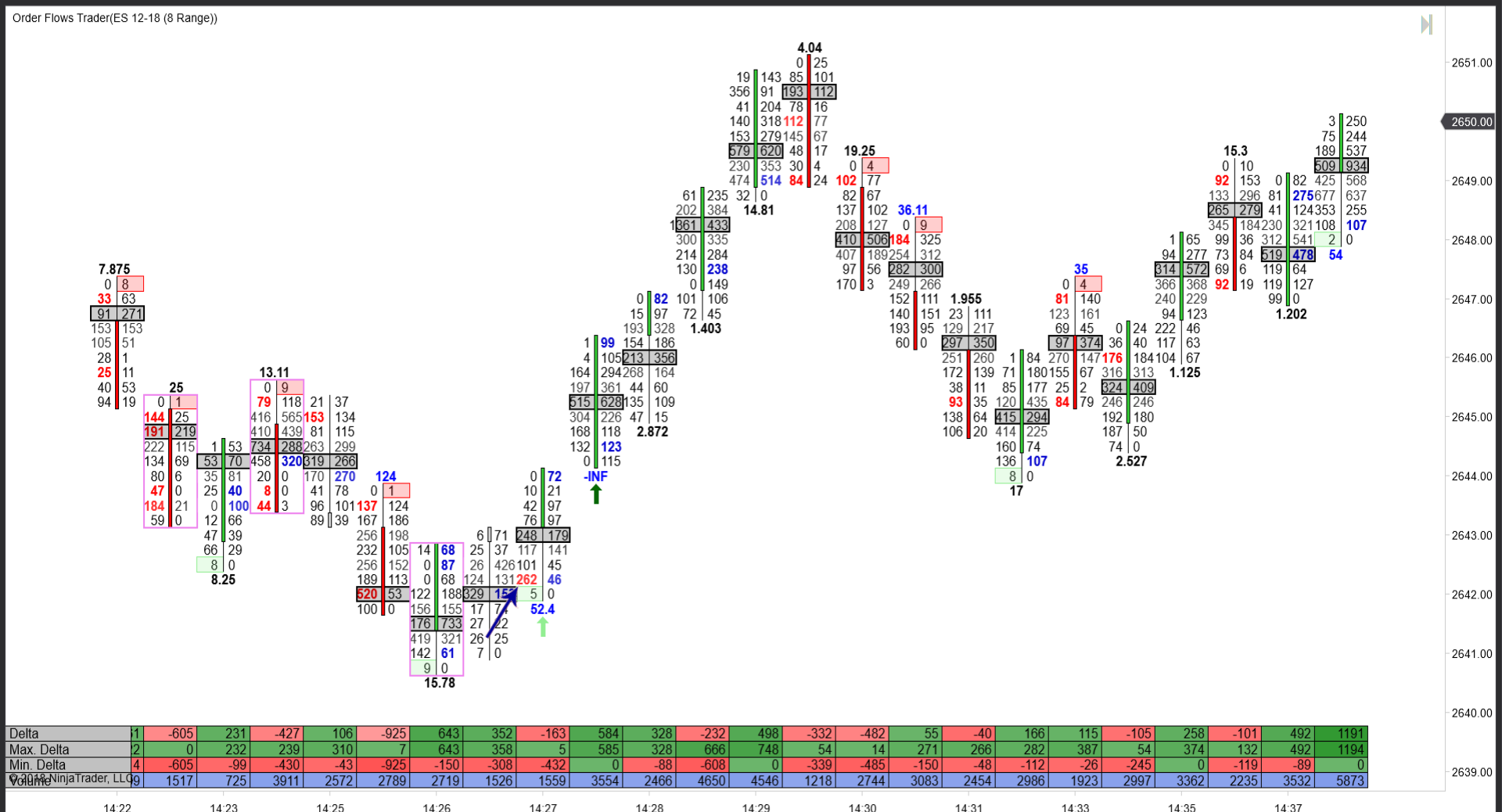
Module 4

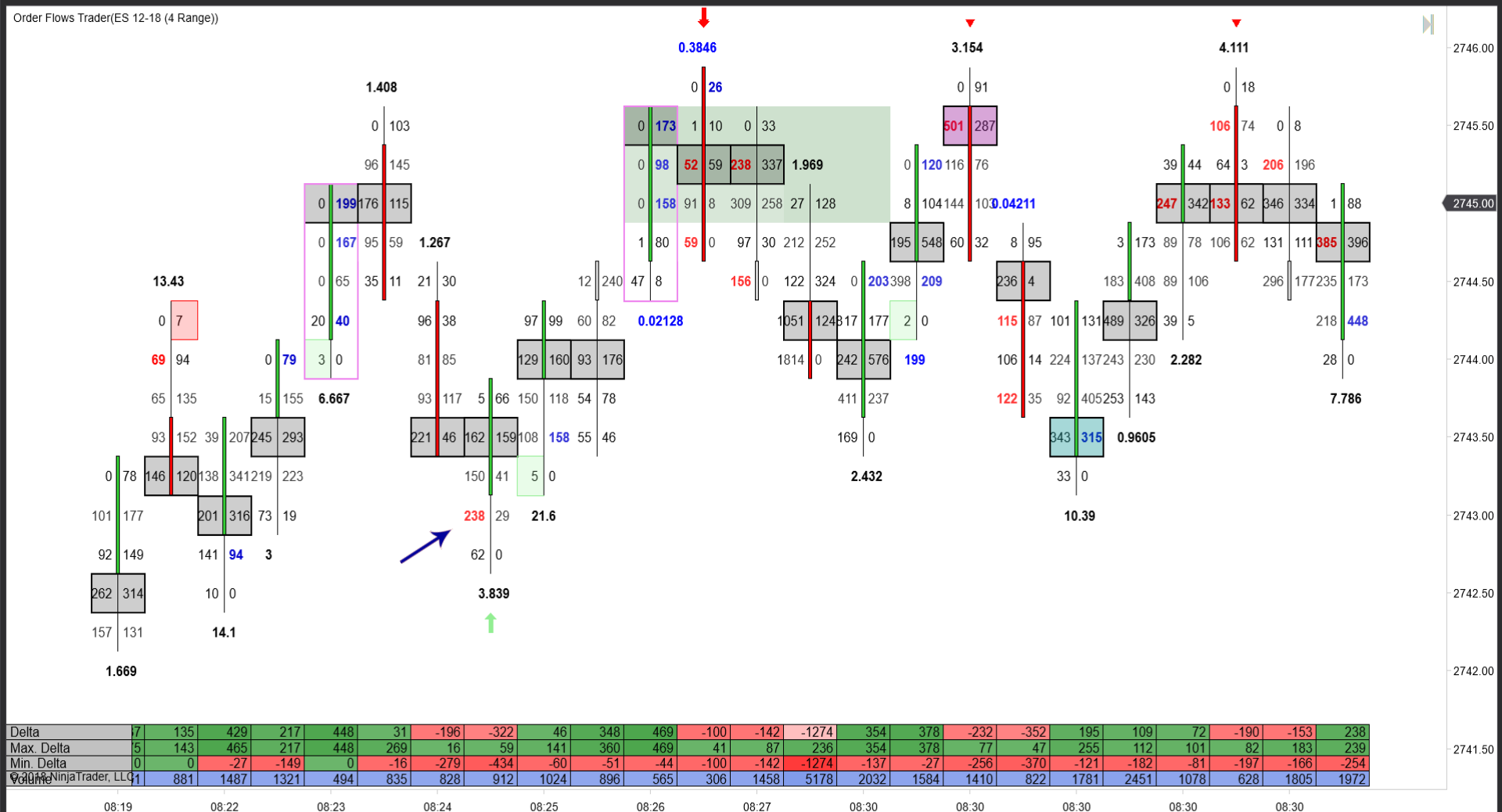
A 2nd slot imbalance occurs because aggressive buyers think they are moving the market back up or down and they cause an imbalance, but then conditions change in an instant and the market reverses and closes higher on a green candle or lower on a red candle.

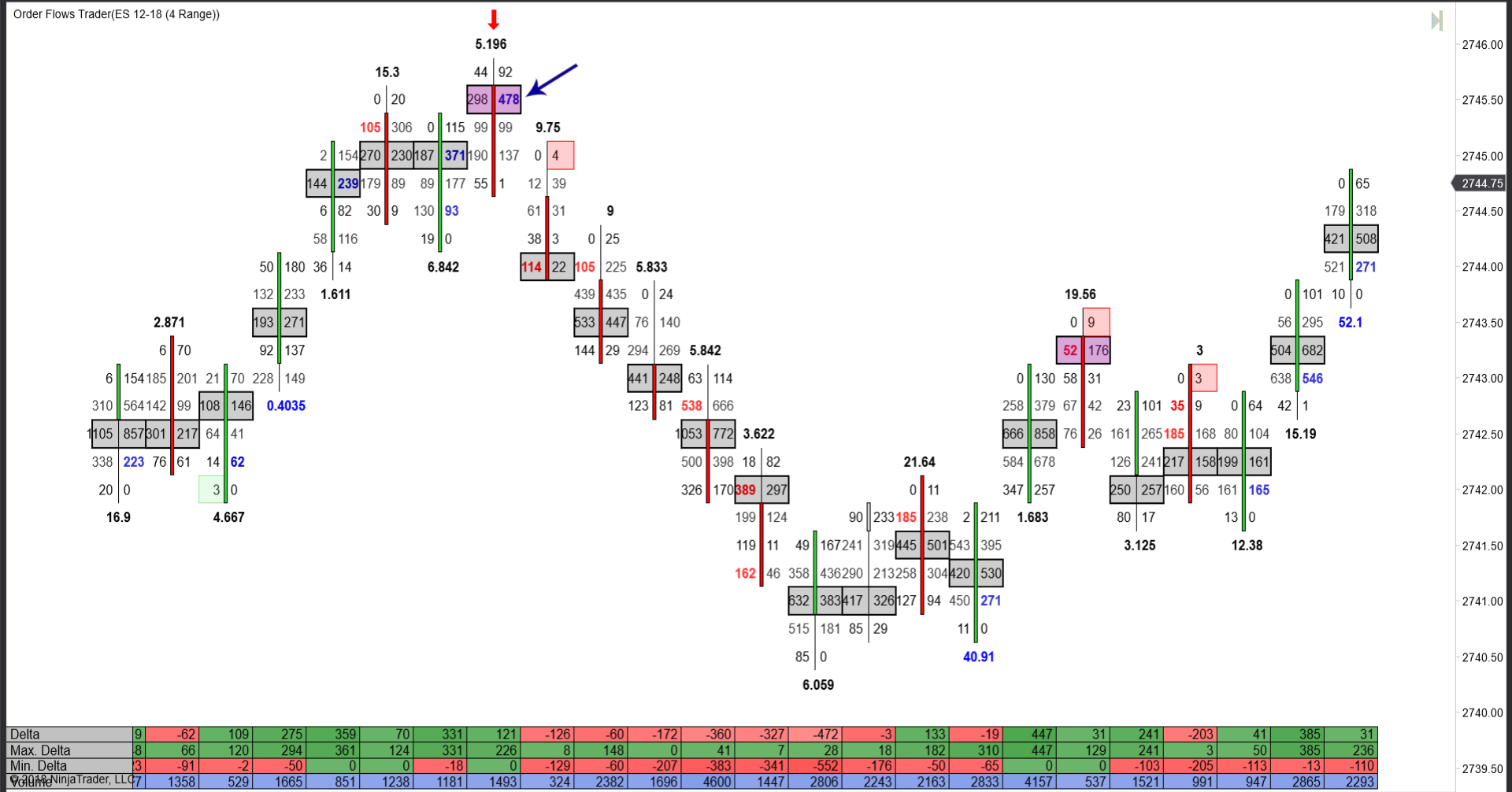
Often occurs a few bars after a swing high or swing low but can occur anywhere.

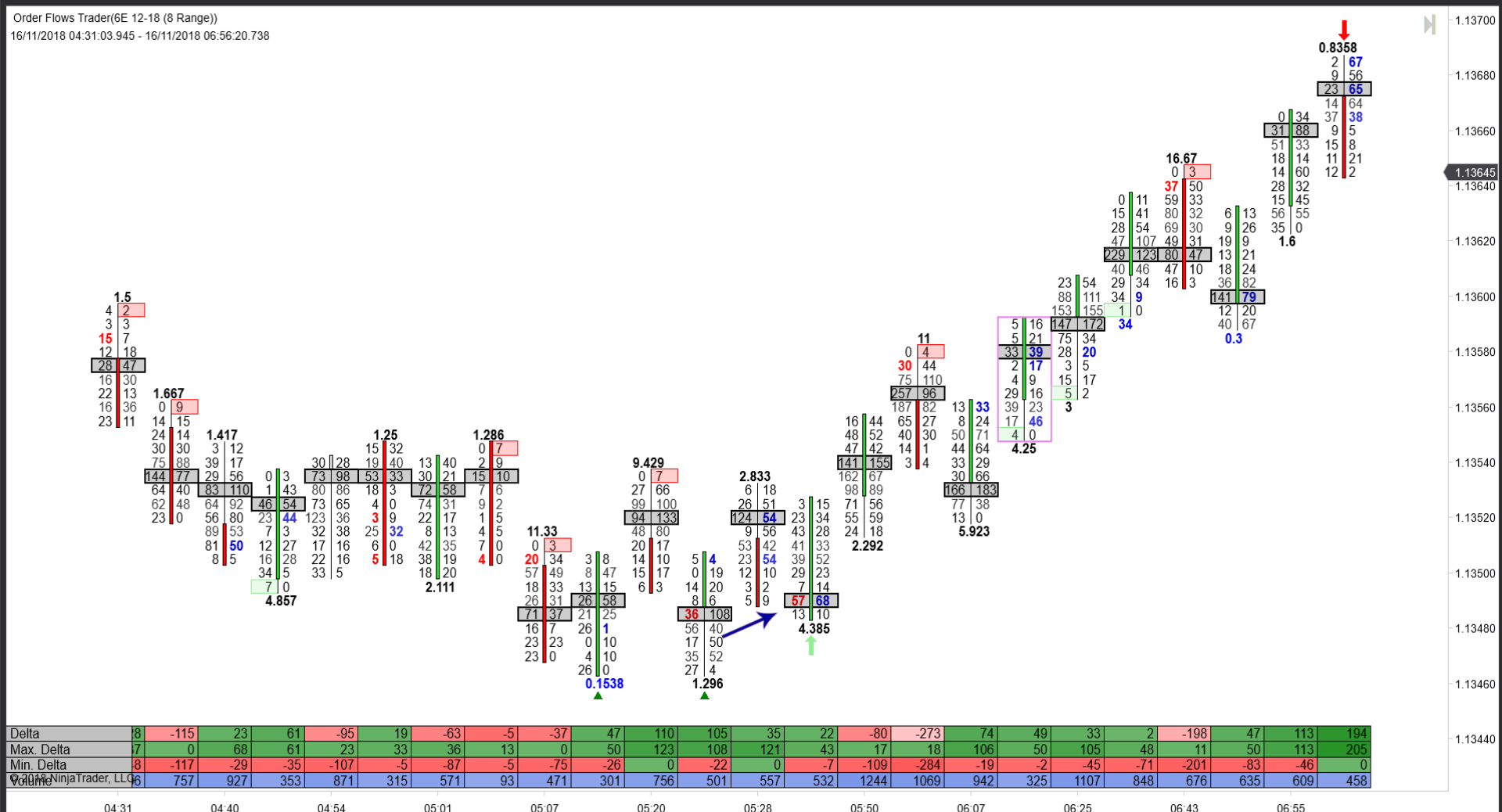
Order Flows Trader(CL 01-19 (8 Range))











Imbalance set up #4 : Imbalance Divergence

A buying imbalance divergence occurs when there is a selling imbalance in an up bar, green candle.

