

54**TECHNICAL ANALYSIS**

1. An inverse head and shoulders pattern most likely indicates:
 - (A) the continuation of a downtrend.
 - (B) the reversal of a downtrend.
 - (C) the reversal of an uptrend.

2. Which of the following would a technical analyst most likely interpret as a "buy" signal?
 - (A) 30-day moving average crosses above a 5-day moving average.
 - (B) 20-day moving average crosses below a 100-day moving average.
 - (C) 10-day moving average crosses above a 60-day moving average.

3. The most appropriate tool to use for intermarket analysis of two different asset classes is a:
 - (A) stochastic oscillator.
 - (B) moving average convergence/divergence chart.
 - (C) relative strength chart.

4. The trend line for a stock in an uptrend is constructed by drawing straight line through the:
 - (A) periodic averages.
 - (B) highs.
 - (C) lows.

5. Bollinger bands are drawn based on the:
 - (A) difference between two smoothed moving averages.
 - (B) high and low prices in a recent period.
 - (C) standard deviation of recent price changes.

6. One of the assumptions of technical analysis is:
 - (A) all analysts have all current information.
 - (B) supply and demand are driven by rational and irrational behavior.
 - (C) the market is efficient.

7. Constructing a candlestick chart requires data on:
- (A) high, low, and closing prices only.
 - (B) opening, high, low, and closing prices, and trading volume.
 - (C) opening, high, low, and closing prices only.
8. A technical analyst believes stock prices are primarily driven by:
- (A) unobservable shifts in market sentiment.
 - (B) market supply and demand forces.
 - (C) rational behavior among market participants.
9. Technical analysts believe a trend is most likely to continue if the price chart displays a(n):
- (A) inverse head and shoulders pattern.
 - (B) double top.
 - (C) ascending triangle pattern.
10. Which of the following is a principle on which technical analysis is based?
- (A) Trends and countertrends in market prices tend to disappear quickly.
 - (B) Market prices usually do not reflect all known information.
 - (C) Patterns and cycles in market prices repeat in predictable ways.
11. Technical analysts believe a trend is most likely to reverse if the price chart displays a:
- (A) descending triangle pattern.
 - (B) head and shoulders pattern.
 - (C) rectangle pattern.
12. The point where technicians expect a substantial increase in buying to occur is called a:
- (A) consolidation level.
 - (B) resistance level.
 - (C) support level.
13. Which of the following technical analysis observations most likely represents a change in polarity?
- (A) A shorter-term moving average crosses a longer-term moving average.
 - (B) A resistance level on a line chart is breached and later acts as a support level.
 - (C) Bars on a candlestick chart change from empty to filled.

14. A technical analysis chart that illustrates only the closing prices of a security on each trading day is best described as a:
- (A) bar chart.
 - (B) line chart.
 - (C) candlestick chart.
15. A head and shoulders pattern is most likely to precede a reversal in trend if:
- (A) the left shoulder, the head, and the right shoulder occur on decreasing volume. volume decreases between the left shoulder and the head, then increases
 - (B) between the head and the right shoulder.
 - (C) the left shoulder, the head, and the right shoulder occur on increasing volume.

