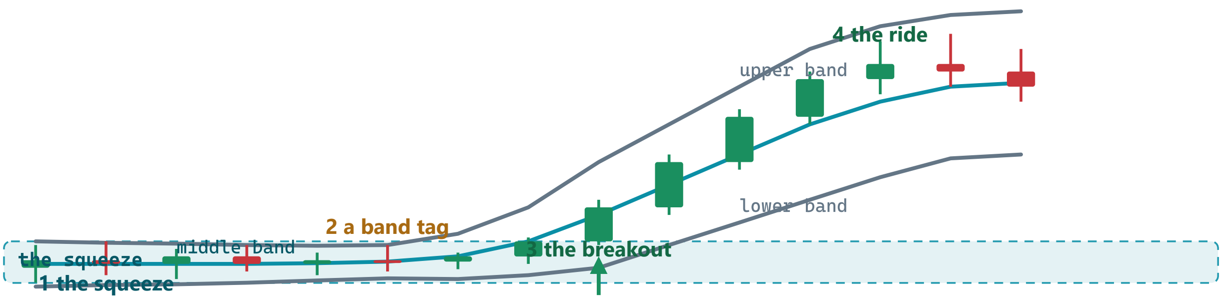
INDICATORS & TOOLS

Bollinger bands

Bollinger bands wrap price in three lines: a moving average in the middle and an upper and lower band a couple of standard deviations away. The bands widen when a market moves a lot and pinch when it goes quiet.

QUANTREEF
market microstructure



1
The squeeze
Price drifts sideways in a narrow range. Because recent moves are small, the standard deviation shrinks and the two bands pull in close to the middle line. A tight squeeze tells you volatility has quietened down.

`Bands contract`

2
A band tag
During the quiet phase price still drifts up to touch, or tag, a band and then eases back toward the middle. Most candles stay inside the two bands, so a tag is simply price reaching the edge of its recent range.

`Price reaches the edge`

3
The breakout
A larger candle pushes firmly through one band. The bigger move lifts the standard deviation, so the bands start to widen. A squeeze often comes before this kind of expansion, though the bands do not say which way.

`Bands expand`

4
The expansion ride
As the move continues, candles hug the outer band while the bands stay wide apart. Eventually the move cools, the bands stop widening, and price begins to settle back toward the middle line again.

`Volatility widens`

Key terms

Middle band — A moving average of recent closing prices, sitting in the centre of the two outer bands.

Standard deviation — A measure of how spread out recent prices are; it sets how far the bands sit from the middle.

Squeeze — When the bands pinch close together because recent price moves have been small and quiet.

Band tag — When a candle reaches or touches an outer band, marking the edge of price's recent range.

How to read & use it

Read width, not just position
Narrow bands describe a calm, coiled market; wide bands describe an active one. The gap between the bands is the part that carries information about volatility.

Most candles stay inside
By design, price spends most of its time between the two bands. A tag of a band means price is near the edge of its recent range, not that anything is guaranteed to happen next.

A squeeze is context, not a clock
Bands often contract before a bigger move, but they do not say when it will come or which direction it will take. Treat a squeeze as background context about volatility.

HOW QUANTREEF SHOWS THIS

Where Quantreef displays band width or a squeeze, it is descriptive context to help you read volatility. It is educational information, not a signal, recommendation, or prediction, and it does not tell you to buy or sell anything.