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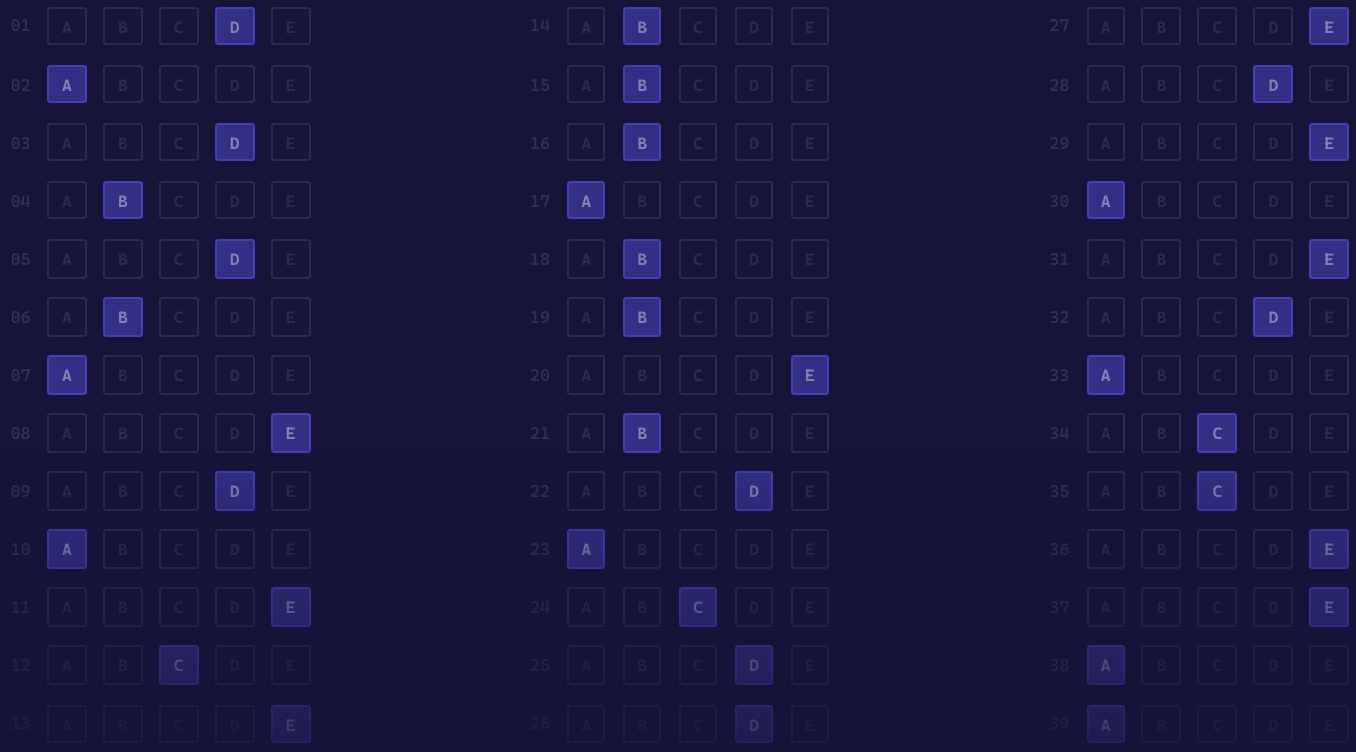

PRACTICE QUESTIONS

Chartered Market Technicians Association (CMTA)

CMT2

Chartered Market Technician - Level II

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) `CMT2`, 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, `CMT2`
- the question number
- the email address on your order

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

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QUESTION 1 MULTIPLE CHOICE

A technician is analyzing a price series and wants to confirm a new uptrend using trend-confirmation techniques studied at Level II. Which two of the following are valid trend-confirmation methods? (Choose two.)

A **Moving average crossovers (e.g., 50-day crossing above 200-day)**

B **ADX rising and above 20 with +DI above -DI**

C B. New highs concentrated in a narrow list of speculative names only

D C. The Hindenburg Omen signaling a healthy bull market

E D. Advance-decline line making new highs in tandem with the index

ANSWER **A · B**

WHY Valid trend-confirmation techniques include moving average crossovers and ADX rising above 20 with +DI above -DI. A narrow concentration of speculative leaders and the Hindenburg Omen are not confirmation methods for a healthy uptrend.

QUESTION 2 MULTIPLE CHOICE

When applying dominant cycle analysis to price data, which two statements about the Dominant Cycle Length (DCL) measured by the MESA method are correct? (Choose two.)

A **The DCL is the period of the strongest sinusoid in the recent price data**

B The DCL is constant across all timeframes for a given market

C **The DCL can be used to set adaptive look-back windows for indicators**

D The DCL is unrelated to the phase component of the Hilbert transform

ANSWER **A · C**

WHY The MESA (Maximum Entropy Spectral Analysis) Dominant Cycle Length identifies the dominant periodic component in the recent data and is commonly used to adapt indicator look-backs. It is not constant across timeframes and is directly tied to the instantaneous phase derived from the Hilbert transform.

