



CFTell Examination Question Paper - 11 April 2024

TIME ALLOWED: 3 ½ HOURS

Question 1: Answer both Part A and B

Question 2: Answer all three questions

Questions 3-7: Answer two questions from each of five questions

To pass the exam, you must acquire a minimum mark of 65 out of 100 possible points.

Question 1: Part A and Part B (Required)

Maximum 40 points

Question 1. Part A (Note: Chart annotations are a very important part of your analysis. Trend lines, Pattern etc. should be carefully drawn and labeled.)

Charts 1 through 7 are charts of the S&P 500. Charts are for different time frames.

1. Analyze these charts from a **long-term, intermediate-term and short-term perspective**. Include the following in your analysis and recommendations. All recommendations must be supported with the use of:
 - Trends from different time frames, support/resistance levels, signs of weakness/strength, as well as indicators and moving averages included on the charts.
 - Your expectation and recommendations regarding the future direction of this market including short, intermediate and long-term views. Your answer should be well supported with acceptable technical analysis.
 - What are your recommendations for both long and short-term clients? Please explain your trading tactic and money management technique for those who have exposure in the market, and those who are completely out of the market.

Part B: (Note: Please keep in mind, that there is not one single, “absolute”, correct answer when reallocating the weight percentages of the underlyings. Marks will be awarded for your clear argumentation.)

2. An investor has the following weights in his portfolio:

- S&P 500 (Equity): 50%
- T-Note: 50%
- Gold: 30%
- Oil: 0%

Based on Charts 8 through 13 and their attached indicators, what do you recommend the investor to do? Your answers should include the following:

- A **brief** analysis on these different markets (S&P, Gold, Oil, Yields)
- An explanation of what markets should be over weighted, and what markets should be underweighted. You must mention the reasons for your re-allocations.
- Please rebalance the weights of these different markets based on their performance.

* Please start each answer on a fresh sheet of paper



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Question 2

Answer ALL THREE sub-questions (Required)

Maximum 10 Points

1- Sam is a technical analyst in a large brokerage company. The managing director of the company asked Sam to look at the following five stocks which are owned by one of the big clients in the company to give her proper recommendations.

Apple Inc with a weight of 25% of her total portfolio, Boeing with a weight of 25%, Nike with a weight of 20% of her total portfolio, Walt Disney with a weight of 15%, and Caterpillar with a weight of 15%

First of all, based on the overall S&P performance should Sam recommend to keep her 100% equity exposure or should she decrease the equity exposure and buy other markets? *You can look at the previous RS charts to help you answer this question*

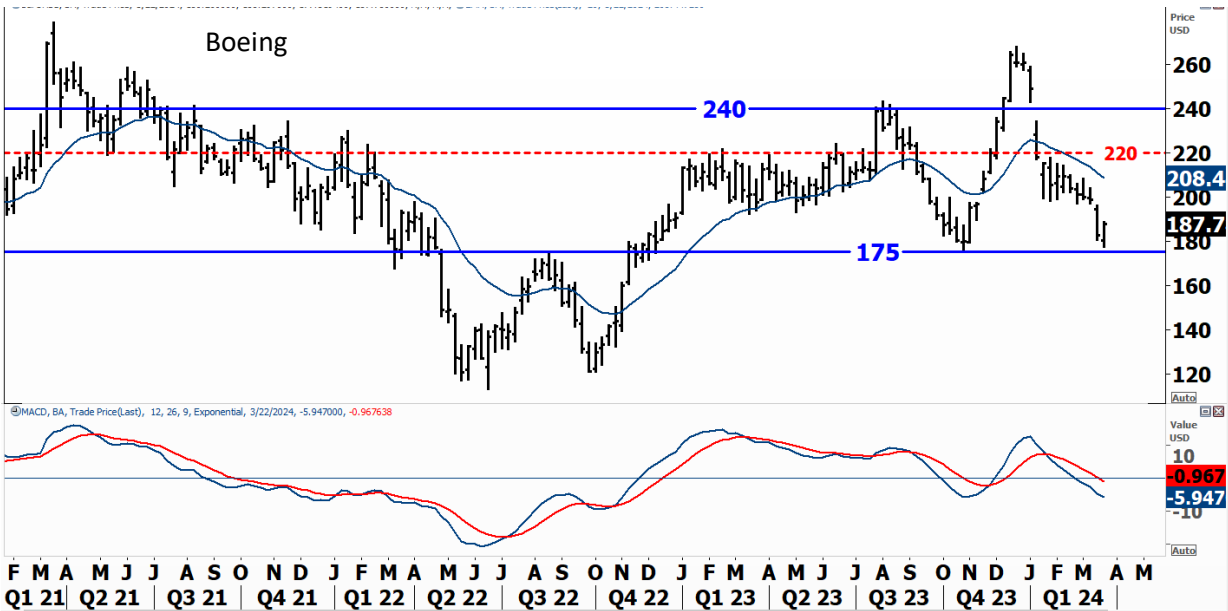
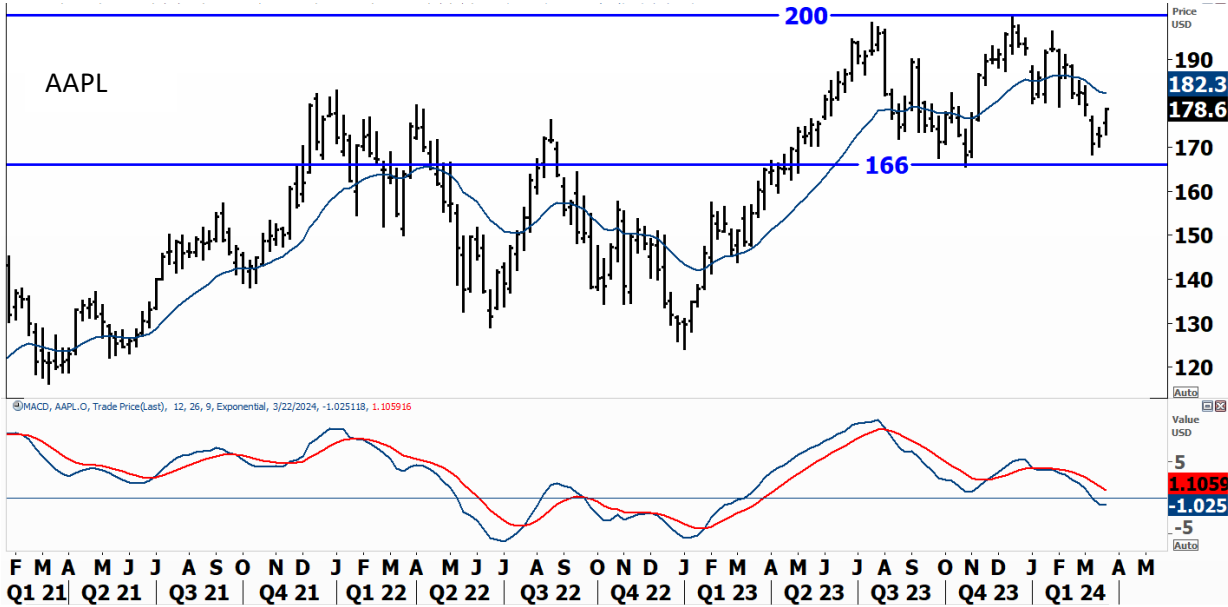
Second, concerning her equity exposure, and if the client will not buy any additional stock, how will Sam reassess the situation and fix the weights to cope better with the stocks' performance.

