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Letter from the Editor

For CMT Level 1 Exam candidates, begin your study with TECHNICAL ANALYSIS: THE COMPLETE RESOURCE FOR FINANCIAL MARKET TECHNICIANS, written by Charles Kirkpatrick, CMT and Julie Dahlquist, PhD, CMT. The [MTA Knowledge Base](#) is also available online to support your study and preparation for the upcoming exam. The Knowledge Base is a good source for quick answers to questions regarding many of the subjects/domains that you have been assigned in the recommended reading. Within the Knowledge Base you will not only find quiz cards and practice questions, but also resources such as videos and articles that you can use as a study aid for the exams. CMT Level 1 Exam is a basic multiple choice exam concentrating on definitions.



There are 17 weeks until the October exams begin. You have 35 chapters in the Edwards, Magee and Bassetti book to read, 21 chapters in Kirkpatrick/Dahlquist, 27 chapters in Pring and 4 chapters in du Plessis. I have included the assigned appendices as chapters. You will find that some chapters are only two pages long! Some of the information in the assigned reading materials is repeated from one book to another. For example, Dow Theory is covered in three of the four assigned books. You will revisit domains and topics several times and this will reinforce the knowledge you have already gained. You should plan on reading a minimum of about 6 chapters a week. That will leave you with ample time for review and study groups.

CMT Level 2 Exam candidates should start with a review of the books assigned for the CMT Level 1 Exam. This will serve as a refresher for the CMT Level 2 materials. Start again with the Kirkpatrick / Dahlquist book, TECHNICAL ANALYSIS: THE COMPLETE RESOURCE FOR FINANCIAL MARKET TECHNICIANS. Remember, the CMT Level 2 Exam involves some definitions on newly-assigned material in addition to the standard questions asked on applications. We have added the book, THE DEFINITIVE GUIDE TO POINT AND FIGURE, to your assigned reading. You will have to play catch-up with this book. Chapters 1 through 4 are assigned for CMT Level 1 Exam and you are assigned chapters 5 through 9. You will notice that you will need to read the early chapters to understand the later chapters. By the CMT Level 3 Exam, you are responsible for the entire book.

CMT Level 3 Exam candidates should review all the information learned in CMT Levels 1 and 2, as the exams are cumulative. This exam is all application and analysis delivered in an essay format. Start your CMT Level 3 readings with THE DEFINITIVE GUIDE TO POINT AND FIGURE by Jeremy du Plessis, CMT, FSTA and then move onto the John Murphy, CMT book: INTERMARKET ANALYSIS: PROFITING FROM GLOBAL MARKET RELATIONSHIPS. These books will give you a firm foundation in preparation for the CMT Level 3 Exam.

Recommended Study Times

After many years of exam administrations, our candidates have constantly updated us on the required study times for CMT Exam success and have provided tips for "best practice" studying techniques. At the start of your review process, you need to clearly understand the recommended study times for each examination. These times are the **minimum** amount of time you should devote to study.

They are as follows:

- Level 1 – 100 Hours
- Level 2 – 140 Hours
- Level 3 – 160 Hours

There is no substitute for study. The recommended "best practice" is to understand these required study times now and set a WEEKLY goal for yourself as you prepare for the examination. It is far more advisable to study overtime than to attempt to shortcut, or, worse, to not complete the required readings.

All Levels

Administrative Corner

Registration for Fall 2010 CMT Administration Now Open!

The MTA is pleased to announce that registration for the Fall 2010 CMT Administration, is **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 you are having trouble scheduling your exam with Prometric.

For detailed instructions on how you can register online, please [click here](#).

Test Dates

The Fall 2010 CMT Exams will be held from *October 28, 2010*, through *November 6, 2010*.

Registration Closing Dates

Registration for CMT Levels 1 and 2 closes on *October 22, 2010*. Registration for Level 3 closes on *October 8, 2010*.

Recommended Reading Lists

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

When reading assignments change by addition or deletion, you, the candidates, are responsible for the current material. Therefore it is important to always review each level's assigned materials because you are responsible for all materials in all prior levels.

