Volume

How Much Conviction Is Behind the Move? — Lesson Explainer

The Concept

Volume is the number of shares (or contracts) that changed hands during a time period — a day, an hour, a minute. Most charting tools plot it as a bar beneath the price candles, one bar per period, so you can see both the price move and the activity behind it at a glance.

Volume tells you how much **conviction** is behind a price move. A stock jumping 5% on triple its normal volume means a lot of buyers and sellers actually showed up and agreed on that new price — a real, well-supported move. The same 5% jump on thin volume means far fewer people participated, so it's easier to reverse and less trustworthy as a signal.

High volume + big move: strong conviction. **Low volume + big move:** weak conviction, more likely to fade. **Rising price on falling volume:** a classic warning sign — the trend is running out of willing buyers.

Real Example: AAPL, a High-Volume Crash Day vs. an Ordinary Day

Date	Close	Day change	Volume	vs. average
Avg, Oct–Dec 2019	—	—	~103.4M	1.0x (baseline)
Jan 7, 2020	$74.60	-0.48%	108.9M	1.05x
Mar 12, 2020	$62.06	-3.02%	418.5M	4.05x

On Jan 7, 2020, AAPL barely moved (-0.48%) on almost exactly average volume (1.05x) — an unremarkable day. On Mar 12, 2020, AAPL fell -3.02% on 418.5 million shares — 4.05x its recent average — as the COVID-19 sell-off intensified. That's a real, high-conviction move: an enormous number of investors were actively agreeing AAPL's price needed to reset, not just a handful of traders nudging it around.

5 Things to Know

1. Volume confirms a move; it rarely predicts one on its own.

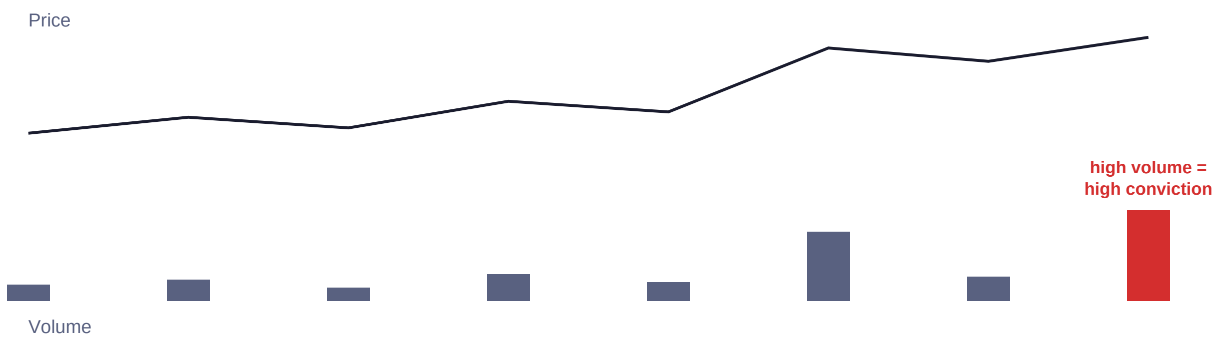
2. Compare volume to its own recent average, not to a fixed number.

3. Breakouts on low volume are more likely to fail.

4. Volume tends to spike around news — earnings, launches, economic data.

5. A rising price on shrinking volume is a classic warning sign.

How It Looks on a Chart



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Quiz — Answer the questions, then check the key on the next page

1. What does trading volume measure?

A. The percentage a stock's price moved that day
B. The number of shares (or contracts) that changed hands in a period
C. The number of unique investors who own the stock
D. The average price paid across the trading day

2. A stock rises 5% on unusually low volume. What does that suggest?

A. The move is extremely reliable and certain to continue
B. Nothing — volume has no bearing on how trustworthy a move is
C. The move has weak conviction — few participants agreed on the new price, so it's more likely to fade
D. The stock is about to be delisted

3. On Mar 12, 2020, AAPL fell -3.02% on 418.5 million shares, versus its ~103.4 million average. What does that combination represent?

A. A quiet, unremarkable day
B. Below-average volume for AAPL
C. A guarantee that the price would keep falling the next day
D. A high-conviction move — volume ran about 4x normal alongside a real price decline

4. Why is a trend-line breakout on high volume considered more credible than one on low volume?

A. More participants actively pushed price through that level, rather than it drifting through on thin trading
B. High volume always means the company reported good news
C. Volume has no effect on how a breakout is interpreted
D. Low-volume breakouts are actually more reliable than high-volume ones

5. What does it mean if a stock's price keeps making new highs while volume trends steadily lower?

A. Nothing worth noting — price and volume are unrelated
B. It's a classic warning sign that fewer buyers are backing the rally as it continues
C. It guarantees the stock will crash immediately
D. It means the company is about to be acquired

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Answer Key

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1. What does trading volume measure?

Correct answer: B. The number of shares (or contracts) that changed hands in a period

Volume is simply the count of shares (or contracts) traded during a period — it says nothing about price on its own, which is why it's shown as a separate bar beneath the price chart.

2. A stock rises 5% on unusually low volume. What does that suggest?

Correct answer: C. The move has weak conviction — few participants agreed on the new price, so it's more likely to fade

A price move on thin volume means relatively few buyers and sellers actually took part, which makes the new price easier to reverse than one backed by heavy participation.

3. On Mar 12, 2020, AAPL fell -3.02% on 418.5 million shares, versus its ~103.4 million average. What does that combination represent?

Correct answer: D. A high-conviction move — volume ran about 4x normal alongside a real price decline

418.5 million shares was roughly 4.05x AAPL's recent average — a genuine spike accompanying a real price move, which is exactly the high-conviction pattern this lesson describes.

4. Why is a trend-line breakout on high volume considered more credible than one on low volume?

Correct answer: A. More participants actively pushed price through that level, rather than it drifting through on thin trading

A breakout backed by heavy volume shows genuine broad participation in the move, while a low-volume breakout can happen almost by accident and is more prone to snapping back.

5. What does it mean if a stock's price keeps making new highs while volume trends steadily lower?

Correct answer: B. It's a classic warning sign that fewer buyers are backing the rally as it continues

This "volume divergence" — price rising while volume shrinks — suggests the rally is running out of willing buyers, even though it isn't a guarantee of what happens next.