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Letter from the Editor

In this edition of the CMT Newsletter, I will discuss some additional online resources for information on technical analysis. These recommendations come from my investigations and what I have heard in the past from candidates. If you have a website that you believe would augment candidates' understanding of a particular (Body of Knowledge) BOK area, please feel free to write to me so I can investigate it and, if appropriate, include it in future CMT Newsletters. Above all, the best site for you to use is our own Knowledge Base (KB).



Stockcharts.com

After reading the du Plessis book, you likely became curious about percentage charts and Point and Figure charts, and might be wondering where you can find percentage charts for Point and Figure. There are several websites, most of which are expensive, that offer these types of charts. However, I found one free site, www.stockcharts.com, where you can see percentage charts for Point and Figure. This website offers Chart School, a free resource filled with information for your use as well as instructions on how to use the site. It also offers free charting and allows the user to change styles and other parameters. Stockcharts.com has a premium subscription area that you can subscribe to if you so desire.

Bollingerbands.com

Should you have questions regarding Bollinger Bands, another free site is www.bollingerbands.com. (One of the videos on the site features John Bollinger.) There is a lot of valuable content on this site that can help you understand more about Bollinger Bands. You will also find free stock charts and very attractive sector analysis. One of the tools on this site that I found very useful was the "Equity Trader." Here you can enter your stock's symbol and not only get a chart of the stock, but a list of those stocks similar to the one you entered showing the weaker siblings and stronger sibling of that issue. There is excellent information on this site on the use of Bollinger Bands as well as sections on the strength of various industries. This site has much more information available, more than we have room to include in this brief overview. This site also has a subscriber area, however; much of the information is free and extremely interesting.

Leavittbrothers.com and Trending123.com

Leavitt Brothers also has a good website – www.leavittbrothers.com. Visitors to the site can learn about candlestick patterns, patterns in general, market internal indicators, and chart indicators. This site offers free charting and very clear charts in addition to some video reports by Richard Suttmeier. An additional technical analysis site is: www.trending123.com which is an appealing site that has information on triangles, other technical tools and some interesting articles. I was unable to find a place to chart stocks, but otherwise the information was good.

The websites discussed above are just a few of the free sources available on the internet. Some of the sites allow you to chart your stocks and bonds, while others are just good places to find more information. Some words of caution – this list is not meant to indicate that these sites are better than others. These are just some of the sites that I have reviewed and believe will be helpful to you. Candidates should rely on the assigned readings and not these websites or other sources, should information differ from the assigned reading.

I hope your exam preparation is going well.

Knowledge Base:

Point and Figure charting seems to be difficult for some to grasp. I recommend that if you are having trouble with this subject, you should go to the Knowledge Base and click on Chart Types, then [Point and Figure](#). We have videos, sample questions and lectures, etc. I suggest that you watch the Jeremy du Plessis, CMT, FSTA webcast, "[Using and Understanding Point and Figure](#)." This video explains...

- Point and Figure history
- How to draw and use Point and Figure charts

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*

- Three box, two box and one box charts
- Price levels used in Point and Figure charts
- Description and explanation of Arithmetic vs. Log charts
- Point and Figure patterns
- Buy and sell signals with their associated rules
- How to draw trendlines
- How to understand and calculate targets

This information is very important to know and understand for the CMT Exams.

Trend and momentum are a very important part of Technical Analysis and the CMT Exam. In the Knowledge Base there is an interesting article on the McClellan Oscillator. "The McClellan Oscillator was developed by Sherman and Marian McClellan in 1969. It measures the difference between two exponential moving averages of the daily difference between advances and declines, and represents the acceleration taking place in the A/D data." I suggest you go to the Knowledge Base (KB) and [review this article](#), then read the very informative blog post that Tom McClellan wrote in [this week's "Chart In Focus."](#) This is an attention grabbing article on NYSE Advance/Decline (A/D) and volume lines. Tom is the son of Sherman and Marian McClellan and is the editor of the newsletter bearing his name. In this article you will learn more about the advance/decline volume on the NYSE . The article talks about:

- Charts that show agreement and disagreement between the A/D's and volume
- Problems with some of the old data
- Liquidity
- Disorganized markets vs. organized markets

Candidates will gain useful knowledge reading this article and blog post since they must know about both volume and A/Ds on the CMT Exams.

Jeanette Young, CMT, CFP
 CMT Program Director
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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!](#)

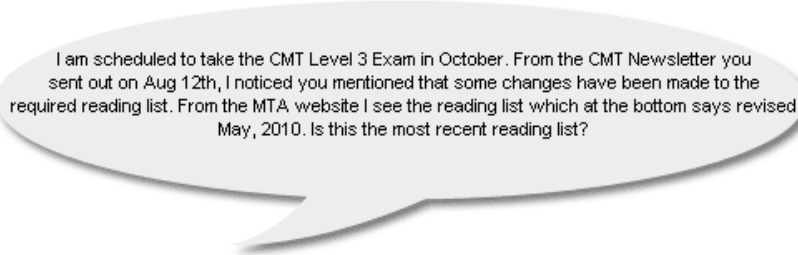
Ask the Director

Since du Plessis' book now appears to have more weight than the other books in terms of Point & Figure charts, what is your official update and advice on this issue?