A selling imbalance divergence occurs when there is a buying imbalance in a down bar, red candle.

A sign of supportive buying or resistant selling.

Stronger or more effective in thick volume markets.

The imbalance should be of decent size.

Module 4

Ideally I would prefer to see the divergent imbalance at certain locations in the bar.

In a green candle, up bar, I would like to see it in the top half of the bar. Above average volume in the imbalance.

In a red candle, down bar, I would like to see it in the bottom half of the bar. Above average volume in the imbalance.

It is not just a buying imbalance in a red bar or a selling imbalance in a green bar.

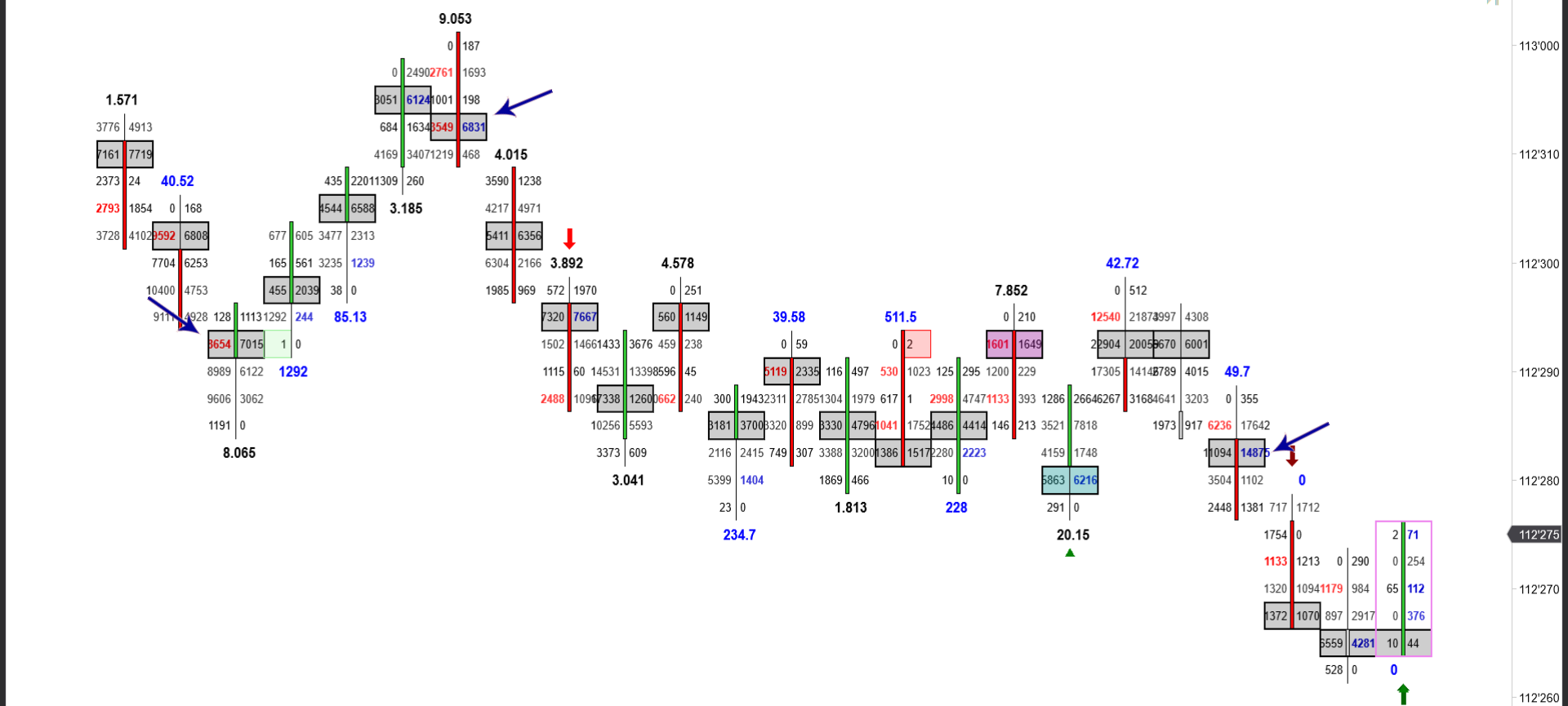
Similar to a 2nd slot imbalance.

Try and visualize what is happening in the market.

Several scenarios can be occurring:

1. Bias has changed in the bar and a large passive trader has come in.
2. Could be an iceberg absorbing trade.

Order Flows Trader(ZF 12-18 (4 Range))

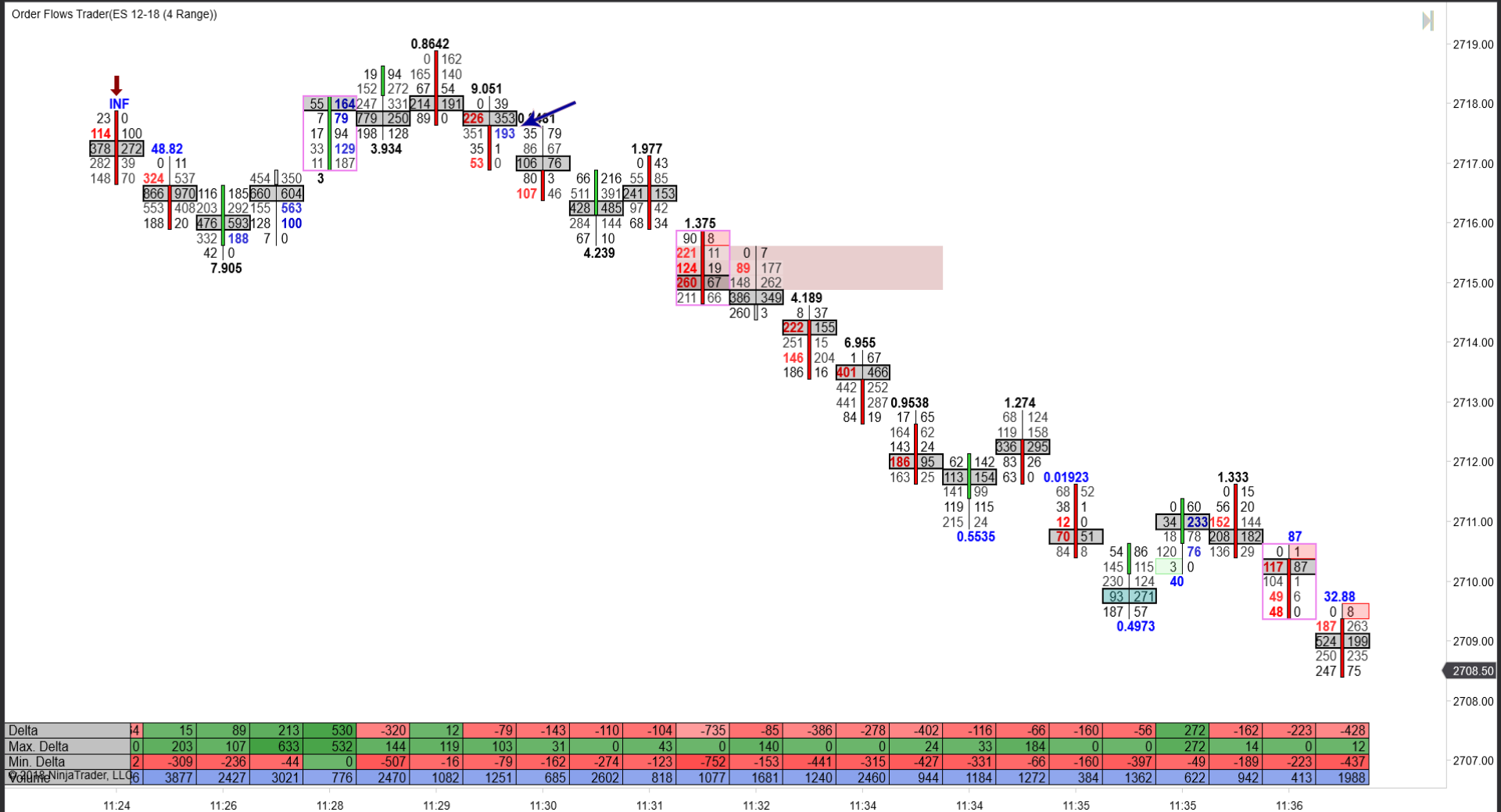


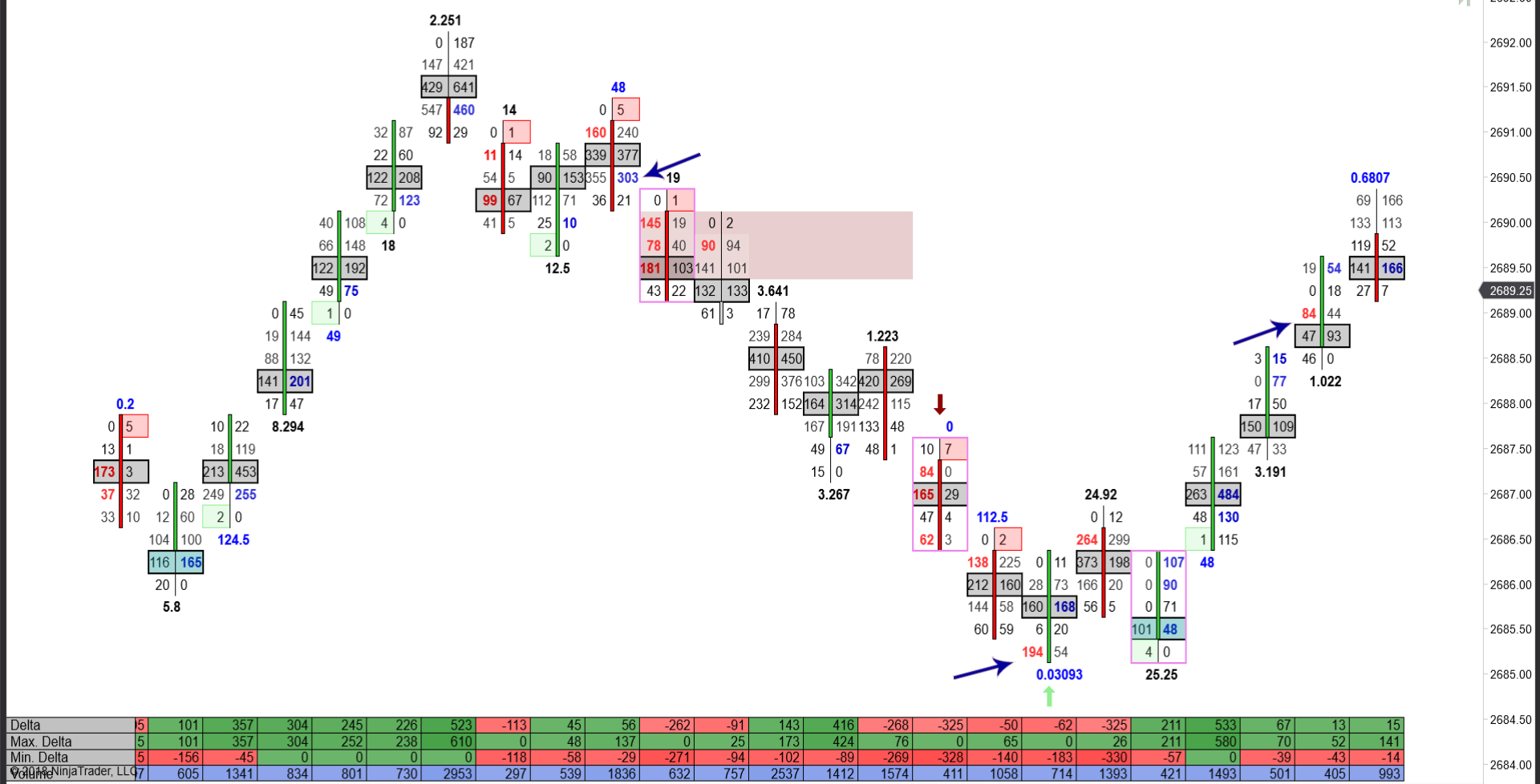
Delta	19	-13897	-11256	859	612	4702	847	-5807	-738	-11055	-354	-1557	-5114	931	721	1780	-1386	3326	742	-2626	12073	-1207	-691	780
Max. Delta	28	93	0	1353	1227	4702	1765	0	1777	599	864	62	428	958	1068	1898	936	4043	5943	2732	15146	564	1976	782
Min. Delta	13	-14195	-13407	-764	-2706	-2141	-2481	-6327	-2528	-12464	-473	-4803	-5327	-2605	-1128	-1969	-1599	-171	-273	-3372	-90	-1960	-1270	0
Volume	93	59735	45880	6045	24070	23128	17907	37207	25256	82819	4200	20481	17884	20945	7869	21586	6774	33566	118778	39611	58637	11385	17645	1839

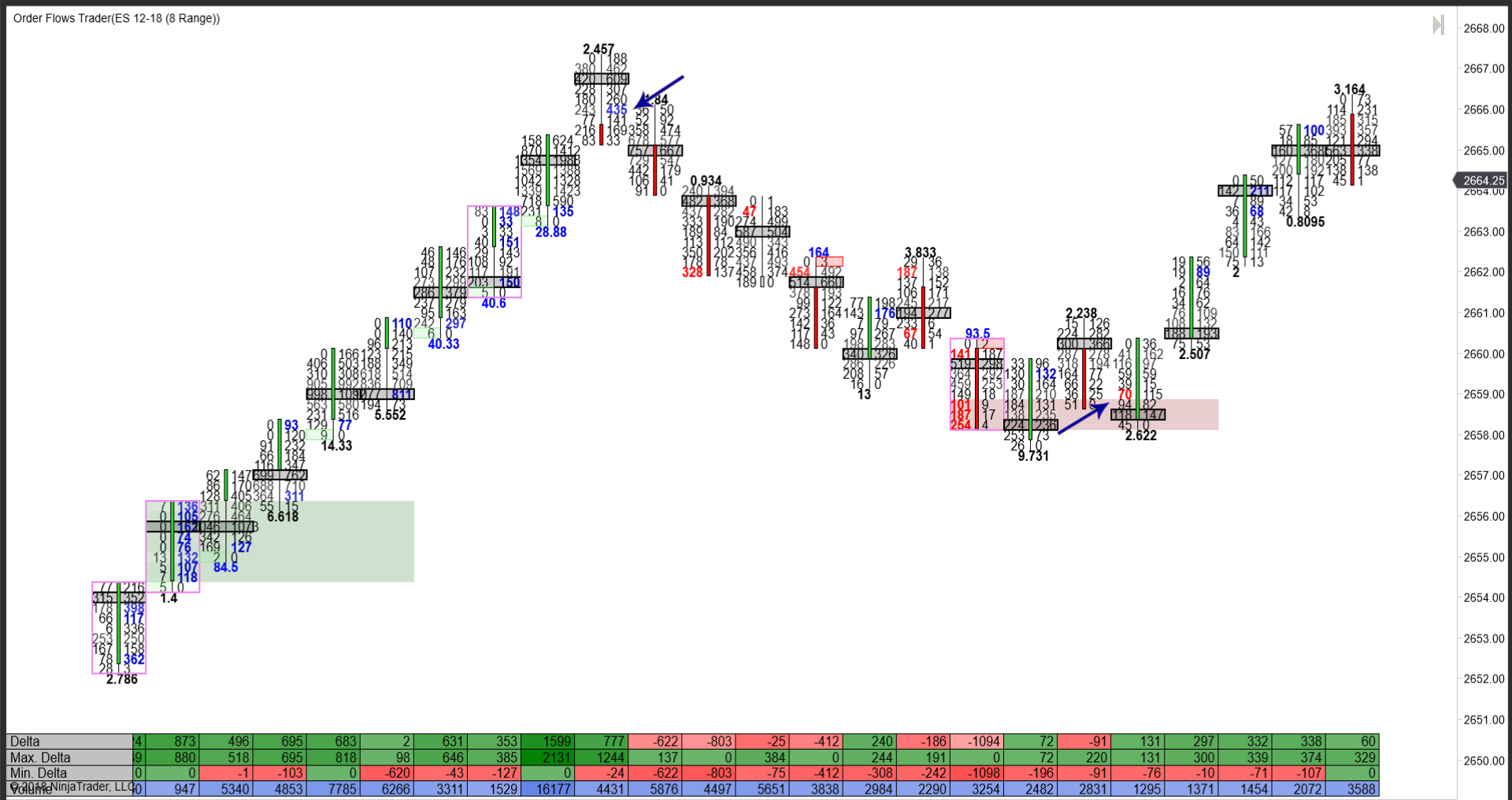
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00:58 01:06 01:17 01:28 01:36 01:42 01:46 01:50 01:57 02:01 02:06 02:08







Imbalance set up #5 Dangling Imbalance

A dangling imbalance occurs when you have an imbalance sticking out at a potential swing high or potential swing low.

