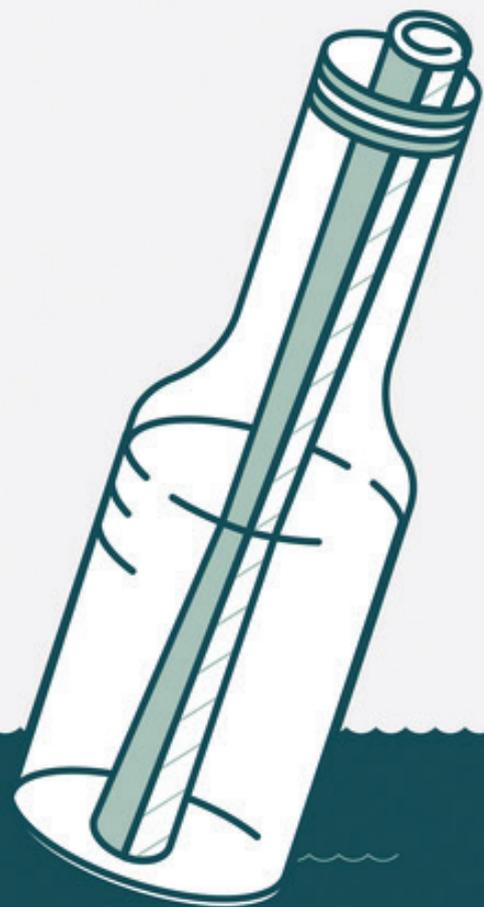


CMT LEVEL I CURRICULUM

2021

CHARTERED MARKET
TECHNICIAN EXAM

AN INTRODUCTION TO
TECHNICAL ANALYSIS



WILEY

2020 Curriculum

Level I. An Introduction to Technical Analysis

Section I: Theory and History of Technical Analysis

1. The Basic Principle of Technical Analysis — The Trend

- Define what is meant by a trend in technical analysis
- Explain why determining the trend is important to analysts
- Identify primary, secondary, short-term, and intraday trends
- Describe the basic beliefs behind the art of technical analysis
- Define “fractal” as used in describing price action

2. Dow Theory

- Describe the history of the development of Dow Theory
- Discuss the basic principles of Dow Theory
- Identify the three basic types of trends identified in Dow Theory as defined by time: primary, secondary and minor
- Identify the three basic trend patterns of all prices: upward, downward and sideways
- Describe the “ideal market picture” according to Dow Theory
- Express the concept of confirmation in Dow Theory
- Explain the role of volume in Dow Theory

New for 2021

~~Removed for 2021~~

2021 Curriculum

Level I. An Introduction to Technical Analysis

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2020 Curriculum

Section I: Theory and History of Technical Analysis

3. History and Construction of Charts

List advantages of reviewing price information in chart format

Review the data points required to construct line, bar, and candlestick charts

Describe how to construct line, bar, and candlestick charts

Explain the differences between arithmetic and logarithmic scales and their uses

2021 Curriculum

Section I: Theory and History of Technical Analysis

3. History and Construction of Charts

~~List advantages of reviewing price information in chart format~~

~~Review the data points required to construct line, bar, and candlestick charts~~

~~Describe how to construct line, bar, and candlestick charts~~

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NEW Lesson

3. Introduction to Charts Part 1

Explain how a technical analyst uses charts to summarize price action

Discuss the advantages of reviewing price information in chart format

Identify the four basic price points represented in charting

Describe how to construct line, bar, and candlestick charts

Identify the components of individual candles - real body and shadows

Review the information available in line, bar, and candlestick charts

Describe what is meant by “data interval”

Define “range” as it applies to prices on a bar or candlestick

Define “fractal” and how it relates to chart construction

NEW Lesson

4. Introduction to Charts Part 2

Identify the variables plotted on the axes in a conventional price chart

Explain the differences between arithmetic and logarithmic scales and their uses

Describe typical methods for displaying volume in a price chart

Discuss volume as an alternative to time on the x-axis of a chart

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Section II: Charts, Trends, and Patterns

