



SAMPLE QUESTIONS

CMT LEVEL I EXAM

The following document contains sample questions. The questions have been constructed and phrased in a manner that is like past exams. The objective is to provide an indication of the question structure, language and scope of the CMT Level I exam.

Important points to note

- Although these sample questions are patterned after those that have been used in the actual exam, there is a chance that the questions appearing in the exam may be significantly different from these samples. Candidates are cautioned **not to expect** exact replicas of the questions they will see in their exam.
- The order in which questions appear here has no bearing on the order in which questions will appear in the actual exam. Questions are delivered in random sequence on the actual exam.
- The actual exam consists of 132 questions of which 120 are scored items. The remaining 12 questions are under trial for future use.
- You will have 2 hours to complete the 132 questions on the exam.
- The exam is delivered on a computer in Prometric testing facilities. Please be sure to schedule your exam well in advance.

Please note that these sample questions have been prepared independently of the exam to ensure that the questions in the actual exam remain secure and confidential. The CMT Association maintains a [discussion forum for CMT candidates](#). Candidates are encouraged to utilize this resource to discuss and clarify their understanding of the subject matter.

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1. Annie Jones is the portfolio manager for a large-cap equity investment fund. Her colleagues at another investment fund share details about a small-cap company that is now showing a long-term basing pattern on the price charts, and whose prospects for future growth and earnings are outstanding. She invests in the company on behalf of the fund, and over the course of the next three years, the performance of the company's stock contributes greatly to her investment fund beating its benchmark. Jones

- a) has violated the CFA Institute Code and Standards because her investment in the small-cap company is contrary to the stated objectives of the fund.
- b) has not violated the CFA Institute Code and Standards because she conducted additional research based on the information and found supporting evidence of her trade action.
- c) has violated the CFA Institute Code and Standards because she was made aware of the opportunity by her colleagues at another firm, thereby using confidential information in the process.
- d) has not violated the CFA Institute Code and Standards because the investment was in the common stock of a listed entity, which is allowed by the investment fund she manages.

2. Which of the following actions is most likely to comply with the CFA Institute Code of Ethics and Standards?

- a) Posting information about questions from a prior year's exam on a public discussion forum.
- b) Joining discussion groups on LinkedIn/Facebook to discuss and share exam questions.
- c) Posting derogatory comments regarding the CMT® Program on a website for CMT candidates.
- d) Providing your exam prep course provider with a list of topics not tested from the body of knowledge.

3. Maggie manages several client portfolios. She utilizes the research of highly skilled analysts in her firm to support her investment decisions. Maggie

- a) complied with the CFA Institute Code and Standards.
- b) violated the CFA Institute Code and Standards because she failed to disclose this information to her clients.
- c) violated the CFA Institute Code and Standards because she did not exercise due diligence in making her investment decisions.
- d) violated the CFA Institute Code and Standards because she was unfamiliar with the processes and procedures used by the analysts to arrive at recommendations.

4. Which of the following is most likely to be considered a "material" piece of information regarding a company?

- a) A former board member predicting a long-term decline in the company's stock.
- b) The loss of a customer representing a significant portion of a company's gross sales.
- c) The loss of a customer representing a negligible portion of a company's gross sales.
- d) A competitor CEO's speculation of a pending management change at the company.

5. Qi Lee received a year-end gift of an expensive Rolex watch from a client who was delighted by the performance of his portfolio, which was managed by Lee. Lee should
- a) decline the gift, as it is prohibited under the CFAI Code of Ethics and Standards.
 - b) decline the gift, as it may have an unintended impact on future performance.
 - c) accept the gift, keeping the matter confidential.
 - d) accept the gift, and disclose it to his employer.
6. TRIN index is calculated by
- a) dividing total specialist short sales by total short sales.
 - b) subtracting the 26-day simple moving average from the 12-day simple moving average.
 - c) subtracting the advance/decline ratio by the ratio of advancing volume to declining volume.
 - d) dividing the advance/decline ratio by the ratio of advancing volume to declining volume.
7. If the New High-New Low Index declines while the broad market stays flat or rallies, it is time to
- a) initiate fresh longs.
 - b) initiate fresh shorts.
 - c) take profits on short positions.
 - d) take profits on long positions.
8. The Advance/Decline line is calculated by
- a) subtracting the number of declining stocks from advancing stocks and ignoring unchanged stocks.
 - b) subtracting the number of advancing stocks from declining stocks and ignoring unchanged stocks.
 - c) subtracting the number of advancing stocks and unchanged stocks from declining stocks.
 - d) subtracting the number of advancing stocks from declining stocks and adding back the unchanged stocks.
9. If the stock market reaches a new peak while the A/D line does not, it indicates that
- a) the market may continue to move higher.
 - b) many stocks are participating and the rally may continue.
 - c) many stocks are participating and the rally may be near its end.
 - d) fewer stocks are participating and the rally may be near its end.

10. When analyzing candlestick price charts, the appearance of a long body in the same direction as the existing trend indicates
- a) a potential reversal.
 - b) rising momentum.
 - c) continuation.
 - d) consolidation.
11. Identify the candlestick pattern in which the opening and closing prices are very close or the same.
- a) doji
 - b) spinning top
 - c) piercing line
 - d) dark cloud cover
12. When an indicator or oscillator fails to confirm the trend, it is called a
- a) gap.
 - b) breakout.
 - c) divergence.
 - d) breadth thrust.
13. A candlestick that has a long upper shadow emerging after an extended uptrend suggests that
- a) sellers have lost momentum.
 - b) buyers have lost momentum.
 - c) both buyers and sellers have lost momentum.
 - d) lack of decisive control by either buyers or sellers.
14. Momentum measures
- a) the rate of change in price.
 - b) the change in price.
 - c) investor psychology.
 - d) investor sentiment.
15. Lower-priced securities tend to have greater ATR (Average True Range) than higher-priced securities.
- a) true
 - b) false

