Moving Average

BLOOMBERG DEFINITION

A technical analysis indicator that displays the average value of a security's price over a period of time. A simple, or arithmetic, moving average is calculated by adding the closing price of the security for a number of time periods (window lengths) then dividing this total by the number of time periods. For example, a simple moving average of a 20 day window is calculated as: SMAVG(20) = [price(1) + price(2) + ... + price(20)] / 20.0.

TPA EXPLANATION

Moving Averages (MA) are probably the most used technical indicators. MA's can be daily (DMA) or weekly (WMA) or other periods. MA's are used to smooth out shorter term price fluctuations to be able to see more clearly the general trend. This removes the noise and allows investors to see the important price direction.

Important:

- Positive technical conditions occur when price > short term MA > long term MA.
- Negative technical conditions occur when Price < short term MA < long term MA
- MA's can be seen as important support or resistance in trends
- Sometimes crosses of MA's can be important inflection points in stocks as they may indicate trend direction changes