Volume, and the Line Between Counting and Inferring

Signal Pilot Education — companion to Lesson 8: Volume and Delta, Lesson 29: Volume at Price, and Lesson 30: Volume Profile.

> **Educational only.** Trading involves substantial risk of loss. Not financial advice. Past performance does not guarantee future results.

The one distinction this guide is built on

Some things about volume are counted. Some are inferred. Almost every mistake made with volume comes from treating the second kind as the first.

Counted, needs nothing inferred	Inferred, carries an error rate
How many contracts traded in a period	Which side was the aggressor
How many traded at each price	Whether a bar was "absorption" or "exhaustion"
The high, low, open and close	What the participants intended

Lesson 29 makes this split explicit: the count of volume at a price needs no inference at all, and the single number everyone quotes from it does.

What volume does not tell you

Volume is not conviction, and it is not a count of buyers. Every contract was both bought and sold, so a high-volume up bar tells you a lot of contracts changed hands while price rose. It does not tell you that buyers were stronger, because the same contracts were sold by somebody.

The claim that high volume plus a rising price means strong buying is an inference about who was impatient. Lesson 8 bounds what that inference can carry: a bar reported at **plus 15 per cent delta establishes a buy share only between 50.0 and 62.5 per cent.**

And the side itself is inferred. Lesson 7 finds the inference **right about four times in five**, with one wrong print of 900 shares swinging a minute from **plus 600 to minus 1,200.**

Volume at price, which is the solid ground

Volume at price is a histogram: how much traded at each level. The histogram is a count. The summaries drawn from it are choices.

The point of control is the tallest bar, and the height of a bar depends on how wide you made the bins. Lesson 29 measures a 9,160-contract session under four ordinary row heights and finds the point of control **sliding 9.5 ticks across a 15-tick range**, with the coarsest reading turning on **21 contracts.** The mean of the same distribution moves a sixth of a tick.

The value area is steadier. Lesson 30 finds it moving **3.5 ticks** under the same binning where the point of control moves 9.5, which is about three times steadier and is the reason to read the interval rather than the mode.

It is still not what the label says. **The box labelled 70 per cent holds anywhere from 70 to 84 per cent of the session** depending on the setting, and widening the window from one session to two puts half of the heavier day's value area outside value entirely.

Reading a bar honestly

The usual reading	What is actually established
High volume, price up: strong buying	Many contracts traded while price rose. The side split is an inference with a one-in-five error rate
Low volume rally: weak, will fail	Few contracts traded. Nothing about what happens next
Volume spike at a low: absorption	A classification. Lesson 28 prints two bars identical in every recorded quantity whose deltas are +2,820 and −1,680
Volume confirms the move	Volume is a count of participation, not a vote

What to do with volume

- **Use the count, and be careful with the classification.** Volume at price is the part that needs nothing inferred.
- **Read the value area rather than the point of control**, because it is about three times steadier under the same binning.
- **Write down your bin width and keep it fixed.** A point of control quoted without one is a number about a setting.

- **Check whether your reading survives the alternative classification.** If calling a bar absorption rather than exhaustion changes your trade, you are trading the classification, not the volume.

The line to keep

Volume counts contracts, and every one of them was bought and sold. The count at each price needs no inference; the point of control drawn from it slides 9.5 ticks across a 15-tick day under ordinary bin widths, and the value area moves 3.5.