16. Average True Range (ATR) is an indicator that measures
- a) volume.
 - b) breadth.
 - c) volatility.
 - d) momentum.
17. A breakaway gap usually
- a) provides a major divergence signal.
 - b) signals the beginning of a new trend.
 - c) occurs at the end of an important price move.
 - d) occurs during the accumulation phase of the market cycle.
18. Common gaps usually appear in a
- a) trading range.
 - b) bullish market.
 - c) bearish market.
 - d) trending market.
19. During a consolidation phase, price action normally
- a) attempts a breakout within three weeks.
 - b) attempts a breakout within three months.
 - c) moves within well-defined neutral boundaries on low volume.
 - d) moves within well-defined neutral boundaries on high volume.
20. An exponential moving average
- a) gives more weight to the most recent observation.
 - b) gives less weight to the most recent observation.
 - c) gives equal weight to all observations.
 - d) does not suffer from any lag.
21. Gaps normally occur
- a) between the close of the market on one day and the open of the next day.
 - b) between the close of the market on one day and the close of the next day.
 - c) between the open of the market on one day and the open of the next day.
 - d) between the high of the market on one day and the open of the next day.

22. Which of the following measures makes use of price and volume in its calculation?
- a) Plurality Index
 - b) Arms Index
 - c) Relative Strength Index (RSI)
 - d) Money Flow Index (MFI)
23. Which of the following types of moving averages drops off an old data point when a new one is added?
- a) simple moving average
 - b) weighted moving average
 - c) triangular moving average
 - d) exponential moving average
24. MACD line is calculated by
- a) subtracting the 26-day simple moving average from the 12-day simple moving average.
 - b) subtracting the 12-day simple moving average from the 26-day simple moving average.
 - c) subtracting the 26-day exponential moving average from the 12-day exponential moving average.
 - d) subtracting the 12-day exponential moving average from the 26-day exponential moving average.
25. The basis of OBV is the belief that
- a) price precedes volume.
 - b) volume precedes price.
 - c) volume matters most during breakouts.
 - d) volume and price are typically coincident indicators.
26. Top-down analysis refers to an analysis of
- a) monetary policy.
 - b) company fundamentals.
 - c) the overall economic and business condition.
 - d) a specific government, company, (or) asset.
27. Government and companies raise money from investors in
- a) money markets.
 - b) primary markets.
 - c) secondary markets.
 - d) both primary and secondary markets.

28. Calculate the nominal return based on the information provided below:
- The S&P 500 index fell 0.003 percent in 2015.
 - Dividends paid during the year equaled 2.089 percent of the index's value.
 - Inflation was 3.4 percent, based on the change in the Consumer Price Index (CPI) for the 10 months ended in November.
- a) -2.08%
b) -1.3%
c) 1.30%
d) 2.08%
29. _____ affects the amount of funds available to the economy as well as their cost.
- a) Credit policy
b) Economic policy
c) Monetary policy
d) Investment policy
30. Yield refers to the projected annual return on a bond based on
- a) the interest rate of the bond.
b) the current price of the bond.
c) future interest payments.
d) a and b.
31. When a bond's price is greater than 100, the yield is
- a) lower than the prime rate.
b) lower than the coupon rate.
c) higher than the coupon rate.
d) lower than the discount rate.
32. Treasury inflation-protected securities (TIPS) are bonds whose _____ is adjusted as the consumer price index fluctuates.
- a) principal
b) interest rate
c) future value
d) discount rate
33. An inverted yield curve has historically pointed toward
- a) economic expansions.
b) inflationary pressures.
c) deflationary pressures.
d) slower economic growth and recessions.

34. Treasury bill returns come from
- a) volatility.
 - b) price changes.
 - c) interest payments.
 - d) dividend payments.
35. The treasury yield curve is usually
- a) flat.
 - b) humped.
 - c) inverted.
 - d) upward sloping.
36. _____ are bonds without any collateral backing them other than a company's full faith and credit.
- a) Debentures
 - b) Treasury bills
 - c) Commercial paper (CP)
 - d) Certificates of deposit (CDs)
37. _____ give companies the option to buy them back before maturity.
- a) Treasury bills
 - b) Puttable bonds
 - c) Callable bonds
 - d) Convertible bonds
38. _____ provide investors with the option to swap debt for equity.
- a) Treasury bills
 - b) Puttable bonds
 - c) Callable bonds
 - d) Convertible bonds
39. At least _____ touches of each trend line are required for a valid rectangle.
- a) one
 - b) two
 - c) three
 - d) four

40. In a dark cloud cover candlestick pattern, which candle has the higher high?
- a) the first candle
 - b) the second candle
 - c) the third candle
 - d) it could be any
41. _____ occurs after an upward breakout when prices return to the breakout point or chart pattern boundary.
- a) A pullback
 - b) A relief rally
 - c) A throwback
 - d) A dead cat bounce
42. When analyzing long term price movements, it could be helpful to use _____ chart.
- a) a logarithmic
 - b) a candlestick
 - c) an EquiVolume
 - d) a point and figure
43. An uptrend line has
- a) a positive slope and is formed by connecting two or more low points.
 - b) a positive slope and is formed by connecting two or more high points.
 - c) a negative slope and is formed by connecting two or more high points.
 - d) a negative slope and is formed by connecting two or more low points.
44. The key variable in the CAPM (Capital Asset Pricing Model) equation is
- a) rho.
 - b) beta.
 - c) delta.
 - d) alpha.
45. A complete Elliott wave cycle is made up of _____ waves.
- a) three
 - b) five
 - c) eight
 - d) thirteen

