

TradingFinder > Education > Forex Education > What Is Trading Volume in Techni...

# What Is Trading Volume in Technical Analysis? Measuring Liquidity & Price Moves

Categories: [Forex Education](#) [TradingView Education](#) [Technical analysis Education](#)

Article Level: [Elementary](#) 



Writer:  
Ram Nisha




Reviewer:  
Davit Kvaratskhelia




Fact checker:  
Nino Gogochashvili



Modified: Jul 17, 2025

 Comments: 0

 Views: 78

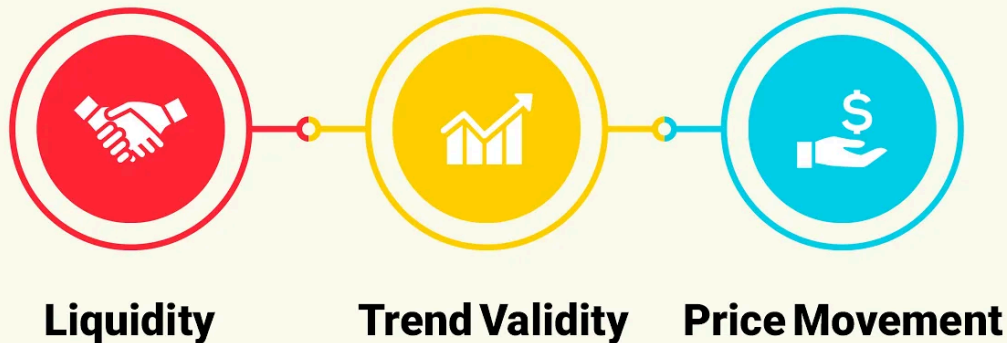
 21 Min

**Trading volume in financial markets** is considered a **benchmark** for assessing **liquidity**, **price momentum**, and the **validity of ongoing trends**. An **increase in volume** aligned with price movement indicates the **strength of the prevailing trend**, while a **decline in volume** may signal **weakening momentum**.

At **key levels** such as **support and resistance**, **high trading volume** increases the likelihood of a **trend reversal**. High volume is typically associated with **active trader participation** and **market excitement**, whereas **low volume** often reflects **market hesitation** or **waiting behavior**.

Many tools, including indicators such as the **Money Flow Index (MFI)**, **On-Balance Volume (OBV)**, and **Volume Spread Analysis (VSA)**, are designed based on **trading volume in technical analysis**.

# What Is Trading Volume?



Trading volume analysis metrics used for price evaluation in financial markets

## What Is Trading Volume in Financial Markets?

**Trading volume** represents the **total number of buy and sell transactions** on a particular trading asset or across the entire market within a **specific timeframe**; This timeframe could be defined as **daily, weekly, or monthly**.

This indicator plays a crucial role in **evaluating the strength of price movement** and **measuring the market's interest in a given asset**.

## The Difference Between Volume and Turnover

**Trading volume (Volume)** represents the **number of units traded** within a specified timeframe; for example, the number of shares or units of a digital asset that have been **bought and sold**.

**Turnover** indicates the **amount of cash exchanged** during trading and is calculated by multiplying the **volume by the price per unit** of the asset.

- ⚡ **Trading volume** specifies the **amount of the asset traded**;
- ⚡ **Turnover** shows the **amount of capital flowing through the market**.



**Amount of Capital  
Flowing in the Market**



**Amount of Traded Assets**

The difference between trading volume (Volume) and transaction value (Turnover) in financial markets

Both indicators play a **significant role in market assessment**. **Volume** is used to analyze **market liquidity and activity**, while **turnover** helps evaluate the **inflow or outflow of capital** within the trading structure.

