

Method BB

I have yet another method, and this one here is named Method BB because it is all Bollinger Bands. Not sure if it has been done before, but I haven't seen it around here so I am claiming it as my own☺! For those of you that took statistics, you may recall that Bollinger Bands are a graphical representation of standard deviations. Essentially, in normal data sets, there is a bell curve in which most numbers fall under, and there is less of the data at the extremes. As the size of the data set becomes larger, the more accurate it becomes.

Anyway, all you should think about for this is that:

- 68.3% of a normal population(Data set, PRICE HISTORY) lie between plus or minus 2 standard deviations.
- 95.4% of a normal population lie between plus or minus 3 standard deviations.
- 99.7% of a normal population lie between plus or minus 4 standard deviations.

Or easier explained, the price won't go beyond 4 standard deviations very often.

Here are the Bollinger Bands you should put on your DAILY chart:
(There are 6, and that seems like a lot, but just do it!)

- BB(20,1.5) Green
- BB(20,2) Yellow
- BB(20,2.5) Orange
- BB(20,3) Red
- BB(20,3.5) Purple
- BB(20,4) Blue

Your chart should look sort of like this:



I hope you like rainbows!

Essentially, you have 13 lines.
Each one is a resistance.

I think the best way to show you this method is to show you a lot of examples, so eat your heart out. BTW S/L will be at 100 pips and stay there until you get an exit signal.

SO, the example above, let me show you when I would have entered and why.



First Red Arrow

Price was poking all those resistances, and then finally closed out into the center area on the day shown. S/L is 100 pips and stays there.

First Orange Arrow

Good sign! Price is poking the naughty 4 standard deviations line which values beyond that occur only .3%.

First Green Arrow

The close goes back into the main area after poking. We liquidate our first position and BUY a new position at close.

Second Orange Arrow

More poking! Also since it only pokes to about the 2 standard deviation line, it is not a STRONG signal. Remember, 31.7% of prices could be higher. Nevertheless, we take the trade anyway upon the next Red Arrow

Second Red Arrow

Close happens in the center so we liquidate our BUY and enter a SELL position. Because of the orange arrow above, maybe take a smaller lot size.

PLEASE NOTE:

These lines are RESISTANCE lines. It is entirely possible for the price to approach the inner 1.5 Std Deviation, not hit it, and then move away. Just keep in mind that would be a weak signal.

Another Example: GBP/USD Daily



First Green Arrow

Price has been poking resistance bands and even got as past 3 standard deviations! We get in BUY when the close breaks into the main channel, as indicated.

First Red Arrow

Price poked the yellow 2 standard deviation line and went down, closing in the main channel. We liquidate our first position, and enter a WEAK(ISH) sell signal.

Second Green Arrow

Price hardly poked first 1.5 resistance and closed in the main channel. THIS IS A WEAK SIGNAL. Liquidate existing sell, and BUY a fraction of your lot size at the close of the green day.

Second Red Arrow

Price poked second standard deviation line. Indicating a WEAK(ISH) sell signal. We liquidate our last trade, then we sell when the price closes in the main channel.

Third Green Arrow

Price approaches first resistance then backs off. Liquidate what you have, and since this is incredibly weak, buy very little if any. In this case, it would have been good to buy.

First Orange Arrow

ALL-STAR BAR- a bar that goes through all 6 bollinger bands. MUST BE TOUCHING ALL OF THEM. Very good sign to buy.

Second Orange Arrow

Maybe a sell, maybe not. In my opinion the price should definitively close in the main channel.

Third Red Arrow

Liquidate existing trade. Would be a sell, but you would lose 100 pips on this one.

Fourth Red Arrow

Price breaks into main channel after poking, so we SELL.

Fourth Green Arrow

We Buy when close enters main channel and are faced with another loser.

Ok, that's enough, you should get it. Let me know if you have any questions. Also, I will backtest it when I am able.

Regards,

Kevin