4. Trends — The Basics

Explain why trend identification is important to achieve profits

Recognize an uptrend, a downtrend, and a trading range

Describe the concept of support and resistance and the underlying psychology

Identify trends using most common methods

Recall how significant reversal points are identified

List general rules for trendlines

5. Breakouts, Stops, and Retracements

Describe and identify breakouts

List methods for confirming and filtering breakouts

Explain the purpose of entry and exit stops

Describe methods for setting entry and exit stops

Define retracements, pullbacks and throwbacks

6. Moving Averages

Describe the basic principle of moving averages

Explain how to calculate simple, linearly weighted and exponentially smoothed moving averages

Identify trends and signals with moving averages

Describe and interpret Directional Movement Indicators

List common envelope, channel and band indicators and their characteristics

2021 Curriculum

Section II: Charts, Trends, and Patterns

Lesson # Change 5. Trends — The Basics

Explain why trend identification is important to achieve profits

Recognize an uptrend, a downtrend, and a trading range

Describe the concept of support and resistance and the underlying psychology

Identify trends using most common methods

Recall how significant reversal points are identified

List general rules for trendlines

Lesson # Change 6. Breakouts, Stops, and Retracements

Describe and identify breakouts

List methods for confirming and filtering breakouts

Explain the purpose of entry and exit stops

Describe methods for setting entry and exit stops

Define retracements, pullbacks and throwbacks

Lesson # Change 7. Moving Averages

Describe the basic principle of moving averages

Explain how to calculate simple, linearly weighted and exponentially smoothed moving averages

Identify trends and signals with moving averages

Describe and interpret Directional Movement Indicators

List common envelope, channel and band indicators and their characteristics

2020 Curriculum

Section II: Charts, Trends, and Patterns

7. Bar Chart Patterns

Define what is meant by “chart patterns”

List common characteristics of patterns

Discuss opposing viewpoints over whether patterns exist

Describe the influence of computer technology on price-pattern study

Identify classic chart patterns such as triangles and double and triple tops and bottoms

Identify rounding chart patterns such as head-and-shoulders

Identify “half-mast” chart patterns such as flags and pennants

8. Short-Term Patterns

Locate reversals in longer-term trends using short-term price patterns

Describe the types of gaps that occur on price charts and their significance

Recognize wide-range and narrow-range bars and their implications for volatility

Identify one and two-bar reversal patterns

Identify common candlestick patterns and their significance within a trend

2021 Curriculum

Section II: Charts, Trends, and Patterns

Lesson # Change 8. Bar Chart Patterns

Define what is meant by “chart patterns”

List common characteristics of patterns

Discuss opposing viewpoints over whether patterns exist

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Lesson # Change 9. Short-Term Patterns

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2020 Curriculum

Section II: Charts, Trends, and Patterns

2021 Curriculum

Section II: Charts, Trends, and Patterns

NEW Lesson

10. Introduction to Volume Analysis

Define volume

Define open interest

Define the terms related to volume as discussed in this chapter

Describe how volume provides information on liquidity and participation

Describe how volume adds perspective to price action

NEW Lesson

11. Volume: The Technician's Decryption Device

State the implications of volume changes for price trends

Identify trends in price and volume in a chart

Describe how volume is displayed in a Volume-at-Price chart

Define VWAP

Describe Equivolume charts

Explain how open interest rises and falls

State the implications of open interest changes for price trends

NEW Lesson

12. An Introduction to Volume Indicators

List the seven types of volume indicators

Describe the major differences among the types of volume indicators

2020 Curriculum

Section II: Charts, Trends, and Patterns

9. Confirmation

Define terms including overbought, oversold, failure swings, divergence and reversal