## The Role of Volume in Identifying the Actions of Major Market Players

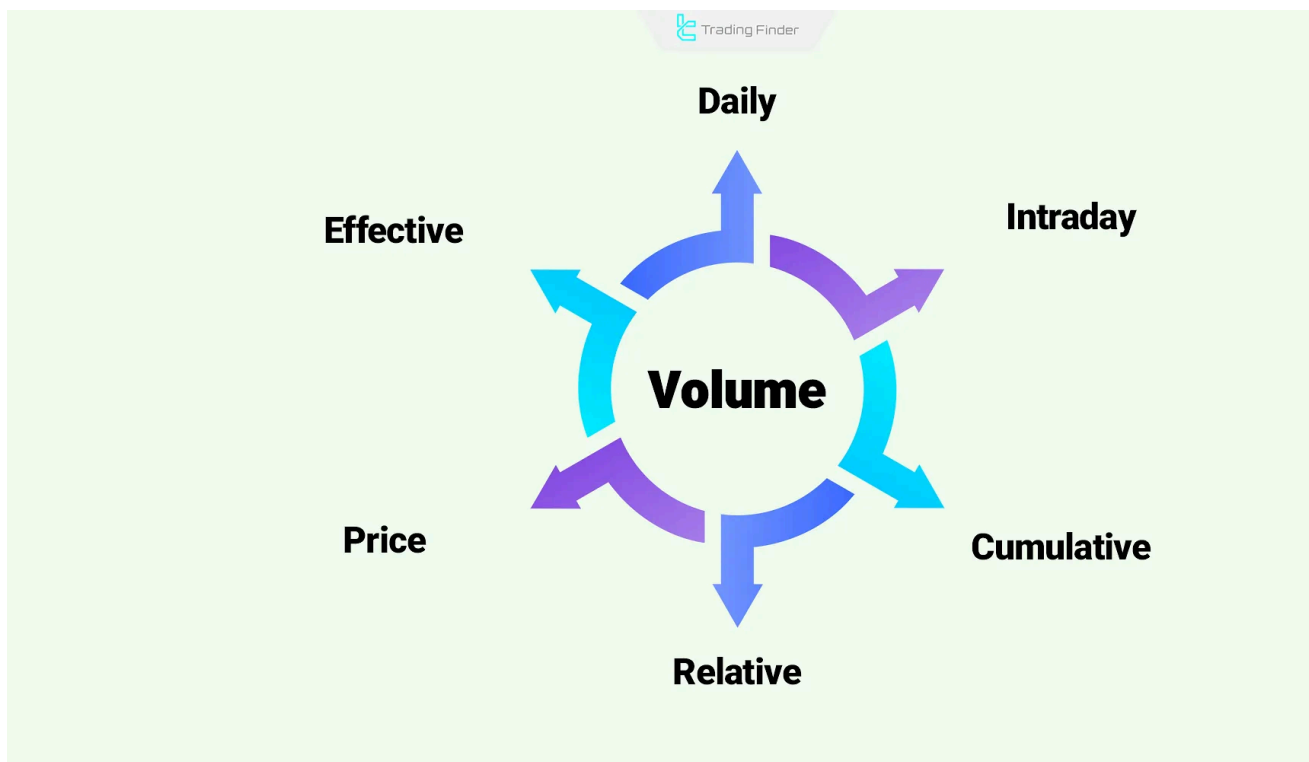
**Trading volume in financial markets** is one of the primary tools for tracking the behavior of **large institutions** such as **banks, investment funds, and whales**.

These players influence the market structure through **heavy capital movements** and often use complex methods to **hide their footprint**. However, through **volume analysis**, traders can identify **clues about the entry or exit of smart money**.

## Types of Trading Volume

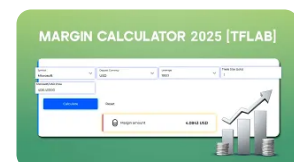
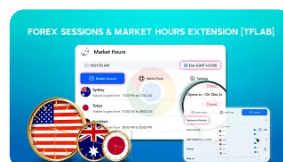
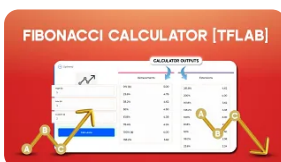
Different types of **trading volume in financial markets** each provide a unique perspective on **market behavior** and **liquidity flow**. These are used for analyzing market activity in both **short-term and long-term timeframes**. The types include:

- ⚡ **Daily Volume:** Indicates the **total number of transactions** recorded in a **single trading day** and is the **most commonly used volume type** in market analysis;
- ⚡ **Intraday Volume:** Refers to the **volume of transactions** in **shorter timeframes** such as **5 or 15 minutes**, primarily used in **scalping and short-term strategies**;
- ⚡ **Cumulative Volume:** The **sum of volumes** over a specific timeframe, used to examine **liquidity trends** in the market;
- ⚡ **Relative Volume:** Displays the **current volume** compared to **historical averages**; values above **1** suggest unusually high trading activity;
- ⚡ **Volume by Price:** Displays the **trading volume at specific price levels**, serving as an effective tool for identifying **hidden support and resistance zones**;
- ⚡ **Effective or Real Volume:** Differentiates between **buying and selling volume** using **more granular market data**, often tied to **Level 2 data** and **institutional behavioral analysis**.



Types of trading volume in financial markets including daily, cumulative, and relative volume

### You May Like :



TradingFinder	TradingFinder	TradingFinder	TradingFinder
Fibonacci	Position Size	“Forex Sessions &	Margin Calculator
Calculator Tool...	Calculator Tool...	Market Hours”...	Tool 2025 -...

## Trading Volume Across Different Markets

In **financial markets**, the concept of **trading volume** remains consistent, but its **interpretation and level of importance** vary depending on the **structural characteristics** of each market. The role and features of **trading volume in financial markets** are outlined as follows:

- ⚡ **Stock Market: High volume** accompanied by **price growth** signals the **entry of smart money** and confirms **bullish trends**. Volume analysis becomes even more critical near **resistance zones**;
- ⚡ **Forex Market:** Due to its **decentralized nature**, **tick volume** or **broker-provided data** is used. **Volume spikes** may reflect the activity of **banks and large institutions**;
- ⚡ **Cryptocurrency Market:** Volume is examined both at the **exchange level** and on the **blockchain network**. **High volume** is often associated with **increased price volatility**;
- ⚡ **Commodities Market:** Simultaneous analysis of **volume** and **open interest** helps detect **new liquidity inflows** or **trend continuation**;
- ⚡ **Crypto Markets (again emphasized):** Due to **high volatility** and the **lack of centralized institutions**, **Cryptocurrency** markets rely more heavily on **volume analysis** to interpret **trends and investor behavior**.

