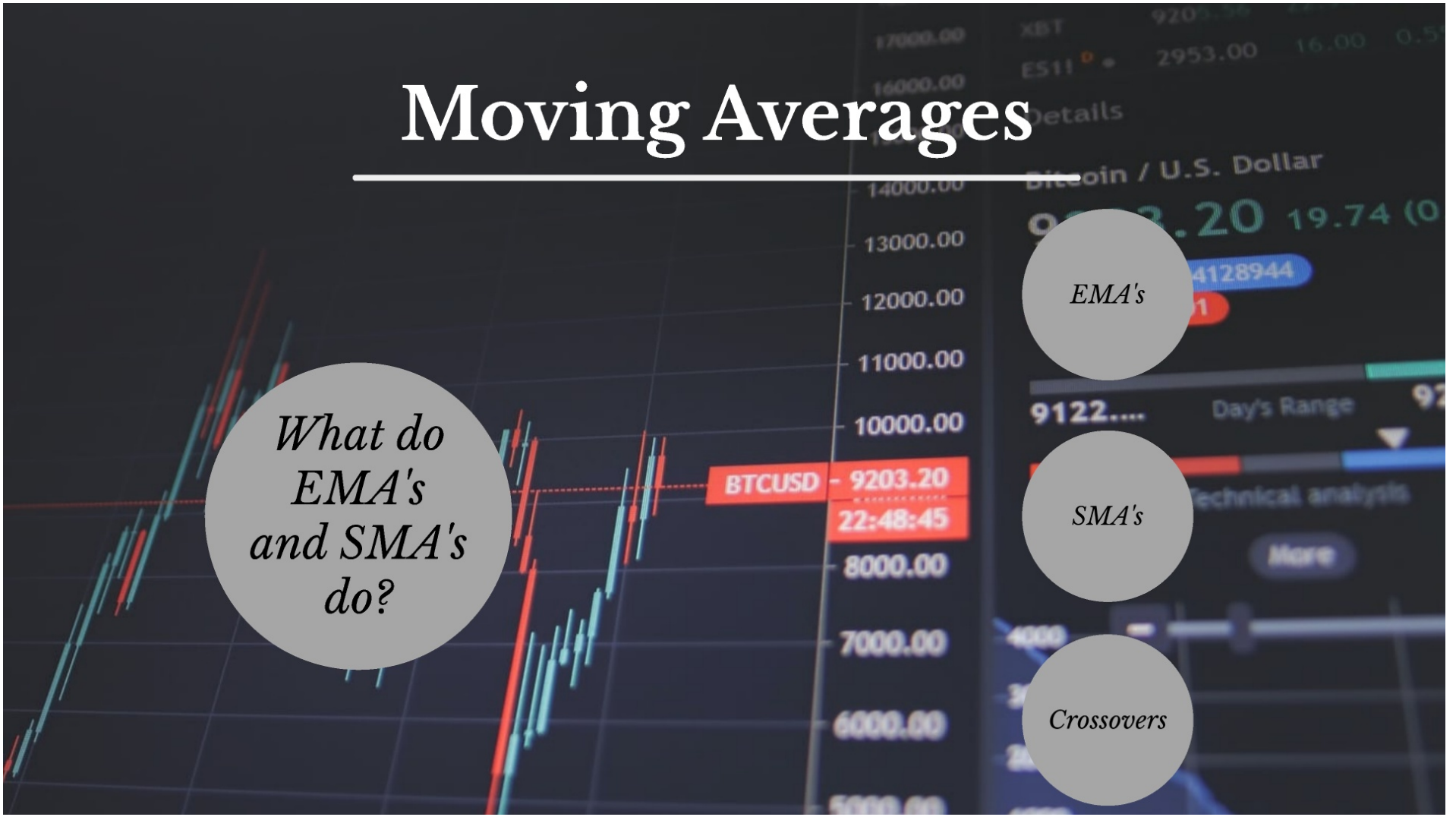
Moving Averages



Exponential Moving Averages

An exponential moving average (EMA) is a type of moving average (MA) that places a greater weight and significance on the most recent data points. The exponential moving average is also referred to as the exponentially weighted moving average. An exponentially weighted moving average reacts more significantly to recent price changes than a simple moving average (SMA), which applies an equal weight to all observations in the period.

