

## F L O F M A T R I X

Fractal Liquidity & Order Flow Trading System

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# CONFLUENCE GRADING RUBRIC

Updated with Velez Momentum Confluence Layers

14-Point Scoring System | Trade Grading | Position Sizing Logic

Version:	<b>2.0 (Velez Update)</b>
Date:	<b>February 2025</b>
Supersedes:	<b>v1.0 (Original 10-Point Rubric)</b>
Classification:	<b>CONFIDENTIAL</b>

## 1. Overview

The Confluence Grading Rubric is the trade quality filter for the FLOF Matrix. Every potential trade is scored before execution. The score determines whether the bot takes the trade and at what position size.

Version 1.0 used a 10-point scale based on SMC structure and Order Flow criteria. Version 2.0 expands the rubric to a 14-point scale by integrating four momentum confluence layers inspired by Oliver Velez's moving average and price action techniques. These additions are computationally lightweight (simple moving average calculations and candle comparisons) and serve as independent "votes of confidence" that enrich the existing SMC + Order Flow core.

### DESIGN PRINCIPLE

The Velez layers do not replace any existing criteria. They are additive confluence enrichment. The bot's primary edge remains SMC structure identification and Order Flow execution. The Velez layers raise the confidence level on trades that already meet the core criteria, and they provide additional filtering during the trailing/runner management phase.

### 1.1 What Changed from v1.0 to v2.0

ELEMENT	v1.0 (ORIGINAL)	v2.0 (VELEZ UPDATE)
<b>Maximum Score</b>	10 points	14 points
<b>Core SMC + OF Criteria</b>	10 points (6 criteria)	10 points (6 criteria) — unchanged
<b>Velez Momentum Layers</b>	N/A	4 points (4 new criteria)
<b>A+ Grade Threshold</b>	9–10 of 10	12–14 of 14
<b>B Grade Threshold</b>	7–8 of 10	9–11 of 14
<b>No Trade Threshold</b>	< 7 of 10	< 9 of 14
<b>Runner Management</b>	Structural Node Trail only	Structural Node Trail + RBI/GBI Hold Filter

## 2. The Complete 14-Point Rubric

The rubric is divided into two tiers. Tier 1 contains the original core SMC and Order Flow criteria (unchanged from v1.0). Tier 2 contains the four new Velez momentum confluence layers. Both tiers are scored simultaneously when the bot evaluates a potential entry.

### 2.1 Tier 1: Core SMC + Order Flow Criteria (10 Points)

These are the foundational confluence factors. A trade cannot be taken without scoring at least 7 points from Tier 1 alone, regardless of Tier 2 bonuses.

PTS	CRITERION	DEFINITION & LOGIC	SOURCE
+2	<b>Daily/4H Trend Alignment</b>	The trade direction aligns with the macro bias determined by the Daily/4H structure. If the Daily shows a bullish BOS and the 4H trend is up, long trades receive +2. Short trades in this context receive 0. This is evaluated once per session by the HTF Structure Mapper and cached until the next evaluation cycle.	HTF Mapper
		Price has just swept a major liquidity pool before tapping the POI. Examples: Previous Day High/Low, Major Session High/Low, Equal Highs/Lows on 1H+. The sweep must have occurred within the current session. A sweep of the PDH followed by a pullback into a bearish 15m OB is the textbook scenario.	
+1	<b>Fresh (Unmitigated) POI</b>	The 15-minute Order Block or Fair Value Gap has not been tested before. First-touch POIs have significantly higher reaction probability than retested levels. The bot tracks which POIs have been visited. Once price taps a POI, it is marked as “mitigated” and loses this point on any subsequent visit.	POI Mapper
+2	<b>1m CHOCH with Displacement</b>	Price forms a clear 1-minute Change of Character (CHOCH) away from the POI with obvious displacement: large-body candles leaving a Fair Value Gap on the 1m chart. Displacement is quantified as: the CHOCH candle body must be > 1.5x the 1-minute ATR, and the candle must leave at least one unfilled FVG.	Kill Mode
+2	<b>Order Flow Confirmation</b>	Full Order Flow confirmation from the Time & Sales tape: CVD Divergence at the POI (e.g., price makes a lower low but CVD makes a higher low) AND stacked footprint imbalances in the trade direction (3:1+ buy/sell ratio). Both conditions must be present. CVD divergence alone scores +1. Full confirmation (CVD + imbalance) scores +2.	Kill Mode
+1	<b>Killzone Timing</b>	The trade triggers during a high-probability time window. For ES: NY AM Session (9:30–11:30 AM EST) or NY PM Session (1:30–3:30 PM EST). For Crypto: London/NY Overlap. Trades outside these windows are not blocked but do not receive this bonus point.	Time Gate

**Tier 1 Maximum: 10 points.** Minimum 7 Tier 1 points required to proceed to Tier 2 evaluation.

## 2.2 Tier 2: Velez Momentum Confluence Layers (4 Points)

These four criteria are evaluated only after the trade scores  $\geq 7$  points in Tier 1. They provide additional confluence that raises the grade of already-qualified trades. Each criterion is computationally lightweight: moving average calculations and candle comparisons require negligible processing.

