# Module 5 · Security analysis P14 · 5.1 · 5.2

SM pp. 163–190 (exercise 191–200). **MCQs only: 2–4 marks a paper** (expected 2.5) — **MCQ (v) technical analysis in 5 of 6 papers** (stochastic %K twice, RSI, relative strength, moving-average signal, definition); fundamental analysis once (D23: Porter's entry barriers).

| Paper | MCQ |
|---|---|
| Dec'23 | Porter: not an entry barrier (5.1) |
| Dec'24 | definition of technical analysis · stochastic %K over 100 days |
| Jun'25 | moving-average buy signal · relative strength from closing prices |
| Dec'25 | stochastic %K (= D24 with new numbers) |
| Jun'26 | RSI from six prices |
| MQP | EMA exponent 0.067 → number of periods (the formula is not in the SM text; learn it from the MQP answer) |

- **Basis of technical analysis**: price discounts everything; price movements are not totally random; "what" matters more than "why". [SM 179–180]
- **Four points of view**: prices, time, volume, width (breadth across sectors). [SM 180]
- Tools: Dow theory, charts (line, bar, point and figure, candlestick), patterns (V formation, tops and bottoms, head and shoulders; reversal v continuation), Elliott wave theory. [SM 181–188]
- **RSI** (Wells Wilder) = 100 − 100 ÷ (1 + RS); RS = average gain per day ÷ average loss per day; usually 5, 7, 9 or 14 days. [SM 189]
- **Stochastic** (George C Lane): %K and %D between 0 and 100; %D lags %K (three-day moving average of slow %K). Overbought above 70, oversold below 30; best buy below 15, best sell above 85. [SM 189–190]

**MCQ PATTERNS (RECOMPUTED BY SCRIPT m05_patterns.py)**

### DEC'25 Q1(v) STOCHASTIC %K (OUR WORKING)

⚠ %K = (close − lowest low) ÷ (highest high − lowest low) × 100 — the SM describes %K but its formula is not in the text layer. (210 − 200) ÷ (240 − 200) × 100 = **25%** (option A).

### JUN'26 Q1(v) RSI (OUR WORKING)

Changes +6, +22, −2, +3, −11 → gains 31, losses 13; RS = 31 ÷ 13 = 2.38 → RSI = 100 − 100 ÷ 3.38 = **70.41** (option A; unrounded 70.45).

### FUNDAMENTAL ANALYSIS (5.1) — HEADINGS

Economy → industry → company analysis (E-I-C); leading / coincident / lagging indicators; diffusion index (postal); Porter's five forces (D23); valuation by book value, P/E, sustainable growth = retention × ROE.

### PRACTISE THESE

D24, D25 Q1(xiv)/(v) (%K) · J26 Q1(v) (RSI) · J25 Q1(vi), (xiii) · D24 Q1(v) · D23 Q1(xi) · MQP Q1(v) (EMA) · postal MCQ (diffusion index) · SM exercise (SM 191–200) · MCQ bank (Module 5 set).

⚠ **Traps**: RSI uses **average gain ÷ average loss** (totals over the same number of days give the same RS); %K uses the period's lowest low and highest high, not the opening price.