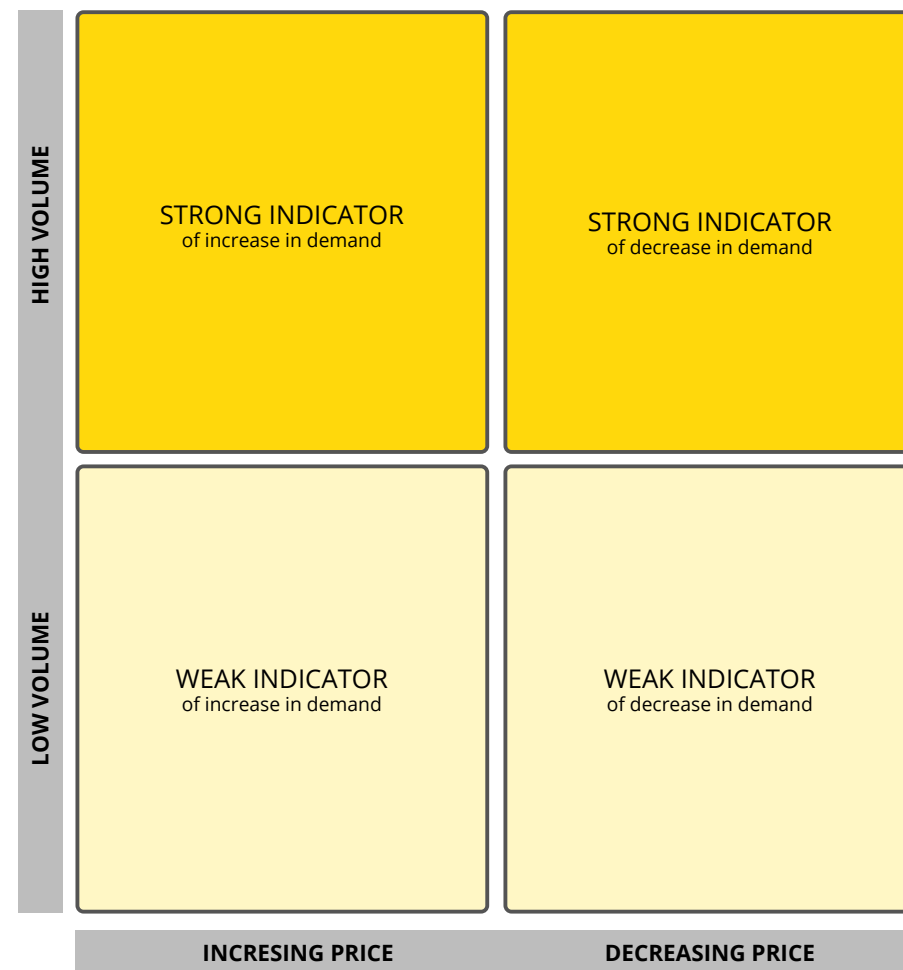# PRICE & VOLUME

One of the most age old technical analysis tool is the simple tool of using Price and Volume data together. The simple yet powerful tool gives us very strong signals about the direction in which the asset price is moving. A sudden jump in volume with closing price moving in any particular direction gives a strong indication about the trend. Either it is associated with news or else it can mean strong indications about the trend.

When there is a sudden increase in volume and it is not clearly associated with a news very specific to the asset, we can use volume jumps as reliable signals for strong trends. Whenever there is a price increase with very heavy volume, we can say that at the moment the Bulls have a very firm grip over the market and the volume is validating that. We can expect in such a scenario that the Bullish trend will continue as there is immense Buying pressure for them.

Similarly, when there is sudden jump in Volume and is accompanied with falling asset prices, it means that the Bears have firm grip over the market. In such situation, if we are long on any particular asset, we should immediately square off our position as the Bears are expected to exercise control over the market. We see how Volume data is being used to validate the strength of the movement.

We see that such price and volume data does not give us clear and Entry and Exit signals. We will never take any trades purely based on this data. However, we will use these to validate the strength of movement using other indications. We will use these to square off our positions in case there is a movement in the opposite direction and we will use these to increase our conviction on positions that we are holding and hold them even longer. Pure price and volume data is one of the most fundamental data around which entire technical analysis is built. Let us see how they look in practice.

PRICE & VOLUME

	INCRESING PRICE	DECREASING PRICE
HIGH VOLUME	STRONG INDICATOR of increase in demand	STRONG INDICATOR of decrease in demand
LOW VOLUME	WEAK INDICATOR of increase in demand	WEAK INDICATOR of decrease in demand

NSE:PARAGMILK, 1D 121.60 ▲ +1.75 (+1.46%) O:120.95 H:122.60 L:120.35 C:121.60

PARAG MILK FOODS, 1D, NSE

We see that the sudden increase in volume along with Bullish Movement indicates very strong Bull grip over the market. We will square off our positions if we are short on such assets. We will continue to hold long with added conviction if we are long on this asset using other indicators. However, we see we cannot enter any trade solely based on Volume Data.

NSE:MINDTREE, 1D 1681.90 ▲ +18.35 (+1.1%) O:1700.00 H:1760.00 L:1664.15 C:1681.90

MINDTREE LTD, 1D, NSE
Vol

These are all examples of volume increases. We see that in the first instance, if we were long the asset which is very likely, we would have instantly squared off the position. Second time around, we would have continued to hold our short position. Third time around, we see that we will not take any trade based solely on volume jump. We will hold if we were Long on the asset. Also, we will check if there was any news around this date that affected the company directly.

NSE:MINDAIND, 1D 415.50 ▲ +9.25 (+2.28%) O:406.25 H:417.45 L:406.25 C:415.50

This is yet another example of Volume Jumps. We will continue to hold our long position with greater conviction if we had one here using other indicators.

NSE:MOLDTKPAC, 1D 326.75 ▼ −1.45 (−0.44%) O:334.00 H:348.80 L:320.55 C:326.75

We see how Price and Volume data is sending the occasional mixed signal. We will not be able to act on this data in any material manner. We can use volume data along with almost any other indicator or analytical tool to understand the strength of the trade. Volume data's primary role is purely to understand the strength in the direction. With this, we end our discussion of Price-Volume data. One of the simplest yet most powerful analytical tools to conduct Technical Analysis. Let us now move on to next analytical tool.