

## **Certified Financial Technician (CFTe) Level I MOCK Examination Questions (and Answer Key)**

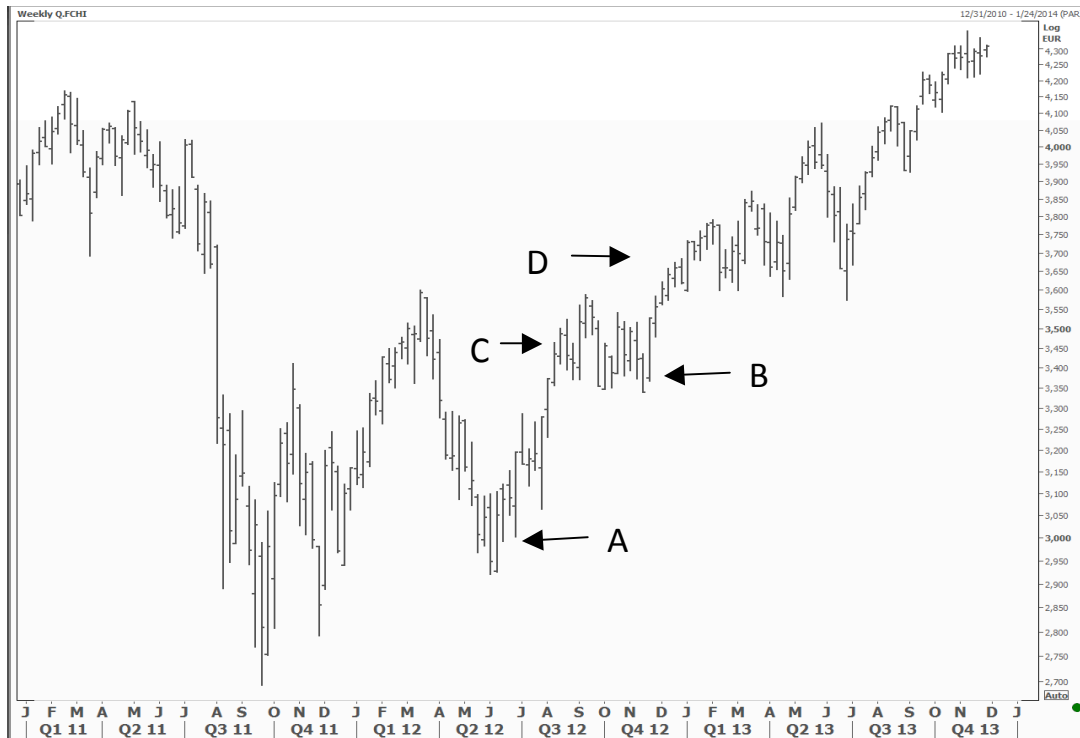
**Note to candidate:** This mock exam consists of 60 questions, while the actual exam consists of 120 questions. Note: The percentage of questions within the various topics, as outlined in the *Syllabus and Study Guide*, are the same percentage as in the actual exam.

- 1. Technical Analysis is the study of:**
  - a. Crowd psychology
  - b. Formations and patterns
  - c. Balance sheets
  - d. Contrary opinion
  
- 2. The emotion of fear appears more at the following DOW phase:**
  - a. Pattern phase
  - b. Mark-up phase
  - c. Distribution phase
  - d. Panic phase
  
- 3. The main drawback of the Efficient Market Hypothesis (EMH) is that:**
  - a. It considers that markets are efficient.
  - b. It considers that markets are inefficient.
  - c. It considers that buy and hold is the best strategy, especially during major uptrends.
  - d. The EMH has no drawbacks and it proved successful in financial markets.
  
- 4. Using close stop losses has pros and cons. Which of the following is correct?**
  - a. Using a close stop loss will lead to a smaller percentage of losing trades and a higher average loss per trade.
  - b. Using a close stop loss will lead to a higher percentage of losing trades and a smaller average loss per trade.
  - c. Using a close stop will lead to both a smaller percentage of losing trades and a smaller average loss per trade.
  - d. Using a close stop will lead to both a higher percentage of losing trades and a higher average loss per trade.

5. **If we are looking at a monthly bar chart and we are in the middle of the month, which of the following data will not change by the end of the month?**
- The open price of the last bar
  - The closing price of the last bar
  - The high and low of the last bar
  - All of these data might change by the end of the month
6. **A long-term technician who is analyzing secular trends in the U.S. market is watching the monthly Dow Jones since the 1890s. Which of the following tools should she use?**
- A line chart on an arithmetic scale
  - A candlestick chart on an arithmetic scale
  - A line chart on a log scale
  - A candlestick chart on a log scale
7. **Which of the following statements is wrong?**
- A higher low followed by a confirmed higher high should signal the beginning of an uptrend.
  - A trendline is an important technical tool that can be used for timing entry and/or exit signals.
  - A violation of an up trendline is a confirmation of a trend reversal.
  - All of the above statements are correct.
8. **Market corrections are usually stronger:**
- During the accumulation phase.
  - In the beginning of the mark-up phase, which is the beginning of the uptrend itself.
  - In the middle of the mark-up phase.
  - Corrections are the same during all of these phases.



9. The chart above is a monthly chart of the Dow Jones Industrial from 1931 until the end of 2013. Which of the following is correct?
- All secular and major trends during this period were up. The index did not witness major downtrends or sideways patterns.
  - Two major (or secular) sideways patterns occurred during this period. The first occurred from the mid 1960s until the early 1980s, while the second occurred during the 2000–2013 period.
  - The chart is not informative because it shows obsolete data since the 1930s, which has no effect on current market data.
  - Because of the interruptions that occurred on the secular trend from the 1930s until today, especially the downtrends and sideways trends that occurred during this extremely large period, it is not easy to assess the overall situation nowadays. The recommendation is to look at the weekly chart for a clearer picture.



**10. The chart above is a weekly chart of the CAC 40. The major uptrend was confirmed at the following level:**

- a. "A" on the chart
- b. "B" on the chart
- c. "C" on the chart
- d. "D" on the chart

**11. Most of the trading losses occur because of the following reason:**

- a. There is an inability to pick bottoms and peaks correctly.
- b. There is lack of education to use oscillators and market breadth indicators.
- c. The trader trades in the direction that is contrary to the major trend direction.
- d. Extreme attention is not given to the market at all times.

