PSEDYS | TECHNICAL REFERENCE MANUAL V3.0

DOM / Level 2 — Order Book / Depth of Market

DOM / Level 2 — Order Book / Depth of Market

Technical Reference Manual v1.0

PSEDYS | Complete Edition

Bid/Ask Levels · Bid-Ask Spread · Iceberg Orders · Spoofing · Liquidity Walls · Real-time · PSEDYS

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1. What is DOM/Level 2? Concept

DOM (Depth of Market) or **Level 2** displays **resting orders (limit orders)** from the exchange's order book — orders that have not yet been executed and are waiting at specific price levels.

Fundamental difference from Footprint/CVD: DOM shows pending (unexecuted) orders, not executed trades. Orders in DOM can be canceled at any time — they are not "confirmation" of anything.

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2. Order Book Structure

```
ASK (resting sell orders — ABOVE current price):
  65,200: 5.2 BTC   ← closest ask
  65,150: 3.1 BTC
  65,100: 8.7 BTC   ← potential "wall"
  65,050: 2.3 BTC
  ──────────────── BID-ASK SPREAD
  65,000: 4.1 BTC   ← closest bid (best bid)
  64,950: 6.8 BTC
  64,900: 12.5 BTC  ← potential "wall"
  64,850: 3.2 BTC

BID (resting buy orders — BELOW current price):
```

Spread = Ask_best − Bid_best = 65200 − 65000 = 200 USD in example

3. Derived Metrics

```
Bid-Ask Spread: (Ask_best − Bid_best) / Mid_price × 100
  → Small spread = high liquidity (active market)
  → Large spread = low liquidity (inactive market, risk of slippage)

Order Book Imbalance (OBI):
  OBI = (Bid_Vol_N_levels − Ask_Vol_N_levels) / (Bid_Vol + Ask_Vol)
  OBI > 0.3: more buyers in order book → bullish pressure
  OBI < −0.3: more sellers → bearish pressure

Bid-Ask Ratio: Bid_Total / Ask_Total
  > 1.5: buying pressure (more bid than ask)
  < 0.7: selling pressure

Walls (Large Orders):
  Level with volume >> average → order "wall"
  Bid wall: potential support (blocks descent)
  Ask wall: potential resistance
```

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4. Trading Signals

```
Bid Wall at support:
  Level with large Bid below current price + price does not drop → support
  Entry Long with SL below Bid wall
  CAUTION: walls can be withdrawn (spoofing)

Ask Wall at resistance:
  Level with large Ask above price → resistance
  Short on rejection or long target = above Ask wall (if Wall is absorbed)

Increasing OBI (Bid > Ask in depth):
  More buying interest → bullish
  No confirmation from trades (DOM ≠ executions)

Wall Absorption:
  Large Ask wall + price breaks through (volume spike):
  → Wall absorbed by market orders → confirmed bullish breakout
```

5. Limitations and Pitfalls

```
SPOOFING: Fake orders placed and immediately withdrawn
  → Market maker places Bid Wall → price "falls" towards it → withdraws wall → price continues do
  → Same tactic with Ask Wall to create false resistance

ICEBERG ORDERS: Large orders fragmented (only part visible in DOM)
  → A visible ask of 1 BTC but execution continues → 100 BTC hidden
  → Market may drop more than the visible wall suggests

FLASH ORDERS: Orders placed and withdrawn in milliseconds (HFT)
  → DOM at human visual level = delayed compared to HFT algorithms

CONCLUSION: DOM as a standalone indicator = unreliable. Must be combined with CVD/Footprint (real
```

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6. DOM vs CVD vs Footprint

Aspect	DOM	CVD	Footprint
What it shows	Pending orders	Cumulative executions	Executions per level/bar
Real-time	Yes (continuous snapshot)	Yes (streaming)	Yes (completed bars)
Executed?	No (pending)	Yes	Yes
Manipulation	Easy (spoofing)	Difficult	Difficult
Lag	0 (real-time)	0	0

Best practice: DOM + CVD together — DOM shows orders, CVD confirms if they execute.

7. MTF and PSEDYS

```
DOM is a real-time tool (not TF bars). It is monitored:
  - At entry: Positive OBI + bullish CVD = entry confirmation
  - At resistance: Ask wall + negative CVD = does not exceed
  - At support: Bid wall + positive CVD = hold support

PSEDYS — DOM access:
  GM API does not directly provide DOM (order book)
  Exchange API: /depth endpoint (Binance, Kraken)

  # Kraken order book
  GET # Kraken Futures order book: futures.kraken.com API

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```

8. Practical Exercises

Exercise 1: Bid wall of 50 BTC below price at 64500

Situation: BTC at 64800. Bid wall of 50 BTC at 64500. Positive CVD. Bullish trend.

Answer: Potential but not certain support. Bid wall = pending orders, can be withdrawn. With positive CVD (confirms executed buy pressure), higher probability the wall is real. Entry Long on retracement towards 64600-64700 with SL below 64400 (below wall). If the wall is quickly absorbed (price rapidly breaks through 64500) → exit Long immediately.

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Exercise 2: OBI = +0.5 but CVD decreasing

Situation: ETH. OBI = +0.5 (much more Bid than Ask in order book). CVD consistently decreasing.

Answer: Suspect spoofing or bearish absorption. Positive OBI (more Bid) but decreasing CVD = sellers executing aggressively even if order book appears bullish. Possible: iceberg ask orders or spoofing Bid. Trust CVD (real executions) > OBI (pending). Bearish bias based on CVD. No Long despite OBI.

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9. Cheat Sheet

Concept	Rule
DOM	PENDING orders (unexecuted) per level
Bid	Resting buy orders (below price)
Ask	Resting sell orders (above price)
Spread	Ask_best − Bid_best
OBI	(Bid_Vol − Ask_Vol) / Total → bias
Bid Wall	Level with Bid >> average → potential support
Ask Wall	Level with Ask >> average → potential resistance
Spoofing	Wall placed and withdrawn → do not trust walls
Iceberg	Hidden orders (visible = small, real = large)
Wall Absorption	Wall disappears quickly + price breaks through → breakout
DOM + CVD	Combination: DOM shows orders, CVD confirms execution
Limitation	DOM alone = unreliable (spoofing, HFT)

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