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Letter from the Editor

Many of you may have wondered how the CMT exam questions are written. The exam questions are written by members of the MTA CMT Test Development Committee. The committee is made up of nine CMT subject matter experts that write and review examination questions based on the various CMT reading assignments (a subject matter expert is a person that is a specialist in, for example, Elliott Wave, Candlestick Analysis, or perhaps Point and Figure, etc.).



To maximize your preparation for the exam, you will need to complete the recommended readings for your level of the exam in addition to reviewing the previous recommended reading assignments for each level you have passed. Please note that we have made some changes in the assigned chapters in the recommended reading list. We have also added a new book to all levels of the exam. You are responsible for the content of your exam as well as the content of the previous levels. Here is a link to the [recommended readings](#) for the CMT exams.

Practice exams are a wonderful tool for review. That said, these learning tools should not be used in place of reading the recommended assignments. The practice exams are not a short-cut to the reading assignment but rather can be used as a means to measure, and perhaps enhance, your comprehension of the assigned materials. Remember that practice exams are just that – *for practice*.

I recommend that you also utilize the [MTA Knowledge Base](#). This is a great source for additional material on specific subject matters, broken out in an interactive and user-friendly structure, that can often provide answers to your questions. (See below for featured resources.)

After reading the recommended books, some candidates may need additional resources to supplement their studies. With that in mind, below are a few suggestions that might provide supportive coverage of particular topics for the exam:

- [TECHNICAL ANALYSIS OF THE FINANCIAL MARKETS](#), by John Murphy, CMT. A companion workbook can be purchased, or you can borrow the MTA library copy. Please call or email cassandra@mta.org for the workbook's availability. It is a great review for the CMT 1 exam. Naturally, if any information in this edition conflicts with the assigned reading, please remember that you will be tested on the assigned reading and not this additional reference.
- [STUDY GUIDE FOR TECHNICAL ANALYSIS EXPLAINED, 4th Edition](#). This is the workbook for Martin Pring's book [TECHNICAL ANALYSIS EXPLAINED](#). This workbook will help test the skills and material that you learned from the textbook. This workbook is also available for loan from our library.

By Now...

CMT Level 1: You should be through the Kirkpatrick/Dahlquist book and have started the Pring book. You can start to add in [TECHNICAL ANALYSIS OF STOCK TRENDS](#) by Edwards, Magee and Basseti. Remember, we have assigned the 9th edition. This is a classic technical analysis book.

CMT Level 2: You probably haven't yet finished the Kaufman book, [NEW TRADING SYSTEMS AND METHODS, 4th Edition](#), but even so, it is time to open up the Aronson book, [EVIDENCE-BASED TECHNICAL ANALYSIS](#). After Aronson, move on to lighter reading with the Martin Pring book, [INVESTMENT PSYCHOLOGY EXPLAINED](#). Please note that all assigned books should be read whether or not I specifically mention the titles of the books in this e-Letter.

CMT Level 3: Read [IRRATIONAL EXUBERANCE, 2nd Edition](#), by Robert Shiller. Once finished reading Shiller, you move onto candlesticks. I recommend reading the entire Nison book, [JAPANESE CANDLESTICK CHARTING TECHNIQUES, 2nd Edition](#).

Knowledge Base

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*

Because many of the CMT Level 1 candidates generally seem to have problems with the subject of Sentiment, it would be a wise idea to access the Knowledge Base on [the subject of Sentiment](#) once the reading assignments on that topic are completed.

CMT Level 2 candidates, I would suggest that you review the [Flow of Funds](#) topic in the Knowledge Base once you have completed the readings on Flow of Funds.

CMT Level 3 candidates, go to the [Elliott Wave](#) section of the Knowledge Base. In this section, you will not only find good sample questions but also a lot of useful information about Elliott Wave to help you through any confusion you may be experiencing.

Administrative Notes

CMT Level 1 and CMT Level 2 candidates: You will not receive a pass/fail at the end of your exam session. Instead, you will receive a completion notification. CMT Level 1 and CMT Level 2 exams will be subjected to psychometric evaluation, which is a process facilitated by Prometric and involving Subject Matter Experts. This critical step serves to evaluate the questions and, most importantly, determine the scores necessary to pass the CMT Level 1 and CMT Level 2 exams. Because of this evaluation and standard setting process, you can expect to receive your pass/fail score approximately six weeks after the test window closes on November 6, 2010.

