



ZoneTraderPro

NinjaTrader 8

Order Flow

Price Patterns

Forward

ZoneTraderPro was created out of a need for something different. After attending seminars and reading books, it seemed that every trader had the same questions, and used the same indicators, and I was one of them. It also seemed that traders wanted that guru to hold their hands through every trade. Traders, myself included, paid large sums of money, for that Holy Grail black box system, only to find, there was a reason the seminar was held on a weekend. The reason was under real-time trading conditions the black box doesn't work. And there were no refunds. The guru has sold you a seminar, and showed you cherry picked examples about why his system is so great, so you buy the software. He has only had to perform one time, and on a weekend when the market is not moving.

I was constantly frustrated when I took a trade, watched it go against me, and then be stopped out. What was even more frustrating was that after being stopped out, the market instantly reversed. I would also set an arbitrary profit target based on what would be a "good" amount of profit. In other words, I was letting fear and greed drive my trading. I was also letting my preconceived ideas about what the market should do, affect my trading. That is another mistake. And I was using old and outdated indicators to guide my trading. In other words, I was losing money, along with the other retail crowd, by using the same indicators, going to the same seminars, and letting emotions be my guide to trading. It was out of this frustration that ZoneTraderPro was developed.

In developing ZoneTraderPro the main objective was to eliminate the fear and greed from the trade. If you know where the market should statistically trade at, for both the buy and sell areas, the emotions that drive your trading are reduced. And when you see the market reacting to the Zones as you expect they would, there will be less stress in your trading. This also eliminates any preconceived ideas about how the market should be trading.

The main advantage to ZoneTraderPro is that you do not need other common indicators that every other trader is using and you may have used in the past. ZoneTraderPro is all about recognizing 5 simple patterns. When you recognize the patterns you will read the short and intermediate term market direction.

The average maximum favorable excursion for a ZoneTraderPro trend trade is over 11 ticks. If you have a \$10,000 account, and you trade one contract in one trend trade and just get the average MFE (less commissions), you have over a 1% account gain, which is outstanding for a day's trading. Now look at the website and see how many trend trades ZoneTraderPro averages per day, and what percentage of trades end in a loss. Losses can and will occur, however by studying the manual and taking the lower risk trend trades, you can minimize the losses and maximize the gains.

It will be obvious when ZoneTraderPro says the market is bullish, and when it is bearish. If you have a bullish view of the market, but ZoneTraderPro says it is bearish, simply avoid the trade. If you are correct, ZoneTraderPro will give you a logical bullish entry.

This manual is meant to answer your questions by making you think. How do I trade the open? Where do I enter a trade? Where do I exit a trade? Where do I find the lowest risk, highest reward trades? The manual will also detail unusual circumstances and how you can read the market and understand that something unusual is occurring. Understanding and avoiding unusual circumstances prevents losses.

There is a difference between the NinjaTrader and eSignal versions of this manual. NinjaTrader is a simplification of the ZoneTraderPro theory of pattern matching. Everything in the eSignal manual applies to NinjaTrader. The NinjaTrader version simplifies the complexity of developing a trading plan by introducing the TICK filter and removing higher risk patterns.

ZoneTraderPro Introduction

ZoneTraderPro is a revolutionary new way to trade, bringing to the trader a new tool providing a high degree of confidence in the trades. ZoneTraderPro allows the trader to visually see high probability trading zones develop ***in advance of the market that zone***. ZoneTraderPro will define when a trend is established, where to enter a new trade, and most important, give the trader a high probability target to exit at.

When ZoneTraderPro was first created in the eSignal version, emphasis was placed on identification of patterns and their statistical probability. In the shift to NinjaTrader, emphasis was shifted to producing a higher quality of trade and simplifying the process. The same patterns that were created for the eSignal version were further refined and simplified for the NinjaTrader version. Filters that were not possible in the earlier version of the software are now incorporated into the NinjaTrader version. Order flow patterns are now the cornerstone of ZoneTraderPro

The Purpose of ZoneTraderPro Software

1. Education, by teaching the trader to understand the markets intent through price and volume. This is accomplished through the visual display of trading zones in ZoneTraderPro.
2. Reducing risk by developing high probability entry and exit profit zones.
3. Reducing risk by clearly defining high probability pattern trades.
4. Reducing risk by clearly defining when not to trade.
5. To identify the 5 commonly repeated market patterns. These patterns define the current trend in a markets' price, whether a market is reversing trend, or whether

a market is under accumulation or distribution, and identification of TICK divergence.

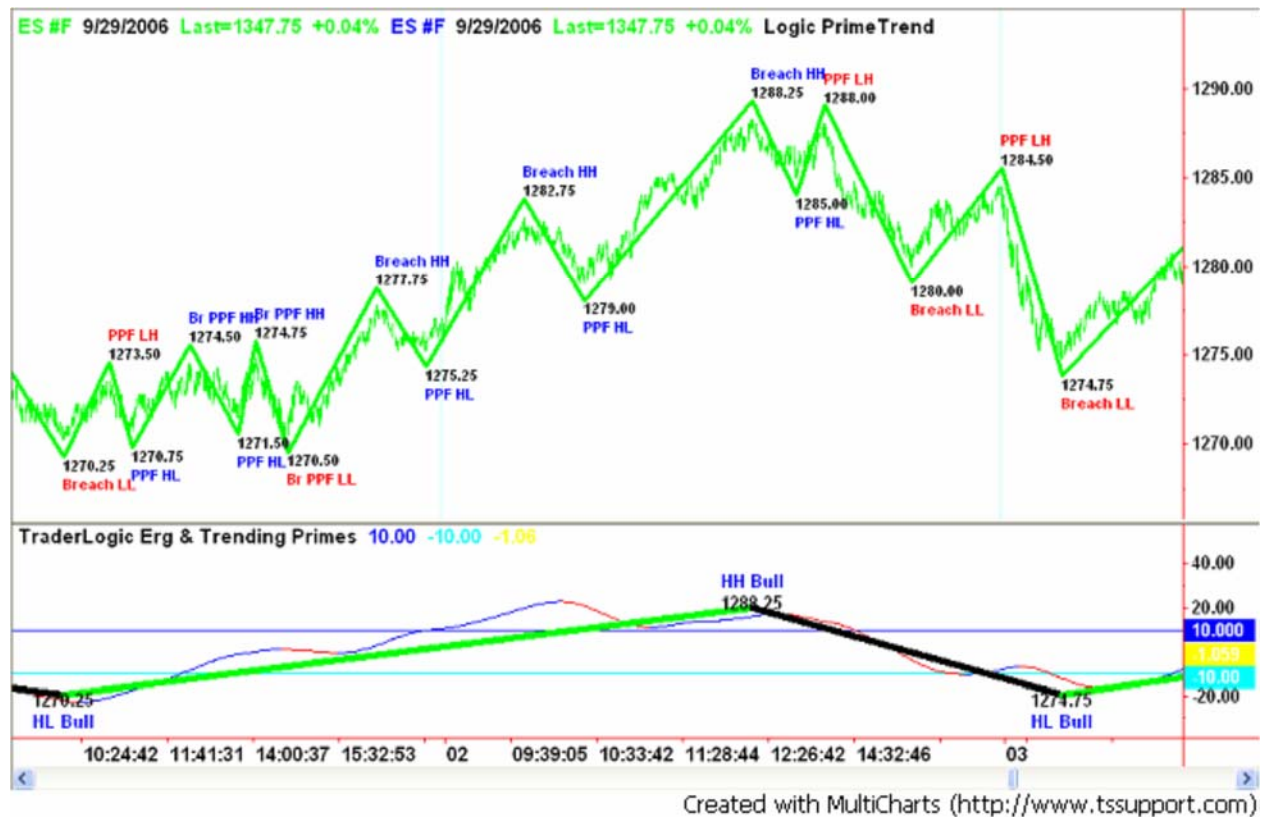
6. Apply order flow patterns in conjunction with price patterns.

