

# Volume Analysis











Price and volume are the only 2 parameters you need to trade successfully. ALL indicators and tools in existence are derived from the above. We will complete the Volume study in 12 modules. In this thread, we will cover the 1st module, consisting of the following topics:-

1. Meaning
2. Volume Average
3. What is High/Low volume
4. Why is volume important-Smart money
5. Volume trends and reversals.
6. Entry at Support/Resistance
7. Conclusion

What is volume? It refers to the amount of asset traded over a fixed time. Purchase and sale of 1 unit is regarded as volume of 1 unit and not 2. Eg. If the volume of on Binance for BTC is 403 million USD, it means there's been a purchase and sale of 403 million USD worth of BTC

## Bitcoin Market Pairs ?

Pair: All ▼ Category: Spot ▼ USD ▼

Rank	Source	Pair	Price	Volume (24h)	Confidence <span>?</span>	Volume (%)	Liquidity <span>?</span>	Category	Updated
1	 Binance	<a href="#">BTC/USDT <span>?</span></a>	\$9,497.59	\$403,761,673	High <span>100</span>	1.90%	824	Spot	Recently
2	 OKEx	<a href="#">BTC/USDT <span>?</span></a>	\$9,498.01	\$508,645,813	High <span>100</span>	2.39%	923	Spot	Recently
3	 Huobi Global	<a href="#">BTC/USDT <span>?</span></a>	\$9,499.66	\$250,257,947	High <span>100</span>	1.17%	866	Spot	Recently
4	 HitBTC	<a href="#">BTC/USDT</a>	\$9,501.40	\$235,752,809	High <span>100</span>	1.11%	730	Spot	Recently
5	 Coinbase Pro	<a href="#">BTC/USD <span>?</span></a>	\$9,515.04	\$74,128,727	High <span>100</span>	0.35%	839	Spot	Recently
6	 BKEX	<a href="#">BTC/USDT</a>	\$9,497.95	\$199,008,291	High <span>89</span>	0.93%	879	Spot	Recently
7	 BitMax	<a href="#">BTC/USDT</a>	\$9,497.81	\$150,695,351	High <span>100</span>	0.71%	853	Spot	Recently
8	 Hoo	<a href="#">BTC/USDT</a>	* \$9,500.54	** \$128,855,911	High <span>100</span>	0.00%	664	Spot	Recently
9	 Binance	<a href="#">ETH/BTC <span>?</span></a>	\$9,509.54	\$34,409,544	High <span>100</span>	0.16%	655	Spot	Recently
10	 CoinBene	<a href="#">BTC/USDT</a>	\$9,499.88	\$165,776,713	High <span>85</span>	0.78%	772	Spot	Recently

The table below explains how cumulative volume is calculated. Many authors themselves get the concept of total volume wrong, Eg. Below is an extract from a Forex Trading tutorial where the concept of Total volume is incorrectly explained

