

During the online e-learning session following queries raised by the students and the answers provided by me are mentioned:

1.) What is Dow Theory?

Answer: Dow Theory explains how the stock market can be used by investors to understand the health of business environment. It was the first theory to explain that the market moves in trends. Dow Theory states that stock behaviour is actually 90% psychology and 10% logic. The theory also states that any information available in the market is already reflected in the prices of stock and indices. As a result, it is better to analyze price movements instead of studying earning reports or balance sheets of companies.

2.) What are the three types of trends as per Dow Theory?

Answer: The three types of stock prices and indices trends as advocated by Dow Theory are mentioned as under:

- (a) Primary Trend
- (b) Secondary Trend
- (c) Minor Trend

3.) What are the major assumptions of Dow Theory?

Answer: The three major postulates of Dow Theory are given as under:

- (a) The first hypothesis is that no single individual or buyer can influence the major trend of the market.
- (b) The second hypothesis is that the market discounts everything.
- (c) The third hypothesis is that this theory is not infallible.

4.) What are Bull Market and Bear Market?

Answer: In technical analysis the term bull market refers to that market where stock prices are rising thereby encouraging buyers. The bull market shows three clear-cut peaks and each each peak is higher than the previous peak.

In technical analysis the term bear market is used to indicate the falling trend of stock prices. The peaks are lower than the previous peaks and the bottoms are also lower than the previous bottoms.



***Mr. Shivam Shukla
Assistant Professor
Department of Commerce
Siddharth University, Kapilvastu,
Siddharthnagar (U.P.)***