This is Al Brooks, thank you for watching the “Brooks Trading Course”. This is another in the series of videos on “Chart Basics and Price Action”. In this video I`m gonna be talking about the importance of volume and news. In the last video I talked about the purpose of markets is to facilitate trading. Markets are designed to increase the number of traders placing trades, increase the number of trades being in place and increase the total volume of trades taking place. Now take a look at this chart – the market is going down. As it`s going down, we have a slightly lower low in price, though, we have a lower low in the volume. What will traders assume? They will assume that if we continue down, volume will get less and less and less. Markets are designed to maximize trading volume. With the market is going down and finding fewer people willing to trade and less volume, it`s going the wrong direction because theoretically ultimately if it keeps going down, eventually there will be no trading at all. And that is not what the market wants. The market tries to isolate in an area where trading volume will be maximum. Just because volume is getting less does not mean that the market has to go up to find more volume. It sometimes can find more volume by simply going a sideways entering your trading range. So, lower price and lower volume. Traders are not interested in trading at this price, so, they have to find a new price and if they go lower, they are going to assume that there will be even less volume. So, lower is not the answer, the market probably has to go higher to find traders willing to place trades. And you can see, we go up a little bit here and volume was up a little bit. And volume divergence often leads to a rally. So, here price is low, lower, lower. But as it goes lower, volume is getting less as the market is going down. As the market is going down, fewer traders are interested in trading. Theoretically, if it keeps going down, no one will trade. There won`t be anyone willing to sell at a low price. Therefore, a lot of times, as the market is going down, volume tends to dry up. And the market has to go higher to find sellers willing to sell. Usually if the market has a bear breakout on big volume, that low is not going to be the final low in price.