



[View a Printer Friendly Version of this Newsletter](#)

Letter from the Editor

Recently, a "deciles" report was sent to those candidates who were not successful on the recent exam. This report identifies, by major "Body of Knowledge" category, strengths and weaknesses from your recent exam. Only those who do not pass the exam will automatically receive a deciles report.



The deciles report should help the study process for those who plan to re-take the exam. Use this report to focus in on where you need the most practice. Attack those areas first! If you passed the exam and would like to receive your deciles report, please contact [Marie Penza](#).

It's now the last week in January, and I hope you have begun your studies and are progressing through the materials. The recommended study times are not exact numbers. You may only need, say, 80 hours and your friend might require 200 hours to learn the same material. A lot depends on your background, experience and the current knowledge you have already acquired. Each person's learning and understanding curve is different. Don't feel that the suggested study times are a requirement, they are not. We are merely giving you the suggested study times. It is like looking at the expected time of arrival (ETA) of your drive on MapQuest; it gives you approximations, not firm numbers.

Now that you are deep into the study process, or I hope you are, I think now is a good time to point you to the [MTA Knowledge Base \(KB\)](#) for answers to some of the questions you might have. The Knowledge Base is categorized by topics. Its structure mirrors, to a large degree, the "Body of Knowledge" sections of the CMT Program. Click on the topic and it will bring you to the resource regarding that information. You may find one resource or many resources, depending on the topic.

Also in the KB, you will find quiz cards and videos specific to many of the technical analysis topics you are looking at, which may be helpful in your studies. This is a fabulous resource that the MTA has available for your use. Use it and enjoy this benefit that comes with your MTA membership.

Some examples of what you may see in the KB are shown below:

An example of a Chart Construction resource:
<http://knowledgebase.mta.org/?fuseaction=kb.resource&kbDomainID=405F62EB-F562-75D5-5097E6BA5A3FD3E5&kbResourceID=366831BD-FE98-B4CD-19D58709AD307E7A>

An example of Sample Questions for a specific resource:
<http://knowledgebase.mta.org/?fuseaction=kb.resource&kbDomainID=405E499B-B59F-E23A-2750BE4FFAE259DB&kbResourceID=BCF79953-F503-1755-06B74CC03840B1B2>

An example of Suggested Readings for a specific resource:
<http://knowledgebase.mta.org/?fuseaction=kb.resource&kbDomainID=40644FF9-B9F0-4356-B4C20CFBC2E26C36&kbResourceID=0C7459E1-E2F7-9ED6-2BB146799572FA8F>

For an in-depth orientation on how to use the Knowledge Base, view our tutorial:
http://media.mta.org/videos/KB-walkthrough/KB-walkthrough_media/KB-walkthrough.wmv

- Jeanette Young, CMT, CFP
CMT Program Director
jeanette@mta.org

Have a Question?

I am available for your questions and suggestions! Please send questions that you would like answered to me at: jeanette@mta.org. I am also available for immediate questions by phone at 646-652-3300. Several initially received questions were answered below. If I don't post the answer here for all to see, rest assured I will answer them directly with you by e-mail.

Administrative Notes

Sign Up Today!

The MTA is pleased to announce that registration for all levels for the Spring 2010 CMT Administration are **NOW OPEN!** Sign up today to ensure your preferred time, date, and location! Contact [Marie Penza](#), 646-652-3300, for information on the CMT Program and/or if your having trouble scheduling your exam for Prometric. For detailed instructions on how you can register online, please [click here](#).

Test Dates

The Spring 2010 CMT Exams will be held from *April 29, 2010* through *May 8, 2010*.

Registration Closing Dates

Registration for Levels 1 and 2 closes on *April 23, 2010*. Registration for Level 3 closes on *April 9, 2010*.

Recommended Reading Lists

- [CMT Exam Level 1](#)
- [CMT Exam Level 2](#)
- [CMT Exam Level 3](#)

CMT Institute (CMTi) - Registration Open!

We are pleased to announce the opening of the Spring 2010 Session of the CMTi, to help you prepare and do your best for your respective exams. As we have done in previous administrations, upon registering for the CMTi, you are given instant access to recent, relevant, archived presentations. Sign up today to start viewing these archives and begin your study process now. To register for one of the CMTi courses, please [click here](#), or call

Ask the Director

I passed Level 1 in April 09 and will take Level 2 in April 2010. I had a comment on the exam questions. Since not all authors are in full agreement on some issues, it would be helpful on some questions for clarification by knowing what perspective the question is being asked, i.e. "According to John Murphy..."

Answer: If authors are not in agreement about something, we won't ask the question unless we identify the author we are referring to. Thus as you stated, we will say according to Pring, or according to Kaufman.