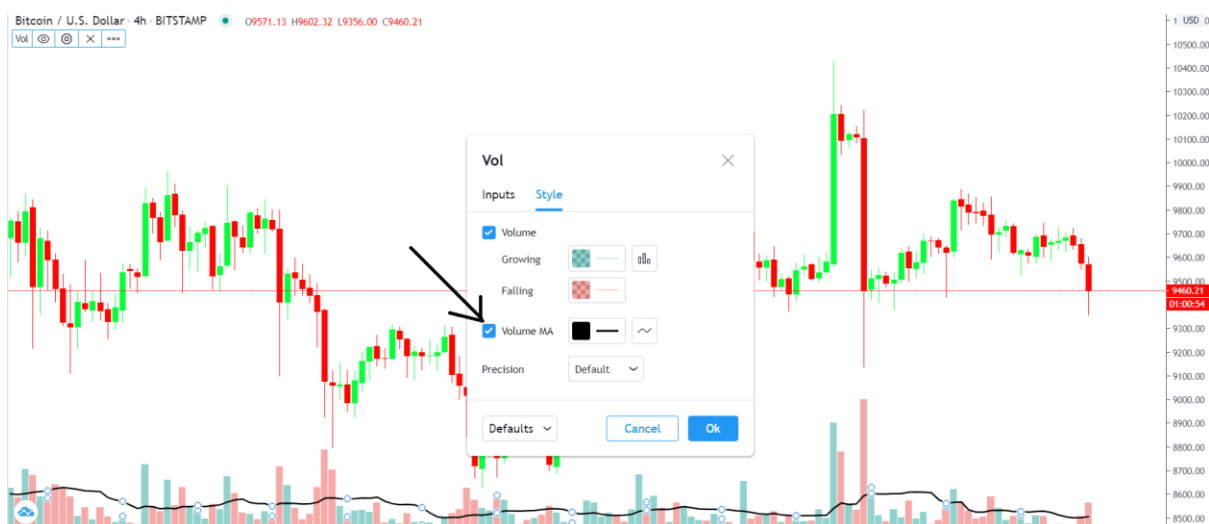
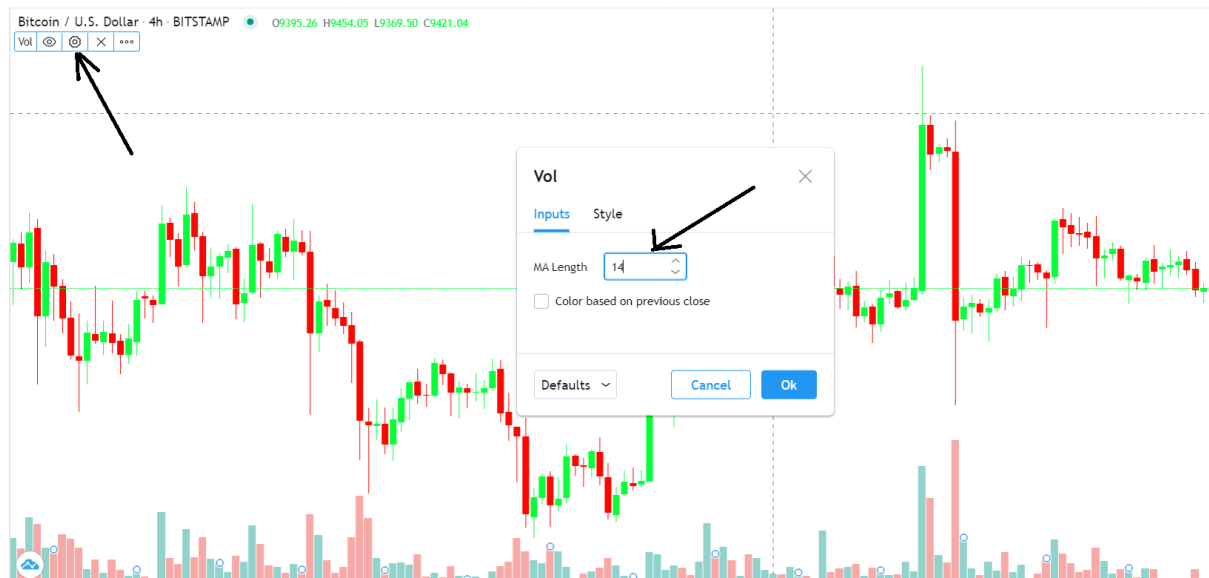
Trade	Time	Price	Sell Volume	Buy Volume	Cumulative Volume
1.	8:00AM	10000USD	500	500	500
2.	9:00AM	11000USD	650	650	1150
3.	10:00AM	10500USD	550	550	1700
4.	11:00AM	11000USD	400	400	2100

On its own, the volume has no use. Eg. It's of no use to know that the volume of Bitcoin in the last 24 hours was 1 billion USD. However, when combined with previous volumes and price action, it's helpful in taking a trade. This is explained below.

What does low volume and high volume mean? Low/high volume and low/high liquidity is a different concept. When we talk about low/high volume, we're taking in a relative term. A low volume refers to a volume lower than the average volume and vice versa for High volume.



What does average volume mean? It refers to the Moving average of the volume calculated on the basis of previous sessions. The average could be of any time period. The default average on TV is 20MA, I use 14. Here is how you can view/change it.











So why is volume study important? An increase in volume denotes an increase in interest and buying/selling by holders of big funds (Institutions) AKA smart money. Smart money are the holders of higher capital and more information.

It's generally believed that smart money has access to better analysis and more info, hence the levels that see the higher volume is regarded as an area

of interest. Smart money moves in to buy/sell at a certain level, increasing the volume substantially.

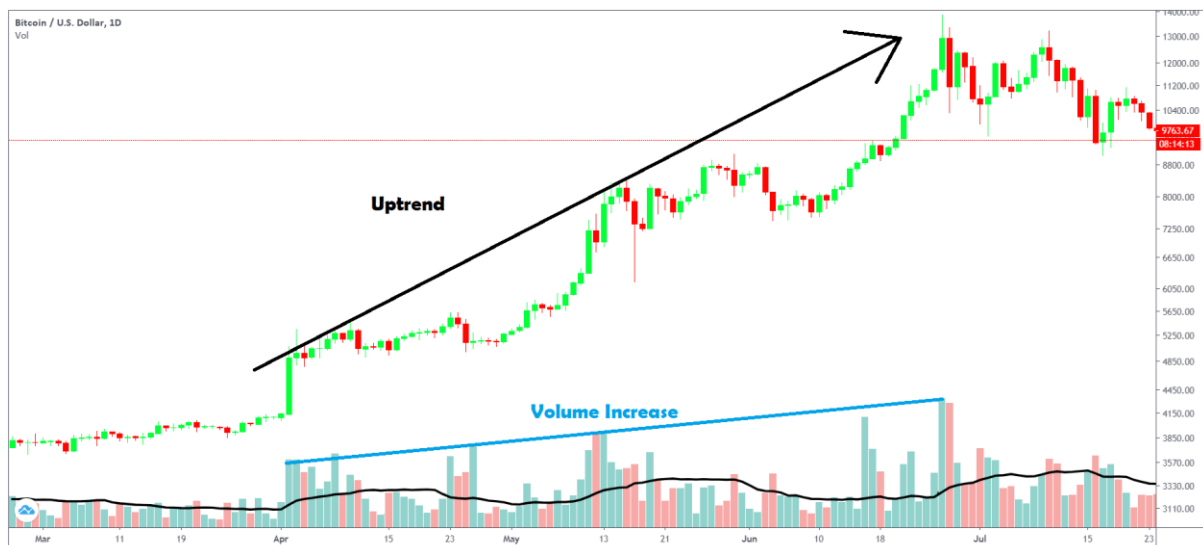
A lower level of volume sees buys/sells only from the retail investors with little capital, showcasing a period of weak hands buying and a time of uncertainty. Conclusion- Higher volume= Smart money with more info and funds buying, hence it's an area of interest.