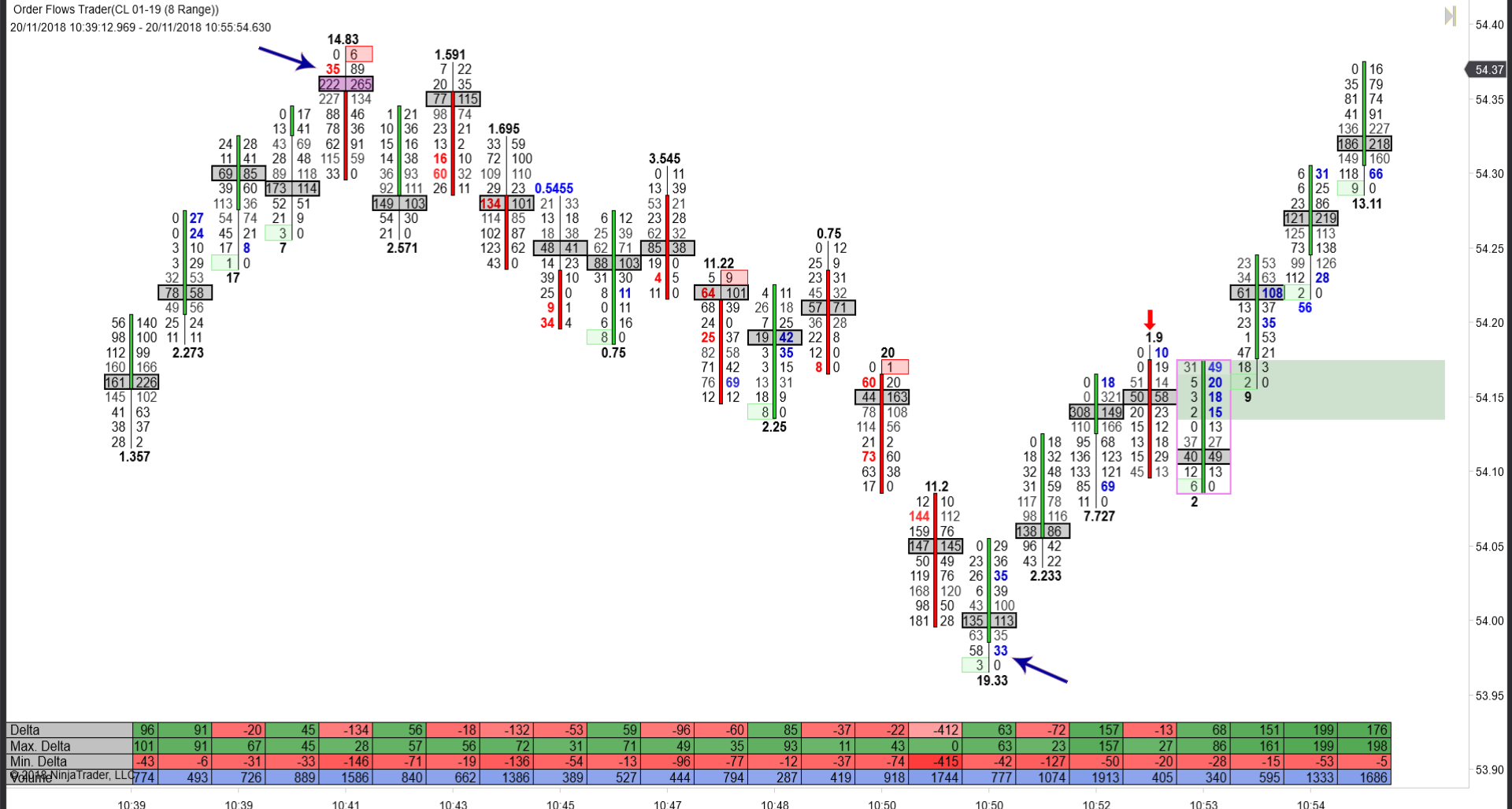
The imbalance should be in a wick.

What is occurring is the market probed a level, rejected it, aggressive traders came in and the market moved corrected itself.

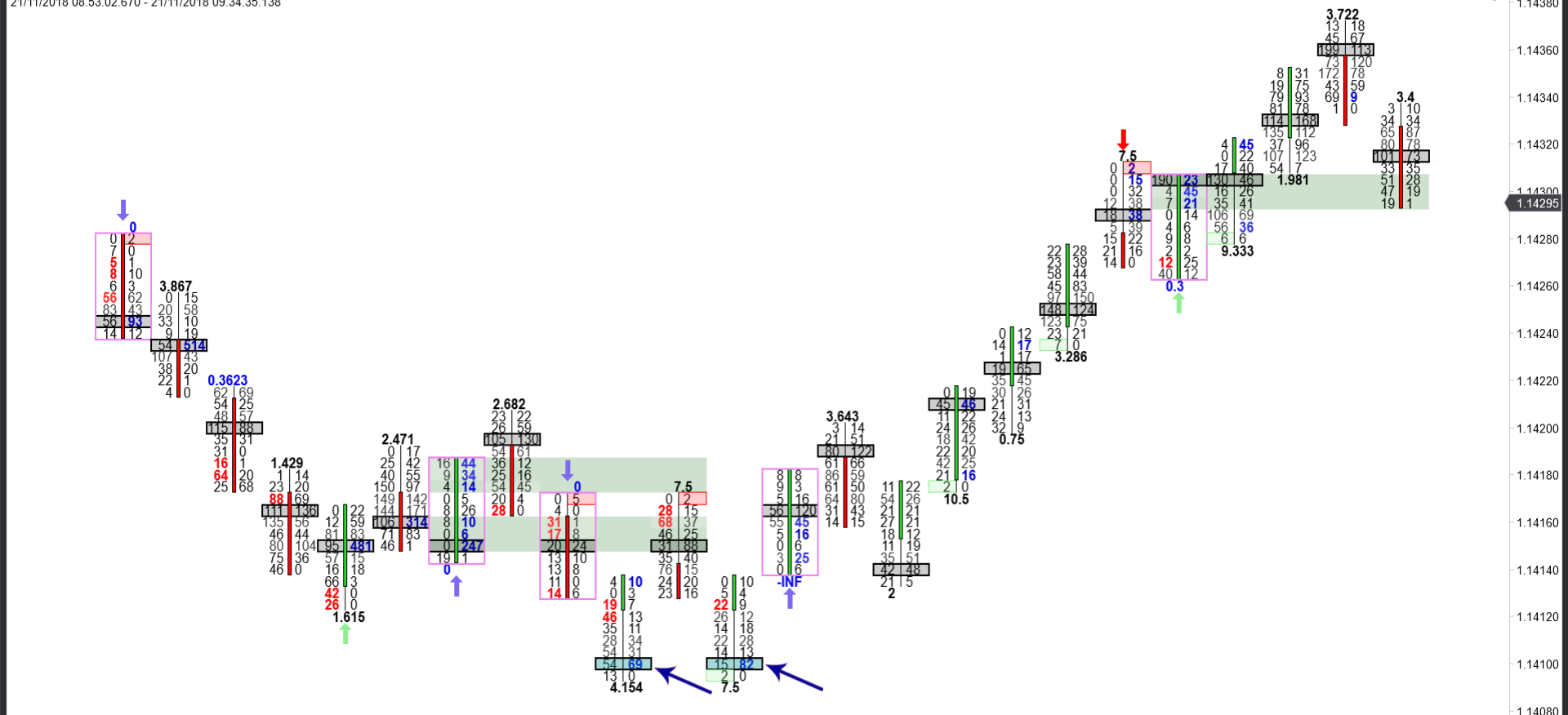
A dangling imbalance occurs at the point where you most expect an imbalance to occur.

The two important parts are:

1. Bar should be a swing high or low.
2. Green candle for a buy / red candles for a sell.
3. The imbalance should appear in the wick.

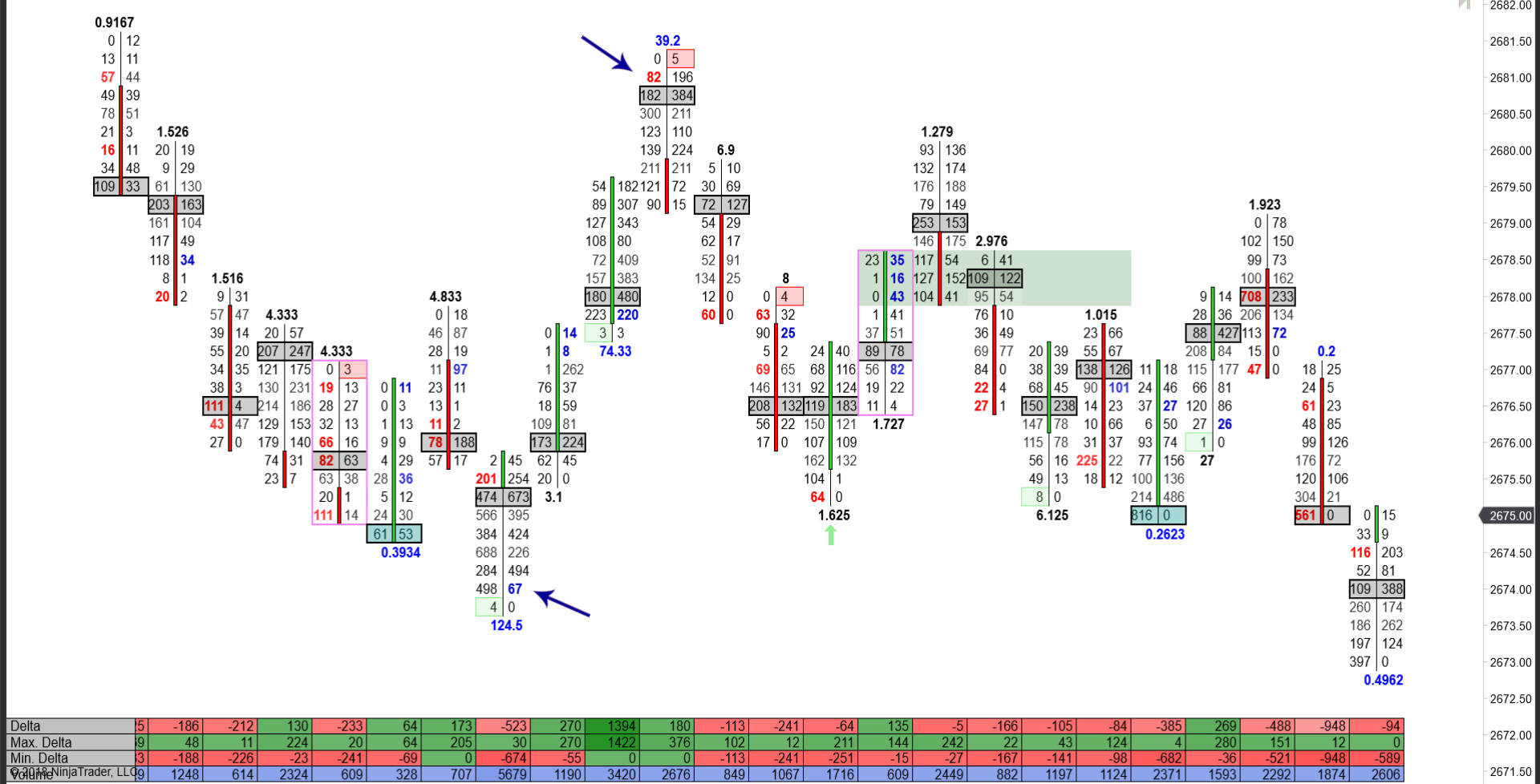


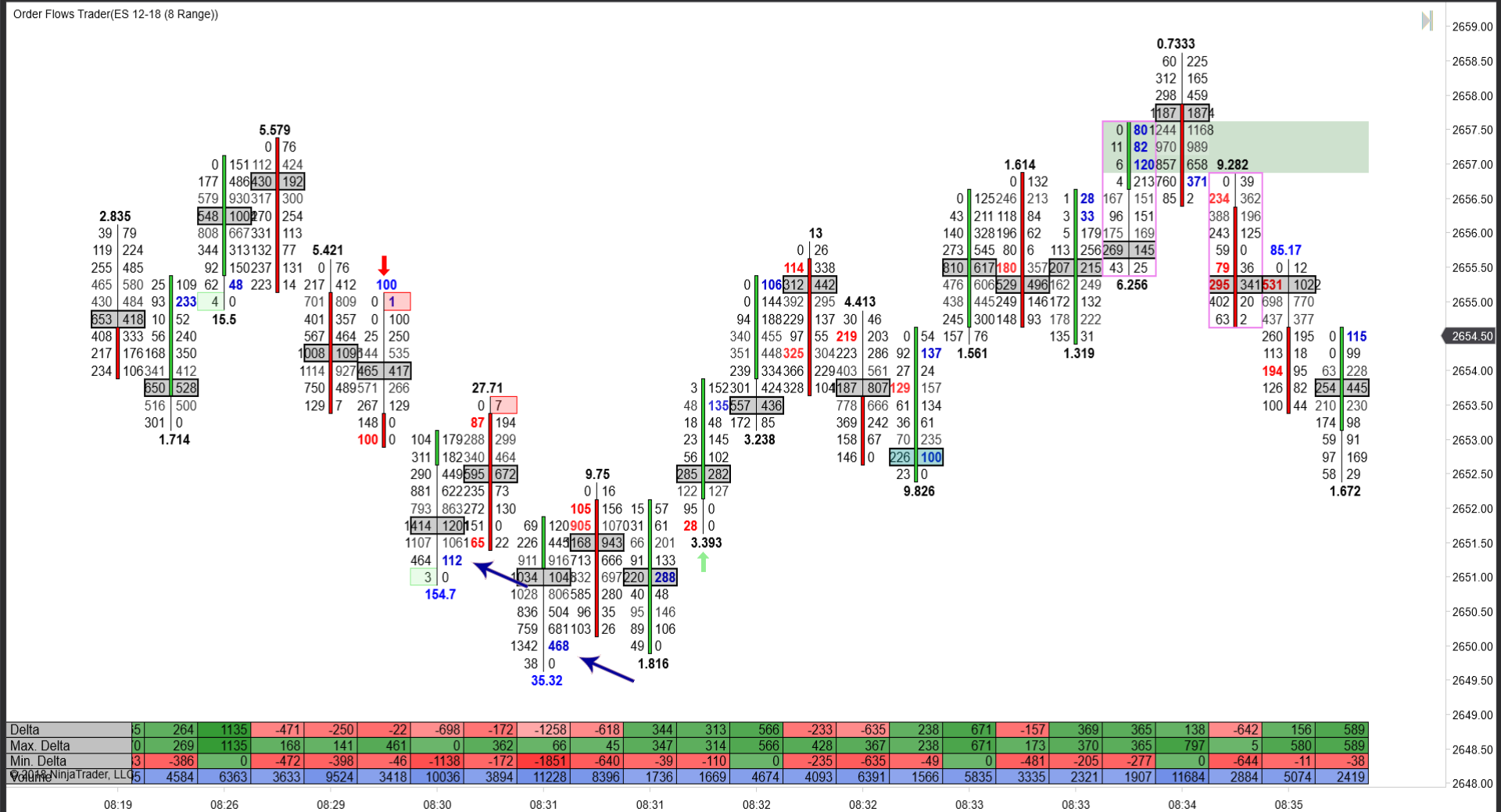
Order Flows Trader(6E 12-18 (8 Range))
21/11/2018 08:53:02.670 - 21/11/2018 09:34:35.138

