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Supply and Demand Levels Forecasting Based on Returns Volatility

Supply and demand levels often referred to as resistance and support, play crucial roles in influencing investment and trading decisions across various types of markets. Their identification is particularly prevalent in retail trading within the stock market due to their ability to shed light on potential market trends and price movements. Yet, a significant issue with these techniques is their dependency on personal interpretation of the current market scenario, typically represented through charts or indicators derived from historical price data. These interpretations are inherently subjective and may vary significantly among different individuals, leading to potential inconsistencies and inaccuracies in identifying these crucial market levels. This article presents an innovative method for the identification and prediction of supply and demand zones. It is based on a rigorous calculation of volatility for each stock or security. This new method is grounded in quantitative and statistical analysis, reducing the element of personal bias. Furthermore, this approach has the additional benefit of being adaptable to different types of markets, not being constrained to the stock market alone, and opening new patches for its application in forex, commodities, and other trading arenas.

Keywords: Supply, Demand, Trading, Volatility, Quantitative Finance, Forecasting

Biography:

Prof. Leandro Guerra is a recognized expert with more than 10 years of experience in the areas of data analysis, machine learning and artificial intelligence. He currently is the Head of Data Science at Experian for EMEA and APAC and the founder of the Outspoken Market, where he researches and teaches mathematical applications for financial markets. His work on predictive modeling for earnings of companies listed on the Brazilian Exchange Index was an important milestone in the area.

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