

Orderflows Delta Trading Course

Lesson 1 – Delta Explained

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What causes the markets to move?

The constant activity of buying and selling by the different participants.

There are never more buyers than sellers or more sellers than buyers.

In order flow analysis there is a piece of information that is very valuable to a trader and that is order flow delta. Not to be confused with options delta, order flow delta is a measure of aggressive buying and selling going on in a bar.

Delta tells a story of what is going on in a specific bar and the market in general.

How clearer can it be? But unfortunately its not always like this.



To understand what delta is you have to first understand the different types of buyers and sellers in the market.

- Passive buyers.
- Passive sellers.
- Aggressive buyers.
- Aggressive sellers.

Passive buyers are traders that work bids in the order book.

Passive sellers are traders that work offers in the order book.



Passive buyers and passive sellers let the market come to them.

Aggressive buyers are traders who buy at the market / lift the offer.

Aggressive sellers are traders who sell at the market / hit the bid.

Aggressive buyers and aggressive sellers want to get filled immediately.

An aggressive buyer buys from a passive seller.

An aggressive seller sells to a passive buyer.



For a trade to take place someone has to be aggressive.

Delta is the difference between the number of aggressive buyers and aggressive sellers in a bar.

Sometimes it is so clear you can't help but Say wow!



Delta	42	-156	184	-5	376	94	338	-210	-19	120	-211	-228	-400	-461	-255	-62	8	93	140	139	225	-40	-80	26	296	-7	80	83	191	-199	172	-204	
Max Delta	86	40	184	34	376	210	344	148	78	165	0	0	18	0	39	105	8	137	234	142	379	76	0	109	278	139	80	92	202	51	179	20	0
Min Delta	0	-297	0	-287	-32	-153	0	-210	-90	-113	-211	-228	-401	-631	-264	-125	-229	-17	0	-20	0	-102	-124	-79	-41	-49	-63	-49	-7	-199	-19	-333	
Volume	70	3138	1496	1519	2672	2760	992	2144	1607	1726	2237	1870	1584	3191	1897	858	1342	1259	2470	1181	2497	1316	1214	1430	1178	1075	398	1035	1659	1030	895	1812	

Delta is important because there are times when one side, either aggressive buyers or aggressive sellers are really showing their hand in the market and knowing when it is happening gives you an edge over other traders who don't know what is going on.

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A market will generally rise on positive delta.

A market will generally sell off on negative delta.

a	28	1962	2508	6131	4166	2056	345	-1332	351	1933	-3129	522	3156	2807	3808	4342	3543	-29	259	-1676	-4377	-3502	-2305	1150	161	120	-605	668	-559	36	-3838	-1779
Delta	92	1974	2524	6158	4166	5647	390	74	2870	3318	120	575	3253	2852	3816	4834	3855	3196	706	651	30	0	1220	249	1844	920	695	460	1127	75	38	
Delta	41	-59	-248	0	-569	0	-1608	-1420	-132	-524	-3462	-996	-55	-258	-371	-840	-1126	-1845	-4389	-3509	-2306	-1050	-1551	0	-613	-82	-559	-57	-3867	-1791		
Flows Trader, LLC	36	8832	19692	45567	31110	41384	9139	17202	4362	142149	16183	11176	12121	8507	26946	18560	44233	40933	32803	33184	30215	36156	12945	13036	17957	10114	6571	6986	9599	13812	14012	3823

I say generally because when it doesn't there is often a reason and the reason is important and potentially a great trading opportunity. I will explain that in the later lessons.

Why is delta important?

It can reveal

- Areas of supportive buying or resistant selling.
- Shifts in supply and demand.
- Accumulation and distribution.

How delta reveals areas of support and resistance.

When you look at delta you see who is in control of the market.

A strong positive delta indicates aggressive buyers are in control.

A strong negative delta indicates aggressive sellers are in control.

Earlier I talked about aggressive buyers and aggressive sellers, but I want to take a moment and talk about aggressive or covert actions by traders.

