Volume on an index, and volume of what exactly

> **INDEX VOLUME**
>
> Three different measurements sharing one label. The cash index has none. A futures contract has real, centralised, exchange-reported volume. A CFD platform reports its own clients' activity. Reading a volume histogram without knowing which of the three it is makes the reading meaningless.

Volume is the most misread series on an index chart, and the reason is simple: three unrelated things are displayed identically.

The cash index: none

Nothing transacts, so there is nothing to count. A platform showing a volume histogram under a cash index chart is showing you something else - usually the volume of whatever product it actually quotes.

The future: real and centralised

Index futures trade on an exchange, and the exchange counts every contract. That figure is genuine, complete for that contract, and comparable day to day.

It is the only index volume series worth much, and it comes with a complication lesson 7 deals with: volume migrates between contracts as one expires, so a falling histogram can mean the contract is being abandoned rather than interest fading.

The CFD platform: its own clients

A broker showing volume on its index product is showing its own flow. That is a real measurement of a real thing - just a much smaller and unrepresentative thing than the market.

Two brokers will show different volume for the same index on the same day, and neither is the market's volume. Reading a broker's histogram as participation is reading the broker.

What follows for reading

Establish which of the three you have before using it for anything.Volume-based reasoning belongs on the futures series, where the number is centralised.A cash index chart with volume is displaying a proxy - find out for what.

The honest position

Volume analysis is genuinely weaker on indices than on single shares, because the instrument is a wrapper and there are several wrappers. That is not a gap in your knowledge to be filled by a better indicator; it is a property of the market.

Check your understanding

1. A platform shows a volume histogram beneath a cash index chart. What is it?

a. The combined volume of the constituent shares
b. Something else - most likely the volume of the product the platform quotes
c. The index provider's calculation frequency

Answer: b. The cash index does not transact, so it has no volume. Whatever is being displayed comes from somewhere else, and the reading depends entirely on where.

2. Which index volume series is worth reasoning from?

a. The broker's, because it reflects retail positioning
b. The futures contract's, because it is centralised and exchange-reported
c. Any of them, as long as it is used consistently

Answer: b. The exchange counts every contract, so the figure is complete for that contract and comparable day to day. A broker's histogram measures the broker.