The difficult part about trading is knowing when and where to trade. What makes ZoneTraderPro different is that it will tell you where those pivot zones are, in advance. That information, about where the pivots will form in advance, is the most valuable part of information a trader can have. The ZoneTraderPro user will then have the information necessary to enter trades in the direction of the trend and at the proper pivots for lower risk trading opportunities. Additionally ZoneTraderPro will identify potential trend reversal areas. Notice in the chart below how trends and reversals are identified and the market trades within the zones.



No market will ever go straight up or down, it will move in waves, with retracements followed by resumption in the trend. In a bull market trend, higher highs are made, along with higher lows. The opposite is true for a bear market.

Notice on the below chart, the trend is bullish, because higher highs and higher lows are being made, until midday when a reversal occurs.



But the difficult part is knowing when and where to trade. The pivot lines on the above chart are drawn *after the fact*, and not when the highs or lows were being made. **What makes ZoneTraderPro different is that it will tell you where those pivots are, in advance.** That information, about where the pivots will form in advance, is the most valuable part of information a trader can have.

What is also important to note is that the historical trade record for ZoneTraderPro accounts for all trades, including those trades that occurred pre-market, during economic and breaking news events, and the release of economic indicators or fed announcements while the market was open. All trades that could be initiated between 0800 hours EST and 1615 hours EST were documented. It is not advisable to be trading during these news or economic events, as it is a 50-50 coin toss which way the market will trade based on the event.

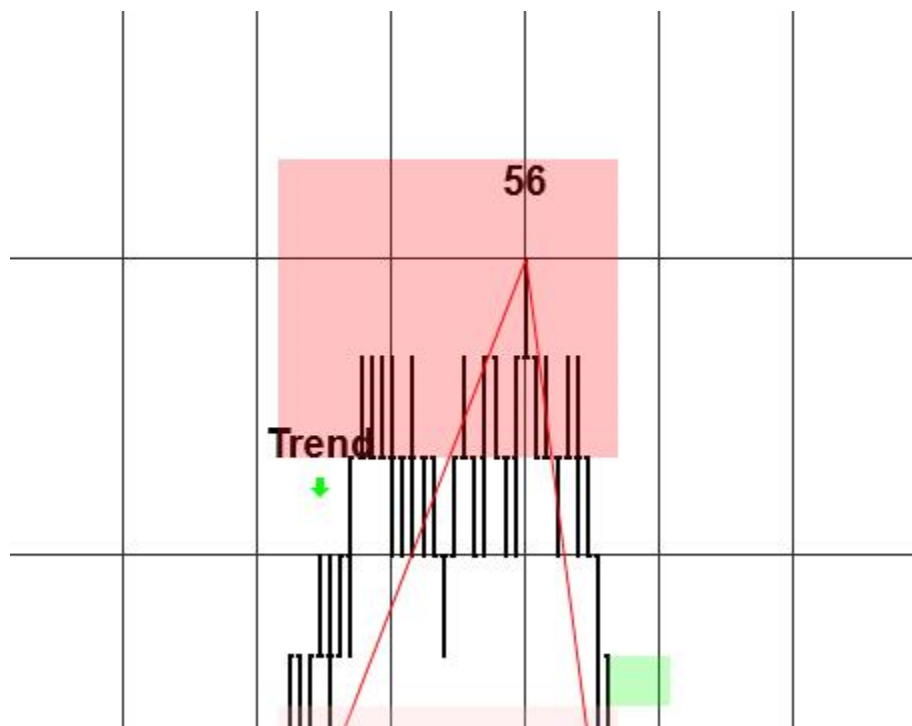
It should also be noted why only the ES contract is charted in the examples. ZoneTraderPro will work on all instruments, Russell, Dow, Nasdaq, stocks, Euro Futures, and most important, **the 10 year bonds**. The ES contract is the most liquid and

has greater market depth than other indexes. There are also fewer excursions outside of the intermediate and trend zones. This is important and you will understand why when reading further, but the standard trend trade looks to take profit between the intermediate and trend zones, because it is the most predictable and lowest risk trade. Other instruments such as the Russell 2000, Nasdaq, and Mini-Dow, trade out of the trend zone more frequently. These instruments also **have less liquidity** and fewer traders, which allows for market manipulation by a few larger traders.

Chart Setup

Setting up ZoneTraderPro is very simple. You will be sent a zip file. Use the **NinjaTrader import dialog**.

It is suggested that for the ES chart you use a 150 tick setting for the chart. This is because ZoneTraderPro requires that the bar close before forming the next zone and it is extremely important that you know where the next zone is going to form. If this is set even to a one minute bar the zones would not print properly in a fast market. It is also preferable because with a 150 tick setting you can see volume created at the zone. If you use a minute chart the zone is not going to print until the bar completes.

