

## The Total Effective Volume Cycles

This document was written on November 27, 2009 by Pascal Willain as part of a training program on the use of the Effective Volume tools.

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Daily and weekly market updates are available on [www.effectivevolume.eu](http://www.effectivevolume.eu)

The author is French speaking.  
This report has not been proof-read for the proper use of English language.

As you may remember, I daily update two general files:

[http://www.effectivevolume.eu/content/Reports/Willain\\_List.xls](http://www.effectivevolume.eu/content/Reports/Willain_List.xls)  
[http://www.effectivevolume.eu/content/Reports/Pascal\\_List.xls](http://www.effectivevolume.eu/content/Reports/Pascal_List.xls)

The "Pascal" file is more complete than the "Willain" file and is destined to those who followed the training.

In this document, I will explain how I detect the important changes in TEV.

If you remember the "Value In Time" book, I wrote that TEV is more suitable to detecting tops, while LEV would be used to detecting bottoms.

I indeed believe that short covering is very swift at bottoms, which is relatively easily detectable through LEV.

Profit taking however takes place on a regular basis during an uptrend and it is only when the total number of sellers is higher than the total number of buyers that the stock will start weakening. However, once it breaks to the downside, the selling can be as swift as the short covering can be during rallies. TEV is therefore used to look for weakness in order to avoid to be taken into a "break".

Below is a small extract from the "Stocks" worksheet of the two tables referenced above.

I only took six stocks, because they are in different stages as can be seen in the "Tot EV Status".

November 27, 2009	Sector Name	AB Buy signal	Strength Aver Tot EV	Extension Tot EV	Tot EV Status
WMB	Pipe Lines	94	9%	2%	
PKD	Drillers	100	6%	13%	Buying surges
XRTX	Data Storage	100	100%	22%	Buying continues
TROW	Invest. Brokers	100	100%	7%	
QSII	Medical SW	92	85%	-18%	Selling surges
RHI	Outsourcing	100	0%	-28%	Selling continues
<b>Average</b>			51.6%	2.6%	

In the figures below, the Average Total EV is in pink, while the extension Tot EV is the difference between the blue signal and the pink.

**The Average Total EV** is measured in terms of position of the last day measure compared to the level of the past 60 days.

This allows seeing where we are in the most recent part of the cycle, without being bothered by a very old part of the cycle.

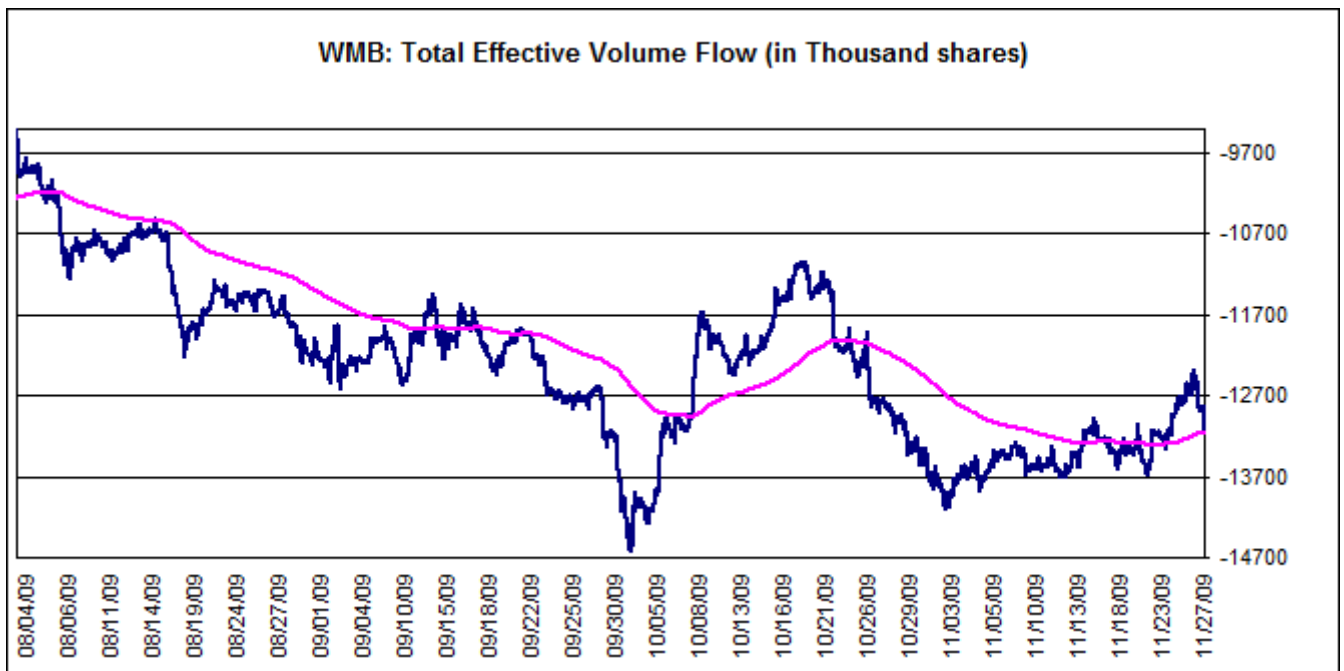
**The extension Tot EV** is measured in terms of percentage compared to the maximum variation of TEV for the past 60 days.

