

Moving averages, SMA & EMA

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“ Moving averages is a line that smooths out the price and can help gauge the general market direction

“ Moving averages are best used as a point of confluency and not as a single decision point (does the MA hit a zag zone or point of heavy resistance?)

The 50, 100 & 200 SMA can act as support and resistance

SMA vs EMA

SMA (Simple Moving Average)	EMA (Exponential Moving Average)
Average of the price over the selected time period	Average of the price with more weight on the recent price
Best for long-term trends	Best for short-term trends
Slower, smoother — eliminates most fake-outs	Faster, more reactive — more prone to fake-outs
More lagging	Less lagging
Less volatile markets, stocks, swing/position trading	Volatile markets, crypto, day trading/scalping

Why SMA for long-term? Dow Theory says ignore the noise of smaller timeframes — the primary trend is what matters. SMA's slower response suits that. EMA's faster reaction is better for volatile shorter timeframes where you need quicker signals.

Common lengths: **10, 20, 50, 100, 200** — can be applied to any timeframe.

How to Add in TradingView

Indicators → search "Moving Average Simple" or "Moving Average Exponential" → add. Double-click the line to change length and colour. **Pro tip:** In settings → Calculation → change timeframe from "Chart" to a fixed timeframe (e.g. "1 Month") so the MA stays consistent when you switch chart timeframes.

MA Strategies

Price Crossovers

When price crosses ABOVE the MA = bullish (like breaking through resistance). When it crosses BELOW = bearish (like breaking support). While above = uptrend. While below = downtrend.

Golden Cross / Death Cross

⚡ **Not a great single strategy as moving averages are a lagging indicator**

- **Golden Cross:** Buy when the 50 SMA crosses **above** the 200 SMA — indicates trend shifting up
- **Death Cross:** Sell when the 50 SMA crosses **below** the 200 SMA — indicates trend shifting down

Works well in trending markets, terrible in sideways markets. S&P 500 historical data: golden crosses at trend starts (1980, 2013) gave decade-long bull runs. But a golden cross in 2007 bought the top of the GFC. Death crosses on the S&P 500 have actually marked **BOTTOMS** more often than tops (because by the time the lagging indicator signals, the bear market is already over).

Combine with market structure — a golden cross during a confirmed HH/HL uptrend = confluency. A golden cross during EH/EL sideways = unreliable.

Buying on Hits / Trend Identifier

- In a trending market, the **200 SMA** can be used as a buy-the-dip / sell-the-hit opportunity
 - When **all MAs (20, 50, 100, 200) are pointing in the same direction** = strong healthy trend. When they're crossing over each other and going "all over the shop" = correction or sideways market
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General MA Information

- **Divergence between MA lines** can help gauge the strength of a trend and how far "extended" it is — if the 20 is far from the 50, price has probably run too far too fast
 - **The angle of ascent or descent** helps gauge how overextended a move is. Ideally 45° or less for a sustainable trend. Steep angles tend to correct back (mean reversion)
 - **Big money believe anything below the 200d is bad news** and not worth touching, anything above is safe
 - **Mean reversion:** When price gets too far from the MA, it tends to pull back toward it. This is especially visible on monthly charts where the 50 or 100 month MA has acted as a floor for decades on the S&P 500
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How ASX Trader Uses Moving Averages

MAs are purely a **confluency tool** — just another data point, another river meeting the zone where buyers/sellers should step in. Not a standalone strategy.

Example process: Looking at a potential buy zone → check Fib retracement (Fib 500?) → check RSI divergence (bullish?) → check if a key MA is also at that same zone (100 SMA?) → if all three align at the same price area, that's three independent reasons to expect support. Add it to your trade plan checklist as another tick.

On the trade plan: "Also had the 100 SMA at the buy zone" — it's just one more piece of evidence for the judge.

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