Note: The weekly charts below are with the same order, and the indicator attached is an MACD indicator, along with the 20 weeks Exponential Moving average. **(5 points)**

* Please start each answer on a fresh sheet of paper

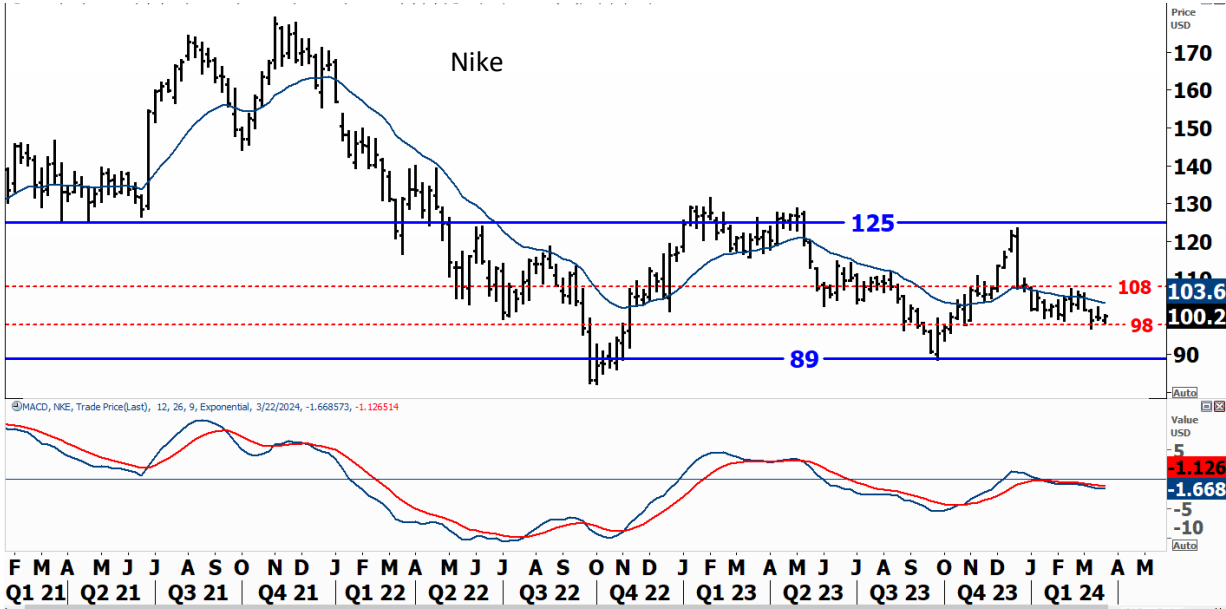
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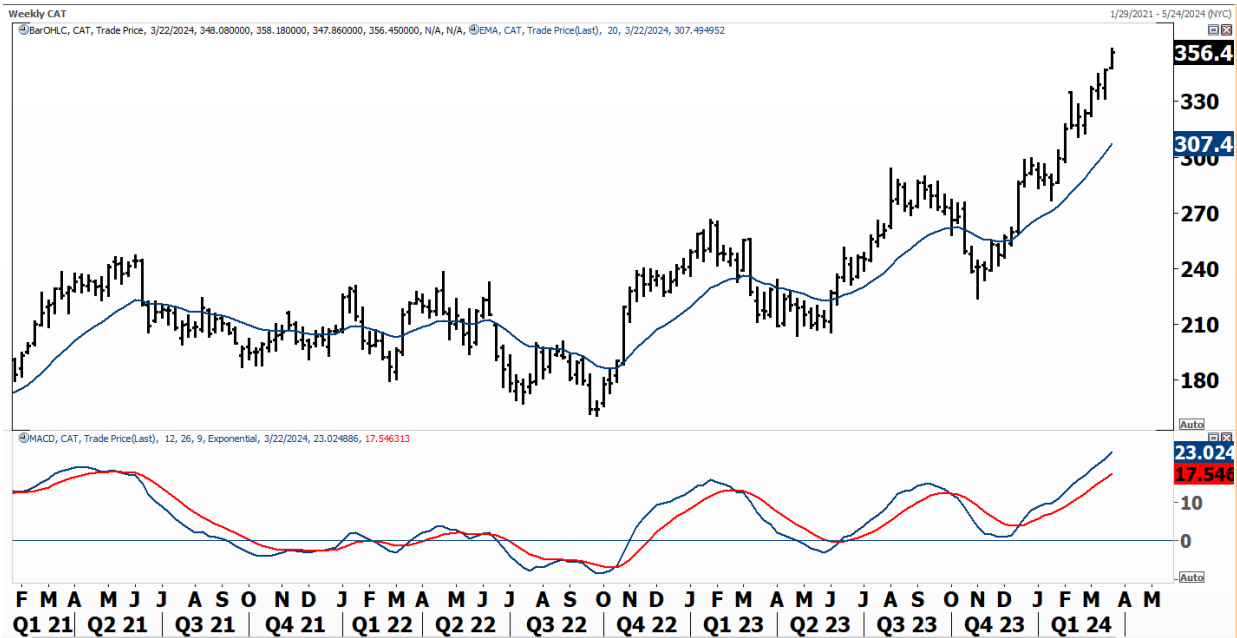
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- 2- Explain in details the calculation of the Slow Stochastic Oscillator with values of 9,5,3 (3 points)
- 3- Explain the psychology of the hammer formation and that of the shooting star. (2 points)

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Questions 3-7

Answer TWO questions for each question (Required)

Maximum 50 points (5 points for each question)

Question 3. (ANSWER TWO QUESTIONS)

- 1- You were monitoring a stock that is witnessing a major uptrend. The stock witnessed a lower high formation. This action gave you a feeling that the trend is going to reverse. Then the following bottom was higher than the previous one. Explain the formation that was formed, its psychology, and the expected market direction after this formation is solved. **(5 points)**
- 2- Sentiment indicators are important as they show the overall emotions of market participants. During major market peaks, these indicators give us important signals that the crowd is extremely optimistic. Explain any two sentiment indicators that give us important signals during major market peaks. **(5 points)**
- 3- As a technical analyst, what charting technique do you like to use generally? Bar charts, candlesticks charting technique, point and figure, etc... explain the reasoning of your preference and the edge this charting technique gives you over the rest. **(5 points)**

Question 4. (ANSWER TWO QUESTIONS)

- 1- The concept of support and resistance is of paramount importance as it is the essence of technical analysis. Our work is mainly based on depicting strong support and resistance levels either we buy at their testing or their breakouts. Please explain the importance of this concept, explaining different kinds of support and resistance levels. Include in your answer which are the strongest support and resistance levels and how do you use them in your investment strategies. **(5 points)**
- 2- The Money Flow Index is a volume indicator that was inspired from Wilder's RSI. Please explain the MFI, its calculation and its main uses. **(5 points)**
- 3- Explain the difference between Renko charts and point and figure charts. **(5 points)**

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Question 5. (ANSWER TWO QUESTIONS)

- 1- One of the most important theories in Technical Analysis is the Dow Theory. Please explain the importance of the Dow Theory and why did it stand the test of time for most of its tenets. State all of the tenets of this theory and explain in details only one of them. **(5 points)**
- 2- Market breadth is important as it tells us that health of the overall market. Explain the concept of divergence in these indicators and what do they tell us when they diverge from the index. **(5 points)**
- 3- In the Ichimoku charting technique, explain the importance of Leading Span 1 and Leading Span 2 and how do we use them. **(5 points)**

Question 6. (ANSWER TWO QUESTIONS)

- 1- The RSI does not always move between 0 and 100. Explain this statement and explain how does the oscillator move during different trend directions. Explain a trading tactic using the RSI during a strong uptrend. **(5 points)**
- 2- Explain the calculation of the MACD and explain as much detailed as possible the main uses of this indicator. You can also explain your favorite technique in using the MACD. **(5 points)**
- 3- What is the reliability and impact of the negative seasonality pattern during September and October? **(5 points)**

Question 7. (ANSWER TWO QUESTIONS)

- 1- What are the four types of triangles in Elliott wave theory? **(5 points)**
- 2- How will the width of a Point and Figure base pattern influence its price target? **(5 points)**
- 3- During sudden and quick trend reversals, the ADX will not read the new trend correctly in the beginning. Explain this drawback and why does it happen. **(5 points)**

