

Volume and Open Interest

- What is Volume and Open Interest?
 - Volume: The number of an entity traded during a given period of time.
 - Open Interest: Represents the total number of outstanding longs or shorts in the market. Total number of contracts.

Volume

Shows total trading activity

Open Interest

Shows whether money is flowing in or out.

Buyer
 Buys new long
 Buys new long
 Buys old short
 Buys old short

Seller
 Sells new short
 Sells old long
 Sells new short
 Sells old long

Open Interest
 +
 Same
 Same
 -

Volume
 +
 +
 +
 +

- Use open interest and volume to aid in trend analysis

	<u>Trend</u>	<u>Vol.</u>	<u>Open Int.</u>	<u>Implication</u>	<u>Note</u>
1	Uptrend	+	+	Strong trend	strong uptrend
2	Uptrend	-	-	weak trend.	Expect reversal / gains to be minor
3	Downtrend	+	+		
4	Downtrend	-	-		

Trading Vol & Interest

- 1 = Total trade activity is increasing, number of participants in market increasing as well. Increase in demand and interest. Strong uptrend
- 2 = Trading activity is not increasing despite increasing prices, new participants not entering market. Vol / open interest disagrees we are in an uptrend creating a weak uptrend to be reversed and smaller gains if any will be made. Higher risk. Not going to last in an uptrend much longer.
- 3 = Trading activity increasing, trading activity confirms downtrend, this creates a strong downtrend
- 4 = Downtrend w/ Vol and OI decreasing, participants are leaving the market creating a weak downtrend to be reversed soon or not last long

- Use Open Interest and Volume to Identify Liquidity

- Vol / OI are useful tools to determine that the market has enough liquidity to support orders.
- Especially useful when selecting from multiple similar behaving assets.

Other Korush AK Courses

- Trading Psychology Course
- Risk Management Course
- System Development Course.