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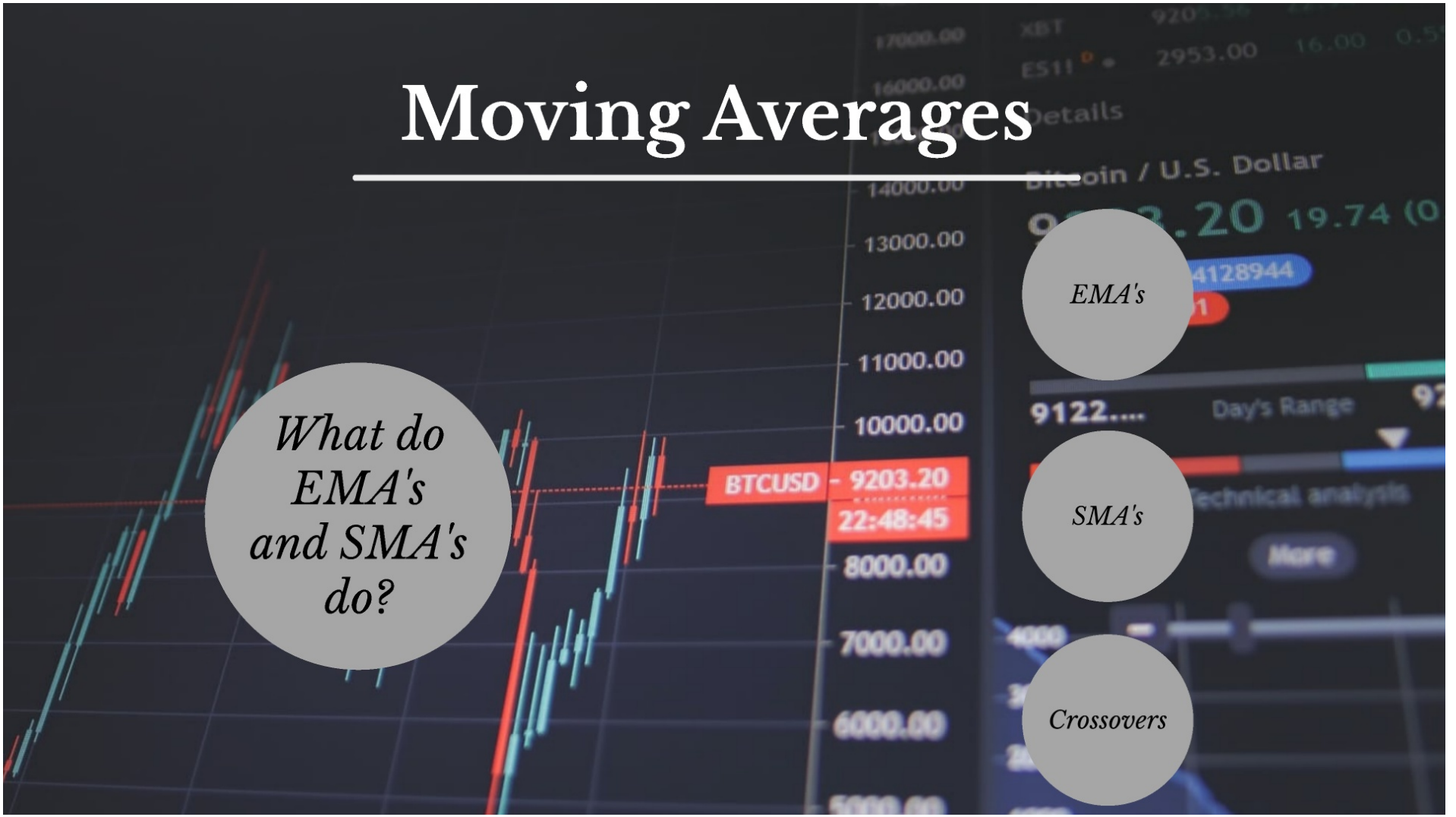

Simple Moving Average

A simple moving average (SMA) is an arithmetic moving average calculated by adding recent prices and then dividing that figure by the number of time periods in the calculation average. For example, one could add the closing price of a security for a number of time periods and then divide this total by that same number of periods. Short-term averages respond quickly to changes in the price of the underlying security, while long-term averages are slower to react.