The extension Tot EV is positive when the blue line is above the pink one.

Stage 1: WMB: The stock went through a selling wave and now wants to build a bottom.

Obviously, the pink line is at the lower part of the cycle.

Since the blue signal is very close to the pink signal, we conclude that the move is "indecisive"

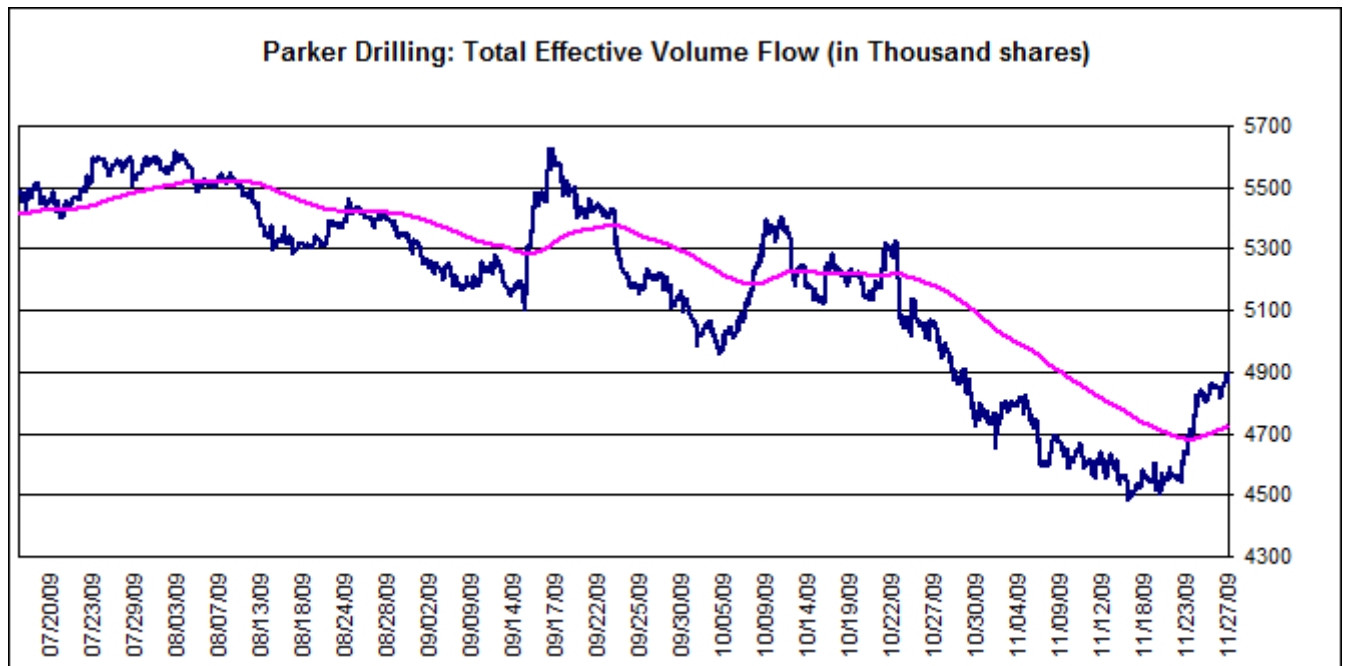


Stage 2: PKD (Parker Drilling): The stock went through a selling wave but seems now to be reversing now. Hence its status as "Buying surges".

If the market has been pulling back and is on the verge of reversing, then PKD is a stock you want to look at.

The filter below will help you locate such stocks. Note that the filter will only show stocks that have a rating higher than 70 and an AB value higher than 50.

