

Volume Spread Analysis

Nigel Hawkes

Hawkeye Traders

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History of Volume

- In the 1930s, there were three great traders.
 - **W.D. Gann** – An eccentric who used methods based on ancient mathematics, geometry, and astrology.
 - **Ralph Nelson Elliott** – Method based on wave count. Although a great hindsight tool, in the live edge of the market, where do you start the wave count?
 - **Richard Wycoff** – Method based on analyzing volume with price movement.

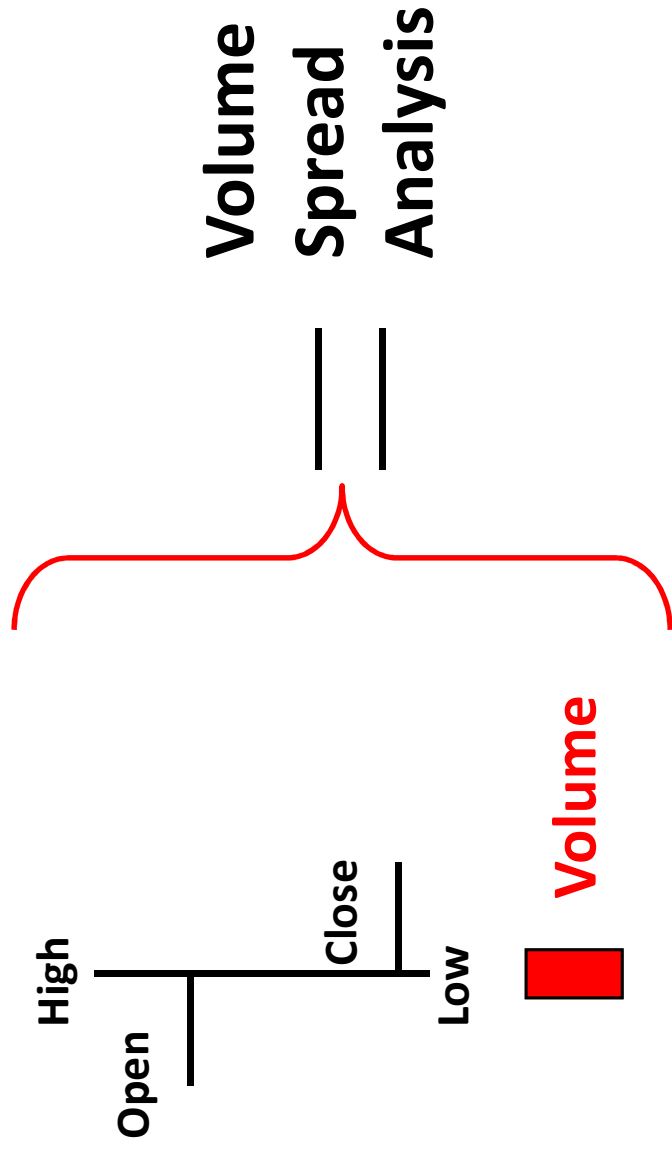
Standard Volume

- Standard Volume is the total number of shares bought and sold during a specific time or tick interval and takes no account of the open and close.



Volume = 174,273

Volume Spread Analysis



- Takes into account volume plus comparing the open and close.

