



Magic of Moving Averages

(learn how magically moving averages can helps trader and investors)

10th October, 2018

- **Moving Average - MA**
- A moving average (MA) is a widely used indicator in [technical analysis](#) that helps smooth out price action by filtering out the “noise” from random price fluctuations. It is a trend-following, or [lagging](#), indicator because it is based on past prices.
- The two basic and commonly used moving averages are the [simple moving average \(SMA\)](#), which is the simple average of a security over a defined number of time periods, and the [exponential moving average \(EMA\)](#), which gives greater weight to more recent prices. The most common applications of moving averages are to identify the trend direction, and to determine support and resistance levels.

Simple Moving Averages

How to start to trade with moving averages?

“Consistency” is more important than “Average Period” that we use for plotting M.A.

Most commonly used moving averages

Design Specific Strategy : (Since from the beginning)

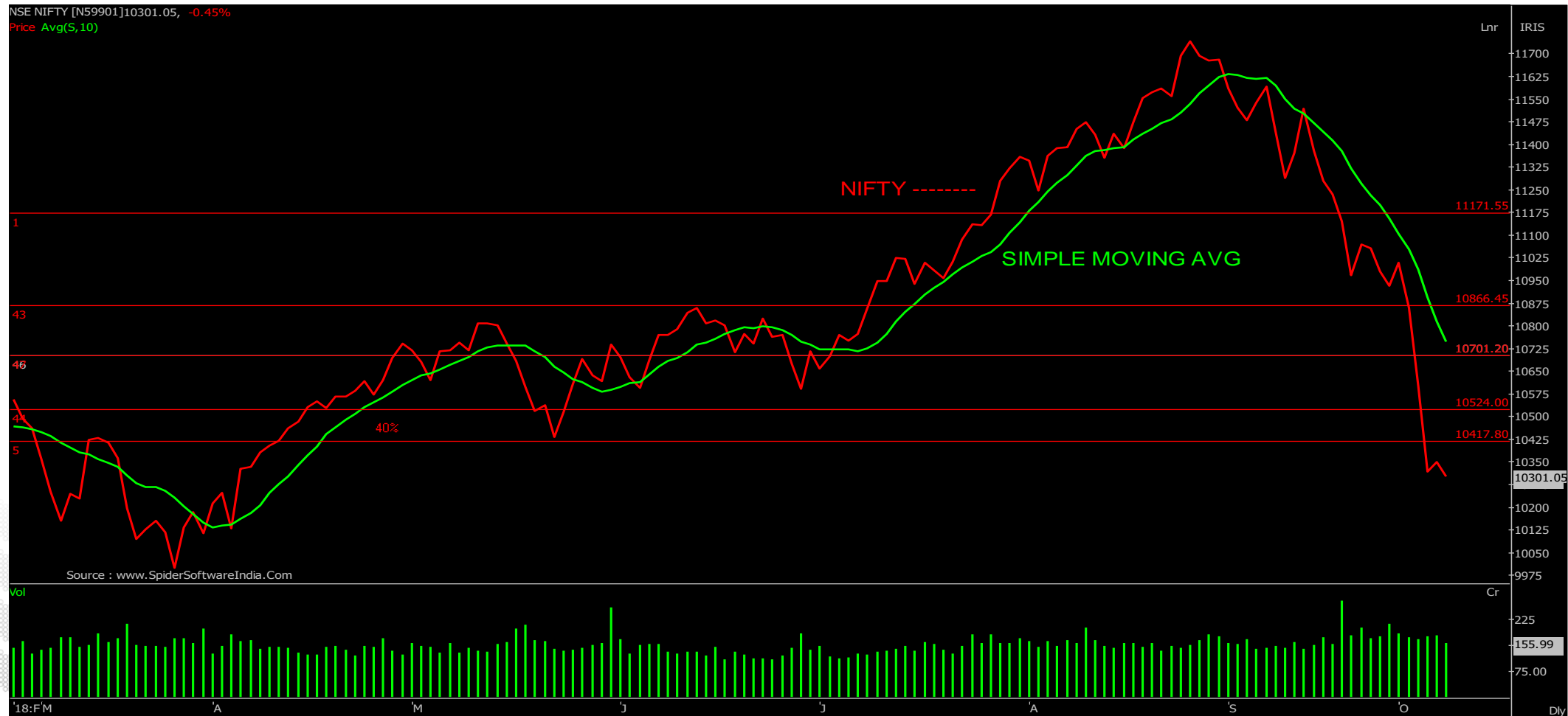
Strategy 1 : Crossover of simple moving averages

Strategy 2 : Trend following - Select 50 days SMA for positional traders.

Strategy 3: Median level between UPWARD TREND and DOWNWARD TREND.

Source - [Own observations and findings](#)

Filtering noise from random fluctuations



Source – Spider Software Pvt LTD

Trend following or lagging



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Most commonly used moving averages

5 days SMA - To identify short term trend of the market.

20 days SMA – to identify medium term period.

50 days SMA – to identify supports in falling markets and resistance in rising markets.

200 days SMA – Favourite SMA of Fund Managers.

Fibonacci numbers – 5, 8, 13, 21, 34 and so on. From Fibonacci followers.

Source - [Own observations and findings](#)

Strategy 1 : Crossover of simple moving averages

After crossing upward - first drop and rise.

