PRICE REJECTOR USER GUIDE

From Orderflows.com

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The Orderflows Price Rejector is an indicator based on order flow analysis to determine when the last buyer has bought and the last seller has sold.

What does the Price Rejector do? It analyses the order flow and generates a signal by taking into account the following conditions:

Volume traded on the bid and offer.
Recent price action
Market imbalance
Is the market trending or trading in a range?

Markets move up as people buy and buy, however as you up near the end of a move, the buying decreases and eventually the last buyer(s) has bought. There is no more interest in buying and as a result there is no more support in the market which causes the market to turn and go lower as the higher prices have been rejected.

Conversely, markets move down as traders sell and sell and sell. As the market reaches the end of a move, the selling decreases and eventually the last seller(s) has sold. There is no more interest in selling and as a result prices move back up. The lower prices have been rejected.

Prices at a high can be rejected because it's become simply too expensive, prices moved up until they get to a point where nobody wanted to buy anymore. Prices can be rejected at a high because the buyers have all gotten all that they needed and they don't need to buy anymore. Price can be rejected at a high because of some fundamental change. The reality is the reason doesn't really matter to you the trader, what matters to you is to determine that prices are being rejected at a high.

Most indicators do not analyse the participation in a move.

One of the major failings of almost all price based indicators is that they are mostly based on price. The reason that is a failing is that it assumes all prices are the same. But not all prices are the same. Analysis also has to take into account volume at price.

Let me ask you, how can a price based indicator determine strength in the market when it doesn't take into account volume at price?

The answer is it can't do it accurately. Should a 5 lot trade be treated the same as a 500 lot? Of course not. That is why order flow analysis is head and shoulders above simple price analysis.

Not all price levels are the same. Once you understand that then you are ahead of most of the losing traders out there that focus strictly on price.

Another way to think of volume at price is to think of it as participation. Volume measures participation. As participation declines in a move up, its strength is getting weaker. The amount of buyers and buying is decreasing. If the amount of buyers and buying is decreasing what is there to cause the market to move higher? There is no reason for the market to keep moving higher subsequently the market will start to trade lower.

Volumes should be decreasing as you are reaching a high and cresting then turn lower. Just as volumes should be decreasing as the market moves lower before hitting that low and bouncing higher.

When prices are rejected, reversals occur. Reversals occur at high, low and swing highs and swing lows. Reversals happen several times a day.

While we all like to buy the low and sell the high, the reality is we can’t do it.

How do people try to pick reversals? They look for levels in the market where they expect something to happen. Pivot levels, divergences, candlesticks, RSI, MACD and other methods.

Pivot levels work when the level is a level that many other traders are looking at that level. If you think you are clever and you are the only one who is going to pick a level that no one knows about, the chances are that it’s not going to hold because who is going to come in and help stop the market? You can’t do it yourself, not unless you are a big commercial trader or something like that. Markets don’t turn because they reach a magical, mysterious level. Markets turn because there is no more selling or no more buying.

Candlesticks have been around for hundreds of years, but you are only looking at open, high, low and close. Back in the days when the only computer was an abacus maybe breaking down the market by open, high, low and close was a great way to view the market. Candlesticks do measure market psychology to a certain extent but is missing a vital piece of information – volume.

Momentum indicators like RSI and MACD reveal when momentum is declining for the side in control of a move. When buyer momentum is weakening the indicator an overbought signal will appear. When seller momentum is weakening the indicator will give an oversold signal. The problem with overbought and oversold indicators is that a market can go to more and even more overbought or oversold before it finally reverses. Why does this happen? The problem is momentum indicators treat all prices the same. It treats a price level that traded a volume of 5 lots the same as a price level that trades 5000 lots. Is that a good way to analyse what is trading in the market? No.

Trading reversals doesn't mean you are picking the exact high and low. A reversal occurs at the end of a move. What you want to be able to do is identify that a high or low has been made and a trend is about to start.

