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This year I've been working on creating a new service that uses the VIX Futures' term structure to project future values for volatility ETPs like VXX, SVXY, and UVXY. Along the way, I found myself deep into the specifics of using volatility to predict price ranges. Tools like Bollinger Bands® and probability cones use a simplified approach to generating ranges—which in the case of volatility funds is often an over-simplification.

This post: Precisely Forecasting Price Ranges with Volatility investigates the log-normal nature of stock prices and the implications of that distribution for forecasting prices. I used a Monte-Carlo simulation to validate my results.

In addition to median price projections generated directly from the underlying VIX futures term structure, I put the techniques discussed in the post to work on Volatility ETPs in order to project one sigma ranges. I review my basic approach and how I validated it in this post: Using the VIX Futures Term Structure to Predict Volatility ETP Prices.

Details about the service itself and some additional background can be found here:

Volatility ETP Price Projection Service

Best Regards,

Vance Harwood

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