

Trade Volume Index (TVI) – Technical Indicator

Trade Volume Index Definition

The **trade volume index** (TVI) detects whether a security is being bought or sold based on [tick](#) data. The TVI provides a trader more insight into the amount of buying and selling for a security. It tracks the total volume that occurs at the bid and ask. So, if the trade volume index is rising, meaning more people are buying at the ask and the price of the stock is rising, one can assume the uptrend has legs. Conversely, if the trade volume index is falling and the stock is dropping like a rock, then a stronger downtrend is in play.

Who is using the Trade Volume Index

The trade volume index is used primarily by [day trading](#) professionals. This is because active traders are most concerned with how stocks perform at key levels and have to make swift decisions. Long-term investors are less concerned with intraday data and focus their attention on how a stock closes at the end of the day.

How to use the Trade Volume Index

The TVI shows its predictive power when assessing a stock that is flatlining at a particular level. How many times have you been watching a stock at a particular level and wonder whether it has the juice to get through a certain level. The trade volume index will peel back the onion and show you what traders are doing. For example, if you want to buy a stock on a break of \$100, and it has been flatlining for 2 hours, you may hesitate on pulling the trigger due to the flatness in the

market before the [breakout](#). However, if you see that the TVI has been rising over this 2-hour period, it is a sign that traders are accumulating the stock at the asking price, thus increasing the odds that the stock will have legs when it clears resistance.

How to Calculate Trading Volume

Calculate the trading volume index by using the following formula

MTV = Minimum Tick Value

Change = Price minus the extreme price since direction changed

If Change is greater than MTV, then Direction = Accumulate

If Change is less than MTV, then Direction = Distribute

If Change is less than or equal to MTV and Change is greater than or equal to MTV, then Direction = Last Direction

Lastly, we must calculate the TVI, which is simple once you know the Direction.

If Direction is Accumulate, then $TVI = \text{previous TVI} + \text{Volume}$

If Direction is Distribute, then $TVI = \text{previous TVI} - \text{Volume}$