Identify the methods of plotting volume information on price charts

Explain general rules for interpreting volume data

List the major indexes and oscillators designed to use volume as confirmation

Describe open interest and how it might be used for confirmation

Explain the concept of momentum in price action

Identify characteristics and applications of indexes and oscillators such as MACD, RSI and stochastics

10. Candlestick Charting Essentials

Describe strengths and limitations of candle charts

Identify the components of individual candle lines - real bodies and shadows

Explain how candles graphically depict the high, low, open, and close of a trading period

Identify candle confirmations of support and resistance

2021 Curriculum

Section II: Charts, Trends, and Patterns

Lesson # Change 13. Confirmation

Define terms including overbought, oversold, failure swings, divergence and reversal

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Describe strengths and limitations of candle charts

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Identify candle confirmations of support and resistance

2020 Curriculum

Section II: Charts, Trends, and Patterns

11. Point-and-Figure Charting

List three important characteristics of point-and-figure charts

Define “box size” and “reversal”

Describe how point-and-figure charts are constructed

Explain the importance of box size to the sensitivity of point-and-figure charts

Review the construction of various box size and reversal point-and-figure charts

Identify common point-and-figure patterns

Explain how trendlines are drawn on point-and-figure charts

Locate basic signals on a point-and-figure chart

Describe the concept of price targets attained by using a horizontal or vertical count on a point-and-figure chart

2021 Curriculum

Section II: Charts, Trends, and Patterns

Lesson # Change 15. Point-and-Figure Charting

List three important characteristics of point-and-figure charts

Define “box size” and “reversal”

Describe how point-and-figure charts are constructed

Explain the importance of box size to the sensitivity of point-and-figure charts

Review the construction of various box size and reversal point-and-figure charts

Identify common point-and-figure patterns

Explain how trendlines are drawn on point-and-figure charts

Locate basic signals on a point-and-figure chart

Describe the concept of price targets attained by using a horizontal or vertical count on a point-and-figure chart

2020 Curriculum

Section III: Advanced Concepts in Charting and Trend Analysis

12. Introduction to the Wave Principle

- Describe the basic operating theory of the Wave Principle
- Define motive waves and corrective waves
- Identify types of motive waves such as impulse, extension and diagonal
- Identify types of corrective waves such as zigzag, flat and triangle
- Label waves using standard Elliott Wave notation
- Describe Fibonacci relationships as applied to Elliott Wave analysis

13. The Anatomy of Elliott Wave Trading

- Match the waves as labeled on a chart to the description in the text
- List the waves considered the most advantageous to trade
- Describe trade signals associated with various wave patterns

14. Measuring Market Strength

- Explain the concept of divergence
- Define market breadth
- Identify signals of change in market breadth using the advance-decline line
- Describe other measures of internal stock-market strength such as McClellan's calculations
- Explain the use of volume in measuring stock-market strength
- Identify measures of stock-market strength from new high and new low data
- Describe measures of stock-market strength based on the number of stocks priced above their moving average

2021 Curriculum

Section III: Advanced Concepts in Charting and Trend Analysis

Lesson # Change 16. Introduction to the Wave Principle

- Describe the basic operating theory of the Wave Principle
- Define motive waves and corrective waves
- Identify types of motive waves such as impulse, extension and diagonal
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- Match the waves as labeled on a chart to the description in the text
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2020 Curriculum

Section III: Advanced Concepts in Charting and Trend Analysis

15. Foundations of Cycle Theory

Name the two types of cycles

Identify the three defining characteristics of a cycle

List and define Hurst's seven Principles of Commonality

Define a composite wave

Identify left and right translation

Describe a dominant cycle

Recall the tools which aid in cycle identification

16. Basics of Cycle Analysis

Explain how the annual cycle conforms to cycle theory

Describe two methods of detrending price data

Restate common seasonal tools

Memorize notable economic cycles and their periods

Recall some sequences/nonlinear cycles

2021 Curriculum

Section III: Advanced Concepts in Charting and Trend Analysis

Lesson # Change 19. Foundations of Cycle Theory

Name the two types of cycles

Identify the three defining characteristics of a cycle

List and define Hurst's seven Principles of Commonality

Define a composite wave

Identify left and right translation

Describe a dominant cycle

Recall the tools which aid in cycle identification

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Explain how the annual cycle conforms to cycle theory