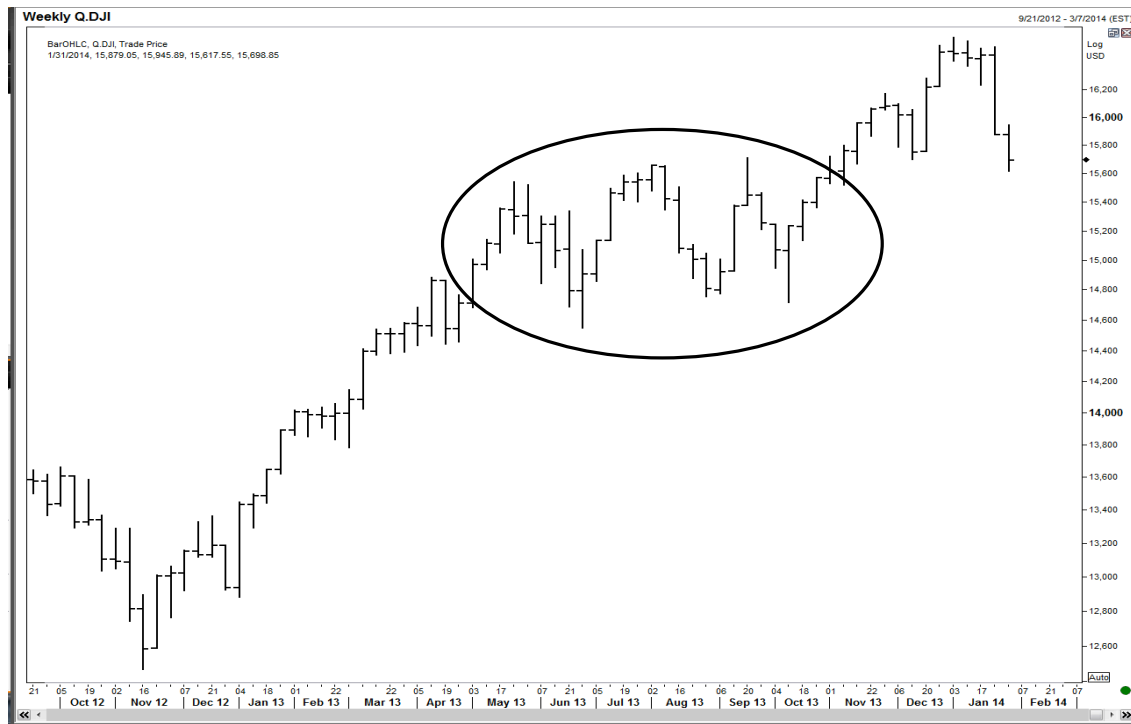
- 12. During an uptrend, the market retraces a part of the previous move, hence creating a higher low formation. The common maximum retracement is usually:**
- a. 32%–33% retracement
  - b. 50% retracement
  - c. 62%–66% retracement
  - d. 100% retracement
- 13. Which of the following statements is most accurate concerning the upward channel line?**
- a. The break beyond this line signals that the market might be reaching overbought levels.
  - b. The break beyond this line is a sell signal.
  - c. It is always considered as a moving support area.
  - d. We must know the direction of this channel line first before taking the decision.
- 14. A support will probably be broken to the downside if the following occurs:**
- a. The price keeps on touching this support every few sessions.
  - b. The price rises sharply after touching this support.
  - c. Volume increases as the price rises from the support.
  - d. All of the above.
- 15. Which of the following is a more significant resistance level?**
- a. A 20 days moving average that is moving above prices
  - b. A sharp down trendline that is touched at least three times
  - c. The most recent peak
  - d. All of the above have the same importance
- 16. Which of these formations allows us to take the risk of selling a part before its completion (and confirmations)?**
- a. Inverted head and shoulders
  - b. Descending triangle
  - c. Double top formation
  - d. All of the above

**17. During the formation of a head and shoulders, the neckline of this formation is considered as:**

- a. A support
- b. A resistance
- c. We can never know until it is broken
- d. There is no neckline in a head and shoulders formation

**18. Which of the following statements is correct?**

- a. Bottom reversal patterns usually take longer periods than top reversal patterns, especially during major reversals.
- b. Saucers that appear at market bottoms are more significant than inverted saucers that appear at market peaks.
- c. A descending triangle that appears at the end of an uptrend is more bearish than a triple top formation after the break of the neckline.
- d. All of the above statements are correct.



19. The chart above is a weekly chart of the Dow Jones Industrial, the formation inside the circle is a:

- a. Triple top formation
- b. Triple bottom formation
- c. Failed triple top formation
- d. None of the above

20. Which of the following statements is more accurate?

- a. Flags and pennants serve as continuation patterns whether they appear during uptrends or downtrends.
- b. Ascending triangles serve as continuation patterns whether they appear during uptrends or downtrends.
- c. Wedge formations serve as continuation patterns whether they appear during uptrends or downtrends.
- d. All of the statements are equally accurate.



21. The chart above is a weekly chart of the S&P 500. The formation inside the circle is a/an:

- a. Rising wedge formation
- b. Ascending triangle
- c. Failed head and shoulders
- d. Rising channel

22. Symmetrical triangles have the following characteristics:

- a. They can be constructed by a clear higher low and a clear lower high; this is why they show balance in the market between bulls and bears.
- b. If they appear during an uptrend, the higher low formation occurs before the lower high formation.
- c. They are detected by a rising trendline connecting the bottoms and a declining trendline connecting the peaks.
- d. All of the above statements are correct.



**23. During a double top formation, as the formation matures, volumes take the following shape:**

- a. Rising along with rising prices and shrinking along with declining prices.
- b. Rising along with shrinking prices and declining along with rising prices.
- c. Rising during the whole formation.
- d. Volume is insignificant during a double top formation.

**24. A target can be calculated from the following gap:**

- a. Breakaway gap
- b. Measuring gap
- c. Exhaustion gap
- d. We cannot calculate targets from gaps

**25. Breakaway gaps:**

- a. Always appear in the beginning of the move.
- b. Always appear in the beginning of the move, with the exception of island reversals, where breakaway gaps might sometimes appear at the end of the move.
- c. Always appear at the middle of the move.
- d. Always appear at the end of the move.

