

Plutus Flow Divergence Guide

Complete Reference for Volume-Based Divergence Trading

What Are Plutus Flow Divergences?

Divergence occurs when price and Plutus Flow (OBV/Delta) move in opposite directions. This indicates potential reversal as underlying volume dynamics disagree with price action.

Types of Divergence

Regular Divergence (Reversal Signals)

Regular Bullish Divergence

Price:

Plutus OBV:

Lower low

Higher low

ELEMENT	DESCRIPTION
Price	Makes lower low
OBV/Delta	Makes higher low
Meaning	Selling pressure decreasing despite lower prices
Implication	Potential bullish reversal

Regular Bearish Divergence

Price: / Higher high
Plus OBV: \ Lower high

ELEMENT	DESCRIPTION
Price	Makes higher high
OBV/Delta	Makes lower high
Meaning	Buying pressure decreasing despite higher prices
Implication	Potential bearish reversal

Hidden Divergence (Continuation Signals)

Hidden Bullish Divergence

Price: / Higher low
Plus OBV: \ Lower low

ELEMENT	DESCRIPTION
Price	Makes higher low (uptrend pullback)
OBV/Delta	Makes lower low
Meaning	Accumulation during pullback
Implication	Trend continuation higher

Hidden Bearish Divergence

Price: \ Lower high
Plutus OBV: / Higher high

ELEMENT	DESCRIPTION
Price	Makes lower high (downtrend rally)
OBV/Delta	Makes higher high
Meaning	Distribution during rally
Implication	Trend continuation lower

Divergence Detection Settings


Plutus Flow Divergence Settings


SETTING	DEFAULT	RANGE	PURPOSE
Divergence Lookback	14	5-30	Bars to compare
Pivot Strength	3	2-5	Swing point detection
Show Regular	On	On/Off	Regular divergence display
Show Hidden	Off	On/Off	Hidden divergence display
Divergence Lines	On	On/Off	Draw connecting lines

Pivot Strength Explained

Pivot Strength = Bars required on each side of swing


Pivot 2: —— (2 bars each side)

Pivot 3: —— (3 bars each side, more significant)

Pivot 5: —— (5 bars each side, major swings only)

Reading Divergence Signals

Visual Indicators

VISUAL	MEANING
 Line on chart	Bullish divergence between price points
 Line on chart	Bearish divergence between price points
✓ Below price	Bullish divergence confirmed
✗ Above price	Bearish divergence confirmed
Solid line	Regular divergence
Dashed line	Hidden divergence

Signal Strength Factors

FACTOR	STRONGER	WEAKER
Time span	10-20 bars	3-5 bars
Price movement	Large % move	Small % move
OBV divergence	Obvious visual	Subtle
Volume	High on signal bar	Low
Location	At key S/R	Random level

Divergence Quality Score

Scoring Components

Quality Score = Sum of:

- Time span (0-25): Longer = better
- Magnitude (0-25): Larger divergence = better
- Volume (0-25): Higher volume = better
- Context (0-25): At key level = better

Total: 0-100 points

Score Interpretation

SCORE	QUALITY	ACTION
80-100	A-grade	High conviction trade
60-79	B-grade	Standard setup
40-59	C-grade	Wait for confirmation
<40	D-grade	Avoid trading

Trading Divergences Step-by-Step

Step 1: Identify the Divergence

Checklist:

- [] Clear price swing (lower low or higher high)
- [] Clear OBV/Delta swing (opposite direction)
- [] Minimum lookback period (10+ bars ideal)
- [] Divergence line visible on indicator

Step 2: Wait for Confirmation

DO NOT enter on divergence alone!

CONFIRMATION TYPE	WHAT TO LOOK FOR
Candle pattern	Engulfing, hammer, star
Pentarch signal	TD (bullish) or WRN/CAP (bearish)
Trendline break	Price breaks micro trend
Volume spike	Increased volume on reversal bar

Step 3: Plan the Trade

Entry: After confirmation candle close
Stop: Beyond the divergence extreme
Target: Measured move or previous swing
R:R: Minimum 2:1

Step 4: Execute & Manage

Entry triggered → Position sized → Stop placed
Monitor: Divergence should not break
Exit: Target hit OR stop hit OR new divergence opposite

Divergence Timeframe Guidelines

Timeframe Reliability

TIMEFRAME	DIVERGENCE RELIABILITY	HOLD TIME
1m-5m	Low (many false signals)	Minutes
15m-1H	Medium	Hours
4H	High	Days
Daily	Very High	Weeks
Weekly	Highest	Months

