

# 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



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



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



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

## Hidden Bearish Divergence



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: —V— (2 bars each side)

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

Pivot 5: —VVV— (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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