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Restate common seasonal tools

Memorize notable economic cycles and their periods

Recall some sequences/nonlinear cycles

2020 Curriculum

Section IV: Markets and Volatility

17. Markets, Instruments, Data, and the Technical Analyst

Name four asset classes amenable to technical analysis

List five tradeable instruments that a technician is likely to employ

Describe data-handling issues with which a technician should be familiar

18. Equities

Define equity securities and primary data types

Describe the benefits of equities for investors

Identify the effect of corporate actions on price data

Classify sectors, capitalization, and other ways to segment the market

19. Indexes

Identify major global equity indexes

Name common non-equity indexes used by technical analysts

Explain weighting methods used in major indexes

Define “survivorship bias”

2021 Curriculum

Section IV: Markets and Volatility

Lesson # Change 21. Markets, Instruments, Data, and the Technical Analyst

Name four asset classes amenable to technical analysis

List five tradeable instruments that a technician is likely to employ

Describe data-handling issues with which a technician should be familiar

Lesson # Change 22. Equities

Define equity securities and primary data types

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Lesson # Change 23. Indexes

Identify major global equity indexes

Name common non-equity indexes used by technical analysts

Explain weighting methods used in major indexes

Define “survivorship bias”

2020 Curriculum

Section IV: Markets and Volatility

20. Fixed Income/Bonds

- List the major types of issuers of debt securities
- Identify the basic terms of a debt instrument: issuer, coupon, maturity
- State the ways in which debt prices are expressed
- Explain the relationship between price and yield
- Define “yield curve”
- Describe the importance of US government debt in the pricing of other debt securities: “yield or credit spread”

21. Futures

- Explain the purpose of futures markets
- Classify various futures markets as industrial, agricultural, financial, etc.
- List the major terms of a futures contract
- Define open interest in futures
- Describe challenges technicians face when using futures market data

22. Exchange-Traded Products (ETPs)

- Define an exchange-traded product
- Review differences between exchange-traded funds (ETF) and exchange-traded notes (ETN)
- Describe the uses for leveraged ETPs

2021 Curriculum

Section IV: Markets and Volatility

Lesson # Change 24. Fixed Income/Bonds

- List the major types of issuers of debt securities
- Identify the basic terms of a debt instrument: issuer, coupon, maturity
- State the ways in which debt prices are expressed
- Explain the relationship between price and yield
- Define “yield curve”
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Lesson # Change 25. Futures

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Lesson # Change 26. Exchange-Traded Products (ETPs)

- Define an exchange-traded product
- Review differences between exchange-traded funds (ETF) and exchange-traded notes (ETN)
- Describe the uses for leveraged ETPs

2020 Curriculum

Section IV: Markets and Volatility

23. Foreign Exchange (Currencies)

Identify the base and quote currencies in a pair

Classify currency pairs as “major” or “cross”

Discuss the impact on technical analysis of the “dealer market” system of currency trading

Explain the data used in building currency charts

Describe cryptocurrencies

24. Options

Explain the purpose of options markets

List the major terms of an option contract

Describe “the Greeks”

Define implied volatility

25. Understanding Implied Volatility

Explain the difference between historical and implied volatility

Describe the concept of put-call parity

Discuss how implied volatility may be used to estimate price movement

State how to calculate single-day implied volatility

26. About the VIX Index

Describe the components of the VIX index

Explain the implications of a rising or falling VIX index

State how to calculate expected 30-day market movement

2021 Curriculum

Section IV: Markets and Volatility

Lesson # Change 27. Foreign Exchange (Currencies)

Identify the base and quote currencies in a pair

Classify currency pairs as “major” or “cross”

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Explain the data used in building currency charts