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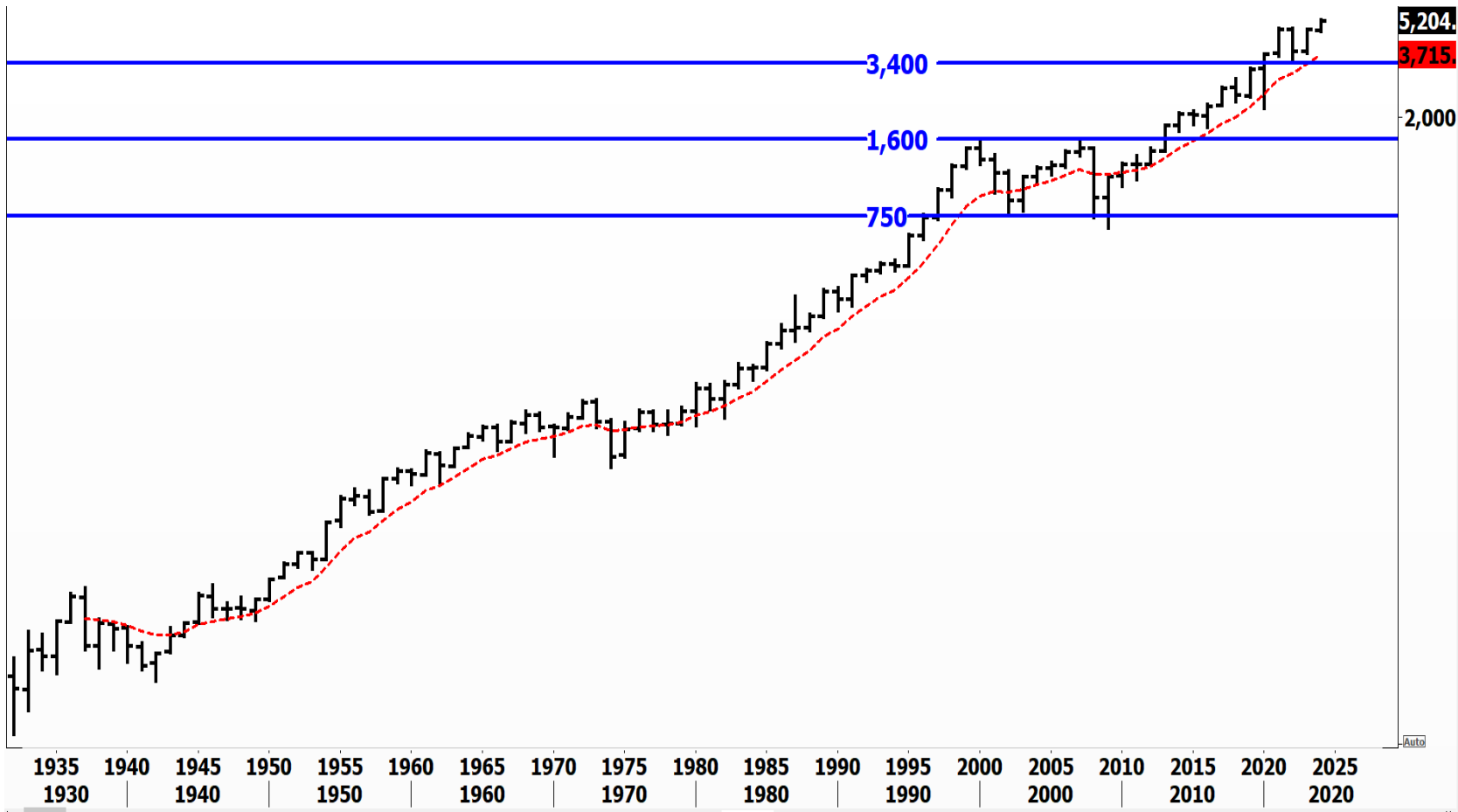


CHART 1: Yearly Chart: log scale

10 years Exponential Moving Average

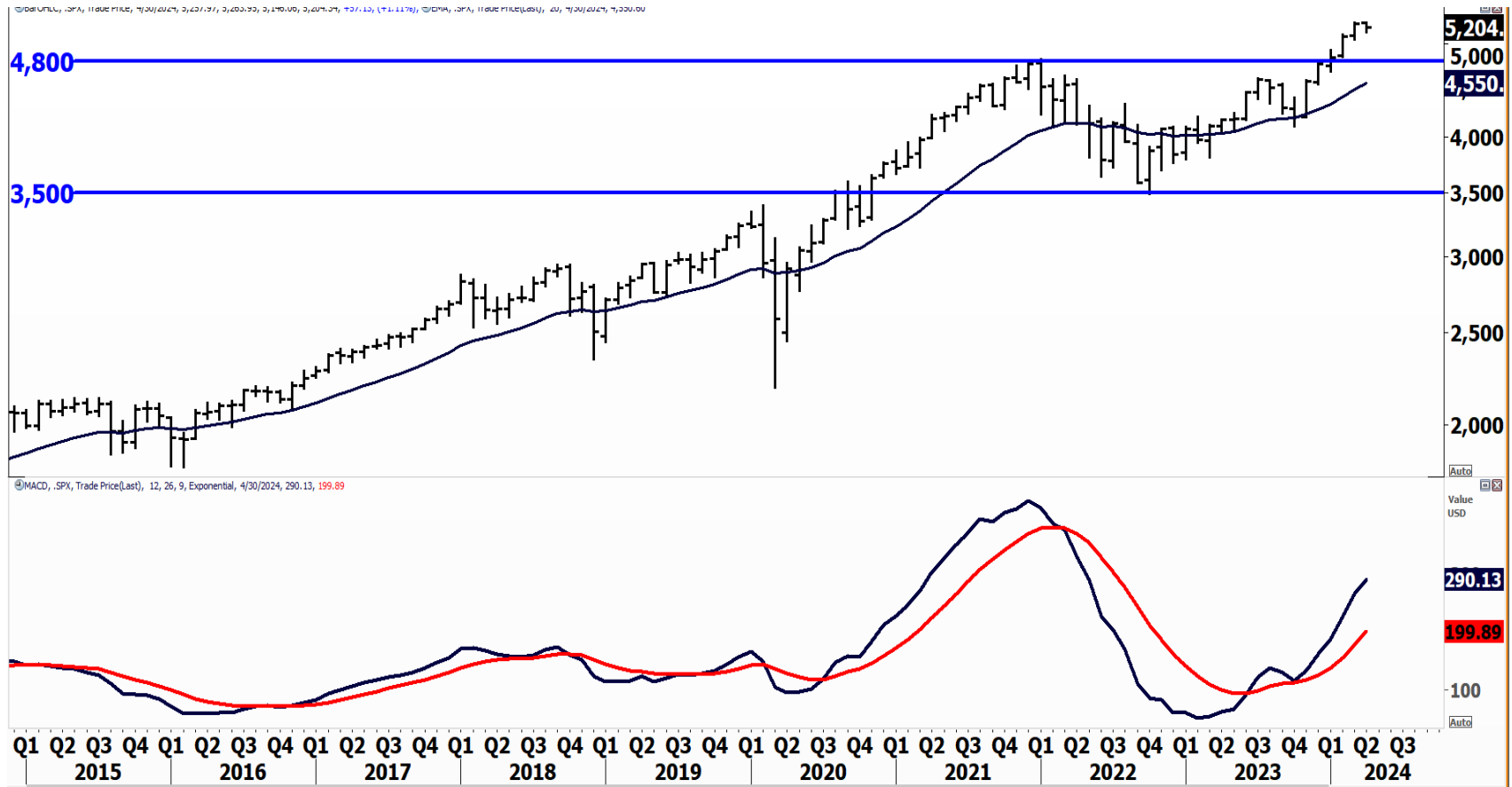


CHART 2: Monthly Chart: log scale

20 months Exponential Moving Average

MACD (12,26,9)