Multi-Timeframe Divergence

Best setup: Divergence on multiple timeframes

Example:

- Daily shows bullish divergence (major)
- 4H shows bullish divergence (confirmation)
- 1H shows TD signal (entry trigger)

= High probability reversal

Common Divergence Mistakes

Mistake 1: Trading Too Early

- ✗ Wrong: Enter when divergence first appears
- ✓ Right: Wait for price confirmation

Mistake 2: Ignoring Trend

- ✗ Wrong: Bullish divergence in strong downtrend = buy
- ✓ Right: First divergence often fails; wait for trend break

Mistake 3: Cherry-Picking Pivots

- ✗ Wrong: Adjust pivot points to "find" divergence
- ✓ Right: Use consistent pivot settings; divergence is obvious or not

Mistake 4: Wrong Timeframe

- ✗ Wrong: Trade 1m divergence for swing trade
- ✓ Right: Match divergence TF to trade duration

Mistake 5: Single Indicator

- ✗ Wrong: Trade Plutus divergence alone
- ✓ Right: Combine with Pentarch, Janus, price action

Divergence + Pentarch Integration

Bullish Setups

PLUTUS DIVERGENCE	PENTARCH SIGNAL	STRENGTH
Regular bullish	TD fires	Very Strong
Regular bullish	No signal	Moderate
Hidden bullish	IGN fires	Strong
Hidden bullish	Pullback TD	Strong

Bearish Setups

PLUTUS DIVERGENCE	PENTARCH SIGNAL	STRENGTH
Regular bearish	WRN or CAP	Very Strong
Regular bearish	No signal	Moderate
Hidden bearish	BDN fires	Strong
Hidden bearish	Rally WRN	Strong

Divergence at Key Levels

Best Divergence Locations

LOCATION	WHY IT MATTERS
Major S/R level	Confluence with horizontal structure
Fibonacci level (61.8%, 78.6%)	Price + volume alignment
Moving average (50, 200)	Dynamic support/resistance
Trendline touch	Diagonal support/resistance
Previous high/low	Swing point significance

Location Scoring Bonus

Divergence at random level: Base score only
Divergence at key level: +15-20 points
Divergence at multiple confluences: +25-30 points

Advanced: Delta Divergence

OBV vs. Delta Divergence

TYPE	USES	BEST FOR
OBV Divergence	Cumulative volume trend	Swing trades
Delta Divergence	Bar-by-bar buy/sell	Day trades
Combined	Both disagree with price	Highest conviction

Delta Divergence Specifics

Bullish Delta Divergence:

- Price: Lower low
- Delta: Higher low (more buying pressure)

Bearish Delta Divergence:

- Price: Higher high
- Delta: Lower high (less buying pressure)

Divergence Failure Recognition

When Divergence Fails

SIGN	WHAT IT MEANS
Price makes new extreme	Divergence negated
OBV confirms price direction	False divergence
No confirmation after 5+ bars	Setup stale
Volume dies	No conviction

Exit Protocol for Failed Divergence

1. Stop loss triggered → Exit immediately
2. Price closes beyond divergence extreme → Exit
3. New divergence forms opposite direction → Re-evaluate
4. 10+ bars without follow-through → Cut position

Quick Reference: Divergence Types

TYPE	PRICE	PLUTUS	SIGNAL
Regular Bullish	Lower low	Higher low	Reversal up
Regular Bearish	Higher high	Lower high	Reversal down
Hidden Bullish	Higher low	Lower low	Continue up
Hidden Bearish	Lower high	Higher high	Continue down

Settings by Trading Style

Scalping

Lookback: 8
Pivot Strength: 2
Show Hidden: Off
Focus: Quick reversals only

Day Trading

Lookback: 14
Pivot Strength: 3
Show Hidden: On
Focus: Session reversals and continuations

Swing Trading

Lookback: 20
Pivot Strength: 4
Show Hidden: On
Focus: Multi-day divergences

Divergence Checklist

Before Entry

- ☐ Clear divergence visible (not forced)
- ☐ Appropriate timeframe for trade duration
- ☐ At or near key level (confluence)
- ☐ Price confirmation present
- ☐ Pentarch or other indicator alignment
- ☐ Minimum 2:1 risk/reward
- ☐ Stop placement clear (beyond extreme)

Red Flags

- ☐ Divergence in strong trend (first one often fails)
- ☐ Very short lookback (<5 bars)
- ☐ No volume on signal bar
- ☐ Against higher timeframe trend

- [] Multiple recent failed divergences

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