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Empirical Optimization of Bollinger Bands for Profitability

72 Pages

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Oliver Williams (https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=2116351)

Simon Fraser University (SFU); University of Western Ontario

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Abstract

This paper endeavours to evaluate the profitability of Bollinger Bands through an empirical study. Bollinger Bands are able to capture sudden fluctuations in price level, which may be useful when tweaking its inputs to derive a trading rule. For the purpose of projecting prices, technical analysts have chosen a moving average of 20 days for short term analysis and 200 days for long term analyst. Moving averages in relation to profitability is the focus of this study. What follows is a discussion on the development of Bollinger Bands from trading bands, and moving averages. After testing a simple trading rule on the components of the DOW 30 index there is a revelation that a single moving average window cannot be used to derive an all (security) encompassing trading rule.

Keywords: John Bollinger, Bollinger Band, band-width, trading rule, trading band, technical analysis, moving average[Suggested Citation](#) >[Show Contact Information](#) >[Download This Paper \(Delivery.cfm/SSRN_ID2321140_code2116351.pdf?abstractid=2321140&mirid=1\)](https://papers.ssrn.com/sol3/Delivery.cfm/SSRN_ID2321140_code2116351.pdf?abstractid=2321140&mirid=1)[Open PDF in Browser \(Delivery.cfm/SSRN_ID2321140_code2116351.pdf?abstractid=2321140&mirid=1&type=2\)](https://papers.ssrn.com/sol3/Delivery.cfm/SSRN_ID2321140_code2116351.pdf?abstractid=2321140&mirid=1&type=2)

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