46. In Elliott wave theory, sub-waves 2 and 4 are called
- a) zigzags.
 - b) motive waves.
 - c) impulse waves.
 - d) corrective waves.
47. _____ is a sideways, three-wave corrective pattern.
- a) Flat
 - b) Zigzag
 - c) Triangle
 - d) Ending diagonal
48. Open interest in a futures contract represents
- a) the number of contracts traded in a day.
 - b) the sum of total volume and open interest.
 - c) the number of outstanding contracts on any given day.
 - d) the number of outstanding contracts on the first day of the month.
49. When the market is under pressure, there is a net buying of_____, which will result in_____.
- a) put options, lower implied volatility
 - b) put options, higher historical volatility
 - c) call options, higher historical volatility
 - d) put options, higher implied volatility
50. Force Index is calculated by
- a) subtracting the previous day's close from the current day's close and multiplying by volume.
 - b) subtracting the current day's close from the previous day's close and multiplying by volume.
 - c) subtracting the previous day's close from the current day's close and multiplying by the 10-day average volume.
 - d) subtracting the previous day's close from the current day's close and multiplying by the 10-day average volume.
51. A protective stop is
- a) an order to sell below the market when you are long.
 - b) a stop-loss order that protects you from getting badly hurt by a reversal.
 - c) an order to cover the short positions above the market when you are short.
 - d) all of the above.

52. In constructing a point & figure chart, a new box is added only when
- price has moved to a new high.
 - volume confirms the price movement.
 - price has moved by less than the specified box size.
 - price has moved by equal to or more than the specified box size.
53. Violated support levels typically
- lose importance after three weeks.
 - indicate an imminent price reversal.
 - lose importance after three months.
 - become resistance.
54. A rising relative strength line for a stock in a falling market indicates that
- price and volume are diverging.
 - the stock is performing worse than the market.
 - the stock is performing better than the market.
 - it may be moving into an overbought state.
55. Which of the following lists arranges cycles from shortest to longest in duration?
- presidential, seasonal, Kondratieff
 - Kondratieff, presidential, seasonal
 - seasonal, presidential, Kondratieff
 - presidential, Kondratieff, seasonal
56. A narrowing of Bollinger Bands normally indicates that
- a stock is ready for a rally.
 - a stock is ready for a decline.
 - a stock's volatility has increased.
 - a stock's volatility has decreased.
57. A company whose stock is in a well-established uptrend, reports earnings slightly above consensus estimates. After an initial rally, the stock then ends lower on the day. This would probably be an example of
- market discounting.
 - investor under-reaction.
 - unrealistic expectations.
 - a short-coming of fundamental analysis.

58. To increase the sensitivity of a 5×3 point & figure chart, one could
- increase the box size.
 - decrease the box size.
 - increase the number of boxes needed for a reversal.
 - none of the above would increase the sensitivity of a point and figure chart.
59. According to the work of Charles Dow and his successors, now referred to as Dow Theory, which of the following is not a hypothesis for the nature of markets and technical analysis?
- The primary trend is inviolate.
 - The averages discount everything.
 - Dow Theory is not infallible.
 - Prices move at random.
60. Sentiment data may include
- moving averages.
 - momentum oscillators.
 - point and figure reversals.
 - results of investor polls and surveys.
61. In a 5-day simple moving average, each day's price is assigned a weighting of
- 5%.
 - 10%.
 - 20%.
 - 25%.
62. Volume divergences occur when
- volume expands while open interest contracts.
 - volume declines during a sideways congestion pattern.
 - volume expands while the daily trading range contracts.
 - a new high in an uptrend takes place on declining volume.
63. The primary use of a candlestick pattern is to
- determine if you are in a bull market or a bear market.
 - define the primary, intermediate, and short-term trends.
 - strengthen the possibility of a reversal of a price trend.
 - define the intermediate and short-term trends, but not the primary trend.

64. Which is an example of candle pattern filtering?
- a) Using cycles to confirm the existence of a pattern.
 - b) Using western techniques to confirm a candle pattern.
 - c) Accepting only those patterns that fit the strict definition of their pattern.
 - d) Accepting only those patterns that are confirmed by the intermediate-term trend.
65. A point & figure chart
- a) ignores time.
 - b) is limited by a four-year time horizon.
 - c) cannot be used to project price targets.
 - d) gives a clear picture of volume distribution.
66. The Kondratieff cycle extends for a period of about
- a) 13 years.
 - b) 50 years.
 - c) 54 years.
 - d) 60 years.
67. Put-call parity refers to
- a) the link between an asset's put and call premiums as they relate to the price of the underlying asset.
 - b) equality of premiums for an asset's puts and calls of the same strike and expiration.
 - c) equal volatility for an asset's puts and calls.
 - d) expected volatility of an asset based on its option premiums.
68. Trend lines
- a) are not useful for short-term trading.
 - b) offer late confirmation of a change in trend.
 - c) are more significant the longer they stay in force.
 - d) can only be determined by least square regression method.
69. Which of the following is a continuation pattern?
- a) flag
 - b) diagonal
 - c) rising wedge
 - d) broadening formation

70. Seasonality is a cycle that occurs
- a) yearly.
 - b) weekly.
 - c) monthly.
 - d) quarterly.
71. The interchangeability of a financial instrument is normally referred to as
- a) hedging.
 - b) fungibility.
 - c) arbitraging.
 - d) backwardation.
72. The VIX index measures
- a) the implied volatility of the S&P 100 index options.
 - b) the historical volatility of the S&P 500 index options.
 - c) the historical volatility of the S&P 100 index options.
 - d) the implied volatility of the S&P 500 index options.
73. If the VIX is quoted at 20, it indicates the market is expecting a movement of about _____ percent over the next 30 days.
- a) 3.77
 - b) 5.77
 - c) 3.33
 - d) 5.07
74. In a double bottom pattern, volume is generally
- a) rising throughout the pattern.
 - b) declining throughout the pattern.
 - c) lower on the left bottom than the right.
 - d) higher on the left bottom than the right.
75. When an economic crisis begins, investors generally buy _____ securities for their relative safety and sell _____ securities.
- a) corporate, treasury
 - b) treasury, corporate
 - c) commercial papers, corporate
 - d) corporate, TIPS (Treasury Inflation-Protected Securities)