A word regarding study: Do not use practice exams as a substitution for reading the assigned books. Although you might score well on the practice exams, there is no assurance that those successful exercises will translate into a passing score on the actual exam. Our practice materials are just that – practice materials. They were developed to help you reinforce the material that you have learned. Many of the questions in the practice materials are in a different format than found on the exams. For example, the CMT Exams do not have any true/false questions, while the practice exams do. The weighting of the CMT Exam is disclosed in the [Body of Knowledge](#). The practice exams do not reflect the weights that are seen on the actual exam. There is nothing that will remove your responsibility for reading the materials assigned.

What You Have To Know (*And is Always Tested!*)

Start your examination study with an understanding of the [MTA CODE OF ETHICS](#). This is a one-page document that you will be tested on in all three levels. You will not be asked to quote a rule, but rather, to identify if a violation exists in a given situation that we provide you with. It is the application/interpretation of the rules that is important.

HELPFUL HINT: Being able to reference a specific rule's number might be beneficial during the CMT Level 3 Exam; however, *you must provide us with more than just the number of the violation*. You must explain where the violation occurred. For example, Stan executed his order before allowing his client, the firm client and the public adequate time. In essence he was front-running. Code 7: "When a Member or Affiliate recommends that a security ought to be bought, sold or held, adequate opportunity to act on such a recommendation shall be given to the Member's or Affiliate's clients, employer, and the employer's clients before acting on behalf of either the Member's or Affiliate's own account or the accounts of immediate family members." [MTA CODE OF ETHICS](#)

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ID's for Test Centers

One thing we have learned over time is that the candidate's name in our database and Prometric's must be identical to the one on your Government Issue ID and/or Passport. We cannot stress how important it is that the ID and the information in the databases be the same. Too often a candidate has reported to the test center only to find that they cannot take the exam because the name on the Prometric printout does not match their ID.



So please, go to the website and make sure that your MTA profile contains the correct information.

Egyptian Candidates - Prometric is no longer accepting your National ID or Driver's License as a primary ID since they do not have a signature on them. A primary ID must have both a photo and a signature. Therefore, you will have to bring your passport to the test center; if you do not have a passport, we advise you to get one.

If you have any questions please don't hesitate to contact me at marie@mta.org.

Marie Penza
Director of Member Services
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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. If I don't post the answer here for all to see, rest assured I will answer them directly with you by e-mail.

Best Practices

In this section you will find helpful hints that might aid in your study/preparation process. Sometimes candidates focus too much on smaller details or get caught up in particular sections of the recommended reading. Here we will try to provide other methods and materials that can be utilized to make sure you are fully prepared for the upcoming exams. Are there sections in the Knowledge Base that can help you? What about additional study guides? All this and more will be featured in the Best Practices section.

Cassandra's Corner

Improved Practice Exams 1 & 2 are available for purchase. Just visit the shopping cart on our website at www.mta.org. These practice exams and quiz cards are a good way to review the material that you will be tested on. Naturally, the quiz cards do not contain charts. Please note there are some identical questions on the quiz cards and the practice exams.

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 questions at random (with the answers on the back of the card) for use in reviewing on trains, buses, etc.

The choice is yours!

Ask the Director

As I began reading the CMT Level 2 assignment for the du Plessis book, I realized that chapter 5 begins with in-depth analysis using rules and terms that we did not yet cover in CMT Level 1 readings, yet are contained in chapters 1-4 which are not assigned until CMT Level 3. I would imagine that we would have to learn the rules of analysis before delving into these in depth analysis examples. Could you please confirm that this assignment is indeed the correct ordering for levels 2 and 3?

Answer: As to the du Plessis book, the assignment is correct: CMT Level 1 Exam - chapters 1-4, CMT Level 2 Exam - chapters 5-9 and CMT Level 3 Exam - the entire book. CMT Level 1 questions will come from chapters 1-4 and CMT Level 2 questions will come from chapters 5-9. By CMT 3 you will be responsible for the entire book. I would strongly advise you to read chapters 1-4. Some of the early chapters are on the history of point and figure and really interesting material.

I was just about to purchase the CMT practice materials and study guide until I read that you are redoing the exam. Will this effect those products? I have already purchased all the level two books and find it disappointing there will be an addition. Please let me know the level of importance I can place on the study guides available from the MTA site.

