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Letter from the Editor

Now that you are likely deep into the study process, I think it is a good time to direct you to the MTA Knowledge Base (KB) for answers to some questions you might have. [The Knowledge Base](#) is categorized by topics; its structure mirrors, to a large degree, the "Body of Knowledge." Click on the topic and it will take you to the resource regarding that information. You may find one resource or many, depending on the topic. In the KB, you will also find sample questions and videos specific to many of the technical analysis topics you are studying. This is a fabulous resource that comes with your MTA membership.



New Edition to the CMT e-Newsletter:

Each issue of the CMT e-Newsletter will contain a subject link to the MTA Knowledge Base. In future editions, I will briefly discuss a topic and include a link to the Knowledge Base where you can find more information to help you study for your exam.

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

- An example of a Chart Construction resource: [click here](#)
- An example of Sample Questions for a specific resource: [click here](#)
- An example of Suggested Readings for a specific resource: [click here](#)
- For an in-depth orientation on how to use the Knowledge Base, [view our tutorial](#).

OVERVIEW OF RECENT EXAMS:

I recently reviewed scores achieved by CMT candidates in specific domains (general categories) of the examinations. The exams were reviewed in an effort to determine where candidate strengths and weaknesses appeared in the exams. The exams are divided into general topics called domains. A domain is a topic such as "Theory and History," "Market Indicators," "Construction," "Trend Analysis," "Chart and Pattern Analysis," "Confirmation," "Cycles," "Selection and Decisions," "Ethics," etc. The actual domains for your exam can be found in the "Body of Knowledge" on the MTA web page. When reviewing the results of the CMT Level 1 and CMT Level 2 exams, I looked for areas that exhibited weakness and areas that exhibited strengths. Probably the most important piece of information gleaned from this review is that no one topic did much better or worse than another topic.

That said, there is some information that can be taken away from this review of the CMT Level 1 and CMT Level 2 test results. For the CMT Level 1 examination, those who failed the exam did poorly in "Trading and Investment Strategies." This tells me that the candidates need to pay more attention to the application of the information learned from chart analysis. It is fine to understand that an issue is trading above its trendline, but what does that mean for your investment plan? If a chart is bullish, then what? For review on Trading and Investment Strategies, revisit Chapter 21 in Kirkpatrick/Dahlquist. Another area that showed some weakness among the test takers was "Behavioral Finance." Behavioral Finance, for the most part, involves contrary indicators, such as the put call ratio, margin debt, the IPO market etc. Basically, sentiment views the information in the public and media eye. I suggest that you review Chapter 7 in Kirkpatrick/Dahlquist and Chapters 26 & 27 in Pring.

CMT Level 2 candidates performed best in "Sentiment (Behavioral Finance)." Of those who failed, weakness was seen in "Flow of Funds." A review of Chapter 10 in Kirkpatrick/ Dahlquist will help you. For the most part, the grades were evenly distributed. It became clear that more review on "Trend and Momentum" could have helped candidates perform better on the CMT Level 2 exam. It is worthwhile to note that by CMT Level 3 of the CMT exams, knowledge of Trend and Momentum is *vital* and the basic knowledge learned at the earlier levels is also important.

For CMT Level 3, I am pleased to report that almost all candidates proved that the candidates knowledge of Ethics was excellent as such, that was the best-performing section of this exam. The best performance regarding the rest of the sections was seen in Candlestick Analysis, even

CMT Institute (CMTi) - Registration Open!

We are pleased to announce the opening of the Fall 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 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 **Cassandra Townes** at 646-652-3300.

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*

among those who failed the exam. The poorest performance by domain of the candidates taking this exam was seen in the Elliott Wave question, closely followed by Behavioral Finance question. Remember, we have added a new point and figure book to your reading assignments.

Jeanette Young, CMT, CFP
CMT Program Director
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Series 86 FINRA Exemption Explained

In February of 2005, FINRA amended NASD Rule 1050 to provide an exemption from the analysis portion of the Research Analyst Qualification Examination (Series 86) for applicants who have passed Levels I and II of the Chartered Market Technician (CMT) certification examination.