**26. The on balance volume indicator is considered a/an:**

- a. Oscillator
- b. Trend following indicator
- c. Momentum indicator
- d. Breadth/sentiment indicator

**27. Which of the following is closer to going long in the equity market?**

- a. Selling a call
- b. Buying a put
- c. Buying a call
- d. None of the above

**28. If both parties to a trade open a new position, open interest will:**

- a. Net off
- b. Fall
- c. Rise
- d. Trade in a neutral pattern

**29. Which of the following oscillators can be considered as a smooth momentum indicator?**

- a. ROC
- b. MACD
- c. SAR parabolic system
- d. The inverted % Williams

**30. The real value of the MACD histogram indicator over the MACD itself occurs when the MACD histogram:**

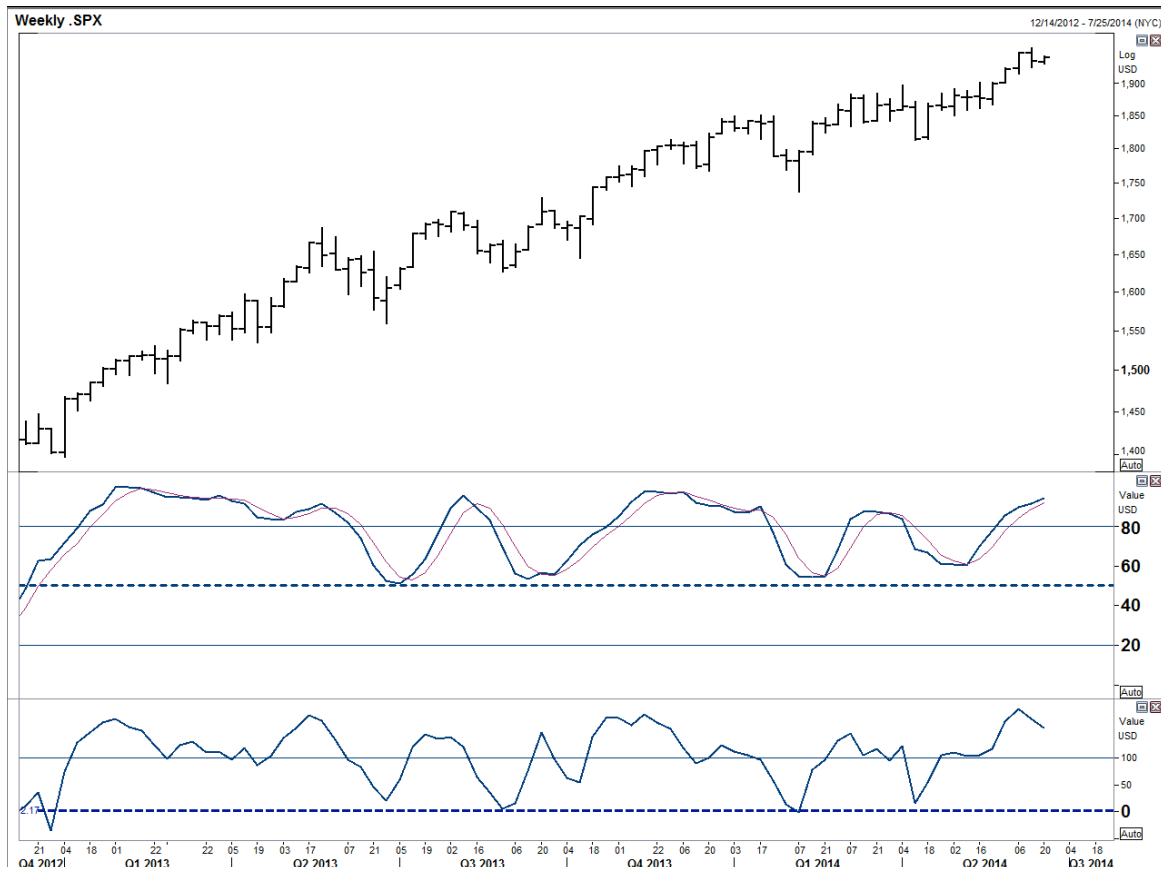
- a. Crosses above and below the zero level.
- b. Moves in its positive territory or its negative territory.
- c. Witnesses positive and negative divergences.
- d. All of the above are correct.

**31. It is recommended to sell when the stochastic oscillator declines below 80 (after entering inside overbought territory) during the following trends:**

- a. Sideways trends and downtrends
- b. Sideways trends and uptrends
- c. Uptrends and downtrends
- d. Only during uptrends

**32. Which of the following scenarios shows that the ADX is in an oversold situation?**

- a. The ADX is below both +DI and -DI (at a low level of the ADX scale), while the +DI is above the -DI.
- b. The ADX is below both +DI and -DI (at a low level of the ADX scale), while the +DI is below the -DI.
- c. The ADX is above both +DI and -DI (at a high level of the ADX scale), while the +DI is above -DI.
- d. The ADX is above both +DI and -DI (at a high level of the ADX scale), while the +DI is below -DI.



**33. The chart above is a weekly chart of the S&P 500 along with a slow stochastic oscillator (9,5,3) and the CCI. Which of the following statements is correct?**

- The best tactic is to sell when both oscillators reach overbought and buy when both oscillators reach oversold.
- The movement of both oscillators shows that the S&P index is witnessing a sideways trend.
- The stochastic oscillator is a better gauge of the index than the CCI.
- Both oscillators are showing that the S&P 500 is witnessing an uptrend.

**34. Wilder's SAR system is:**

- a. A trading system that always keeps you in the market either as a long or as a short.
- b. A trend-following system that helps you enter the market only when a good opportunity exists.
- c. A leading oscillator that is mainly used to depict overbought and oversold situations.
- d. An intraday trading tactic, and it mainly depicts strong support and resistance levels.

