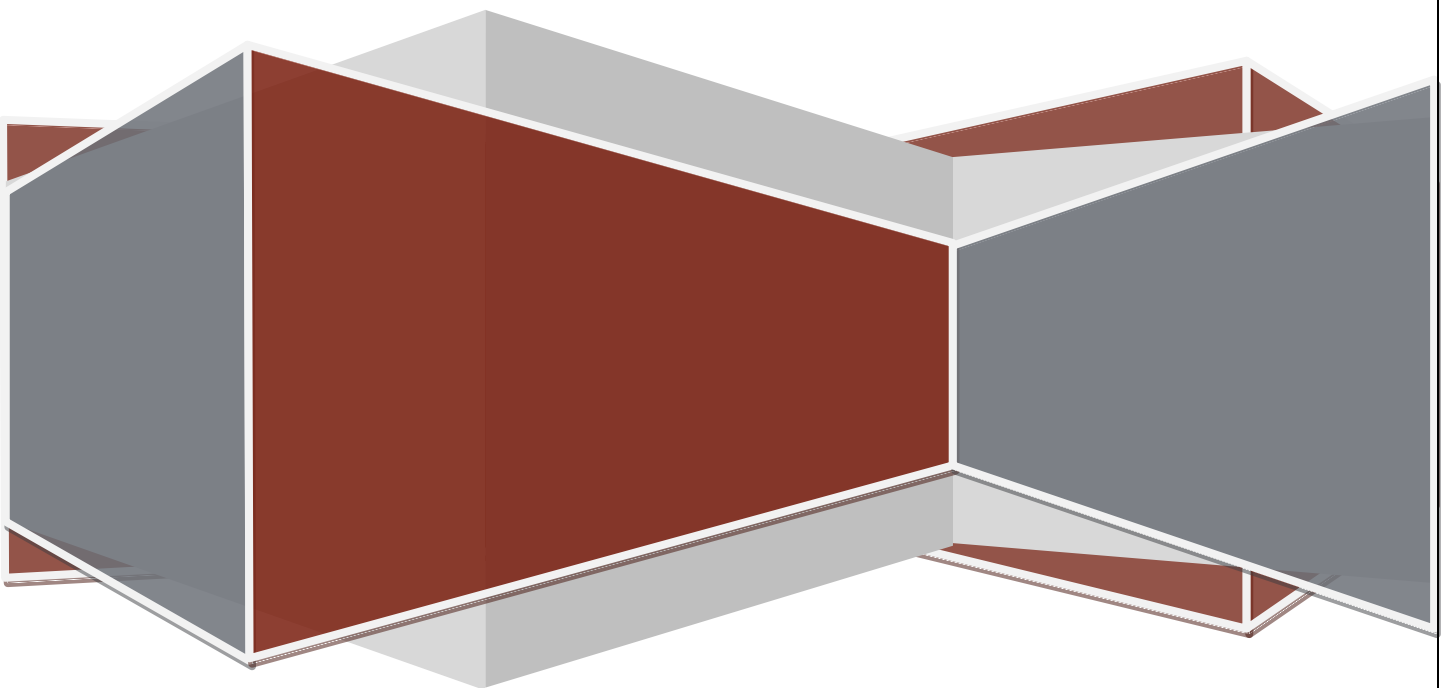


PIVOTPOINT
— T R A D I N G —
Success Through Education

Axioms of Stocks & Options (A1)
Q&A Study Guide: Moving
Averages



Moving Averages

1. Moving Averages bring additional structure to our traditional line analysis.

True or False

2. Moving Averages are really hard to use and you must draw them by hand.

True or False

3. We use Moving Averages during what market condition:

- a) Trending
- b) Sideways
- c) Both Trending and Sideways
- d) None of the above

