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Letter from the Editor

By now, you should be actively "hitting the books" on the time table we gave you earlier. Remember, it is easier for you to understand the totality of the curriculum first and then go back to specific topics/areas where you want a refresher. Previous examination candidates have lamented waiting too long before starting on the recommended readings. Be an early bird!



To enhance your studying, this Newsletter is not geared to administration matters (plenty of time to discuss that prior to the examination) but rather ONLY to open questions you may have and practice material. As such, we have increased the number of quiz inputs and "Ask the Director" questions.

Lastly, in the previous CMT Newsletters, we recommended additional book readings if you wanted to read more extensively on a particular topic. In a section below, we have provided some websites (free, of course) that have some additional materials that might help you round out your understanding of a particular topic.

- [MTA Knowledge Base](#) (All topics)
- [StockCharts.com](#) (All topics)
- [Investopedia](#) (All topics)
- [Technitrader.com](#) (Stochastics and MACD)
- [BollingerBands.com](#) (Bollinger Bands and related topics)

These recommendations come from our investigations and what we have heard in the past from candidates. If you have a website that you believe would augment the candidates understanding of a particular BOK (Body of Knowledge) area, please feel free to write to me and I will investigate it and, if appropriate, include it in future CMT Newsletters.

- **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.

Ask the Director

I have found some of the information in the suggested readings in Level I tend to contradict each other (i.e Pring defines a wedge a little differently than Edwards), is there a text book that the exam writers give more credence to in those situations?

Answer: "A wedge is very similar to a triangle in that two converging lines can be constructed from a series of peaks and troughs.....A falling wedge represents a temporary interruption of a rising trend, and a rising wedge is a temporary interruption of a falling trend." Pring page 100. Edwards and Magee agrees with this.



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](#)

Kirkpatrick/Dahlquist "Wedges are one of a few patterns that can be consolidation patterns against the prevailing trend, consolidation patterns with the trend, or topping patterns, especially when accompanying a climax. They occur more often during consolidations but are more dramatic after a climax." Page, 328

All three books say essentially the same thing. The questions are written from ALL the assigned text books.

I had originally planned on completing Level 3 a couple years ago and had already purchased all of the reading material. How much is it going to hurt me that my editions of a few of these may not be the most current?

Answer: You should make every effort to read the assigned editions of the readings. If the cost is too great for you to bear, we do lend these books to you from the MTA Library. Please contact Cassandra@mta.org and ask her about the availability of these books. I would suggest that you purchase the books as they would be a great addition to any home library, and you might find use for them down the road.

I posted on the MTA Facebook wall about the CMT Level 2 exam, and was told to contact you. I have done the reading, but am not sure if I am ready. I was wondering if there was a practice or sample exam I could have that would help me feel confident going into the exam.

Answer: The good news is that you have finished the required readings. We do offer practice exam for you to take. In addition, Martin Pring's TECHNICAL ANALYSIS EXPLAINED 4th edition has a study guide which you can order. In the study guide there are sample questions based on the assigned text. John Murphy's TECHNICAL ANALYSIS OF THE FINANCIAL MARKETS also has a study guide which you can purchase which will serve as a good review for the exam.

I recently registered as an affiliate MTA member and have paid the Level 1 test fee. I tried to log in to set up a test time and the site was asking for an ID number. The one I had from MTA.org was "000012345I" or "12345I." Neither worked and I am lost as to what I need to enter in order to register to take the test.

Answer: This always confuses people! Remove the first four zeros and use only the next five numbers. The last digit is not a one (1), but actually an "I" which needs to be removed as well. Those remaining five (5) digits is your identification number, which you need to access your MTA information and account. We recently made adjustments to the "My Profile" section on the MTA.org to reflect your correct Member ID if you are ever unsure.

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

CMT Exam Level 1

CMT Institute (CMTi) - One Month Left!

Classes begin in one month, sign up now! Registrants have already begun communicating through the discussion forums and viewing the archives that are made available to them upon registration. Don't miss out on the opportunity to enhance your preparation process. To register for one of the CMTi courses, please [click here](#), or call Cassandra Townes at 646-652-3300. [Click here](#) to read a letter from the CMTi Director, Carson Dahlberg, CMT.

