What is Exponential Smoothing?
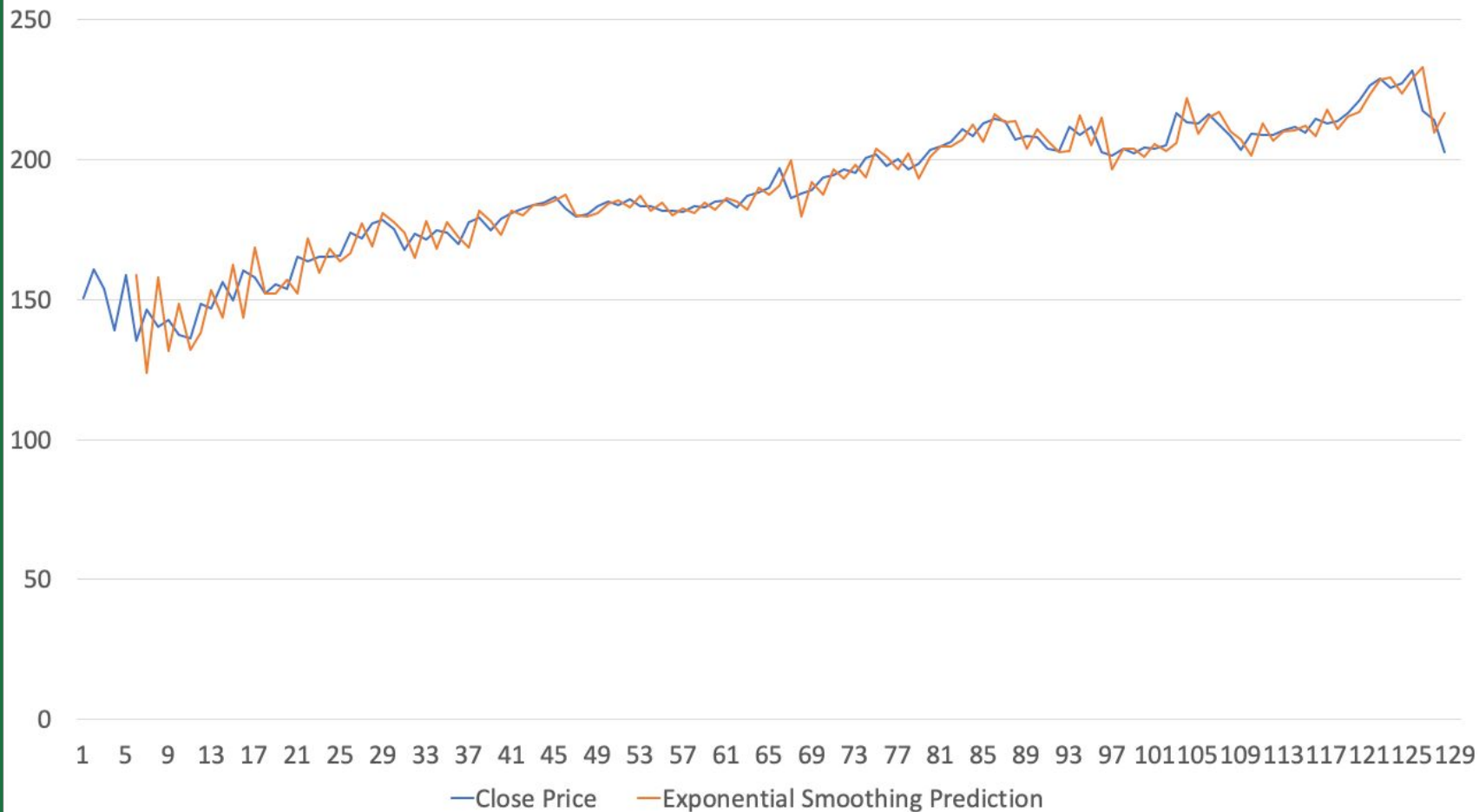
Stock Prediction

Legend: — Close Price — Exponential Smoothing Prediction

A time series forecasting method where prediction is a weighted sum of past observations

- **Exponential smoothing uses an exponentially decreasing weight**

- **The more recent the observation, the higher the associated weight**

- **Single Exponential Smoothing requires one constant, a smoothing factor**

Constant
0.5

- **Factor controls the rate at which influence of prior observations decay exponentially**

- **Factor is usually between 0 and 1**

0   1

- **Larger factor means model gives more weight to most recent past observations**

Formula

error = *(previous actual value - previous predicted value)*

Predicted value = *previous predicted value + constant * error*

What is Exponential Smoothing? ✓

Let's begin...