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PRACTICE QUESTIONS

Chartered Market Technicians Association (CMTA)

CMT1

Chartered Market Technician - Level I

EDITION	QUESTIONS	FORMAT
Demo	9	Limited Edition PDF

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Before you begin

What this is

9 practice questions for Chartered Market Technicians Association (CMTA) `CMT1`, each with its answer key and an explanation. Answer a question before you read its key — the explanation is worth more once you have committed.

If something looks wrong

Send us three things and we will check it:

- the exam code, `CMT1`
- the question number
- the email address on your order

Write to **support@mometrix.net**. We reply within one business day.

QUESTION 1 SINGLE CHOICE

In Dow Theory, what is the minimum number of Dow Theory confirmation signals required to validate a primary bull market trend?

A One

B Two

C Three

D Five

ANSWER B

WHY Dow Theory requires that the two market averages (originally the Industrials and the Railroads, now the Transports) confirm each other. Without at least two confirmations of a new primary trend, the signal is not considered valid under Dow Theory.

QUESTION 2 SINGLE CHOICE

According to Dow Theory, a primary bear market trend is defined as a sustained decline in which of the following?

A A series of lower highs and lower lows on the daily chart lasting at least one month

B A sustained move downward consisting of lower highs and lower lows on the weekly/monthly chart, usually lasting one to several years

C Any decline greater than 20% from the previous all-time high

D A decline that is confirmed by a single lower close below the prior secondary low

ANSWER B

WHY A primary bear market under Dow Theory is a sustained move of lower highs and lower lows on the longer-term (weekly/monthly) charts typically lasting one to several years. The other options describe shorter-term corrections or arbitrary percentage thresholds that are not part of Dow Theory.

QUESTION 3 SINGLE CHOICE

In a traditional three-box reversal point-and-figure chart, what event causes a new column of Xs to begin after a column of Os?

A A single price move higher by one box

B A price decline of three full box sizes followed by a one-box rise

C A price rise of three full box sizes above the previous X column high

D A price rise of exactly one box above the highest X

ANSWER **C**

WHY In a three-box reversal point-and-figure chart, a new column of Xs is started only when prices rise by at least three full box sizes above the highest X in the prior X column. A one-box rise would only cause a one-box reversal in the opposite direction on the O column.

QUESTION 4 SINGLE CHOICE

Which of the following chart patterns is considered a continuation pattern rather than a reversal pattern?

A Head and shoulders

B Double top

C Symmetrical triangle

D Rounding top

ANSWER **C**

WHY Symmetrical triangles are generally classified as continuation patterns, indicating a pause in the prevailing trend before the prior trend resumes. Head and shoulders, double tops, and rounding tops are classical reversal patterns.

QUESTION 5 SINGLE CHOICE

A simple moving average (SMA) is calculated as which of the following?

A The weighted sum of the most recent n prices, with linearly decreasing weights

B The sum of the n most recent closing prices divided by n

C The exponential smoothing of price with a smoothing constant alpha

D The geometric mean of the n most recent closing prices

ANSWER **B**

WHY A simple moving average is the arithmetic mean of the closing prices over the lookback period n; equal weight is given to each of the n prices. A weighted sum with decreasing weights describes a linearly weighted moving average, alpha smoothing describes an exponential moving average, and a geometric mean describes a different statistic.

QUESTION 6 SINGLE CHOICE

A doji candlestick is most appropriately interpreted as which of the following?

A A strongly bearish reversal signal in all market conditions

B A strongly bullish continuation signal

C An indication of market indecision where the open and close are at or near the same price

D A signal that the trend will accelerate in the direction of the prior move

ANSWER **C**

WHY A doji forms when the open and close are at or very near the same level, producing a very small or nonexistent real body. It signals indecision between buyers and sellers; its reversal implications depend on the prior trend and confirmation from subsequent candles.

QUESTION 7 SINGLE CHOICE

Which of the following statements best describes the relationship between volume and price trends according to classical technical analysis?

- A Volume should expand against the prevailing trend to confirm it
- B **Volume should expand in the direction of the prevailing trend to confirm it**
- C Volume has no meaningful relationship to trend reliability
- D Volume is only useful for intraday futures markets and not for equity index analysis

ANSWER **B**

WHY A core tenet of classical technical analysis is that volume should expand in the direction of the prevailing trend and contract against it. Expanding volume on the trend's side lends credibility to the move; divergence between price and volume often warns of weakening trend strength.

QUESTION 8 SINGLE CHOICE

According to contrary opinion theory, a bullish signal is most likely generated when which of the following occurs?

- A Bullish sentiment reaches an extreme high and most advisory services are bullish
- B **Bullish sentiment reaches an extreme low and most advisory services are bearish**
- C Trading volume reaches an all-time high with no change in sentiment surveys
- D Open interest on futures contracts falls to its lowest level in three months

ANSWER **B**

WHY Contrary opinion holds that when the crowd is overwhelmingly bearish (extremely low bullish sentiment, bearish advisory services), the market is more likely to rally. The other options describe conditions that, under contrary opinion, would be bearish or non-confirmatory.

QUESTION 9 MULTIPLE CHOICE

Which of the following are classically classified as bullish reversal candlestick patterns? (Choose two.)

- **A** **Hammer**
- B Shooting star
- **C** **Bullish engulfing**
- D Hanging man occurring after a sustained downtrend

ANSWER **A · C**

WHY The hammer and the bullish engulfing pattern are both classically treated as bullish reversal patterns, particularly when they appear after a downtrend. The shooting star is bearish, and a hanging man that appears after a sustained downtrend is typically considered a bullish reversal only contextually; after an uptrend it is bearish, so it is not a reliably bullish reversal pattern.