[http://www.effectivevolume.eu/content/Filters/Buying\\_Surges\\_AB.php](http://www.effectivevolume.eu/content/Filters/Buying_Surges_AB.php)

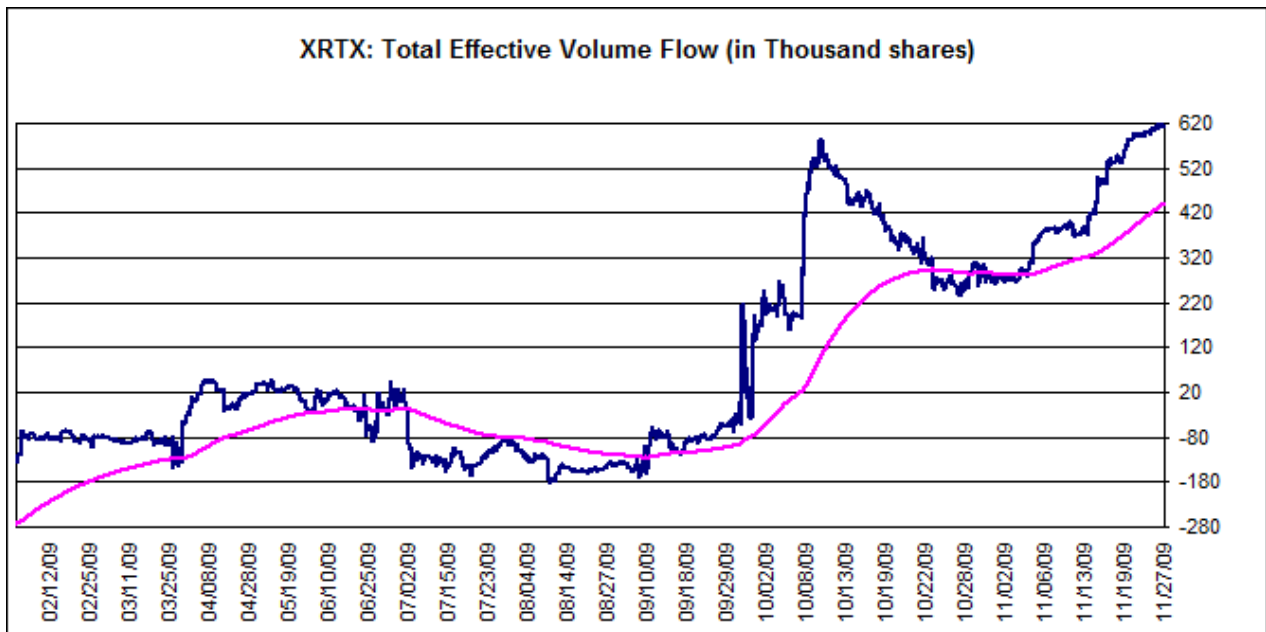


Stage 3: XRTX: The stock has been "discovered" and is now being accumulated. Hence its status as "Buying continues".

You would be looking at the stocks in an ongoing uptrend.

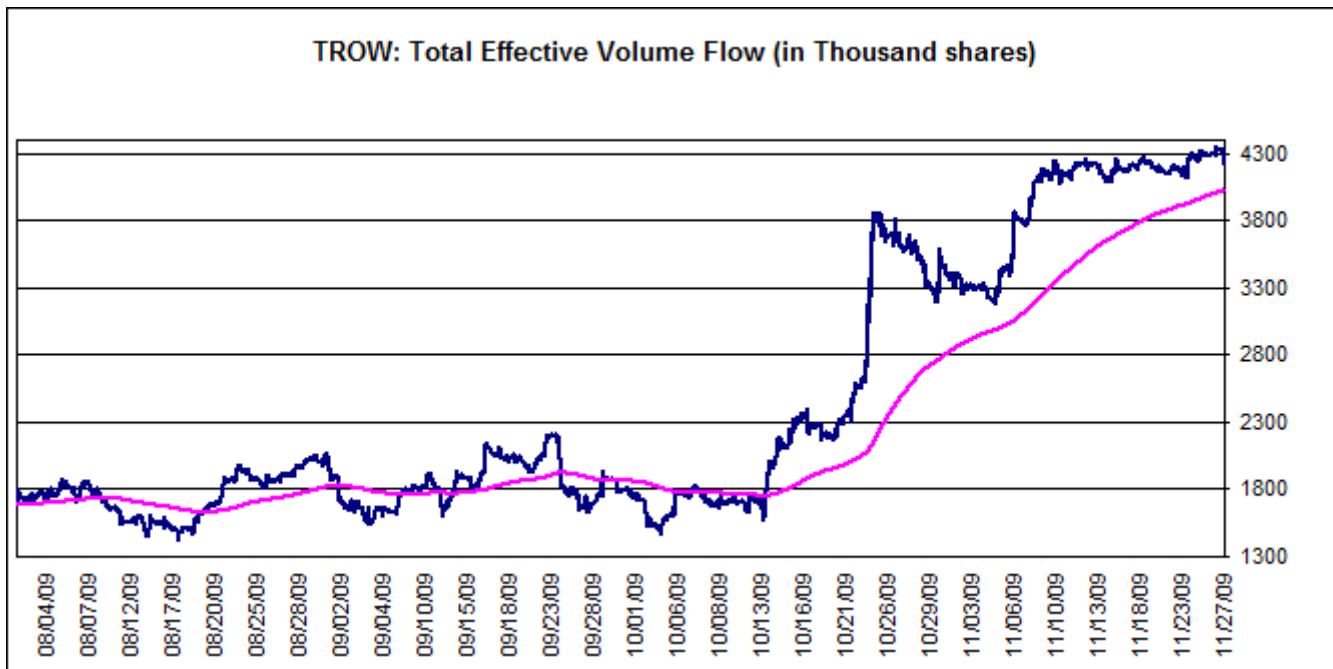
The filter below will help you locate such stocks. Note that the filter will only show stocks that have a rating higher than 70 and an AB value higher than 50.