Psychometric evaluation is a statistical evaluation of the test items, an evaluation of the objectivity of the item, and much more. "Psychometric editing process that includes the evaluation of item difficulty levels and takes things such as grammar, sensitivity and style into account. Psychometrics also provide for the review of test item form and function, such as parallel options, sufficient information to answer the question and answer length." This from the article *BEST PRACTICES IN COMPUTER-BASED TEST DEVELOPMENT* by Nikki Shepherd Eatchel, M.A, Vice President, Test Development, Prometric.

For CMT Level 3 candidates, here are a few test taking tips:

- You cannot copy and paste from one page to another page. Please do not spend your time trying to do this as it does not work.
- At times, test publishers provide additional space for candidates to answer the questions. They do this because they do not know how long the answer should be. Should this occur, you do not have to fill in all of the blank space. Actually, short, brief answers are preferred where appropriate. To access the next question, click the "next" button on the screen.
- You will have a chart package available for your use during the CMT Level 3 exam. If you are not given a chart package, immediately stop and speak to the test administrator. If for any reason the chart book is not awaiting you and the test administrator cannot locate one, please call Marie Penza at 646-652-3300 to reschedule your exam.
- Remember also that the chart packages are destroyed after the exam. Graders do not see the chart packages and only see what you have typed on the computer. So, move any meaningful notes that you may have made on the chart package and type those notes in the space provided for your answer to the question. It may be worth points to you!

Jeanette Young, CMT, CFP
CMT Program Director
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A Note from Prometric Regarding Security at Test Centers

"Prometric is dedicated to providing each examinee the same opportunity to test under the same testing conditions. Test security plays a major role in ensuring that no examinee has an advantage over another. We strictly prohibit the use of certain items such as cell phones, notes, cameras, etc. during testing. Currently, two security methods are employed to make sure that prohibited matter does not enter the test room.

- The first method is the presentation of the Test Center Regulations Form notifying candidates that they are not permitted to bring prohibited items into the testing room.
- The second is that examinees are instructed to pull out their front and rear pockets for inspection prior to each entry into the test room.

Prometric is therefore also evaluating the use of Metal Detector Wands to further prevent any occurrence of prohibited electronic items being used in our testing rooms.

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!](#)

Starting on August 1st, Prometric Security began piloting the use of hand-held metal detector wands in 11 of our North American test centers. A pilot in our Baltimore test center (Prometric headquarters location) began on July 19th. The pilot is expected to run for three months as we evaluate the effectiveness of the wands and make a determination for possible expansion in 2011.

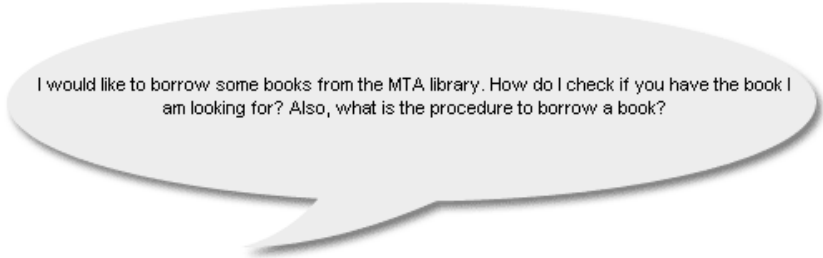
The scanners we have selected can be utilized in silent (vibrate) mode so as not to disrupt candidates who are testing. All pilot sites (see list of centers below) utilize DVR technology; the scanning will be done in front of the Test Center Administrator (TCA) camera to provide video evidence for any candidate escalations. All Prometric TCAs will be thoroughly trained on the equipment.

All candidates will be scanned prior to the standard check-in process. An information sheet will be presented to candidates upon check-in notifying them that they will be scanned, and giving them the option to refuse if they have a strong objection. Note that candidates will still be permitted to test if they decline to be scanned. The Prometric Security team will track all "catches" using the wands, candidate complaints, escalations, etc. for monthly reporting. The results will be evaluated to determine if this is a security provision that Prometric will pursue for full deployment in 2011. Extensive research by the manufacturer has produced no information that would indicate that the use of this product has adverse effects on pregnancies or on the operation of electronic implants such as pacemakers."