Describe cryptocurrencies

Lesson # Change 28. Options

Explain the purpose of options markets

List the major terms of an option contract

Describe “the Greeks”

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Lesson # Change 29. Understanding Implied Volatility

Explain the difference between historical and implied volatility

Describe the concept of put-call parity

Discuss how implied volatility may be used to estimate price movement

State how to calculate single-day implied volatility

Lesson # Change 30. About the VIX Index

Describe the components of the VIX index

Explain the implications of a rising or falling VIX index

State how to calculate expected 30-day market movement

2020 Curriculum

Section V: Behavioral Finance and Other Theories of Market Dynamics

27. What is the Efficient Market Hypothesis

Identify the basic concept of the Efficient Market Hypothesis (EMH)

Describe the three forms of the EMH

Explain the characteristics of stock prices as a martingale

Describe how randomly generated output can appear non-random and how that might relate to asset prices and returns

Identify the three areas in which behavioral finance challenges the EMH

28. The EMH and the “Market Model”

Describe the basic components of the CAPM model

Identify valid criticisms of the CAPM model

29. The Forerunners to Behavioral Finance

Explain momentum strategies and mean-reversion strategies

Define the general concept of value investing

Describe why value investing is similar to a mean-reversion

Explain how value investing (Graham and Dodd) conflicts with the EMH

2021 Curriculum

Section IV: Markets and Volatility

Lesson # Change 31. What is the Efficient Market Hypothesis

Identify the basic concept of the Efficient Market Hypothesis (EMH)

Describe the three forms of the EMH

Explain the characteristics of stock prices as a martingale

Describe how randomly generated output can appear non-random and how that might relate to asset prices and returns

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Explain how value investing (Graham and Dodd) conflicts with the EMH

2020 Curriculum

Section V: Behavioral Finance and Other Theories of Market Dynamics

30. Noise Traders and the Law of One Price

Define “fungibility” in the context of financial markets

Explain “arbitrage”

Describe “noise” vs. “information”

Define “noise trader”

31. Noise Traders as Technical Traders

Explain why technical traders are considered a specific type of noise trader

Describe the actions of technical traders as noise traders in the context of market valuation

32. Noise Traders as Technical Traders

Describe how technical analysis remains relevant despite the EMH

Discuss how the Adaptive Market Hypothesis reconciles the EMH with technical and behavioral factors

33. Market Sentiment and Technical Analysis

Define “sentiment” as it relates to financial markets

Discuss the importance of the “crowd”

Describe the challenges of using sentiment indicators

2021 Curriculum

Section IV: Markets and Volatility

Lesson # Change 33. Noise Traders and the Law of One Price

Define “fungibility” in the context of financial markets

Explain “arbitrage”

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Lesson # Change 34. Noise Traders as Technical Traders

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Lesson # Change 35. Noise Traders as Technical Traders

Describe how technical analysis remains relevant despite the EMH

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Lesson # Change 36. Market Sentiment and Technical Analysis

Define “sentiment” as it relates to financial markets

Discuss the importance of the “crowd”

Describe the challenges of using sentiment indicators

2020 Curriculum

Section V: Behavioral Finance and Other Theories of Market Dynamics

34. Sentiment Measures from Market Data

Describe VIX as a sentiment measure

Explain the use of options volume and open interest as sentiment indicators

Describe the use of futures open interest in gauging sentiment

Identify the three primary groups in the Commitments of Traders report

Define short interest

Explain insider activity as a sentiment indicator

35. Sentiment Measures from External Data

Describe the use of news and advisories as sentiment measures

Explain the concept of contrary opinion

Indicate how mutual fund cash and other funds measures are used to gauge sentiment

