@AJBland's Notes on Volume and Price

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*NOTE - Volume doesn't seem to be as reliable for ETFs, this might be due to the fact ETF price and price movement is also related to its net asset value (NAV) as well as supply and demand

*NOTE 2 - The volume indicator used is the OG Trading View volume indicator that you can add as a third indicator with having the free plan, you just need to add it after your other 2 indicators. Also you can "hide" indicators with the eye icon and they don't count as active indicators,

Large Volume Candles

- If volume is rising, confirmation of strong breakout
- After a breakout, a spike in volume signals end of the move
- During a bullish move, a bear volume candle that engulfs the previous bull volume candle signals reversal/end of trend and vice versa

- Same thing for the downside

- Inversely, if price is making a move, but volume is decreasing, it signals a false breakout
- While volume increases on the way down, as price reaches the bottom of the box, volume starts to lose strength, signaling a false breakout

- Here’s a better example of a false breakout with $COP
- This is a trade I am currently watching. I didn’t enter because volume wasn’t increasing when price was breaking above, it was a false breakout

- After a large volume of sellers or buyers, price will reject or bounce when testing that level again, these are sell off or buy in levels

- This can also cause ranges to be formed between buyers and sellers. You can see the two boundaries set by the volume levels, and the sell off level was only broken by a three white soldiers candle pattern that signals a bullish trend. Further studying leads me to believe price is most likely to break one of these zones with the MAs pushing it through

- Big volume candles can also indicate where price will go in the short term, this is most common when price isn't at a support/resistance and has room to move in the direction of the volume

- Increasing volume during a move can also signal a reversal at the volume peak
- This is also called exhaustion and typically happens at support/resistance levels

- It's important to note the difference between a volume spike that signals the start of a trend, or a reversal
- This next picture shows both a bearish volume surge that pushes price down, and a bearish volume surge that signals reversal
- The first large bear volume candle is away from this support level, meaning price can move down to the support, which it does. The second bearish volume candle is at the support, and had increasing volume leading up to it, showing exhaustion and reversal

- A volume surge on a pullback also indicates the end of a trend

<u>Small Volume Candles</u>

- Small volume candles mean a continuation of the current trend
- After starting the bullish trend, volume stayed relatively the same, indicating a continuation of the trend, and one could predict the end since there was a large buying candle at the end before the sell off, relative to the previous candles

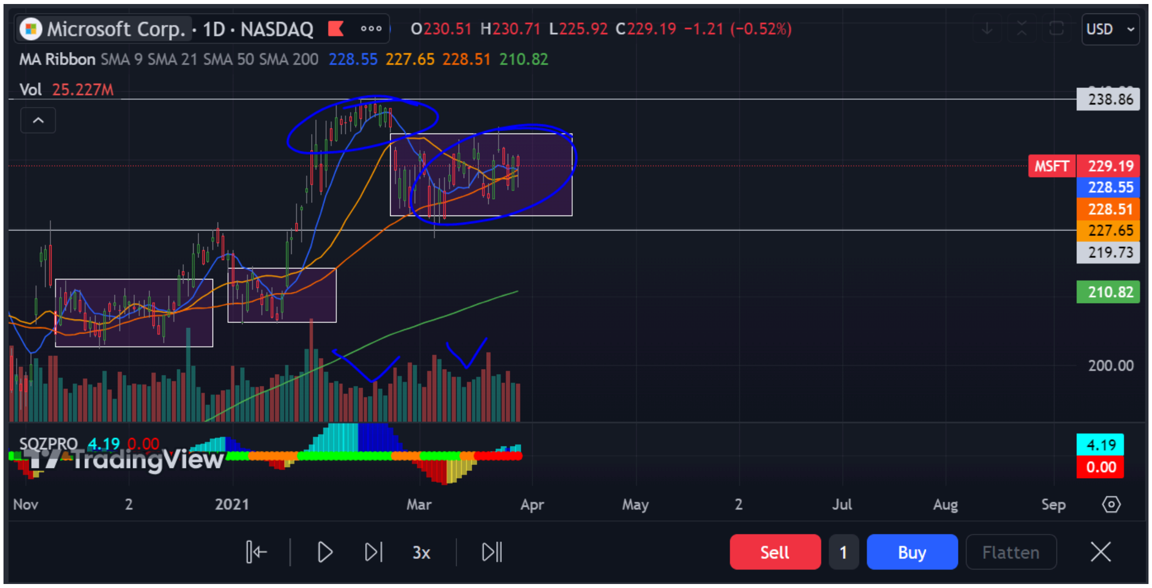
- Same thing for the bearish trend that happened immediately after that bullish trend
- The end could be indicated by the 2 larger selling candles near the end