Bill Burnham

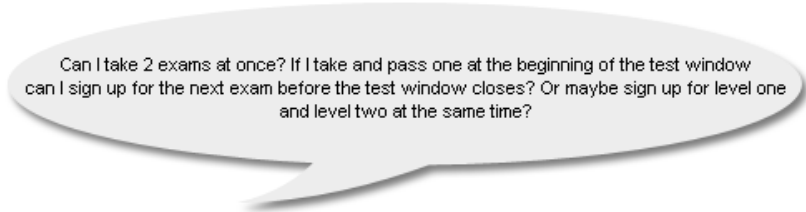
Vice President, Financial Services; Prometric

Ask the Director



I would like to borrow some books from the MTA library. How do I check if you have the book I am looking for? Also, what is the procedure to borrow a book?

Answer: Good question. Please go www.MTA.org and click on the toolbar topic "Other Services." Once there, click on "Library." You will be taken to the sign in page. Once you have signed in, you will find yourself at the Library page. Here is where you enter the title or author information to see if we have that book in our collection. Immediately you will find out whether we have the book in our collection. Clicking on the book will take you to the reservation page, which allows you to send a request for the book you would like to borrow. After you have sent the request, you will receive a document telling you about the rules of the MTA's free lending library. Review the rules then call Cassandra at 646-652-3300 or email her at Cassandra@mta.org to finish your request.



Can I take 2 exams at once? If I take and pass one at the beginning of the test window can I sign up for the next exam before the test window closes? Or maybe sign up for level one and level two at the same time?

Answer: No, you may take only one exam per test window. Our system will actually not grant you access to sign up for another exam until you've passed the previous one. Since the registration window closes before the exam window begins, you would not be able to sign up for the second exam even if you were to pass the initial exam on the first testing day.

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 your question by e-mail.

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

CMT Level 1

What is Confirmation and Divergence?

- (A) It is a pair of indicators that measures market strength.
- (B) It is a pair of oscillators that measures market strength.
- (C) It is plotted on the price of the issue.
- (D) It is an important technical concept for confirmation of a trend.

Answer: D

"The most important technical concept for confirmation of a trend is called "divergence."

Reference:

Kirkpatrick/Dahlquist, TECHNICAL ANALYSIS (Chapter 8, Page 126)

CMT Level 2

What makes a great trader or investor?

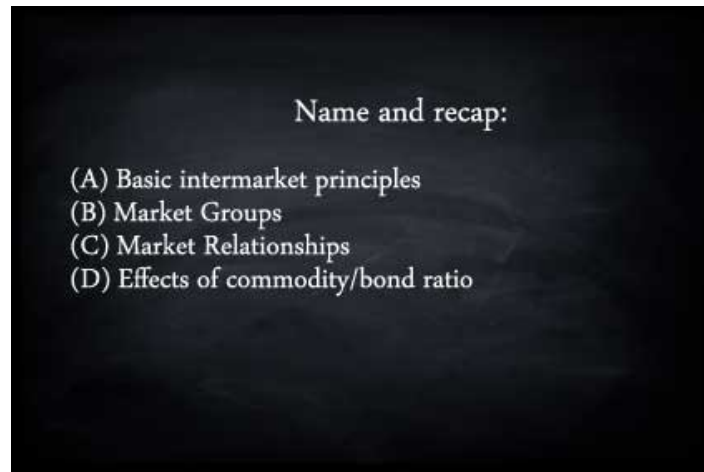
- (A) Risk control and discipline
- (B) Good video game skills for the electronic trader
- (C) Adding to bad trades
- (D) Acting on instinct rather than fact.

Answer: A

"Risk control and patience were key factors in the area of management discipline."

Reference:

CMT Level 3



Answer:

"Basic intermarket principles

- All markets are linked, domestically and globally
- No market moves in isolation
- Analysis of one market should include all the others

Market Groups

- The four market groups are stocks, bonds, commodities, and currencies

Market Relationships

- The dollar and commodities trend in opposite directions
- Bond prices and commodities trend in opposite directions
- Bonds and stocks normally trend in the same direction
- Bonds peak and trough ahead of stocks
- During deflation, bond prices rise while stocks fall
- A rising dollar is good for U.S. bonds and stocks
- A weak dollar favors large multinational stocks

Effects of commodity/bond ration

- A rising commodity/bond ratio favors inflation-type stocks including gold, energy, and basic material stocks like aluminum, copper, paper and forest products.
- A falling commodity/bond ratio favors interest rate-sensitive stocks including consumer staples, drugs, financials and utilities."

Reference:

Murphy, INTERMARKET ANALYSIS (Chapter 6, Page 93-95)

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