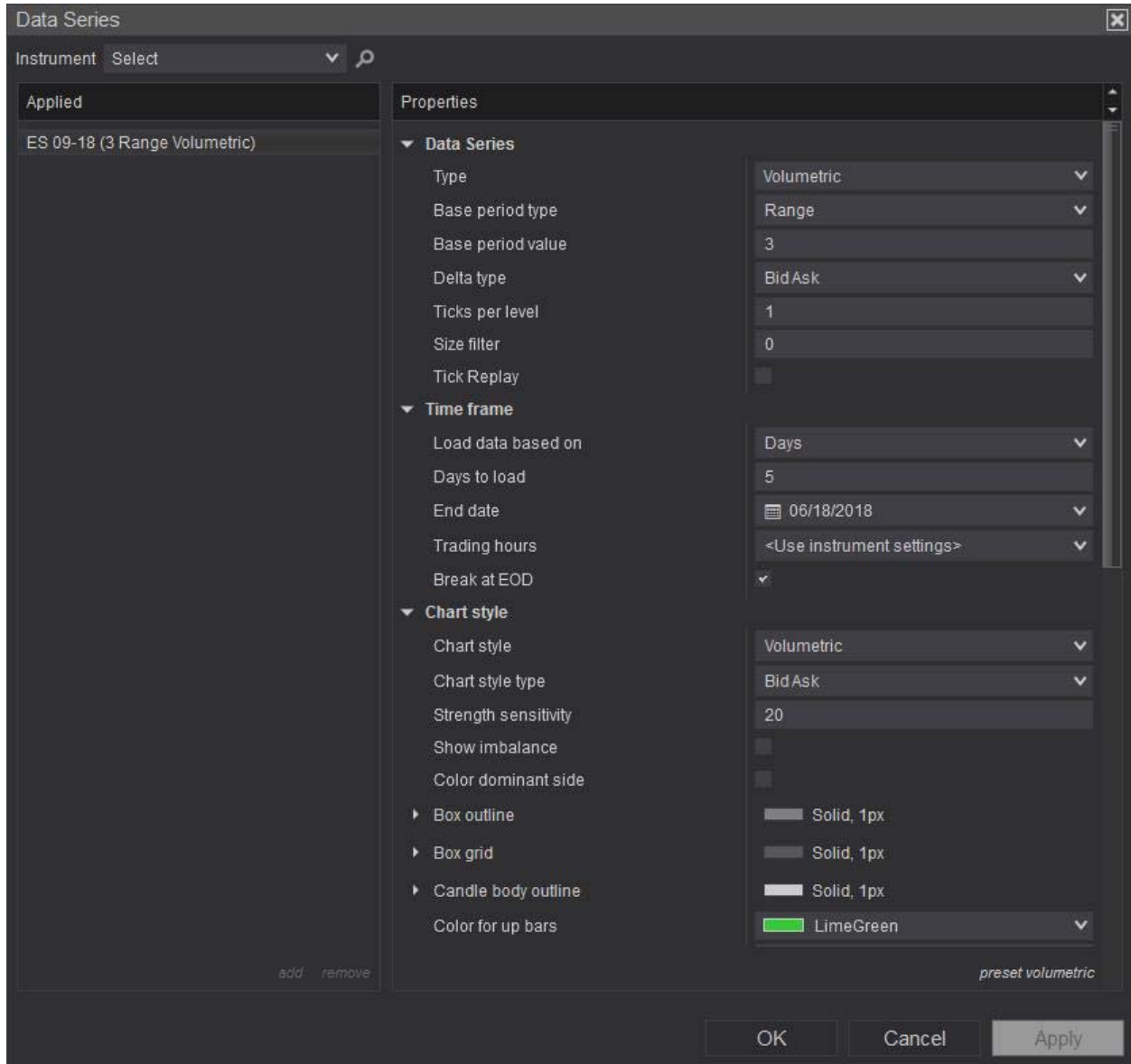


After setting the interval, choose the appropriate template from the drop-down menu. It is also suggested changes the chart style to OHLC and the bar colors to black.



Tick Replay should be checked if you want to the historical information about the power flow indicator. **This will slow down your computer. Do not use the setting when creating a volumetric chart with the ZoneTraderPro indicator.**

To use a volumetric chart these would be the settings.



Definitions

In order to define a trade ZoneTraderPro looks for a pattern and the patterns develop between the zones. So in order to understand what a pattern looks like you first must understand how the zones are coded and colored.

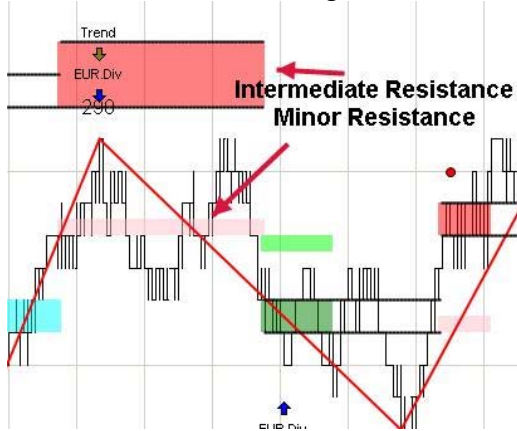
ZoneTraderPro categorizes support and resistance as

1. Minor
2. Intermediate
3. Countertrend
4. Strong trend

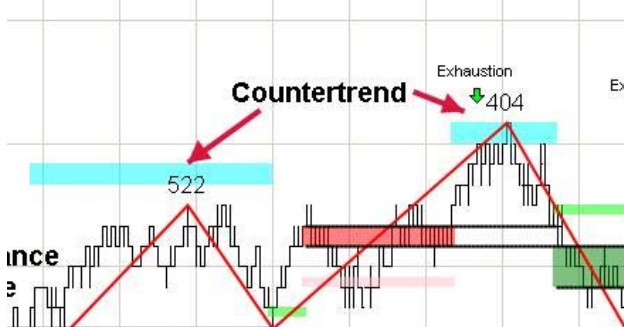
Minor support is light green and intermediate support is green.



Minor resistance is a light red and intermediate resistance is red.



Countertrend zones, regardless of support or resistance, are always blue.

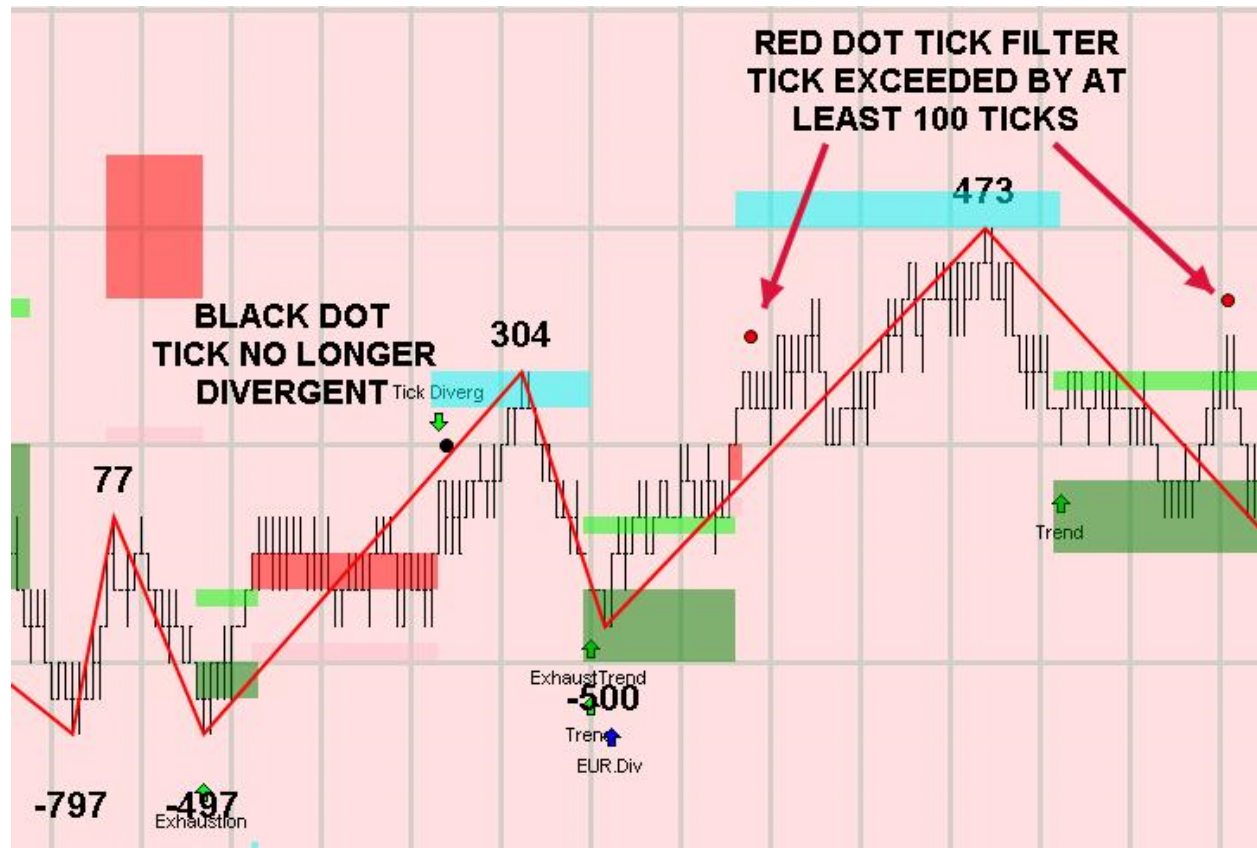


A strong trend zone, regardless of support or resistance, is always pink.



The ZoneTraderPro TICK Filter

There are two dots that will appear on the chart, a red and black dot. The red dot is the ZoneTraderPro TICK filter. The black dot is only present after the TICK Divergence pattern logic has been triggered.



