

Section 4

Basic Indicators

Section Review Questions

Question 1

This type of moving average reduces the time lag by applying more weight to recent prices.

- a) Simple moving average
- b) Exponential moving average
- c) 200-day moving average
- d) Simple moving average envelope

Question 2

A simple moving average is considered what type of indicator?

- a) Coincident
- b) Leading
- c) Lagging
- d) None of the above

Question 3

What conditions are **MOST** clearly identified in the shaded elliptical areas on the Relative Strength Index (RSI) indicator on the following chart?



- a) Overbought
- b) Oversold
- c) Divergence
- d) Crossover

Question 4

Which of the following indicators is considered to be MOST useful during trending market conditions and LEAST useful as an overbought/oversold indicator?

- a) Stochastics
- b) Relative Strength Index (RSI)
- c) Moving Average Convergence-Divergence (MACD)
- d) Rate of Change (ROC)

Question 5

Average True Range (ATR) is an indicator that measures _____.

- a) Volume
- b) Time
- c) Cycles
- d) Volatility

Question 6

J. Welles Wilder, in his book *New Concepts in Technical Trading Systems*, developed all of the following indicators EXCEPT:

- a) Moving Average Convergence-Divergence (MACD)
- b) Relative Strength Index (RSI)
- c) Parabolic SAR
- d) Average Directional Index (ADX)

Question 7

The Advance-Decline Line is a(n) _____ indicator based on the cumulative number of advancing stocks less the number of declining stocks.

- a) Volatility
- b) Breadth
- c) Volume
- d) Momentum

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Section Review Answers

1) b

2) c

3) a

4) c

5) d

6) a

7) b