Twitter Thread by Trader knight



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When tops are formed , two things happen The public is buying and the big boys are selling, and vice-versa when bottoms are formed.

In simple words Volume climax is the last "AHA" movement for the public before the stock make a top or bottom.

Thread-



What is Volume climax?

• Volume climax appears at the extreme of a trend, or when top or bottoms are formed.

• Most of the time volume climax appears when breakouts happens after a long extending move, and then fails to hold at higher levels.

• In this, at time of breakout we see big volumes (atleast 2-3X more then normal volume) coming in stock when the stock is already extended.

• More volume is not always good, though retail traders doesn't distinguish between them.

• After the Volume climax we may see a top/bottom or at-least the trend becomes sideways.

• The best setups are those in which we see full reversal candles with big range.

Example of volume climax-

1. The stock was in Uptrend, And has give a quite good run , Stock was giving a big move as you can see in last 2 candles, they were super extended.

2. But at the top candle, the bulls lost the control and the stock closes with a weak candle,



and the candle was formed with high volume almost 2X of normal volume.

3. This is a recipe for a volume climax setup, though I use it for exiting my positions if I have any prior to the this move.

4. In this setup, Wait for the second candle to close ,

because most of the times if the trend is to continue it will continue in next candle.

Another example-



So, Now we have talked about the setup, but don't this fail and how can we know it when it do fail?

• First when should we not use it ?

1. When the stock shows Extremely high volume but the candles closing have strength then its not considered volume climax.

Example-



I Use this as an exiting technique rather then , an entry setup though one can work around with it.

Definitely it will fail sometimes, like any other technique.

Thanks for reading till here,

Cheers,

TRADER KNIGHT