[http://www.effectivevolume.eu/content/Filters/Buying\\_continues\\_AB.php](http://www.effectivevolume.eu/content/Filters/Buying_continues_AB.php)



Stage 4: TROW: The stock has been "discovered" but accumulation looks to be much weaker. Hence, the extension is between +10% and -10%.

Accumulation could restart or the stock could reverse from here. Better wait.

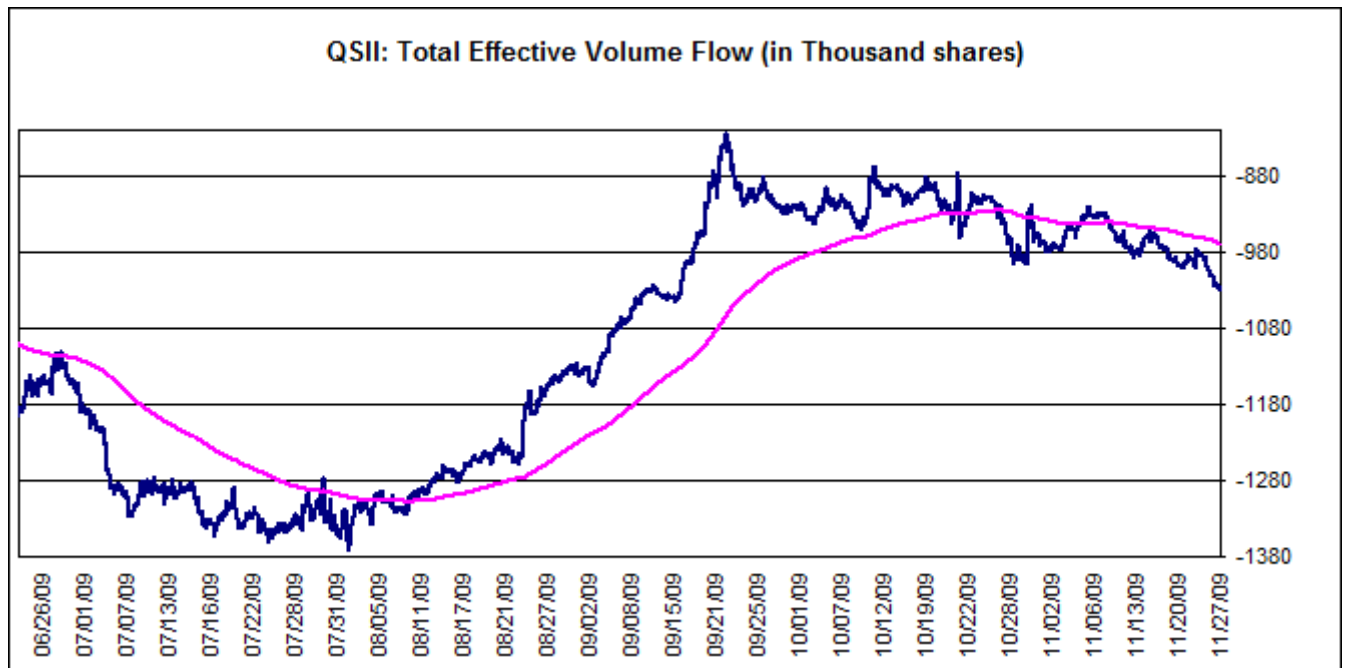


Stage 5: QSII: Sellers start coming after a strong accumulation phase. The extension is below -10% and the stock status is "Selling Surges".

