

Volume as an important indicator 07/22/2015

Early in my career I studied the works of Richard Wyckoff. Wyckoff considered volume to be an important factor in technical analysis, more so in equities than in futures for a reason I will not get into in this email.

While I do not apply Wyckoff's methods in any organized manner, there is one lesson from Wyckoff that I try to remember.

According to Wyckoff, a huge slug of volume entering a market should be considered as "starting volume" or "stopping" volume."

Huge volume has entered selected metal and energy markets.

Comex Gold traded a record 60,156,300 ounces on Monday -- that is 60 MILLION ounces. Volume in Gold has been heavy on the entire decline in July. If this volume expansion is "starting volume" then Gold has a very long way to go on the downside. This volume could also be the beginning of the end of Gold's bear market. This does not mean Gold has bottomed or that it is time to be long. Rather, it means that Gold could be searching for a level at which a bottom process will begin.



The volume expansion in RB Gas is even more pronounced. The chart below clearly shows the enormous slug of volume that has entered Gas. While the volume in Gold could be stopping volume, my guess (guess only) is that Gas is being hit with starting volume. Only time will tell if this is the case.



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