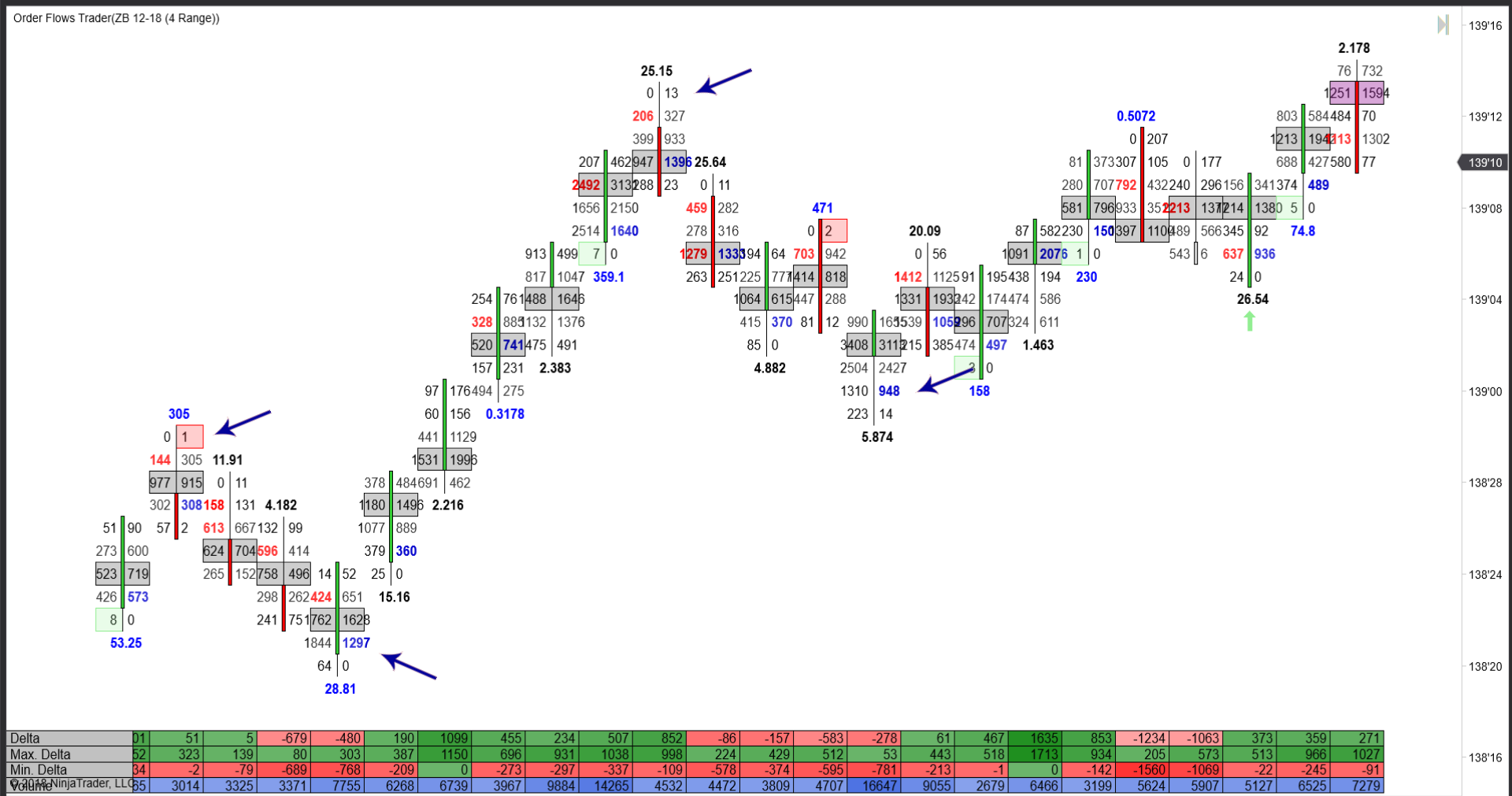


Delta	9	393	-91	-126	286	191	323	-22	-61	-75	-73	56	104	79	-15	31	59	18	117	-112	-39	149	-151	-68
Max. Delta	6	447	26	160	286	250	326	96	0	0	128	56	116	89	33	35	59	47	132	78	1	169	27	0
Min. Delta	1	-23	-162	-126	-242	-98	-19	-22	-67	-139	-89	-42	0	0	-27	-26	-18	-53	-4	-112	-122	-3	-162	-70
Volume	9	967	809	1084	1076	1653	451	720	185	431	589	296	386	921	465	401	411	1110	287	424	701	1417	1079	798

Order Flows Trader(ES 12-18 (8 Range))







Imbalance set up #6 : Multiple Imbalance

I discussed multiple imbalances in module 2, but I wanted to include them in the setup section because I want to highlight their importance.

A multiple imbalance occurs when there are 3 or more imbalances in a bar in the same direction that are not stacked on top of each other.

Module 4

If you are trading a market and chart type that you don't get many stacked imbalances, you have a good chance to find multiple imbalances instead. For example, 4 Range ZB or FGBL.

Especially strong if you are using outsized imbalance ratios like 1000% or 10-1.

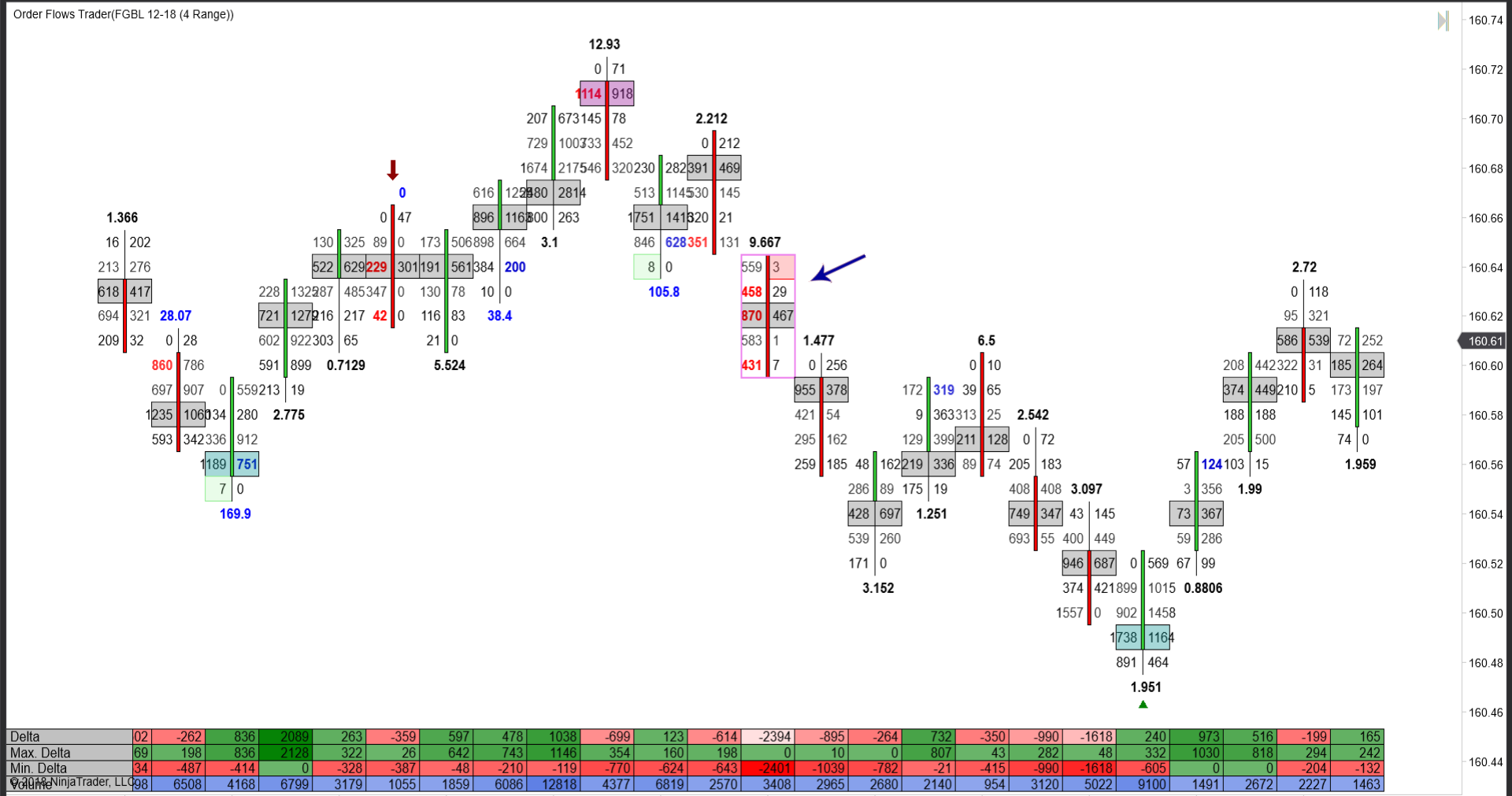
Module 4

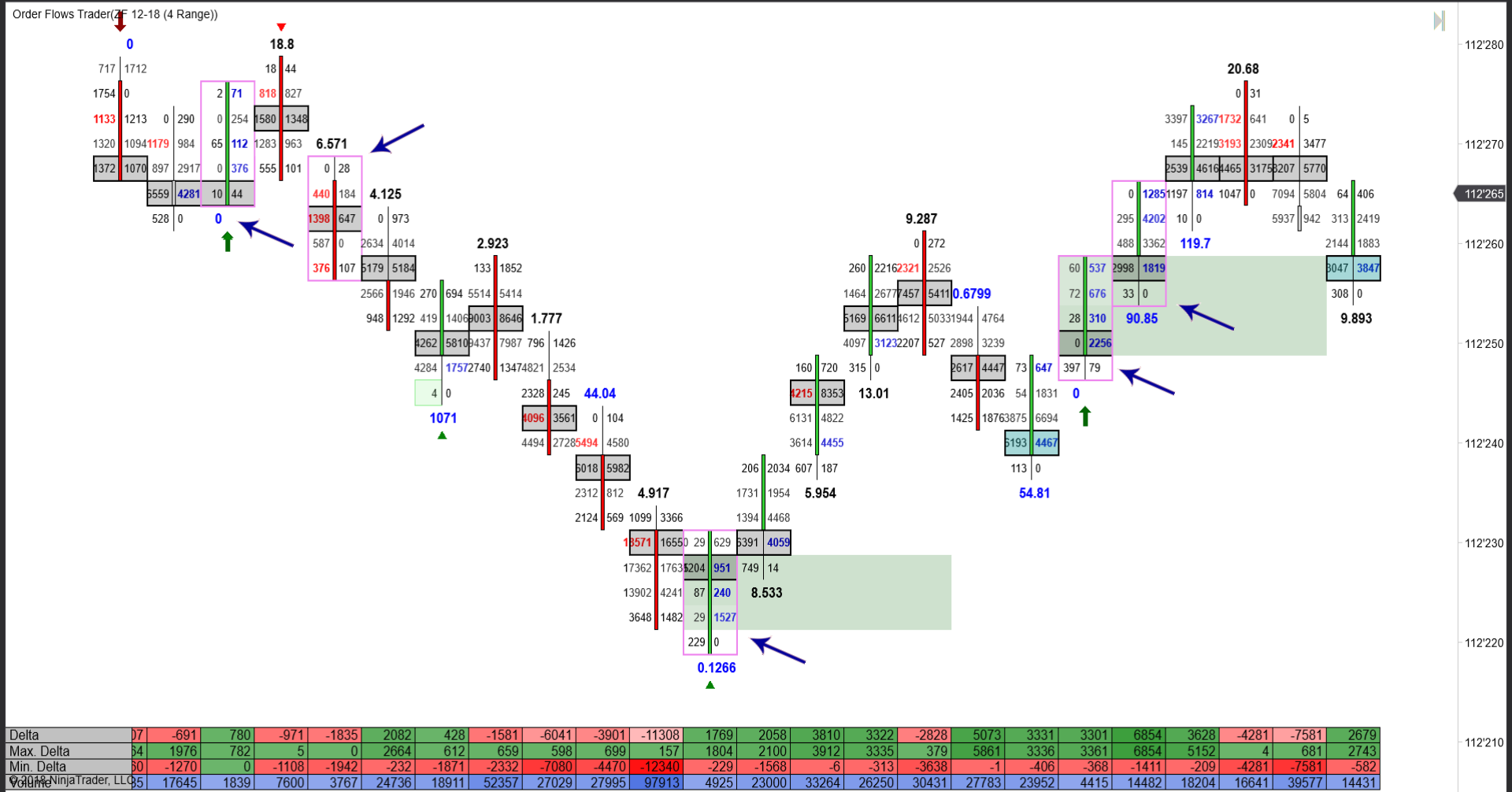
The easiest way to see multiple imbalances is with the Orderflows Trader software for NT8. Otherwise you have to pay some guy to program it for you.