76. The _____ index is a popular benchmark for measuring the performance of small-cap companies.

- a) S&P 500
- b) Russell 2000
- c) NASDAQ Composite
- d) Dow Jones Industrial Average

77. The NASDAQ Composite index is a _____ weighted index.

- a) market-cap
- b) price
- c) trade
- d) equal

78. Which moving average(s) assign GREATER weight to the most recent data?

- a) simple
- b) weighted
- c) exponential
- d) both b and c

79. A moving average

- a) follows the trend.
- b) lags market action.
- c) is a smoothing device.
- d) is all of the above.

80. Bullish support lines on a 3-box reversal Point & Figure chart are drawn at a _____ degree angle.

- a) 45
- b) 60
- c) 75
- d) 90

81. If a fund has a beta of 1.2, then it has _____ than the overall market.

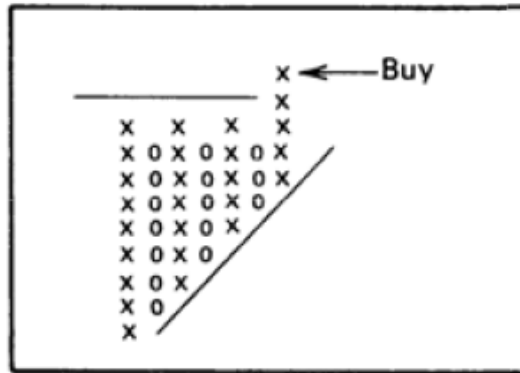
- a) 2% more volatility
- b) 20% less volatility
- c) 0.2% more volatility
- d) 20% more volatility

82. An effective way of detrending price data to identify cycles is to
- a) use an oscillator and identify extreme levels.
 - b) use a moving average of the highs/lows over n periods.
 - c) divide the closing prices by a moving average of those prices.
 - d) plot a linear regression (best-fit) line through the data midpoint.
83. An important feature of the martingale process that makes it an appropriate model for EMH is
- a) the absence of future price predictability.
 - b) the absence of price return anomalies that are unexplained.
 - c) the presence of price return anomalies that are unexplained.
 - d) the presence of information that aids in future price predictability.
84. In EMH, technical traders can be thought of as a specific type of noise trader because
- a) technical traders are rational traders.
 - b) technical traders are not rational traders.
 - c) a positive feedback loop can lead to pronounced bubbles.
 - d) the cancel-out phenomenon will apply to a large number of trend following strategies.
85. The stochastics indicator measures
- a) where today's typical price fits into the recent trading range.
 - b) the distance in percentage between the first and last values over n-days.
 - c) the relative position of the closing price within a past high-low range.
 - d) the relative strength of the current price movement as it increases from 0 to 100.
86. Which of the following statements is an important assumption of the Efficient Market Hypothesis?
- a) Investors as a group will act irrationally.
 - b) Investors as a group will act rationally.
 - c) Prices typically do not reflect all available information.
 - d) Liquidity constraints may sometimes drive prices away from their intrinsic value.
87. Slippage is normally attributed to
- a) the bid-ask spread.
 - b) default risk.
 - c) market risk.
 - d) credit risk.

88. Objective technical analysis methods
- a) normally witness less drawdown.
 - b) normally witness high drawdown.
 - c) require a disciplined approach for success.
 - d) are well-defined procedures that issue unambiguous signals.
89. When a great majority of investors have the same view of the market
- a) market sentiment is positive.
 - b) it is safe to assume that the market may trend to further highs.
 - c) it is a warning to expect a reversal contrary to the majority opinion.
 - d) it is safe to assume that a reversal of trend is a low-probability outcome.
90. The Fed largely controls
- a) money supply.
 - b) long-term interest rates.
 - c) short-term interest rates.
 - d) both money supply and short-term interest rates.
91. In rectangle, triangle, flag and pennant patterns, volume generally
- a) increases as the pattern develops.
 - b) decreases as the pattern develops.
 - c) spikes midway through the pattern.
 - d) cannot be measured.
92. Monetary indicators are considered _____ indicators.
- a) internal
 - b) external
 - c) sentiment
 - d) momentum
93. A flag is generally formed by a _____ in a bull market or a _____ in a bear market.
- a) rally, pullback
 - b) rally, correction
 - c) correction, rally
 - d) correction, throwback