- Another take away from the picture above is the small volume fluctuations, volume isn't as flat as the picture of the bullish trend, but volume decreased on the pullbacks, and increased on the continuation
- The trend ended when the volume pattern diverged from the price pattern
- Here's a picture with a better view

Volume Patterns

- The **Volume Valley** indicates reversal when there is a clear trend on the decreasing/weakening side and the opposite trend on the increasing/strengthening side
- Here are some examples with clear trend:

- Be aware of when it isn't clear whether one side is weakening or strengthening, this condition usually means consolidation and not a strong move



- **Level Volume** means the current market trend is stable and likely to continue. As shown earlier, level volume can show trend continuation or consolidation continuation. In other terms, markets are not changing from the status quo

- This can be used to determine false breakouts. Specifically here where volume dropped and flattened, meaning a breakout wasn't happening

- **Three Step** is another "reversal" pattern. When volume shows three candles with the same trend each lower or higher than the last it indicates a pull back for the short term


Meta Platforms, Inc. · 1D · NASDAQ
O190.60 H192.08 L185.71 C191.83 +5.39 (+2.89%)
MA Ribbon SMA 9 SMA 21 SMA 50 SMA 200 193.21 202.22 257.34 322.56
Vol 31.722M
SQZPRO -7.18 0.00
USD
240.00
220.00
202.22
193.21
META 191.83
180.00
160.00
0.00
-7.18
Nov
Dec
2022
Feb
Mar
Apr
May
3x
Sell
1
Buy
Flatten


Netflix, Inc. · 1D · NASDAQ
O599.81 H620.28 L599.50 C619.34 +16.42 (+2.72%)
619.34
0.00
1
619.34
MA Ribbon SMA 9 SMA 21 SMA 50 SMA 200 592.06 577.47 533.10 449.06
Vol 4.27M
SQZPRO 21.14 0.00
USD
660.00
640.00
NFLX 619.34
600.00
592.06
577.47
574.44
560.00
540.00
533.10
520.00
500.00
474.94
21.14
0.00
Nov
Dec
2024
Feb
Mar
Apr
1D 5D 1M 3M 6M YTD 1Y 5Y All
04:59:37 (UTC-5)
ADJ


Netflix, Inc. · 1D · NASDAQ O481.60 H487.00 L472.95 C478.33 −3.76 (−0.78%)
MA Ribbon SMA 9 SMA 21 SMA 50 SMA 200 478.93 480.33 464.12 410.22
Vol 4.342M
SQZPRO 0.00
Nov 14 Dec 18 2024 16 Feb 14 Mar
Sell 1 Buy Flatten


Adobe Inc. · 1D · NASDAQ O536.25 H540.46 L529.32 C533.09 −2.89 (−0.54%)
MA Ribbon SMA 9 SMA 21 SMA 50 SMA 200 515.30 518.92 575.34 588.25
Vol 2.494M
SQZPRO 7.37 0.00
Sep Oct Nov Dec 2022 Feb Mar Apr
Sell 1 Buy Flatten

Candle Patterns and Volume (Important)

- This is going to be the most important section for analyzing volume and implementing it into your trading system. It will go over how volume and candle patterns can validate or invalidate trade setups and price movement

- **2 Important Clarifications**
- **Bull Market Control**
    - When a bull candle with more volume engulfs a previous bear candle with less volume, and vice versa
- **Bear Trapped Traders**
    - When a bull candle with less volume closes above a previous bear candle with more volume, and vice versa

- This is an indication of trapped traders. The volume indicates bears are entering positions but price doesn't go down, so the bears have to hedge their positions by going long which increases the price. Check the 3rd video link at 17:00 minutes to see further explanation
- This mostly happens on doji candles