The red dot is telling you that the previous up or down \$TICK move has been exceeded by at least 100 ticks. So in the picture above, the 1st high tick was a 77. The TICK Divergence logic starts and where you see the arrow it is still divergent. On the next bar, the 77 is exceeded by at least 100, both dots printed, but the black dot painted second and on top of the red dot and the \$TICK makes a 304 high. On the next up move, the 304 is exceeded by at least 100, and we see a red dot and TICK high of 473. The 304 on the chart is telling me the highest \$TICK number reached between the apex low at -497 and the apex high at 304. The numbers that you see on the chart appear in real time and the dots appear exactly on a static chart, where they would have been on a live chart.

The TICK Filter is meant to tell you when there are buyers and sellers in the NYSE cash market and to provide a filter for a trade. In the example above, we see an exhaustion trade with a higher low \$TICK of -497, but the 77 didn't represent a higher high. The following trade, the exhaustion trend trade, saw a higher high of 304, and essential an equal amount of sellers, -497 to -500, giving you a reason for the trade. In other words,

a market making higher highs and higher lows should be a good market for taking longs. A market making lower lows and lower highs should be good for a short trade.

There is a setting for the red dot \$TICK Filter. Under the parameters there is a setting called TickWiggleRoom = 100. This means that the \$TICK can be exceeded by 100 before the red dot is printed.



The TICK Divergence black dot will be explained further in that section. The TICK Filter is also built into the trend trade and the functionality will be discussed there.

The ZoneTraderPro Patterns

Trend Trading Pattern

The ZoneTraderPro trend trading pattern is the basic trading pattern of the system. The theory behind the trend trading pattern is that when a trend is established the market will continue in the direction of that trend, following the pattern of profit taking and trend resumption.

ZoneTraderPro prints these areas of support and resistance in advance of the market trading at these zones. If you know where those zones are in advance, **you can wait until you see order flow patterns to confirm a trade entry**. The blue counter trend zones are defined in advance of the market trading there. This is important because traders will want to place the target to take profit from the trade. It is extremely important to note that 50% of the time the market approaches a blue countertrend zone, price does not trade through the zone and the market retraces at least 6 ticks. Why give up 6 ticks of profit because you didn't know the zone?

In the picture below, the three trend short trades are easily identified as the market moves from the blue counter trend zone back to the intermediate red zone. The blue countertrend zone is the typical area where the smart money will start to cover the bets they made when the trend initiated. At this point, the retail traders finally have a trading signal, but quickly find out they are the dumb money and weak hands, as the institutional traders cover their trades.



Trend Trade Pattern Setup

The trend trade pattern has 4 setup options for the pattern.

- Enabled – True/False
- Tick Filter default = 100
- Show Stop Loss – True/False
- Stop Loss Line – Sets the color of the line



The ZoneTraderPro Trend Trade TICK Filter

ZoneTraderPro has the TICK filter built into this pattern. In a long trading pattern, with the TICK filter set at 0, the logic looks for higher-highs and higher-lows going into the trade. The filter setting can be adjusted to allow for minor adjustments to the rule. In the picture below we see two trend trades. The first short trend trading pattern has lower \$TICK lows and lower \$TICK highs going into the trade. The market trades into a second trend trading short pattern. There was a significantly lower tick low, but the tick high was exceeded by 50 ticks.



The Tick Filter is preset to 0. A Zero means that the trend trade has the strongest \$TICK filtering. That means for a short trade the \$TICK would need to be a lower low at the blue counter trend zone and a lower high at the intermediate resistance zone. If a 100 is placed as the value, that would allow both values to be exceeded by 100 ticks. If you wanted to see all trend trade patterns, regardless of filtering, put in a number of 500 or more. What is important that before trading this pattern is that you test the value you are going to put in and understand that odds involved with having a 0, a 100, or a 500.

Show Stop Loss is preset to false. If it is enabled the theoretical stop is placed 6 ticks from the entry of the trade. ZoneTraderPro does not endorse this theoretical stop as the stop that a trader should use. Again the trader must test this pattern and determine what the real time trading stop should be.

Reversal Trading Pattern

The ZoneTraderPro Reversal trading pattern is a low risk high reward trade. In a typical reversal, a trend trade will trade through the opposing intermediate zone and the market will reverse.

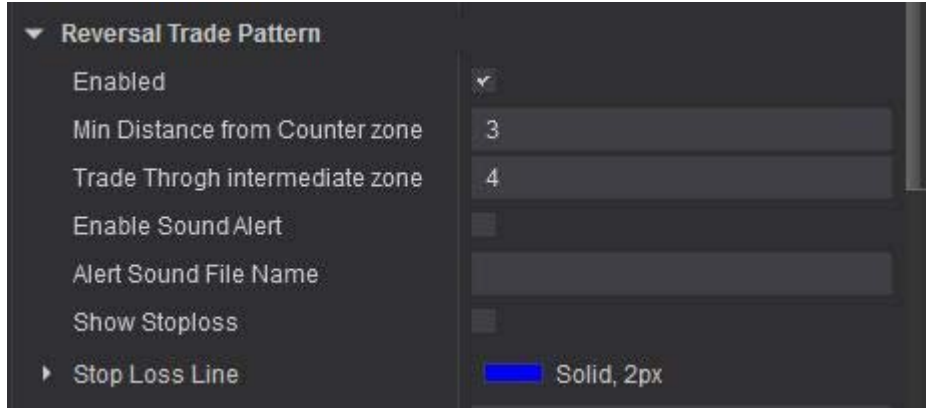
The example below is the setup into a reversal trade. We see a failed trend trade with 5 ticks of adverse excursion. The market then trades to the green intermediate support zone, where the reversal trade is indicated.



Reversal Trade Pattern Setup

The reversal trading pattern has 4 setup options for the pattern.

- Enabled – True / False
- Min Distance from Counter Zone
- Trade through Intermediate Zone
- Enable Sound Alert
- Show Stop loss – True / False
- Stop loss line



The minimum distance from counter zone is the setup for the 1st leg into the trade. In this instance price traded through the blue zone. The Trade Through Intermediate Zone is how far through the trend trade is needed as a minimum. In the above picture this is the -550/470 leg. The value can be decreased to include more patterns, however **the quality of the trade may suffer.**

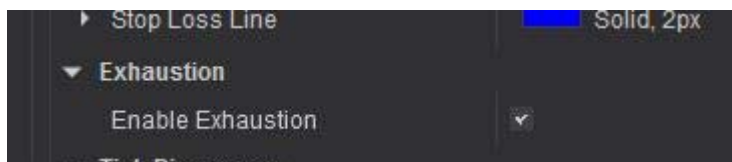
Exhaustion Trading Pattern

The ZoneTraderPro Exhaustion Trading Pattern is a pattern that usually occurs after a strong market move without any retracement. This first retracement is the opportunity for retail traders to enter the perceived trend. Unfortunately for them the program trade that started the trend is over. The market found value and profit taking has started.

In the below picture the trade occurs after the market open. The first exhaustion trading pattern occurs on the open and would be avoided as there is no prior TICK information. The TICK opened strong at 630. However as the market trades into the second exhaustion trade there is a TICK divergence, the market tops, and this leads to a successful exhaustion short trading pattern.