PTS	CRITERION	DEFINITION & LOGIC	SOURCE
+1	<b>20 SMA Halt Confluence (Velez Layer 1)</b>	<p>The 2-minute 20-period SMA is located within the boundaries of the 15-minute POI at the time of entry. This means the POI (SMC structural level) and the 20 SMA (short-term momentum support/resistance) are aligned at the same price zone.</p> <p>Why this matters: The 20 SMA Halt is Velez's highest-frequency entry pattern. When your structural POI coincides with the dynamic 20 SMA, you have two independent reasons to expect a reaction. Institutional limit orders (the POI) and momentum traders (the 20 SMA followers) are both defending the same level.</p> <p>Condition: <math>\text{abs}(\text{POI\_midpoint} - \text{SMA\_20\_2min}) \leq (0.5 \times 1\text{m ATR})</math>. If true, +1 point.</p>	Velez MA Module
+1	<b>Flat 200 SMA Confluence (Velez Layer 2)</b>	<p>The 2-minute 200-period SMA is (a) located within or adjacent to the 15-minute POI AND (b) is flat or near-flat, indicating a trendless equilibrium zone.</p> <p>Why this matters: Velez considers the 200 SMA the most universally respected level in trading. When it is flat, it represents a true equilibrium where massive institutional volume has accumulated. A flat 200 SMA sitting inside your POI is one of the strongest confluence signals available because it aligns SMC structural logic with the single most-watched moving average in global markets.</p> <p>Conditions: (1) <math>\text{abs}(\text{POI\_midpoint} - \text{SMA\_200\_2min}) \leq (1.0 \times 1\text{m ATR})</math>, AND (2) The 200 SMA slope over the last 50 bars is <math>&lt; 0.02</math> points/bar (effectively flat). If both true, +1 point.</p>	Velez MA Module
+1	<b>Elephant Bar Confirmation (Velez Layer 3)</b>	<p>The first candle (or one of the first two candles) that forms after the POI tap in the trade direction qualifies as an Elephant Bar: a wide-range candle with body <math>\geq 70\%</math> of total range, total range <math>\geq 1.3 \times</math> the average range of the preceding 10 candles, and volume above the 10-bar average.</p> <p>Why this matters: The Elephant Bar provides candle-structure confirmation that pairs with your Order Flow absorption detection. When the tape shows institutional absorption AND the resulting candle is an Elephant Bar, you have both microstructure evidence (tape) and visual price action evidence (candle) confirming institutional commitment. These signals come from different data sources, making their convergence especially powerful.</p> <p>Conditions: (1) Candle body <math>\geq 70\%</math> of high-low range, AND (2) Candle range <math>\geq 1.3 \times</math> avg range of prior 10 candles, AND (3) Candle volume <math>&gt;</math> average volume of prior 10 candles, AND (4) Candle direction matches trade direction. If all true, +1 point.</p>	Kill Mode

+1	<b>20 SMA Micro-Trend Alignment</b> (Velez Layer 4)	<p>The 2-minute 20 SMA is sloping in the direction of the trade AND price is on the correct side of it (above for longs, below for shorts) at the time the CHOCH forms.</p> <p>Why this matters: This confirms that short-term momentum is aligned with your structural entry. If you are buying a bullish POI, but the 2-minute 20 SMA is declining and price is below it, you are fighting short-term momentum. While the trade may still work (the SMC level may hold), the absence of momentum alignment reduces the probability of an immediate, clean reaction.</p> <p>Conditions: For longs: SMA_20 slope &gt; 0 AND current price &gt; SMA_20. For shorts: SMA_20 slope &lt; 0 AND current price &lt; SMA_20. If true, +1 point.</p>	Velez MA Module
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**Tier 2 Maximum: 4 points.** Combined Maximum (Tier 1 + Tier 2): 14 points.

### 3. Scoring Summary & Quick Reference

The following table shows all 14 points at a glance, organized by tier and weight.

