

PRACTICE QUESTIONS

Technical Analysis

1. Technical analysis can help investors anticipate what is "likely" to happen to _____ over time. [1Mark]
 - a) price
 - b) economy
 - c) Fair value of stock
 - d) Volumes

Correct Answer: Price
2. The use of Technical Analysis is limited to stocks [1Mark]
 - a) True
 - b) False

Correct Answer: False
3. Technical analysts consider the market to be: [1Mark]
 - a) 80% psychological and 20% logical
 - b) 1% psychological and 99% logical
 - c) 20% psychological and 80% logical
 - d) 50% psychological and 50% logical

Correct Answer: 80% psychological and 20% logical
4. A stock is said to be in _____ if it makes a series of higher highs and higher lows. [1Mark]
 - a) Downtrend
 - b) Sideways
 - c) Uptrend
 - d) None of the above

Correct Answer: Uptrend
5. It is estimated that _____ retrace 1/3 to 2/3 of the primary movement. [1Mark]
 - a) Bull movements
 - b) Secondary Movements
 - c) Bear movements
 - d) Minor Movements

Correct Answer: Secondary Movements

6. Secondary movements are reactionary in nature [1Mark]

- a) True
- b) False

Correct Answer: True

7. Which of the following statements is incorrect about secondary movements? [1Mark]

- a) Secondary movements run counter to the primary trend
- b) In a bull market a secondary move is considered a reaction rally.
- c) Secondary movements are reactionary in nature
- d) All of the above

Correct Answer: In a bull market a secondary move is considered a reaction rally.

8. In a public participation phase the demand is more than the supply [1Mark]

- a) False
- b) True

Correct Answer: True

9. If primary trend is down, then [1Mark]

- a) volume should decrease with the market decline
- b) volume should increase with the market decline
- c) volume should be unchanged
- d) All of the above

Correct Answer: volume should increase with the market decline

10. A bullish trend is characterised by a series of: [2 Marks]

- a) higher highs and higher lows
- b) lower high and lower lows
- c) lower highs and higher lows
- d) None of the above

Correct Answer: higher highs and higher lows

11. A line chart reflects only closing price whereas as candlestick chart illustrates the difference between opening and closing price [1Mark]

- a) True
- b) False

Correct Answer: True

12. A _____ chart is formed by joining closing prices.

[2 Marks]

- a) line chart.
- b) Candlestick
- c) Bar Chart
- d) None of the above

Correct Answer: line chart

13. A pattern in which the second bullish candle covers more the 50 % of the previous bearish candle is called

[1Mark]

- a) piercing pattern
- b) dark cloud cover
- c) hammer
- d) inverted hammer

Correct Answer: piercing pattern

14. In a dragonfly doji the price closes at its upper circuit

[1Mark]

- a) True
- b) False

Correct Answer: True

15. Name the price level at which demand is thought to be strong enough to prevent the price from declining further?

[1Mark]

- a) Support
- b) gaps
- c) Channel
- d) Resistance

Correct Answer: Support

16. What do you understand by resistance level?

[1Mark]

- a) A resistance is a horizontal ceiling where the pressure to sell is lesser than the pressure to buy
- b) A resistance is a horizontal ceiling where the pressure to sell is greater than the pressure to buy
- c) A resistance is a vertical ceiling where the pressure to sell is greater than the pressure to buy

d) A resistance is a vertical ceiling where the pressure to sell is lesser than the pressure to buy

Correct Answer: A resistance is a horizontal ceiling where the pressure to sell is greater than the pressure to buy

17. In a top reversal head and shoulders pattern, downward slope of the neckline is less bearish than upward slope. **[1Mark]**

a) True

b) False

Correct Answer: False

18. Which of the following is false? **[2Mark]**

a) Credit Risk

b) Market Risk

c) Financing Risk

d) Regulatory Risk

Correct Answer: Market Risk

19. In Head & Shoulders pattern, lower volume is preferred during advance of head? **[1Mark]**

a) Expected length of the decline after breakout is the fixed target and does not fall below that

b) When the support breaks the volume is low

c) When the support breaks there exists a new willingness to sell at lower prices

None of the above

Correct Answer: Expected length of the decline after breakout is the fixed target and does not fall below that

20. _____ must follow an extended price rise or uptrend **[1Mark]**

a) Double bottom

b) Double top

c) Both double bottom and double top

d) None of the above

Correct Answer: Double top

21. Island cluster are powerful Reverse signals **[1Mark]**

a) False

b) True

Correct Answer: True

22. Which of the following is an example of leading indicator? **[1Mark]**

- a) Stochastic
- b) MACD
- c) Moving Averages
- d) EMA

Correct Answer: Stochastic

23. Statement 1: Moving Average can be only calculated for price
Statement 2: If the Moving average is flat or has already changed directions, its violation is fair proof that the previous trend has reversed. Which is True? **[1Mark]**

- a) 2
- b) 1
- c) Both
- d) None

Correct Answer: 2

24. The MACD indicator consists of two lines via _____ line and _____ line. **[2Mark]**

- a) signal, reversal
- b) slow, very slow
- c) fast, signal
- d) fast, very fast

Correct Answer: fast, signal

25. In RSI chart _____ stand for oversold and _____ stand for overbought line. **[1Mark]**

- a) 50%, 70%
- b) 30%, 70%
- c) 40%, 50%
- d) 30%, 50%

Correct Answer: 30%, 70%