Aggressive or covert actions are best described as traders who are trying to disguise what they are doing in the market. The best example would be an iceberg order. A trader has a large quantity to execute but wants to hide what he is trying to do to the trading public.



Iceberg Order is a form of aggressive covert trader behavior.

These aggressive and covert actions by traders can offer support or resistance to the market. For example, a trader has to buy 800 lots of crude oil futures, he won't just buy 800 at the market. He will iceberg his order and manage it from there. But once it trades it shows up in the order flow and can be interpreted in the delta. This is why you will often see and wonder why the market is rising on negative delta. He is not an aggressive trader per se, rather his trading action is covert in the sense that he wants to trade without moving the market.

But what does it mean when you have strong positive delta and the market sells off? How can that be? More importantly what does it mean to you as a trader???

Think about how a bar is formed. There is a beginning (the opening), the middle (the trading period) and the end (the close).

An individual bar can tell a story. There may have been a lot of early buying, maybe it was met with supply, then the market trading sideways, before the market sold off as the supply overwhelmed the buying. Examples like this happen every day, but more importantly they happen intraday as well. This is where delta comes in.

Delta allows you to see shifts in supply and demand that may otherwise go unnoticed.

Under the law of supply and demand the prices go higher when demand is strong and supply is weak. Prices go lower when supply is strong and demand is weak. Economics 101.

Take that concept and applying it to the markets.

Demand = buying

Supply = selling

Prices go higher when buying (demand) is stronger than the selling (supply).

Price go lower when the selling (supply) is stronger than the demand (buying).

Can you tell when buying is strong on a bar chart?



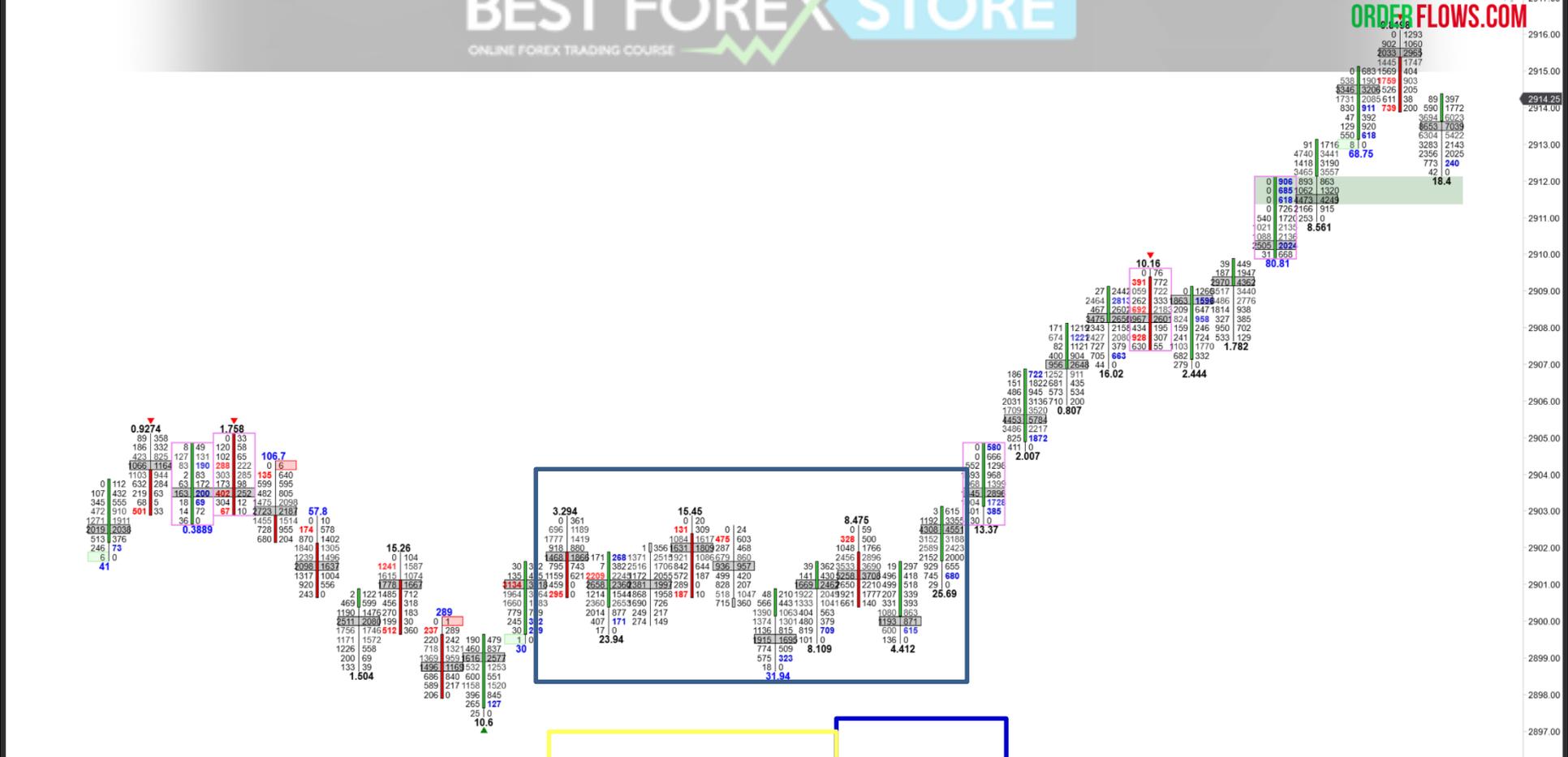
You can tell by looking at the delta on an order flow chart.

