

Session 11
Technical Analysis

Test

1. With contrarian technical indicators, you look for signs that a group or groups of investors are pushing stocks in one direction (buying or selling) with the intent of doing the opposite. Which of the following are contrarian indicators (and why)?
 - a. Investor sentiment (from a survey)
 - b. Institutional investment net buying (buying minus selling) of stocks
 - c. Number of initial public offerings
 - d. Number/Value of acquisition deals
 - e. All of the above
2. Some technical trading rules try to detect shifts in demand and supply. Which of the following can be viewed as a precursor to a shift down in demand (and thus of declining stock prices in the future)?
 - a. An increase in trading volume accompanying an increase in the stock price
 - b. An increase in trading volume accompanying a decrease in stock price
 - c. A stock price movement that breaches the resistance line
 - d. A stock price movement that breaches the support line
 - e. An increase in the number of stocks that advance relative to stocks that decrease in price.
3. Assume that you believe that markets learn slowly and that you use relative strength in stock prices (stock price is high today, relative to the price in a prior period) and volume shifts as your technical indicators. Which of the following combinations would make you most bullish on a stock?
 - a. A stock has high relative strength and declining trading volume.
 - b. A stock has high relative strength and stable trading volume
 - c. A stock has high relative strength and increasing trading volume.
 - d. A stock has low relative strength and declining trading volume.
 - e. A stock has low relative strength and stable trading volume.
 - f. A stock has low relative strength and increasing trading volume.
4. With technical trading rules that follow informed investors, you track the groups of investors that you believe either know more than you do or pick stocks better than you do and try to replicate what they do. Which of the following would be a bearish indicator?
 - a. Specialist short selling on a stock decreases, relative to prior periods.
 - b. Specialist short selling on a stock increases, relative to prior periods.
 - c. Insider buying increases on a stock
 - d. Insiders exercise fewer options than in prior time periods
5. If you are an intrinsic value investor, you cannot have any use for technical indicators in investing.
 - a. True
 - b. False