



## Trading Profits of Simple Moving Average Strategies for Major Currency Pairs

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### Abstract

This research studied the effectiveness of simple moving average rules in generating trading profits on major currency pairs which are AUD, EUR, GBP, NZD, CAD, CHF and JPY during 2013 – 2016. The test covered 50-Day moving average, 200-Day moving average, 10/50-Day moving average, 10/200-Day moving average and 50/200-Day moving average. The study revealed that trading based on 10/50-Day moving average resulted in superior returns, among all trading rules with average return generated for all currencies during the sample period of 4.21% per year, followed by 50/200-Day moving average with average return for all currencies of 1.26% per year. In comparison to the return generated from buy and hold strategy, the study suggested that simple moving average strategies generated higher average return and reduced the magnitude of trading losses. Given that the study assumed no transaction cost or SWAP fee, further studies should be conducted on the following areas: 1) comparative analysis of trading profit generated for ‘in-sample’ and ‘out-of-sample’ datasets, 2) comparative analysis of trading profits after taking transaction cost into account, and 3) comparative analysis of trading profits between moving average and other technical trading rules, commonly used by FX Traders.

**Keywords:** Foreign exchange, Technical analysis, Simple moving average.