After crossing downward – first rise and drop.

Follow the ratio of 1:4.

Current example of 5 and 20 days SMA



Source - Spider Software Pvt LTD

Crossover - LT



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Crossover – SUN PHARMA



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Crossover – TCS – SAVED FROM SELLING



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Crossover – Maruti -

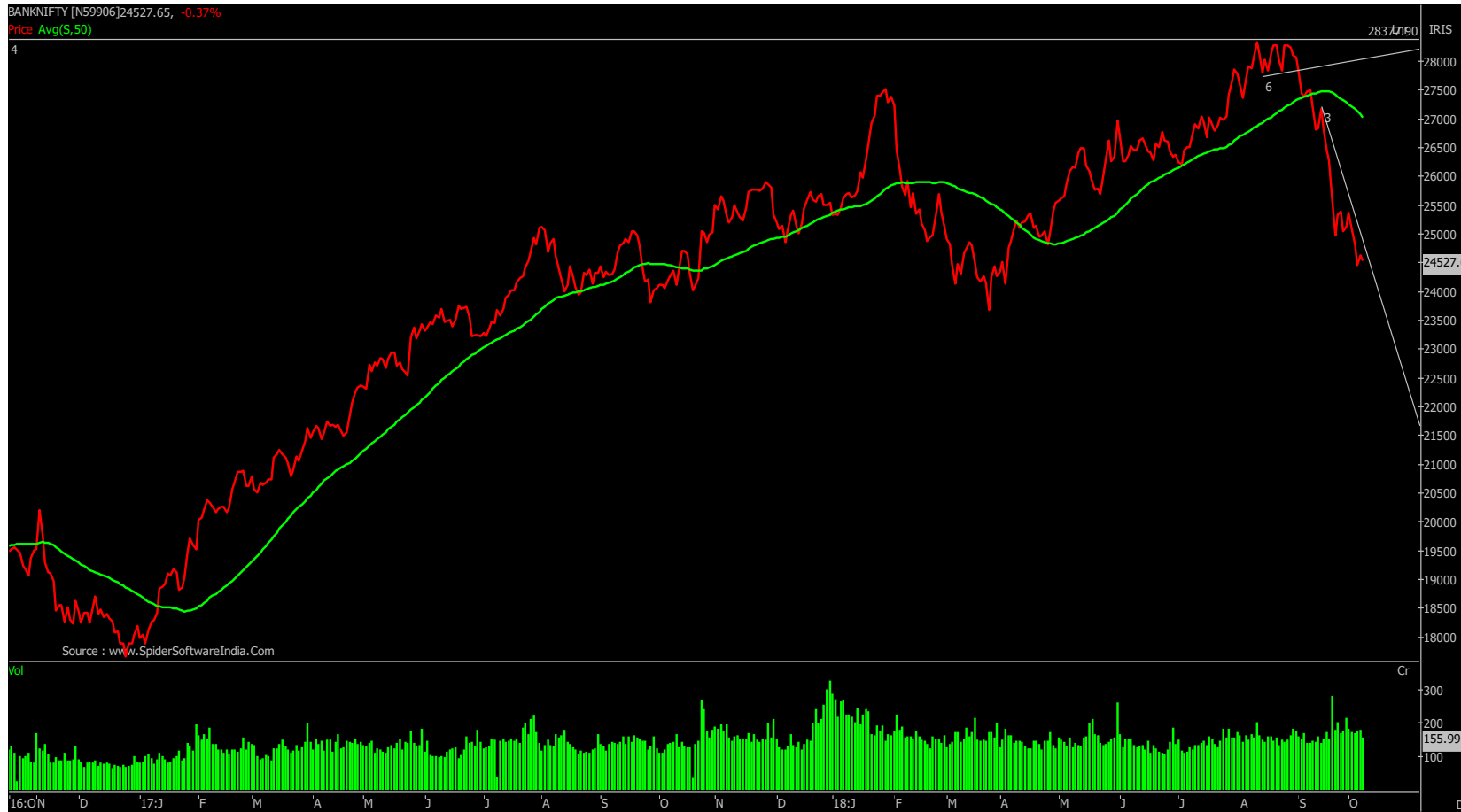


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Strategy 2 :

Trend is Friend : take long trades (above Average Level)

Also a stop loss for Trend following method.



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Strategy 3: Median level between UPWARD TREND and DOWNWARD TREND. Most commonly used 20 days.



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Reliance – Re entry



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BAJAJ FINA – FOR INVESTORS 200 DAYS SMA



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HDFC BANK – FOR INVESTORS 200 DAYS SMA



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Maruti – 20% below 200 days SMA



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Data Points of Nifty @ 10198

INDIA VIX – 21.50 (SHOWS FEAR AND BOTTOMING FORMATION)

PCR – 0.85 OF SAME SERIES (OVERSOLD ACTIVITY).

DAILY RSI – IT WAS AT 21 (OVERSOLD BUT FIRM GRIP OF SELLERS)

INR – WAS AT 74.20

Crude was at 87.

Nifty Pull back is due up to 10550 or 10750 max.



Source : www.SpiderSoftwareIndia.Com

Source - Spider Software Pvt LTD

Technical Analysis: When to Buy/Sell

Fundamental Analysis: Why to Buy/Sell



Question & Answer

Queries should be specific to stock that are in FNO segment.

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