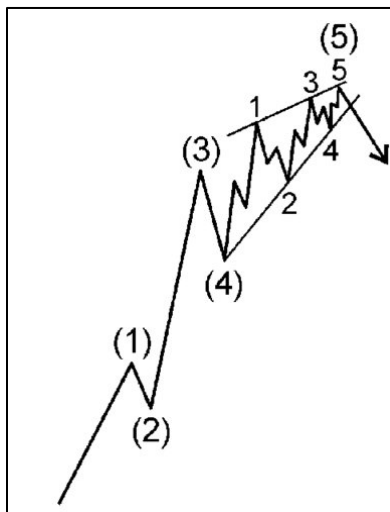
94. As per the theory of contrary opinion, a high degree of consensus normally precedes a
- a) trend reversal.
 - b) trend continuation.
 - c) short-term consolidation.
 - d) pause within an existing trend.
95. The white or black portion of a candlestick is also referred to as the
- a) doji.
 - b) shadow.
 - c) real body.
 - d) spinning top.
96. _____ has the highest component weighting in the U.S. Dollar index.
- a) Euro
 - b) Japanese yen
 - c) British pound
 - d) Canadian dollar
97. In relation to the principles of technical analysis, the phrase “patterns are fractal” refers to the assumption that
- a) patterns tend to break existing trends.
 - b) Mandelbrot originated the concept of chart patterns.
 - c) pattern analysis is universal and independent of time.
 - d) chart patterns found in an intraday chart can generate signals in a daily chart.
98. When a larger number of stocks register new lows vs. new highs, the New High-New Low Index is
- a) positive, and is below the centerline.
 - b) positive, and is above the centerline.
 - c) negative, and is above the centerline.
 - d) negative, and is below the centerline.
99. The distribution of open interest among various categories of market participants in the futures markets is reported in
- a) the Short Interest report.
 - b) Market Vane.
 - c) the Commitments of Traders report.
 - d) insider purchases and sales.

100. Identify the point & figure pattern highlighted below.



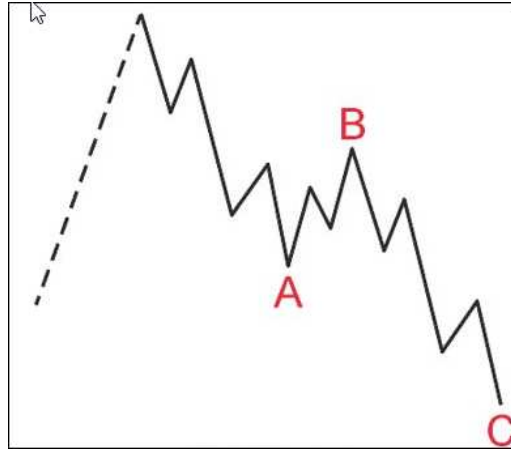
- a) quadruple top buy
- b) upside breakout of a descending triangle
- c) upside breakout of a symmetrical triangle
- d) upside breakout of an ascending triangle

101. The Elliott Wave pattern highlighted below is



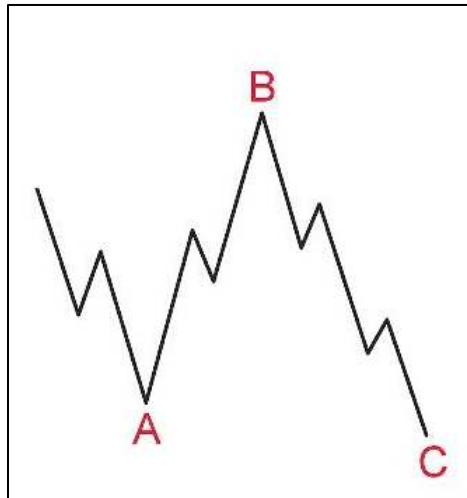
- a) a triangle.
- b) a rising wedge.
- c) an ending diagonal.
- d) a leading diagonal.

102. Identify the Elliott Wave pattern highlighted below.



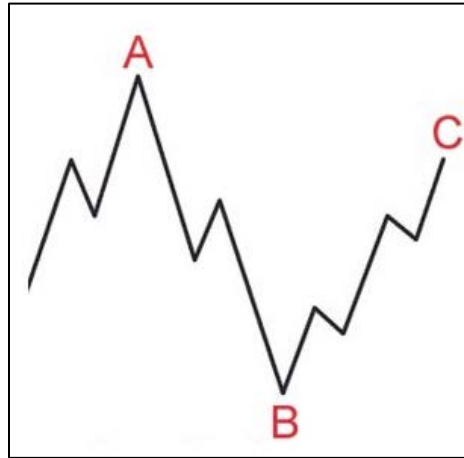
- a) flat in a bull market
- b) flat in a bear market
- c) zigzag in a bull market
- d) zigzag in a bear market

103. The Elliott Wave pattern highlighted below is



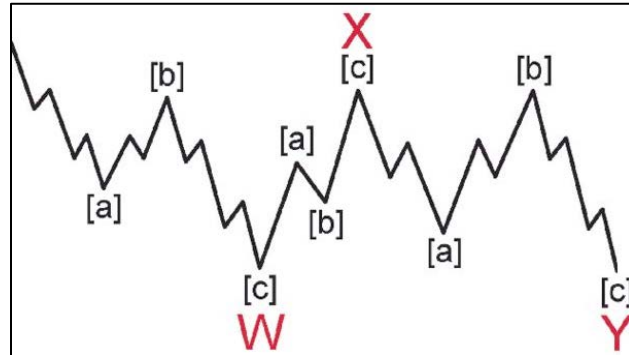
- a) a flat.
- b) a regular flat.
- c) a running flat.
- d) an expanded flat.

104. Identify the Elliott Wave pattern highlighted below.



- a) expanded flat
- b) running flat
- c) regular flat
- d) zigzag

105. Identify the following “Double-Three” combination pattern as per the Elliott Wave Theory.



- a) zigzag, flat, flat
- b) zigzag, zigzag, flat
- c) zigzag, flat, zigzag
- d) flat, zigzag, zigzag

106. Relative strength studies suggest that strong performance over which time period is an indicator of strong performance to follow?

- a) 4 weeks
- b) 13 weeks
- c) 26 weeks
- d) 52 weeks

107. The chart formation highlighted below is



- a) an island bottom.
- b) an ascending triangle.
- c) a descending triangle.
- d) a symmetrical triangle.

108. The chart formation highlighted below is



- a) a triple bottom.
- b) a double bottom.
- c) an island bottom.
- d) a three Buddha pattern.

