Trade Like a Professional with Open Order and Open Position Information

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Due in large to recent technological advancements, the average retail currency trader now enjoys access to a wider range of tools, information and trade support systems than ever before. Not only do online news services push streaming data through social media outlets without delay, retail trading platforms have evolved significantly in terms of charting features and execution quality, and spreads have narrowed to a point where they are comparable to interbank spreads, enabling traders to develop an informed strategy quickly and easily.

However, despite these developments, professional dealing desk brokers and institutional traders still enjoy one significant advantage over retail traders: they have clear visibility over compiled data on client orders and positions across the firm’s entire trading base. Known as the order book, this information is readily available in real time, making it possible to gauge market sentiment for any currency pair at any given time. In essence, the order book provides access to the following information:

- **Percentage of open long positions versus open short positions** – If total short positions outweigh total long positions, the firm’s clients are bearish on that currency pair, while they are bullish if total longs outweigh total shorts. This clearly demonstrates retail market sentiment.

- **Open orders (limit orders, stop loss orders, take profit orders)** – This data point provides even more precise feedback. For example, a large cluster of sell orders above market price informs traders of potential resistance, while a large cluster of buy orders below market price informs traders of potential support.

  However, large order clusters contain a mix of limit entry orders, stop loss orders and take profit orders. Without additional information it’s impractical to believe that a support or resistance level will hold. To stack the odds even more in the trader’s favour, they are also able to see open position information across the entire trading base.

- **Open positions (long and short)** – If there are a large number of open long positions below market price, then a large cluster of orders above market will likely contain a significant number of stop-loss orders (longs throwing in the towel) rather than limit-entries. Conversely, if there are a large number of short positions above market price, then a large cluster of orders below market price will likely contain a significant number of stop-loss orders (shorts throwing in the towel).

Dealers and institutional traders have always enjoyed access to the client flow information illustrated above, which has traditionally provided them with a lasting competitive edge.
Introducing OANDA’s MT4 Open Order Indicator

Now, for the first time ever, leading multi-asset broker OANDA has created a new proprietary MT4 Open Order Indicator, which provides their retail clients with the same comprehensive view of client orders and positions typically reserved for professional FX brokers, directly on your MT4 charts.

In particular, OANDA’s MT4 Open Order Indicator enables the average retail trader to gauge market sentiment, identify where large orders are positioned and view existing open orders in the exact same way as professional traders, providing a very clear advantage when it comes to developing a successful FX trading strategy.

How to gauge market sentiment

In the top left hand corner of the chart, OANDA’s MT4 Open Order Indicator clearly states the percentage of traders who are long versus short. Using the example below, we can see that retail sentiment is long on USD/CAD, with 66 percent of traders long and 34 percent of traders short. This information is of significant importance because it illustrates current retail sentiment, removing any guesswork from your strategy.
However, it’s important to note when long and short positions are roughly equal (45-55 percent), sentiment is balanced, which indicates a potential transition point or at least indecision in the market. As such, opening either a long or short position is unlikely to deliver a significant edge at this time, so smart traders would likely avoid trading these currency pairs.

Meanwhile, when long and short positions are leaning more than 60 percent in one direction, then a strong contrarian edge becomes evident. This is particularly true when the Indicator shows extremes of 70 percent or more.

In essence, when there is a large imbalance between long and short positions, a steady trend is developing and the odds are stacked against retail sentiment in favour of trend followers.
Identifying large orders

By selecting net open orders on the Indicator, your charts will display all open orders over the selected timeframe. The orange lines extending to the left represent open sell orders, while the blue lines extending to the right represent open buy orders. The length of the line demonstrates how many orders are open at that level.

These orders can act like support and resistance. If the price declines and negotiates large buy orders, it is likely to bounce higher initially, however if the price rises and negotiates large sell orders, it will likely fall lower at first. These locations represent an opportunity for you to place an order because you can clearly see others traders have the same view, however they also suggest a good location to place your stop loss, just behind the order cluster.

The charts featured in this manual are for illustration purposes only.
Identifying weak positions

The open positions function in OANDA's MT4 Open Order Indicator can provide insights into stress levels of various groups of traders. Generally speaking, the greater the number of traders in a losing position with the market pushing further away from their entry, the easier it is to force them to liquidate their positions to your advantage. These traders are often known as weak hands.

In the chart above, playing breakouts to the long side could be a successful tactic. Stressed shorts will see the price break higher, so the weak hands will be more compelled to close their positions to avoid receiving margin calls.

A new era in retail trading

Available exclusively to OANDA clients, the proprietary MT4 Open Order Indicator has changed the face of retail trading forever, revealing critical information never before available to the average trader. By presenting an aggregate overview of current buy and sell orders placed by OANDA traders directly on MT4, the Indicator enables traders to capture market sentiment, identify large order clusters and leverage weak hands, effectively stacking the odds in their favour by providing the same advantages typically reserved for institutional traders and interbank dealers. To learn more about OANDA's MT4 Open Order Indicator, please visit oandaMT4.com.
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