MTA Member Sponsorship Process

How do I find three sponsors?

The MTA has made it very easy for you to find sponsors. We have over 600 Members who are willing to sponsor other candidates. You can find this list by visiting our website; log into the "Member Home" page, scroll down until you see the heading "My Information," and in that section you will find "Steps to Becoming a Member." At the top of that page select "Members willing to Sponsor."

Select three (3) Members from the list and request that they sponsor you. If they agree to do so, email them a current resume and a copy of some technical analysis work that you have written. Explain what type of TA you use, what sectors of the market you concentrate on in your day to day work, etc. The sponsors will want to know that you use this discipline to perform your tasks. They might want to get to know you professionally so that if called upon, they can discuss your work.

Once a Member agrees to sponsor you, send them a "sponsor questionnaire" form that they must fill out and return to Cassandra Townes. If you have any questions, please contact Cassandra Townes at cassandra@mta.org or 646-652-3300.

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!](#)

When utilizing bar charts, the target expected after a breakout from a rectangle is based on which of the following measurements?

- (A) Height of the rectangle formation
- (B) The height multiplied by the width of the rectangle
- (C) Width of the formation in terms of time
- (D) Height of a rectangle formation added to the breakout price

Answer: D

"A target can be calculated by adding the height of the rectangle formation to the breakout price."

Reference:

Kirkpatrick/Dahlquist, Technical Analysis, 2006 (page 316)

Which of the following sequences correctly ranks the tools from most to least important?

- (A) price, volume, open interest
- (B) price, open interest, volume
- (C) volume, price, open interest
- (D) open interest, volume, price

Answer: A

"Volume usually goes with the trend; that is, volume advances with a rising trend of prices and falls with a declining one." -

Reference:

Pring, Technical Analysis Explained (4th Edition), 2002 (pages 74-75)

A rising put/call ratio indicates which of the following?

- (A) Call volume is rising.
- (B) Option traders are bullish.
- (C) Open interest should rise sharply.
- (D) Buyers versus sellers are weakening.

Answer: D

It is normal for call volume to outstrip that of puts, and so the put/call ratio invariably trades below the 1.0 or (100) level. This indicator measures the swings in sentiment between the bulls and the bears. In theory, the lower the ratio, the more bullish the crowd and the more likely the market is to decline, and vice versa.

References:

Pring, Technical Analysis Explained (4th Edition), 2002 (page 506)
Kirkpatrick/Dahlquist, Technical Analysis, 2006 (page 92)

CMT Exam Level 2



Answer: C

For a further explanation, please visit the reference listed below.

Reference:

Pring, Technical Analysis Explained (4th Edition), 2002 (page 355)



Answer: B

For a further explanation, please visit the reference listed below.

Reference:

Pring, Technical Analysis Explained (4th Edition), 2002 (Chapter 2)

When dividing the Commodity Bureau Research Index (CRB) by the S+P 500 and taking a ratio between them, the resulting curve is interpreted in which of the following ways?

- (A) A rising curve is inflationary, while a falling curve is deflationary
- (B) A rising curve is deflationary, while a falling curve is inflationary
- (C) A flat curve is considered deflationary
- (D) A rising or falling curve is considered inflationary

Answer: A

For a further explanation, please visit the reference listed below.

Reference:

Pring, Technical Analysis Explained (4th Edition), 2002 (page 356)

CMT Exam Level 3



COP – Upward Gapping Tasuki

The upward gapping tasuki is composed of a rising window formed by a white candle and is followed by a black candle that opens within the white real body and then closes under the white candle's real body. The close on the black candle is the fighting point. The rising window is bullish and should contain any correction as support. If the black candle closes below the bottom of the window the pattern is negated.

Reference:

Nison, Japanese Candlestick Charting Techniques (pages 134 – 135)

Thank you Mark Cremonie, CFA, CMT for your contribution.

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