



Dr. Tucker Balch
Associate Professor
School of Interactive
Computing

Computational Investing, Part I

194: Information and Technical Analysis: Bollinger Bands

Find out how modern electronic markets work, why stock prices change in the ways they do, and how computation can help our understanding of them. Learn to build algorithms and visualizations to inform investing practice.

Bollinger Bands

- Developed by John Bollinger
- Idea: Indicator should adapt to volatility of the stock's price

How to Compute Bollinger Bands

- ⦿ Read in historical closing prices
- ⦿ mid = “rolling” mean over look back period
- ⦿ std = “rolling” STDEV over look back
- ⦿ upper = mid + 2*std
- ⦿ lower = mid – 2*std

How to Compute Bollinger Bands

- ⦿ Current “value” of Bollinger
 - If current price at Upper band = 1.0
 - If current price at Lower band = -1.0
- ⦿ $Val = (price - mid / std)$