Effects of Volume. The effects of Volume on price can be understood with the help of the following cheat sheet. We will discuss all 4 situations in detail. We will also study where we can Enter a trade and increase our positions after we have discussed all the 4 scenarios.

Price	Volume	Conclusion
 Increases	 Increases	✔ Uptrend supported by volume. <i>Look for Long entries.</i>
 Increases	 Decreases	⚠ Uptrend not supported by volume. <i>Exit Long entry upon further sign of reversal.</i>
 Decreases	 Increases	✔ Downtrend supported by volume. <i>Look for short entries.</i>
 Decreases	 Decreases	⚠ Downtrend not supported by volume. <i>Exit short entry upon further sign of reversal.</i>

1. Price increases with increasing volume- The volume here acts as a support to the uptrend. This kind of uptrend is said to be confirmed by

volume. In the chart below, see how in an uptrend, the volume too incrementally increasing, confirming an uptrend with volume expansion.



Price increases with decreasing volume. See the chart below, following a down-trend, there is a slight uptrend. Many traders would assume this to be a reversal. However this is accompanied by decreasing volume. This proves it to be just a correction and not reversal.

Hence, increase in price with a decrease in volume points towards an uptrend not supported by volume. It isn't safe to long this uptrend. This kind of price volume movement denotes a correction in a down-trend rather than a reversal.



2. Price decreases with increasing volume. When price decreases with increasing volume, the volume here confirms the downtrend. The chart below denotes a short entry and an addition to position upon further break of support. This is a multi confirmation entry.

When the sudden increase in volume leads to a downtrend AND the support zone is broken, this leads to a High volume as well as High momentum entry. High momentum short= Previous Support broken. Also see how the position is increased upon breaking of a further support.



3. Price decreases with decreasing volume. This decrease in price is not confirmed by volume and hence can be regarded as a correction in uptrend and not confirmation. Notice how the volume decreases upon down-trend and hence this isn't a reversal for a short entry.



The bull market of 2017 saw an ATH of 19700. However the ATH was not accompanied with equally high volume. Notice how the volume at ATH is lower than the average volume. The Volume at ATH is equal to what is was at 18000 levels. Is was a warning for MANY for the upcoming dump.

Trade entries at Support. A support is confirmed with a volume expansion. A long entry can be taken here which is generally a high probability trade. To be more sure, you can enter upon break-out from a local swing high as in this case.



Long entry at Resistance is showcased below. Notice how there is a sudden volume expansion at the resistance, which the volume rising substantially

above the average volume. Here we enter after volume expansion AND re-test for a High probability trade.



The short entries can be entered in the similar fashion, it has also been illustrated in case no. 3 Hence, increase in volume confirms the trend direction of the trend. It is important to relate the volume to the average volume.

## Divergence

When price moves in a certain direction, the momentum oscillator too should move in the same direction (and manner) Eg. When Price makes a higher high, the momentum oscillator too should make a higher high. This is called convergence. See Example below





In a rare occurrence, the momentum oscillator and the price don't follow a similar path. This phenomenon is called Divergence. It occurs because the average change in the lookback period (the time period of the oscillator) is in a different direction as compared to the price.

Divergences are used to find a potential reversal on the larger time frame or a swing/scalp opportunity on the lower time frame. A minimum of 4-hour time frame is preferred. Since they may fail ( very rarely) it is better to accompany the entry with further confirmations.





EmperorBTC published on TradingView.com, July 31, 2020 08:39:09 EDT  
 BITSTAMP-BTCUSD, 60 11208.60 ▲ +96.48 (+0.87%) O:11226.72 H:11236.84 L:11183.39 C:11208.60



## Don't trade week bullish convergence

EmperorBTC published on TradingView.com, July 31, 2020 04:28:34 EDT  
 BITSTAMP-BTCUSD, 240 11161.23 ▲ +49.11 (+0.44%) O:11146.04 H:11205.30 L:11103.56 C:11161.23





Volume Osc

MACD