

Education Package
04 Moving Averages

The background features a complex financial chart with a grid. A hand is visible on the right side, pointing towards a bar in the chart. The chart includes several data series: a bar chart with yellow and orange bars, and multiple line graphs in green, red, and blue. Numerical values are scattered across the chart, including 10414.04, 12195.37, 14390.47, and 32.41. A pen is also visible, pointing at the chart.

MOVING AVERAGES

Moving Averages are the most common used technical indicator in technical analysis. It contains the average close prices that occurred in a certain time period.



There are 2 popular types of Moving Averages

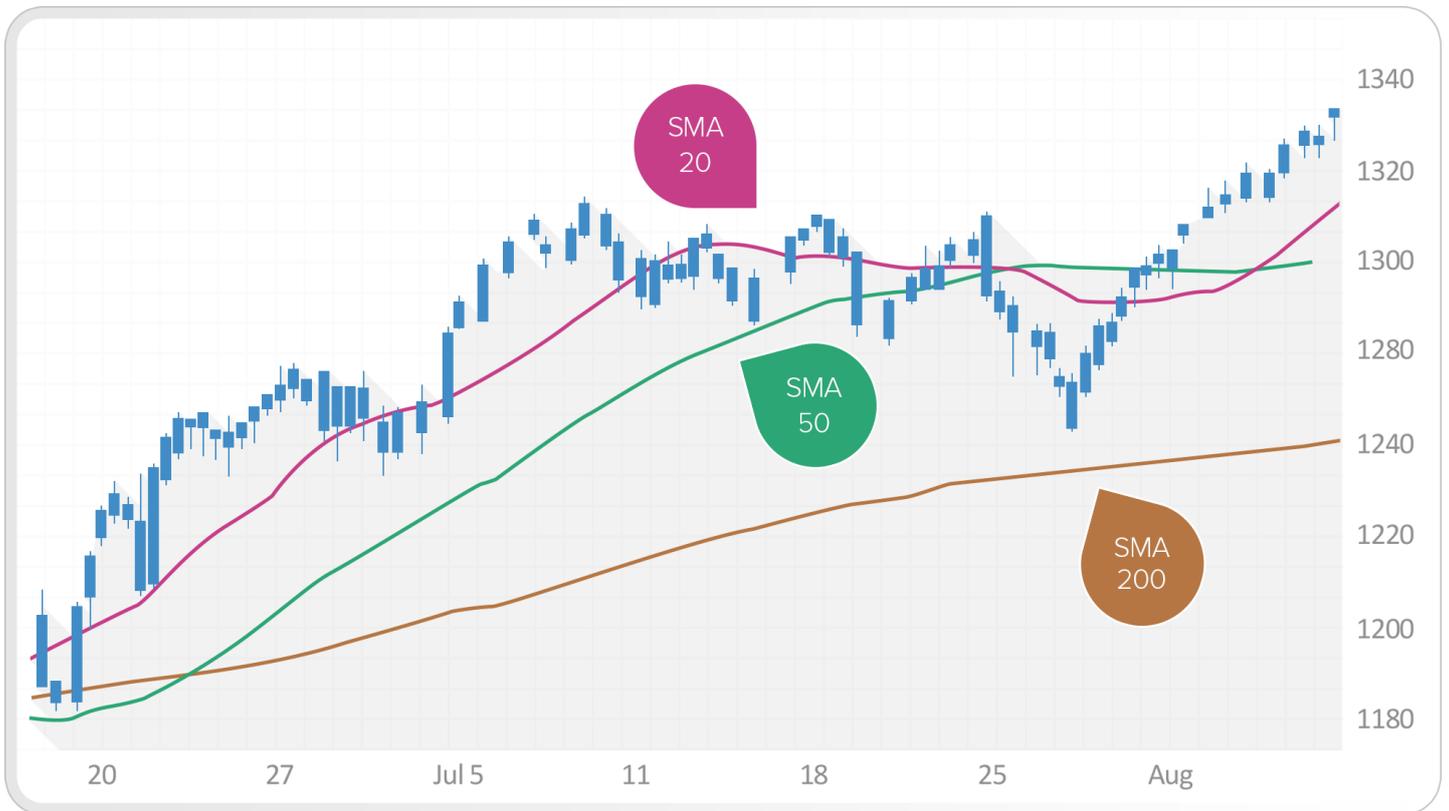
1. Simple Moving Averages (SMA)
2. Exponential Moving Averages (EMA)

SIMPLE MOVING AVERAGES

If you need to calculate a Simple Moving Average (SMA) for a 20 period time frame, you need to sum the latest close price of at least 20 candlesticks, and divide the result into 20. This will allow you to obtain the 20 period SMA. The result of this will be the average of the last 20 candlesticks. It will be represented by a dot on the last candle.

When the same formula is applied to each lot of candles, the dots form a curve. The averages are dubbed 'moving' because they calculate a new average with each price bar.

If the curve is above the price, this represents a bearish signal. Whereas if the curve is below the price a bullish signal is represented.



Short term MA's follow the price closer and cross the price more often than the long term MA's.

EXPONENTIAL MA'S

An exponential moving average works similarly to a simple moving average. The difference is that exponential MAs apply more weight to more recent prices. This means that they follow the recent prices more closely. The weight applied to the most recent price will depend on the number of periods in the MA.

Simple MA's can be distorted by spikes, but EMA's relatively prevents distortion

An EMA follows the recent prices more closely



HOW TO USE MA'S?

