

RSI Bollinger Band Strategy:-

Bollinger Bands :-

The Bollinger Bands Introduced by John Bollinger in the 1980s, Bollinger Bands (BB) is perhaps one of the most useful technical analysis indicators. BB is used to determine overbought and oversold levels, where a trader will try to sell when the price reaches the top of the band and will execute a buy when the price reaches the bottom of the band.

The Bollinger Bands has 3 components:-

1. The middle line which is The 20 day simple moving average of the closing prices
2. An upper band – this is the +2 standard deviation of the middle line
3. A lower band – this is the -2 standard deviation of the middle line

Overbought:-When the price reaches the upper band, the asset is trading at a relatively high price and is considered overbought. You could now look to sell the asset on the expectation that its price will fall back towards the central moving average band.

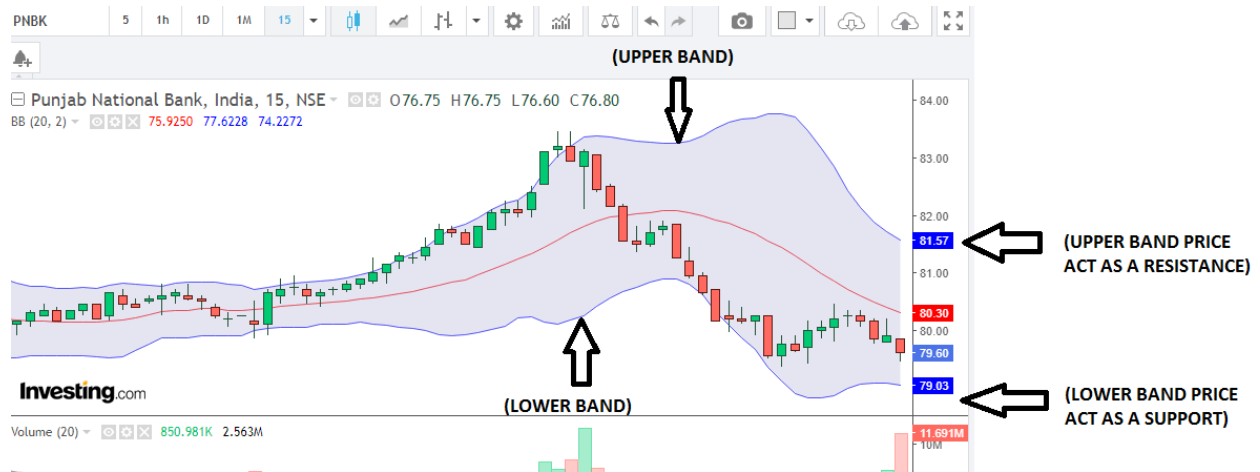
Oversold:- When a price approaches the lower band, the asset is trading at a relatively low price and is considered oversold. You could now look to buy the asset on the expectation that the price will go back towards the central moving average band.

Be cautious, however – just because the price may reach the upper and lower bands does not mean that the price will reverse. You will need further confirmation — using, for example, candlestick patterns or another indicator – that the price is reversing before you enter into a trade.

When the price reaches the upper band it is considered overbought and tends to fall back towards the central band.

When the price reaches the lower band it is considered oversold and tends to rise back up towards the central band.

As shown below diagram of Bollinger bands example :-



Now let's start to discuss our strategy of RSI Bollinger band strategy

Point A :-

Buy signal: - It's the red candle peeking outside the lower limit line of the Band with an RSI value being around 20,

Which is an extreme value and thus we can look for clear Buy signal. See following examples

PNBK Streaming Chart



Point A - Buy Signal



Point B:-

We have a candle protruding outside the upper limit line of the Bollinger Band and the corresponding RSI also shows an extreme value of 75 approx., thus clearly showing SELL signal.

PNBK Streaming Chart



Point B - Sell Signal



POINT B

Conclusion:-

Buy signal: - When RSI around 20 And price candle break lower band as shown below.

Sell Signal : when RSI around 75 and price candle break upper band as shown below.

