

On Balance Volume

The On Balance Volume study is a running total of the Volume based on the direction of each bar. The Volume is added to the total if the current bar closes higher than the previous bar. The Volume is subtracted from the total if the bar closes down. A moving average of the On Balance Volume line can be optionally calculated to act as a trigger line. Watch for the On Balance Volume line to cross the zero level, or to cross the trigger line. The direction is more important than the actual value of the study. The study is based on the premise that Volume will flow in or out of the market shortly before a top or bottom. When the studies fail to move in the same direction as the chart prices, a divergence exists and warns of a possible reversal in the market direction.



Formula

On Balance Volume = Previous Bar's On Balance Volume total + current Volume (if the bar closes higher than previous bar)

On Balance Volume = Previous Bar's On Balance Volume total - current Volume (if the bar closes lower than previous bar)

Average = Moving average of the On Balance Volume value for the last N periods

Credits

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