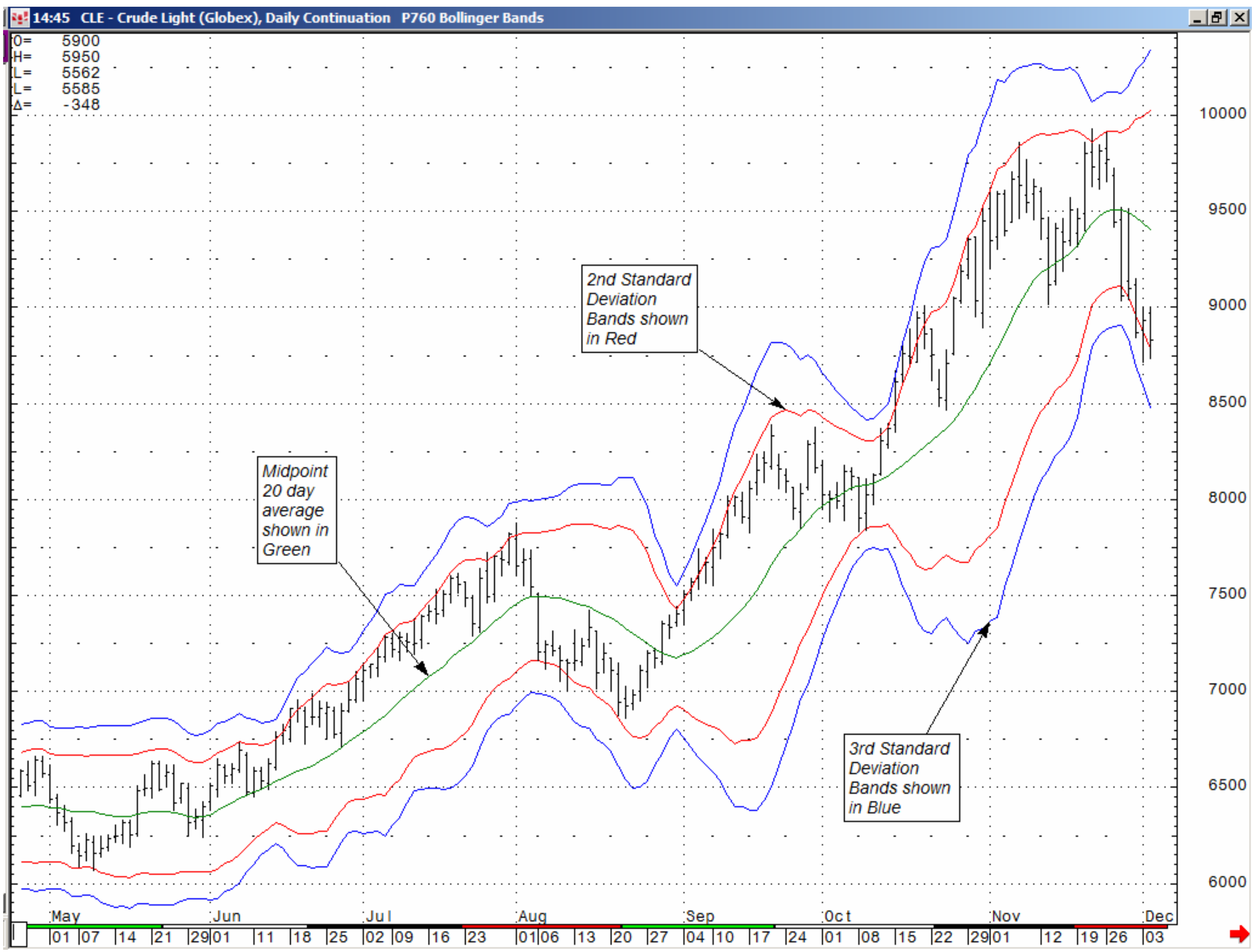
Capstone Trading Advisors

Bollinger Bands

Bollinger Bands consist of three parts; the midpoint (which in our application is the 20 bar moving average), and the upper and lower bands. For our purposes we use two sets of upper and lower bands. These upper and lower bands are created by adding / subtracting the 2nd Standard Deviation, and then the 3rd Standard Deviation from the mid point 20 bar average.

As you can see on the sample chart below, this gives us a total package of the 20 day average mid point (shown in green), the 2nd Standard Deviation Bollinger Bands (shown in red), and the 3rd Standard Deviation Bollinger Bands (shown in blue).

The Bollinger Bands can give us a multitude of technical trading signals. Some of these issues that will be covered in the video presentation include: 1) the slope of the 20 day average mid point 2) a change in the slope of the 20 day average mid point 3) the significance of the market price residing consistently above or below the mid point average 4) the shape and relative distance of the upper and lower bands from the mid point 5) the significance when price reaches into the area of either the upper or lower bands



Alternate used

A 21 bar average can also be used for the mid point of the Bollinger Bands