



Introducing Order Flow Analysis To YOUR Trading

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Objectives

- Look at how to introduce order flow to your trading.
- Consider where you are with trading and which 'signals' would get you to profit fastest.
- Consider your immediate plan as well as your long-term plans – not a single destination
- Gameplay and Crowding



Setting expectations

- Cake = Trade Location
- Icing = Order Flow
- Do you really have the cake already? Or is this a lipstick on a pig scenario?
- Do you even know if you have the cake?
 - Historical track record, proper logging?
- If you don't have cake – why not?
 - Are you looking in the right places for the information?
 - Are you switching methods every few weeks because 'nothing works'?
 - Are you using something that passes the BS test?
- Is Order Flow just going to be the next 2 week adventure?
- If you have the cake already, you should be moderately successful, at least break-even.

“There are people out there right now that know MUCH LESS than you about trading but that are making money trading most days. They do not know any secrets. The fact you think they know secrets and you keep looking for them is half the problem”



Performance Tracking

- Are you having a bad day?
- How do you know it's a bad day?
 - Compared to what?
 - What is a good day?
- How many setups do you have?
 - Do they have names?
 - Do they have guidelines for execution?
- How is each setup performing?
 - When you follow your plan to the letter...
 - When you half follow the plan
 - When you completely shoot from the hip
 - When volatility changes? On different day types?



Order Flow as Cake & Icing

- Smaller targets
- With funding, this is not an issue, it's only an issue if you try to make a living from \$5k
- You need to be able to cut trades aggressively.
- You need to focus more on setups:
 - www.nobsdaytrading.com
- **You are looking for a level to “Lean On” and for signs of Gameplay but still within context**
- Highs/Lows (yesterday/globex) are still key, as are ‘steps’ on the volume profile and key levels (52 wk high etc.). Know where they are.
- Requires a higher level of Order Flow Skill but there are many setups per day. Elapsed time is less.
- You still need to sit on your hands a lot.