Answer: I have recently completed updating the CMT Level 1 Practice Exam, the CMT Level 2 Practice Exam, and the Quiz Cards so that they conform to the new exam. The Practice Exam and Quiz Cards are made up of questions covering most of the reading materials. They do not represent the weightings of the actual exams and differ in that there are no true/false questions on the CMT Level 2 Exam. These materials were developed as a review tool. None of the study materials will take the place of reading the assigned books. Martin Pring's book TECHNICAL ANALYSIS EXPLAINED, Fourth Edition has a study guide which you can purchase. I also suggest that you read the John Murphy book TECHNICAL ANALYSIS AND THE FINANCIAL MARKETS and purchase the workbook that is keyed to that book. The Murphy book is not assigned at any level but is a good source of information that will serve to help you study. Please review the Body of Knowledge for the actual weightings of the domains on this exam.

I see that there was new book added to CMT Level 2 which cost about \$182. With the stress of the markets and the economy that we are in, is the price of the exam or dues going to be lowered. Is there something going to be done from the CMT institute considering they decided to add this text 4 months before the exam date.

Answer: This book can be bought directly from the publisher (www.updata.co.uk/shop/mtabookoffer.asp) at a special rate for MTA member of \$49 plus \$10 shipping. As to the change in the assigned reading assignments and books, it is common practice for the members of the Advisory Board to review the assigned reading materials and, on occasion, to adjust those assignments by adding or deleting chapters or perhaps by adding or deleting books. The changes are usually made prior to the opening of registration for the next exam cycle. Part of the reason we delay opening registration is to give us time to make changes and fine-tune your assignments.

I finished reading The Definitive Guide to Point and Figure, and I have a question about chapter 7: It is not clear what tools I would need to begin conducting optimization of point and figure charts. While I see the tables with some of the results, there is no footnote or description of how the actual process was conducted. What computer software programs currently exist which already allow for point and figure chart optimization based on specific chart formations?

Answer: "I used the Updata software (of which I am the designer) to conduct the optimisation of Point and Figure charts. It involved testing various box sizes based on various Point and Figure buy and sell signals. On page 357 I explain the process and on page 359 I explain the test parameters I used. I hope that helps." - Jeremy du Plessis, CMT FSTA

Jeremy will be happy to answer any questions that you might have regarding your studies in Point and Figure charting. Please email Jeremy at Jeremy@updata.co.uk

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

In this section you will find sample questions taken from the Quiz Cards, Practice Exams, and past CMT Exams. It is here that not only will you be provided with the answers, but also the rationale and reference for where you can find it in the required reading.

CMT Level 1 Question

A Yorikiri describes

- A) A pattern seen in Ichimuko Cloud formations
- B) Is a moving average line used in Ichimuko Cloud charts
- C) Is the a candlestick also called a "Belt-Hold"
- D) Is the result of a series of candlestick formations

Answer: C

"BELT-HOLD LINES (Yorikiri)"

"A bullish belt hold is a one candle pattern consisting of a long candle in which a price opens on the session low and then works its way higher throughout the session."

Reference:

Pring, TECHNICAL ANALYSIS EXPLAINED, Fourth Edition, (chapter 13, pg. 266)

CMT Level 2 Question

For the short-term trader

- A) Use five box reversal charts
- B) Use three box reversal charts
- C) Use both five and three box reversal charts
- D) Use both three and one box reversal charts

Answer: D

"Short-term traders should always include a 1-box reversal chart as well as a 3-box chart, perhaps even a 2-box chart."

Reference:

du Plessis, THE DEFINITIVE GUIDE TO POINT AND FIGURE, (chapter 5, pg. 275)

CMT Level 3 Question

Sandra, a research analyst at Boring Securities has issued her monthly report on the semi-conductor sector. In her report, she highlights Bolt Semi-conductor and uses direct quotes from another analyst. Sandra gave the writer attribution in the footnotes. What if any ethical violation can be seen in this case?

Answer:

Code 8: "Members and Affiliates must ensure that the original author receives prominent and adequate credit for the original work." While a footnote may not be the most prominent of attributions, it is deemed as adequate. Therefore, no violation exists in the above scenario.

Reference:

[MTA CODE OF ETHICS](#)