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QUESTION 3 SINGLE CHOICE

According to Dow Theory as taught at Level II, a primary bull market signal is confirmed when:

A Both the Dow Industrials and Dow Transports make a higher high, with volume expanding on the new high

B One average confirms a new high while the other average remains in a secondary reaction

C Both averages close above their prior secondary reaction highs, with the second confirmation occurring before a meaningful advance has occurred

D The industrials break to new highs regardless of the transports' action

ANSWER C

WHY Dow Theory requires joint confirmation of both the Industrials and the Transports. The classical, conservative interpretation (and the one emphasized at Level II) is that confirmation should occur before a substantial advance has already taken place — i.e., confirmations that lag too far behind the move are considered less reliable signals.

QUESTION 4 SINGLE CHOICE

In Elliott Wave Theory, what is the minimum requirement for a corrective wave to be classified as a Zigzag?

A Three waves labeled A-B-C, with wave B retracing less than 100% of wave A and wave C terminating beyond the end of wave A

B Three overlapping waves in a 5-3-5 structure with the B wave retracing more than 100% of A

C Five waves in a 3-3-3-3-3 structure with alternating sub-divisions

D Two waves labeled A-B with no C wave present

ANSWER A

WHY A Zigzag is a 3-wave, 5-3-5 corrective structure labeled A-B-C. Wave B must retrace less than 100% of wave A, and wave C must travel beyond the end of wave A. The other options describe different corrective or impulsive structures.

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QUESTION 5 SINGLE CHOICE

An analyst computes a 20-period Bollinger Band using a 2-standard-deviation multiplier. Which statement best describes the statistical interpretation of the bands?

A Approximately 68% of closing prices should fall within the bands assuming a normal distribution

B Approximately 95% of closing prices should fall within the bands assuming a normal distribution

C Approximately 99.7% of closing prices should fall within the bands assuming a normal distribution

D Exactly 100% of closing prices must remain inside the bands at all times

ANSWER B

WHY Using a 2-standard-deviation envelope captures approximately 95% of observations under a normal distribution. One standard deviation captures ~68%, while three captures ~99.7%. The bands are not a hard ceiling or floor — prices can and do trade outside them.

QUESTION 6 SINGLE CHOICE

A technician observes a Head and Shoulders top completing on the daily chart. Volume behavior on the breakdown of the neckline that would be considered typical and most confirmatory is:

A A noticeable expansion in volume as price closes below the neckline

B Volume steadily declining throughout the entire pattern

C Volume remaining perfectly flat across all five tops

D Volume spiking only on the left shoulder and remaining muted thereafter

ANSWER A

WHY Confirmation of a Head and Shoulders top typically comes from an expansion of volume on the decisive close below the neckline. Declining volume through the pattern is normal; what confirms the breakdown is a clear volume surge when support gives way.

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QUESTION 7 SINGLE CHOICE

Which interpretation of On-Balance Volume (OBV) is most consistent with classical technical analysis?

A OBV is a momentum oscillator bounded between 0 and 100

B OBV confirms price trends when it makes new highs with prices or new lows with prices; divergences warn of potential reversals

C OBV measures only downside volume and ignores up-volume

D OBV signals should be acted upon without reference to price action

ANSWER B

WHY OBV is a cumulative volume indicator that adds volume on up-closes and subtracts on down-closes. It is used as a confirming indicator: OBV making new highs with prices confirms an uptrend, and divergences between OBV and price can warn of weakening trends or potential reversals.

QUESTION 8 SINGLE CHOICE

According to the classic sector rotation framework associated with the business cycle, which sector typically leads during the early recovery phase following a recession trough?

A Consumer Staples

B Utilities

C Consumer Discretionary and Industrials (cyclical sectors)

D Defensive bond proxies

ANSWER C

WHY The classical sector rotation sequence has cyclical, rate-sensitive sectors — Consumer Discretionary, Industrials, and Technology — leading the market out of recession as earnings expectations improve. Defensives (Staples, Utilities) typically lead late-cycle or during contraction.

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QUESTION 9 SINGLE CHOICE

A trader enters long at 50 with an initial stop at 48 and intends to trail the stop using a 3-period Average True Range (ATR) multiplied by 2 below the close. With the latest ATR of 1.5, what is the current trailing stop level?

A 45.00

B 50.00

C 47.00

D 48.00

ANSWER C

WHY Trailing stop = Close − (multiplier × ATR) = 50 − (2 × 1.5) = 50 − 3.00 = 47.00. The initial stop at 48 is no longer the active stop because the trailing rule ratchets the stop up as price advances.

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