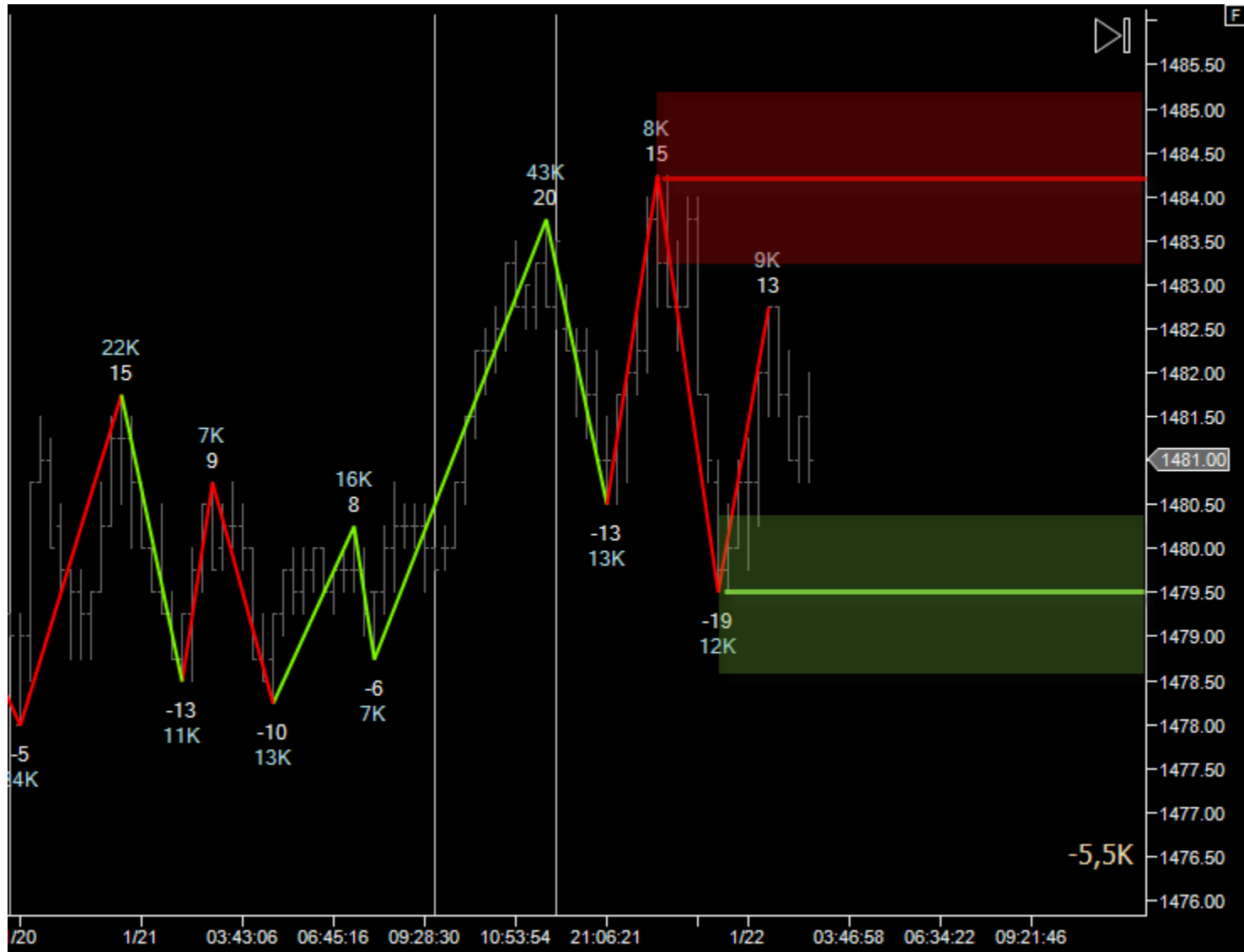


Order Flow as Icing

- Cake = Position Day Trading
- Confirmation can be pre-trade and/or post trade
 - With maybe initial focus on post trade flow.
 - Analyzing price AND order flow together post entry.
- Takes a lot longer to **perfect** – there is only 1 day per day. You need to experience a lot of days.
- Larger Targets and more wiggle room needed
 - Wiggle room also depends on crowding & gaming
- **Setups/Games are important but more focus on the overall flow, like watching a tide turning.**
- Change from looking at levels to looking at zones.



Order Flow as Icing





Major Minor

- Major reversals vs Minor Reversals
 - Crowding & Confirmation
 - My advice – initially, stay away from major reversal trades UNLESS this is a range day.
- Use longer term order flow to keep you onside
 - e.g. as long as order flow is predominantly long, ignore shorts
 - Cumulative delta is best for this on the ES for me.
 - Be aware of range days and shakeouts on one way days
- Volume – is this a busy day, an average day, a slow day? – ranges, reversals, pullbacks



Getting Stopped & level breaks

- You should be actively working to get stopped out less frequently.
- Wait for a level break for entry
- You should be closing out before you get to your stop loss
- The first few minutes of a trade are crucial. Keep your eye on the order flow like a hawk.
- It is much easier to read order flow when you have a position on. Many people I talk to say it is easier to tell when a position is going against you that to read the market with no position on.
- When you have some cushion, then you can start to ignore the flow a little.
- Wait for a level break for your stop



Icebergs

- In vogue in the retail trading industry right now.
- Simply an order that gets refreshed OVER TIME. Plenty of orders get refreshed instantly when a level becomes 'inside'.
- Someone wants to buy/sell without tipping the hands of other traders.
- **Index Arbitrage trading & icebergs**
- Choppy, directionless markets will have lots of icebergs.
- An iceberg on it's own will not stop a roaring market. It is a sign of absorption.
 - If you tick up on 1000 contracts per level and you get 1200 contract iceberg – it's irrelevant.
 - If you get up to an area you expect a reversal
- Icebergs are excellent for jumping onto a trend day/pullbacks
- Icebergs are more significant if there is spoofing on the opposite side.



