



25 Must Have Gadgets That Are Selling Out This Holiday Season

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.

Formula :

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

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 3rd day to 8th 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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$$A_4 = 65$$

$$A_5 = 68.3333$$

$$A_6 = 71.6667$$

$$A_7 = 61.6667$$

$$A_8 = 41.6667$$

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