



INTERNATIONAL FEDERATION OF
TECHNICAL ANALYSTS, INC.

A Not-For-Profit Professional Organization

CFTe 1: Foundations in Technical Analysis – April 2007

The CFTe 1 candidate is responsible for the material on a **definition** level. The candidate must understand the terminology used in these readings, be able to describe the concepts discussed in these readings, and be able to examine trends.

The CFTe Level 1 Exam measures basic, entry-level competence. Candidates should have a working knowledge of the basic tools of the technician.

Exam time length: 2 hours. Exam format: MULTIPLE CHOICE

CFTe Level 1 Exam tests the candidate's knowledge of six basic areas of technical analysis:

- 1) Terminology of technical analysis
- 2) Methods of charting
- 3) Determination of price trends/basics of pattern recognition
- 4) Establishing price targets
- 5) Equity market analysis
- 6) Applying technical analysis to bonds, currencies, futures and options

Listed below and on the following page are the reading assignments for the April 2007 CFTe Level 1 Exams. Candidates are responsible for knowing and understanding the entire list of reading assignments.

Past exams/questions are NOT available for review. Several sample questions are listed at the end of this document.

CFTe Level 1 Exam Reading Assignments

The following are required reading in preparation for the **April 2007 CFTe Level 1 Exam**:

1) Edwards, Robert D. and Magee, John, *Technical Analysis of Stock Trends, 8th Edition*, John Magee Inc., Chicago Illinois c2001, ISBN 1-57444-292-9

Chapters:

1. The Technical Approach to Trading and Investing
2. Charts
3. The Dow Theory
4. The Dow Theory in Practice
5. The Dow Theory's Defects
6. Important Reversal Patterns
7. Important Reversal Patterns – Continued
8. Important Reversal Patterns – The Triangles
9. Important Reversal Patterns – Continued
10. Other Reversal Phenomena
11. Consolidation Formations
12. Gaps
13. Support and Resistance
14. Trendlines and Channels
15. Major Trendlines
16. Technical Analysis of Commodity Charts
25. Two Touchy Questions
27. Stop Orders
28. What Is A Bottom – What Is A Top?
30. Use of Support and Resistance

2) Murphy, John J.: *Technical Analysis of the Financial Markets*, New York Institute of Finance, New York, NY, c. 1999, ISBN 0-7352-0066-1

Chapters:

1. Philosophy of Technical Analysis
2. Dow Theory
3. Chart Construction
4. Basic Concepts of Trend
5. Major Reversal Patterns
6. Continuation Patterns
7. Volume and Open Interest
8. Long Term Charts
9. Moving Averages
10. Oscillators and Contrary Opinion
11. Point and Figure Charting
12. Japanese Candlesticks
13. Elliott Wave Theory
14. Time Cycles
16. Money Management and Trading Tactics
18. Stock Market Indicators

3) Pring, Martin J.: *Technical Analysis Explained, 4th Edition*, McGraw Hill Book Company, New York, NY, c. 2001, ISBN 0-07-138193-7

Chapters:

2. Financial Markets and the Business Cycle
3. Dow Theory
4. Typical Parameters for Intermediate Trends
5. Price Patterns
6. Smaller Price Patterns
7. One- and Two-Bar Price Patterns
8. Trendlines
9. Moving Averages
10. Momentum Principles
11. Individual Momentum Indicators I
12. Individual Momentum Indicators II
13. Candle Charts
14. Point and Figure Charting
15. Miscellaneous Techniques for Determining Trends
16. The Concept of Relative Strength
18. Price: The Major Averages
20. Time: Longer-Term Cycles
22. Volume: General Principles
23. Volume Oscillators
24. Breadth
26. Sentiment Indicators

Sample Questions for CFTE Level 1 Exam

Following are three sample type questions for the Level 1 Exam (the correct response is underlined).

1. A point and figure chart differs from a bar chart as

- A. a new plot on a point and figure chart is made only when the price changes by a given amount.
- B. time intervals are clearly shown in a point and figure chart.
- C. Point and figure charts are only concerned with measuring price momentum.
- D. price behaviour in the financial markets is cyclically based.
- E. a new plot on a bar chart is made only when the price changes by a given amount.

2. Technical analysis is rooted in the basic premise that

- A. price behaviour in the financial markets is random.
- B. price behaviour in the financial markets moves in trends
- C. price behaviour in the financial markets can only be understood by analysis of the underlying economic conditions surrounding the markets.
- D. price behaviour in the financial markets is cyclically based.
- E. none of the above

3. A sell signal is normally given when

- A. a shorter length moving average crosses below a longer length moving average from above.
- B. a longer length moving average crosses below a shorter length moving average from above.
- C. a shorter length moving average remains above a longer length moving average.
- D. D. a longer length moving average remains above a shorter length moving average.
- E. E. none of the above.