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EEV704: Trading Strategy
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I have used the method of *Moving Average Crossovers (MAC)* as our trading strategy combined with RSI index. The moving average crossover is explained below. The buying takes place given that RSI is less than 50 for the past 20 days, and also supported by MAC analysis.

Moving Average Crossovers

Moving average crossovers are a common way traders use Moving Averages. A crossover occurs when a faster Moving Average (i.e. a shorter period Moving Average) crosses either above a slower Moving Average (i.e. a longer period Moving Average) which is considered a **bullish crossoveror** below which is considered a **bearish crossover.**

The chart below of the S&P Depository Receipts Exchange Traded Fund (SPY) shows the 50-day Simple Moving Average and the 200-day Simple Moving Average; this Moving Average pair is often looked at by big financial institutions as a long range indicator of market direction:

Note how the long-term 200-day Simple Moving Average is in an uptrend; this is a signal that the market is quite strong. Generally, a buy signal is established when the shorter-term 50-day SMA crosses above the 200-day SMA and contrastly, a sell signal is indicated when the 50-day SMA crosses below the 200-day SMA.

In the chart above of the S&P 500, both buy signals would have been extremely profitable, but the one sell signal would have caused a small loss. Keep in mind, that the 50-day, 200-day Simple Moving Average crossover is a very long-term strategy.

For those traders that want more confirmation when they use Moving Average crossovers, the 3 Simple Moving Average crossover technique could be used.

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