109. Identify the candlestick pattern highlighted in the chart.



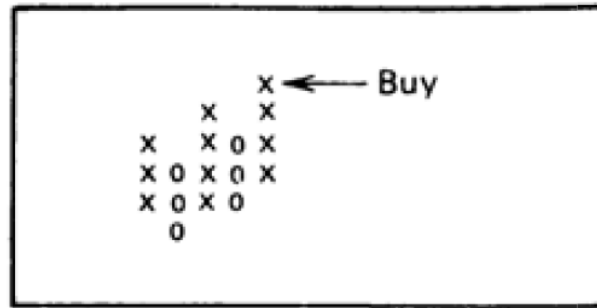
- a) hammer
- b) evening star
- c) hanging man
- d) inverted hammer

110. The chart formation highlighted below is a



- a) hammer.
- b) morning star.
- c) hanging man.
- d) bullish engulfing.

111. Identify the Point & Figure pattern highlighted below.



- a) triple top buy
- b) bullish catapult
- c) ascending triple top
- d) bullish ascending triangle breakout

112. Identify the type of gap highlighted in the chart.



- a) common gap
- b) runaway gap
- c) breakaway gap
- d) exhaustion gap

113. The chart formation highlighted below is



- a) a triple bottom.
- b) an island bottom.
- c) a head and shoulders top.
- d) a head and shoulders bottom.

114. Identify the gap highlighted (black arrow) in the chart.

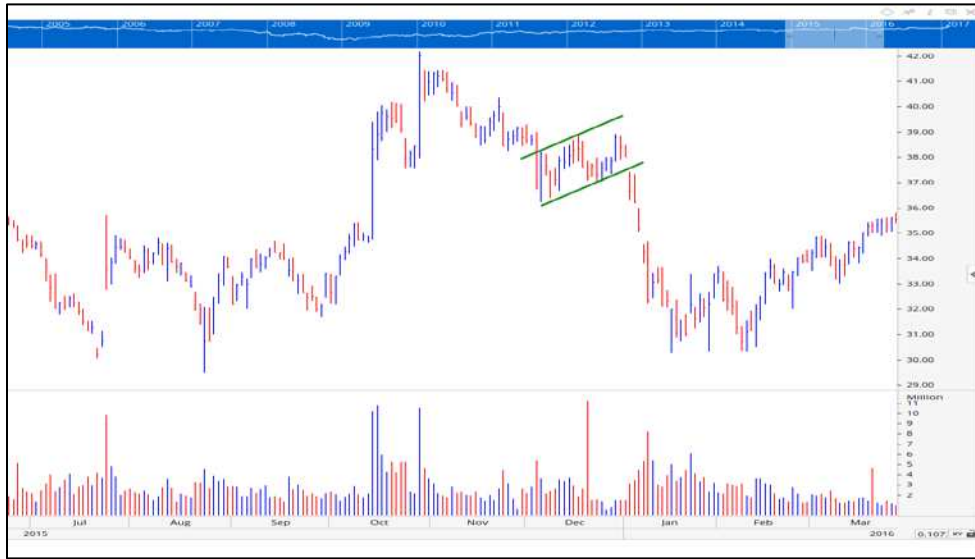


- a) common gap
- b) runaway gap
- c) exhaustion gap
- d) breakaway gap

115. After testing and refining a trading system, further validation should be done using data known as

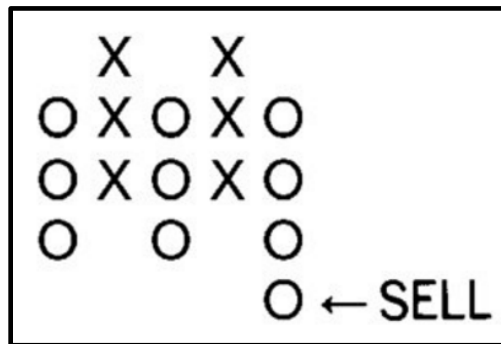
- a) in-sample.
- b) out-of-sample.
- c) daily.
- d) weekly.

116. The chart formation highlighted below is a



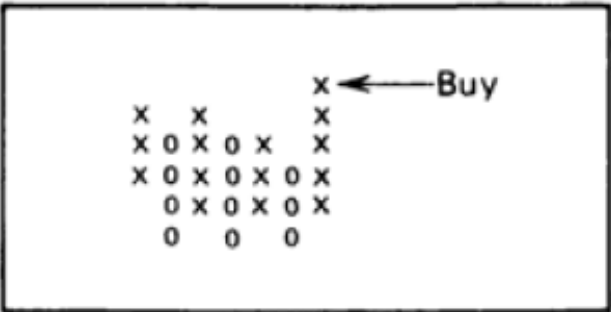
- a) flag.
- b) pennant.
- c) triangle.
- d) rising wedge.

117. Identify the point & figure pattern highlighted below.



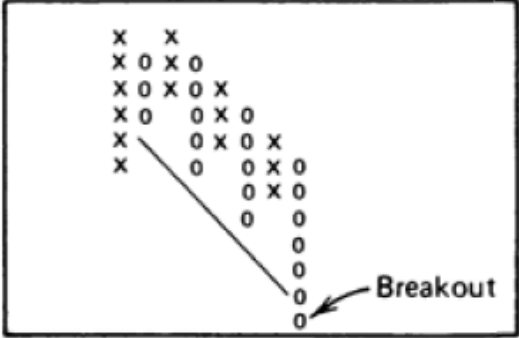
- a) triple bottom
- b) symmetric triangle
- c) descending triangle
- d) descending triple bottom