4. Participating in trends gives us some of the most profitable trades.

True or False

5. Simple moving averages are based on equally weighted closing prices.

True or False

6. Simple Moving Averages work well with what type of trend:

- a) Intra-day
- b) Short Term
- c) Intermediate
- d) Long Term

7. Intuitional investors are not aware of the simple moving average.

True or False

8. Which simple moving average settings do we find work the most appropriately:

- a) 10 & 20

- b) 20 & 50
 - c) 50 & 100
 - d) 100 & 200
9. We use the simple moving average to determine the long term trend of a security.
- True or False
10. Exponential moving averages are similar to simple moving averages but place a heavier weighting on recent days.
- True or False
11. Which exponential moving average don't we use to recognise short term trading opportunities:
- a) 10
 - b) 15
 - c) 20
 - d) 50
12. The exponential moving average is best used in:
- a) Long term bullish market
 - b) Short term bullish market
 - c) Long term bearish market
 - d) Short term bearish market
 - e) Short term trending market
13. Which of the following is not the correct use of moving averages:
- a) To help determine the direction of a security
 - b) To signal a entry with the moving average cross
 - c) To help assist in setting stops
 - d) To assist in a sideways market
 - e) To assist in identifying Support and Resistance
14. Simple moving averages are only useful in a bearish market.

True or False

15. The exponential moving average is just another name for a simple moving average.

True or False

16. The exponential moving average weights later dates more heavily than the more recent dates.

True or False

17. The exponential moving average is best used for long term trends.

True or False

18. When price is trending above a moving average, it would be wise to consider a bullish trade.

True or False

19. When a securities price is moving through the moving averages, it is said to be in a trend.

True or False

20. When price is above the moving averages, it is said to be in a bearish trend.

True or False

21. When price is below the moving average, it is said to be in a bearish trend.

True or False

22. A moving average cross occurs when a faster moving average crosses a slower moving average.

True or False

23. When price is crossing through a moving average it is said to be bearish.

True or False

24. Moving averages are lagging indicators because they are calculated using past prices.

True or False

25. A moving average cross can signal a new trend direction.

True or False

26. Moving averages cross applies to both exponential and simple moving averages.

True or False

27. When a security retraces into the moving averages in a trend, they can act as support and resistance.

True or False

28. When a security moves above or below a moving average, the average can flip and act as opposing support or resistance just like traditional support & resistance theory.

True or False

29. When a security bounces off a moving average in a trend you should:

- a) Enter a new trade in the direction of the bounce
- b) Exit any trades that you are in
- c) Don't do anything
- d) None of the above

30. When a security bounces off a moving average in a trend you should:

- a) Exit any trades that you are in
- b) Set a stop on the other side of the average
- c) Don't do anything
- d) None of the above

31. The steeper the moving averages are, the stronger the trend.

True or False

32. The steeper the angle of the moving averages, the more likely you are to make a profitable trade.

True or False

33. If 3 moving averages signal a cross, the stronger the trend is.

True or False

34. If you see a moving average cross but the lines are going sideways, it is a valid signal to enter a trade.

True or False

35. If you follow the moving average system you will catch the majority of the move.

True or False

36. You can combine moving averages with traditional line analysis to establish a basic trading system.

True or False

Use the below mentioned graph to answer the following questions:



37. Highlight the moving average cross signalling a bullish entry.
38. How many times did the moving averages act as support for the bullish trend?
- a) None
 - b) 1–3 Times
 - c) 3–7 Times
 - d) 7+ Times
39. Which setting of moving average worked the best as support?
- a) 10
 - b) 20
 - c) 50
 - d) None
40. After the bullish moving average cross, the averages provided various re entry points. Highlight them

Answers:

1. T
2. F – Your charting software will do this for you
3. A
4. T
5. T
6. D
7. F – Institutional investors use moving averages
8. D
9. T
10. T
11. B
12. E
13. D
14. F – Simple moving averages are useful in any market condition
15. F –
16. F – EMA's place a heavier weighting on more recent days
17. F – EMA's are used for short term trend identification, SMA's are long term.
18. T
19. F – When price is moving through the MA's, we are consolidating sideways
20. F – Price above represents a bullish environment
21. T
22. T
23. F – Crossing through the MA's represents sideways consolidation
24. T
25. T
26. T
27. T
28. T
29. A
30. B
31. T

- 32. T
- 33. T
- 34. F – This is most likely a false signal
- 35. T
- 36. T
- 37. Below
- 38. C
- 39. A
- 40. Below