**35. In which of the following situations is the sell signal stronger and more significant?**

- a. Negative failure swing in RSI while prices are making higher highs
- b. Negative failure swing in RSI while prices are making lower highs
- c. Negative failure swing in RSI accompanied by negative divergence between the RSI and prices
- d. All have the same significance

**36. The Commodity Channel Index and the Bollinger Bands are similar in that:**

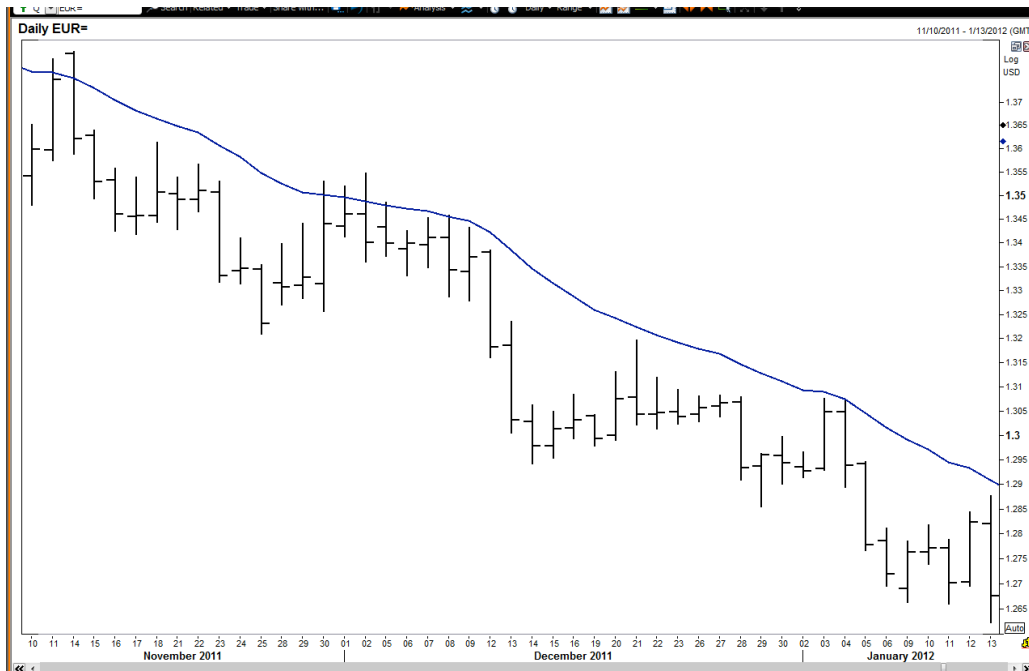
- a. They use the moving average in their calculations, which makes them both lagging indicators.
- b. They use statistical concepts in their calculation.
- c. They are both used the same way.
- d. They both have a finite and fixed upper and lower boundary.

**37. The Positive Directional Index (+DI) is calculated as follows:**

- a. High of today – High of yesterday
- b. Low of today – Low of yesterday
- c. High of today – Close of yesterday during a rise
- d. None of the above

**38. If you are holding a long position on the EUR/USD and the momentum oscillator crosses below the zero line and continues its decline, the best decision to take is to:**

- Remove your stop loss
- Alter your stop loss to a lower level
- Close your position
- Double your position



**39. The chart above is a daily chart of the EUR/USD along with a 20 days moving average. Based on the current alignment of the moving average, a trader should currently be:**

- Short with a stop loss above the moving average
- Long with a stop loss below the minor support
- Waiting on the sidelines and ready to buy aggressively if a breakout above the moving average occurs
- The moving average is not a useful tool in this case

**40. The difference between oscillators and trend following indicators is that:**

- a. Oscillators move in trends, while trend-following indicators move within a certain range.
- b. Oscillators are always bounded by fixed levels, while trend-following indicators are always unbounded.
- c. Oscillators are more accurate and much more profitable than trend-following indicators.
- d. None of the statements above are accurate.

**41. In Japanese candlesticks charting technique, the three-method pattern is:**

- a. A reversal pattern
- b. A three-day continuation pattern
- c. A one-day continuation pattern
- d. A five-day continuation pattern

**42. The black Marobozu pattern is:**

- a. A long black candle
- b. A long black candle where the open is equal to the high and the close is equal to the low.
- c. A long black candle where the open is equal to the close
- d. A small black candle where the open is equal to the low

**43. The psychology of market participants in the beginning of the session of the second candle of a bearish engulfing is:**

- a. Bullish
- b. Bearish
- c. Neutral
- d. Difficult to know until the formation is confirmed

**44. If we blend the candles of an evening star formation together in one candle, the result will be:**

- a. A hammer
- b. An inverted hammer
- c. A shooting star
- d. A hanging man formation

**Note: Use this chart to answer questions 45 and 46.**



45. The chart above is a weekly chart of (AAPLO). The three formations labeled 1, 2, and 3 at the bottom of the chart are called:

- a. (1) Piercing (2) Piercing (3) Bullish Engulfing
- b. (1) Nothing (2) Piercing (3) Bullish Engulfing
- c. (1) Piercing (2) Nothing (3) Bullish Engulfing
- d. (1) Piercing (2) Piercing (3) Nothing

46. The formation in the bottom of the chart is:

- a. A double bottom formation
- b. A triple bottom formation
- c. A saucer formation
- d. None of the above



**47. Which of the following P&F charts can have X and O in the same column?**

- a. 1-box reversal charts
- b. 2-box reversal charts
- c. 3-box reversal charts
- d. All of the above

**48. Point and figure charts have the following drawback/s relative to bar charts:**

- a. They do not show support and resistance clearly like bar charts.
- b. They do not include volume.
- c. They are only short-term in nature; it is not easy to use them for long-term analysis.
- d. All of the above are drawbacks of the point and figure charts compared to bar charts.

**49. The basis of the 1-box reversal count is:**

- a. The width of the pattern only
- b. The height of the pattern only
- c. The height of the pattern most of the time
- d. Both the width and height of the pattern

**50. Which of the following is an asymmetric filter?**

- a. P&F 2-box reversal charts
- b. P&F 3-box reversal charts
- c. P&F 4-box reversal charts
- d. All of the above

**51. In Elliott Wave Theory, symmetrical triangles are**

- a. Structured as five waves, whereby each wave is subdivided into three waves.
- b. Bullish because they indicate the market will peak after the next wave.
- c. Patterns that tend to either reverse the direction of a previous wave of a larger degree or resume its direction.
- d. Patterns that appear in a wave of an a-b-c correction.

**52. Some of the basic tenets of motive waves in Elliott Wave Theory contend that:**

- a. Waves 1, 2 and 5 are motive waves and waves 3 and 4 are corrective.
- b. Waves 1, 3 and 5 must only be impulsive waves, waves 2 and 4 are corrective, and wave 4 may extend beyond the start of wave 3.
- c. Waves 1, 3 and 5 are motive waves, waves 2 and 4 are corrective, and wave 4 must not extend beyond the start of wave 3.
- d. Waves 1, 3 and 5 are corrective waves, waves 2 and 4 are motive, and wave 4 must also not overlap wave 5 if it is a complex corrective pattern.

