UpperMark™

Level II Flashcards Sample

UpperMark™ *Flashcards* are a highly effective and convenient way to review and retain key concepts and keywords. This document provides a sample of our printed flashcards. Our e-flashcards contain the same content.

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CAIA Level II – September 2009 Exam
Topic 4 Quantitative Trading Strategies

L.O. 3. Differentiate between popular price patterns.

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CAIA Level II – September 2009 Exam
Topic 4 Quantitative Trading Strategies

Popular price patterns based on quantified rules.

1. Head & shoulders top: up-trend reversal indicator.
2. Head & shoulders bottom: down-trend reversal indicator.
3. Triangle top – a bullish formation.
4. Triangle bottom – a bearish pattern.
5. Double top – top is a resistance level.
6. Double bottom – bottom is a support level on the downside.
7. Rectangle top – reversal down from a resistance level.
8. Rectangle bottom – reversal up from a support level.
9. Broadening top
10. Broadening bottom

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CAIA Level II – September 2009 Exam
Topic 4 Quantitative Trading Strategies

L.O. 8. Apply channel and volatility breakout rules to determine entry and exit points.

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CAIA Level II – September 2009 Exam
Topic 4 Quantitative Trading Strategies

Channel Breakout

- Buy when the price crosses above the upper channel boundary, i.e., today's price is the highest of the time period.
- Sell when the price crosses below the lower channel boundary, i.e., today's price is the lowest of the time period.
- When the price is inside the channel, no market position is taken.

Momentum: Momentum = Today's Price – Price n days ago.

- Buy is signaled when the closing price is higher than the close n days ago, i.e., when the momentum is positive, and
- Sell is signaled when the closing price is below the close n days ago, i.e., when the momentum is negative.

Volatility breakout

- Buy when the current closing price is above the upper trigger, and
- Sell when the current price is below the lower trigger.

Upper trigger = reference value + volatility multiplier × volatility measure.
Lower trigger = reference value – volatility multiplier × volatility measure.

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CAIA Level II – September 2009 Exam
Topic 6 Real Estate Investment Trusts

L.O. 32. Compare and contrast the use of debt in the stock market, the real property market, and REITs.

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CAIA Level II – September 2009 Exam
Topic 6 Real Estate Investment Trusts

Use of debt in the stock market and in REITs.

- REITs use considerably more debt than stocks of public firms.
- Average REIT debt ratios increased after 1990, whereas those of publicly traded stocks showed little fluctuation between 1980-2000.
- Mortgage REITs use more debt than equity and hybrid REITs, and infinite-life REITs use more debt than finite-life REITs.
- More long-term debt is used than short-term debt.

Use of debt in the real property market.

	Factors Affecting Debt Usage	Use of Debt
1.	Properties with large existing tax shelters from depreciation	Low
2.	Corporate investors (in high tax brackets)	High
3.	High interest rates	Low
4.	High priced property	High
5.	Uncertainty about future cash flows	Low

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CAIA Level II – September 2009 Exam
Topic 6 Real Estate Investment Trusts

L.O. 35. Assess the reasons for the differences between the behavior of REIT IPOs and industrial firm IPOs.

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Topic 6 Real Estate Investment Trusts

Reasons for the differences between the behavior of REIT IPOs and industrial firm IPOs.

1. REIT stock values are more uncertain than industrial firm stock values, because the values of the REITs' underlying properties are more difficult to determine.
2. Prior to the 1990s, the REIT market had more individual investors than institutional investors, and these individuals were likely to pay more for REIT IPO shares.
3. The closed-end fund nature and management strategy of traditional REITs causes their IPOs to behave more like those of mutual funds than those of industrial firms.

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