- Here we see JPM in a bull trend. There is a spike in bear volume, but the candle doesn't close below the previous bull candle with less bull volume
- The next candle has less bull volume, but the candle closes above the bear candle. This causes those bears to become trapped and they go long to hedge their position, driving price up
- In the second set of candles, bear volume is greater than bull volume and closes below the previous bull candle. This signals bears are back in control and the market is ready to reverse
- Add in the fact volume is decreasing and there are a lot of doji candles, its clear you should sell your long positions and wait for markets to pick a direction

- Here is a great example with GOOGL that ties together a lot of what's been covered
- There's a three white soldiers candle pattern, indicating strong bullish bias. However we have a three step pattern with the volume, telling us price will pullback before going up. Volume trumps price action. What real people are doing is what actually moves the market, not a candle stick pattern. Even though a candle stick pattern can predict what these real people could do.
- At the bottom of the pullback, we have a weak bull overcoming a stronger bear, showing us price will go up. The next 2 bear candles don't close below that bull candle, confirming the bears are trapped
- Now that the bulls and trapped bears are driving price up, we see an exhaustion pattern with the volume candles, and a bull doji with less volume and not closing above the previous bear candle, these signals tell us the move up is over. And we exit our long positions before the bears drive price back down

Trapped Traders

- Trapped traders refers to when there is clear bullish or bearish momentum that has not been overcome by the opposite momentum to continue the trend
- When there are trapped buyers, do not enter long, and when there are trapped sellers, do not enter short
- When there are trapped traders, it is important to wait for price to choose a direction before entering. Trapped traders can hedge their position by entering opposite to their original position and causing price to be very volatile. For example, trapped bears can buy to hedge their short positions, which can cause price to go up and vice versa.

- GS recently has been a prime example for trapped buyers. The buyers in circle 1 were trapped, as neither bull volume or candle had overcome the major bear volume and candle. They are no longer trapped as price has moved above the bear candle. However the buyers in circle 2 will be trapped until bull volume or candle overcome the recent major bear volume and candle.
- Essentially wait for GS to close above 396 or below 385. Above 396 the bulls are back in control, and below 385 the trapped bulls will go short to hedge their position.

- In this example, there was a large bear candle with volume. The next three bull candles are trapped traders. The bulls couldn't retake control from the bears and price began to drop. When price closed below the wick of the big bear candle, the trapped bulls had to sell to hedge their position, leading to more bear momentum. We can see the next large bear volume indicating the end of the trend as price starts to consolidate afterwards

- Big bear volume and candle, trapped bulls until price gets back above the wick. Price couldn't close below the wick either so bulls were trapped for a while. When price finally closed above, bulls were in control and price went higher as the bear started hedging

- Here is an example of trapped bears, MSFT had a big bull candle with volume, but the trapped bears were able to overcome the volume and close below the wick of the bull candle, putting the bears in control and making the bulls hedge their positions which dropped price even further

- The second link under "Volume Video Analysis Suggestions" goes in-depth on volume predicting price action and trapped traders predicting price action

Volume Video Analysis Suggestions

https://www.youtube.com/watch?v=5DHO_ohjnCo
https://www.youtube.com/watch?v=19O_iWtiA18
https://www.youtube.com/watch?v=6tUaSxOJhoo&t=998s

Examples of Volume Trading

$CRWD

- First we notice the large bull volume, indicating a "Buy In Level" (BIL) and can enter long as it starts the move up
- Then we notice a three step pattern, meaning we should exit the long position and can go short for the retest of the BIL

- We see confirmation of the bounce from the BIL with the large bear volume candle, indicating the end of the move, and the bull candle close above the bear candle, despite having less volume. Entering long at the large bear candle would be an early entry and entering long at the bull close would be a safe entry
- The bounce from the BIL gives us another three step pattern. So we can exit early here, safe exit, or wait for confirmation of bear control. Which we get when a bear candle closes below the previous bull candle with more volume, riskier exit
- Now that bears are back in control and we just had a three step pattern, we can enter short for a move back to the BIL. During the move, it does stall, but volume doesn't indicate a change in momentum, meaning the move for a second test of the BIL is still valid

- The first indicator that price will bounce from the BIL is bear volume hasn't been increasing. It was flat during the move and spiked at the end, meaning the move is weak and will likely bounce at the BIL. The next indication we get is the spike of bull volume at the BIL with a doji candle. Pair the end of bear move with a doji candle and bull volume at a BIL, we got a clear reversal and can exit shorts and go long
- This second bounce from the BIL we can ride, as we have no reason to exit until the three step pattern near the end. The safe exit would've paid more this time because price consolidates after the three step and the riskier exit would be when bears get control on the move down after the consolidation

$MCD

- We're gonna start with the volume valley formation where bull volume is weakening and bear volume is increasing. We can enter short when bears take control, or when a bear candle closes below a previous bull candle with more volume.