Answer: We have placed the du Plessis book on the recommended reading list for all levels. In terms of Point and Figure charting, du Plessis is the book to use rather than any other on Point and Figure charting. That said, if the material is assigned, then questions can be written on that material. Thus, if one of the other texts mentions Point and Figure, say in comparison to another charting method, that information could be tested, however; for methodology and rules of Point and Figure charting, rely on the du Plessis book for Point and Figure information. We have removed chapters covering Point and Figure from both the Kirkpatrick/Dahlquist book and the Pring book from the recommended reading.

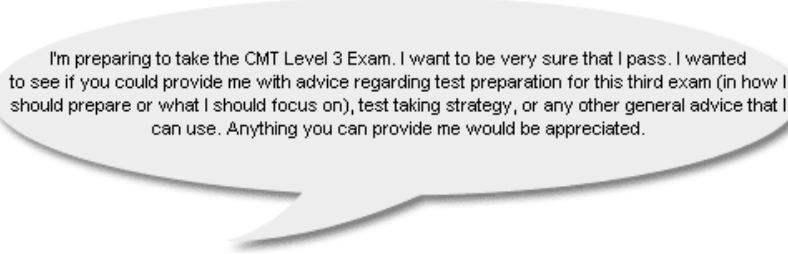
Regarding weighting, the weights (the percentage of the exam questions on this topic and actual number of questions) of the questions are in the

Body of Knowledge on our website. We do not assign weights to the recommended reading assignments (weights are assigned to domains and subdomains) and strongly suggest that you read all recommended books.



I am scheduled to take the CMT Level 3 Exam in October. From the CMT Newsletter you sent out on Aug 12th, I noticed you mentioned that some changes have been made to the required reading list. From the MTA website I see the reading list which at the bottom says revised May, 2010. Is this the most recent reading list?

Answer: Yes, the reading list on the website is correct. There are chapter changes in both CMT Level 1 and CMT Level 2. The only textbook change to the list is the addition of the du Plessis book, which is assigned at all levels of the CMT exam.



I'm preparing to take the CMT Level 3 Exam. I want to be very sure that I pass. I wanted to see if you could provide me with advice regarding test preparation for this third exam (in how I should prepare or what I should focus on), test taking strategy, or any other general advice that I can use. Anything you can provide me would be appreciated.

Answer: CMT Level 3 is different from the CMT Level 1 and CMT Level 2 exams you have taken since it is an all-essay exam. We provide charts and ask questions on those charts, which are answered on the computer terminal. It is a four-hour exam that will likely take the full time to complete. There are 240 points available for the candidate on this exam. An aid in passing the exam is to answer questions in bullet points where possible since this will save you a great deal of time. It is also advisable for you to answer the questions that you know first and leave those that you are not sure of until the end of the exam. Doing this will assure you that you had a chance to answer the questions that will yield you the most points. For all CMT Level 3 candidates; you must pass the ethics portion of this exam or you will fail the exam (70% is passing for the ethics portion of the CMT Level 3 exam).

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

How many trend lines can be drawn
when drawing a "fan line?"

- A. 2
- B. 3
- C. 4
- D. 5

Answer: B

"...practitioners have generally stated that the maximum to be expected is three fan lines before a reversal in direction is to be expected."

Reference:

Kirkpatrick/Dahlquist, TECHNICAL ANALYSIS, (Chapter 12, Page 234)

CMT Level 2

"When wave 3 is extended, waves 1 and 5 tend
towards equality or a _____ relationship."

- A. 0.618
- B. 0.382
- C. 0.165
- D. 0.283

Answer: A

"...when wave 3 is extended, waves 1 and 5 tend towards equality or a 0.618 relationship."

Reference:

Prechter, ELLIOTT WAVE PRINCIPLE, (Chapter 4, Page 136)

CMT Level 3



- [CLICK HERE TO VIEW THESE CHARTS IN A HIGHER RESOLUTION](#) -

In the 1-month chart, the German Dax, (Chart#18), has created a double top. Which index of the four 1-month charts holds the best transparency for pointing to an accurate long horizon view for global equity indexes?

Answer: The most transparent chart will be the Australian All Ordinaries as the RSI is in a more mature position than China's Shenzhen Composite. The global rally is being driven by China's growth, but it is the Aussie Index that will give the best timing when the most serious market risk may begin in a global context.

In the 1-month chart for the Australian all Ordinaries, (Chart #17), and China's Shenzhen Index, (Chart #16), the RSI remains over the momentum extremes formed prior to 2000. Which of these two Indexes is leading? Explain how you developed your opinion.

Answer: The momentum highs in Australia's 1-month chart have already been made and have begun to diverge. Therefore Australia is ahead of

or leading China based on the momentum studies in these charts.



Answer: China's Shenzhen composite may dictate the timing of a major Global decline with force. Likely Europe and the USA will be in declines as China produces a fifth wave up in contrast as they are ahead of China's market. Then China will trigger a third wave style decline in the Global markets when some unknown fundamental reason steps in at the wrong time and wrong place causing a global meltdown. If china's historic price low is a fourth wave bottom, the decline will develop from much higher levels and make a full retracement towards the historic lows. Such a move would have a major impact to the world's equity indexes.

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