Taylor & Francis
Online

Applied Economics ›
Volume 48, 2016 - Issue 37

873 Views | 12 CrossRef citations to date | 0 Altmetric

Original Articles

Combining value averaging and Bollinger Band for an ETF trading strategy

Hung-Cheng Lai, Tseng-Chan Tseng & Sz-Chi Huang

Pages 3550-3557 | Published online: 16 Mar 2016

Cite this article https://doi.org/10.1080/00036846.2016.1142653

Check for updates

Sample our
Economics, Finance,
Business & Industry Journals
>> Sign in here to start your access
to the latest two volumes for 14 days

Full Article Figures & data References Citations Metrics
Reprints & Permissions Read this article Share

ABSTRACT

The decision-making of investors is highly influenced by their feelings. According to behavioural finance, investor greed and fear would form irrational behaviour and affect their portfolio allocation. Although well-known mechanical investment strategy of dollar cost averaging (DCA) and value averaging (VA) could eliminate the problems of when to purchase, there are still some disadvantages to consider. For example, using a DCA strategy may be able to decrease volatility in portfolio so as to not effect investment decision, but it gives no rule for selling and may increase the opportunity cost of time if investors start deducted at peak prices. On the other hand, VA gives more aggressive sell signals to control the value of the portfolio to the level desired, but the investor may not have enough money purchase of a large number of shares in sharp decline period. Therefore, we use VA as main strategy and Bollinger Band as assist indicator for

check for volatility for entry or exit. Through analysis and simulation, the new strategy we design does improve the performance during both bull and bear market periods.

KEYWORDS:

Value averaging | Bollinger Band | dollar cost averaging

JEL CLASSIFICATION:

G10 | P45

Disclosure statement

No potential conflict of interest was reported by the authors.

Notes

1 The explanations of value averaging and Bollinger Band are from both Investopedia and Wikipedia website.

2 http://www.onlinetradingconcepts.com/TechnicalAnalysis/BollingerBands.html

Related research

People also read | Recommended articles | Cited by 12

Information for

- Authors
- R&D professionals
- Editors
- Librarians
- Societies

Open access

- Overview
- Open journals
- Open Select
- Dove Medical Press
- F1000Research

Opportunities

- Reprints and e-prints
- Advertising solutions
- Accelerated publication
- Corporate access solutions

Help and information

- Help and contact
- Newsroom
- All journals
- Books

Keep up to date

Register to receive personalised research and resources by email

Sign me up

Copyright © 2026 Informa UK Limited Privacy policy

Cookies Terms & conditions Accessibility

Registered in England & Wales No. 01072954
5 Howick Place | London | SW1P 1WG