This is where you look for short candidates (QSII might or might not be a short candidate here. This is just an example)

The filter below will help you locate such stocks. Note that the filter will only show stocks that have a rating lower than 30 and an AB value lower than 50

[http://www.effectivevolume.eu/content/Filters/Selling\\_Surges\\_AB.php](http://www.effectivevolume.eu/content/Filters/Selling_Surges_AB.php)

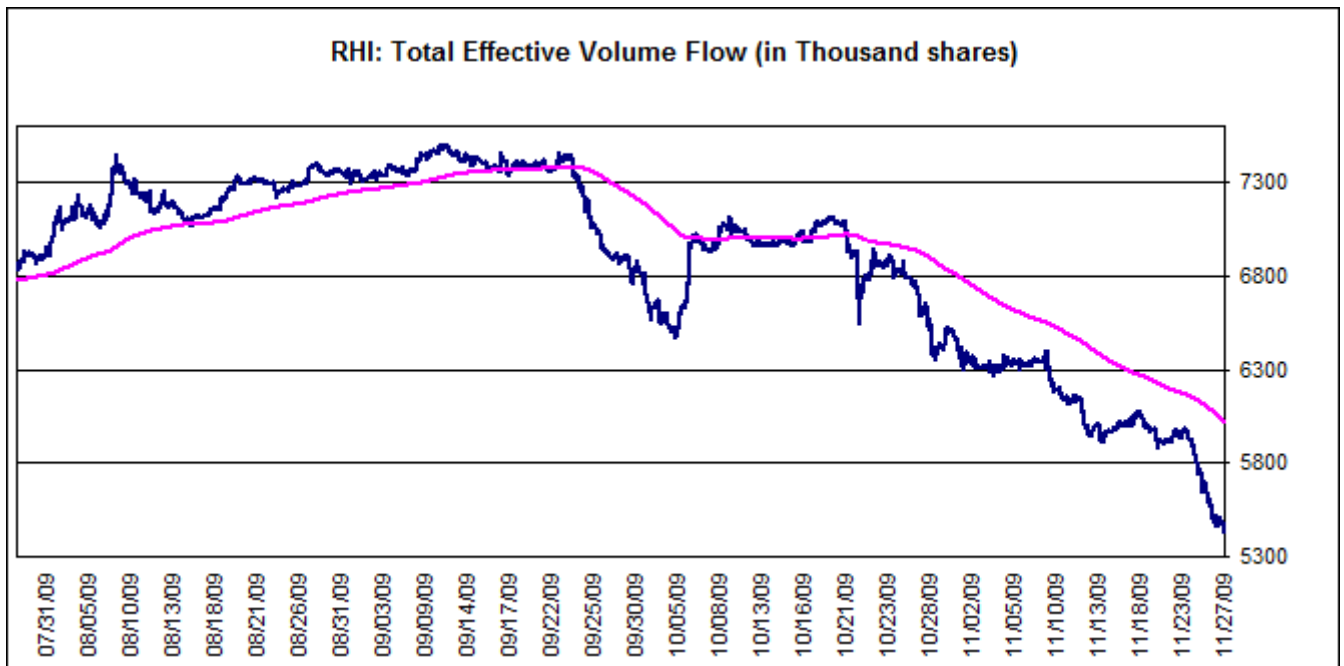


Stage 6: RHI: Sellers are all over the place. The pink curve is in the lowest part of its range and the extension is below -10%. Hence, the stock status is "Selling continues".

You might be late into the party here and you could be the victim of a short squeeze move if you short too late.

The filter below will help you locate such stocks. Note that the filter will only show stocks that have a rating lower than 30 and an AB value lower than 50

[http://www.effectivevolume.eu/content/Filters/Selling\\_continues\\_AB.php](http://www.effectivevolume.eu/content/Filters/Selling_continues_AB.php)



## **The Average figures**

The bottom of the above table shows an average Tot EV at 51.6% and an extension at 2.6%. These figures come from the complete table.