One question that stands out from Level 1 was something like "What country did technical analysis originate?" According to who? Steve Nison would say Japan, Edwards and Magee would say US since Dow is the father of technical analysis. I still don't know what the right answer to this one.

Answer: Technical analysis was used in Asia for centuries before coming to the shores of the USA. We might ask for the father of technical analysis looking for the answer Charles H. Dow. We understand that technical analysis was used before Mr. Dow used it, but he is thought of as the father of technical analysis. See page 24 of the Kirkpatrick recommended reading for a full explanation.

After reading Murphy's *Intermarket Analysis*, I became a bit concerned about Level 3. Some of the relationships he details in his book do not hold true today. Murphy states that a strong economy should also have a strong dollar associated with it and as we have the opposite today. Are we expected to answer these type of question as of 2004 when the book was written?

Answer: Everything is linked and that is what we are trying to teach you to look at. The US economy has not been strong and the US Dollar has been weak. Now that other countries are perceived as being weaker or in question, or there is some sovereign risk to a currency, the money piles back into the US currency, which is still the reserve currency. Thus, nothing is written in stone and you must understand the relationships. If Greece and Spain are having trouble and they are both part of the Euro zone, doesn't that cause the money to flow into the US currency and gold and out of the Euro? Of course it does and thus it has. Further, as most commodities are traded in US Dollars, the strength or weakness of the currency will have a direct effect on the cost of that commodity. Don't forget bonds they play into the equation also.

My interpretation of the Code of Ethics is that point 5 is redundant. Isn't it really just part of point 1, which requires "...strict compliance with the applicable laws..."? In fact, point 5 seems to suggest that the MTA is ok with acting on inside information if there is no law against it. If we would see a question on an exam involving acting on inside information in a market which does not prohibit it, what would be a correct answer?

Answer:

I see your point regarding Code 5 and I think that little clarification will go a long way. Code 5, which I have included here, says that you should not act on inside information:

5. *Members and Affiliates shall not seek, disseminate or act on the basis of material, non-public (inside) information, if to do so would violate the laws and*

Cassandra Townes at 646-652-3300. [Click here](#) to read a letter from the CMT Director, Carson Dahlberg, CMT.

Quiz Cards & Practice Exams

Practice exams and quiz cards are offered to candidates, giving them the opportunity to test their knowledge.

To order quiz cards and practice exams, visit the shopping cart on our website at www.mta.org.

The practice exam booklets, for all 3 levels, offer you sample questions and answers in the same format that you will see on the exams. For the level 3 exam you will be asked questions in the same essay format as seen on the exam.

The quiz cards for level 1 and 2 do not contain charts, however; there are more than 150 quiz cards per level. The questions are on one side of the quiz card and the answers are on the back. We do not have quiz cards for level 3.

The practice exams and the quiz card questions are nearly identical except that there are no charts or chart related questions on the quiz cards. This was done deliberately.

Some enjoy the practice exams because it allows them to practice "time management" skills for the full test questions all at once. Others prefer the quiz cards, which allow them to select random questions (with the answers on the back of the card) for use in reviewing on trains, buses, etc.

The choice is yours!

Guide to Sponsorship

Receiving *Membership Status* with the MTA grants you all the same privileges as an *Affiliate*, as well as allows you to vote on MTA matters, hold an office or chair a committee, and become eligible to hold the CMT designation after successful completion of all three levels of the exam.

Since *Membership Status* is essential to holding the CMT designation, why not [get started with the process today!](#)

regulations of any government, governmental agency or regulatory organization relating to the use of inside information.

Furthermore, Code 5 states that "if to do so would violate the laws and regulations of any government, governmental agency or regulatory organization relating to the use of inside information." While it may be a broad statement, the message is clear - do not use inside information, do not pass on inside information, and respect the laws that were written regarding inside information. In other words, it is a violation of our Code of Ethics to act on inside information in any way.

Code 1 is slightly more broad in meaning and refers to using, or exploiting, the MTA's membership list. It also discusses standards and professional competence:

1. Members and Affiliates shall maintain at all times the highest standards of professional competence, integrity and judgment. Said standards should be maintained, and members and affiliates should act with dignity and in an ethical manner when dealing with the public, clients, prospects, employees, fellow Members and Affiliates and business associates.