Hawkeye Volume

Average of X number of volume bars

Compared to

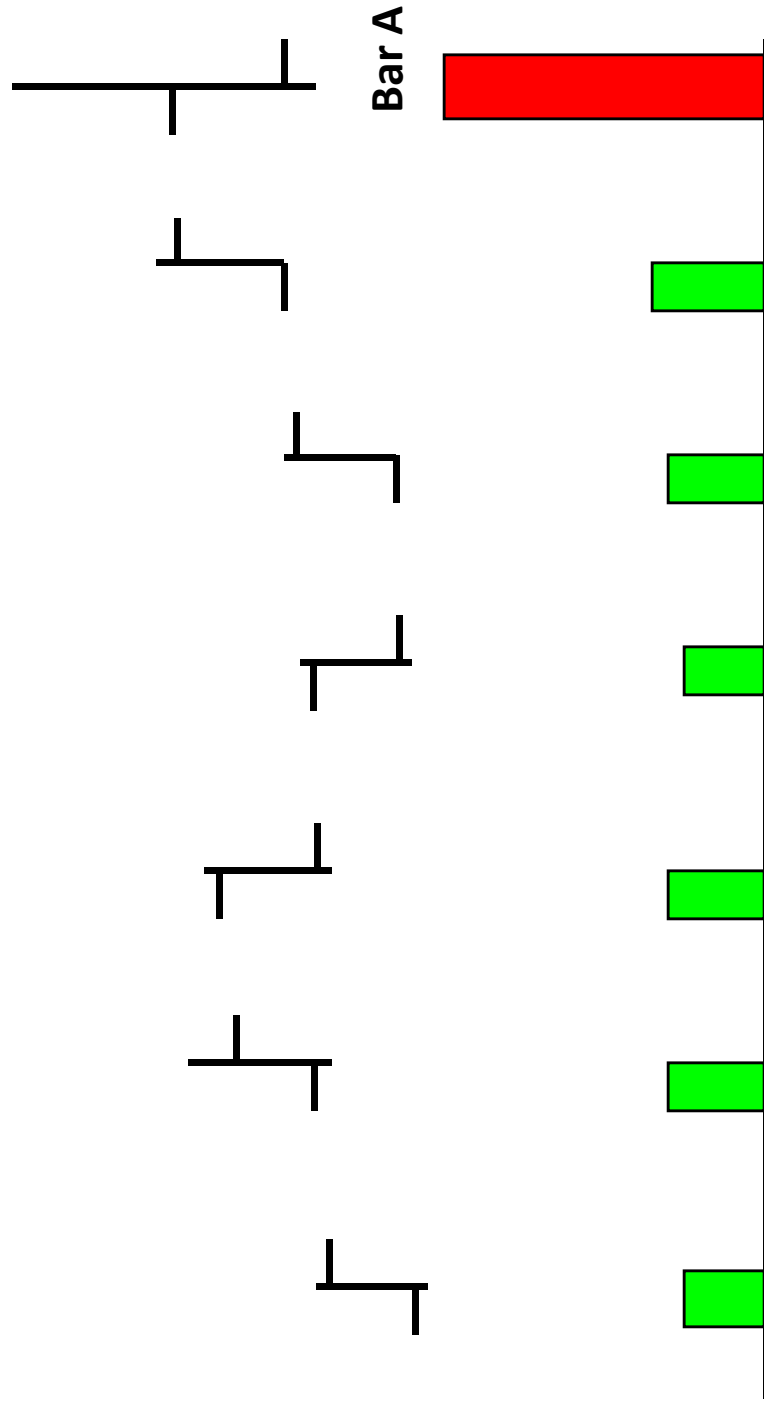
Average True Range

Compared to

Open and Close of the price bar

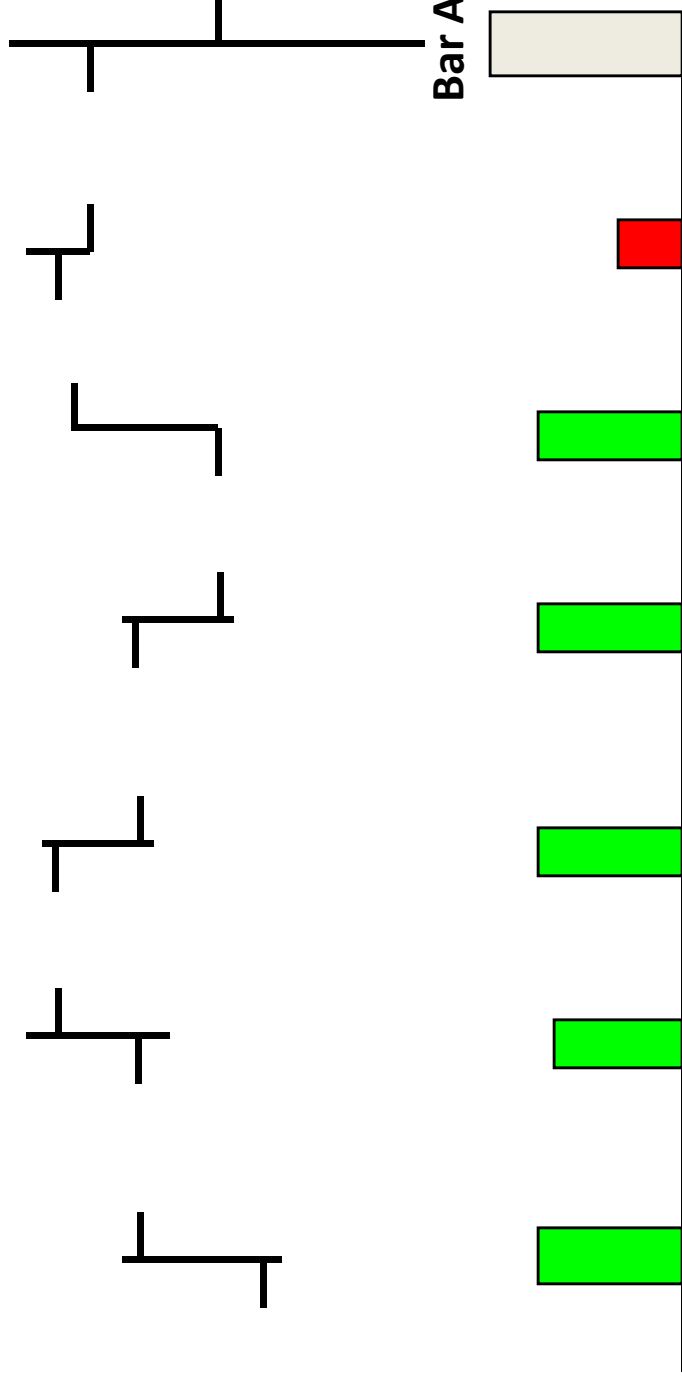
The Hawkeye Volume indicator performs over 300 calculations per bar.