#	PTS	CRITERION	QUICK CHECK	TIER
1	+2	Daily/4H Trend Alignment	Trade direction matches macro bias?	Core SMC
2	+2	Major Liquidity Sweep	PDH/PDL or session H/L just swept?	Core SMC
3	+1	Fresh (Unmitigated) POI	First touch of this OB/FVG?	Core SMC
4	+2	1m CHOCH with Displacement	CHOCH candle > 1.5x ATR + leaves FVG?	Core SMC
5	+2	Order Flow Confirmation	CVD divergence + stacked imbalances?	Core OF
6	+1	Killzone Timing	Inside NY AM/PM or London/NY overlap?	Core Time
7	+1	20 SMA Halt Confluence	2m 20 SMA within POI zone?	Velez Layer
8	+1	Flat 200 SMA Confluence	Flat 2m 200 SMA within POI zone?	Velez Layer
9	+1	Elephant Bar Confirmation	First reaction candle = Elephant Bar?	Velez Layer
10	+1	20 SMA Micro-Trend Alignment	2m 20 SMA sloping + price on right side?	Velez Layer

**Total: 10 criteria | 14 maximum points**

## 4. Position Sizing Logic

The trade grade determines position sizing. The updated thresholds account for the expanded 14-point scale while maintaining the same risk management philosophy: only the highest-quality setups receive full risk allocation.

GRADE	SCORE	RISK ALLOCATION	POSITION SIZE	RATIONALE
A+	12 – 14	Full Risk	1.5% – 2.0% of account	The Holy Grail. Maximum core SMC + OF confirmation with momentum alignment and candle structure validation.
A	11	Standard Risk	1.0% – 1.5% of account	Strong setup. Core criteria solid, most Velez layers present. Minor confluence gap.
B	9 – 10	Half Risk	0.5% – 1.0% of account	Good structure but missing key confluence. May lack macro alignment, momentum confirmation, or full OF confirmation.
C	< 9	NO TRADE	0%	Insufficient confluence. The bot sits on its hands and waits for a better setup.

### CRITICAL GATE RULE

**Tier 1 minimum: 7 points.** Even if a trade would score 13/14 overall, if the Tier 1 (core SMC + OF) score is below 7, the trade is rejected. The Velez layers are enrichment, not a substitute for the core structural and Order Flow edge. A trade with perfect moving average alignment but weak structure or missing Order Flow confirmation is not a trade.

### 4.1 Sudden Move Override

During Type B cascade events (see Sudden Move Policy), position sizing is overridden to 50% of the grade-indicated risk regardless of the confluence score. A 14/14 A+ trade during a cascade still uses 50% risk allocation. This override is non-negotiable and is enforced by the ResponseRouter module.

## 5. Velez Runner Management Layer

In addition to the four entry-scoring criteria, one Velez technique is integrated into the runner management phase of trade execution: the Red Bar Ignored / Green Bar Ignored (RBI/GBI) pattern. This is not a scoring criterion — it is a behavioral filter applied during the Structural Node Trail.

### 5.1 The RBI/GBI Hold Filter

During the runner phase (after the first 50% profit has been taken and the stop is at breakeven), the bot trails the remaining position behind 5-minute LVNs using the Structural Node Trail system. The RBI/GBI pattern adds an explicit “hold” signal that prevents premature exit on normal trend breathing.

ELEMENT	DEFINITION
Red Bar Ignored (RBI)	In a long runner: a red (bearish) candle appears, but the NEXT candle breaks above the red bar's high, “ignoring” the selling pressure. This confirms that the trend is intact and sellers failed to gain control.
Green Bar Ignored (GBI)	In a short runner: a green (bullish) candle appears, but the NEXT candle breaks below the green bar's low, “ignoring” the buying pressure. This confirms that the downtrend is intact and buyers failed to gain control.

### 5.2 How It Integrates with the Structural Node Trail

The existing Structural Node Trail already distinguishes between “fake” and “real” CHOCHs using Order Flow (tape speed + delta analysis). The RBI/GBI pattern adds a candle-level pre-filter that runs before the CHOCH analysis:

SCENARIO	BOT BEHAVIOR
Single counter-trend candle appears, immediately followed by RBI/GBI confirmation	HOLD the runner. Do not even evaluate CHOCH logic. The trend is confirmed intact by the ignored bar pattern. This saves computational resources and prevents false CHOCH signals from single-candle noise.
Two or more counter-trend candles without RBI/GBI	Proceed to standard CHOCH + Order Flow evaluation. The absence of an ignored bar pattern means sellers (or buyers in a short) may be gaining real control. Let the existing tape analysis determine whether to hold or exit.
RBI/GBI appears BUT tape shows 80%+ adverse delta	Order Flow overrides RBI/GBI. If the tape shows genuine institutional offloading despite an “ignored” candle, the Order Flow is the higher-authority signal. The Tape Failure exit protocol takes precedence.

HIERARCHY OF AUTHORITY
Order Flow > RBI/GBI Pattern > Candle Structure. The RBI/GBI filter is a lightweight first-pass check that prevents the bot from overreacting to single-candle noise. But Order Flow always has the final word. If the tape says the move is real, the ignored bar pattern is itself ignored.

## 6. Implementation Guide

### 6.1 New Module: VelezMAModule

A single new module handles all four Velez confluence calculations. It is called by the Kill Mode execution logic after the Tier 1 score is computed.