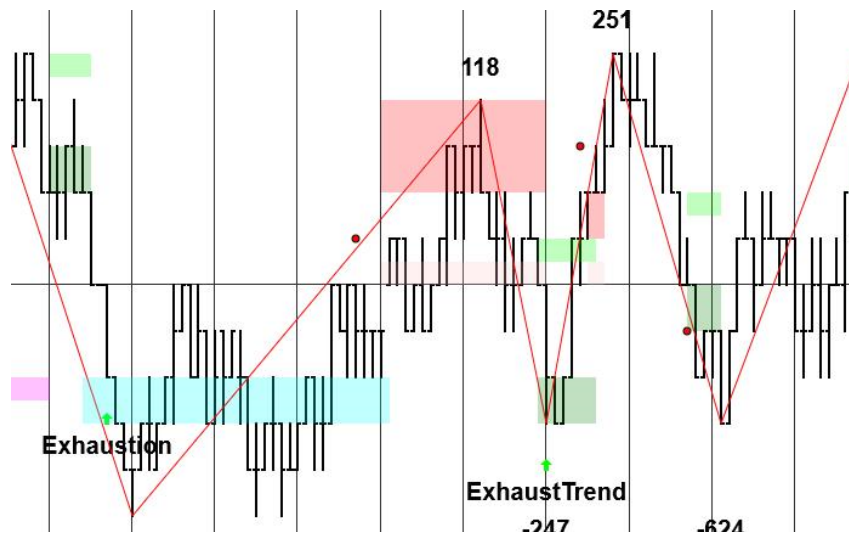
The only setting for the exhaustion trade is to enable the pattern



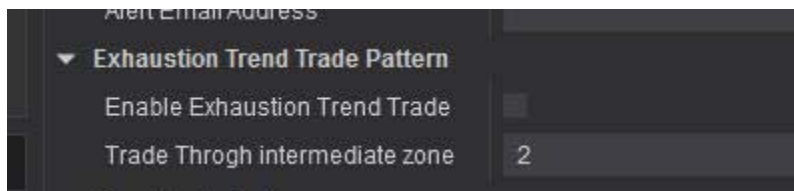
Exhaustion Trend Trade

The exhaustion trend trade pattern is a trend trade setup that occurs after an exhaustion pattern. The pattern is created after a successful exhaustion trade and the retracement back to the intermediate zone. In the example above you can see both a trend signal and an exhaustion trend signal. There is no significance in the above example to the fact there are two trading signals.

In the following example there is an exhaustion trend trade with no other patterns that developed. That is the reason why there is a specific pattern to identify the 1st pattern after exhaustion topping pattern.



There are two settings for the exhaustion trend pattern. The trade through intermediate zone refers to the opposing intermediate zone after the exhaustion trade. In the picture above price trades 2 ticks into the red intermediate resistance zone. If the setting had been 3, the trade would not have shown.



TICK Divergence Trade

The TICK Divergence pattern is variation of the eSignal counter trend trading pattern. The counter trend trading was not included in the NinjaTrader version because the risk / reward was generally low, at about 1:1. However the counter trend trade is a statistically profitable pattern, with more winners than losers. The problem is the average win is smaller. In a “normal” counter trend trade, you can only expect 6-7 ticks of profit as the market returns to the intermediate zone and then resumes the trend. When there is a TICK divergence we can see higher risk / reward values making the trade both statistically viable with appropriate risk / reward.

In the following example the market has made a strong move, which was then followed by a TICK Divergence. The market made a TICK high of 379 on the previous up move. As the ES makes a higher high and approaches the blue counter trend zone, the TICK has not, and will not make a higher high. The high TICK could only reach 204.

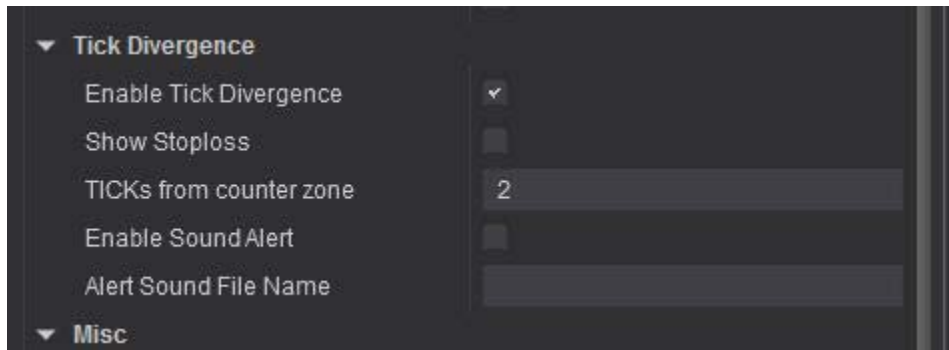


New in the NT8 version is the label turning red. The label will now move past the blue counter trend zone if the TICK is still divergent. If/when the TICK become non-divergent the label freezes on that bar and turns red.

If a trade is entered based upon tick divergence (and it is also not an exhaustion pattern) and the black dot appears, the trade is no longer TICK divergent. If this occurs the consideration is that the market will trade back to the intermediate zone and a trend trade will happen next.



TICK Divergence Pattern Setup



The TICK Divergence pattern has 5 settings. Enabled and show stop loss have a true / false setting. The third setting is Ticks from Counter zone and the default is 2. This setting adjusts when the trade will start to evaluate and print on the chart. With the default setting of 2, the pattern will start to print when it is 2 ticks from the beginning of the blue counter trend zone. This is measured from the beginning of a zone. For a short trade, it is the bottom of a zone. For a long trade it is the top of a zone. This is also how adverse excursion and favorable excursion is measured for any trade statistic.



The settings also allow you to disable the sound alert. The sound alert is not an early warning, as with the other alerts. This alert will sound when the logic is 1st evaluated and the setup is divergent 2 ticks away from the zone. If price moves to 1 tick from the blue zone, the alert will sound again. The alert sounds a third and final time when the price touches the blue zone and \$TICK is still divergent.

Bond Chart Setup

Bonds are inversely correlated to the S&P 500, so when the 10 year bond is at support, that would setup a short ES trade. ZoneTraderPro works on bond chart just like on the ES. Bonds have sufficient liquidity to trade, however the daily range is less than the ES and there are fewer tradable patterns than the ES. But because of the inverse correlation they are extremely important.

To create a 10 year Bond Chart with all of the ZoneTraderPro patterns, start a new ZN chart and add ZigZagZTP to the chart. Change the Deviation Points to .075. Add the ZoneTraderPro indicator with no changes to the settings.

Note how ZoneTraderPro identifies patterns in ZN just like the ES and projects profit targets, support and resistance. I do not see an argument for any significance to the TICK Divergence pattern on a bond chart. However, the counter trend zone it is trading at is of significance, because that is a standard eSignal counter trend trade as explained above.



Accumulation and Distribution

The market moving between red and green is an accumulation or distribution. It's easy to identify because it looks like a Christmas tree. It is also frustrating because you will see patterns develop that may be tradable, but rarely go to the blue counter trend zone for an exit. Then if you have not exited the trade, then there is a strong move. It is not advisable to guess the direction. You can see distribution on the bond chart above in the upper left.

Another Bond chart with identifiable distribution before a big move.