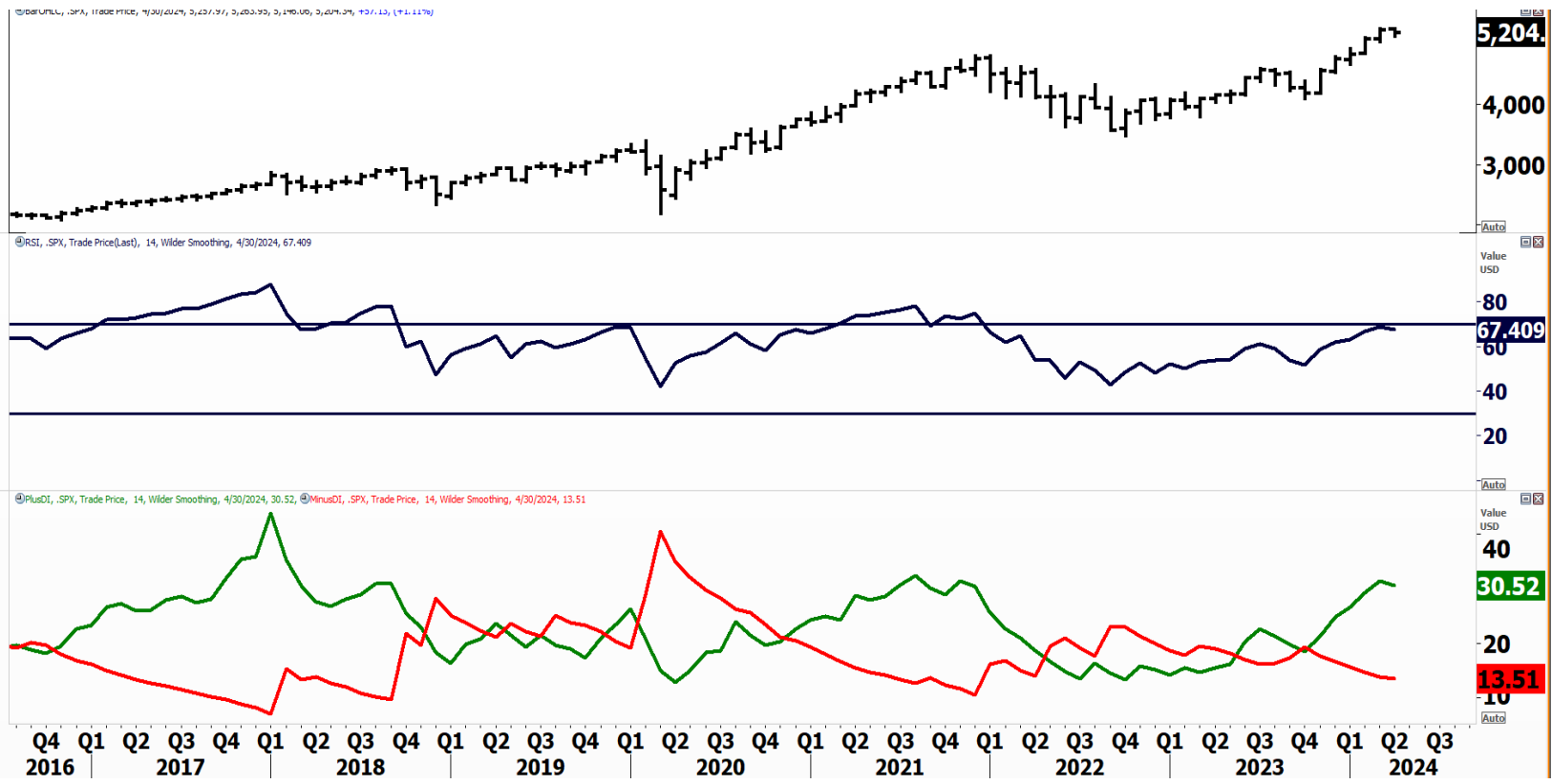


CHART 3: Monthly Chart: Arithmetic Scale

RSI (14 periods)

+DI / -DI from the DMI System

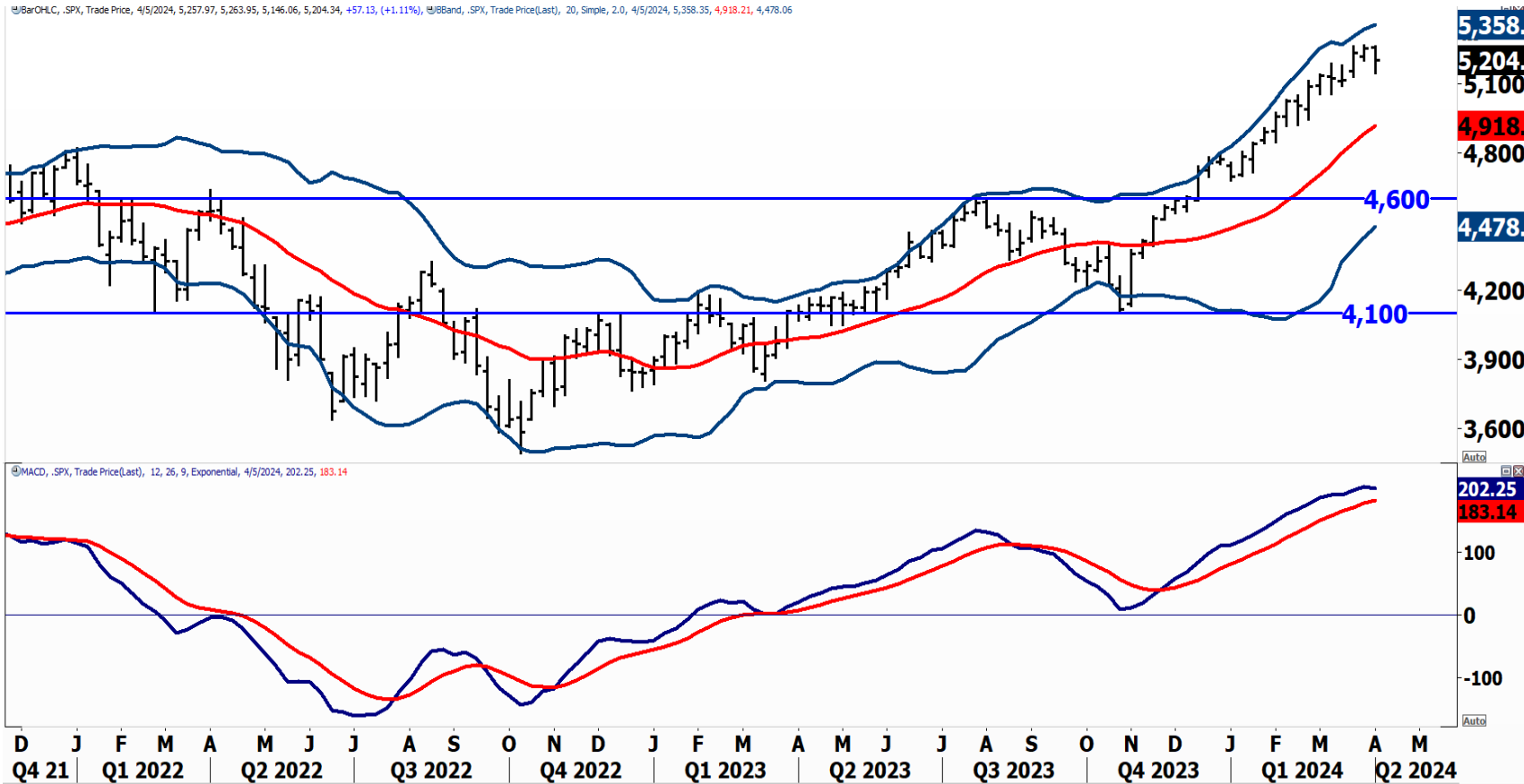


CHART 4: Weekly Chart: Arithmetic Scale

Bollinger Bands: 20 week SMA + 2 St. Dev

MACD: (12,26,9)

