

Bollinger Bands Squeeze strategy

How the bands work, the squeeze and band width, breakout rules, a GBPUSD example and a free Pine Script. By M. A. Horaira, updated 10 October 2026.

THE RULES

- **Bands:** 20-period simple moving average with bands 2 standard deviations above and below
- **Squeeze:** the band width (upper minus lower, divided by the middle band) is at its lowest in 100 candles
- **Entry:** within 5 candles of a squeeze, a close above the upper band (long) or below the lower band (short) after a close inside the bands
- **Stop loss:** the middle band at the time of entry, or the opposite band
- **Target:** twice the risk (2R); one trade at a time, with an optional 200 EMA filter

WORKED EXAMPLE

GBPUSD: band width at a 100-candle low. Candle closes at 1.3210 above the upper band. Stop at the middle band 1.3191 (19 pips), target 1.3248 (2R). \$10,000 at 1% = 0.52 lots: – \$98.80 / +\$197.60.



Illustrative chart drawn to show the rules, not a real day's prices.

LOT SIZE

Lots = money at risk ÷ (stop in pips × pip value per lot).
On EURUSD and GBPUSD one standard lot is \$10 a pip. Risk the same 0.5% to 1% on every trade.

BEFORE EVERY TRADE

- ☐ Band width the lowest in 100 candles (within 5 candles)?
- ☐ CLOSE outside the band after a close inside?
- ☐ Stop at the middle band as it is now?
- ☐ No big news about to hit?
- ☐ Ready for a head fake?

BACKTEST IT BEFORE YOU TRADE IT

1. Open the chart on TradingView.
2. Pine Editor → paste the free script → Add to chart.
3. Settings → Properties: add your commission and slippage.
4. Look for 100+ trades, a profit factor above 1 after costs, and a drawdown you can live with.
5. Check the same settings on other dates, then demo trade for a few weeks.
6. Free script: pipledgerfx.com/downloads/bollinger-bands-strategy.pine

For education only, not investment advice. Trading forex and gold on margin carries a high risk of loss, and no strategy wins every time. No backtest results are claimed here: test the rules yourself with your own costs. In India, residents may trade currency pairs only through SEBI-registered brokers on recognised exchanges (NSE, BSE, MSE) and gold on MCX; offshore forex and CFD platforms aren't allowed under FEMA. Full guide:

pipledgerfx.com/bollinger-bands-strategy