

Trading Indicator: Random Walk (15 Random Walks)

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Introduction

Thank you for purchasing an indicator or bundle from Kenzing®. This document contains instructions on how the indicator functions and how to adjust the input values that allow you to personalize the indicator according to your trading strategy. Information on how to access the indicator after purchase is not included in this document and can be found in the Read Me FAQ document.

Understanding the Random Walk Simulation

This indicator randomly generates alternative price outcomes derived from the price movements of the underlying security. Monte Carlo methods rely on repeated random sampling to create a data set that has the same characteristics as the sample source, representing examples of alternate outcomes. The data set created using random sampling is called a “random walk”.

First, every bar in the time stamp is measured logarithmically and put into a population. Then, a sample is drawn at random from the population and is used to determine the next price movement of the random walk. This process is repeated fifteen times to visualize whether the alternative outcomes lie **above** or **beneath** the current market price of the security.

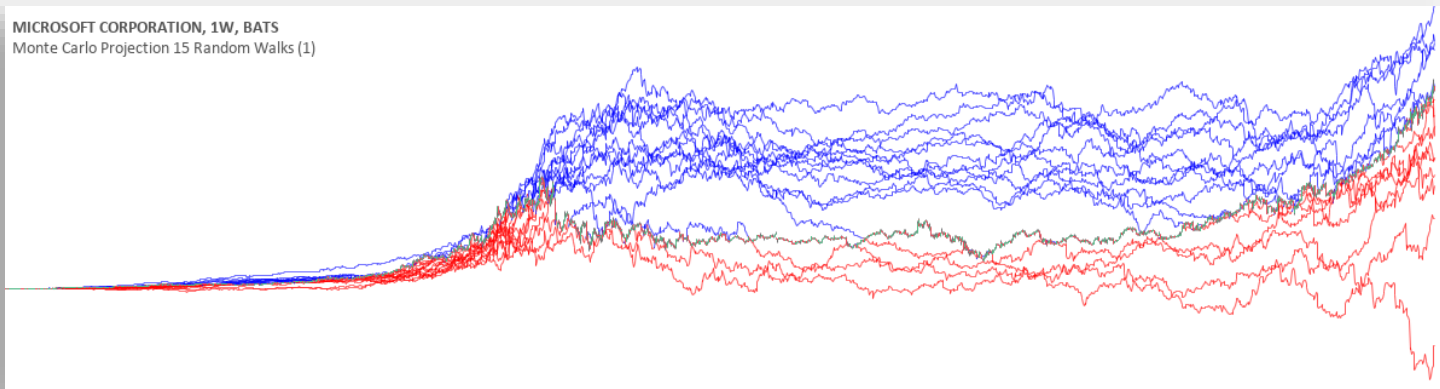


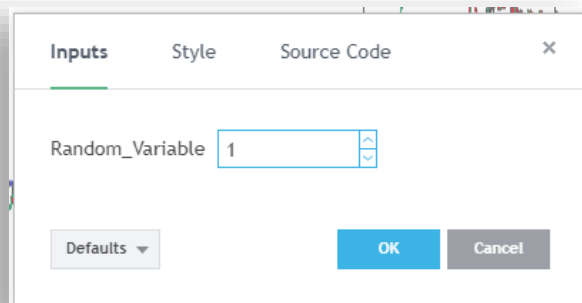
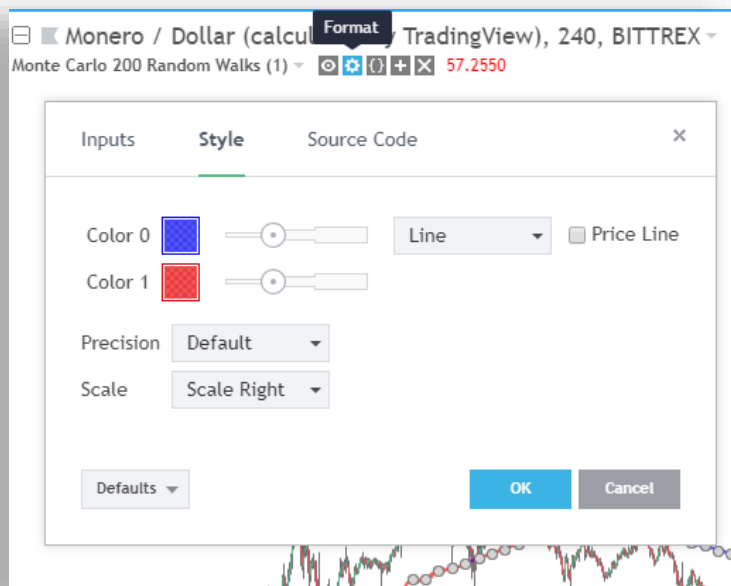
Fig 1. Visual representation of 15 random walks against Microsoft Corporation (NASDAQ:MSFT) (1988-2019)

Random Walk Utility

The random walk generator allows users of the Monte Carlo to further understand how the Monte Carlo projection is generated by creating a visual representation of individual random walks. Trends that occur on the random walks may correlate to the historical price action of the underlying security.

Input Values

Select the “**Format**”, button located next to the indicator label to adjust the input values and the style.



The Random Walk indicator only has one user-defined input value that can be changed.

The **Random_Variable** randomizes a set of random walks. If this variable is changed, it will run a fresh set of 15 random walks which will result in a slightly different outcome.

Adding the indicator to your chart multiple times using many different random variables will allow you to achieve a more accurate reading.

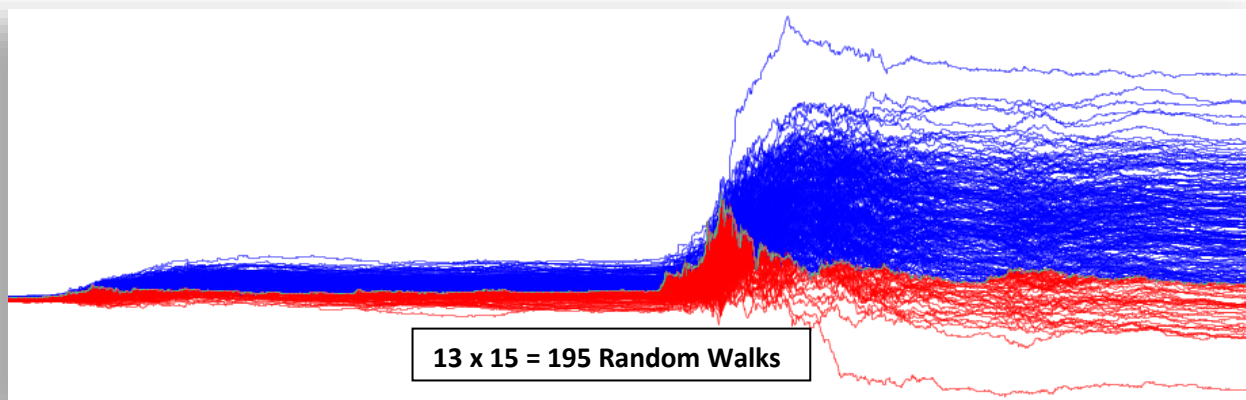


Fig 2. Visual representation of 195 random walks against XRP/USD (1/2/2017-20/7/2018)

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