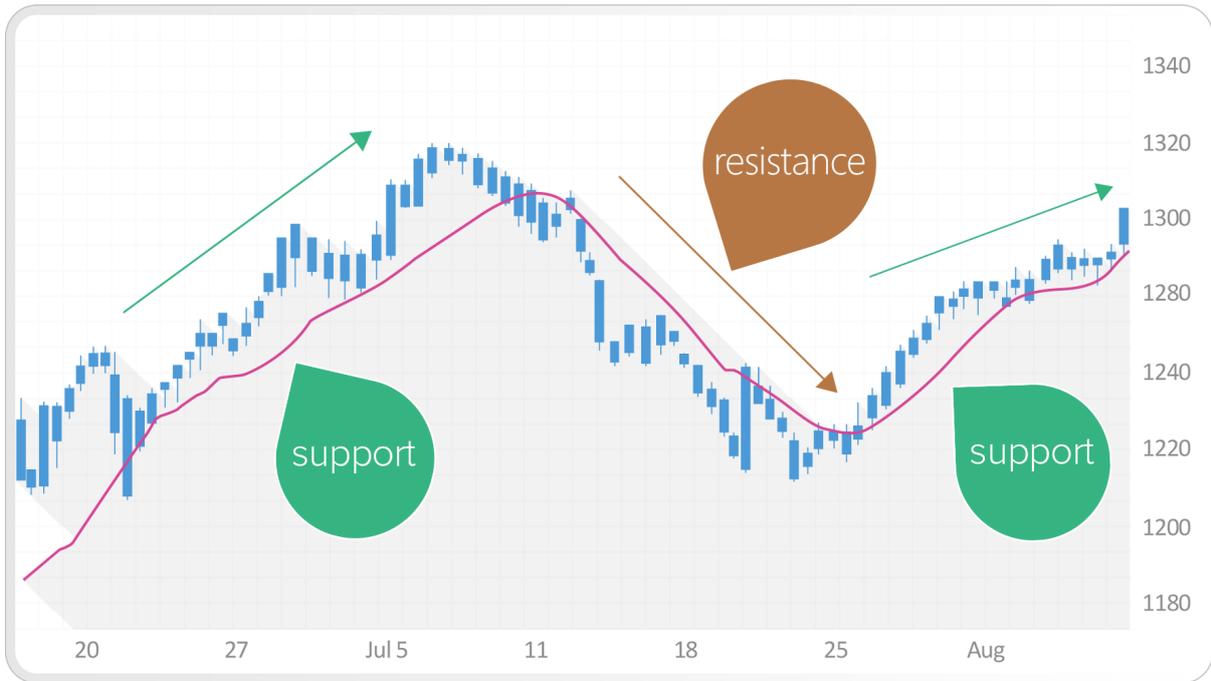
Is trend above or below the trend?



MA's support trends as rising trends.

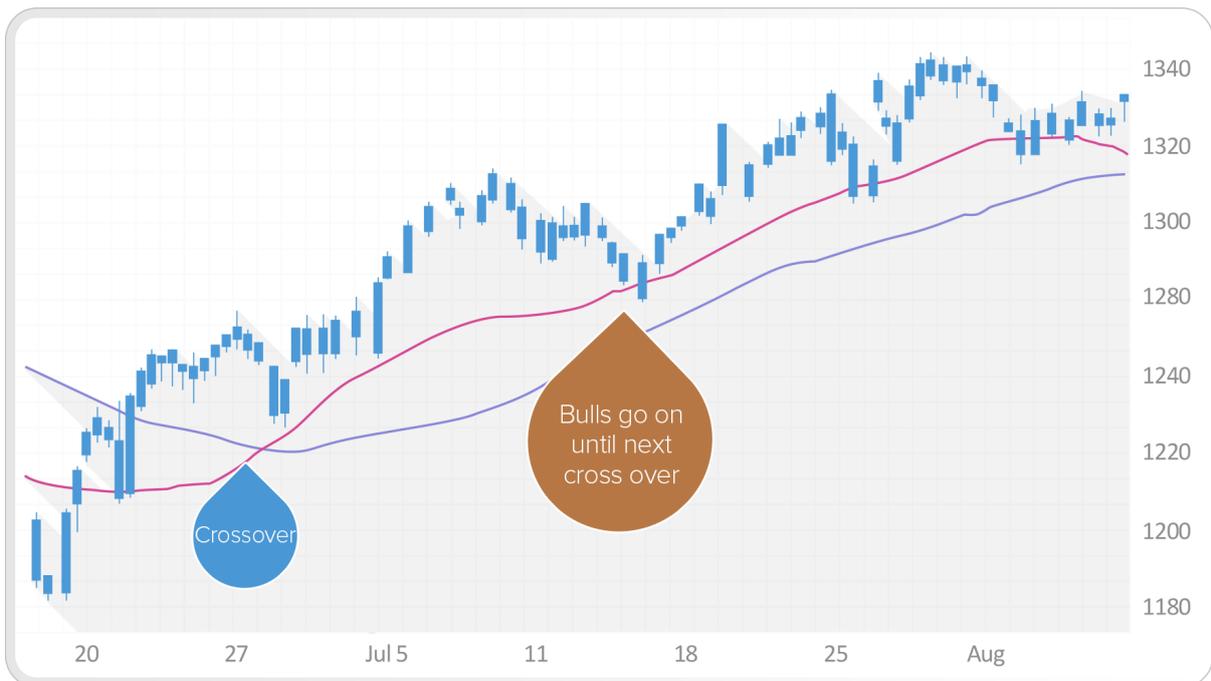


used as support during up trends and used as resistance during down trends.



MOVING AVERAGE CROSSOVERS

When 2 MA's with two different period crosses each other it may signal a trend reversal.



DOWNWARDS CROSSOVER

A slow MA will be above the fast MA during a downtrend



SUMMARY