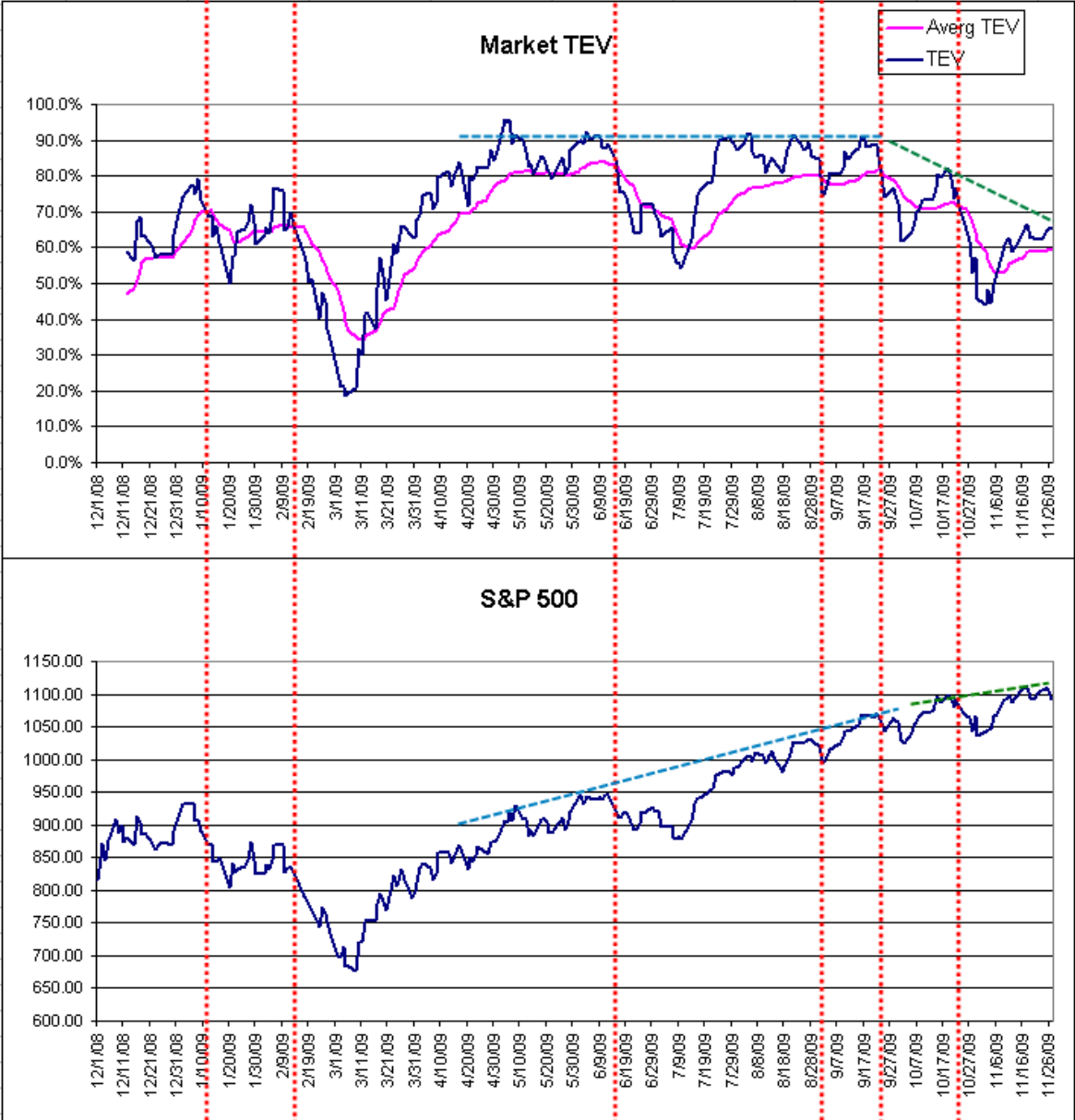
A positive extension means that money is moving into the market.

Would it be a good idea to monitor this average over a long time period?

This is what the figure below shows... but it shows something better: it is the weighted average of these signals taken on 925 stocks.

What can we say from this figure?

1. The vertical lines show when the blue signal crosses below the average pink. This signals that you might need to get out of the market.
2. The blue lines show that for most of the uptrend, the tops corresponded to the peak of the accumulations in terms of TEV. However, since October, the signal has weakened even though the market reached a new high. This indicates that we are probably in a late stage.
3. At the far right, the signal is still positive, which indicates that money is still coming in the market.



Below is the TEV figure that has been split between large and small caps. Obviously, large caps have been attracting more money in the past months.

