# Twitter Thread by EquiAlpha- Price Cycle Trading





## **Moving Averages Full guide** ■

How to use them? Which one is best? What I use?

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First let us go through 2 cases of how moving averages are used

1) For finding trend - Prices are volatile on day to day, week to week basis to smooth them MA are used . It tells clear direction of the trend without getting lost in volatility (1/n)

Look in 1 chart it's only Prices & 2nd one with only MA. Things look neat in 2nd one (2/n)



#### 2) Support areas -

Moving averages are used as support areas for adding up stock.

As stock picks up trend it usually takes support in between towards the key moving averages. Example below - Deepak Nitrite taking support of 10 week EMA as it runs up



These 2 are the most important use of moving averages Now we will look at different MA and which one is best

- 1. Simple moving average -This is the slowest MA's. If you are using 10 day SMA then you take closing price of last 10 sessions & divide it by 10. Join the dots by line

  It creates lag as it turns up/down slowly giving same weight to old & new prices which gives late signals (5/n)
- 2) Exponential MA This is a faster moving average and it gives more weight to the current prices, hence they turn faster than SMA, giving signals faster.

Eg - In this pic black is SMA & blue is EMA Look how EMA stays ahead of SMA & aligns fast with current prices (6/n)



3) Double EMA - This is more filtered form of EMA where the latest price is given double weight compared to what given in EMA . So this moves even faster than EMA. Below is EMA vs double EMA. Effectively a 5 DEMA = 10 EMA (7/n)



4) Triple EMA - Just like in DEMA the recent prices are given double weight, here it is giving triple weight, hence triple EMA below is all EMA v/s DEMA v/s TEMA

High to low TEMA>DEMA & EMA



Now the question comes which MA are best?

I will answer that in below tweets now. Do like if you like till now

Using SMA - I use 50 SMA as this is used by institutions as buying area as the stock moves ahead.

Eg Deepak Nitrite, Balaji amines, LTTS

It's always a area near to 50 SMA - not exactly the line at which insti buys. On weekly 50 day is 10 week



Using EMA - Most MA that I use is EMA

I use EMA 10/20/30 on all time frame i.e on daily, weekly & monthly

Each has its own purpose. Daily helps in swing, Weekly helps in Mid term trends & Monthly in trend following & LT investments. Below is 10/20/30 EMA on weekly guiding trend



Do note these moving averages are useful. When stock breaks on lower time frame, it takes support on wider TF and prepares for next upleg.

Example IEX broke down on weekly in 1st pic but on monthly it's now taking support at EMA's



30 Month EMA are good add points for Long term holding investors 10/20 Weekly EMA are good add points for trend followers

10/20 Daily EMA are good add points -swing/positional

MA helps in understanding the price cycle of stock as stock moves in stages & helps identifying Trends

So what the best is probably what WORKS the best for you. For me above is working

That's it

Thanks for reading do take out your time to like & retweet this. Also join our telegram channel for max learning - <a href="https://t.co/lJ00OKnSb2">https://t.co/lJ00OKnSb2</a>

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Thanks! Done. Let me know if any queries