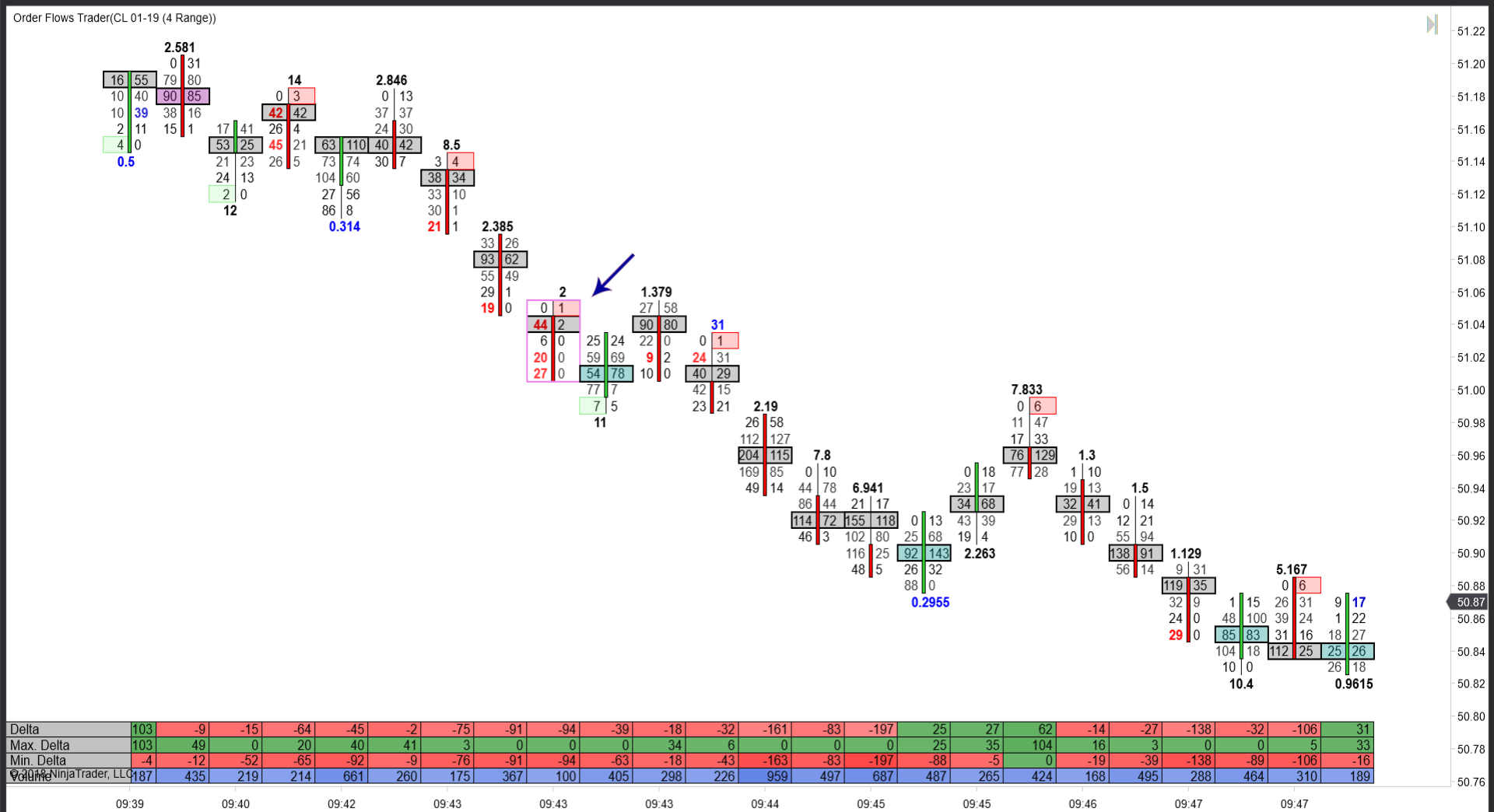
www.Orderflows.com/oft2.html

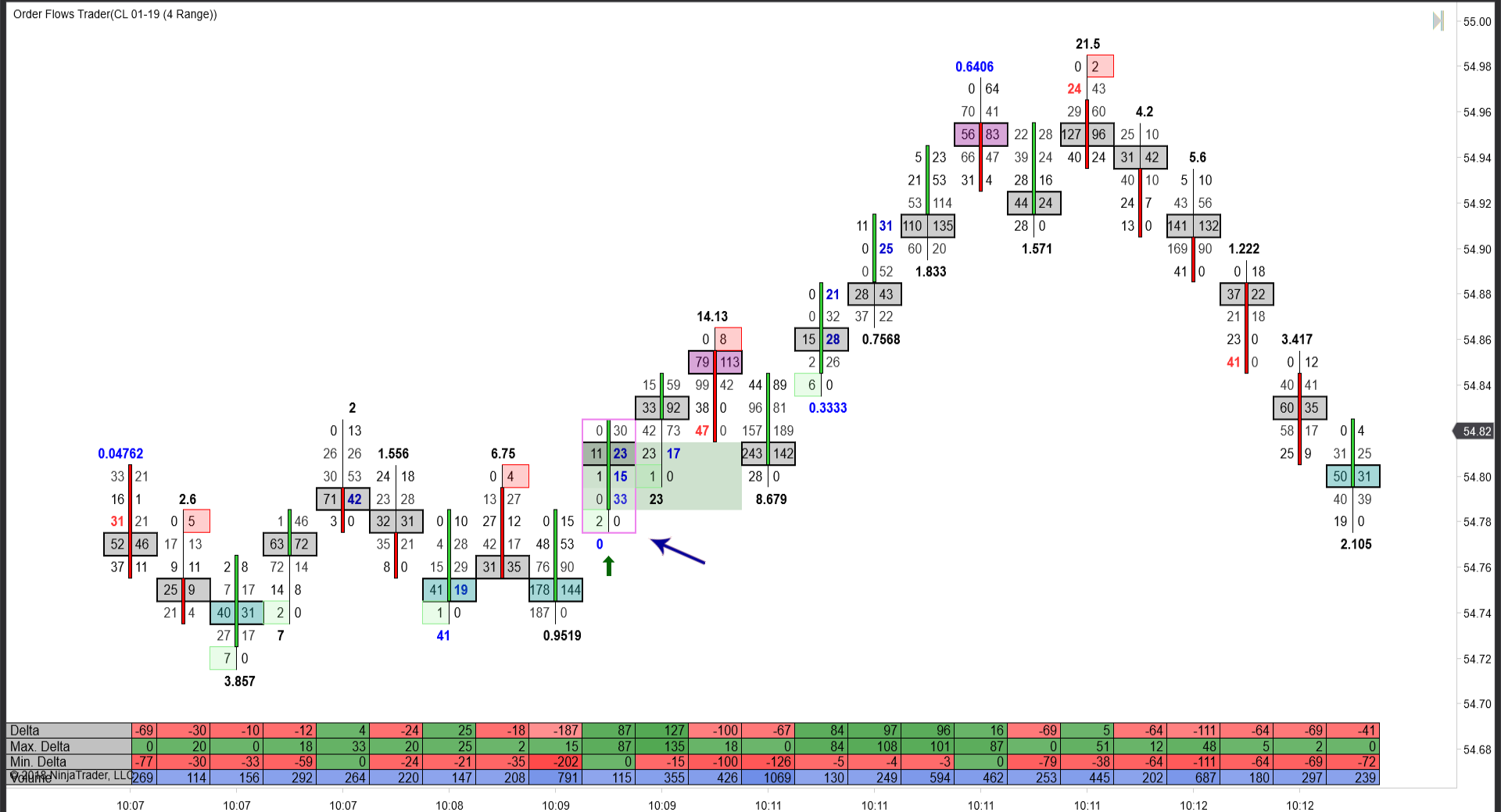
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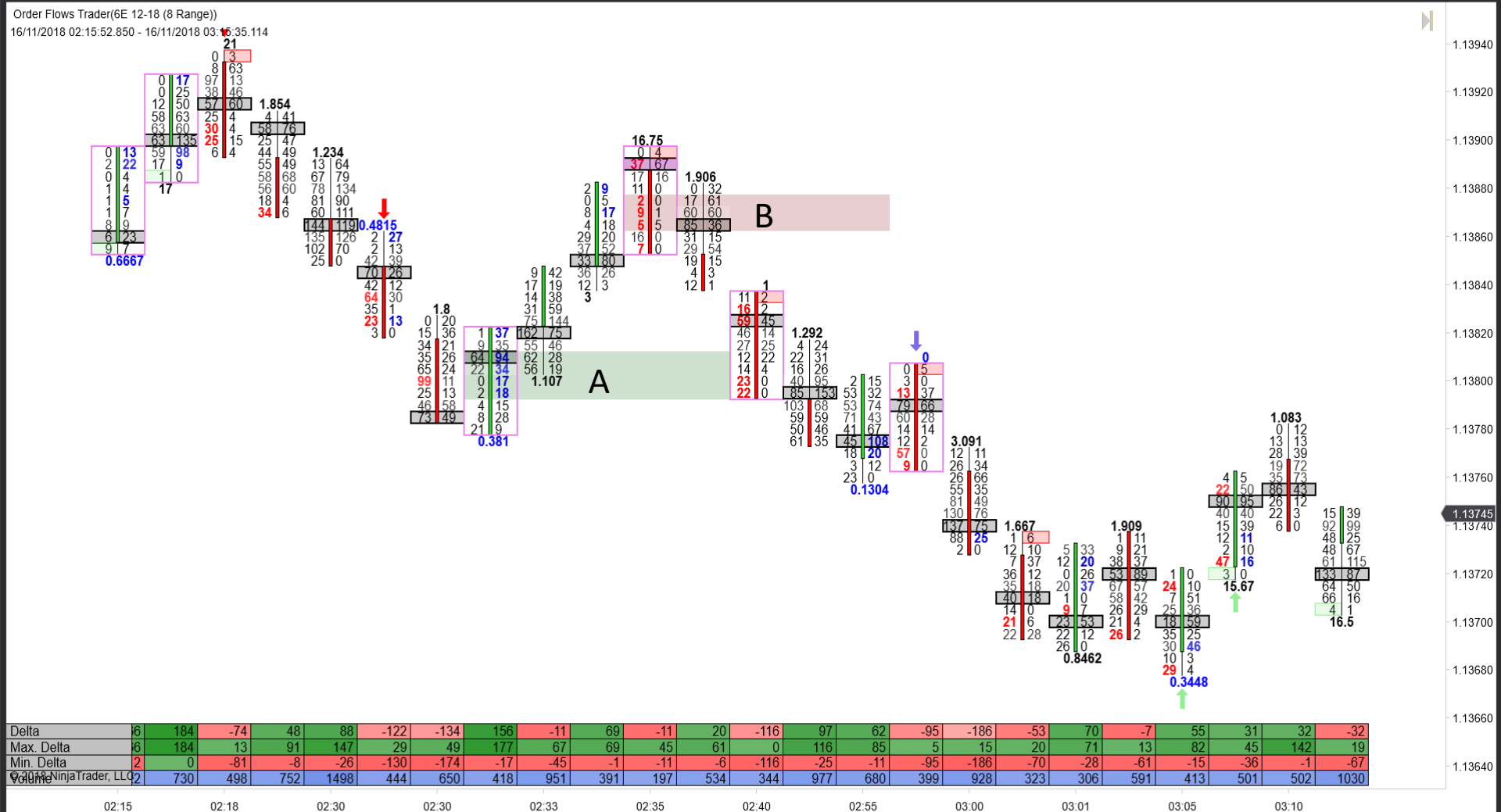
Imbalance set up #7 : Overlapping Imbalance

Overlapping imbalance occurs when there is a stacked imbalance in one direction and within a certain amount of bars (usually 4 or 5) there is a stacked imbalance in the opposite direction trade in the direction of the second stacked imbalance.

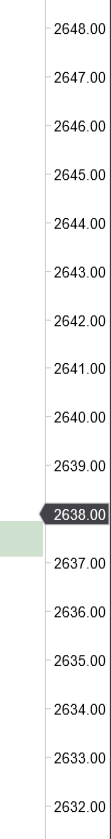
Module 4

What is occurring in the market with overlapping imbalances is a potential change in bias.

If you have ever seen a herd of wild animals on the move, they run one way in a direction then change direction for whatever reason and run in another direction.