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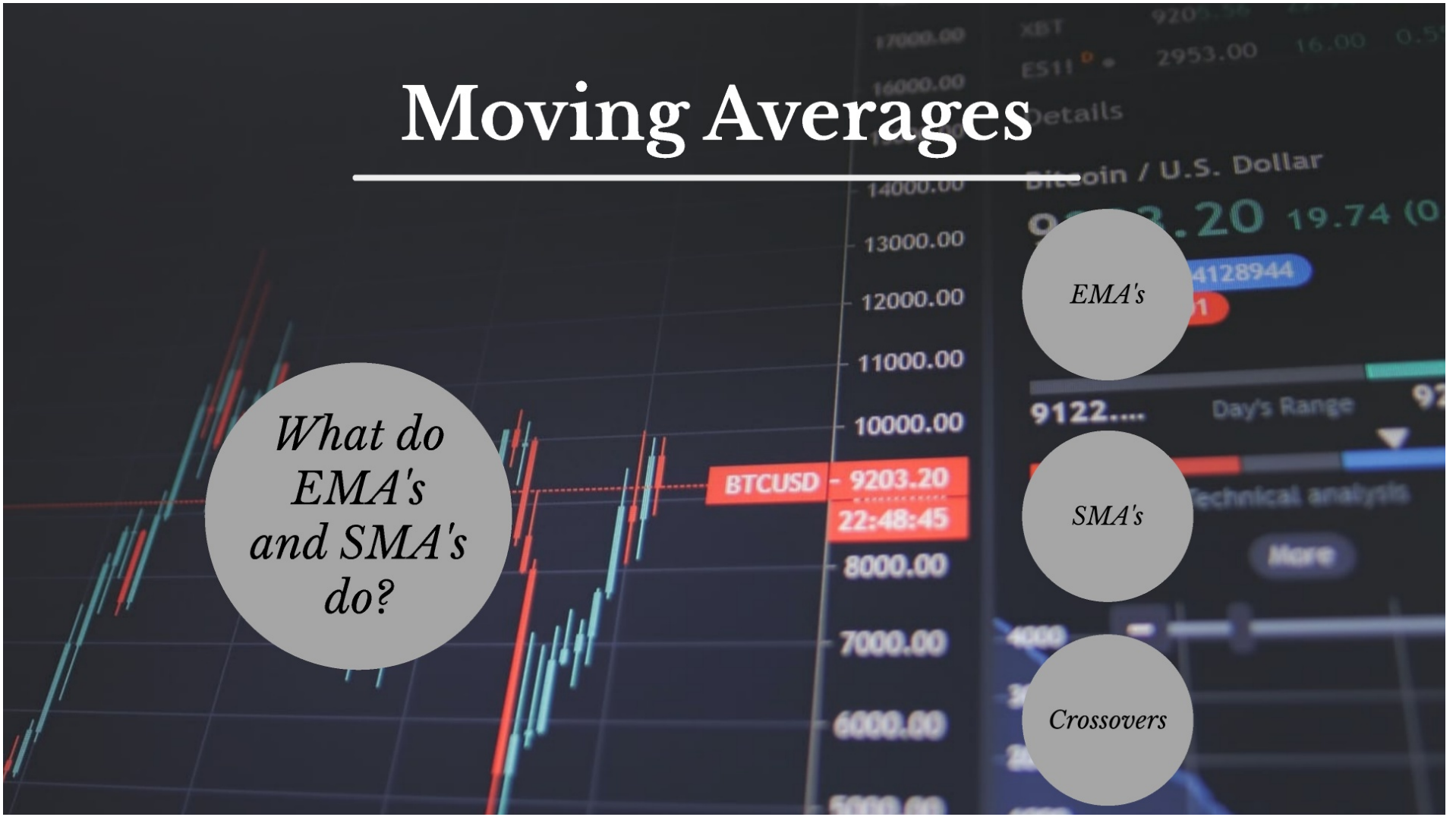

The Basic rundown on Moving Averages

- Both SMAs and EMAs measure trends in the Financial Markets.
- Both SMAs and EMAs are interpreted in the same way.
- Technical traders use both SMAs and EMAs to smooth out price fluctuations.
- SMAs give all prices equal weight, while EMAs put more weight on more recent data.
- EMAs react faster to current price changes, while SMAs are true indicators for the average price of a security over a specific period of time.
- Traders and market analysts commonly use several periods in creating moving averages to plot their charts. For identifying significant, long-term support and resistance levels and overall trends, the 50-day, 100-day and 200-day moving averages are the most common

