

Importance of 200 EMA

❖ What is the 200EMA?

The 200 EMA specifically determines the average closing price of a stock or index over the previous 200 Candles.

❖ Importance of 200EMA

One common technical analysis tool used by stock market traders and investors is the 200-day Exponential Moving Average (EMA). This is the reason it's deemed significant:

1. **Long-Term Trend Indicator:** A company or market's long-term trend can be determined using the 200-day EMA. It is generally accepted that a stock is in a long-term uptrend when it trades above its 200-day moving average (EMA), and that it is in a downtrend when it trades below it.
2. **Levels of Support and Resistance:** The 200-day EMA frequently serves as a dynamic level of support or resistance. The EMA can act as a support level when prices bounce off during uptrends. On the other hand, it can serve as resistance during downtrends, making it difficult for prices to overcome.
3. **Trend Identification:** Long-term trend identification is aided by the 200 EMA. An uptrend is indicated by prices above the 200 EMA, and a downturn is shown by prices below it.

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