Moving Average Crossover Strategy

The Moving Average Crossover strategy is probably the most popular Forex trading strategy in the world.

Simple to implement, here's how it works...
The Moving Average Crossover System uses 2 Moving Averages (MA’s), a Fast MA and a Slow MA...

The Fast MA has a shorter period value than the Slow MA

For the Fast MA
lets use a 10 Period Simple Moving Average
SMA(10)

For the Slow MA
lets use a 40 Period Simple Moving Average
SMA(40)
Moving Average Crossover Strategy
In action...

A **BULLISH** Crossover occurs when the Fast MA (**SMA(10)**) crosses ABOVE the Slow MA (**SMA(40)**)

A **BEARISH** Crossover occurs when the Fast MA (**SMA(10)**) crosses BELOW the Slow MA (**SMA(40)**)
Moving Average Crossover Strategy

Trading plan...

ENTRY
A common Entry point is on close of the candle when the crossover occurs or on a break of that candle's High/Low.

STOP
Above/Below the Fast and/or Slow MA or until there is a reversal signal.

TARGET
Fixed, perhaps at 2x Risk:Reward or until there is a reversal signal meaning the Target is “Open.”
Moving Average Crossover Strategy
Whipsaws...

EURUSD 1 Hour Chart
With Fast MA (SMA(10))
And Slow MA (SMA(40))
Crossovers Highlighted

Whipsaw
Moving Average Crossover Strategy

The Moving Average Crossover system catches good moves when markets are trending but is subject to whipsaws (losing trades) when markets range (are not trending).

Whipsaws can be reduced by adding an additional Moving Average to create a Triple Moving Average Crossover system.

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