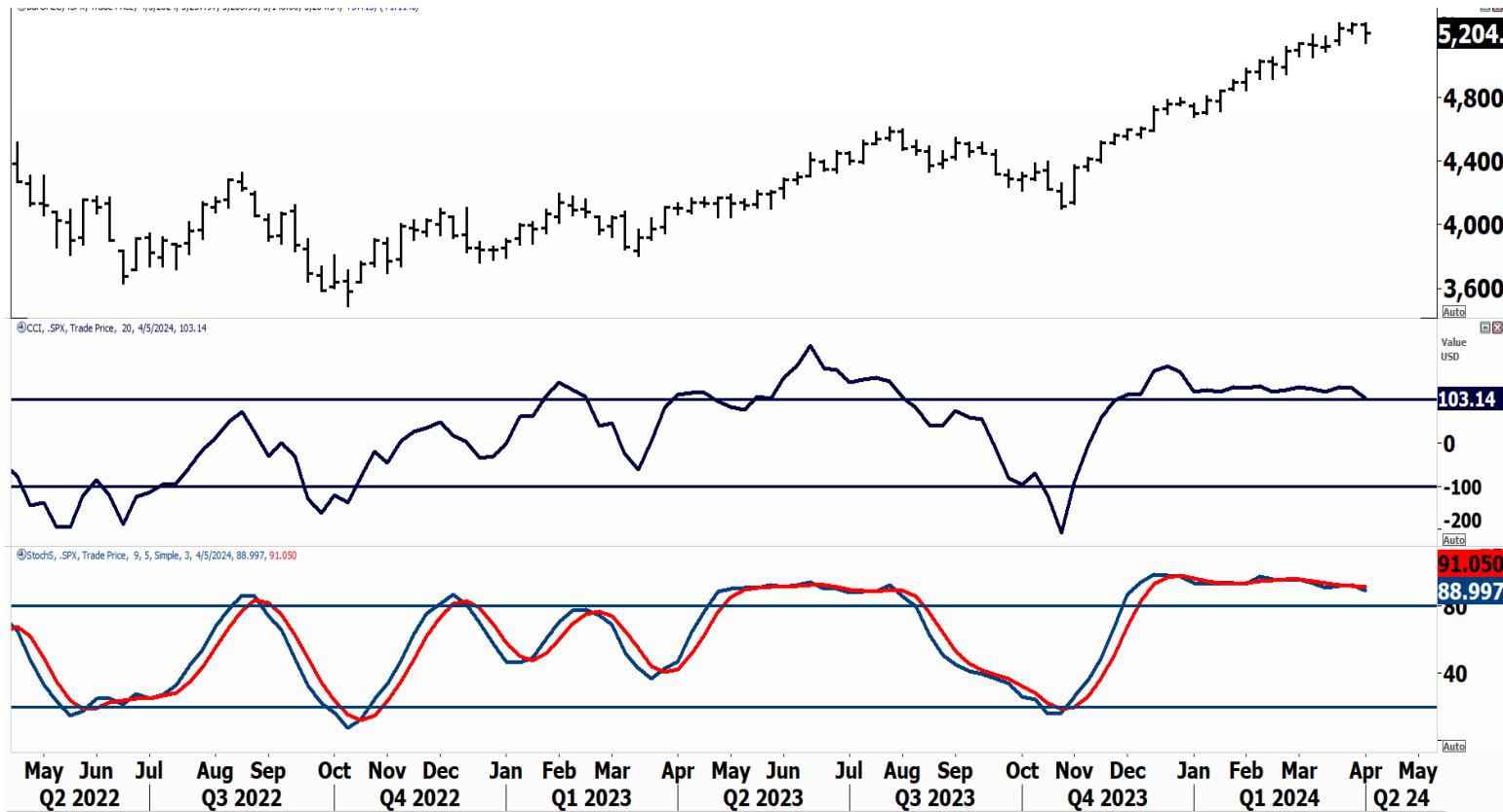


CHART 5: Weekly Chart: Arithmetic Scale

CCI (20 weeks)

Stochastic Oscillator: (9,5,3)

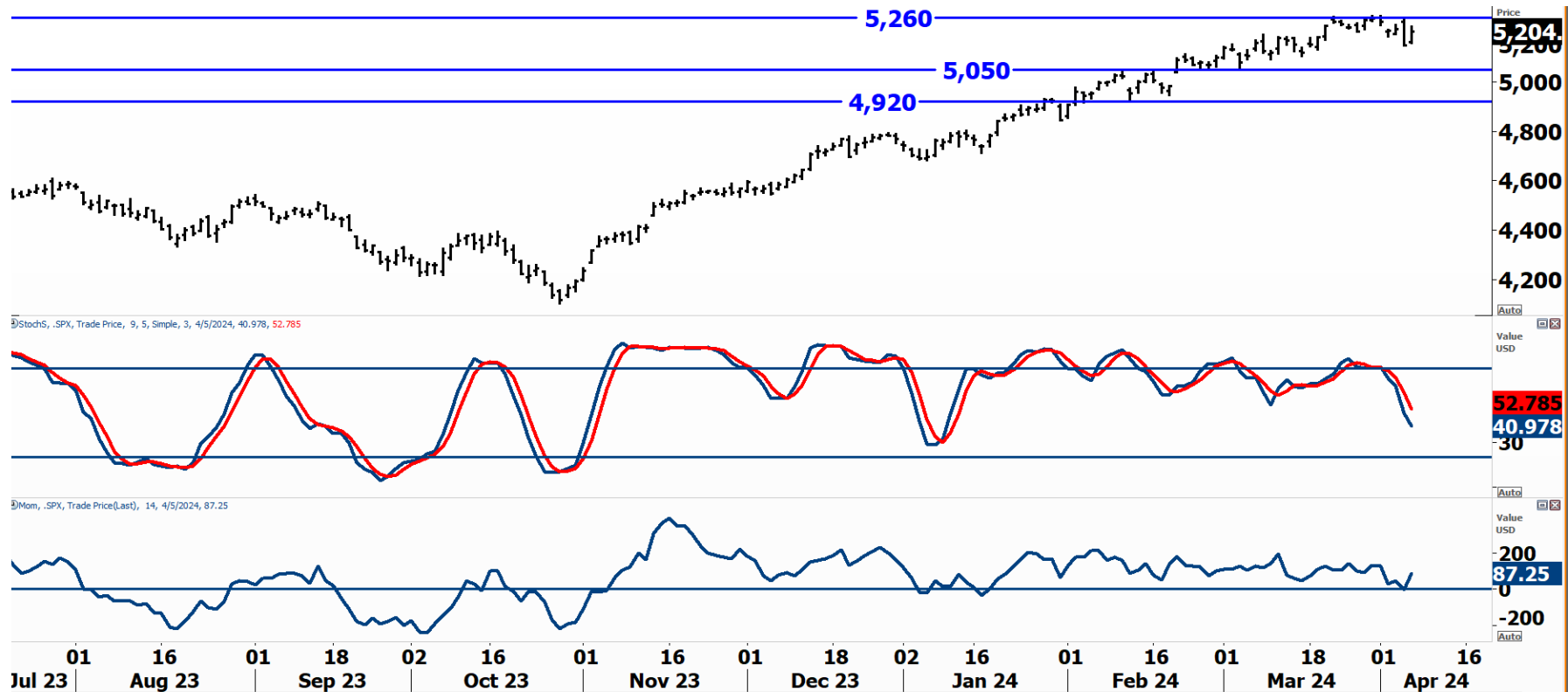


CHART 6: Daily Chart: Arithmetic Scale

Stochastic Oscillator: (9,5,3)

Momentum Oscillator (14 periods)