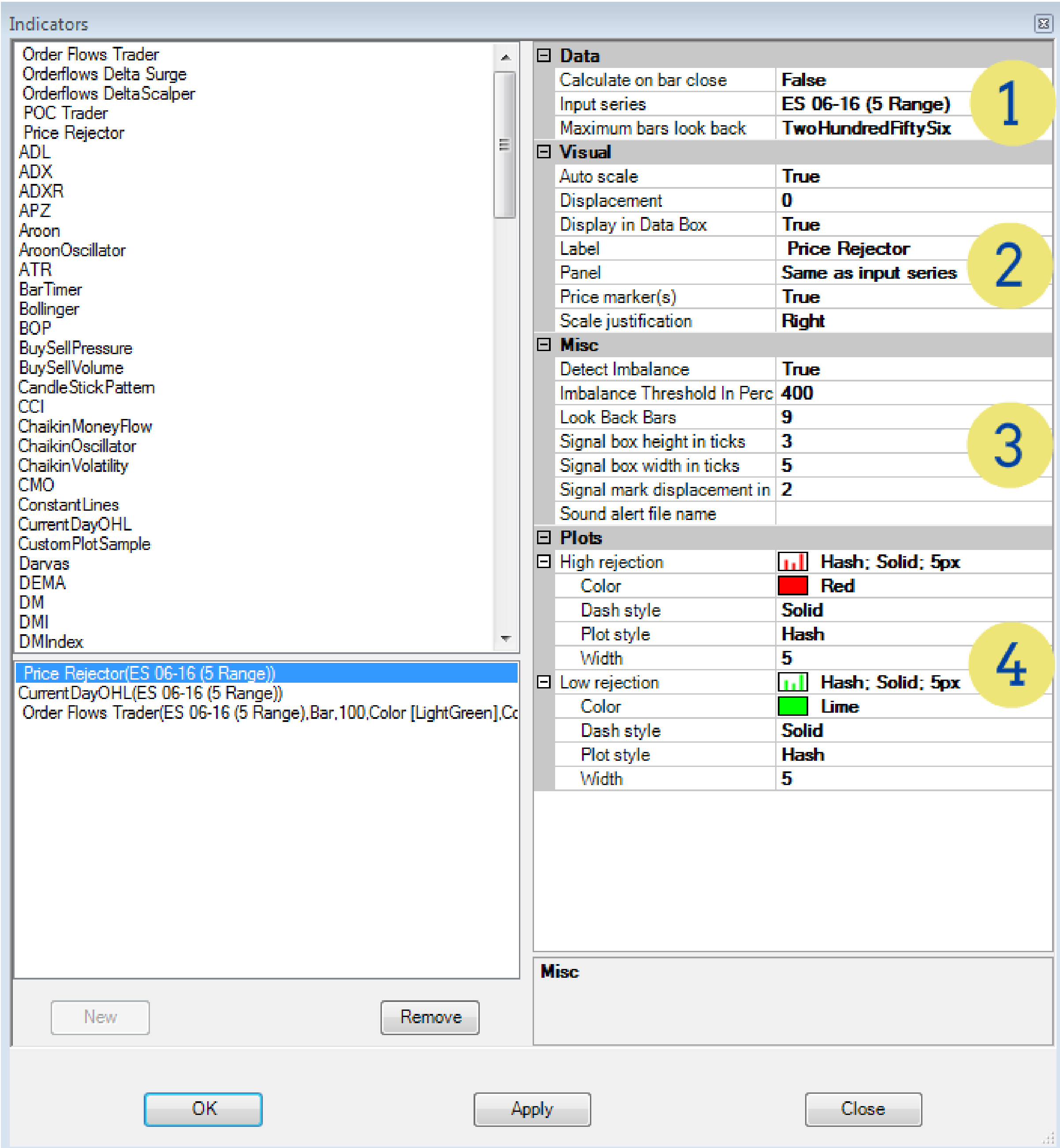
One of the rules of trading that everyone says is "The Trend Is Your Friend." The thing is a trend will eventually end and a new one will start.

Trading reversals is not for everyone. Although the market reverses several times a day, you are waiting and waiting.

What people fail to realize is that if you are trading reversals you need a move to reverse. Often time people try and take reversals after a market has been trading sideways or in an area of congestion for a period of time. Even if you have the best indicator in the world or the best set up ever seen, if you take it in a sideways moving market or an area of congestion it often won't be very effective.

One of the key factors in determining if a market is going to put in a reversal after a move is signs of market imbalance. You need the push from the aggressive buyers preferably in the form of buying imbalances if the market is to reverse a move down. Or selling imbalances to give the market a push away from a recent high.

Price Rejector Settings:



1. Data. Don’t change any of these settings. These are the data settings.

2. Visual. Don’t change any of these settings. These are the chart settings.

3. Misc. These settings can be adjusted.

Detect Imbalance-Set to true as you want to see imbalance in the reversal bar.

Imbalance Threshold In Percent - Set to 400. If you want to use a lower imbalance, like 300, change to 300. Or if you want a higher imbalance, like 1000, change to 1000. 400 is the industry standard.

Look Back Bars – How many bars to look back when looking for a trend to reverse.

Signal Box Height In Ticks – How thick you want the zone. Setting to 0 will result in no zone. 3 is the default.

Signal Box Width In Ticks -How many bars out you want the zone to appear. Default is 5 so you see the zone printed out the next 5 bars. If you want to use the signal as support/resistance. Setting to 0 will result in no zone being drawn.

Signal Mark Displacement – How far away from the top or bottom of the bar where the signal is marked. If you are using other indicators, check what their setting is and set a different number here will make sure your signals don't write on top of each other. A setting of 0 will draw this signal on the edge of the bar. A setting of 5 will draw the signal far from the end of the bar.

Sound Alert File Name – If you want to have a sound alert when a signal appears, put the file location here.

4. Plots. These settings can be adjusted. The High rejection is the sell signal. The Low rejection is the buy signal. I like the hash for this indicator.

Please send your NinjaTrader machine id to registration@pricerejector.com

If you have any questions about the Price Rejector, the settings, or enhancement please send an email to: mike@orderflows.com