Chapter 9

1. Testing many different trading rules until you find one that would have worked in the past is called \_\_\_\_\_\_\_.
2. data mining
3. perceived patterning
4. pattern searching
5. behavioral analysis
6. Models of financial markets that emphasize psychological factors affecting investor behavior are called \_\_\_\_\_\_\_.
7. data mining
8. fundamental analysis
9. charting
10. behavioral finance
11. The TRIN statistic is a \_\_\_\_\_\_ indicator.
12. Sentiment
13. flow of funds
14. market structure
15. fundamental
16. Relative strength is \_\_\_\_\_\_ indicator.
17. a fundamental
18. an economic
19. a technical
20. an international
21. The cumulative tally of the number of advancing stocks minus declining stocks is called the \_\_\_\_\_\_\_\_\_\_\_\_\_\_.
22. market breadth
23. market volume
24. trin ratio
25. relative strength ratio
26. Behaviorists point out that even if market prices are \_\_\_\_\_\_\_\_\_\_\_\_, there may be \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.
27. distorted; limited arbitrage opportunities
28. distorted; fundamental efficiency
29. allocationally efficient; limitless arbitrage opportunities
30. distorted; allocationally efficiency
31. According to market technicians, it is time to sell stock in a head-and-shoulders formation when \_\_\_\_\_\_\_\_\_\_\_.
32. the price index pierces the left shoulder
33. the price index pierces the right shoulder
34. the price index pierces the head
35. none of these options takes place
36. A support level is \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.
37. a level beyond which the market is unlikely to rise
38. a level below which the market is unlikely to fall
39. an equilibrium price level justified by characteristics such as earnings and cash flows
40. the peak of a market wave or cycle
41. The only way for behavioral patterns to persist in prices is if \_\_\_\_\_\_\_\_\_\_\_\_\_\_.
42. markets are not weak-form efficient
43. there are limits to arbitrage activity
44. there are no significant trading costs
45. market psychology is inconsistent over time
46. If investors are too slow to update their beliefs about a stock's future performance when new evidence arises, they are exhibiting \_\_\_\_\_\_\_.
47. representativeness bias
48. framing error
49. conservatism
50. memory bias
51. An investor needs cash to pay some hospital bills. He is willing to use his dividend income to pay the bills, but he will not sell any stock to do so. He is engaging in \_\_\_\_\_\_\_\_\_\_\_.
52. Overconfidence
53. Representativeness
54. forecast errors
55. mental accounting
56. Bill and Shelly are friends. Bill invests in a portfolio of hot stocks that almost all his friends are invested in. Shelly invests in a portfolio that is totally different from the portfolios of all her friends. Both Bill's and Shelly's stocks fall 15%. According to regret theory, \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.
57. Bill will have more regret over the loss than Shelly
58. Shelly will have more regret over the loss than Bill
59. Bill and Shelly will have equal regret over their losses
60. Bill’s and Shelly’s risk aversion will increase in the future
61. When the market breaks through the moving average line from below, a technical analyst would probably suggest that it is a good time to \_\_\_\_\_\_\_\_\_\_\_.
62. buy the stock
63. hold the stock
64. sell the stock
65. short the stock
66. If the utility you derive from your next dollar of wealth increases by less than a loss of a dollar reduces it, you are exhibiting \_\_\_\_\_\_\_\_\_\_.
67. loss aversion
68. regret avoidance
69. mental accounting
70. framing bias
71. An important assumption underlying the use of technical analysis techniques is that \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.
72. security prices adjust rapidly to new information
73. security prices adjust gradually to new information
74. security dealers will provide enough liquidity to keep price changes relatively small
75. all investors have immediate and costless access to information
76. The tendency of investors to hold on to losing investments is called the \_\_\_\_\_\_\_\_.
77. overweighting effect
78. head-in-the-sand effect
79. disposition effect
80. prospector effect
81. A major problem with technical trading strategies is that \_\_\_\_\_\_\_\_.
82. it is very difficult to identify a true trend before the fact
83. it is very difficult to identify the correct trend after the fact
84. it is so easy to identify trends that all investors quickly do so
85. Kondratieff showed that you can't identify trends without 48 to 60 years of data
86. Investors gravitate toward the latest hot stock even though it has never paid a dividend. Even though net income is projected to fall over the current and next several years, the price of the stock continues to rise. What behavioral concept may explain this price pattern?
87. Overconfidence
88. Loss aversion
89. Mental accounting
90. Calendar bias
91. Which one of the following best describes fundamental risk?
92. A stock is overpriced, but your fund does not allow you to engage in short sales.
93. Your models indicate a stock is mispriced, but you are not sure if this is a real profit opportunity or a model input error.
94. You buy a stock that you believe is underpriced, and the underpricing persists for a long time, hurting your short-term results.
95. A stock is trading in two different markets at two different prices.
96. A possible limit on arbitrage activity that may allow behavioral biases to persist is \_\_\_\_\_\_\_.
97. technical trends in prices
98. momentum effects
99. fundamental risk
100. trend reversals

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| 1 | 2 | 3 | 4 | 5 |
| A | D | A | C | A |
| 6 | 7 | 8 | 9 | 10 |
| A | B | B | B | C |
| 11 | 12 | 13 | 14 | 15 |
| D | B | A | A | B |
| 16 | 17 | 18 | 19 | 20 |
| C | A | A | C | C |