## The Relationship Between Volume and Market Behavior

**Trading volume (Volume)** is one of the few **market variables** that is **difficult to manipulate**. This makes it a **reliable tool** for identifying **actual liquidity flows** and **tracking the intentions of major players**.

In financial markets, **any price movement** is only considered **valid** if it is accompanied by **corresponding volume**. Otherwise, the move is seen as **weak or untrustworthy**. The key relationships between **volume and market behavior** are:

- ⚡ **Trend Confirmation:** A price move is **only valid** if accompanied by **increased volume**. **High volume** during an uptrend confirms **smart money entry**, while **low volume** often signals **weakness or instability** in price movement;
- ⚡ **Volume-Price Divergence:** If price reaches a **new high or low** but **volume decreases**, this may indicate a **weakening trend** and a potential **volume divergence**—often considered a **reversal signal** in **trading volume in technical analysis**;
- ⚡ **Market Phases:** In the **accumulation phase**, price remains within a narrow range while **volume increases**, indicating **entry**. In the **distribution phase**, **selling at tops** with high volume points to **smart money exit**;
- ⚡ **Breakout Validation:** A breakout at **key levels** is only valid when accompanied by **high volume**. Without volume, there's a higher chance of a **false breakout** and subsequent price reversal;
- ⚡ **Market Sentiment Assessment:** **Sudden volume surges** during critical times—like major news or trend shifts—often stem from **extreme fear or greed**. If coupled with **high volatility** and **long candlestick wicks**, it may signal a **market phase transition**.



The relationship between trading volume (Volume) and market behavior in financial markets

## Why Is Volume Analysis Important and How Can It Be Used?

**Trading volume in financial markets** is the only variable that directly reflects the **actual level of market activity**. Unlike price—which is merely the result of the interaction between buyers and sellers—**volume** indicates **how much participation** was behind a price move, as well as the **strength or weakness** of that move.

Key uses of **trading volume in financial markets** include:

- ⚡ **Trend Confirmation:** Strong trends are typically supported by **high volume**; a **drop in volume** may indicate **weakness** or a potential **reversal**;
- ⚡ **Identifying Reversal Points:** A **volume spike** at a **top or bottom** often serves as an early warning of a **market phase change**;
- ⚡ **Filtering False Breakouts:** A **valid breakout** must be accompanied by **high volume**;
- ⚡ **Tracking Smart Money:** Methods like **VSA) Volume spread analysis**( and **ICT** utilize volume to uncover the **entry and exit points** of **whales and institutions**;
- ⚡ **Asset Liquidity:** **High volume** signals a more **active and less risky** market for **short-term traders**.

Combining volume data with **price action**, **candlestick patterns**, or **advanced indicators** enables traders to identify **hidden liquidity flows**—especially relevant in markets dominated by **large institutional players**.

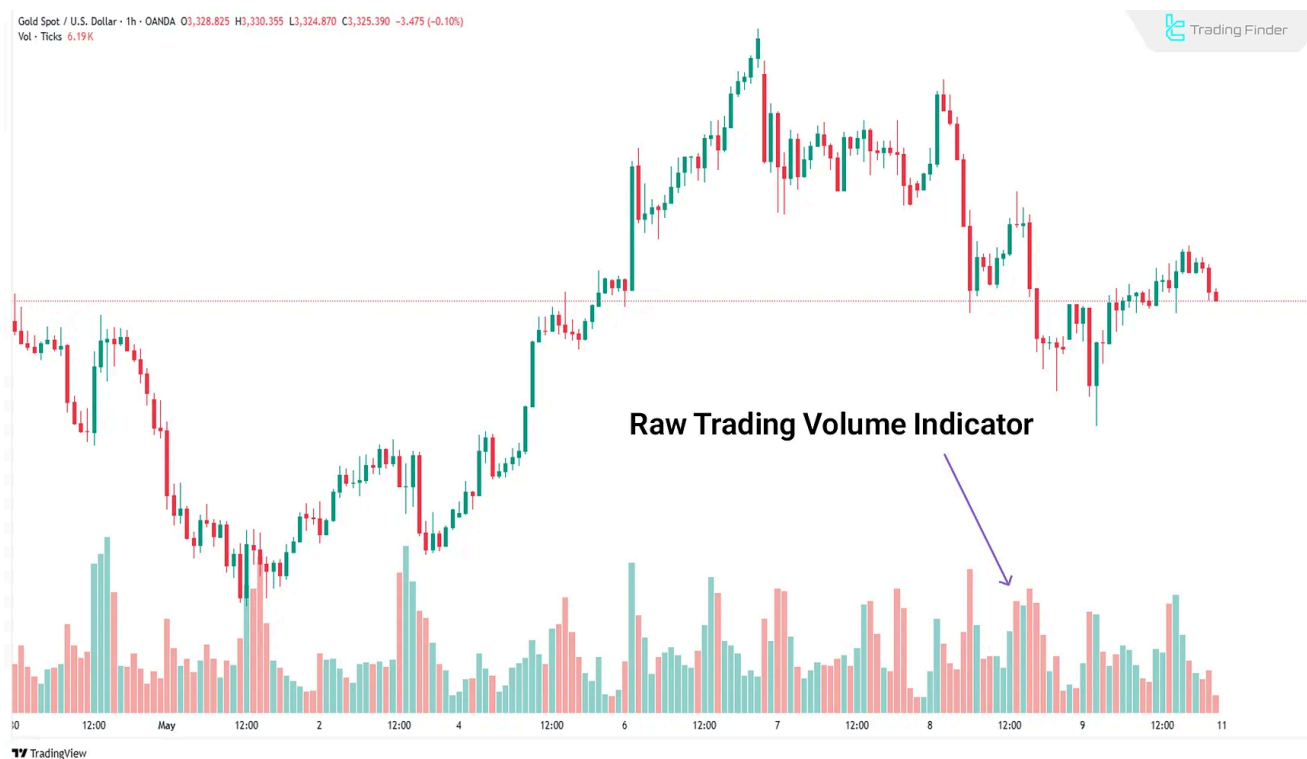
## Types of Tools and Indicators Related to Volume