Flip - Accumulation

1369.25							
1369.00							
1368.75							
1368.50							
1368.25							
1368.00							
1367.75							
1367.50							
1367.25							
1367.00							
1366.75							
1366.50							
1366.25							
1366.00	1719			53	417	2220	0
1365.75	8292			945	9	2913	0
1365.50	9894			800	815	449	124
1365.25	16601	1075	911	2104	992		16334
1365.00	12265	0	1768	19			14789
1364.75	14110	0	1464				17698
1364.50	20659	0	1744				22157
1364.25	16705	0	2017				16117
1364.00	23303	0	1841				20674
1363.75	21586		1688				15884
1363.50	15014		1574				8363
1363.25	8812		1875				5884
1363.00	6899		2244				9265
1362.75	3280		17126				1280
1362.50	144						
1362.25							
1362.00							

Pit Session High

1369.25							
1369.00							
1368.75							
1368.50							
1368.25							
1368.00							
1367.75							
1367.50							
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1366.75							
1366.50							
1366.25							
1366.00	1719						
1365.75	8292						
1365.50	12621						
1365.25	20304						
1365.00	15911	286	525	1609	380		
1364.75	14369	305	1123	259			
1364.50	20659	38	1688				
1364.25	16705	28	1894				
1364.00	23303	-1	1614				
1363.75	21586	70	1748				
1363.50	15014		1837				
1363.25	8812		1800				
1363.00	6899		2289				
1362.75	3280		2551				
1362.50	144		17069				
1362.25							
1362.00							

Note – total at bid, difference in depth, actual trades vs initial bid, stacked offers. Market moves down a tick but the play continues.



Flip – Reversal



1369.25									
1369.00									
1368.75								17773	
1368.50								1839	
1368.25								1633	
1368.00								2337	
1367.75								1989	
1367.50								2053	16
1367.25								1736	5
1367.00								1838	86
1366.75								1757	-48
1366.50								1708	-73
1366.25						2914		883	1321
1366.00	3098	7	1183	248	1688				3630
1365.75	11848	177	1406	107	374				10211
1365.50	15036	224	2229	32	587				16526
1365.25	21110	-57	1461	90	306				19317
1365.00	17961	-124	1509		1250				21652
1364.75	14512	64	1763	72					17429
1364.50	20659		2427						17698
1364.25	16705		2340						22157
1364.00	23303		1543						16117
1363.75	21586		1563						20674
1363.50	15014		17424						15884
1363.25	8812								8363
1363.00	6899								5884
1362.75	3280								9265
1362.50	144								1280
1362.25									
1362.00									

Note – Offers have shrunk, trades @ offer vs bid, absorption on offer. Cumulative Delta shift