**53. In Elliott Wave Theory, ending diagonals are considered composed of:**

- a. Five motive waves, whereby each of its five waves is subdivided into three waves.
- b. Three motive waves, whereby each of its three waves is subdivided into five waves.
- c. Five motive waves, whereby waves 1, 3 and 5 are each subdivided into five waves, while waves 2 and 4 are each subdivided into three waves.
- d. Five corrective waves, whereby waves 1, 3 and 5 are each subdivided into five waves, while waves 2 and 4 are each subdivided into three waves.

**54. In Elliott Wave Theory, which of the following statement(s) describe the social mood and psychology of wave 4?**

- a. The occurrence of wave 4 generally implies that the best part of the growth phase that was evident in wave 3 has ended.
- b. Fourth waves tend to heavily retrace (but not extend beyond) third waves especially, since they themselves occur mostly during the periods of disbelief, prior to the mark-up phase.
- c. Fourth waves are phonies. They are sucker plays, bull traps, speculators' paradise, orgies of odd lotter mentality, or expressions of dumb institutional complacency (or both).
- d. None of the above.

**55. Period in cyclical analysis measures the:**

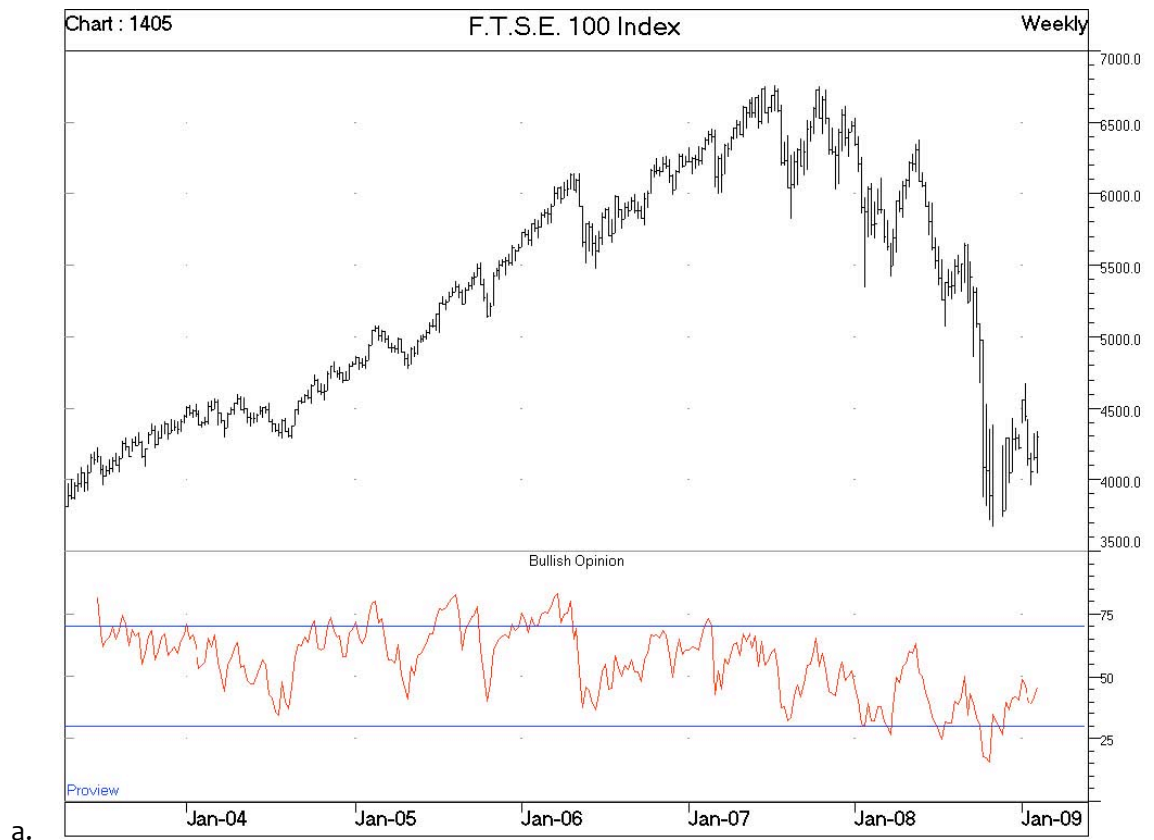
- a. Length of a wave
- b. Height of a wave
- c. Time-based length of a wave
- d. Time period of a wave

**56. In cyclical analysis, the principle of synchronicity indicates that:**

- a. Neighbouring cycles are related.
- b. All price patterns are formed by the interaction of two or more cycles.
- c. Cycles of different lengths peak at about the same time.
- d. Cycles of different lengths bottom out at about the same time.

**57. If the relative performance (Relative Strength) curve between two entities is rising, this means that:**

- a. The price of the entity in the nominator is rising, while the price of the entity in the denominator is falling or moving sideways.
- b. The price of the entity in the nominator is rising, while the price of the entity in the denominator is falling.
- c. The entity in the nominator is outperforming the entity in the denominator.
- d. Both entities are in uptrend but approaching overbought territory.



58. The chart above shows the price action of the FTSE 100 stock index along with the bullish opinion. The most recent observation of both indexes suggests:

- A neutral reading of investors versus the market.
- A bullish opinion indicator has swung from oversold with recovery further in prospect.
- The bear trend is not over, but we now have a significant buy signal in both the price action and the indicator.
- Sentiment indicators like these are of little value in technical analysis and are more fundamental in nature.

**59. Which of the following is true about market breadth indicators?**

- a. They can be used with individual stocks.
- b. They are only used with the general market indices.
- c. Most of them are lagging trend-following indicators.
- d. They are used with the general market indices most of the time but in some cases they can be used with individual stocks.

**60. The summation index is derived from the following indicator:**

- a. McClellan Oscillator
- b. MACD
- c. Arms Index
- d. A-D line

## **Certified Financial Technician (CFTe) Level I MOCK Examination Answer Key**

### **1. Answer: A**

Crowd psychology is what we actually study in technical analysis. As we know, we always say that the crowd is always wrong during major market reversals. But what happens during trends? During an uptrend, for example, the crowd is usually right: people are bullish, the economy looks good, the fundamentals of the companies get stronger, and there is strength in market breadth. This makes people more rational in their decisions, especially that their realized gains are justified and that the market did not reach its extremes yet. Despite this non-irrational behavior from the crowd, this does not mean that the brain of the crowd is rational during uptrends. What happens is that the “effect” of the brain of the crowd on market participants diminishes significantly during trends and increases during market reversals when markets reach extreme measures. The brain of the crowd is by definition irrational, but its effect magnifies during market reversals, which leads to the irrational behavior that we see during these market extremes. The rest of the answers are not correct. For example, answer “B” is wrong. Technical Analysis is not the study of formations and patterns. These are part of what we study and analyze.