Various **technical volume analysis tools** play a critical role in identifying **smart money movements**, **liquidity flows**, and the **strength of market trends**. The key tools and indicators related to **trading volume in technical analysis** include:

- ⚡ **Raw Trading Volume (Volume)**
- ⚡ **On-Balance Volume (OBV)**
- ⚡ **Volume Profile** or **Volume by Price**
- ⚡ **Money Flow Index (MFI)**
- ⚡ **Accumulation/Distribution Line (A/D Line)**
- ⚡ **Volume Weighted Average Price (VWAP)**
- ⚡ **Volume Spread Analysis (VSA)**
- ⚡ **Volume Indicator (Raw Volume)**

The raw volume indicator (Volume) is a key tool in volume analysis. It shows how many units of an asset—such as a stock, currency, or cryptocurrency—were **traded** in **each candlestick**, without differentiating between buying and selling transactions.

- ⚡ **Breakout Validation:** A volume increase during a **support or resistance breakout** confirms the validity of the move;
- ⚡ **Price Corrections:** A **decline in volume during pullbacks** increases the likelihood of **trend continuation**;
- ⚡ **Reversal Points:** A **volume spike** at a **price top or bottom**, combined with meaningful candlestick patterns like **Pin Bar** or **Engulfing**, signals a potential **trend reversal**.



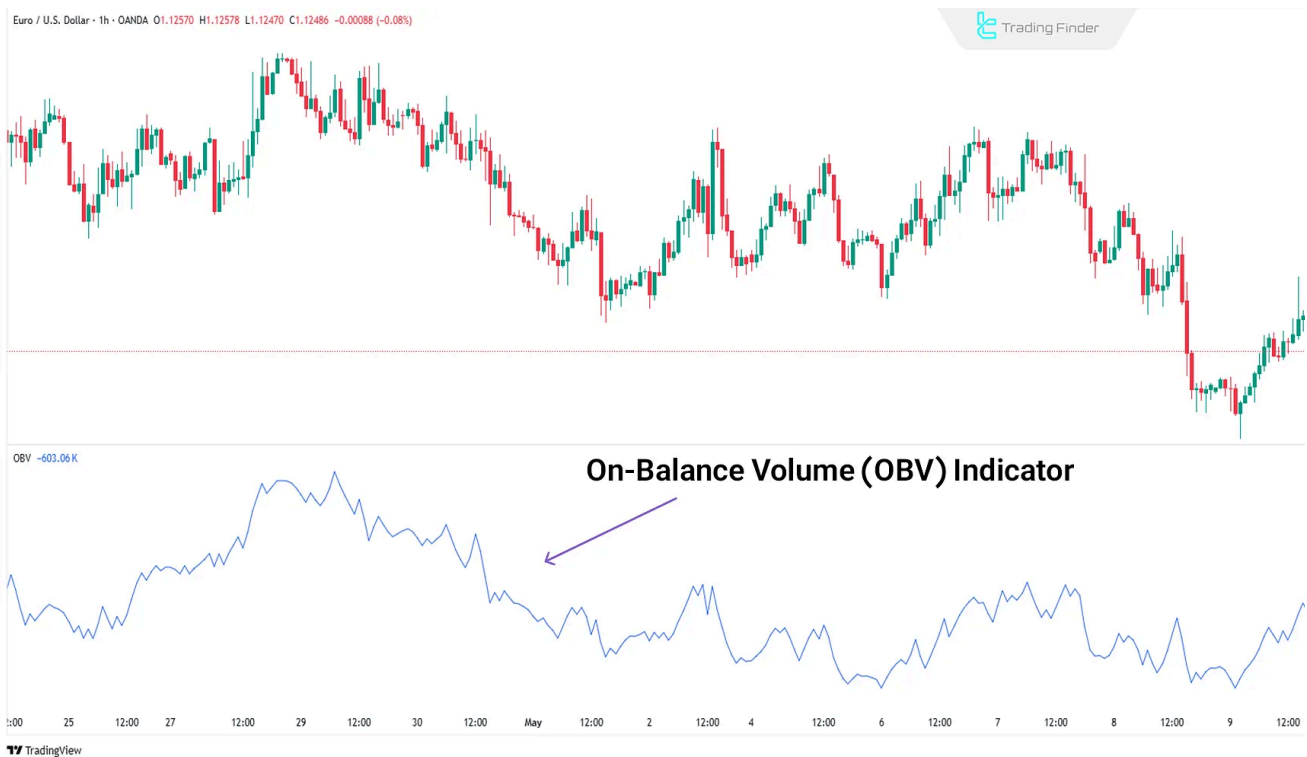
Display of raw volume indicator (Volume) on XAU/USD chart