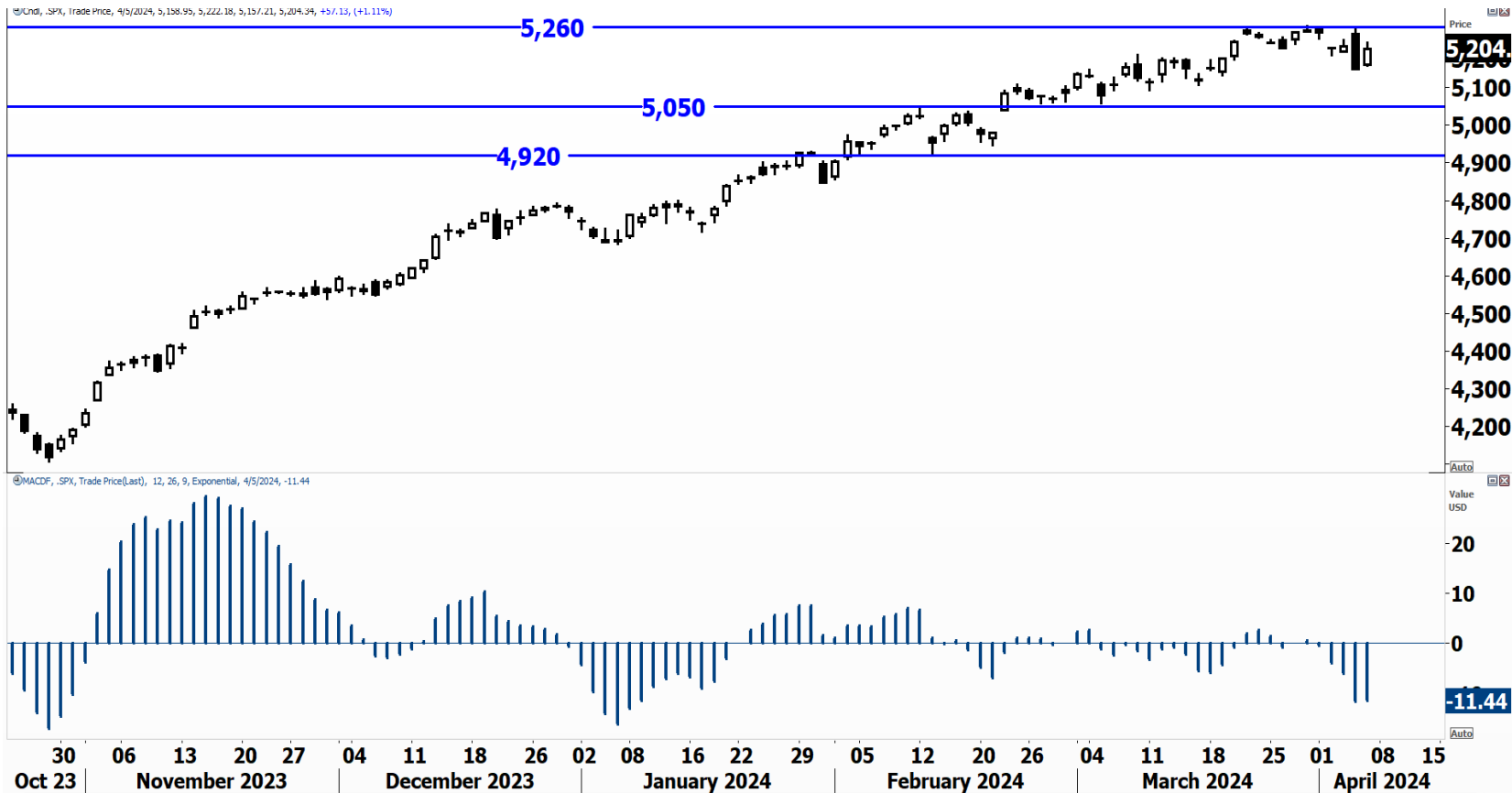


CHART 7: Daily Chart: Arithmetic Scale

MACD Histogram

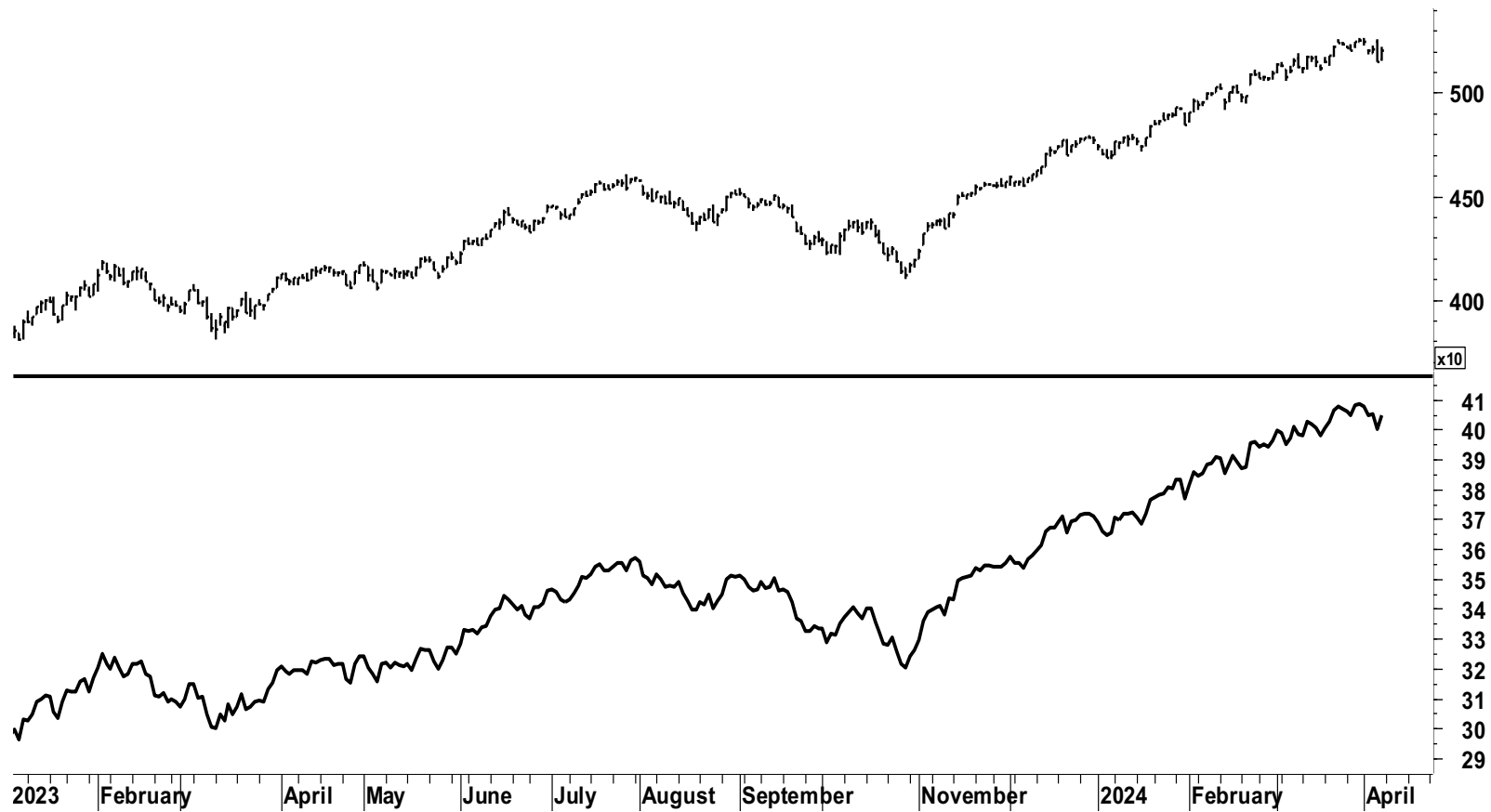


CHART 8: S&P versus Yields

Upper Window: S&P 500 Index – Daily Bar Chart

Lower Window: S&P 500 Index vs. CBOE 10-Year Treasury Yield RS line

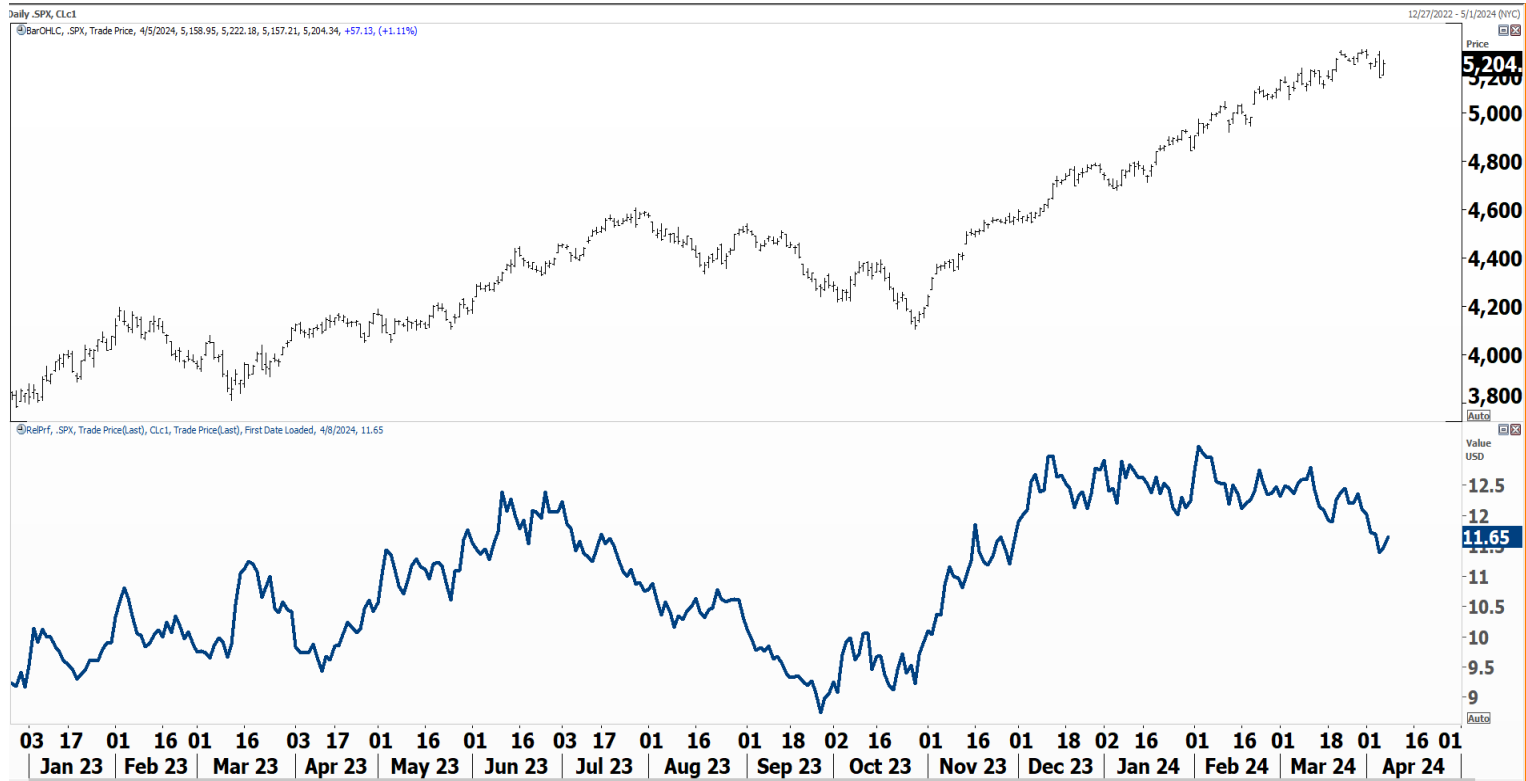