### **2. Answer: D**

“A” is a wrong answer. “B” is also wrong because mark-up phases are accompanied by strong fundamentals and bullish market breadth. People get bullish and self-confident. This confidence increases until it reaches an abnormally overconfident level during the distribution phase, when the crowd reaches extreme levels of optimism. Fear, thus, does not appear during the distribution phase because the crowd is extremely bullish.

With the first significant decline, however, a panic phase appears, which leads to a sudden decline, which maximizes the fear emotion among market participants.

**3. Answer: A**

The EMH considers that markets are efficient, and this contradicts with the belief of technical analysts who believe that the inefficiencies of financial markets are what move prices in trends. The rest of the answers are wrong.

**4. Answer: B**

This is from Charles LeBeau's book, which explained that close stops can diminish the losses better than wide stops but will obviously lead to more frequent (and smaller) losses. The rest of the answers are wrong.

**5. Answer: A**

The open price is the only price that will not change when we are in the middle of a bar. All other prices can change by the close (i.e., the price might make a new high or a new low, but the open price will not change).

**6. Answer: C**

A line chart on a log scale is the best combination for very long-term trends. Candlestick charts will not be useful because the colors and shapes of the candles will not be clear when we look at very long-term trends. We care about the direction so we use line charts, and of course we cannot use arithmetic scale because of the big differences in prices between decades ago and today.

**7. Answer: C**

A violation of an up trendline is "not" a confirmation of a trend reversal. The rest of the statements are correct. A violation of a trendline means that the correction is sharper than before, but this does not mean that the trend reversed. A violation of a trendline does not necessarily coincide with a violation of a bottom or peak. Trendline violations might be an early signal of potential trend reversals, but they do not by themselves indicate a trend reversal.

**8. Answer: B**

Corrections are usually stronger in the beginning of an uptrend. They also get stronger near the end of the trend. But in the middle of the trend, there is belief among market participants, fundamentals and the economic situation are confirming the market rise, so corrections are usually less sharp than those that appear during the periods of disbelief that occur in the beginning of trends.

Answer A is wrong. An accumulation phase is usually characterized by narrow trading ranges. During the accumulation phase, the momentum of the decline begins to fade, but with the first significant rise that breaks important resistance levels, we begin to see sharp corrections.

**9. Answer: B**

It is clear from the chart that two major sideways patterns occurred during this period. The rest of the answers are wrong. One of the tactics to use if you are not sure of the answer is to eliminate wrong answers. If you look at the other answers, you will find they are all wrong, so the only correct answer is B.

**10. Answer: D**

The trend was confirmed when the prices broke the major peak on the chart. This occurred at point D.

**11. Answer: C**

Answer A is wrong because it is not necessary to pick bottoms and peaks to be able to make money. On the contrary, a technical analyst is not expected to pick bottoms and peaks.

Answer B is wrong because oscillators and market breadths are tools that technicians use in their analysis. Lack of their knowledge should not be the main reason for losses; a technical analyst might be using other tools.

It is not necessary also to pay very close attention to the market at all times, especially for intermediate-term traders.

**12. Answer: C**



**13. Answer: A**

The upward channel line is a rising line drawn above the peaks of an uptrend. So its breakout might be a signal that the market is reaching overbought.

A break beyond this line is not a sell signal though. It is also not a moving support.

**14. Answer: A**

Note that if the price rises sharply after touching support, this means that this support is strong, so its violation is less probable. Also, a rise in volume as the price rises from support strengthens this support, which also reduces the probability of a violation of this support. So A is the only correct answer.

**15. Answer: C**

**16. Answer: B**

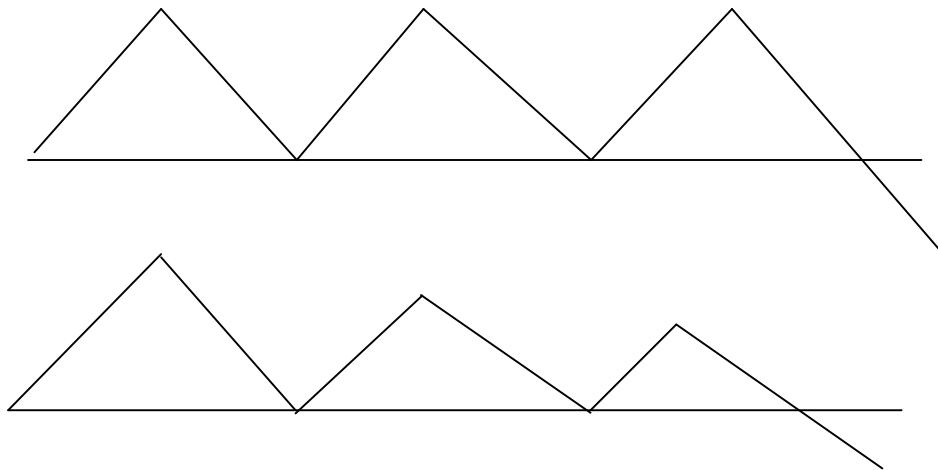
The inverted head and shoulders is a reversal bottoming formation so it has nothing to do with selling. A double top is not called a double top unless the bottom is violated. As long as prices are trading above the neckline (the bottom connecting the two peaks), there is no double top.

**17. Answer: A**

A head and shoulders is confirmed when the neckline (support) is violated. This means that the neckline serves as support as long as the formation is being formed. Once violated (a breakout below support occurs), the trend reverses.

**18. Answer: D**

All statements are correct. It is worth mentioning that "C" is also a correct answer. A descending triangle that appears after an uptrend is a reversal formation. This formation has lower highs, while triple tops have the same highs. Obviously, a formation that has lower highs is more bearish than a formation that has same highs.



**19. Answer: D**

A triple top appears only after the violation of the neckline. The formation inside the circle can be interpreted as a normal sideways pattern or a rectangle.

