

Assignment for Week 4

Gap Theory and Dow Theory

Choose the correct answer by *highlighting it*

1. Gap Theory

1. What is a gap in technical analysis?
 - a) A price level at which trading has occurred in the past
 - b) A price range in which there is no trading activity**
 - c) A period of consolidation
 - d) None of the above

2. Gaps typically occur due to:
 - a) Heavy trading volumes
 - b) Market news or events
 - c) Changes in market trend
 - d) All of the above**

2. Common Gaps

3. What is a common gap?
 - a) A gap that occurs in heavily traded stocks without significant news**
 - b) A gap that indicates the beginning of a new trend
 - c) A gap that marks the end of a trend
 - d) A gap caused by a major economic event

4. Common gaps are also known as:
 - a) Area gaps**
 - b) Continuation gaps
 - c) Breakaway gaps
 - d) Exhaustion gaps

3. Runaway Gaps / Continuation Gaps

5. What does a runaway or continuation gap indicate?
 - a) A reversal in trend
 - b) A continuation of the current trend**
 - c) Market uncertainty
 - d) None of the above

6. Runaway gaps are usually seen in:

- a) The beginning of a trend
- b) The middle of a strong trend**
- c) The end of a trend
- d) During a market crash

4. Breakaway Gaps

7. A breakaway gap typically occurs:
- a) At the beginning of a new trend**
 - b) In the middle of a trend
 - c) At the end of a trend
 - d) During consolidation
8. Breakaway gaps are often associated with:
- a) Increased volume and volatility**
 - b) Decreased volume and low volatility
 - c) Market corrections
 - d) Overbought conditions

5. Exhaustion Gaps

9. An exhaustion gap usually signifies:
- a) A continuation of the current trend
 - b) A reversal or end of a trend**
 - c) Market stability
 - d) None of the above
10. Which phase is often accompanied by an exhaustion gap?
- a) Accumulation phase
 - b) Markup phase
 - c) Distribution phase**
 - d) None of the above

6. Dow Theory

11. Dow Theory primarily focuses on:
- a) Market volatility
 - b) Market volume
 - c) Price action and trend analysis**
 - d) Economic indicators
12. According to Dow Theory, how many types of trends are there?
- a) Two

- b) Three
- c) Four
- d) Five

7. Uptrend, Downtrend, and Sideways Trend

13. An uptrend is characterized by:

- a) Lower highs and lower lows
- b) Higher highs and higher lows
- c) Equal highs and lows
- d) None of the above

14. A sideways trend indicates:

- a) Market indecision
- b) A strong bullish sentiment
- c) A strong bearish sentiment
- d) A major trend reversal

8. Primary Trend, Secondary Trend, Tertiary Trend

15. Which trend represents the major market direction lasting from months to years?

- a) Primary trend
- b) Secondary trend
- c) Tertiary trend
- d) Minor trend

16. A secondary trend is typically considered a:

- a) Major reversal of the primary trend
- b) Short-term fluctuation against the primary trend
- c) Day-to-day market movement
- d) None of the above

9. Phases of Primary Trend

17. Which of the following is NOT a phase of the primary trend according to Dow Theory?

- a) Accumulation
- b) Distribution
- c) Panic
- d) Public participation

18. During the public participation phase, the trend is typically:

- a) Strong and accelerating
- b) Weak and uncertain

- c) Reversing
- d) Sideways

10. Accumulation

19. Accumulation phase is characterized by:

- a) High trading volumes
- b) Informed investors buying stocks
- c) Mass market selling stocks
- d) None of the above

20. During accumulation, prices are typically:

- a) Rising sharply
- b) Falling sharply
- c) Moving sideways or slightly up
- d) Moving erratically

11. Markup

21. The markup phase usually follows which phase?

- a) Accumulation phase
- b) Distribution phase
- c) Panic phase
- d) Exhaustion phase

22. In the markup phase, the market trend is generally:

- a) Downward
- b) Sideways
- c) Upward
- d) Uncertain

12. Distribution

23. During the distribution phase, what activity is most common?

- a) Informed investors selling stocks
- b) Informed investors buying stocks
- c) Mass market buying stocks
- d) No significant trading activity

24. Which phase usually signals the end of a bull market?

- a) Accumulation phase
- b) Markup phase
- c) Distribution phase
- d) Tertiary trend

13. Miscellaneous

25. A gap that gets filled soon after it appears is often called a:

- a) Common gap
- b) Runaway gap
- c) Breakaway gap
- d) Exhaustion gap

26. A gap that remains unfilled for a long period typically signals:

- a) Market indecision
- b) A strong continuation or reversal of the trend
- c) Low market volatility
- d) A minor correction

27. According to Dow Theory, which trend has the shortest duration?

- a) Primary trend
- b) Secondary trend
- c) Tertiary trend
- d) Long-term trend

28. What does a "Dow Theory buy signal" generally indicate?

- a) An upcoming market correction
- b) The confirmation of a new primary uptrend
- c) A short-term rebound
- d) An economic downturn

29. Which type of gap is often seen at the end of a trend?

- a) Common gap
- b) Breakaway gap
- c) Runaway gap
- d) Exhaustion gap

30. Which phase of a primary trend usually involves most retail investors entering the market?

- a) Accumulation
- b) Markup
- c) Distribution

d) Tertiary