

Chartered Market Technician (CMT) Level II Exam

1. Which of the following statement states the correct percentage of the percentage gain on a loss of 50 percent?

A. It requires an 80% gain to break even

B. It requires a 100% gain to break even

C. It requires a 90% gain to break even

D. It requires a 70% gain to break even

Answer(s): C

2. Which of the following is true of volume and open interest?

A. Volume precedes price

B. On-balance volume is not as accurate measure of volume as basic volume column charts

C. Within an uptrend, a sudden leveling off or decline in open interest often signals that the current trend will accelerate

D. Decreases in volume and open interest help confirm the resolution of price patterns

Answer(s): A

3. Tick volume refers to:

A. the number of contracts traded at each price tick.

B. the number of contracts traded at each time interval.

C. the change in open interest during a particular time interval.

D. the number of recorded price changes during a particular time interval.

Answer(s): D

4. A technical analyst was at a convention in which a long-term point and figure stock chart was being discussed. He noticed that low-price action did not appear as active as high-price action on the chart. One suggestion the technical analyst could provide, to clear up this apparent distortion, would be to:

A. Change the charting scale to logarithmic

B. Increase the time frame on the chart

C. Change the scale to arithmetic

D. Add the daily opening prices to provide a more visual benchmark of price changes

Answer(s): A

5. An evening doji star:

A. Has a doji in the last position

B. Has a doji in the middle position

C. Is completely comprised of dojis

D. Is completed by dojis leading out of the pattern

Answer(s): B

6. Which of the following best helps quantify the risk of a trading system?

A. Maximum Cumulative Drawdown

B. Maximum Favorable Excursions

C. Longest Flat Time

D. Length of Average Winning Trade

Answer(s): A

7. Which of the following instances marks a single best valid buy signal with respect to the direction system for the next new trend?

A. A

B. B

C. C

D. D

Answer(s): D

8. A trend-based trading system where the trend is the average of a pre-determined number of previous days' (n) closing prices is:

A. Point and figure

B. Simple moving average

C. Linear regression slope

D. N-day breakout

Answer(s): B

9. Standard deviation is:

A. A descriptive statistic which defines the central tendency

B. The square root of the variance

C. The covariance of two securities

D. An inferential statistic which measures symmetry around the mean

Answer(s): B

10. How would a technician utilize a support line which has been broken?

A. A broken support line no longer has a valid technical interpretation

B. The break in the support line would be a buy signal

C. The support line now becomes a resistance line

D. The break in the support line is of no technical importance

Answer(s): C

11. Which is NOT a measure of central tendency:

A. Mean

B. Median

C. Mode

D. Variance

Answer(s): D

12. Which of the following BEST describes the rule of alternation?

A. Downtrends follow uptrends

B. Complex patterns follow simple patterns

C. Price follows volume

D. Prices alternate in Fibonacci sequences

Answer(s): B

13. Which of the following is a true statement according to Elliott Wave Theory?

A. A complete bull market cycle is made up of eight waves, three waves up followed by five waves down

B. A trend divides into three waves in the direction of the next longer trend

C. Corrections always take place in five wave patterns

D. The two types of simple corrections are zigzags and flats

Answer(s): D

14. Which of the following is one of the key rules for traders?

A. Take profits but be patient with losing positions and give them time to rebound

B. Buy low, sell high

C. Be a contrarian and trade against the trend

D. Always meet margin calls promptly

Answer(s): B

15. Why doesn't the doji candle have a real body?

A. The doji is an abbreviated method of drawing candles

B. The open and close are the same

C. The high and low are the same

D. Buyers are stronger than sellers

Answer(s): B

16. Allen Johnson, CMT, is working in the Singapore office of German Investment Corporation. From an informal conversation, Allen learns that the company's most recent annual report contains misappropriated information. No one at the Singapore office expresses concern, however, because there has been no breach of Singapore's law. Barrett should:

A. do nothing because the branch is outside of German jurisdiction.

B. seek advice from the company counsel to determine appropriate action.

C. do nothing because the branch is outside of Singapore's jurisdiction.

D. disassociate himself from the case with a written report to his supervisor.

Answer(s): B

17. Which of the following statement is not true about the Diamond Top with regards to pattern analysis?

A. It is a profitable pattern

B. It consists of a combination of a broadening pattern and a symmetrical triangle

C. It occurs at the top of a very sharp upward rise in prices

D. It is not rare at price bottoms

Answer(s): D

18. A trend based trading system where signals occur when the current high or low price exceeds the previous swing high or low price:

A. Point and figure

B. Simple moving average

C. Swing breakout

D. N-day breakout

Answer(s): C

19. The Efficient Market Hypothesis assumes that:

I) Most investors will act rationally

II) Most investors will act irrationally

III) Prices typically reflect all available information

IV) Prices typically do not reflect all available information

A. I & III

B. I & IV

C. II & III

D. II & IV

Answer(s): A

20. Which of the following asset classes is a leading indicator for the stock market?

A. Bonds

B. Bullion

C. Precious metal

D. Energy

Answer(s): A