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Order Flows Trader(ES 09-18 (8 Range))



Delta	28	-279	452	-724	727	-713	-397	-1521	-483	1947	2644	-488	-557	157	-975	9	-1437	1087	-1109	-247	2368	2827	6280	3694	3114	-3119	2179	1305	6433	690	3537	-769	-723
Max. Delta	28	775	480	20	1350	16	0	281	454	2011	2742	1707	329	158	558	1236	19	1126	6280	3865	3131	2827	6280	3865	3131	263	2179	1344	6433	1193	3537	2873	301
Min. Delta	0	-305	-31	-734	-5	-838	-1088	-1675	-657	-112	0	-521	-1118	-1658	-985	-76	-1899	-38	-1851	-941	0	0	-263	-1379	-796	-3119	-698	-1902	0	-1216	0	-857	-3001
Volume	36	8295	1480	2794	17281	16889	16919	13591	10559	14431	18600	14640	21097	23201	12339	9883	14135	14903	34601	8975	32565	17013	33756	14692	28472	17607	12899	28951	16803	37812	17895	18399	50845

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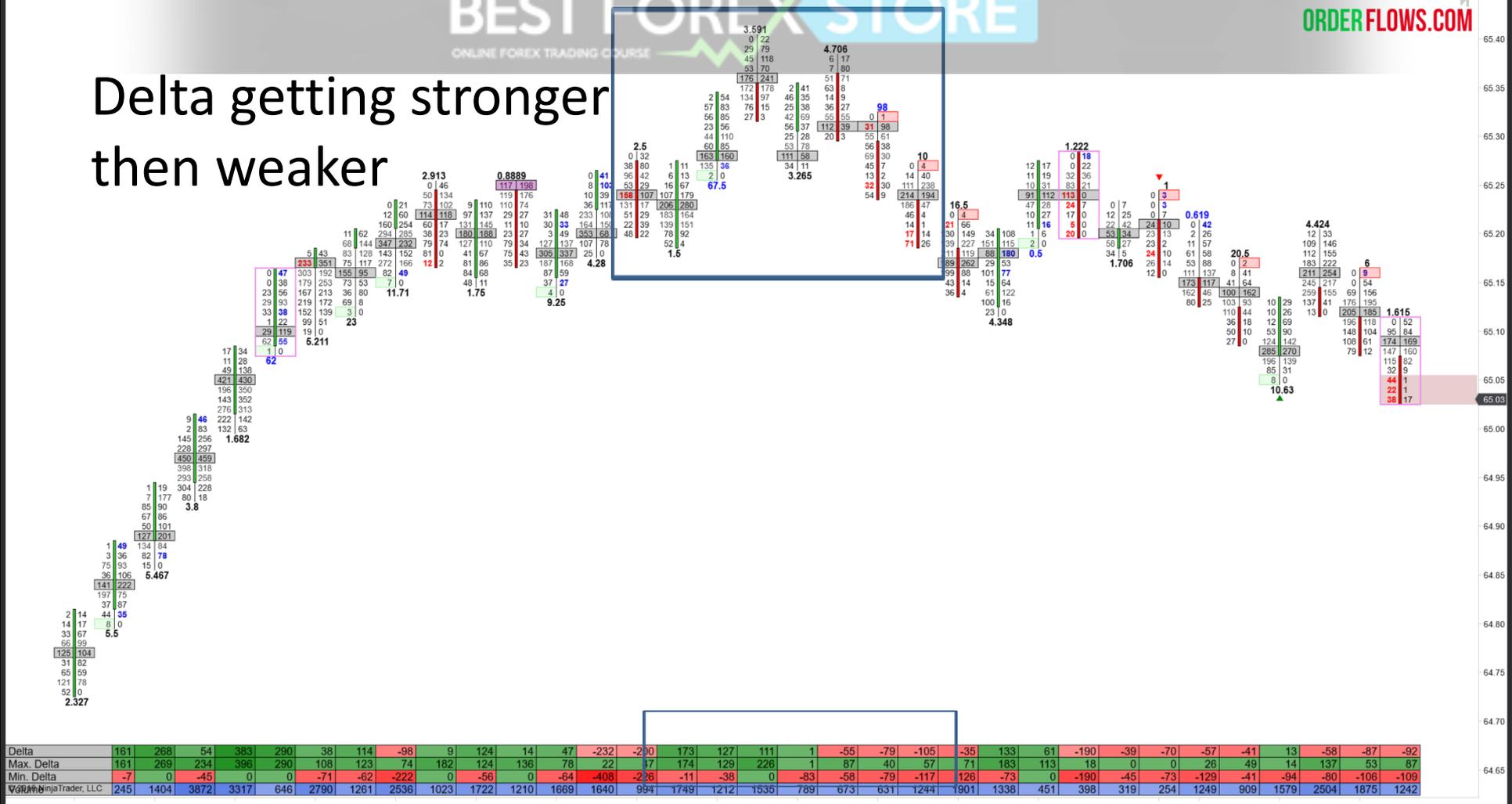


Strong negative delta



Delta	19	2758	3815	2107	1219	-882	-1467	1185	-3229	-380	216	2061	10281	1893	-227	2305	-635	-805	-582	137	234	77	218	768	1434	4331	-576	-1238	1067	-363	-2976	643	-2171
Max. Delta	33	2954	3815	3133	1376	1363	1257	1190	115	86	1896	2096	10282	1905	641	2376	805	6	82	39	165	87	1322	817	1593	4349	406	0	1154	2105	486	776	238
Min. Delta	31	-228	-5	0	-79	-882	-2305	-1352	-3716	-2213	-761	-855	0	-540	0	-647	-914	-680	-464	-504	-405	-5	-1460	-241	0	-1235	-1885	-510	-383	-3110	-745	-2269	
Order Flows Trader, LLC	35	11834	15529	27249	29403	33844	63873	13947	39755	29490	46716	12871	86245	17846	9044	7759	11657	6161	6890	2861	19499	3941	6491	19162	24582	15483	47915	6437	46106	14083	19775		

Delta getting stronger then weaker



What is accumulation and distribution?

Think in terms of inventory. If you run a business you know there are times when you need to buy inventory and there are times when you have too much inventory that you need to start distributing your inventory out, in other words sell it.

For institutional traders, their positions are their inventory.

Put yourself in the shoes of a portfolio manager. You think Apple stock is a great buy right now and you have allocated \$100 million for the position. Now you have to go into accumulation mode. Now its two years later and you made \$300 million on the position but you want to close it out. So now you go into distribution mode.

The same thing happens in Futures and Forex as well.

Basically traders want to enter or exit a position with as little market impact as possible.