**20. Answer: A**

Note that ascending triangles can serve as reversal if they appear during a downtrend; the same holds true about wedges. A rising wedge will serve as a reversal if it appears during an uptrend. Flags and pennants, on the other hand, are continuation patterns by nature whether they appeared during uptrends or downtrends.

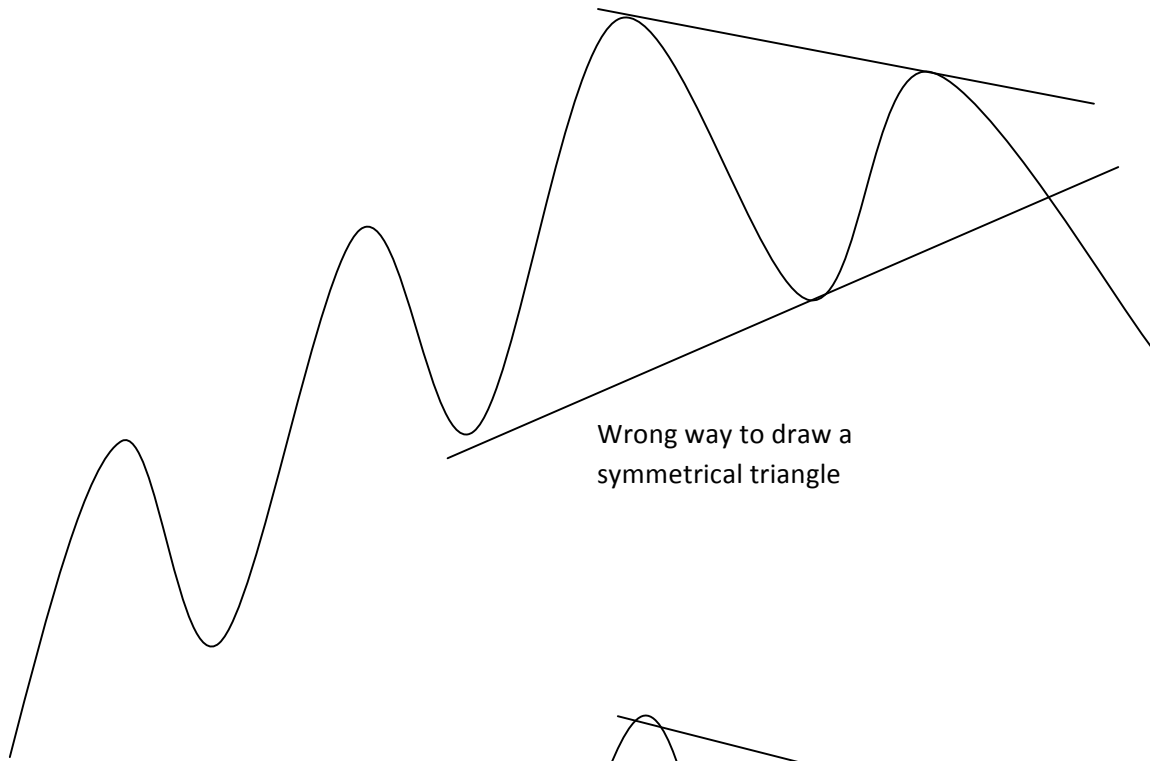
**21. Answer: A**

If you connect the peaks and bottoms you will draw two rising and converging lines (i.e., a rising wedge). Note that a rising wedge should naturally break to the downside. This time, however, it broke to the upside. This should not be the case in general.

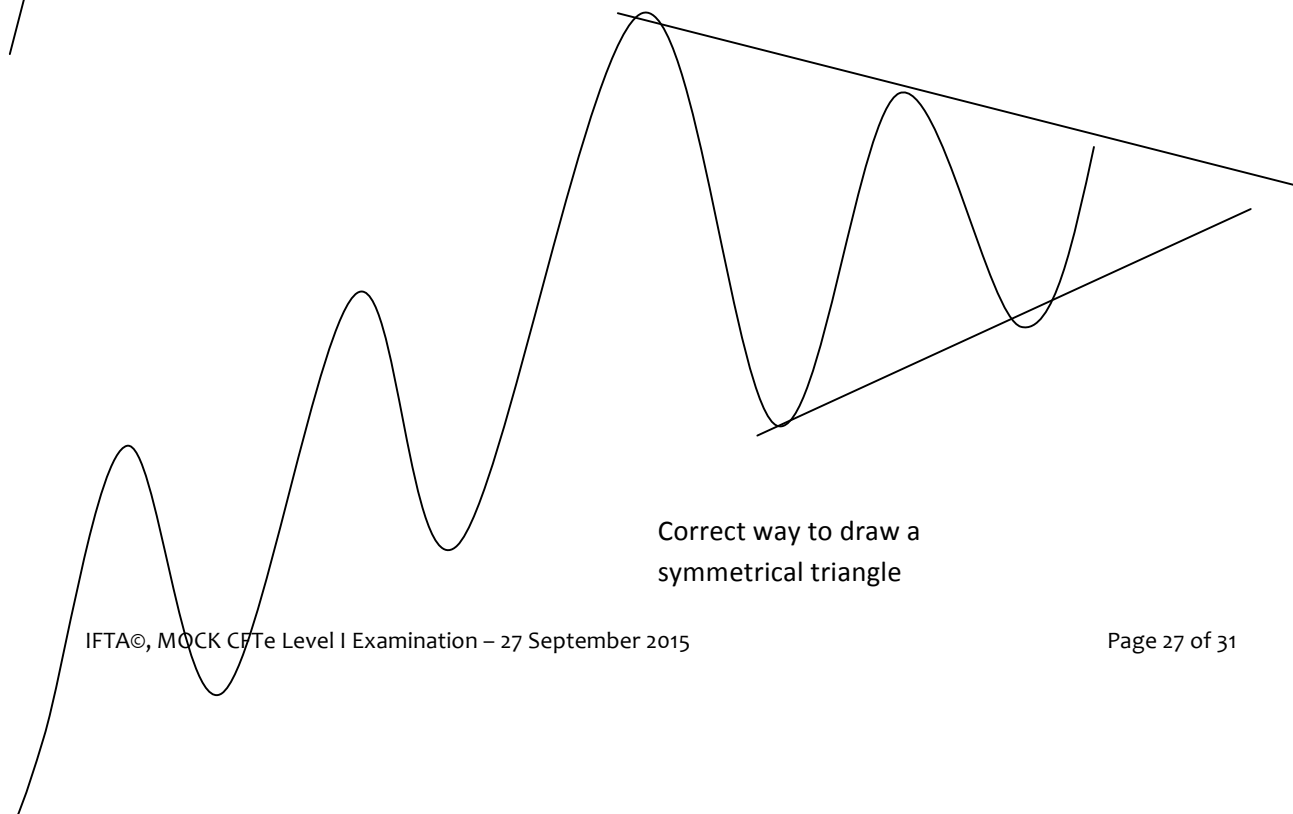
**22. Answer: A**

Statement B is not correct. A symmetrical triangle appearing during an uptrend should form the lower high before the higher low. This information is not clearly written in books, but it makes perfect sense. A higher low followed by a lower high (during an uptrend) is actually only a lower high formation. Note that a higher low is a part of the uptrend, so when it appears before the lower high,

it should be considered as a part of the uptrend, not the beginning of the formation. The formation begins when lower highs appear (bears trying to gain control), then the higher lows get the situation into balance.