CHART 9: S&P 500 Index versus Crude Oil

Upper Window: S&P 500 Index – Daily Bar Chart

Lower Window: S&P 500 Index vs. Crude Oil RS

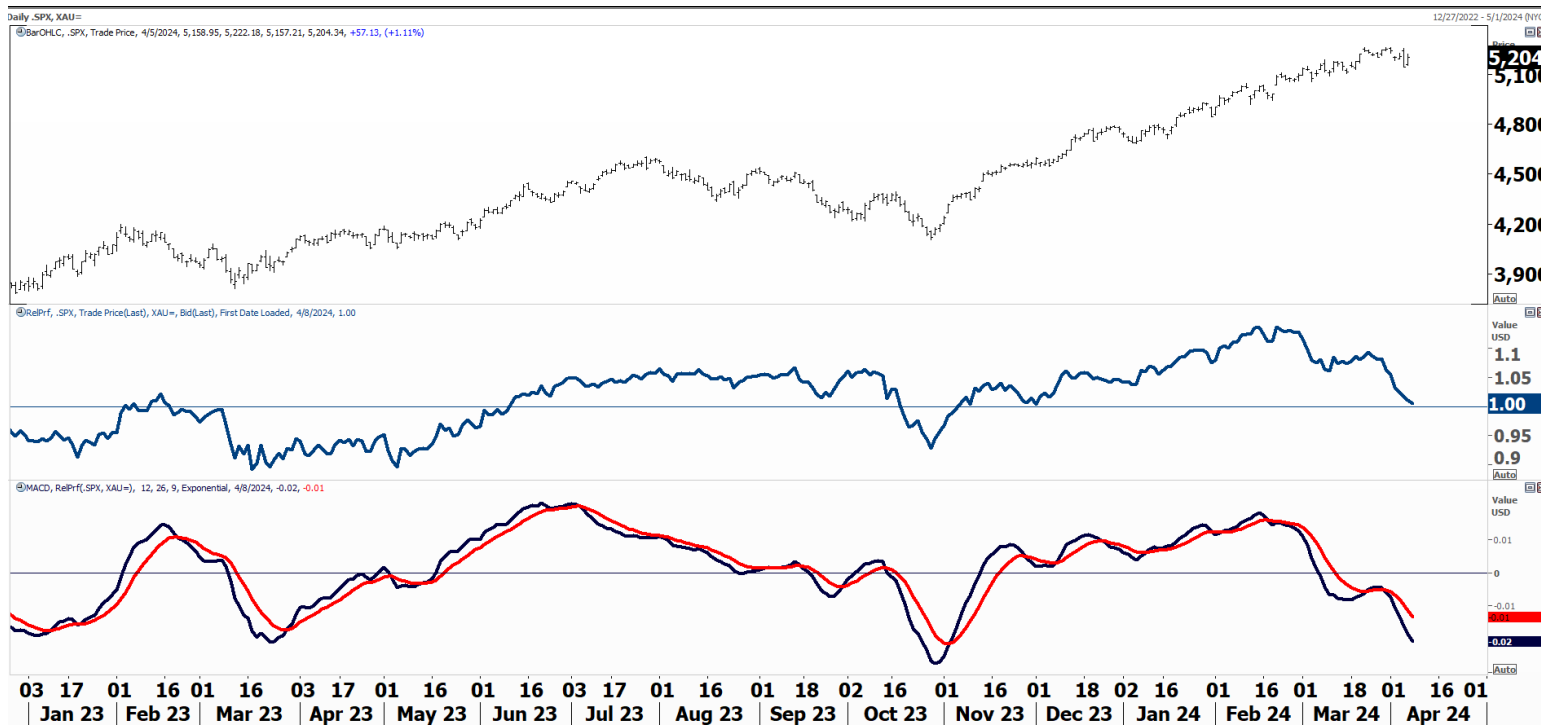


CHART 10: S&P 500 Index versus Gold

- Upper Window: S&P 500 Index – Daily Bar Chart
- Middle Window: S&P 500 Index vs. Gold RS line
- Lower Window: MACD of the RS line (S&P versus Gold)