It will show up in the delta when price is not moving much but delta is growing either in a positive or negative sense. Over a few bars this become very evident and you can take advantage of the ensuing break out.

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Delta	44	2006	2316	-304	-692	1517	-276	-1254	687	-597	-23	712	-993	1168	1288	-274	1	673	-778	-1265	-1829	-2442	-2691	-2724	-925	1969	-2905	1993	1462	1372	-1076	1223	556
Max. Delta	0	2182	2371	1715	818	1517	1097	17	1245	0	1824	792	79	1470	1300	482	778	424	473	318	0	0	17	196	2644	206	2462	1462	1387	55	1254	679	
Min. Delta	96	-8	0	-419	-700	-273	-276	-1690	-241	-1116	-57	-1046	-1021	-12	0	-27	7	-632	-905	-1322	-1916	-2442	-2805	-2724	-935	-89	-2961	-513	-241	-383	-1076	-555	-307
Volume	347	6227	5332	21464	5626	3472	4776	8735	13646	10963	11949	21598	7357	7814	5769	16267	6641	10480	6607	8459	12367	9745	3258	6349	10203	10354	19249	6666	14534	3010	15894	6415	

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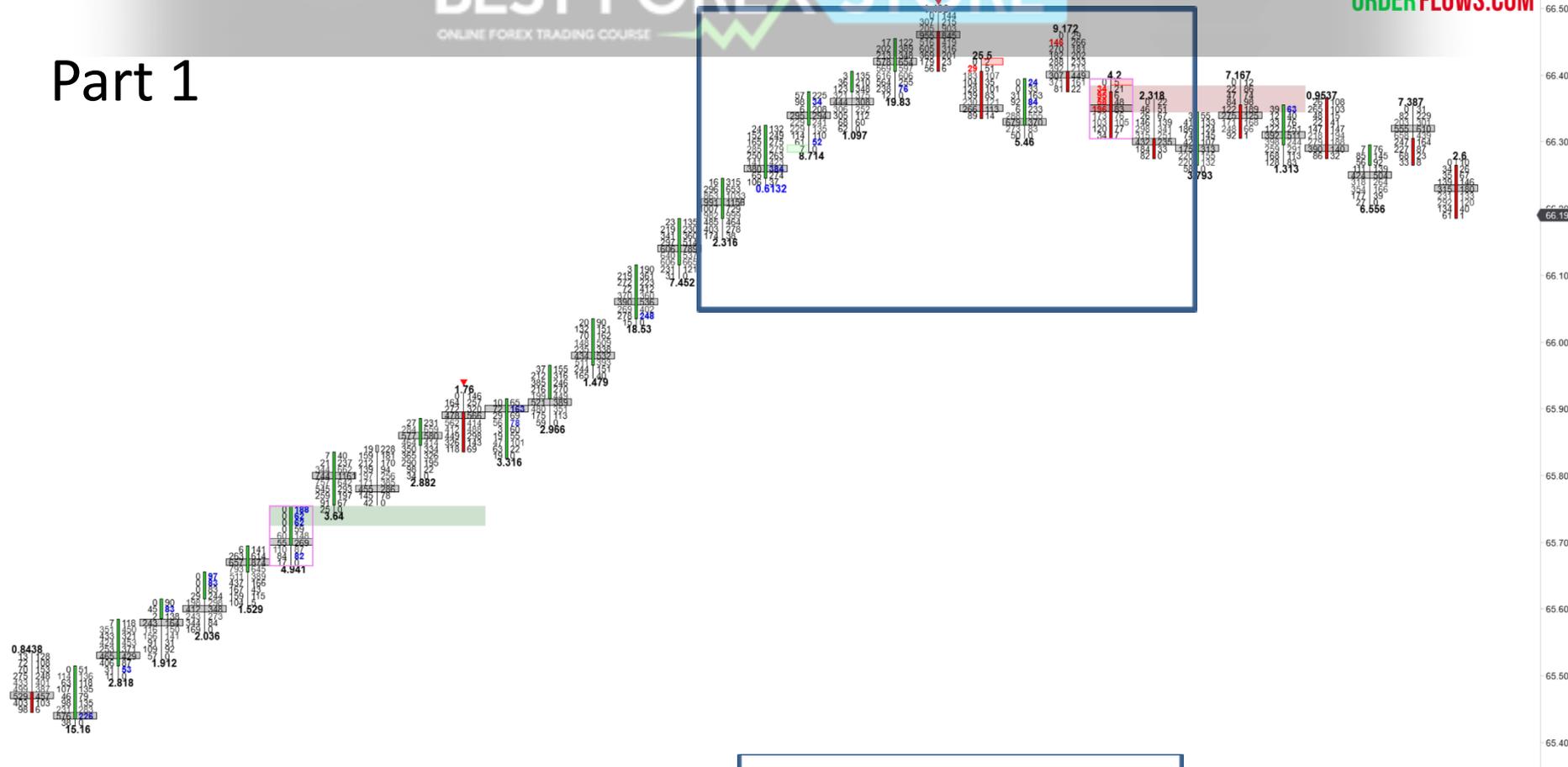
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Delta	960	675	-1186	-238	594	897	-754	-322	969	-570	138	-474	-947	839	-31	72	797	-1295	385	545	1013	-1074	-288	310	-144	2006	2316	-304	-692	1517	-276	-1254
Max. Delta	979	684	217	495	594	1086	417	0	1525	184	755	1232	0	839	1583	1317	797	2	425	799	1013	600	973	1257	0	2182	2371	1715	818	1517	1097	17
Min. Delta	-7	-63	-1186	-499	-611	0	-754	-1498	-18	-694	-324	-539	-1785	-125	-399	-180	-444	-1295	-331	-83	-799	-1669	-353	-559	-1096	-8	0	-419	-700	-273	-276	-1690
Volume	974	1789	4851	4531	2570	4252	2857	6315	5475	6049	6222	7607	8559	3845	6994	6630	2553	4136	1718	3772	7387	17084	8434	11936	5847	6227	5332	21464	5626	3472	4776	8735