Wrong way to draw a symmetrical triangle



Correct way to draw a symmetrical triangle

**23. Answer: B**

Since a double top is a bearish formation, volumes take the bearish pattern, rising with price declines and falling with price increases.

**24. Answer: B**

Measuring gap, which can also be called runaway gap or continuation gap, is the only gap that has a target, which is calculated by taking the movement that preceded the gap and projecting it to the direction of the renewed move (the same way we calculate the target of flags and pennants).

**25. Answer: A**

Breakaway gaps always appear in the beginning of the move, even when they appear as a part of an island reversal formation.

**26. Answer: B**

**27. Answer: C**

**28. Answer: C**

**29. Answer: B**

The ROC is a raw momentum indicator; it takes the difference between two prices, and it is not a smoothed momentum indicator. The SAR has nothing to do with momentum indicators, while the % Williams is a very fast indicator (not smoothed). The MACD, on the other hand, takes the difference between two moving averages, which makes it a momentum oscillator (as it takes the difference between two prices), which is also smoothed (uses moving averages instead of raw data).

**30. Answer: C**

Read the question well; it says “the real value of the MACD histogram over the MACD itself”. This makes answer A a wrong answer, which is the same answer as B. The crossing of the MACD histogram above and below zero is easily seen on the MACD indicator by watching crossovers

between the MACD line and its signal line. Thus, this is not the real value of using the MACD histogram, but divergences on the histogram indicator are not easily seen on the MACD indicator itself.

**31. Answer: A**

The most correct answer is A, as during uptrends the stochastic oscillator might remain for a long time between 50 and 100, or inside overbought territory. During sideways trends and downtrends, however, the stochastic oscillator does not remain inside overbought territories for long periods of time.

**32. Answer: D**

Overbought and oversold situations always appear when the ADX is above both lines (+DI and -DI) at high levels of the ADX scale. When +DI is above -DI, this means the market is rising. On the other hand, when +DI is below -DI this means that the market is declining.

**33. Answer: D**

Both oscillators are moving at the upward half of the scale, which confirms the uptrend.

**34. Answer: A**

**35. Answer: B**

As we all know, a lower high formation is the first significant signal of weakness. It is natural that a lower high in prices accompanying the negative failure swing is more bearish than a higher high in prices. Note that answer C is the same as answer A.

**36. Answer: B**

Note that the CCI is not a lagging indicator. It shows divergences and moves ahead of prices in many situations, which makes it a leading indicator.

**37. Answer: D**

Answer A belongs to +DM, not +DI.

+DI is calculated as +DM divided by TR.

**38. Answer: C**

**39. Answer: A**

**40. Answer: D**

All statements are incorrect. Statement B is also incorrect because oscillators are not always bounded. Momentum and MACD are examples of unbounded oscillators.

**41. Answer: D**

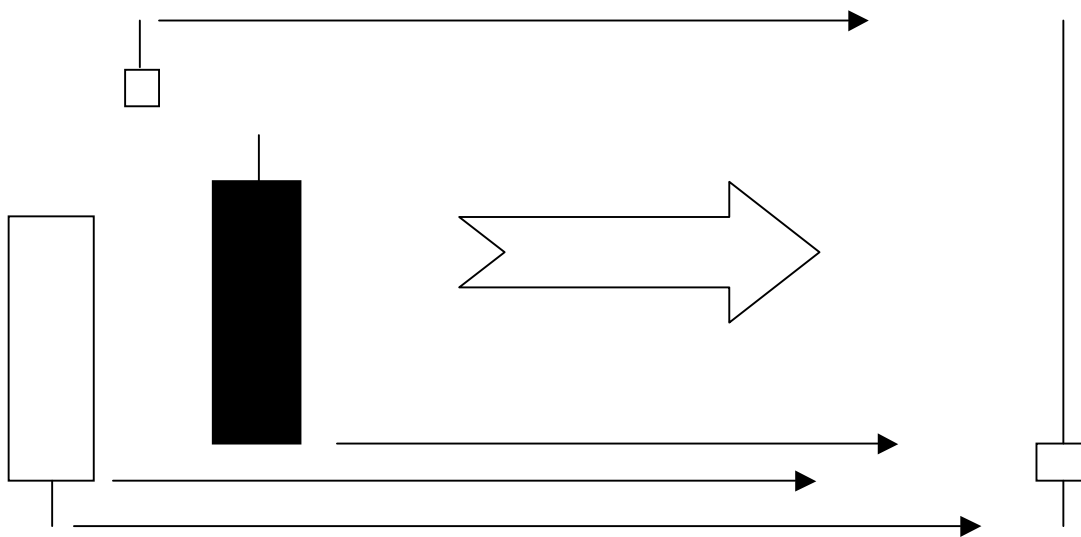
**42. Answer: B**

**43. Answer: A**

The second candle of a bearish engulfing pattern opens with an upward gap. This shows that the sentiment of market participants is bullish at the opening price, but as prices decline afterwards, the sentiment turns bearish by the end of the session when the formation is complete.

**44. Answer: C**

The best way to answer this question is to draw the blended candles.



**45. Answer: B**

**46. Answer: B**

**47. Answer: A**

**48. Answer: B**

**49. Answer: A**

**50. Answer: D**

**51. Answer: A**

**52. Answer: C**

**53. Answer: A**

**54. Answer: A**

**55. Answer: A**

**56. Answer: D**

**57. Answer: C**

**58. Answer: B**

**59. Answer: B**

**60. Answer: A**