Wide Price Bar With High Volume



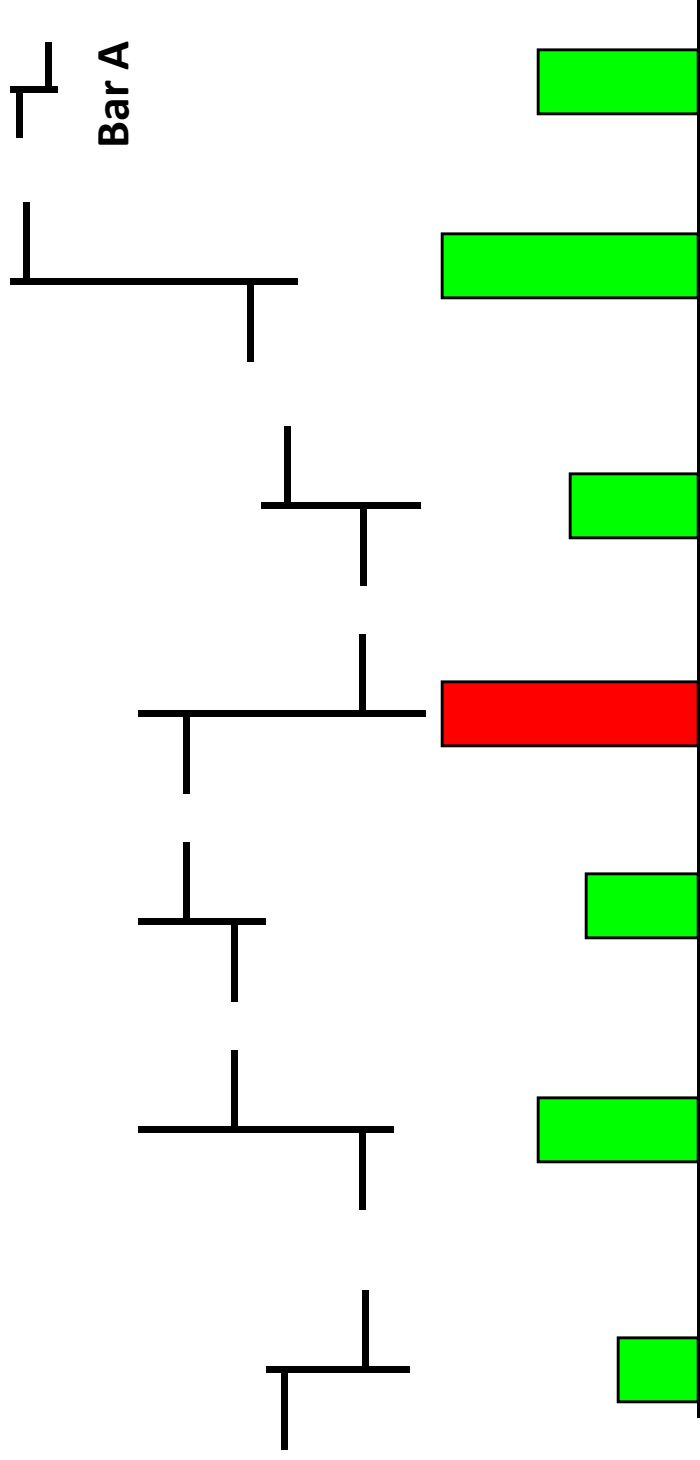
You should expect a greater than average volume. The relationship of the close on Bar A is an indication of whether it is buying or selling – the close is in the bottom 1/3 of the range indicating selling.

