Title:
Forex and Some Important Facts about Bollinger Bands.

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394

Summary:
One of the most important abilities a Forex trader must acquire is the ability to predict with accuracy what the market will do next. For this purpose Bollinger Bands are of great help for the new and experienced trader.

Keywords:
forex,forex trader,forex trading,forex trade,forex broker,moving averages,forex education,forex articles,

Article Body:
Forex trading is nowadays one of the most looked after occupation for many persons of all ages around the world. This is due to its great advantages over other capital markets and its high profitability potential; among these advantages you will find that is extremely easy to access a trading platform from the best forex broker firms thanks to the internet; and also you will notice that Forex has a high liquidity along with a high leverage.

But having a good broker firm and great trading platform is only one part of what you need in order to make your forex trading career a winning and profitable one. You need to have the right knowledge and techniques in order to forecast with the best accuracy what the market will do next. One of the techniques used to predict the Forex market behavior is that based on Bollinger Bands.

These Bollinger Bands are what is called a technical trading tool and they are widely used in the capital markets (including Forex) and were created by John Bollinger in the early 1980s. These bands technique was formulated based on the need for adaptive trading bands and the discovery that the volatility of the markets was a dynamic phenomena, not a static one as was widely believed at the time.

Bollinger Bands consist of a chart of three curves drawn in relation to currency pairs prices. The band situated in the middle is a measure of the intermediate-term trend and is usually a simple moving average, that serves as the base for the upper and lower bands. The interval between the upper, lower and the middle bands is determined by the volatility of the market, typically the standard deviation of the same data that were used for the moving average. The default parameter is 20 periods and two standard deviations above and below the middle band; of course this may be adjusted to suit your needs.

In short, the purpose of Bollinger Bands is to provide a relative definition of high and low price. By definition prices are considered high when touching the upper band and low when they touch the lower band. This relative definition can be used by the Forex trader to compare price actions and as a very useful indicator when the purpose of the trader is to arrive at rigorous buy and sell decisions.