

**The Hong Kong Polytechnic University**  
**Hong Kong Community College**

**Subject Description Form**

<b>Subject Code</b>	BHMH2334
<b>Subject Title</b>	Introduction to Technical Analysis of the Financial Markets
<b>Level</b>	2
<b>Credit Value</b>	3
<b>Medium of Instruction</b>	English
<b>Pre-requisite / Co-requisite/ Exclusion</b>	Nil
<b>Objectives</b>	This subject aims to provide students with an overview of technical analysis concepts that are widely adopted by practitioners in the real world. It provides the conceptual framework to identify the market trend at an early stage and to execute appropriate investment decisions. Students are expected to develop basic knowledge of behavioural finance and understand cognitive limitations when investors make decisions. This subject also enables students to execute strong analytical skills and develop critical thinking.
<b>Intended Learning Outcomes</b>	<p>Upon completion of the subject, students will be able to:</p> <ul style="list-style-type: none"> <li>(a) identify the basic functions of technical analysis and the role of traders in financial markets;</li> <li>(b) distinguish different types of market and sentiment indicators and explain their usage and limitations;</li> <li>(c) utilise trend analysis basics and stock price chart patterns to make investment decisions;</li> <li>(d) articulate the importance of behavioural bias that affects how humans make investment decisions.</li> </ul>
<b>Subject Synopsis/ Indicative Syllabus</b>	<p><b>Introduction</b>  Overview; Types of behavioural bias; Types of trading orders.</p> <p><b>Market and Market Indicators</b>  Dow Theory; Sentiment indicators (Put/Call Ratios, VIX, and Consumer Confidence Index); Momentum; Stochastic Oscillators.</p> <p><b>Measuring Market Strength</b>  Market Breadth; Moving Average (MA); Bollinger Bands (BB); Flow of Funds.</p>

	<p><b>Trend Analysis</b> Line/Bar/Candlestick Charts; Support and Resistance; Trend Lines; Head-and-Shoulders Patterns; Reversal Patterns; Bilateral Patterns, etc.</p> <p><b>Behavioural Bias</b> Prospect Theory; Behavioural Portfolio Theory; Cognitive errors (conservatism bias, confirmation bias, representativeness bias, hindsight bias, and framing bias, etc.); Emotional errors (loss-aversion, overconfidence bias, self-control failure, status quo bias, and regret-aversion bias, etc.).</p>																																																				
<p><b>Teaching/Learning Methodology</b></p>	<p>Lectures will focus on the introduction and explanation of theoretical materials, with specific reference to current financial issues where appropriate. Occasional group discussions will be conducted to stimulate students' interest or their awareness of practical implications of some concepts.</p> <p>Tutorials will give students an opportunity to apply the theories learnt in lectures so that they can deepen their understanding through an interactive approach. Activities in tutorials will include student presentations of tutorial questions and discussions of problem sets.</p>																																																				
<p><b>Assessment Methods in Alignment with Intended Learning Outcomes</b></p>	<p>A variety of assessment tools will be used to develop and assess students' achievement of the subject intended learning outcomes.</p> <table border="1" data-bbox="513 1055 1394 1727"> <thead> <tr> <th rowspan="2">Specific assessment methods/tasks</th> <th rowspan="2">% weighting</th> <th colspan="4">Intended subject learning outcomes to be assessed</th> </tr> <tr> <th>a</th> <th>b</th> <th>c</th> <th>d</th> </tr> </thead> <tbody> <tr> <td><b>Continuous Assessment*</b></td> <td><b>50</b></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>▪ Test</td> <td>25</td> <td>✓</td> <td>✓</td> <td>✓</td> <td></td> </tr> <tr> <td>▪ Assignment 1</td> <td>10</td> <td>✓</td> <td>✓</td> <td>✓</td> <td></td> </tr> <tr> <td>▪ Assignment 2</td> <td>10</td> <td></td> <td></td> <td>✓</td> <td>✓</td> </tr> <tr> <td>▪ Tutorial Exercise &amp; Activities</td> <td>5</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> </tr> <tr> <td><b>Final Examination</b></td> <td><b>50</b></td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> </tr> <tr> <td><b>Total</b></td> <td><b>100</b></td> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table> <p><i>*Continuous assessment items and/or weighting may be adjusted by the subject team subject to the approval of the College Programme Committee.</i></p> <p>To pass this subject, students are required to obtain Grade D or above in <b>both</b> the Continuous Assessment and Final Examination.</p>	Specific assessment methods/tasks	% weighting	Intended subject learning outcomes to be assessed				a	b	c	d	<b>Continuous Assessment*</b>	<b>50</b>					▪ Test	25	✓	✓	✓		▪ Assignment 1	10	✓	✓	✓		▪ Assignment 2	10			✓	✓	▪ Tutorial Exercise & Activities	5	✓	✓	✓	✓	<b>Final Examination</b>	<b>50</b>	✓	✓	✓	✓	<b>Total</b>	<b>100</b>				
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<b>Student Study Effort Expected</b>	<b>Class contact</b>	<b>Hours</b>
	▪ Lecture	26
	▪ Tutorial	13
	<b>Other student study effort</b>	
	▪ Self-study	52
	▪ Continuous Assessment	39
	<b>Total student study effort</b>	<b>130</b>
<b>Reading List and References</b>	<p><b>Recommended Textbook</b></p> <p>Kirkpatrick, Charles D., and Dahlquist, Julie. R. (2016), <i>Technical Analysis: The Complete Resource for Financial Market Technicians</i> (3<sup>rd</sup> ed.), FT Press, Pearson.</p> <p><b>References</b></p> <p>Bulkowski, Thomas N. (2005), <i>Encyclopedia of Chart Patterns</i> (2<sup>nd</sup> ed.), John Wiley &amp; Sons.</p> <p>Pring, M. (2014), <i>Technical Analysis Explained</i>, McGraw Hill.</p> <p>Shefrin, Hersh (2002), <i>Beyond Greed and Fear: Understanding Behavioral Finance and the Psychology of Investing</i>, Oxford University Press.</p> <p>Shleifer, Andrei (2000), <i>Inefficient Markets: An Introduction to Behavioral Finance</i>, Oxford University Press.</p>	