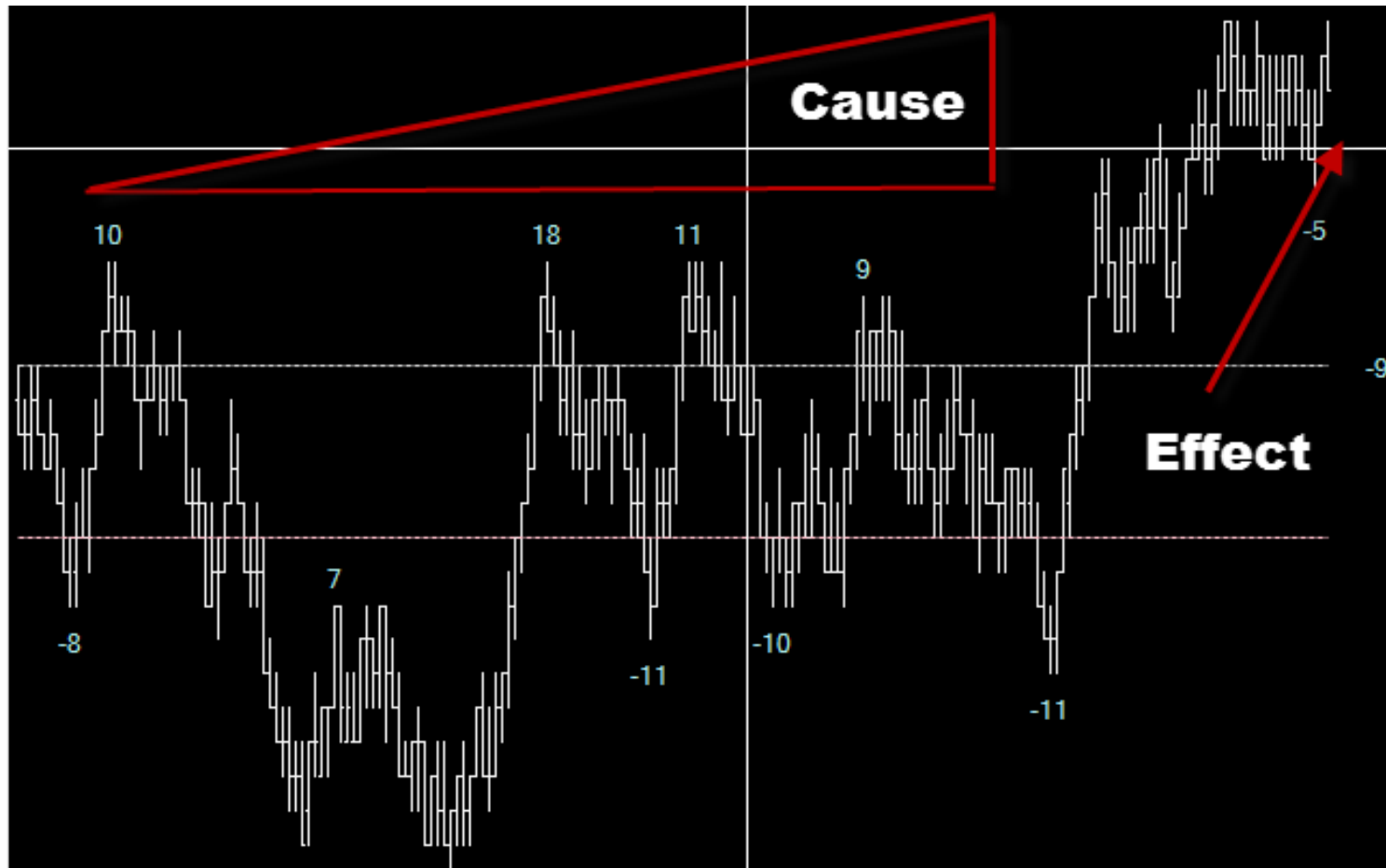


Stop Runs

- Are they out to get you?
- Do you go out of your way to get a better deal?
- Buy stops – people holding a short position who will buy at a higher price.
- Does this not give sellers a disincentive to sell at current prices?
- On the other hand, will the market move through 5000 contracts of sell limit orders to get to your 3 contract sell stop?
 - Only if you put your stops where everyone else does....
 - So don't take it personally!