Delta can also indicate to you when a market is dominated by aggressive traders.

Part 1



Delta	-110	-99	70	115	-105	631	506	139	272	-80	295	5	407	844	357	441	748	203	132	38	-120	-541	126	-281	-385	-390	145	-242	121	-513	-134	-181	-518
Max. Delta	80	193	70	179	404	631	741	144	291	137	298	170	416	874	436	621	761	231	170	236	489	0	126	196	2	0	169	55	142	21	0	116	0
Min. Delta	256	-303	-138	-221	-260	0	0	-228	-55	-129	-18	-207	0	0	0	0	0	-59	-162	-278	-126	-549	-220	-290	-392	-390	-146	-242	-263	-538	-534	-181	-519
Volume	1436	4663	1708	2905	6089	1283	6092	3217	5250	5482	931	4573	4325	4620	6345	10882	3884	2395	3488	6056	6264	1795	2964	3793	1241	2888	2183	1880	3223	2449	2984	3965	1964

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Part 2

Delta	390	145	-242	121	-513	-134	-181	-518	259	-578	-295	-96	-298	-233	-343	187	458	-4	107	-19	-348	49	-8	-79	-361	-44	-159	-478	84	404	-51	137	-53
Max. Delta	0	169	55	142	21	0	116	0	282	34	0	174	3	79	0	188	458	304	114	263	0	132	0	206	0	62	181	0	92	416	272	164	23
Min. Delta	390	-146	-242	-263	-538	-534	-181	-519	-41	-626	-539	-119	-309	-233	-426	-54	-7	-50	-141	-63	-374	-37	-206	-82	-362	-335	-214	-658	-119	0	-54	-292	-141
Order Flows Trader, LLC	1668	2183	1880	3223	2449	2984	3965	1964	3659	3090	3771	2158	1654	2105	4507	1151	2766	3352	1333	4587	1230	2407	1388	2767	945	7132	2847	6570	1912	1064	5121	2765	1781

This is the end of lesson 1. In lesson 2 we will discuss how to read delta so you can understand what you are looking at.