Accumulation Distribution Indicator

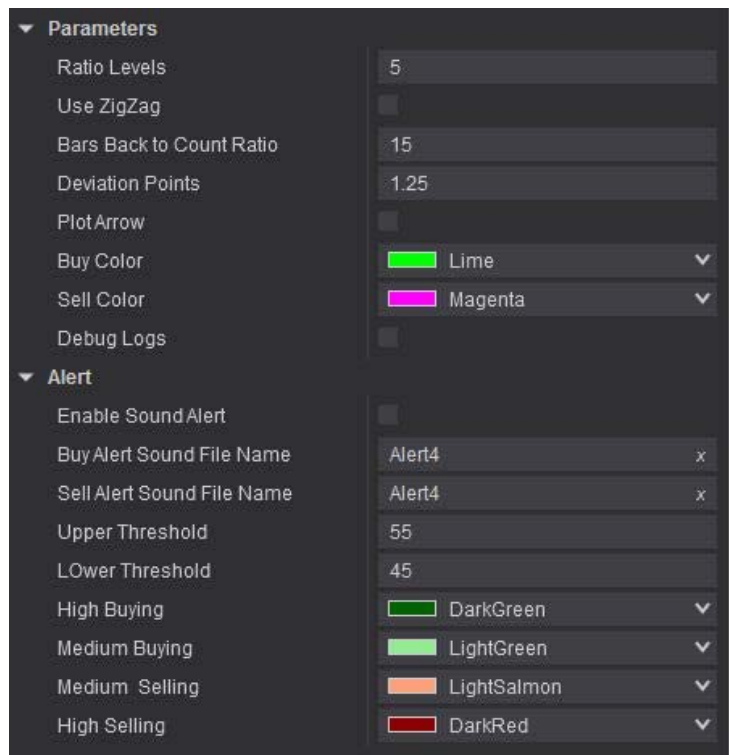


The indicator has 4 settings. The indicator looks at the Level II SuperDom information for the indicator to spot spoofing, accumulation and distribution. Levels out is the numbers of levels in the SuperDom the indicator will look at. Display as Difference causes just a single line, either positive or negative to be displayed. You can display arrows on the chart or the indicator panel where there is a divergence. You can also display whether or not to display the maximums (this is recommended). The indicator is displayed in the bottom panel on this chart.



Order Flow Power Indicator

This indicator was developed for the NT7 version and carried over to NT8 before the development of the order flow pattern indicator suite. The indicator has numerous settings depending on what you want to display.



There are two ways to view the data. The first is ratio levels and use zigzag. With a setting of 5 this uses the same zigzag that you see on a zigzag chart. If zigzag is unchecked, then the indicator looks at the number of bars back for the computation. So in the picture above, the indicator is determining the % of buying and selling volumes based on the last 15 bars.

The upper threshold and lower threshold display the High Buying/Selling color when exceeded.

When deciding which settings to use, you can enable tick replay in the data settings on the chart to view historical information. **This will slow down the computer, so it is not suggested or necessary for live trading.**

The chart on the previous page has 3 instances of the indicator with different settings.

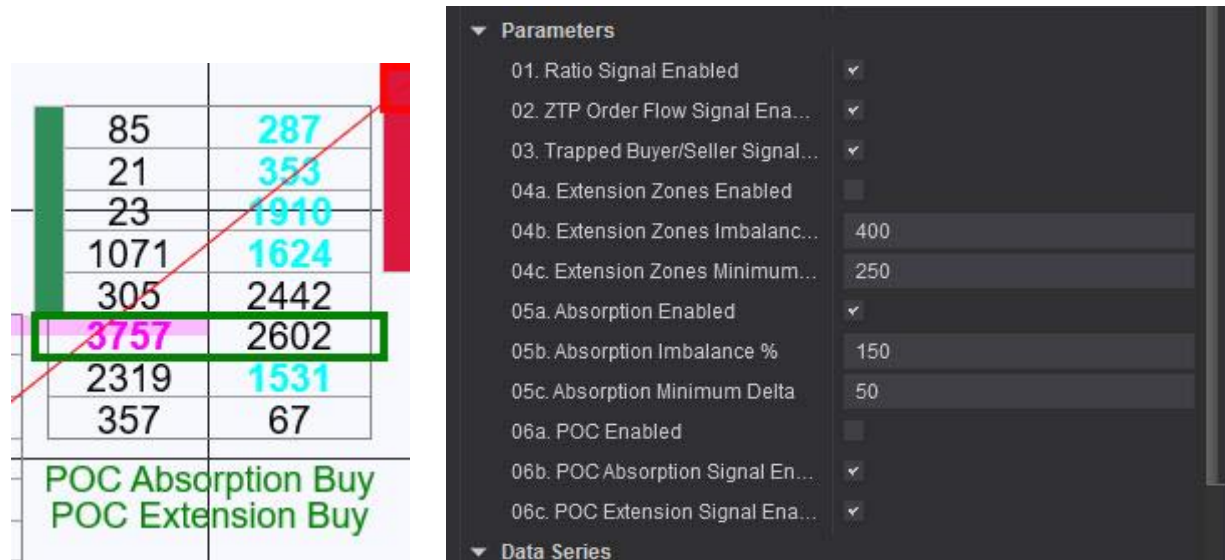
Order Flow Pattern Suite

The NT8 Order Flow Suite identifies 7 different patterns in the order flow. Those patterns are

- POC Absorption
- POC Extension
- Extension Zones
- Absorption
- Trapped Traders
- ZTP Order Flow
- Stopping and Continuation ratios

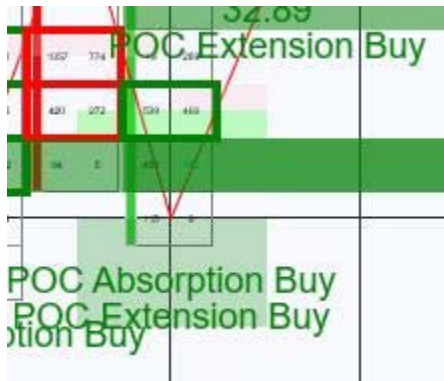
Refer to the [ZoneTraderPro blog](#) for their uses.

The POC Absorption and Extension patterns occur when the POC occurs at the bottom of an up bar and at the top of a down bar. Then large market orders and passive buyers are identified. It is possible to have both occur on the same bar as they represent different actions of market participants.

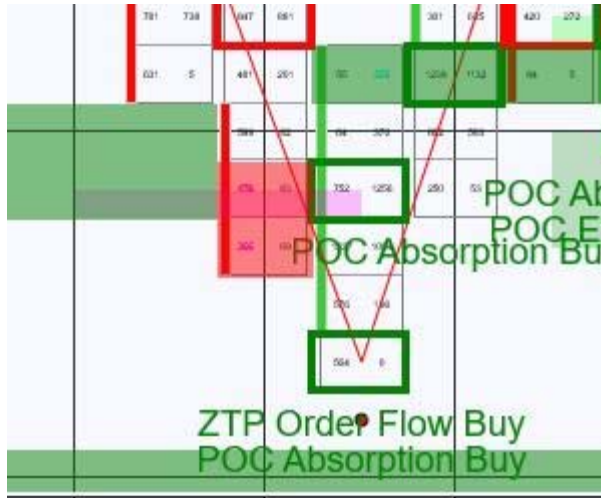


There are two settings that control the patterns. Those are Imbalance % and minimum delta. The imbalance % is simply the ratio between the bid and ask. A value of 400 is a 4:1 ratio. The minimum difference is the difference in contracts between the bid and ask. This is to prevent 8 contracts on the bid and 2 on the ask (a 400% imbalance) from triggering the condition in an illiquid market.

These settings also apply to the extension zones and absorption boxes when enabled.

