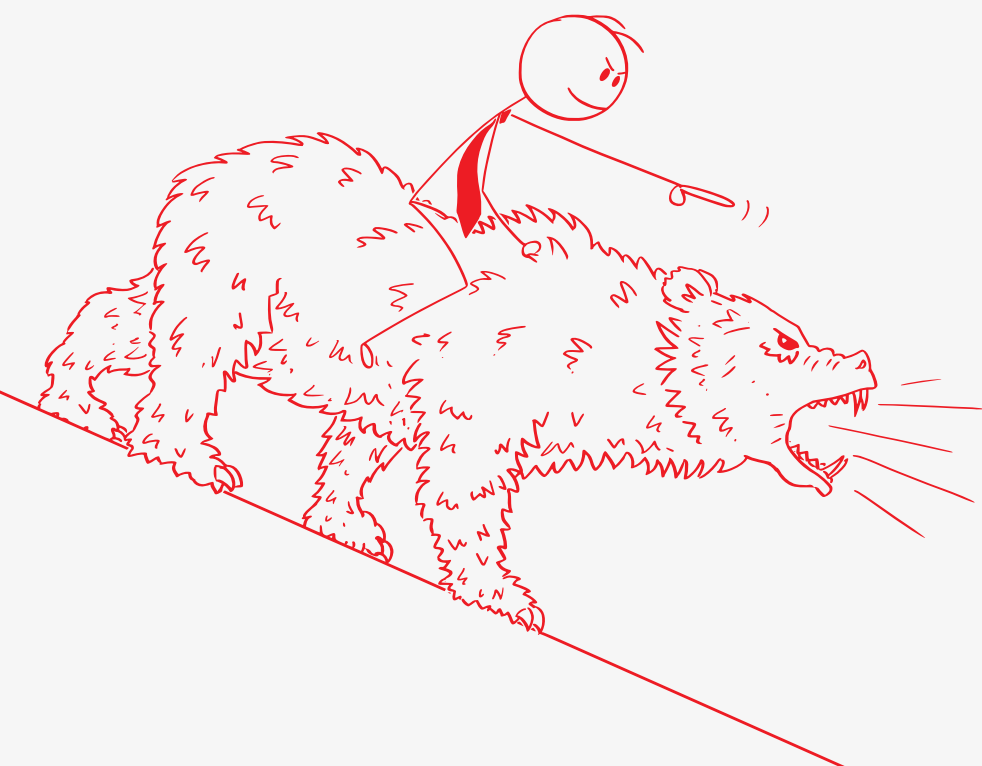


# **VOLATILITY** **INDICATORS**

When trading stocks, we should consider volatility in addition to the market's direction and consolidation patterns. As a result, traders must comprehend the volatility indicators in order to trade more successfully. Big swings in the stock market's volatility can make it challenging for traders to make trades. Additionally, when specific extreme news is released, the market can experience significant volatility. When the market is trending, volatility is high, and when the market is consolidating, volatility is low.

**The market volatility indicators listed below assist traders in determining market volatility.**



# 1. Average True Range -

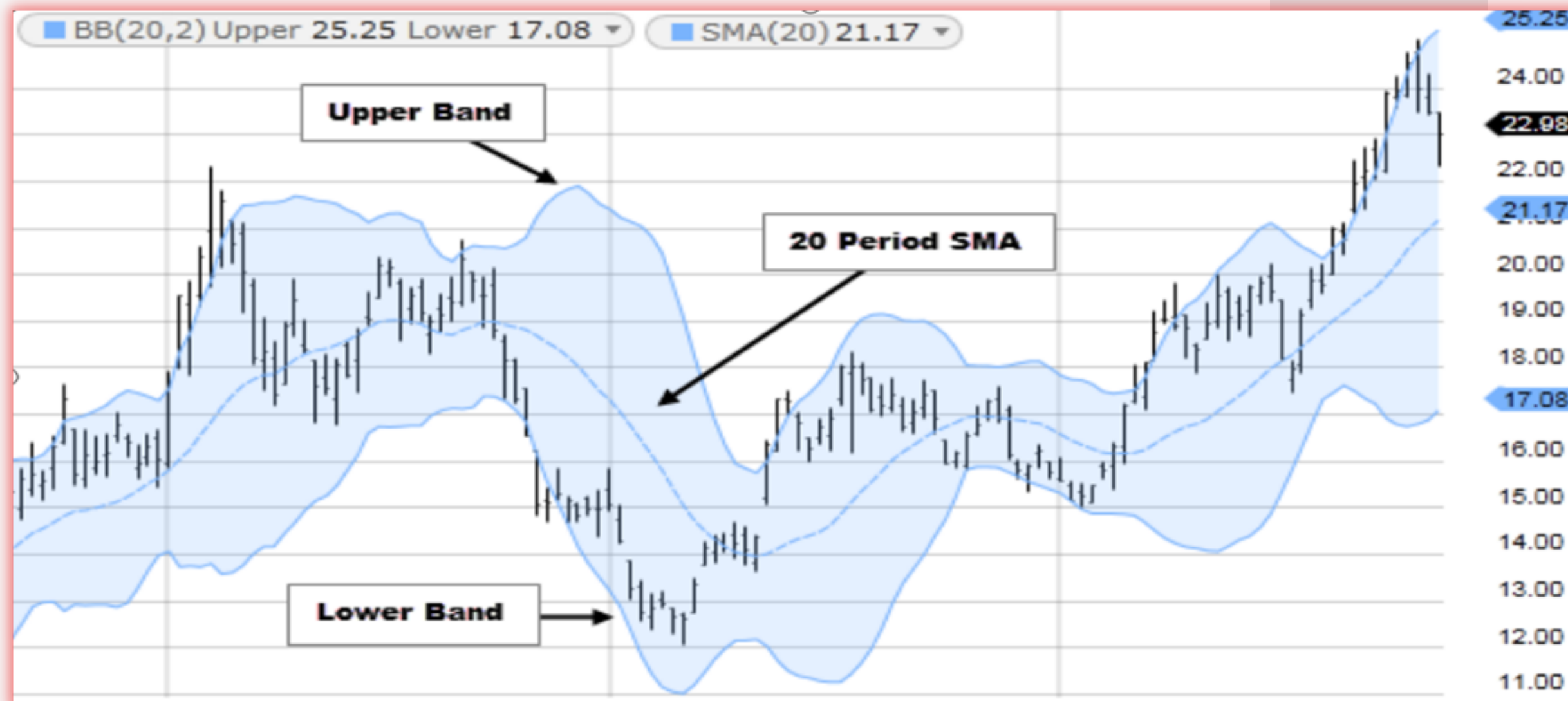
The **Average true range (ATR)**, which is typically 14, is measured. As a pure measure of volatility, ATR may not always suggest a trend. During a significant news event, volatile price movement might happen in a choppy market. Indicating the shift in the market's nature is the best approach to use the ATR. Increased ATR signals wider trading ranges and hence increased volatility. Low readings on the ATR, on the other hand, denote quiet or uneventful trading sessions.



## 2. Bollinger Bands-



The **top**, **lower**, and **middle bands** make up a Bollinger Band. The lower band is the  $-2$  Standard Deviation of the middle band, the upper band is the  $+2$  Standard Deviation, and the middle band's moving average of 20 days or bars serves as the middle band. These bands change size in response to changes in market volatility; they get wider and narrower respectively. When prices move away from either the upper or lower bands following a period of low volatility or consolidation, traders can use the Bollinger bands to place trades.



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