Wide Price Bar With Low Volume



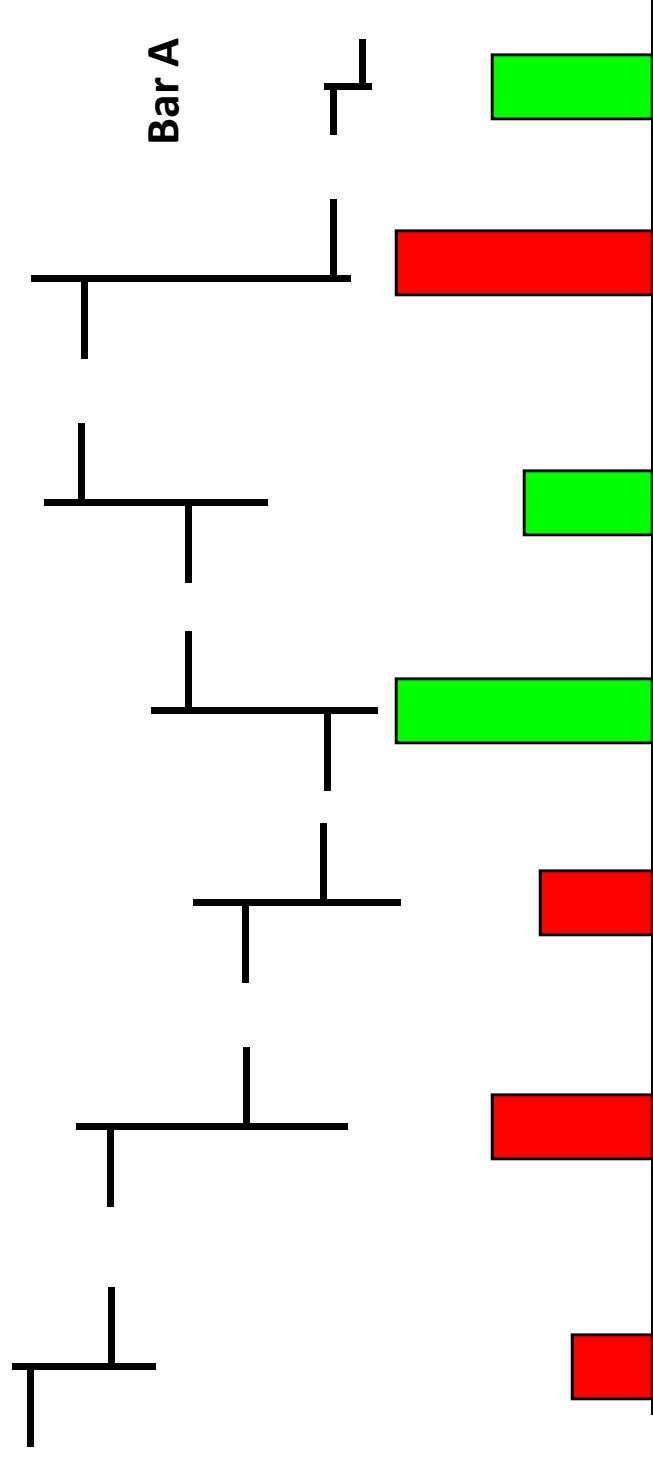
You should expect a greater than average volume. Although, Bar A appears to have more volume than previous bars for the range of that bar, it should have had substantially more volume for that range. So this is, in fact, a low volume bar indicating a pause. This is confirmed with the close being at the midpoint of the range.

Narrow Price Bar With High Volume in Uptrend



Even at the top of the trend, Bar A shows that there is above average volume for that range indicating buying. If it was selling the range would have been far greater as the bid and offer would have expanded. Even though the close is less than the open, it is showing that this share was not being sold, in fact it is a sign of strength.

Narrow Price Bar With High Volume in Downtrend



Bar A shows there is above average volume for the range indicating buying. Even though the close was less than the open, it indicates accumulation, for if it was selling the range would have been far greater.

Applying Volume Spread Analysis

- Ebay
 - Began the new year at \$58.60 per share
 - Earnings report expected January 19, 2005
 - Close on January 20, 2005
 - \$41.67 per share
 - However, with volume spread analysis, sellers were identified entering the market as early as January 3, 2005

16 Days before the Earnings Report was published

Applying Volume Spread Analysis