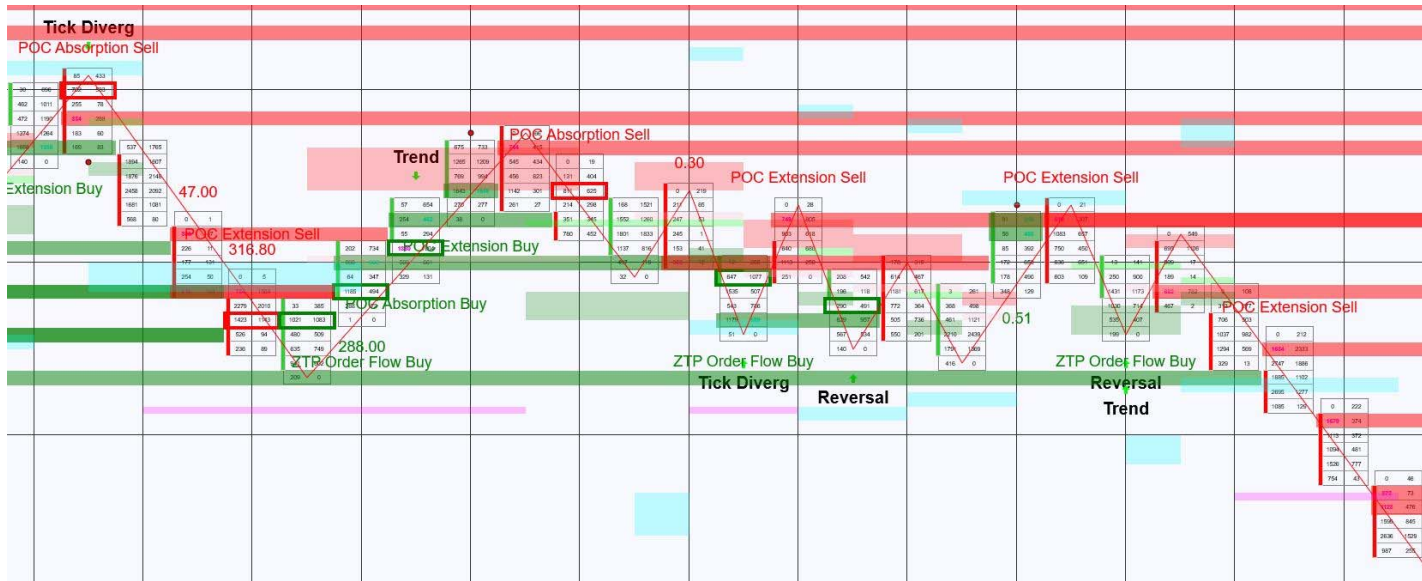


The green and red boxes are the absorption boxes. The green horizontal zones are the extension zones. An extension zone will draw until price closes through the line.



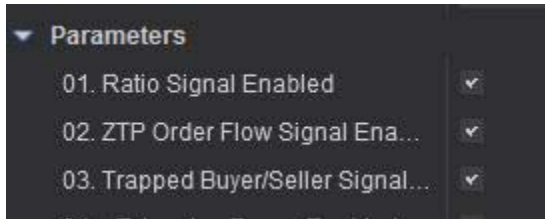
Here the extension buy zone ends as price closed below the bar. Extension zones are areas on the chart where historically strong market orders occurred and the possibly of future support or resistance can occur as those market participants look to defend a position.

Here is an excellent example of the power of these zones. When POC Absorption and Extension signals and zones were created, those prices were defended by the shorts until price broke down.

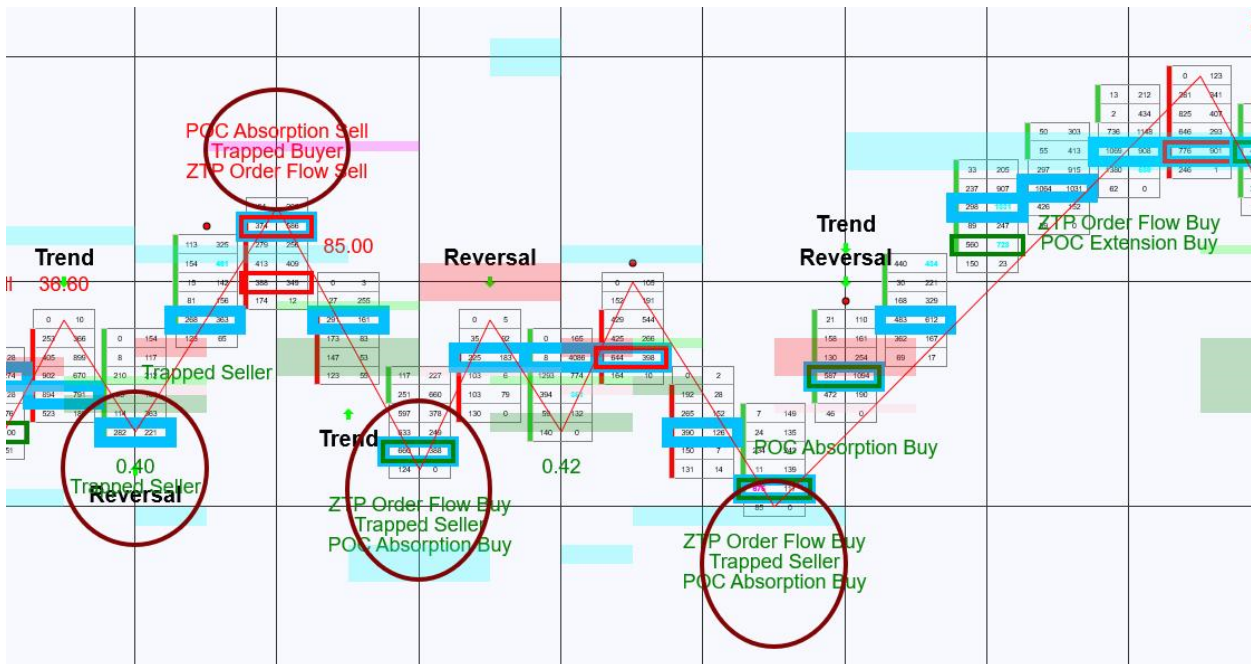


Trapped Traders

A trapped traders signals occurs when a large number of traders are trapped in the wrong direction and price has moved away. The signal is meant to be used on a larger timeframe bar, a 4R or greater. Because the algorithm looks at several price levels it is irrelevant to a smaller timeframe chart because it would always be occurring.

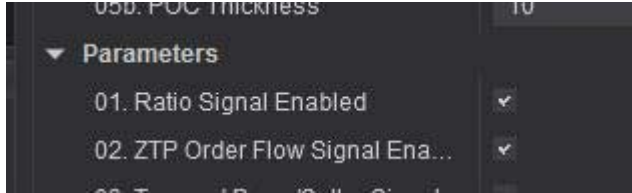


Here is an excellent example of the signal in a consolidation. Here we see price trading back and forth, and trading signals being given, without the market really going anywhere. In the past this was identified as the markets traded between the red and green intermediate zones, and the suggestion was to avoid this type of trade because there wasn't a clear trading decision. Now with order flow patterns, it may be slightly frustrating to be reversing positions a couple of times (without losses), but in the end you were reward with a clear entry for a 6-point winner for your work.

