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 1 standard deviations.
- 95.4% of a normal population lie between plus or minus 2 standard deviations.
- 99.7% of a normal population lie between plus or minus 3 standard deviations.

Or easier explained, the price won't go beyond 3 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

Also, add an Average True Range(ATR) indicator with a period setting of 20. The value of the ATR will be our Stop Loss when we enter trades.

PLEASE read all the way to the end of the Counter Trend section before you start trading this method. Thank you☺! You will find that some of the beginning stuff is somewhat contradicting with the Counter Trend section, but just do what the Counter Trend section says.

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.

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 our ATR value 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.

Counter Trend

As you may or may not know, the center line in the Bollinger band is an Simple Moving Average(SMA) that indicates to us what the trend is.

There are two rules you should know:

1) If SMA slope is sloping in our direction OR FLAT at entry, enter with 2 lots. If it is sloping in the opposite of our direction, 1 lot.

2) Once the price hits the SMA we either liquidate our only lot, OR liquidate the first lot IF WE HAD 2. The second lot is liquidated upon the next entry signal.

Allow me to show you an example of this:

An Example of using one or two lots dependent upon SMA:
GBP/USD Daily

- First Red Arrow
  Price breaks into channel and CLOSES in the main channel. As you can see from the white arrow, the SMA is going against our entry, therefore we use only 1 lot.
- First Yellow Arrow
  Short Position is liquidated. Because we only had one lot, we now have nothing.
- Second Red Arrow
  Price hits resistances, then closes back into the main channel(first red bar there). The white arrow shows that the SMA is flat. I consider this a neutral category. You may choose to buy 2 lots or just 1 to play it safe. Personally, I will buy 2 lots when I see flat SMA(relatively flat)
- Second Yellow Arrow
  Liquidate a lot as price hits SMA. Had you purchased 2 lots, you would still have one.
- Second Green Arrow
  Liquidate existing lot(if you had it), and enter a new position. White arrow shows that the SMA is sloping down. We will only enter one lot.
- Third Yellow Arrow
  Liquidate existing lot at the SMA.
- Fourth Yellow Arrow
  Price hits SMA. We Liquidate 1 lot. If we had sold 2 lots, we would still have one.

- Third Green Arrow
  Price hits resistance and closes in main channel. I can't draw the white line as there is no room, but you can see the SMA is sloping slightly down. We only buy 1 lot in this instance.
- Fifth Yellow Arrow
  Price hits the SMA and we sell our existing lot.
- Fifth Red Arrow
  This is not an "ideal" bounce, but As you can see it never closes much beyond the SMA at all. The bar that breaks down below the SMA is a strong bar, and thus completes the BOUNCE. Go ahead and sell one lot.
- Fourth Green Arrow
  Price hits resistances and closes back in main channel. Liquidate current lot and enter 1 lot because SMA is sloping down.

Advanced Technique ("Bounce")

"Bounce" is a technique that has occurs rarely, and therefore has only been tested a handful of times. For the risk adverse trader, please ignore this section, as I would consider there to be risk associated with this technique. Having a solid understanding of everything mentioned above, you will likely profit, but if you want another tool on your belt, read on. Again, trade this technique at your own risk.