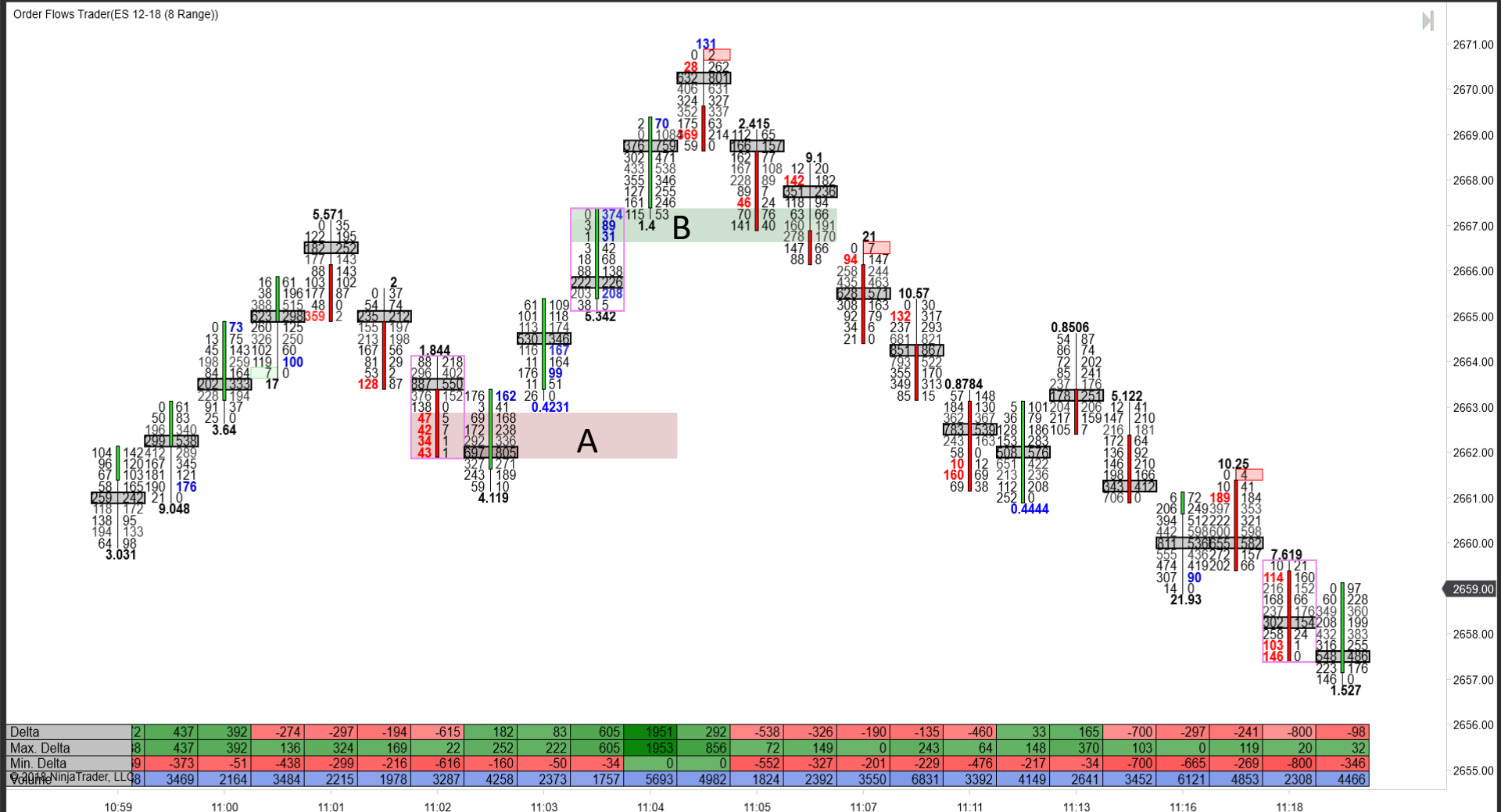


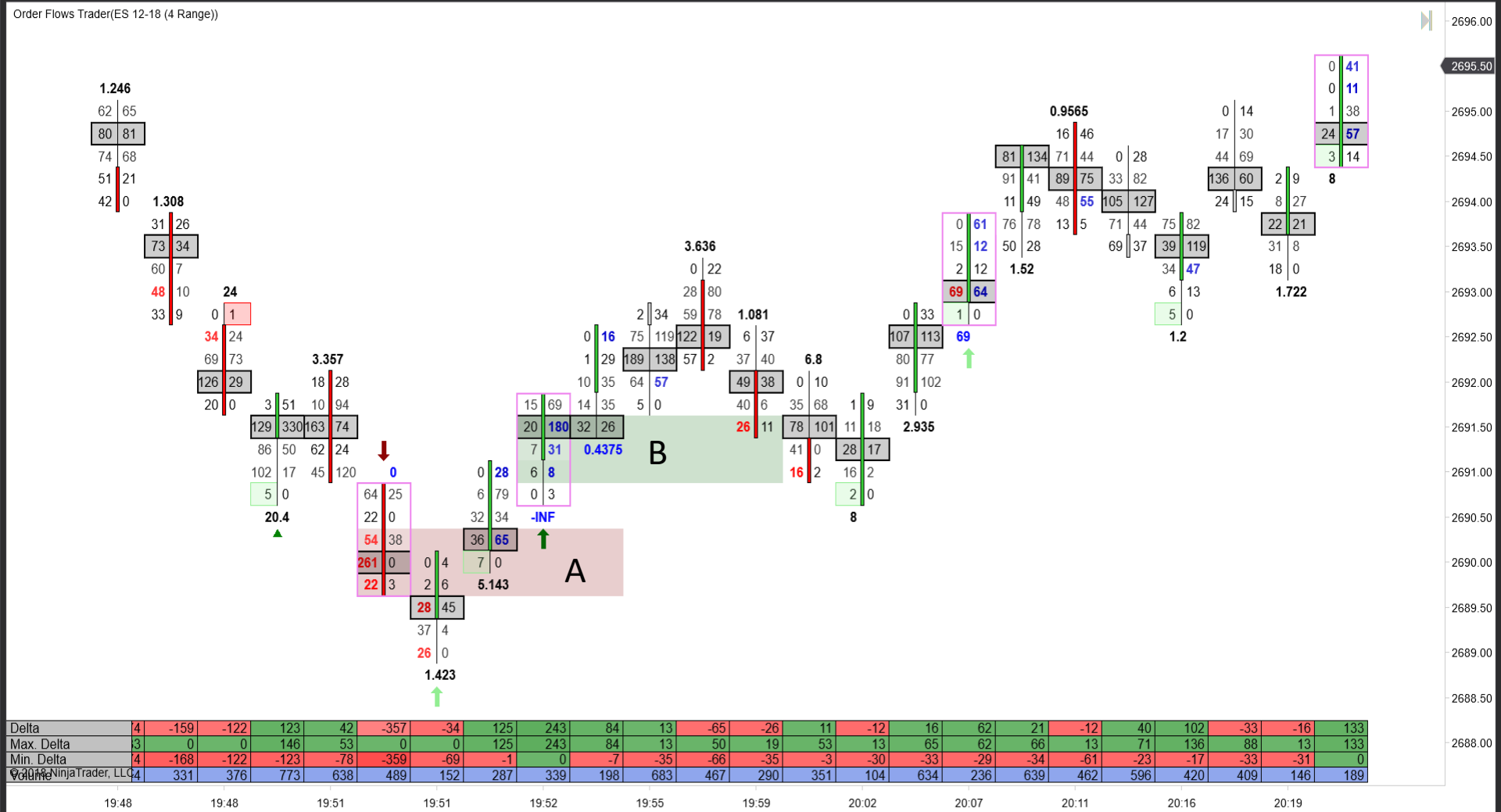
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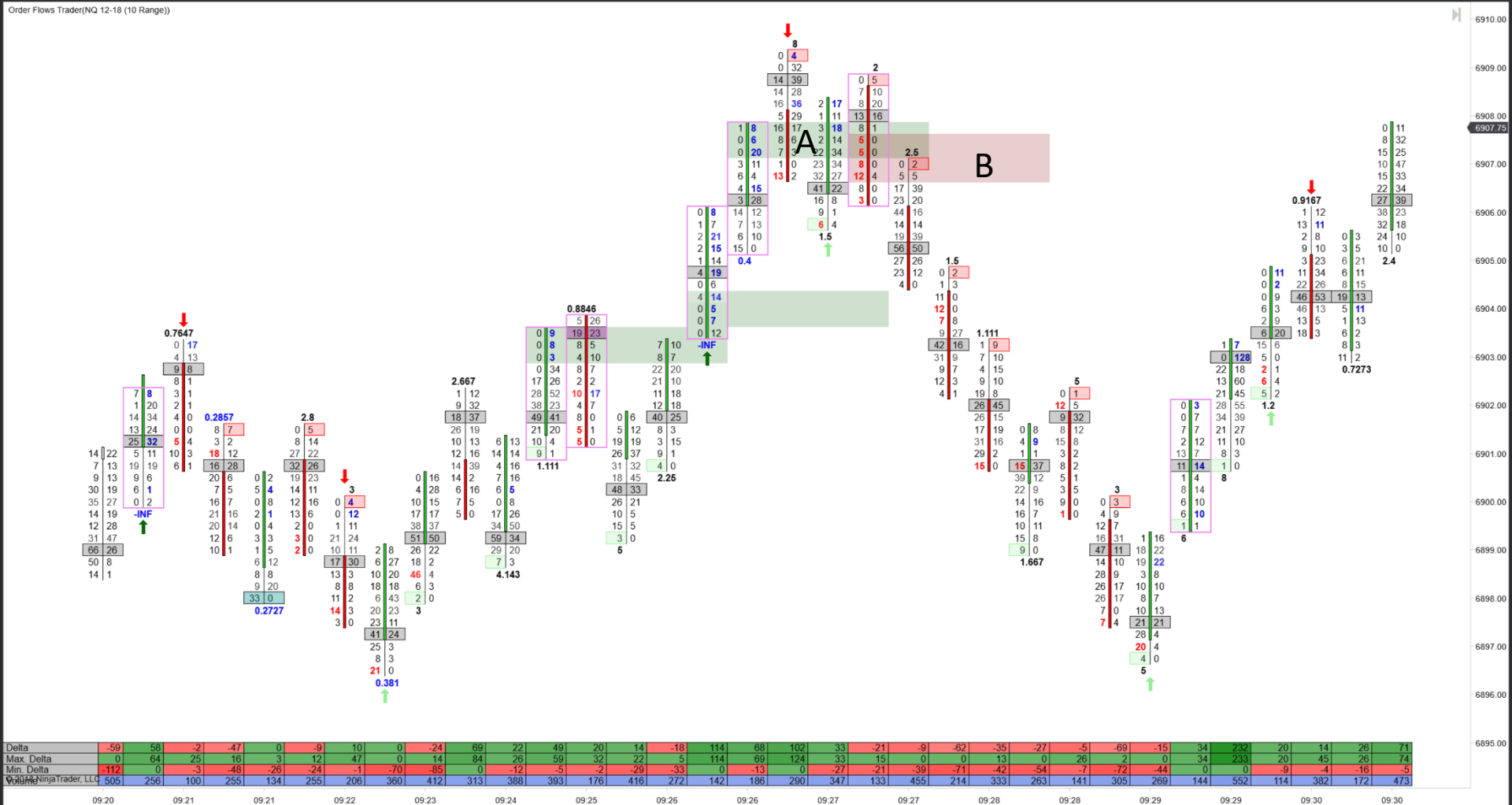


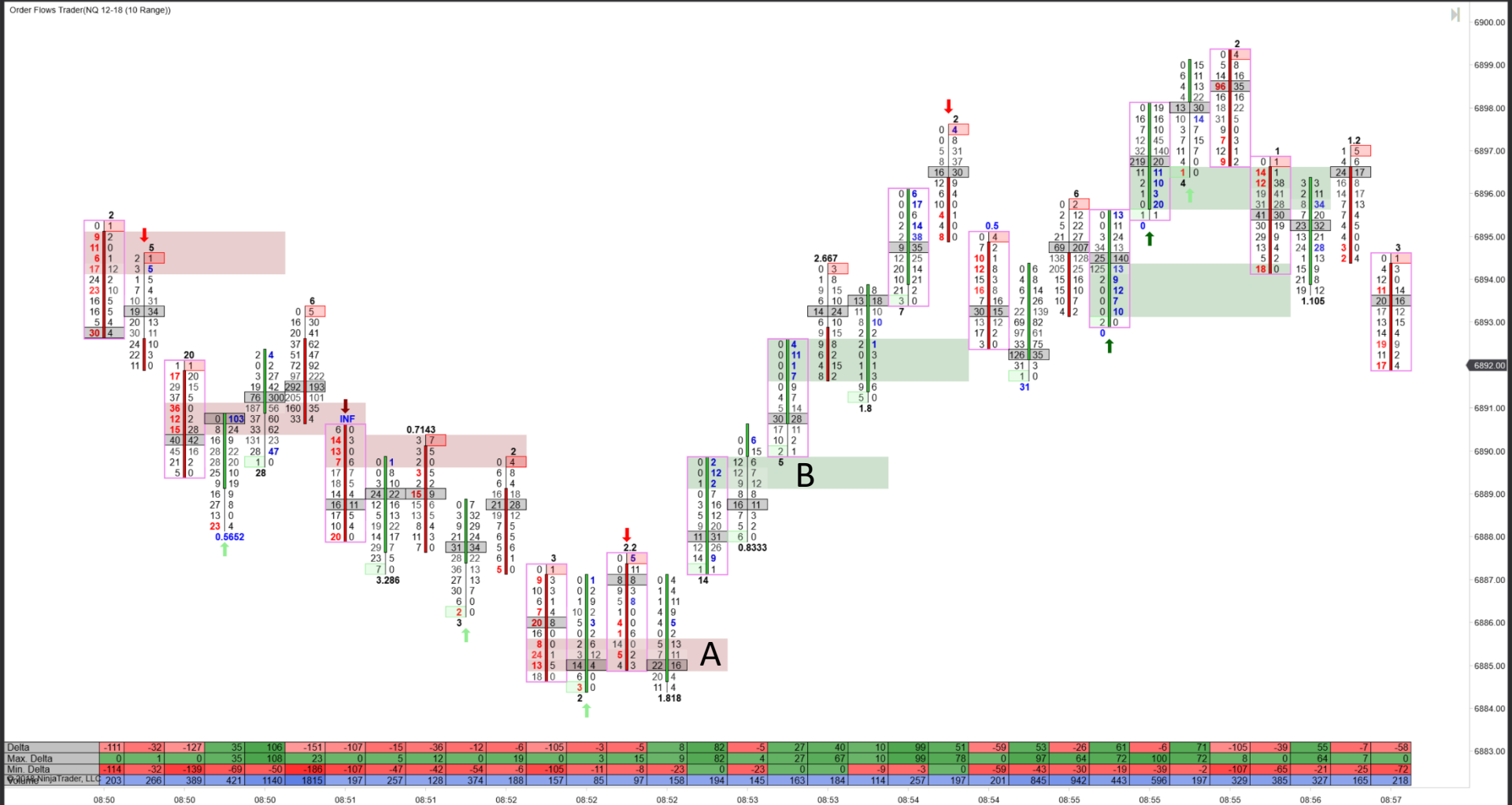
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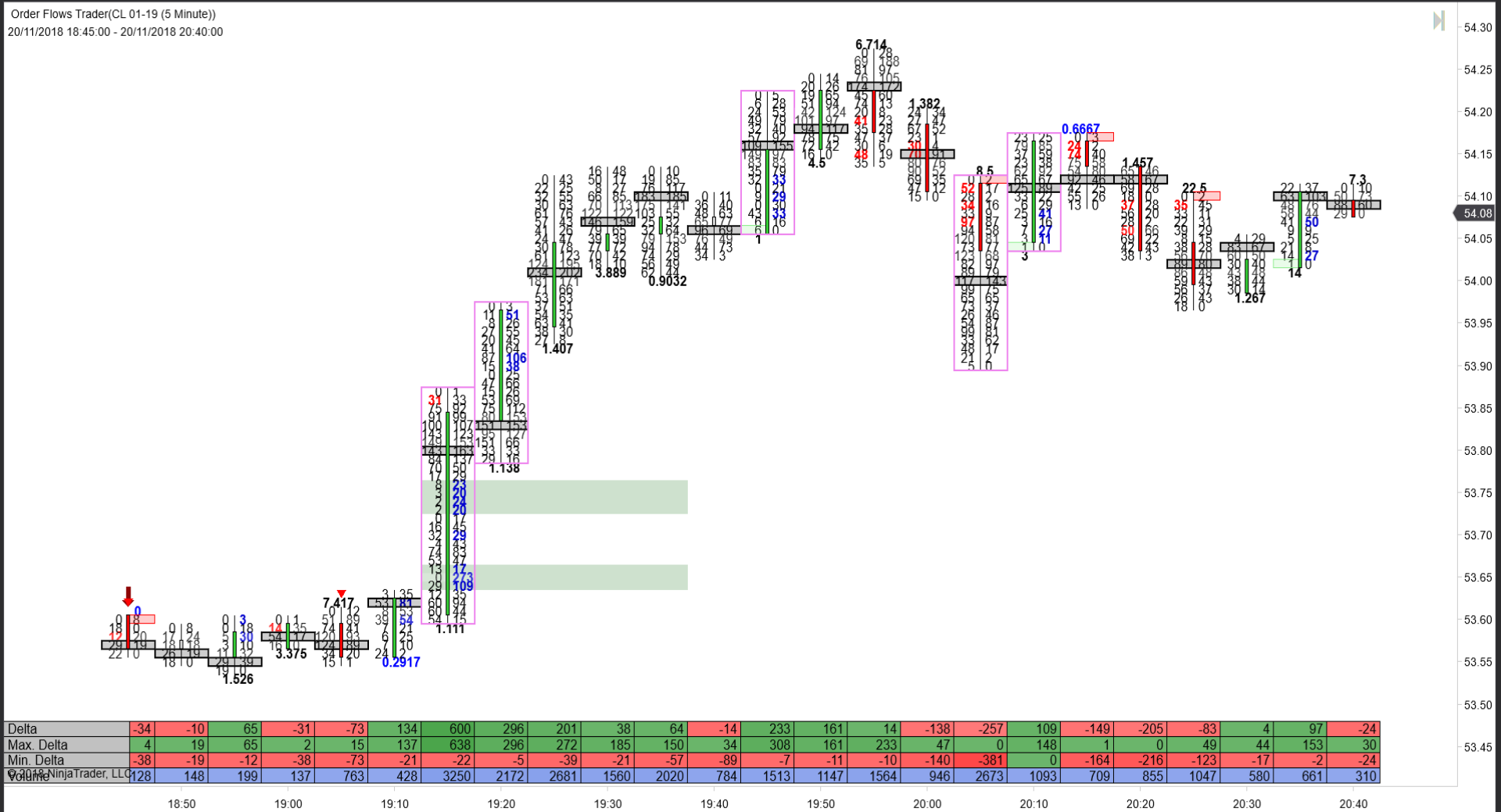
Imbalance set up #8 : Double Stacks

Double stacks is when a bar has two stacked imbalances appearing in the bar.