118. The point & figure pattern highlighted below is a



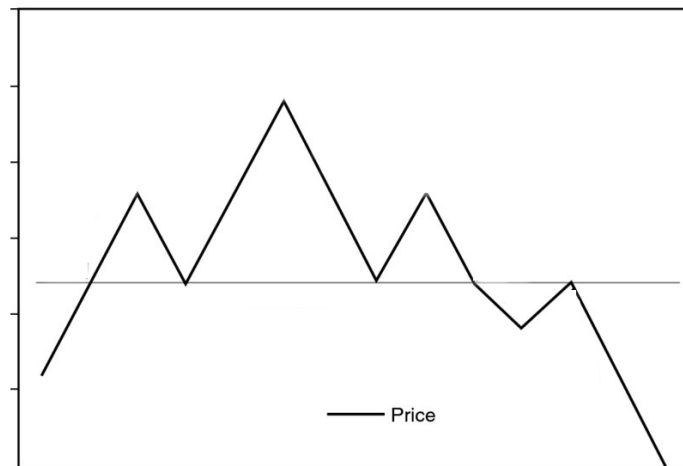
- a) triple top buy.
- b) bullish catapult buy.
- c) spread triple top buy.
- d) ascending triple top buy.

119. The point & figure pattern highlighted below is a



- a) bearish catapult.
- b) double bottom sell.
- c) downside breakout of a bullish support line.
- d) downside breakout of a bearish support line.

120. Identify the chart formation below.



- a) triple top
- b) rising wedge
- c) rounding top
- d) head and shoulders top

Answer key begins on the next page.

1. Annie Jones is the portfolio manager for a large-cap equity investment fund. Her colleagues at another investment fund share details about a small-cap company that is now showing a long-term basing pattern on the price charts, and whose prospects for future growth and earnings are outstanding. She invests in the company on behalf of the fund, and over the course of the next three years, the performance of the company's stock contributes greatly to her investment fund beating its benchmark. Jones

- a) has violated the CFA Institute Code and Standards because her investment in the small-cap company is contrary to the stated objectives of the fund.

Reference: [CFA Institute Code of Ethics and Standards of Professional Conduct](#)

2. Which of the following actions is most likely to comply with the CFA Institute Code of Ethics and Standards?

- d) Providing your exam prep course provider with a list of topics not tested from the body of knowledge.

Reference: [CFA Institute Code of Ethics and Standards of Professional Conduct](#)

3. Maggie manages several client portfolios. She utilizes the research of highly skilled analysts in her firm to support her investment decisions. Maggie

- a) complied with the CFA Institute Code and Standards.

Reference: [CFA Institute Code of Ethics and Standards of Professional Conduct](#)

4. Which of the following is most likely to be considered a "material" piece of information regarding a company?

- b) The loss of a customer representing a significant portion of a company's gross sales.

Reference: [CFA Institute Code of Ethics and Standards of Professional Conduct](#)

5. Qi Lee received a year-end gift of an expensive Rolex watch from a client who was delighted by the performance of his portfolio, which was managed by Lee. Lee should

- d) accept the gift, and disclose it to his employer.

Reference: [CFA Institute Code of Ethics and Standards of Professional Conduct](#)

6. TRIN index is calculated by

- d) dividing the advance/decline ratio by the ratio of advancing volume to declining volume.

Reference: CMT Level I Curriculum (2018), Chapter 19

7. If the New High-New Low Index declines while the broad market stays flat or rallies, it is time to
- d) take profits on long positions.
Reference: CMT Level I Curriculum (2018), Chapter 19
8. The Advance/Decline line is calculated by
- a) subtracting the number of declining stocks from advancing stocks and ignoring unchanged stocks.
Reference: CMT Level I Curriculum (2018), Chapter 19
9. If the stock market reaches a new peak while the A/D line does not, it indicates that
- d) fewer stocks are participating and the rally may be near its end.
Reference: CMT Level I Curriculum (2018), Chapter 19
10. When analyzing candlestick price charts, the appearance of a long body in the same direction as the existing trend indicates
- c) continuation.
Reference: CMT Level I Curriculum (2018), Chapter 8
11. Identify the candlestick pattern in which the opening and closing prices are very close or the same.
- a) doji
Reference: CMT Level I Curriculum (2018), Chapter 8
12. When an indicator or oscillator fails to confirm the trend, it is called a
- c) divergence.
Reference: CMT Level I Curriculum (2018), Chapter 19
13. A candlestick that has a long upper shadow emerging after an extended uptrend suggests that
- b) buyers have lost momentum.
Reference: CMT Level I Curriculum (2018), Chapters 3, 8, 10
14. Momentum measures
- a) the rate of change in price.
b) Reference: CMT Level I Curriculum (2018), Chapter 9

15. Lower-priced securities tend to have greater ATR (Average True Range) than higher-priced securities.

b) false

Reference: CMT Level I Curriculum (2018), Chapter 5

16. Average True Range (ATR) is an indicator that measures

c) volatility.

Reference: CMT Level I Curriculum (2018), Chapter 5

17. A breakaway gap usually

b) signals the beginning of a new trend.

Reference: CMT Level I Curriculum (2018), Chapter 8

18. Common gaps usually appear in a

a) trading range.

Reference: CMT Level I Curriculum (2018), Chapter 8

19. During a consolidation phase, price action normally

c) moves within well-defined neutral boundaries on low volume.

Reference: CMT Level I Curriculum (2018), Chapter 4

20. An exponential moving average

a) gives more weight to the most recent observation.

Reference: CMT Level I Curriculum (2018), Chapter 6

21. Gaps normally occur

a) between the close of the market on one day and the open of the next day.

