



The Better Volume Indicator ... My Secret to Analyzing Volume

Summary of what you'll learn in the feature article below:

- The Better Volume indicator uses a combination of bid/ask volume and range to identify Volume Climax, High Volume Churn and Low Volume bars.
- Market tops are characterized by Volume Climax Up bars, High Volume Churn and Low Volume Up bars (also called Testing).
- Market bottoms are characterized by Volume Climax Down bars, High Volume Churn and Low Volume Down bars (Testing).
- Pullbacks, in either up or down trends, are similar to market topping or bottoming patterns, but shorter in duration and with simpler volume patterns.
- The Better Volume indicator works in all markets and for all time frames – but is particularly useful for tick charts.

Most Traders Ignore Volume – Big Mistake!

	Bottom	Start Up Trend	Up Trend Continue	Top	Start Down Trend	Down Trend Continue	Indicator Color
Volume Climax Up		Yes		Yes		Yes	<i>Red</i>
Volume Climax Down	Yes		Yes		Yes		<i>White</i>
High Volume Churn	Yes			Yes			<i>Green/Blue</i>
Hi Vol Churn + Climax	Yes			Yes			<i>Magenta</i>
Low Volume	Yes		Yes	Yes		Yes	<i>Yellow</i>

Better Volume Indicator: Summary

Volume has to be the most underrated market variable used in technical analysis. But if you know how to analyze and interpret it, you'll be able to see market turning points develop and anticipate pullbacks and trend changes.

You can figure out whether the Professionals are buying or selling by analyzing:

- Volume transacted at the bid or the ask
- High to low range of the bar, and
- Average trade size.

The Better Volume indicator improves on your typical volume histogram by coloring the bars based on 5 criteria:

- Volume Climax Up – high volume, high range, up bars (red)
- Volume Climax Down – high volume, high range, down bars (white)
- High Volume Churn – high volume, low range bars (green, PaintBar blue)
- Volume Climax plus High Volume Churn – both the above conditions (magenta)
- Low Volume – low volume bars (yellow)
- When there are no volume signals the default histogram bar coloring is cyan

The Better Volume indicator also comes in a PaintBar version, so you can see the coloring on the price bars themselves. The table above is a quick reference guide that shows what volume indicator signals to watch for at different stages of the market.

Remember, this method of identifying market turning points using volume is even more powerful when combined with other non-correlated indicators. In my trading I use the [Hilbert Sine Wave](#) to identify cyclical turning points and take the trade when confirmed with the Better Volume indicator signals.

Better Volume Indicator: Volume Climax Up



Better Volume Indicator: Volume Climax Up (Emini 5 min)

Volume Climax Up bars are identified by multiplying buying volume (transacted at the ask) with range and then looking for the highest value in the last 20 bars (default setting). Volume Climax Up bars indicate large volume demand that results in bidding up prices. The default setting is to color the bars red.

Volume Climax Up bars are typically seen at:

- The start of up trends
- The end of up trends, and
- Pullbacks during down trends.

The beginning of an up trend is almost always marked by a Volume Climax Up bar. This shows that the buyers are anxious to get on board and large volume enters the market and bids up prices quickly. A valid breakout should be followed by more buying but occasionally the low of the Volume Climax Up bar is tested.

Market tops are also characterized by Volume Climax Up bars often with High Volume Churn and/or Low Volume test patterns. Changes in trend usually take a while to develop, so don't be suckered in too soon – wait for the market to become exhausted. A useful signal to watch for is the Low Volume bar – this shows that finally there is no demand and the market is likely to stop advancing.

During a down trend, pullbacks are often characterized by Volume Climax Up bars. These show short covering or traders calling a bottom too quickly. As soon as this Climax volume declines the down trend is likely to resume. Continuation of the down trend is confirmed when the low of the Volume Climax Up bar is taken out.

Better Volume Indicator: Volume Climax Down



Better Volume Indicator: Volume Climax Down (Emini 5 min)

Volume Climax Down bars are essentially the inverse of Volume Climax Up bars.

Volume Climax Down bars are identified by multiplying selling volume (transacted at the bid) with range and then looking for the highest value in the last 20 bars (default setting). Volume Climax Down bars indicate large volume supply that results in pushing down prices. The default setting is to color the bars white.

Volume Climax Down bars are typically seen at:

- The start of down trends
- The end of down trends, and
- Pullbacks during up trends.

The beginning of a down trend is almost always marked by a Volume Climax Down bar. This shows that the sellers are anxious to get on board and large volume enters the market and pushes down prices quickly. A valid breakdown should be followed by more selling but occasionally the high of the Volume Climax Down bar is tested.

Market bottoms are also characterized by Volume Climax Down bars often with High Volume Churn and/or Low Volume test patterns. Changes in trend usually take a while to develop, so don't be suckered in too soon – wait for the market to become exhausted. A useful signal to watch for is the Low Volume bar – this shows that finally there is no supply and the market is likely to stop declining.