## On-Balance Volume (OBV) Indicator

The **OBV indicator** records **cumulative volume changes** in the **same direction as price**. If **volume is higher on up days**, it signals **money inflow**; if **volume increases on down days**, it may indicate **capital outflow**.

Unlike raw volume indicators, **OBV focuses on smart money flow** and aims to identify the **main direction of capital movement** in the market:

- ⚡ **Volume-Price Divergence Detection:** If price rises while OBV falls, the trend is **weak**; conversely, rising OBV in a **downtrend** increases the likelihood of a **reversal**;
- ⚡ **Trend or Breakout Confirmation:** When **both price and OBV rise together**, the breakout is more **reliable**. Coordinated movement of OBV and price matters in **strong trends**;
- ⚡ **Tracking Smart Money:** **Earlier shifts in OBV** compared to price can signal the activity of **whales or institutions** before a **major trend change**.



Performance of On-Balance Volume (OBV) oscillator on EUR/USD pair

## Volume Profile or Volume by Price Indicator

The **Volume Profile** displays **trading volume at different price levels** over time. It identifies **high-activity zones** where most buying and selling occurred, helping to pinpoint **valuable and dense market areas**:

- ⚡ **Hidden Support and Resistance Zones:** Price levels with **high trading volume** often act as **pause or reversal points**;
- ⚡ **Market Structure Analysis:** When combined with **price action**, Volume Profile helps define phases like **accumulation, distribution, or breakout**;
- ⚡ **Entry and Exit Validation:** Entering near **LVNs** (Low Volume Nodes—areas of fast price movement) and exiting around **HVNs** (High Volume Nodes—areas of price

consolidation) is a popular strategy;

⚡ **Session-Based Analysis:** In markets like **futures** and **crypto**, Volume Profile is often used with **daily or weekly session breakdowns**.