- We ride the trend down until the large volume candle which signals the end of the trend. We see that there are 2 large volume candles. The first indicates the end of the trend, but the second indicates there are trapped bears. After that large bear volume candle, price closes above that candle and the trapped bears are forced to enter long to hedge their positions. We can enter long for a quick trade until bears retake control.

- Now this small move back up is forming another volume valley with weakening bulls and strengthening bears. We can enter short when bears are back in control and ride the trend for a lower low. On this trend, we notice more trapped bulls, and a three step pattern with bull volume which confirms that price is going lower
- As we reach the bottom of this bear trend, we notice the volume showing exhaustion signals, meaning reversal. We exit on the second bull candle after the bottom because it confirms bulls are back in control.

- We can enter long when we know bulls are back in control and we have clear reversal signals. We can exit at either the large bear volume candle, or wait for a riskier exit at the three step pattern that quickly follows. Now volume becomes mostly flat, indicating consolidation as the market is deciding a direction. We can start to notice a slight increase in volume, and bears are taking control. We get confirmation when a bear candle closes below a bull candle with greater volume, and we short for another move down

- Again, the volume shows exhaustion, and we know to exit when a bull candle with less volume closes above a bear candle with more volume.
- We can go long to catch the reversal move back up, and exit when a bear candle with less volume closes below a bull candle with more volume. Now we can see there are trapped bulls at the top of the reversal move we just caught. A high bull volume candle that is overcome by a bear candle with less volume, and the trapped bulls need to enter short to hedge their positions.

- The end of the move down is clearly labeled by the large bull volume candle with a doji candle. This is a strong reversal sign and indicates a possible start of a trend. We enter longs and ride until a bear candle closes below a bull candle with more bear volume which tells us when bulls aren't controlling the market anymore
- This trade was longer and you could exit at the next large volume candle, or reversal signal

$ADBE

- The large sell off on the left immediately gives us a Sell Off Level (SOL), Be careful about trying to immediately short this volume though, price never broke below previous lows and the next spike in bear volume shows us there are trapped bears. A bull candle closes above the trapped bears and we can start the move back to the SOL as these trapped bears buy in to hedge themselves

- Volume on the way to the SOL is flat, meaning when we hit the SOL, we are going to sell off. So we enter short and wait for the price to reject. Price breaks above but doesn't have volume support to stay above. This traps bulls and we get a strong rejection from the SOL. We can exit the shorts and even enter longs when a bull candle with more volume closes above the previous bear candle, showing bulls are back in control

- We get a strong move back to the SOL, but again, no volume support. We can reverse our positions again as we get another strong rejection and exit when a bull candle closes above the previous bear candle
- Price consolidates with volume staying flat. We then see a bull candle with greater volume close above previous bears and we can enter long as bulls are controlling the market and sell when bears take control

- Price gets back to the SOL, but has decreasing volume. This almost guarantees the price will reject a third time. We enter shorts and wait for the move down and exit with a bull candle closing above a bear candle.

- Price slowly reaches the SOL again with decreasing volume, and we enter shorts for the incoming rejection. Once again, we exit when a bull candle closes above a bear candle. But this time, the bulls get trapped as bears get price below the previous bull candle with less volume. Now we can enter more shorts as the trapped bulls are going to enter short positions to hedge themselves and exit when a bull candle closes above a bear candle


Adobe Inc. · 1D · NASDAQ
O452.01 H457.41 L449.67 C450.54 +2.95 (+0.66%)
USD
MA Ribbon SMA 9 SMA 21 SMA 50 SMA 200
Vol 2.619M
SOL
560.00
540.00
528.41
520.00
505.50
480.00
460.00
ADBE 450.54
440.00
420.00
400.00
389.46
TradingView
Sep
Oct
Nov
Dec
2021
Feb
Mar
3x
Sell
1
Buy
Flatten