**How to Use Order Flow Information**

Again, banks do not open their order books directly to just any outsider, one would need good connections. So people claiming they have some software that shows the order books for the FX market are scammers. As volume is not concentrated and FX is an OTC market, there is no real 'Depth of Market' for the whole market. The one you maybe see in your trading platform is only the DOM of your broker and retail brokers have a small role in this huge market.

However, discretionary flow information is something different. There are a few sites that provide this information for free and I've been using them long enough to tell they are quite reliable. Those are people that have some connections in the trading industry, mostly as they worked as traders too in the past. One needs to distinguish between discretionary information like shown below and people claiming to have DOM's for the FX market.

Flow information often looks like this:

**Example:**

EUR/USD  
Bids at 1.30, 1.2980, 1.2950  
Offers at 1.3080, 1.31, 1.3120  
Buy stops above 1.31  
Sell stops below 1.30

So again, bids are limit orders to buy at a determined price. Bids mentioned in the flow info providers will be levels where good buying interest is noted.

Offers are limit orders to sell at a determined price. The mentioned Offers will be where decent selling interest is noted.

Market participants always look for the weaker side of the market, so both buy and sell stops will be targeted. Be aware that you shouldn't just enter a trade and "gun for the stops". You need to have other factors that support your trade idea.

When using this, it is very important to keep in mind that this is additional information that may help you in your trading, **but you should not trade off this information alone - that is, using them as trade signals**.

A few reasons:

* Orders get cancelled all the time.
* We cannot know the size of the mentioned orders. E.g. if there is a lot of demand for EUR/USD and rather small offers ahead, it will absorb those rather easy and continue to move up.
* If price stops after hitting the cluster of orders, it is not a sign that it will reverse immediately. Watch for additional signals.

Price action and sentiment comes first! There are always bids and offers, smaller and large ones, but in the end it depends on the power of the bulls or the bears. As I mentioned, if there is strong demand for EUR/USD, offers will do little on the way up until the accumulation has finished.

**How to Use This Information**

First, determine the current sentiment. Example: The market bias for the Pound is currently very negative and GBP/USD is clearly trading in a downtrend. I therefore will only look for opportunities to sell the pair.

Second, note key price levels. These include bids and offers from the resources I will post below and key technical levels (standard support/resistance levels).

Third, watch for price action to give you a high probability opportunity to enter short. I will cover later some of the various Order Flow techniques I learnt from Darkstar. For now, I just want to note that you should always use flow information like bids and offers with caution. You want the market bias to be in your favor and wait to see a reaction to those levels, not enter ahead.

I hope I have emphasized enough how important it is not to use them as trade signals, so I will post now the resources I use for the flow information (they are free):

[Forex News | Currency News by ForexLive55](http://www.forexlive.com/)  
[https://twitter.com/OrderFlowForex70](https://twitter.com/OrderFlowForex)

The Thomson Reuters IFR feed also includes good flow information and Oanda offers it for free to clients. If you dont have access to it, dont worry, there is enough info from the free sources. The subscription from Reuters costs something like $150 a month, which is way too much and definitely not worth the price, especially for retail traders.

Not much participation so far, if I don't explain something clear enough, let me know. Feel free to ask anything about Order Flow Trading.

Next topic is about identifying cluster of stop loss orders in the market and what to do with them. Should be very interesting topic for OFT newbies.

4 Replies