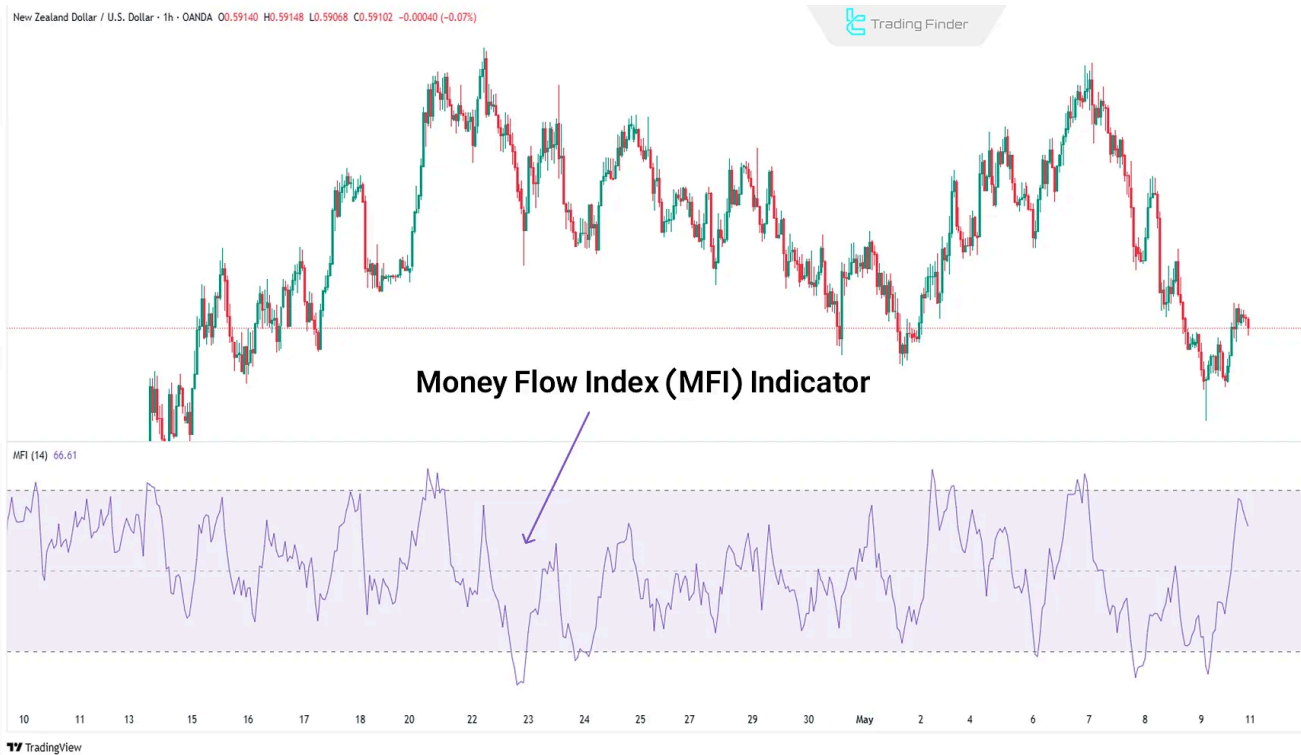


Display of Volume Profile indicator on GBP/USD in TradingView

## Money Flow Index (MFI) Indicator

The **Money Flow Index (MFI)** combines **volume and price** and oscillates between **0 and 100**. This tool calculates the flow of liquidity **while considering volume**, which is why it's often referred to as the **volume-weighted RSI**:

- ⚡ **Identifying MFI Extremes:** **Above 80** signals **overbought**, and **below 20** indicates **oversold**—both levels suggest a **potential reversal** or **price correction**;
- ⚡ **Divergence Detection:** If price reaches a **new high** but MFI does not confirm it, it's a **negative divergence**—a bearish warning. Conversely, a **positive divergence** may suggest an upcoming bullish reversal;
- ⚡ **Liquidity Flow Analysis:** Rising MFI along with bullish candles indicates **smart money inflow**; falling MFI with bearish candles, points to **capital outflow**;
- ⚡ **Filtering False Breakouts:** If MFI remains **below 50** during a **resistance breakout**, the risk of a **false breakout** increases.



Money Flow Index (MFI) oscillator on NZD/USD pair

## Accumulation/Distribution Line (A/D Line) Indicator

The **A/D Line indicator** is based on both **volume** and the **closing position of price** within the candle. Unlike OBV, it **weights volume** by the candle's close location, offering a **more nuanced view** of liquidity movement:

- ⚡ **Market Phase Identification:** Rising A/D with slow price movement indicates **gradual accumulation**. Falling A/D at tops suggests **distribution and capital outflow**;
- ⚡ **Divergence with Price:** If price increases but A/D falls, the trend is **weakening**. Conversely, when price drops and A/D rises, a **bullish reversal** may be forming;
- ⚡ **Breakout Confirmation:** A/D moving in the same direction as price during **key level breakouts** increases the **credibility** of the trend or breakout.



Accumulation/Distribution Line indicator on USD/JPY pair

You May Like :



Learn IRL & ERL in ICT; Internal and External Range...



MSS VS CISD - ICT Style + IFVG Combination



Xmaster Formula Indicator in Forex: Identifying the...



