

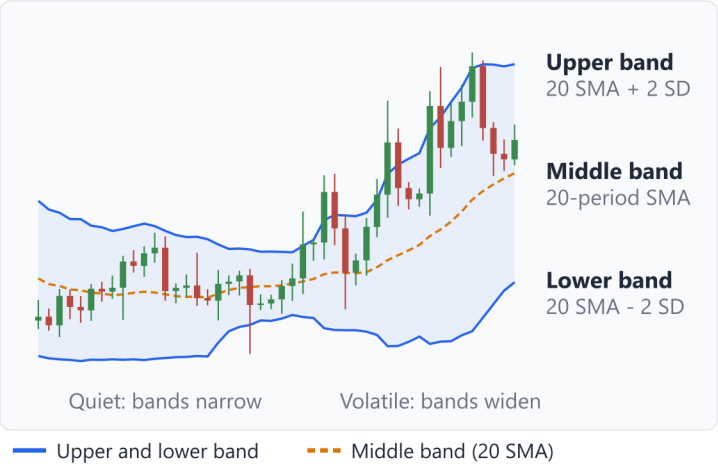
Bollinger Bands

SETTINGS AND FORMULA

Middle band = 20-period SMA of the close
Upper band = middle + 2 x 20-period std dev
Lower band = middle - 2 x 20-period std dev
Band width = (upper - lower) / middle
%B = (close - lower) / (upper - lower)
%B of 1 = on the upper band, 0 = on the lower band

Defaults: 20 periods, 2 standard deviations

John Bollinger's own settings and what almost every platform loads. Change them only with a tested reason.



THREE SETUPS TO KNOW



The squeeze

- 1 Band width falls to its lowest in months.
- 2 A close outside the band starts the move.
- 3 Bands expand. Trade the direction of the break.



Walking the band

- 1 Strong trend: closes hug the upper band.
- 2 Pullbacks hold above the middle band.
- 3 A close below the middle band: trend weakening.



Range fade (flat bands only)

- 1 Price closes outside the lower band.
- 2 Next candle closes back inside: enter. Stop below the low.
- 3 First target: the middle band.

SIGNALS

SIGNAL	WHAT IT MEANS	HOW TO ACT
Squeeze: band width at a multi-month low	Volatility is compressed; a bigger move is likely	Mark the range. Trade the close outside it, not the squeeze
Closes along the upper band	Strong uptrend, not "overbought"	Stay long; add on pullbacks that hold the middle band
Closes along the lower band	Strong downtrend, not "oversold"	Do not buy the touch. Wait for a close above the middle band
Pierce, then close back inside (flat bands)	Failed push at the edge of a range	Fade it: stop beyond the extreme, target the middle band
Close through the middle band against the trend	Momentum is fading	Tighten the stop or take partial profit

RULES OF THUMB

- Read band width first: flat and narrow means range, wide and sloping means trend.
- A band touch is information, not a trade signal.
- Confirm with a close, not an intrabar spike.
- Pair the bands with support and resistance.
- Size every trade from the stop distance, not the setup.

THE 3 MOST COMMON MISTAKES

- ✗ Selling every upper-band touch. In a trend, price can ride the band for weeks.
- ✗ Trading the squeeze before the break. It says a move is coming, not which way.
- ✗ Running range fades in a trending market. Check the slope of the bands first.