An Example of "Bounce" using the above example:
GBP/USD Daily

- First Red Arrow
  Price breaks into channel and CLOSES in the main channel. As you can see from the white arrow, the SMA is going against our entry, therefore we use only 1 lot.
- First Yellow Arrow
  Short Position is liquidated. Because we only had one lot, we now have nothing.
- First Green Arrow
  The price "BOUNCED" off of the SMA. An ideal bounce will not have a close beyond the SMA, BUT if it just barely crosses, then that's not so bad. Buy at the close of this green day indicated(1 LOT).
- Second Red Arrow
  Price hits resistances, then closes back into the main channel(first red bar there). The white arrow shows that the SMA is flat. I consider this a neutral category. You may choose to buy 2 lots or just 1 to play it safe. Personally, I will buy 2 lots when I see flat SMA(relatively flat)
- Second Yellow Arrow
  Liquidate a lot as price hits SMA. Had you purchased 2 lots, you would still have one.
- Second Green Arrow
  Liquidate existing lot(if you had it), and enter a new position. White arrow shows that the SMA is sloping down. We will only enter one lot.
- Third Yellow Arrow
  Liquidate existing lot at the SMA.
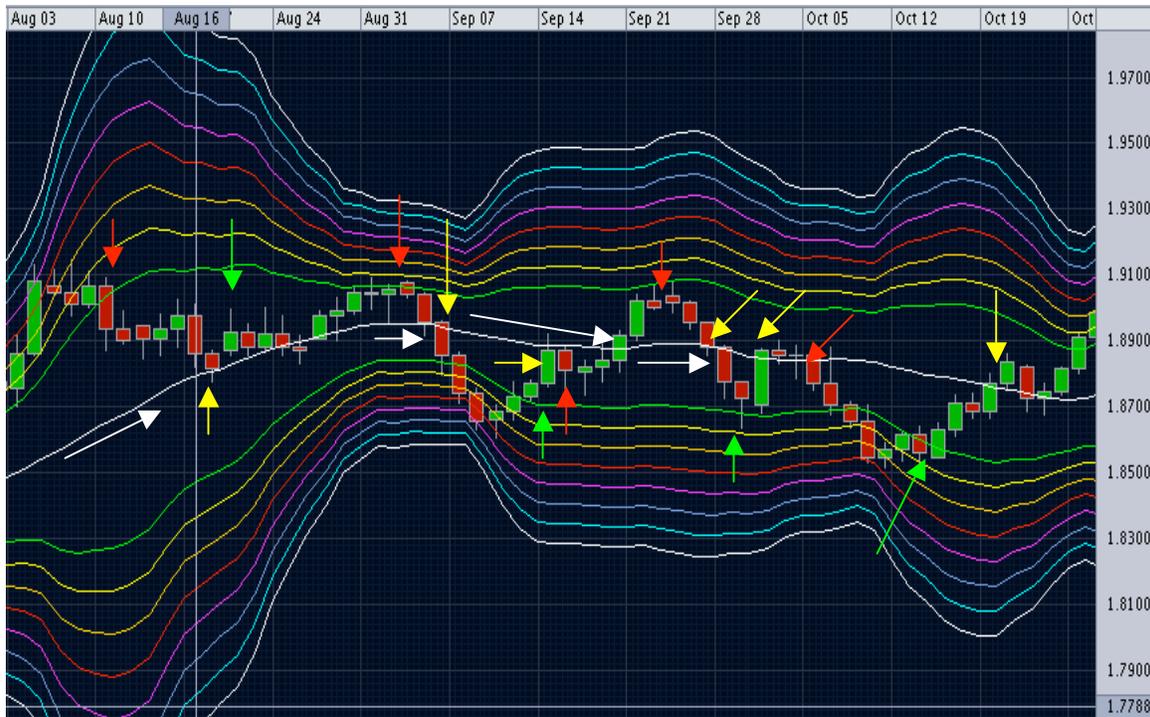
- Third Red Arrow
  The price "BOUNCED" off of the SMA. We would have entered short here, and lost whatever our S/L was.
- Fourth Red Arrow
  Either of these 2 bars hits the resistance and closes outside. We would sell. White Arrow shows SMA is flat. As I said earlier, this is neutral, but PERSONALLY, I will sell 2 lots.
- Fourth Yellow Arrow
  Price hits SMA. We Liquidate 1 lot. If we had sold 2 lots, we would still have one.
- Third Green Arrow
  Price hits resistance and closes in main channel. I can't draw the white line as there is no room, but you can see the SMA is sloping slightly down. We only buy 1 lot in this instance.
- Fifth Yellow Arrow
  Price hits the SMA and we sell our existing lot.
- Fifth Red Arrow
  This is not an "ideal" bounce, but As you can see it never closes much beyond the SMA at all. The bar that breaks down below the SMA is a strong bar, and thus completes the BOUNCE. Go ahead and sell one lot.
- Fourth Green Arrow
  Price hits resistances and closes back in main channel. Liquidate current lot and enter 1 lot because SMA is sloping down.
- Sixth Yellow Arrow
  Ok, first you liquidated your long position a few days back. Now is this a BOUNCE? NO! It has a close relatively far above the SMA.