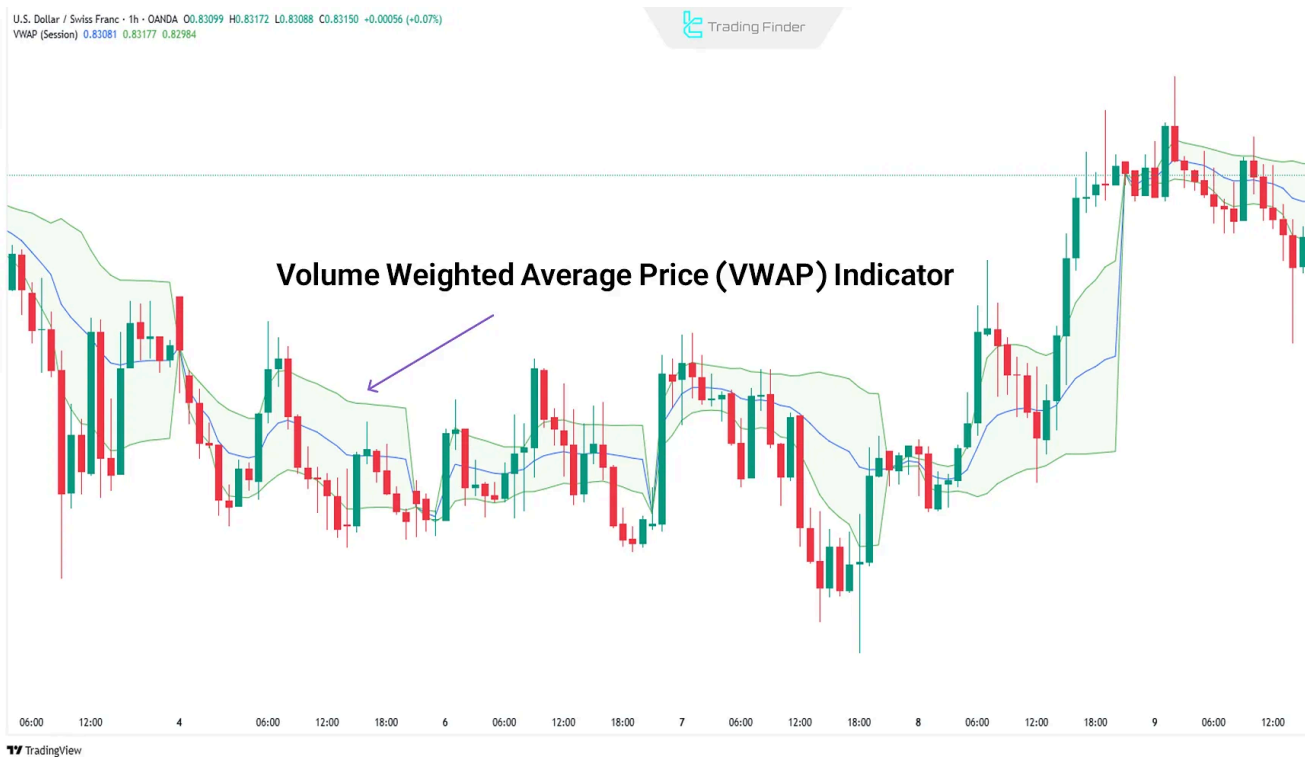
Next Day Model (NDM) ICT Strategy for Market Maker...

## VWAP – Volume Weighted Average Price Indicator

The **VWAP indicator** shows the average price at which trades occurred over a specific time period—typically one day.

Unlike traditional moving averages such as **SMA** or **EMA**, which consider only price, **VWAP** gives more weight to prices with higher trading volume. As a result, this tool provides a more accurate representation of the **market's effective price**:

- ⚡ **Fair Value Determination:** If price is **above VWAP**, the asset is considered **overpriced**; if **below**, it's considered **underpriced**;
- ⚡ **Daily Entry and Exit Signals:** **Buying below VWAP** and **selling above** is a **common rule** among **day traders** and **algorithmic strategies**;
- ⚡ **Trend or Reversal Confirmation:** If price stays **above VWAP**, it signals a **sustained uptrend**; crossing **below** VWAP may indicate a **potential phase shift**;
- ⚡ **Dynamic Support and Resistance:** VWAP serves as a **moving support or resistance level** throughout the day, with **short-term fluctuations** often revolving around it.



Display of VWAP (Volume Weighted Average Price) indicator on USD/CHF chart

## VSA – Volume Spread Analysis Indicator

**VSA (Volume Spread Analysis)** is a professional analytical framework designed to assess the **behavior of smart money**. It evaluates the interaction of **three key elements** including **volume**, **candlestick spread (range)**, and **closing position** of the candle.

Unlike standard numerical indicators, **VSA** focuses on **market structure interpretation** and the **intentions of major players**, allowing traders to read the market **directly** from volume and price behavior.

- ⚡ **Hidden Accumulation:** **High volume, narrow spread, and mid-candle close** indicate the **entry of large players**;
- ⚡ **Liquidity Distribution:** **Wide, high-volume candles at tops** suggest **gradual whale exit**;
- ⚡ **Buyer Traps:** **Breakout of resistance** with a **high-volume candle closing low** is a **market manipulation warning**;
- ⚡ **Seller Traps:** **Fakeouts at support** with **high volume** may signal **liquidity collection by smart money**;
- ⚡ **Market Structure Recognition:** VSA aligns closely with the **Wyckoff model** for identifying phases of **accumulation, distribution, breakout, and retest**.



Display of Volume Spread Analysis indicator on XAU/USD chart

## Common Mistakes in Interpreting Market Volume

Analyzing **trading volume in financial markets** requires **high accuracy** and a **deep understanding** of **price behavior, market structure, and the intentions of major players**.

Relying solely on volume figures without considering **market context** and **price action** is one of the most common **errors** among professional traders. **Common mistakes in**

## volume interpretation include:

- ⚡ **Misinterpreting High Volume:** High volume is not always a confirmation of trend strength; sometimes, it indicates **distribution at market tops**;
- ⚡ **Ignoring Market Context:** Volume must be interpreted within the **framework of trends, key levels, and price behavior**;
- ⚡ **Overlooking Volume Type:** In **Forex market**, **Tick Volume** only reflects **price changes**, not actual traded volume;
- ⚡ **Overreliance on Indicators:** Using **OBV** or **MFI** alone is insufficient; combining them with **price levels** is essential;
- ⚡ **Applying Volume the Same Way in Different Market Conditions:** Volume interpretation differs between **range-bound** and **trending markets**;
- ⚡ **Misreading High-Volume Candles:** A large candle with high volume can represent **exhaustion of buying or selling**, or a **reversal**;
- ⚡ **Ignoring Relative Volume:** Comparing current volume to historical averages (**Relative Volume**) is crucial for validating volume signals.