During an up trend, pullbacks are often characterized by Volume Climax Down bars. These show profit taking or traders calling a top too quickly. As soon as this Climax volume declines the up trend is likely to resume. Continuation of the up trend is confirmed when the high of the Volume Climax Down bar is taken out.

Better Volume Indicator: High Volume Churn



Better Volume Indicator: High Volume Churn (Emini 5 min)

High Volume Churn bars are identified by dividing volume by the bar's high to low range and then looking for the highest value in the last 20 bars (default setting). High Volume Churn bars indicate profit taking, new supply entering the market at tops or new demand entering the market at bottoms. The default setting is to color the volume histogram bars green and the price PaintBars blue.

High Volume Churn bars are typically seen at:

- The end of up trends
- The end of down trends, and
- Profit taking mid-trend.

When Volume Churn is high it indicates demand is being met by new supply at tops or supply is being met by new demand at bottoms - in effect, price is not able to advance as new supply or demand enters the market. Hence the bar's high to low range is low.

Occasionally Volume Climax (up or down) and High Volume Churn bars coincide and these bars are colored magenta.

A word of caution with intra-day charts. High Volume Churn often appears on the last bars of the trading day. This does not necessarily represent a possible turning point, but is more likely just to be high volume from day traders closing out positions.

Better Volume Indicator: Low Volume



Better Volume Indicator: Low Volume (Emini 5 min)

Low Volume bars are identified by looking for the lowest volume in the last 20 bars (default setting). Low Volume bars indicate a lack of demand at tops or a lack of supply at bottoms. The default setting is to color the bars yellow.

Low Volume bars are typically seen at:

- The end of up trends
- The end of down trends, and
- Pullbacks mid-trend.

Low Volume bars are my favourite volume indicator signal. They show what the amateurs are doing on tick charts. They are also very useful confirming indicators of a change in trend direction when the market is testing a top or bottom.

Better Volume Indicator: TradeStation EasyLanguage Code

```
Inputs: LowVol(True), ClimaxUp(True), ClimaxDown(True), Churn(True) ...
Variables: BarColor(Cyan);
```

```
BarColor = Color;
```

```
If BarType > 1 or UseUpTicks = False then begin
  If C > O and Range <> 0 then Value1 = (Range/
    (2*Range+O-C))*UpTicks;
  If C < O and Range <> 0 then Value1 = ((Range+C-O)/
    (2*Range+C-O))*UpTicks;
  If C = O then Value1 = 0.5*UpTicks;
  Value2 = UpTicks-Value1;
End;
```

```
If BarType <= 1 and UseUpTicks then begin
  Value1 = UpTicks;
  Value2 = DownTicks;
End;
```

```
Value3 = AbsValue(Value1+Value2);
Value4 = Value1*Range;
Value5 = (Value1-Value2)*Range;
Value6 = Value2*Range;
Value7 = (Value2-Value1)*Range;
If Range <> 0 then begin
  Value8 = Value1/Range;
  Value9 = (Value1-Value2)/Range;
  Value10 = Value2/Range;
  Value11 = (Value2-Value1)/Range;
  Value12 = Value3/Range;
End;
```

```
Etc.
```

Better Volume Indicator: EasyLanguage Code Snippet (Version 2)

A snippet of the TradeStation EasyLanguage code for the Better Volume indicator is shown above. By default, intra-day charts use the "UpTicks" and "DownTicks" data available within TradeStation. For daily, weekly or monthly charts an estimate of the buying and selling volume is calculated based on the bar's open, high, low and close.

Please note, the TradeStation EasyLanguage term "UpTicks" will call the total volume transacted at the ask. Similarly, the term "DownTicks" will call the total volume transacted at the bid. Total volume for an intra-day bar can be deduced by adding together "UpTicks" and "DownTicks". This terminology may not be the same for other charting platforms - so don't bug me about it!

My thanks to Ashley Howes of [CCL Trading Systems](http://www.CCLTradingSystems.com) for pointing out problems with the original version of the Better Volume indicator code. This second version of the code would not have been possible without his insights.

What People Are Saying About the Better Volume Indicator

*"The Better Volume indicator is a **dream tool** ... and it's free ... ty much."* 4Q Survey

*"The Better Volume indicator, in my opinion, is **the best volume indicator bar none**."* Elliott Wave, NinjaTrader Forum

*"The Better Volume indicator is **fantastic**."* Greg

*"Thanks so much for your Better Volume indicators, **they really work!**"* Robert L.

"I really like your free Better Volume indicator ... Keep up the good work!" Scott B.

"I have started using the Better Volume indicator and so far it has helped me a lot! Thank you so much." Neil F.

If you want to see daily examples of the Better Volume indicator in action then [subscribe](#) to this site's free newsletter. Or follow this link to read over 25 articles on the [Better Volume indicator](#).

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