The Research Analyst Qualification Examination consists of Series 86 (analysis part) and 87 (regulatory part). *What does this mean to you as a CMT candidate?* After you have passed Levels 1 & 2 of the CMT exam, you can apply for this exemption. However, you must apply for this exemption within two years of having passed the Level 2 exam or be able to prove that you have functioned continuously as a research analyst since having passed the CMT Level 2 exam.

How do I go about applying for the exemption? Have your company's compliance department apply for the exemption. Please note that your company must be a member of FINRA and that you must have passed your Series 7 exam before applying for the exemption.

What is the procedure to apply for the exemption? The following link, <http://www.mta.org/eweb/docs/pdfs/Series86Instructions.pdf>, will bring you to the MTA website where the instructions are listed. On that page you will also find the information that must be submitted when applying for the exemption. FINRA will request your name, birthday, your CRD Number and Broker-Dealer Name and CRD#.

If you have any questions, please feel free to contact me directly at marie@mta.org or 646-652-3300.

Marie Penza
Director of Member Services
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Ask the Director

Where would be the best place to go to study how a CMT structures their technical opinions in preparation for CMT Level 3?

Answer: The questions are taken from the assigned texts. The technical opinions are based on what you see in the chart. You may have a different opinion than we do but so long as you can justify that opinion with accepted technical analysis techniques, it will be counted. Read the books, please review the material from CMT Level 1 and CMT Level 2 and read the assigned texts for CMT Level 3. You know there will be a Candlestick, Elliott Wave, Intermarket Analysis, Point and Figure and Behavioral Finance questions on this exam.

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](#)

Cassandra's Corner

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!](#)

Will bullet points be acceptable any time you're asking for a technical opinion on a chart?

Answer: Yes, they will be so long as you answer the question. Actually, we prefer bullet points to long essays.

In the last CMT
Newsletter, I answered the Level 3 example question with two
answers as the question asks to explain each pattern. I identified it based on its overall
strength (size of real body vs. others), its shaven quality & the fact that it seems to visually
"engulf" many of the preceding days, in addition to not having appeared for quite some time. In my
view it occurs close enough to the top of the trend which further enhances its bearish quality.
In grading this question, would this answer have been penalized in that any
additional analysis would be disregarded by the grader?

Answer: The confusion here is that the question was taken directly from the exam, and there were six charts shown in this section of the CMT Level 3 Exam. You were only shown one of those charts in the sample question, so you were being asked to identify the pattern seen in the ellipse and to explain its significance. The answer I provided is the only acceptable answer for that particular chart. A belt-hold is a single candle. While that candle is indeed a bearish belt-hold candle, you would not have been given credit because you did not identify the three-candle combination that we were looking for.

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.

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

CMT Level 1

“The longer a pattern takes to complete and the longer the price fluctuations within it,”

- A. The more substantial the following move is likely to be
- B. The more apparent the pattern will become
- C. The less apparent the pattern will become
- D. The less substantial the following move will likely be

Answer: A

“The longer a pattern takes to complete and the longer the price fluctuations within it, the more substantial the following move is likely to be”

Reference:

Pring, TECHNICAL ANALYSIS EXPLAINED, 4th Edition, (Chapter 5, Page 67)

CMT Level 2

Umbrella lines can be:

- A. Bullish
- B. Bearish
- C. Both A and B
- D. Neither A nor B

Answer: C

“...these lines can be either bullish or bearish according to the market environment.”

Reference:

Nison, JAPANESE CANDELSTICK CHARTING TECHNIQUES, Second Edition, (Chapter 4, Page 33)

CMT Level 3

Identify and discuss the six stages
of the business cycle.

Answer:

"Stage 1: Bonds turn up	(stocks and commodities falling)
Stage 2: Stocks turn up	(bonds rising, commodities falling)
Stage 3: Commodities turn up	(all three markets rising)
Stage 4: Bonds turn down	(stocks and commodities rising)
Stage 5: Stocks turn down	(bonds dropping, commodities rising)
Stage 6: Commodities turn down	(all three markets dropping)"

Reference:

Murphy, INTERMARKET ANALYSIS, (Chapter 12, Page 183)

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