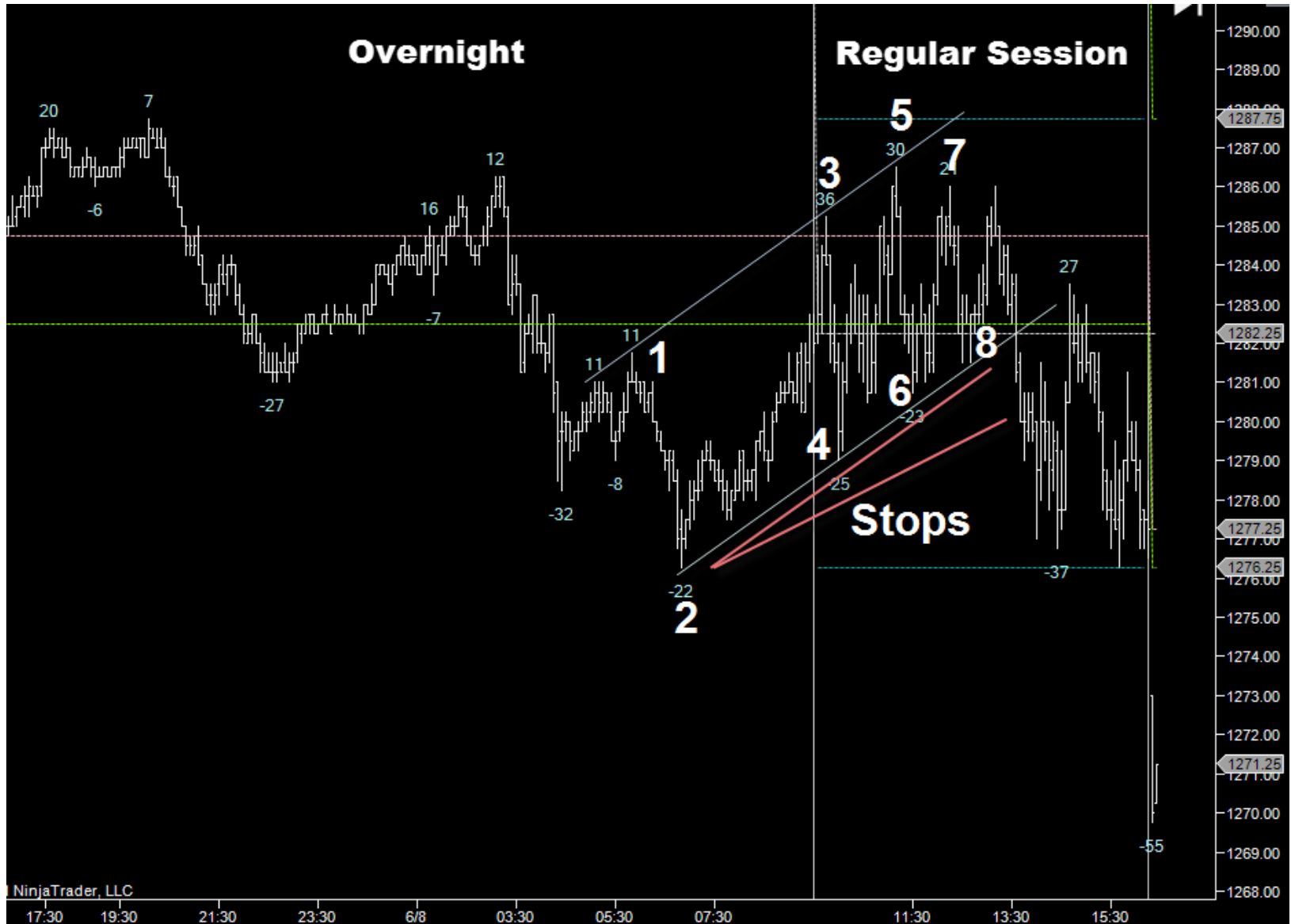


Stop Runs





Stop Cascade





Avoiding Negative Impact

- **Any change in your trading has the potential to impact it negatively**
- Order Flow will inevitably keep you out of some good trades, when price hits your level & sellers just jump in with no warning
- The overall impact on your trading should be positive
- Do not ignore your current method, if order flow says one thing but trade location says another – stay out.
- You need to be selective and it is a good idea to have a ‘tune in’ time – no trades for the first 5-10 mins of watching the order flow, getting a feel for the size going through.
- The best opportunities are usually pretty obvious. Good location, good order flow setup. If you jump on every half-decent order flow opportunity, you might be in a short when the long “trade of the day” sets up.
- If the range is too small, commissions will kill you.
- If the range doesn’t kill you, then hope sure will.



Q&A

Example trade video

<https://www.youtube.com/watch?v=hGcNJvq5fjs>

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