

TRADING CHANNEL

Bloomberg Definitions:

Trading Channel

When charting the price of an asset, this is the **space on the chart between an asset's support and resistance levels**. The price of the asset will stay within the support and resistance levels until a breakout occurs.

Range-Bound Trading

A trading strategy that identifies stocks trading in channels. **By finding major support and resistance levels with technical analysis, a trend trader buys stocks at the lower level of support (bottom of the channel) and sells them near resistance (top of the channel).**

TPA Explanation:

Trend-Range Strategy looks at ADX to determine if a security is in a range (channel). If ADX is low, there is more confidence that a security at the top of the range or the bottom of range will move to the other extreme. Since DMI uses a relatively short time period, TPA will also identify channels and ranges if parallel support and resistance lines can be determined through **charting**.

TPA uses a 2 Standard Deviation Bollinger Band to determine range extremes. 2 standard deviations includes approximately 96% of outcomes in a normal bell curve.