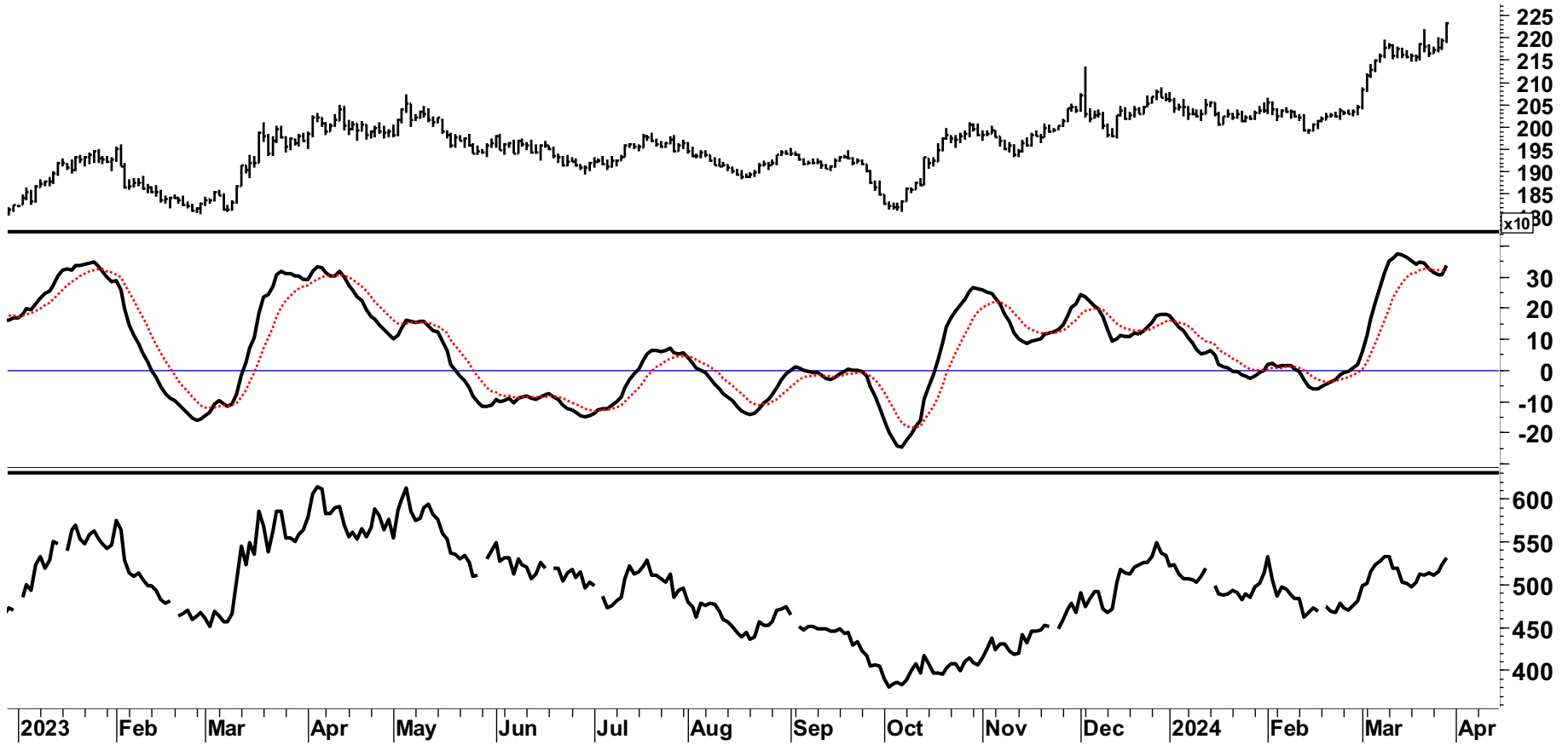


CHART 11: Gold versus Yields

Upper Window: Gold– Daily Bar Chart

Middle Window: Gold MACD Indicator

Lower Window: Gold vs. CBOE 10-Year Treasury Yield RS line



CHART 12: Treasury Yield versus Crude Oil

Upper Window: CBOE 10-Year Treasury Yield – Daily Bar Chart

Lower Window: CBOE 10-Year Treasury Yield vs. Crude Oil RS line

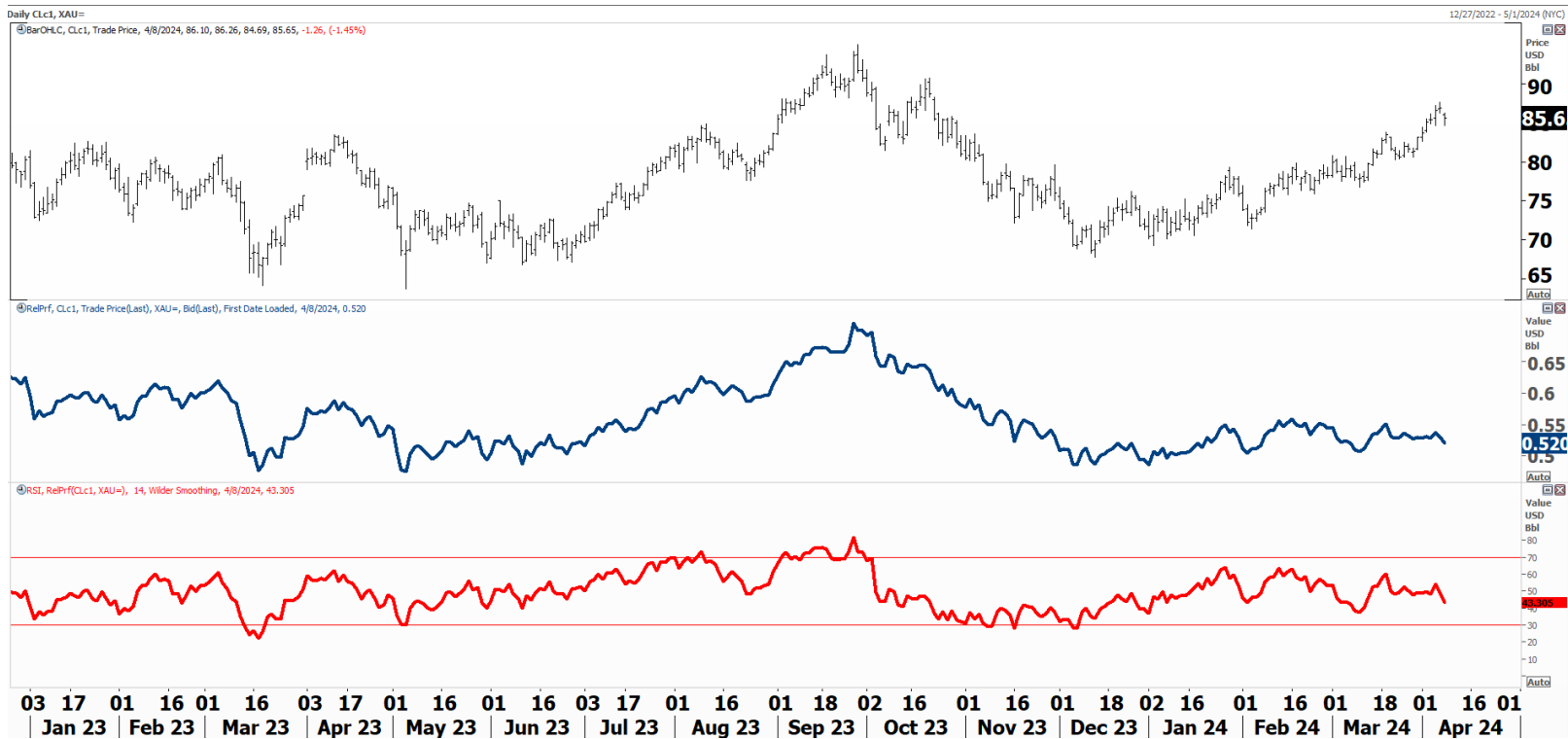


CHART 13: Crude Oil versus Gold

Upper Window: Crude Oil – Daily Bar Chart

Middle Window: Crude Oil vs. Gold RS line

Lower Window: Relative Strength Index (RSI) of the RS line (Oil vs. gold)