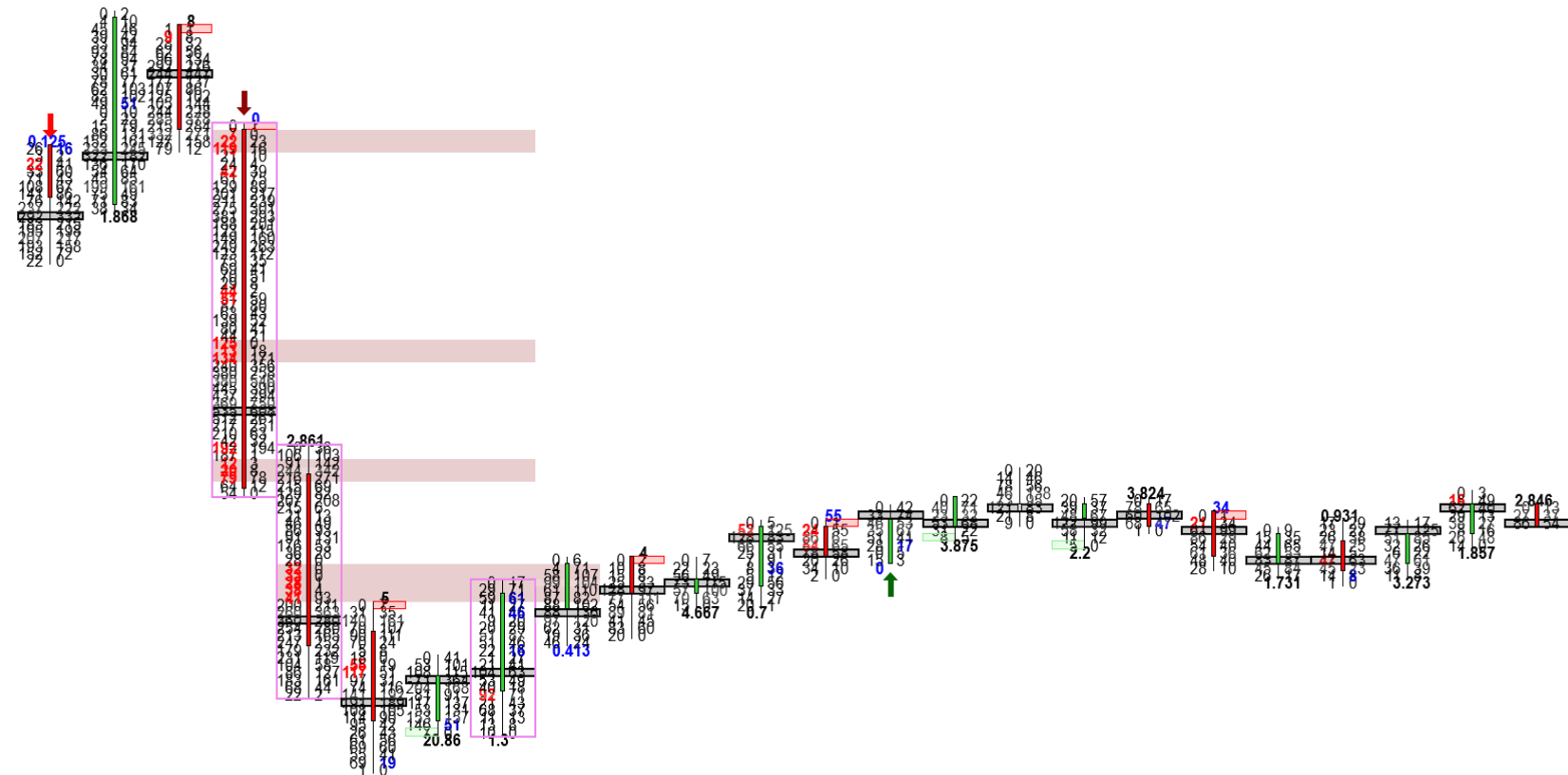
Stacked imbalances are very visual and double stacked imbalances just stick out like a sore thumb.

It is almost like a cascading effect occurring in the market in a bar. One wave of selling (buying) followed by another wave.

A limitation is that this can occur as market blows off at a high or low. So it is better to take a double stack in context of the market. Double stacked buying imbalances off lows and double stacked selling imbalances off high. Or as you are breaking out of a range.



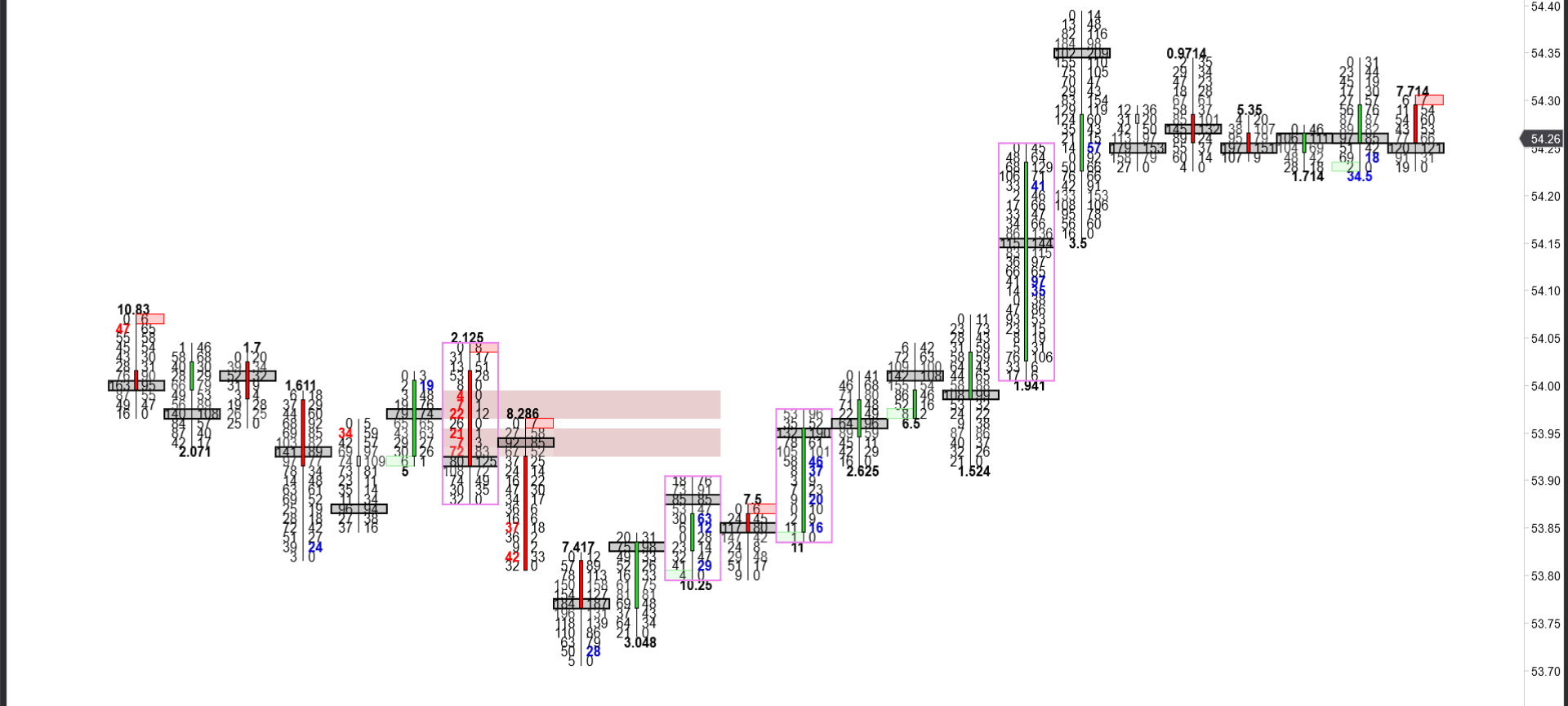
Order Flows Trader(CL 01-19 (5 Minute))
21/11/2018 13:15:00 - 21/11/2018 15:10:00



Delta	-90	224	226	-838	-468	-190	363	63	220	-41	64	82	-77	94	65	84	1	24	-70	75	-16	110	3	-9
Max. Delta	13	256	346	0	112	75	438	79	241	33	73	147	15	95	65	142	35	31	10	75	28	131	62	19
Min. Delta	291	-64	-51	-973	-850	-387	-33	-96	-62	-73	-16	-17	-90	-13	-18	-3	-30	-19	-90	-27	-36	-6	-21	-14
Volume	832	4336	5282	14608	8504	3204	2349	1517	1638	1043	650	864	519	510	375	808	607	438	648	625	452	656	389	217

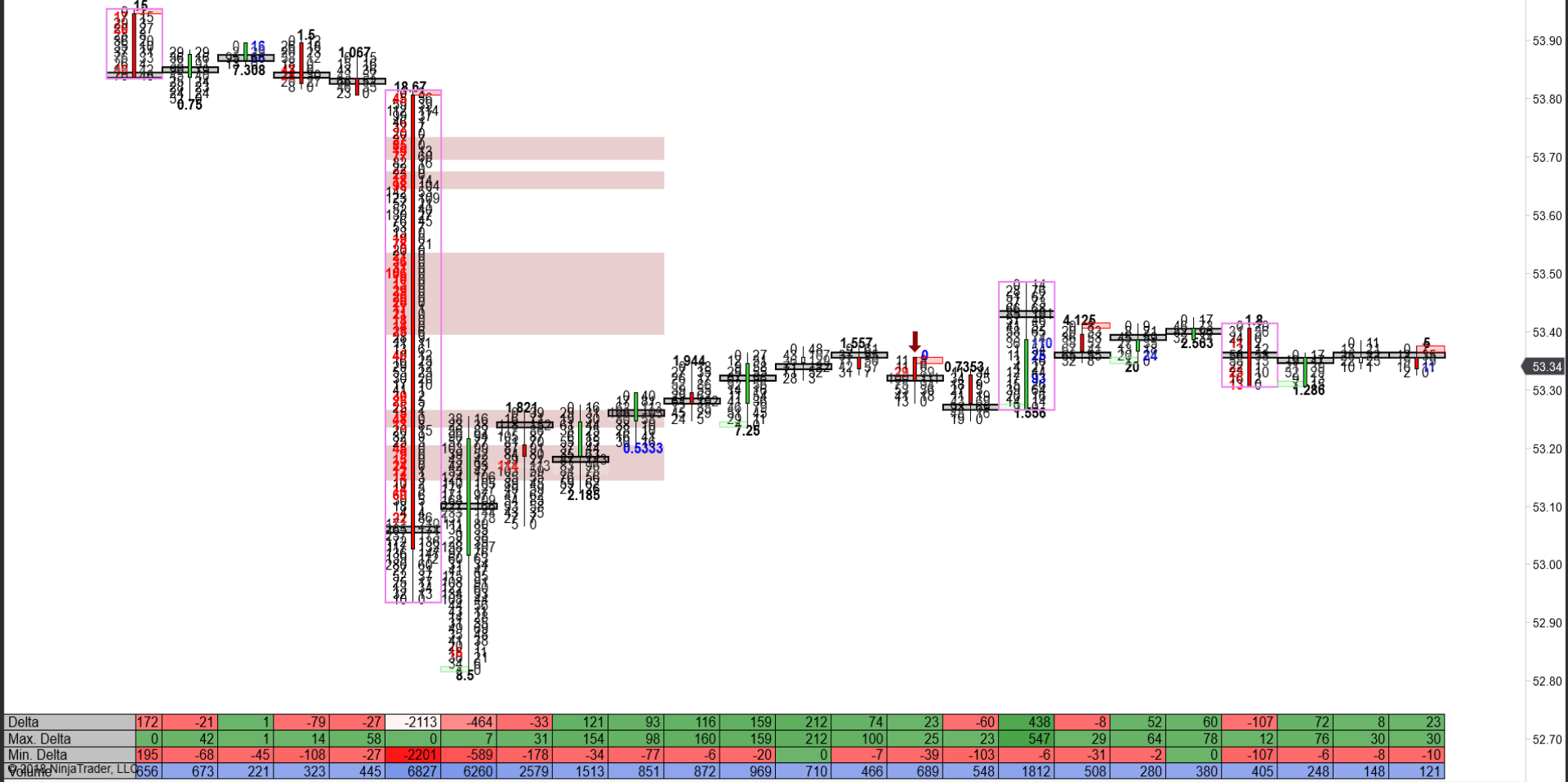
13:20 13:30 13:40 13:50 14:00 14:10 14:20 14:30 14:40 14:50 15:00 15:10

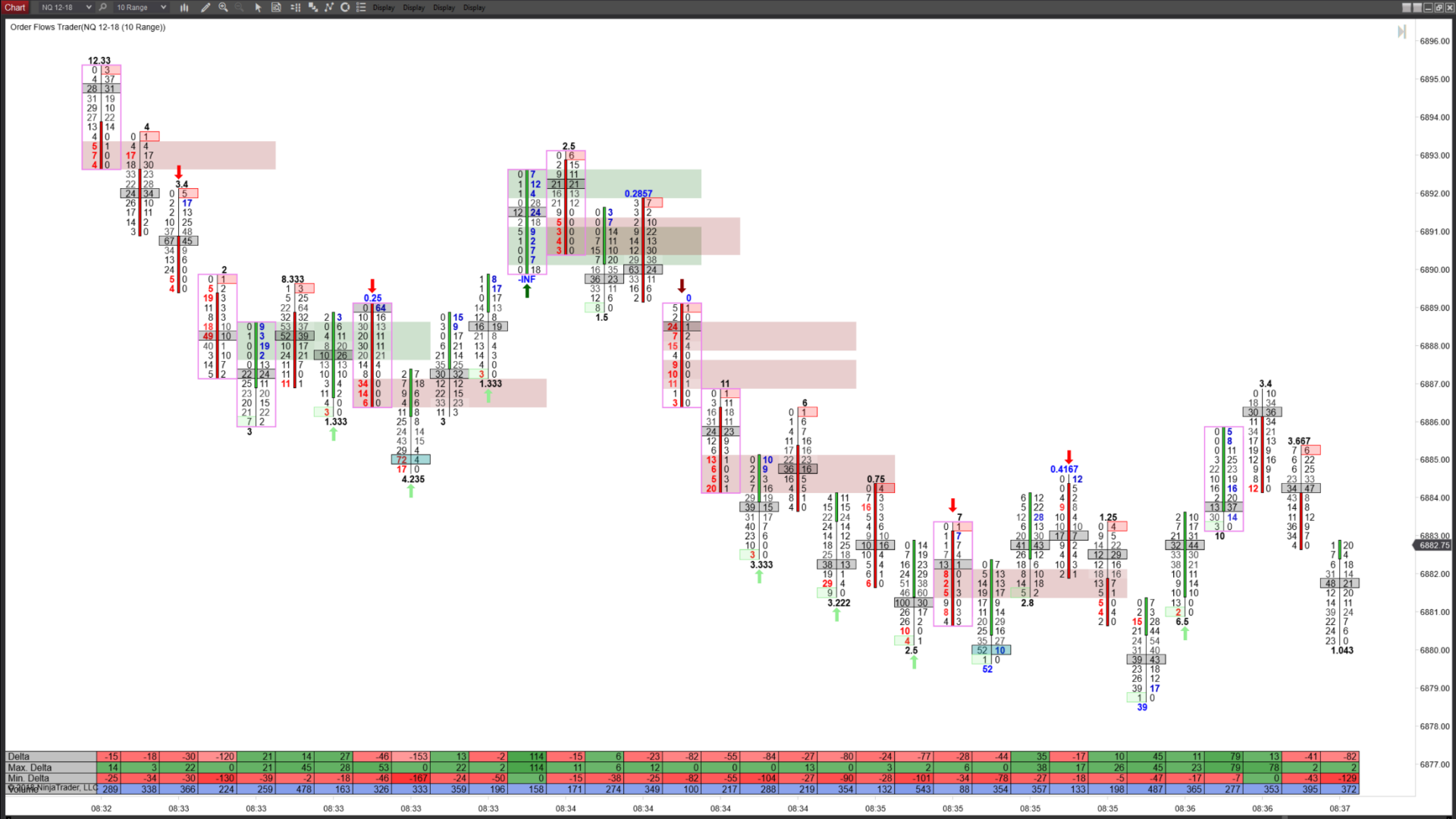
Order Flows Trader(CL 01-19 (5 Minute))
22/11/2018 04:45:00 - 22/11/2018 06:40:00



