<u>Limits</u> - Provide liquidity but push quotes back to where they came from, or they decrease the speed in the movement of quotes through a given range. If limit volume is significantly greater than stop volume in a given quote range than a **quote bounce** could possibly occur, triggering stop entry orders in a reversal scenario, giving a new market direction, changing order flow.

Orders / vacuums / imbalance of orders, generates order flow all the time. 70% of the time it cannot be directly attributed to order flow generated by fundamental or technical analysis. If we know the limits with the greatest volume we can predict where the stops are as well as best entries for ourselves.

<u>Stops – Stop Losses</u> - Remove liquidity, but if stop losses volume are significantly greater than limit volume in a given range, then the quotes may skip right through and cause more stop losses to be executed, **a stop loss cascade.** This cascade would be further enhanced by traders with stop entry orders / market orders. This occurs until enough limits are hit to retrieve liquidity.

<u>Order Flow</u> - In a bank/market maker (retail shops) order flow are the clients order information including stops or limits (but it's not visible to clients). With institutional ECNs order flow is the aggregate limit orders, (sometimes made visible or can be made visible to clients), but most of the big orders are still icebergs. However, the stop loss information is invisible on these platforms, so you need an alternate way of locating them. But both technicals and fundamentals are affected by order flow but they can affect order flow in return.

The more relevant to the market, and the more skewed from expectation the greater the likelihood order flow will be impacted.

The higher timeframes will have greater impact on order flow generation.

Prior market sentiment that is shown through the order flow at that current time often changes or effects fundamental analysis.

Order flow in itself generates the results of these indicators and as a result these indicators can only be used to confirm the order flow generation that has occurred.

Prior timeframes order flow has produced these lines. So, it could be said that this is previous TF order flow generating current order flow. But limits and stops are often placed near them.

<u>Fundamental Analysis</u>

20–25% of the time the fundamentals can have a direct outcome on the market and shift the trading environment even if temporary between bullish, bearish or into a ranging market due to the order flow that is generated. Each fundamental info release generates an order flow that is specific for that piece of news.

<u>Indicator & Candle Technical Analysis</u>

Technicals such as RSI, MACD, MAs etc… form after the order flow has left its mark and therefore cannot be specifically attributed order flow generation that shifts a market between bullish, bearish or ranging. Exceptions are when a particular MA is used as S/R, however, with the wide variety of MAs used it is difficult to specifically attribute market directional change to a specific MA usage as S/R.

<u>Pre-Determined S/R Technical Analysis</u>

Price action analysis such as highs, lows, fib lines, trend lines, pivot lines etc… can have a direct outcome on order flow as limits / stops are often placed due to these pre-determined lines before quotes were there. Hence, shift in the fx market environment even if temporary between bullish, bearish or a ranging market due to the order flow around these is generated about 5–10% of the time.