Module 07 · Printable reference

Volume and Volume Spread Analysis

Key concepts, worked examples and risk reminders. Use alongside the full free course.

081 Volume basics

Volume counts traded units or contracts over an interval.

Example: A bar with 10,000 shares traded has volume 10,000.

Check: If 100 shares change hands, what is exchange trade volume?

Answer: 100 shares, not 200.

Caution: Index values themselves may not have directly traded volume.

082 Relative volume

Relative volume compares current activity with a relevant historical baseline.

Example: Current 200,000 divided by typical 100,000 equals 2.

Check: Current volume 200,000 and baseline 100,000: what is RVOL?

Answer: 2.0.

Caution: Compare similar times of day for intraday analysis.

083 Volume and range

Compare activity with candle range to describe trading conditions.

Example: A range of 2 on high volume differs from range 10 on similar volume.

Check: Does high volume guarantee a wide range?

Answer: No; activity and price movement are distinct measurements.

Caution: The relationship does not reveal individual participant intent.

084 Volume climax

An unusually high volume bar can mark intense trading activity.

Example: Volume 500,000 versus median 100,000 is five times typical.

Check: Does a fivefold volume spike necessarily mark a top?

Answer: No; it may accompany either continuation or reversal.

Caution: Climaxes can accompany continuation or reversal.

085 Effort versus result

VSA interprets volume as effort and price movement as result.

Example: High volume with narrow range may suggest opposing activity.

Check: What is a candle spread when H=108 and L=103?

Answer: 5 price units.

Caution: This interpretation is not proof of absorption.

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086 No demand and no supply

VSA labels certain low-volume narrow-range bars in context.

Example: A small up bar with lower volume than prior bars may be labeled no demand.

Check: Can low volume alone identify a no-demand bar?

Answer: No; the chosen range and direction conditions must also hold.

Caution: Definitions vary; low volume can simply reflect quiet trading.

087 Stopping volume

Some traders label high activity near the end of a decline as stopping volume.

Example: A decline reaches 95 on large volume and closes near 100.

Check: What later event would undermine a reversal hypothesis?

Answer: A renewed decline below the reference low, under a predefined rule.

Caution: A subsequent decline can invalidate the interpretation.

088 Volume breakout confirmation

Volume can be an additional filter for a breakout rule.

Example: A close above 120 with relative volume 2 satisfies a chosen filter.

Check: Is a high-volume break guaranteed to hold?

Answer: No; the price can immediately return inside the range.

Caution: High volume cannot guarantee sustained price movement.

089 On-balance volume

OBV adds volume on higher closes and subtracts on lower closes.

Example: Starting at 0, an up day of 500 and down day of 300 gives 200.

Check: OBV=200 and the next close is unchanged on volume 1,000. New OBV?

Answer: 200 under the unchanged-close convention.

Caution: The indicator ignores the magnitude of price changes.

090 Volume profile

Volume profile groups traded volume by price rather than time.

Example: If 5,000 units trade near 100 and 2,000 near 105, 100 is busier.

Check: Why can two data vendors show different profiles?

Answer: Bin size, data coverage and allocation methods may differ.

Caution: Accurate profiles require suitable transaction-level data.

091 VWAP

VWAP is cumulative traded value divided by cumulative volume.

Example: 100 shares at 100 and 200 at 103 give VWAP 102.

Check: 100 shares at 100 and 200 at 103: why is VWAP 102, not 101.5?

Answer: The higher price receives twice the volume weight.

Caution: Bar-based typical-price VWAP is an approximation.

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092 Volume research

Test volume filters using consistent instruments and time-of-day baselines.

Example: Compare breakout results with and without relative volume above 2.

Check: What does a fair comparison hold constant?

Answer: The instrument universe, evaluation window, execution and exit rules.

Caution: Avoid survivorship bias and incomplete bars.

Further reading

SEBI investor education: investor.sebi.gov.in · NSE: nseindia.com. References for background only; no endorsement or independent validation is implied.