Glossary - O [ChartSchool]

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Offer

See Ask.

On Balance Volume (OBV)

One of the first and most popular indicators to measure positive and negative volume flow, the OBV was introduced by Joe Granville in 1963. The concept behind the indicator is that volume precedes price. OBV is a simple indicator that adds a period's volume when the close is up and subtracts the period's volume when the close is down. A cumulative total of the volume additions and subtractions forms the OBV line. This line can then be compared with the price chart of the underlying security to look for divergences or confirmation. See ChartSchool article on On Balance Volume (OBV).

Open Interest

The number of options or futures contracts that are still unliquidated at the end of a trading day. A rise or fall in open interest shows that money is flowing into or out of a futures contract or option, respectively. In futures markets, rising open interest is considered good for the current trend. Open interest also measures liquidity.

Oscillator

An indicator that determines when a market is in an overbought or oversold condition. When the oscillator reaches an upper extreme, the market is overbought. When the oscillator line reaches a lower extreme, the market is oversold. See ChartSchool article on Oscillators.

Outside Day

A chart pattern where the high is above the previous day's high and the low is below the previous day's low.

Outside Reversal Day

A two-day chart pattern that can indicate a reversal in trend. Like with outside days, the second day's high must be above the previous day's high, and the low must be below the previous day's low. In addition, the second day must close in the opposite direction of the previous trend (e.g. in an uptrend, the second day must close down). This pattern is similar to the engulfing candlestick pattern, but requires the entire range (high and low) to be engulfed, not just the open and close.

Over The Counter (OTC)

A securities market that is not geographically centralized like the trading floor of the NYSE. OTC securities are traded through a telephone and computer network.

Overbought

A technical condition that occurs when prices are considered too high and susceptible to a decline. Overbought conditions can be classified by analyzing the chart pattern or with indicators such as the Stochastic Oscillator and Relative Strength Index (RSI). A sharp advance from $15 to $30 in 2 weeks might lead a technician to believe that a security is overbought. Or, a security is sometimes considered overbought when the Stochastic Oscillator exceeds 80 and when the Relative Strength Index (RSI) exceeds 70. It is important to keep in mind that overbought is not necessarily the same as being bearish. It merely infers that the stock has risen too far too fast and might be due for a pullback.

Oversold

A technical condition that occurs when prices are considered too low and ripe for a rally. Oversold conditions can be classified by analyzing the chart pattern or with indicators such as the Stochastic Oscillator and Relative Strength Index (RSI). A sharp decline from 30 to 15 in 2 weeks might lead a technician to believe that a security is oversold. Or, a security is sometimes considered oversold when the Stochastic Oscillator is less than 20 and when the Relative Strength Index (RSI) is less than 30. It is important to keep in mind that oversold is not necessarily the same as being bullish. It merely infers that the security has fallen too far too fast and may be due for a reaction rally.