FUNCTION	INPUT	OUTPUT
<code>check_20sma_halt()</code>	POI boundaries, current 2-min 20 SMA value, 1m ATR	Boolean: True if 20 SMA is within 0.5 ATR of POI midpoint
<code>check_flat_200sma()</code>	POI boundaries, current 2-min 200 SMA value + slope over 50 bars, 1m ATR	Boolean: True if 200 SMA is within 1.0 ATR of POI midpoint AND slope < 0.02 pts/bar
<code>check_elephant_bar()</code>	Last 2 completed candles, 10-bar avg range, 10-bar avg volume, trade direction	Boolean: True if either candle qualifies as Elephant Bar in trade direction
<code>check_20sma_trend()</code>	Current 2-min 20 SMA slope, current price, trade direction	Boolean: True if SMA slope and price position match trade direction
<code>check_rbi_gbi()</code>	Last 2 completed candles on trailing timeframe, trade direction	Boolean: True if an RBI (long) or GBI (short) pattern is detected

### 6.2 Configuration Constants

CONSTANT	DEFAULT VALUE	NOTES
<code>VELEZ_SMA_SHORT_PERIOD</code>	20	Period for the short moving average (simple)
<code>VELEZ_SMA_LONG_PERIOD</code>	200	Period for the long moving average (simple)
<code>VELEZ_MA_TIMEFRAME</code>	2 min	Timeframe for both MAs. Matches Velez's preferred chart.
<code>SMA20_HALT_TOLERANCE</code>	0.5	Multiplier of 1m ATR. Max distance between 20 SMA and POI midpoint.
<code>SMA200_PROXIMITY_TOLERANCE</code>	1.0	Multiplier of 1m ATR. Max distance between 200 SMA and POI midpoint.
<code>SMA200_FLAT_THRESHOLD</code>	0.02	Max slope (points/bar) over 50 bars to qualify as "flat."
<code>ELEPHANT_BAR_BODY_PCT</code>	70%	Minimum body as percentage of total candle range.
<code>ELEPHANT_BAR_RANGE_MULT</code>	1.3	Minimum range as multiplier of 10-bar average range.
<code>ELEPHANT_BAR_LOOKBACK</code>	10	Number of prior candles for avg range and avg volume calculation.

<b>ELEPHANT_BAR_WINDOW</b>	2	Number of candles after POI tap to check for Elephant Bar.
<b>TIER1_MIN_SCORE</b>	7	Minimum Tier 1 score required before Tier 2 is evaluated.
<b>GRADE_A_PLUS_MIN</b>	12	Minimum total score for A+ grade (full risk).
<b>GRADE_A_MIN</b>	11	Minimum total score for A grade (standard risk).
<b>GRADE_B_MIN</b>	9	Minimum total score for B grade (half risk).

### 6.3 Computational Cost

The Velez layers add negligible processing overhead to the existing system. Moving average calculations (20 SMA, 200 SMA) require maintaining two rolling sums on the 2-minute OHLCV data that the bot already consumes for Scouting Mode. No additional DataBento schemas or subscriptions are needed. The Elephant Bar check is a simple comparison of three values (body percentage, range ratio, volume ratio) against constants. The RBI/GBI check compares two candle highs or lows. Total additional compute per trade evaluation: less than 1 millisecond.

## 7. Scoring Flowchart

This is the step-by-step sequence the bot follows when evaluating a potential entry. Use this as the primary coding reference for the scoring logic.

STEP	ACTION
1	Price taps a POI. Kill Mode activates. Begin Tier 1 scoring.
2	Evaluate all 6 Tier 1 criteria. Calculate Tier 1 subtotal (max 10).
3	<b>GATE CHECK:</b> Is Tier 1 score $\geq 7$ ? If NO → Grade C. NO TRADE. Log and exit scoring. If YES → proceed to Step 4.
4	Call VelezMA Module. Evaluate all 4 Tier 2 criteria. Calculate Tier 2 subtotal (max 4).
5	Compute Total Score = Tier 1 + Tier 2 (max 14).
6	<b>GRADE ASSIGNMENT:</b> 12–14 = A+ (full risk)   11 = A (standard risk)   9–10 = B (half risk)   < 9 = C (no trade)
7	<b>SUDDEN MOVE CHECK:</b> If the current MoveClassifier state is Type B (cascade), override position size to 50% of grade-indicated risk regardless of total score.
8	Execute entry at the determined position size. Send exchange-native OCO bracket. Log the full score breakdown for post-session analysis.

E N D      O F      D O C U M E N T

FLOF Matrix — Confluence Grading Rubric v2.0 (Velez Update)

*This document supersedes the original 10-point rubric from v1.0. All code implementations must conform to the updated 14-point scoring system, position sizing thresholds, and the RBI/GBI runner management filter defined herein.*