2021 Curriculum

Section IV: Markets and Volatility

Lesson # Change 37. Sentiment Measures from Market Data

Describe VIX as a sentiment measure

Explain the use of options volume and open interest as sentiment indicators

Describe the use of futures open interest in gauging sentiment

Identify the three primary groups in the Commitments of Traders report

Define short interest

Explain insider activity as a sentiment indicator

Lesson # Change 38. Sentiment Measures from External Data

Describe the use of news and advisories as sentiment measures

Explain the concept of contrary opinion

Indicate how mutual fund cash and other funds measures are used to gauge sentiment

2020 Curriculum

Section VI: Basic Statistics for the Technical Analyst

36. Introduction to Descriptive Statistics

Describe the three most common measures of central tendency: mean, median, and mode

Discuss alternative methods of calculating the mean and their uses

Describe what is meant by “measures of dispersion”

Explain two measures of dispersion: standard deviation and variance

State the value of data visualization as a complement to descriptive statistics

37. Introduction to Probability

Define probability

Explain the impact of the law of large numbers on a series of outcomes

Define random variable and the phrase “independent and identically distributed”

Describe a normal probability distribution

Identify skew and kurtosis

2021 Curriculum

Section VI: Basic Statistics for the Technical Analyst

Lesson # Change 39. Introduction to Descriptive Statistics

Describe the three most common measures of central tendency: mean, median, and mode

Discuss alternative methods of calculating the mean and their uses

Describe what is meant by “measures of dispersion”

Explain two measures of dispersion: standard deviation and variance

State the value of data visualization as a complement to descriptive statistics

Lesson # Change 40. Introduction to Probability

Define probability

Explain the impact of the law of large numbers on a series of outcomes

Define random variable and the phrase “independent and identically distributed”

Describe a normal probability distribution

Identify skew and kurtosis

2020 Curriculum

Section VII: Perspectives on Technical Trading Systems

38. Objective Rules and Their Evaluation

Describe objective and subjective methods in technical analysis

Define “rule” as used in trading systems

Explain binary rules as well as individual and multiple thresholds

Identify traditional rules and inverse rules

Describe the key components of “trading costs”

Discuss the importance of benchmarking in evaluating trading rules

Describe the value of using detrended prices

39. Being Right or Making Money

List the four key characteristics Ned Davis claims are common to successful investors

Describe the importance of having plans to persevere through mistakes and losses

Identify Ned Davis’ nine rules to consider when building a timing model

Discuss the theory behind “contrary opinion”

2021 Curriculum

Section VII: Perspectives on Technical Trading Systems

Lesson # Change 41. Objective Rules and Their Evaluation

Describe objective and subjective methods in technical analysis

Define “rule” as used in trading systems

Explain binary rules as well as individual and multiple thresholds

Identify traditional rules and inverse rules

Describe the key components of “trading costs”

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Lesson # Change 42. Being Right or Making Money

List the four key characteristics Ned Davis claims are common to successful investors

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Identify Ned Davis’ nine rules to consider when building a timing model

Discuss the theory behind “contrary opinion”

2020 Curriculum

Section VII: Perspectives on Technical Trading Systems

40. The Model Building Process

Describe “internal” and “external” indicators

Explain the use of valuation indicators as sentiment measures

Describe the basic relationships of economic growth, Fed policy and money supply

Discuss the use of moving average signals based on “crossings” and “slopes”

Explain the use of price momentum and indicator momentum

Identify the problem of curve-fitting, or overoptimization

41. Relative Strength as a Criterion for Investment Selection

Define relative strength

Explain the value of relative strength in analyzing stock price movements

List several relative strength ratios that may be calculated

Identify some of the limitations of relative strength in investment decisions

2021 Curriculum

Section VII: Perspectives on Technical Trading Systems

Lesson # Change 43. The Model Building Process

Describe “internal” and “external” indicators

Explain the use of valuation indicators as sentiment measures

Describe the basic relationships of economic growth, Fed policy and money supply

Discuss the use of moving average signals based on “crossings” and “slopes”

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Lesson # Change 44. Relative Strength as a Criterion for Investment Selection

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Explain the value of relative strength in analyzing stock price movements

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