



Brainy's Articles on Technical Analysis

GMMA — Interpretation

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Introduction

Among the broad field of chart indicators within the even broader field of Technical Analysis, the Multiple Moving Average (MMA) indicator is a popular and potentially very useful one. Daryl Guppy developed his own special version of MMA, calling it the *Guppy MMA* (GMMA). He has written about in his texts, and specifically in his book "*Trend Trading*"¹.

A typical sample chart showing the GMMA indicator is in Figure 1 below — a Monthly candlestick chart of the CBA bank, clearly showing the end of the bull market run in late 2007 with the CBA share price falling sharply in January 2008, and the six shorter term averages of the GMMA (the six upper, blue coloured lines) falling down into the six longer term averages (the lower, red coloured lines). The shape and general appearance of all twelve of these averages in the period up until late 2007 is very important, and fundamental to understanding how to utilise this indicator.

In this article in Brainy's series on Technical Analysis (number TA-6210) we look at how to interpret the GMMA indicator. Readers should also refer to Brainy's Article TA-6200, "*Daryl Guppy — The GMMA indicator*" for introductory information about the GMMA indicator and its key features, including information about the Guppy GMMA Expert Ribbon, and the GMMA Oscillator.

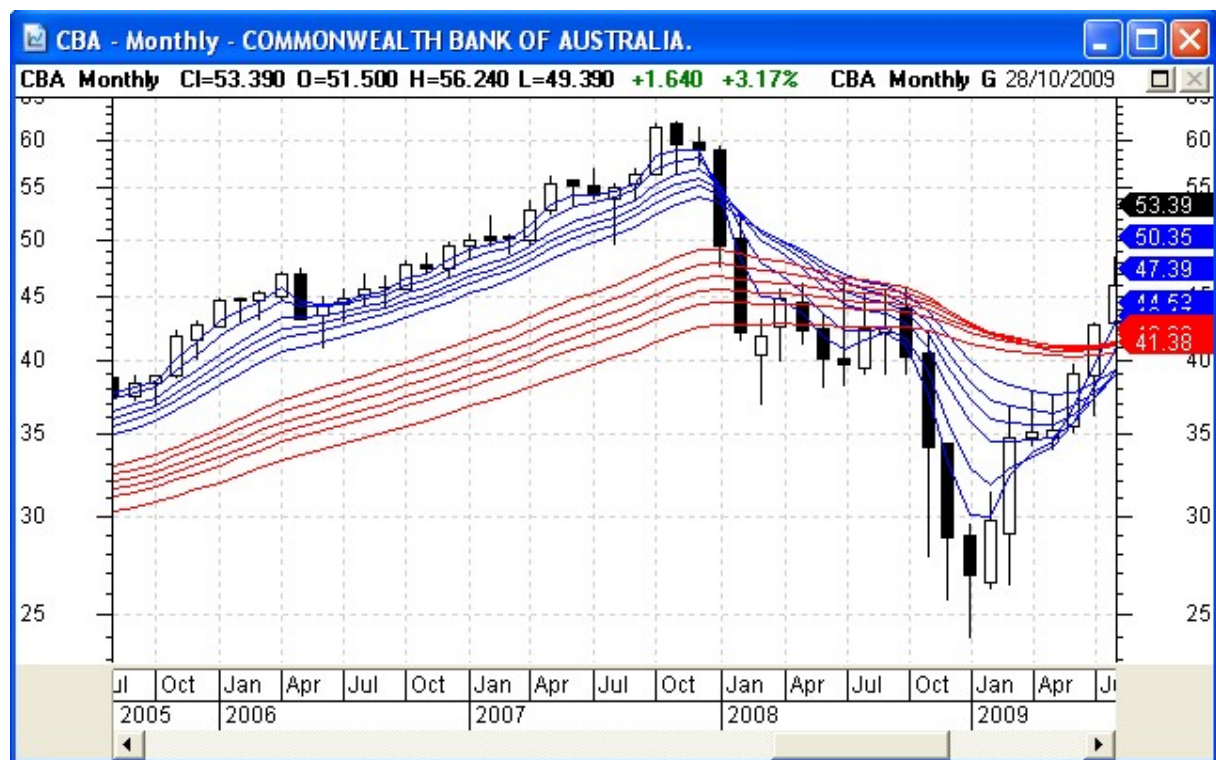


Figure 1: GMMA indicator on a monthly candlestick chart of CBA bank.

Why use the GMMA?

Once we understand how to interpret the GMMA, we can understand more about both the **nature**, and the **character** of a trend. This can help us significantly in spotting and executing successful trading opportunities — remember the well worn adage: "*the trend is your friend*".

In his book, "*Trend Trading*", Guppy describes the **nature** of a trend as either: fast, slow or parabolic. And he describes the **character** of the trend as: well supported, dependable, bedevilled by trading activity, or dominated by a trading bubble². He also describes the ongoing trend **behaviour** as being

1 Guppy, Daryl (2004); "*Trend Trading*"; Wrightbooks. Online details here: www.guppytraders.com/gup202.shtml
2 Guppy, Daryl (2004); "*Trend Trading*"; page 137; Wrightbooks.



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