



FIN231
Technical Analysis



Subject outline

Technical Analysis

- (1) Section 1 — General information
- (2) Section 2 — Academic details

SECTION 1 — GENERAL INFORMATION

1.1 Core or elective subject

This is an elective subject for the Master of Applied Finance.

1.2 Delivery mode

This subject is delivered online.

1.3 Recommended prerequisites

Students enrolling in a Masters level elective subject are assumed to have the prerequisite knowledge in the three core subjects (FIN101, FIN102, FIN103). Students enrolled before 2014 are also assumed to have the pre-requisite knowledge evident in FIN114.

1.4 Course transition subject equivalence

Students are not required to complete this subject if they have transitioned from a SIA/Finsia/Kaplan course and have completed the following subjects within the course completion timeframe:

- E114 Technical Analysis.

1.5 Other resource requirements

Students do not require access to specialist facilities and/or equipment to undertake this subject.



SECTION 2 — ACADEMIC DETAILS

2.1 Subject overview

This subject introduces students to the key concepts in technical analysis and develops skills in the construction, interpretation and application of charts to a variety of markets. Practical examples are used with traditional bar chart analysis and trend following and momentum indicators.

This subject assists students to:

- Demonstrate technical knowledge through analysis, evaluation and application of relevant financial concepts, theories and techniques to a range of situations
- Demonstrate creative and skilful approaches to solving complex problems in professional contexts.

2.2 Subject learning outcomes

On successful completion of this subject, students should be able to:

1. Examine the discipline of technical analysis.
2. Explain the key principles of Dow Theory.
3. Apply the important tools and concepts of technical analysis within price trends and turning points.
4. Examine non-price data indicators of investor participation and attitude to trend strength and price movements.
5. Apply chart patterns, trading volumes and price objectives within price trends.
6. Apply the common indicators used in technical analysis to add value to basic chart analysis.
7. Formulate trading strategies.

2.3 Topic learning outcomes

Topic 1 — Background to technical analysis

On successful completion of this topic, students should be able to:

- differentiate technical analysis from fundamental analysis
- outline the three assumptions about Dow Theory
- discuss how the sharemarket and derivative markets operate in the context of technical analysis
- define a number of terms relevant to technical analysis.

Topic 2 — Dow Theory

On successful completion of this topic, students should be able to:

- differentiate the three movements of the market averages
- differentiate the three phases of a bull or bear market, as characterised by market behaviours
- determine the price trend of a market
- establish when market behaviour moves from a bull to a bear trend based on the Dow principle that the market averages must confirm each other.

Topic 3 — Short-term bar chart analysis

On successful completion of this topic, students should be able to:

- construct a line or bar chart and explain each component
- interpret the beginning and end of a short-term trend
- examine the closing price and its influence on market price action and control
- interpret the health of a trend
- identify reversal signals in the short-term trend
- discuss strategies for trading in the short term.

Topic 4 — Long-term bar chart analysis

On successful completion of this topic, students should be able to:

- distinguish between the peaks and troughs within price trends
- identify trends in several time frames and within trading ranges
- identify tentative and valid trendlines on a bar chart
- construct a trend channel line
- explain the implications of a break of a trend channel line
- describe the concepts of support and resistance
- distinguish between strong and weak support and resistance
- distinguish between the types of gaps.

Topic 5 — Non-price data analysis

On successful completion of this topic, students should be able to:

- outline how volume and open interest confirm price, the health of trends and the validity of patterns and trading range breakouts
- explain how the volume indicators measure investor commitment to driving a trend
- explain how the breadth and sentiment indicators measure investor participation and attitude to price movements.

Topic 6 — Chart patterns

On successful completion of this topic, students should be able to:

- differentiate between reversal and continuation patterns
- identify reversal and continuation patterns
- determine whether trading volume has confirmed the price determine a price objective from a pattern
- discuss trading strategies.

Topic 7 — Introduction to indicators

On successful completion of this topic, students should be able to:

- explain the role of trend following indicators in chart analysis
- explain the role of momentum indicators in chart analysis
- apply the simple moving average to chart analysis
- apply the momentum oscillator to chart analysis
- determine overbought and oversold levels in chart analysis
- determine divergence patterns in chart analysis.

Topic 8 — Trend following indicators

On successful completion of this topic, students should be able to:

- explain the trading rules of the trend following indicators
- apply filters on the trend following indicators
- explain how trading signals are generated for trend following indicators
- apply trading signals — long, short, square — to chart analysis
- apply trading positions — open, close, take profit — to chart analysis.

Topic 9 — Momentum indicators

On successful completion of this topic, students should be able to:

- explain how the momentum indicators are calculated and how they measure momentum
- examine the trading rules for the momentum oscillators
- determine the trading signals generated by the oscillators in chart analysis.

Topic 10 — Other trend and momentum indicators

On successful completion of this topic, students should be able to:

- outline the purpose and method of calculation of the different indicators
- explain the trading rules for each of the different indicators
- interpret the trading signals generated by MACD indicators.

Topic 11 — Formulating trading strategies

On successful completion of this topic, students should be able to:

- describe the main issues in technical analysis
- examine the concepts of top down analysis, stop orders and relative strength
- differentiate between trading models
- examine trading model testing and optimisation processes
- formulate trading strategies for different types of: investors, market conditions and time frames.

2.4 Assessment schedule

Assessment	Description	Week	Topics	Weighting	Subject Learning outcomes assessed
Assignment	Short-answer and chart analysis questions.	Week 6	1–6	40%	LO1–5
Exam	Multiple choice, short answer and chart analysis questions.	Week 12	All	60%	LO1–7

2.5 Prescribed text

There is no prescribed text for this subject. Students will be provided with key readings and access to Kaplan’s online databases. Students are encouraged to research and read widely on the topic.

2.6 Study plan

Week	Topic name	Recommended student effort
1	Topic 1: Background to technical analysis	7
2	Topic 2: Dow Theory	7
3	Topic 3: Short-term bar chart analysis	8
4	Topic 4: Long-term bar chart analysis	8
5	Topic 5: Non-price data analysis	20
6	Topic 6: Chart patterns Assignment (Weighting: 40%)	15
7	Topic 7: Introduction to indicators	7
8	Topic 8: Trend following indicators	8
9	Topic 9: Momentum indicators	8
10	Topic 10: Other trend momentum indicators	7
11	Topic 11: Formulating trading strategies Review sample exam	20
12	Exam (Weighting: 60%)	5
TOTAL hours		120 hours