## Conclusion

**Trading volume in financial markets** plays a significant role in **technical analysis**.

Unlike price, which only reflects supply and demand interaction, volume reveals the **real participation level** behind price movements.

Tools such as **OBV**, **VWAP**, **Volume Profile**, **MFI**, and methods like **VSA**, analyze various types of volume to detect **smart money inflows and outflows**. Combining volume analysis with **market structure**, **price action**, and **risk management** enhances analytical accuracy.

## FAQs

What is trading volume in financial markets and what does it indicate? ∨

Trading volume represents the number of units traded within a specified timeframe and reflects the actual market activity.

**What is the difference between volume and turnover?** ∨

Volume shows the quantity of trades, while turnover is the product of volume and price, indicating the monetary flow in the market.

**Why is volume analysis important alongside price analysis in technical analysis?** ∨

Because price alone shows direction, but volume confirms or rejects the strength of that movement; their combination improves analysis validity.

**Is high volume always a sign of a strong trend?** ∨

No; sometimes high volume at market tops can indicate distribution and the beginning of a reversal.

**Table Of Content** ∨  
✕

**What Is Trading Volume in Financial Markets?** ∨

Types of Trading Volume ∨

Trading Volume Across Different Markets

The Relationship Between Volume and Market Behavior

Why Is Volume Analysis Important and How Can It Be Used?

Types of Tools and Indicators Related to Volume ∨

VWAP – Volume Weighted Average Price Indicator ∨

Common Mistakes in Interpreting Market Volume

Conclusion

**Top Posts**



**Break of Structure (BOS) on ICT** ♡

Eda Kaya | Dec 22, 2024

8,324 Views



### What is an ICT Order Block and How to Trade It?

Pam Nisha | Dec 23, 2024

[Write a comment](#) 8,979 Views

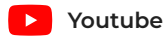


### Turtle Soup Strategy from ICT Style

Arjun Mandal | Dec 23, 2024

8,353 Views

## Our Social Media



## Latest Articles

# What is Swing Trading?

## Swing Trading



### Swing Trading - Strategies Based on Price Reversals, Breakouts, & Retracements

Forex Education

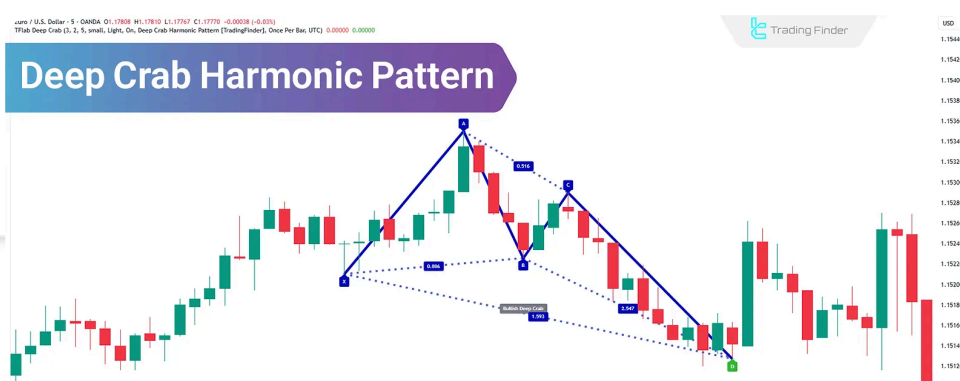
Nino Gogochashvili | Jul 21, 2025



### Refinement Trading Strategy; Capital Management Adjustment

Forex Education

Rajesh Sharma | Jul 20, 2025



Complete training in financial markets such as "Forex," "Stock Market," and "Cryptocurrencies" only becomes comprehensive with tested trading tools and strategies. "Trading Finder," with its

experience, aids traders and investors in gaining a correct understanding and deep learning. The training programs are designed based on tools for traders of all levels, from "beginner to advanced."



 English (EN) 

About Us

Contact Us

Forex Methodology

Our Team

Jobs

Report a Bug

Advertisement

Affiliates

Our Scores

Indicators & Oscillators

Products

Financial Market  
Education

---

Trading Tools

---

Trading Tools

**Risk Disclosure:**

Participating in financial markets involves high risk, which can result in the loss of part

[Show More](#) 

**Disclaimer:**

[TradingFinder.com] assumes no responsibility for any potential losses or damages. All

[Show More](#) 

**Disclosure of revenues and advertisements:**

The "TradingFinder" platform offers various services, some of which, like introductions,

[Show More](#) 

[Privacy Policy](#)

[Risk Warning](#)

[Cookies Policy](#)

[Copyright and Idea Submissions](#)

[Terms and Conditions Agreement](#)

© 2025 TradingFinder, Inc. All rights reserved.