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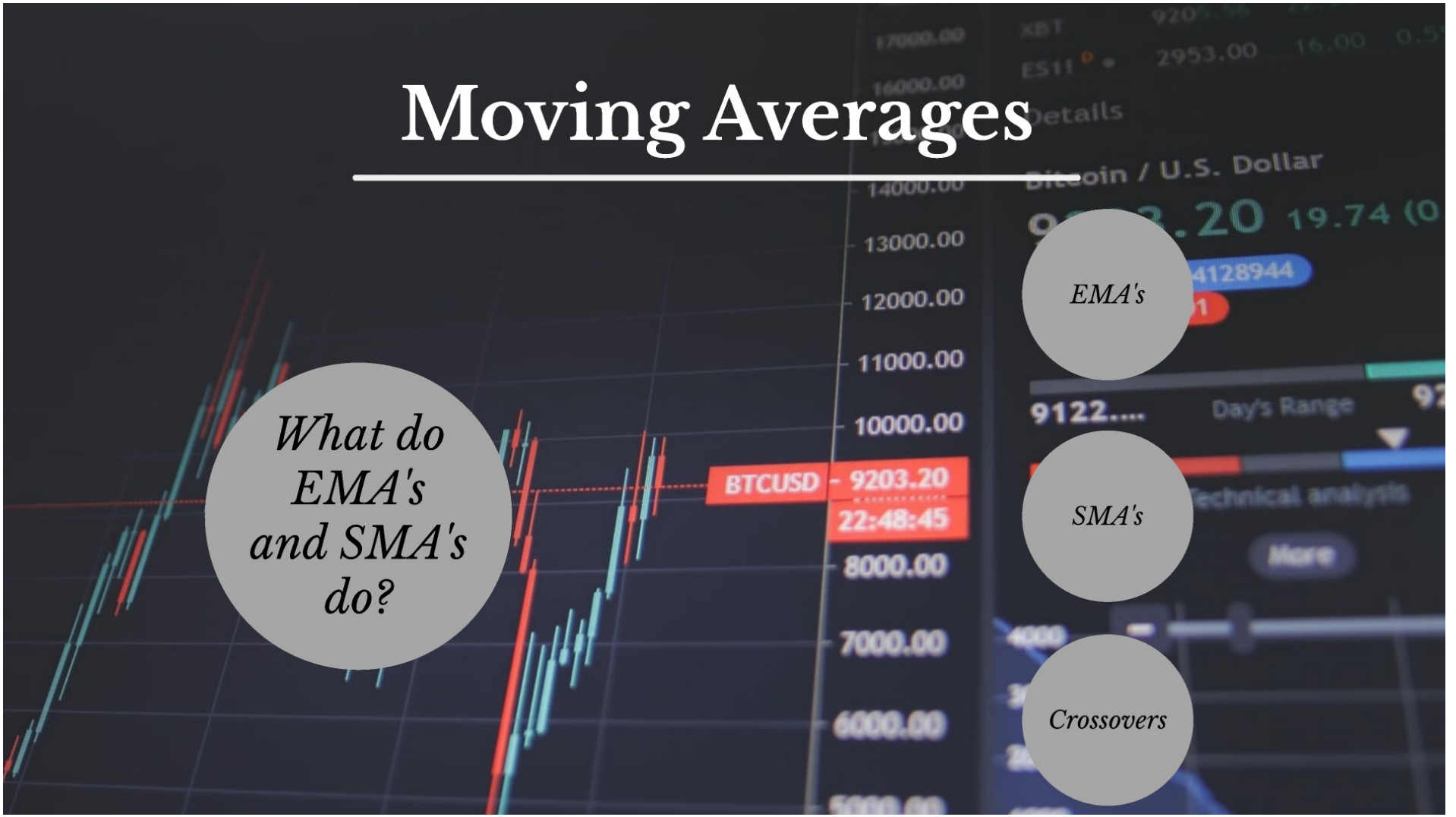

Moving Average Crossover

Crossovers are one of the main moving average strategies. The first type is a price crossover, which is when the price crosses above or below a moving average to signal a potential change in trend. The second type of crossover is when one ema crosses over another ema signaling strength in direction.

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