Delta	-78	-35	-43	-150	94	126	-103	-175	-16	-43	127	-155	168	15	-199	101	540	258	-127	-133	-75	0	8	-29
Max. Delta	0	53	4	7	125	128	48	57	15	3	173	0	194	93	61	141	543	516	1	58	3	52	80	27
Min. Delta	104	-117	-56	-240	-80	-19	-167	-177	-186	-54	-32	-172	0	-40	-199	-97	-25	-61	-138	-144	-79	-46	-58	-89
Volume	140	1267	347	1864	1136	678	1073	929	2314	1047	857	647	1172	947	1061	1461	2708	3642	997	1185	807	572	1134	813

Order Flows Trader (CL 01-19 (5 Minute))
22/11/2018 20:45:00 - 22/11/2018 22:40:00





Imbalance set up #9 : Imbalance Reversals

An imbalance reversal occurs when there is a stacked imbalance in the opposite direction of the bar.

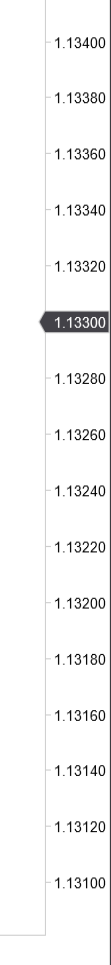
In other words, a stacked selling imbalance in an up bar, green candle or a buying stacked imbalance in a down bar, red candle.

A great example of trapped traders.
It mostly appears at swing highs or swing lows.

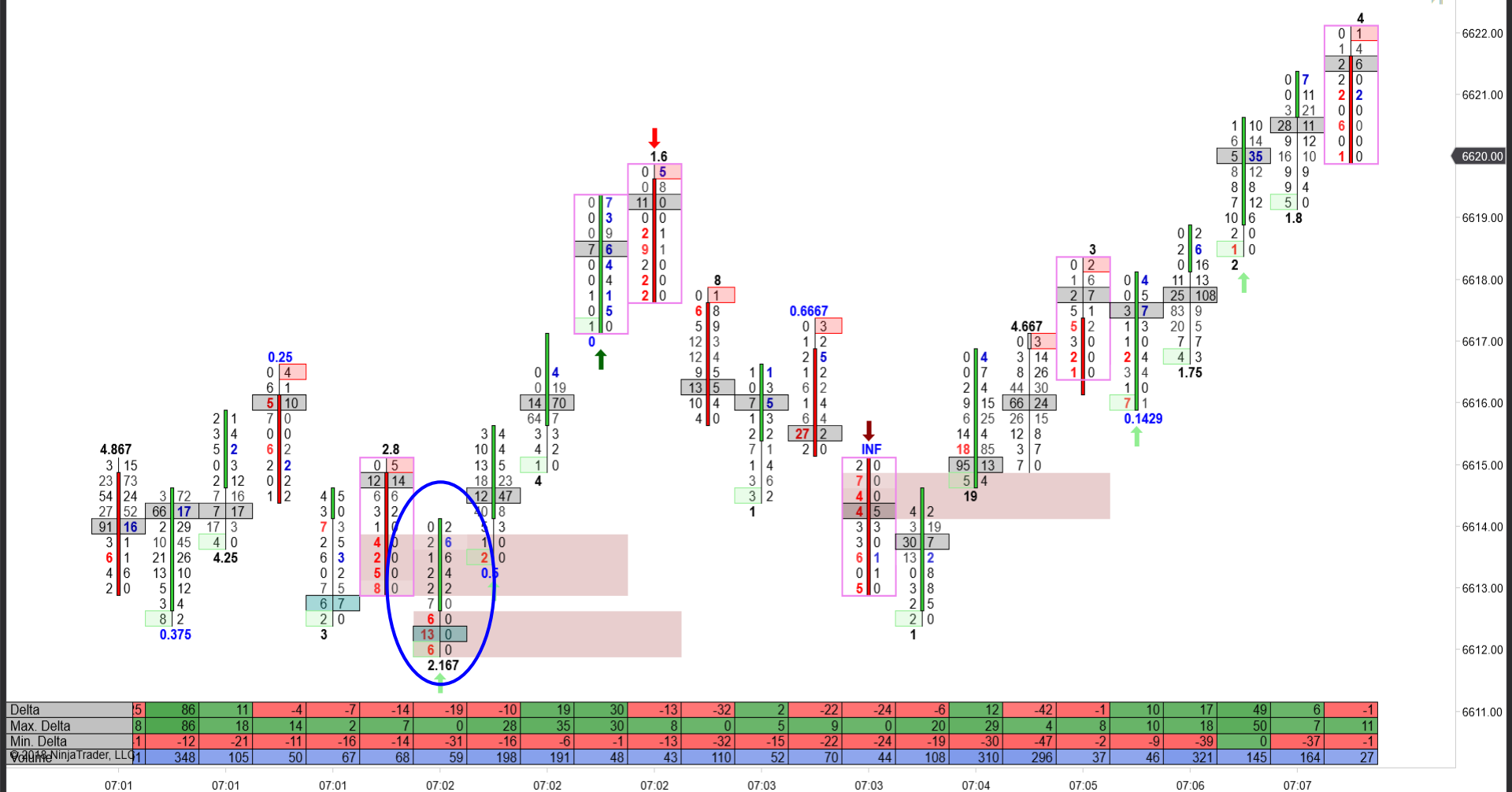
Module 4

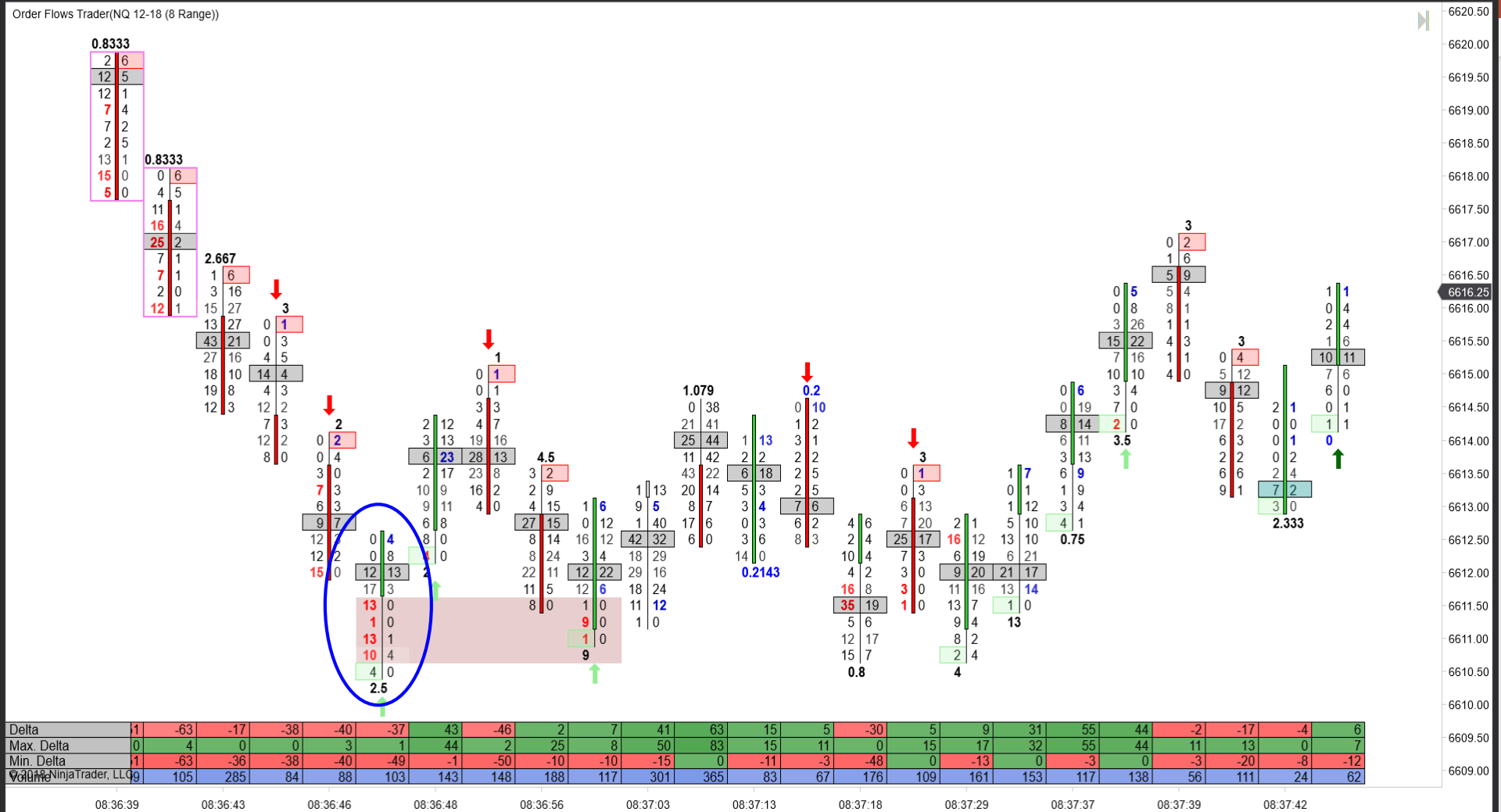
Tendency to appear on a fast moving market as well as in markets with high volatility like NQ. But can happen in many other markets, often when you least expect it. But instead of looking at it and wondering what it means I will tell you so you can take advantage of it. Sell it if it is a stacked buying imbalance in a red candle. Buy it if it is a stacked selling imbalance in a green candle.

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Order Flows Trader(NQ 12-18 (8 Range))

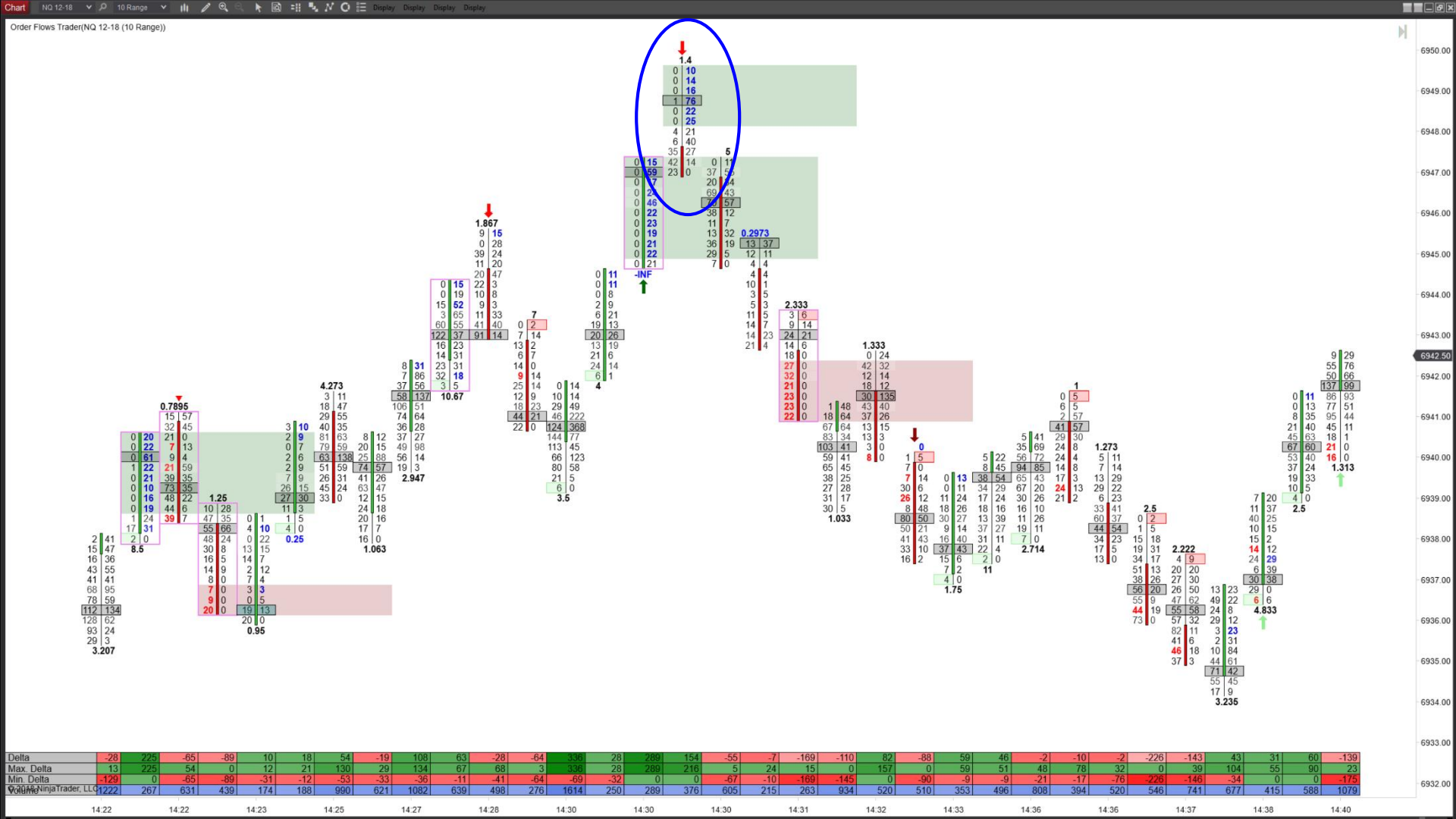




Module 4

I think the best imbalance reversal come after spikes.

But it can snap back pretty quick.



This is the end of module 4.

In module 5 we will wrap up imbalances.