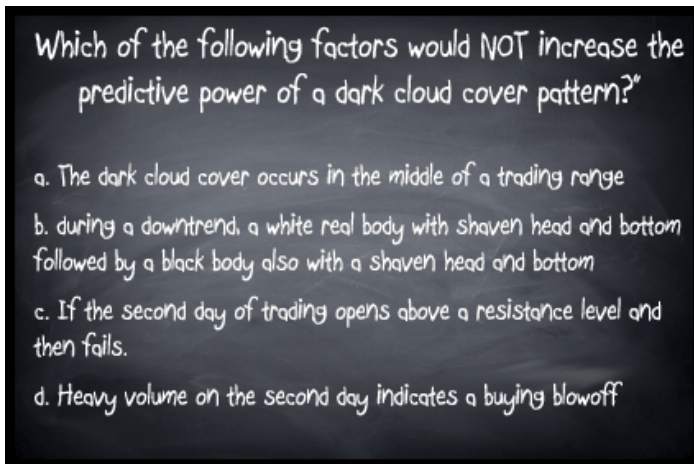
This ethical standard requires strict compliance with the applicable laws and regulations of any government, governmental agency and regulatory organization which has jurisdiction over the professional activities of Members and Affiliates. This same ethical standard requires that Members and Affiliates abide by the Constitution and By-Laws of the Association, and all rules promulgated by its Board of Directors. Members and Affiliates shall not unduly exploit their relationship with the Association for commercial purposes, nor use, or permit others to use, Association mailing lists for other than Association purposes.

Like Code 5, Code 1 says you should be a good law-abiding citizen, however in a different respect. You should review and memorize the [Code of Ethics](#), which can be found on the MTA Website.

Practice, Practice, Practice: Sample Questions with the Correct Answer

The following multiple choice questions are in the format you will see on the exam. This newsletter focuses on CMT Level 2 questions.

Practice Exam Level 2 Page 13, Question 118



Answer: A

A dark cloud cover is a two candle reversal pattern that "occurs after an uptrend, or, at times, at the top of a congestion band." If you are in the middle of a range you are not at the top of a congestion band or at the top of an uptrend, thus, it will not increase the predictive power of a dark cloud cover.

Reference: Nison, *JAPANESE CANDLESTICK CHARTING TECHNIQUES*, 2nd edition, page 49

Practice Exam Level 2 Page 4, Question 12

Which of the following would NOT be true in designing a trading system utilizing bands?

- a. Buy when prices penetrate the upper band
- b. Close out longs when prices reverse and go below the center of the band
- c. Close out shorts when prices reverse and go below the center of the band
- d. Sell when price breaks below the lower band.

Answer: C

Here the rules for using bands are spelled out.

Buy (close out shorts and go long) when the price penetrates (closes above) the upper band.
Sell (close out longs and go short) when the price penetrates (closes below) the lower band."

These are the first two rules he goes on:

Buy (go long) when prices penetrate the upper band. Close out longs when prices reverse and go below the moving average value (the center of the band).
Sell (go short) when prices break below the lower band. Cover your shorts when prices penetrate upwards through the moving average value."

Don't give up yet, there are more rules that you can apply.

Buy when the high of the day penetrates the upper band and close out longs when the low of the day penetrates the moving average.
Sell when the low of the day penetrates the lower band and cover shorts when the high penetrates the moving average."

Final rules you can use are:

Buy (or sell) on the close after an entry signal has been indicated.
Buy (or sell) on the next day's open following a signal.
Buy (or sell) with a delay of 1,2, or 3 days after the signal.
Buy (or sell) after a price retracement of 50% (or some other value) following a signal.
Buy (or sell) when prices move to within a specified risk relative to a reversal or exit point."

"Only one order can be executed in one day; either a liquidation of a current position or an entry into a new position."

Given all these choices, only option C is incorrect.

Reference: *NEW TRADING SYSTEMS AND METHODS 4TH EDITION* by Perry J. Kaufman, page 295- 299.

Which of the following is NOT a Fibonacci series?

- a. 0.667, 0.600, 0.6250, 0.654
- b. 1, 2, 3, 4
- c. 21, 34, 55, 89
- d. 610, 987, 1597, 2584

Answer: B

"The sequence is derived by taking the number 2 and adding it to the previous number in the series. Thus, $2 + 1 = 3$ $3 + 2 = 5$ $5 + 3 = 8$ and so forth." Get the picture? If faced with these types of question look for the obvious answer. The Fibonacci sequence which was obviously wrong was: 1, 2, 3, 4. $1 + 1 = 2$ $2 + 1 = 3$ $3 + 2 = 5$ NOT 4.

Reference: Pring, *TECHNICAL ANALYSIS EXPLAINED*, 4th edition, page 298

Practice Exam Level 2
Page 5, Question 33

How would one improve a trading system utilizing band penetrations as trading signals which is giving too many unprofitable trade signals?

- a. Narrow the bands
- b. Widen the bands
- c. Utilize a shorter time horizon
- d. Utilize stop loss orders.

Answer: B

It is fairly evident that this wider setting has no significance because its bands are near touched. Similarly, if they are set at too narrow a basis, there will be far too many whipsaws.

Reference: Pring, *TECHNICAL ANALYSIS EXPLAINED* 4th edition, Page 175

[Opt out of receiving this type of mailing from the Market Technicians Association](#)