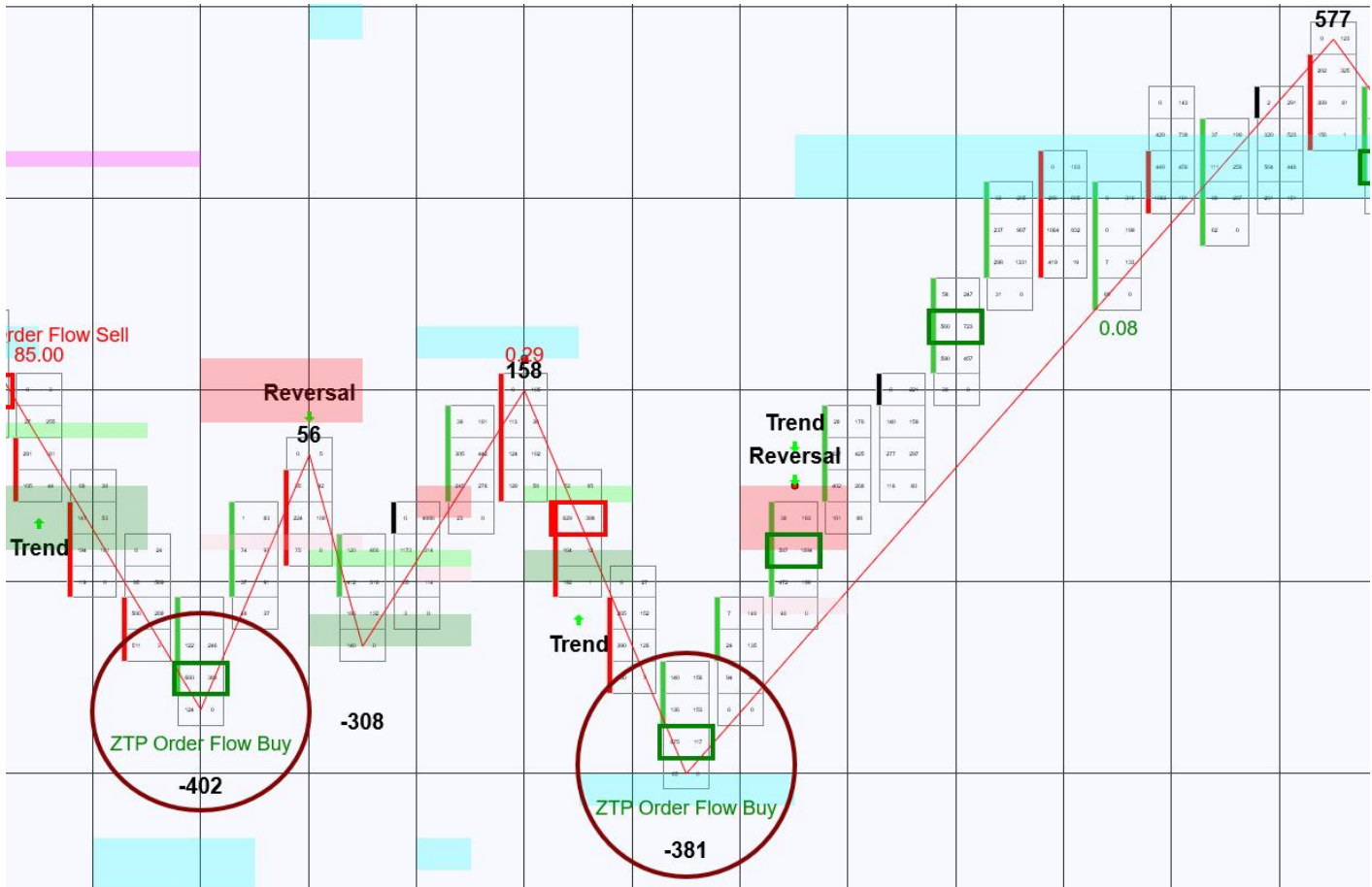


ZTP Order Flow Signal

The ZTP order flow signal is an exclusive pattern to ZoneTraderPro which is excellent at identifying entries and reversals. The signal is activated by the checkbox.

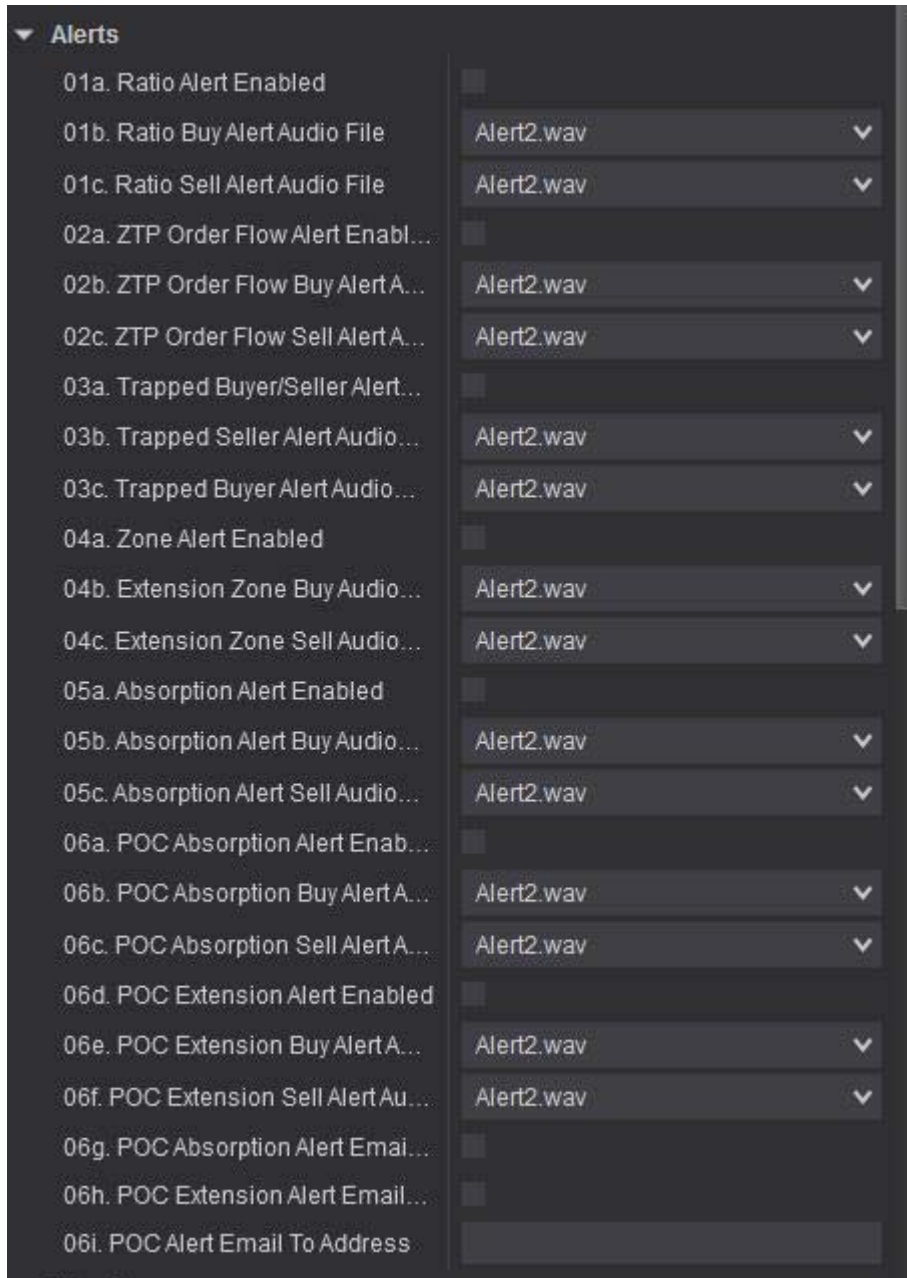


It can be used on a short time frame chart to identify entries or on a larger time frame to identify reversals, as in the above example. Here is the signal being used as an entry trigger to the trades above.



Alerts

The indicator can also give an audible alert or email alert. However, you should be aware of the following limitation when using the alert. A signal is not permanent until a bar closes. So as a bar opens and trades, it is possible (and highly probable) that the criteria for the signal is met, but as the auction progress, the disappears because the order flow algorithm is no longer valid for that signal. **You run the risk of an early trade entry if you jump the signal before the bar is complete.**



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