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# How to Calculate SMA - Definition, Example, Formula

# **How to Calculate Simple Moving Average**

### **Definition:**

Simple Moving average is a statistical concept. It is used in calculation of, average of closing price for a time period. SMA is calculated by, adding the closing price of time period and then divide it by number of time period.



$$A_d = \frac{\sum_{i=1}^n M_{(d-i)+1}}{n} \quad n \leq d$$

#### Where,

n = Number of Data

d = Moving Average Days

M = Data

## **Example:**

Calculate the Simple moving average, when time period is 3 and the closing prices are 25, 85, 65, 45, 95, 75, 15, 35

#### Given:

Closing Prices = 25, 85, 65, 45, 95, 75, 15, 35

Time Period = 3 days

## **Solution:**

Calculation of SMA from 3<sup>rd</sup> day to 8<sup>th</sup> day, in time period of 3 days.

Average 
$$A_3 = (25 + 85 + 65) / 3$$

$$A_4 = (85 + 65 + 45) / 3$$

$$A_5 = (65 + 45 + 95) / 3$$

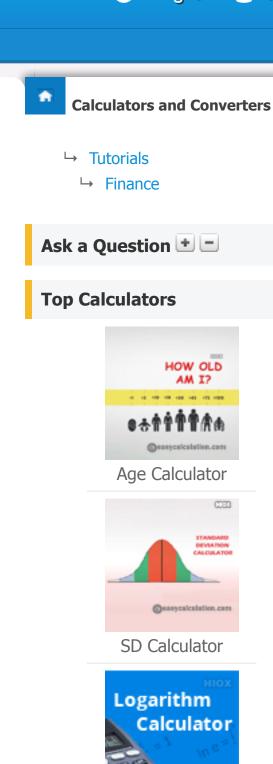
$$A_6 = (45 + 95 + 75) / 3$$

$$A_7 = (95 + 75 + 15) / 3$$

$$A_8 = (75 + 15 + 35) / 3$$

# Result:

Average  $A_3 = 58.3333$ 

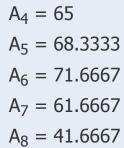


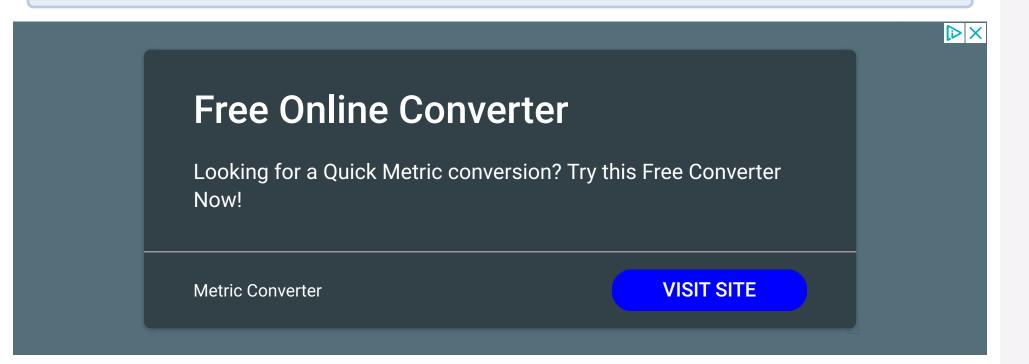
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