

LESSON 1: MOVING AVERAGES

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Forex Training Summary and Quiz

Moving Averages in Forex

Moving averages are one of the oldest and most commonly-used technical indicators.

Simple moving averages are considered a "lagging" indicator as they show price levels that have already occurred. While this information cannot be used to accurately predict future rates, it is possible to gain insight into the likelihood of the continuation of the current trend.

Moving averages "smooth out" fluctuations to help you distinguish between typical market fluctuations and actual rate reversals.

Considered an "overlay" indicator, moving averages must be placed over some form of price chart.

The greater the number of data points included in the moving average calculation, the less a single rate can affect the overall average. For this reason, it is important to select the number of data points that provides the level of price detail appropriate for the length of time you hold the trade open and your overall trading style.

Putting It All Together

1. The primary benefit provided by a moving average is that it reduces the "noise" associated with exchange rate _____.

- calculations
- conversions
- fluctuations
- assessments

2. A signal that initially suggests an exchange rate reversal that actually turns out to be simply a market fluctuation is considered a _____ signal.

- false
- positive
- confirmation
- reversal

3. When the spot rate crosses _____ the moving average, this is an indication that the trend is declining and losing momentum.

- beside
- over
- together with
- under

4. When the spot rate crosses _____ the moving average, the spot rate is trending upwards and could suggest a potential buy opportunity.

- under
- over
- beside
- together with

5. A "fast" moving average is calculated with _____ data points than a "slow" moving average.

- faster
- fewer
- more
- aggregated

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