Reference: CMT Level I Curriculum (2018), Chapter 8

22. Which of the following measures makes use of price and volume in its calculation?

d) Money Flow Index (MFI)

Reference: CMT Level I Curriculum (2018), Chapter 9

23. Which of the following types of moving averages drops off an old data point when a new one is added?

a) simple moving average

Reference: CMT Level I Curriculum (2018), Chapter 6

24. MACD line is calculated by
- c) subtracting the 26-day exponential moving average from the 12-day exponential moving average.
Reference: CMT Level I Curriculum (2018), Chapter 9
25. The basis of OBV is the belief that
- b) volume precedes price.
Reference: CMT Level I Curriculum (2018), Chapter 9
26. Top-down analysis refers to an analysis of
- c) the overall economic and business condition.
Reference: CMT Level I Curriculum (2018), Chapter 14
27. Government and companies raise money from investors in
- b) primary markets.
Reference: CMT Level I Curriculum (2018), Chapter 14
28. Calculate the nominal return based on the information provided below:
- The S&P 500 index fell 0.003 percent in 2015.
 - Dividends paid during the year equaled 2.089 percent of the index's value.
 - Inflation was 3.4 percent, based on the change in the Consumer Price Index (CPI) for the 10 months ended in November.
- b) -1.3%
Reference: CMT Level I Curriculum (2018), Chapter 14
29. _____ affects the amount of funds available to the economy as well as their cost.
- c) Monetary policy
Reference: CMT Level I Curriculum (2018), Chapter 14
30. Yield refers to the projected annual return on a bond based on
- d) a and b.
Reference: CMT Level I Curriculum (2018), Chapter 15
31. When a bond's price is greater than 100, the yield is
- b) lower than the coupon rate.
Reference: CMT Level I Curriculum (2018), Chapter 15

32. Treasury inflation-protected securities (TIPS) are bonds whose _____ is adjusted as the consumer price index fluctuates.

- a) principal

Reference: CMT Level I Curriculum (2018), Chapter 15

33. An inverted yield curve has historically pointed toward

- d) slower economic growth and recessions.

Reference: CMT Level I Curriculum (2018), Chapter 15

34. Treasury bill returns come from

- b) price changes.

Reference: CMT Level I Curriculum (2018), Chapter 15

35. The treasury yield curve is usually

- d) upward sloping.

Reference: CMT Level I Curriculum (2018), Chapter 15

36. _____ are bonds without any collateral backing them other than a company's full faith and credit.

- a) Debentures

Reference: CMT Level I Curriculum (2018), Chapter 16

37. _____ give companies the option to buy them back before maturity.

- c) Callable bonds

Reference: CMT Level I Curriculum (2018), Chapter 16

38. _____ provide investors with the option to swap debt for equity.

- d) Convertible bonds

Reference: CMT Level I Curriculum (2018), Chapter 16

39. At least _____ touch(es) of each trend line are required for a valid rectangle.

- b) two

Reference: CMT Level I Curriculum (2018), Chapter 7

40. In a dark cloud cover candlestick pattern, which candle has the higher high?

- b) the second candle

Reference: CMT Level I Curriculum (2018), Chapter 8

41. _____ occurs after an upward breakout when prices return to the breakout point or chart pattern boundary.
- c) A throwback
Reference: CMT Level I Curriculum (2018), Chapter 5
42. When analyzing long term price movements, it could be helpful to use _____ chart.
- a) a logarithmic
Reference: CMT Level I Curriculum (2018), Chapter 3
43. An uptrend line has
- a) positive slope and is formed by connecting two or more low points.
Reference: CMT Level I Curriculum (2018), Chapter 4
44. The key variable in the CAPM (Capital Asset Pricing Model) equation is
- b) beta.
Reference: CMT Level I Curriculum (2018), Chapter 21
45. A complete Elliott wave cycle is made up of _____ waves.
- c) eight
Reference: CMT Level I Curriculum (2018), Chapter 12
46. In Elliott wave theory, sub-waves 2 and 4 are called
- d) corrective waves.
Reference: CMT Level I Curriculum (2018), Chapter 12
47. _____ is a sideways, three-wave corrective pattern.
- a) Flat
Reference: CMT Level I Curriculum (2018), Chapter 12
48. Open interest in a futures contract represents
- c) the number of outstanding contracts on any given day.
Reference: CMT Level I Curriculum (2018), Chapter 9

49. When the market is under pressure, there is a net buying of _____, which will result in _____.

d) put options, higher implied volatility

Reference: CMT Level I Curriculum (2018), Chapter 29

50. Force Index is calculated by

a) subtracting the previous day's close from the current day's close and multiplying by volume.

Reference: CMT Level I Curriculum (2018), Chapter 9

51. A protective stop is

d) all of the above.

Reference: CMT Level I Curriculum (2018), Chapter 5

52. In constructing a point & figure chart, a new box is added only when

d) price has moved by equal to or more than the specified box size.

Reference: CMT Level I Curriculum (2018), Chapter 11

53. Violated support levels typically

d) become resistance.

Reference: CMT Level I Curriculum (2018), Chapter 4

54. A rising relative strength line for a stock in a falling market indicates that

c) the stock is performing better than the market.

Reference: CMT Level I Curriculum (2018), Chapter 35

55. Which of the following lists arranges cycles from shortest to longest in duration?

c) seasonal, presidential, Kondratieff

Reference: CMT Level I Curriculum (2018), Chapter 33

56. A narrowing of Bollinger Bands normally indicates that

d) a stock's volatility has decreased.

Reference: CMT Level I Curriculum (2018), Chapter 6

57. A company whose stock is in a well-established uptrend, reports earnings slightly above consensus estimates. After an initial rally, the stock then ends lower on the day. This would probably be an example of

- a) market discounting.

Reference: CMT Level I Curriculum (2018), Chapter 2

58. To increase the sensitivity of a 5×3 point & figure chart, one could

- b) decrease the box size.

Reference: CMT Level I Curriculum (2018), Chapter 11

59. According to the work of Charles Dow and his successors, now referred to as Dow Theory, which of the following is not a hypothesis for the nature of markets and technical analysis?

- d) Prices move at random.

Reference: CMT Level I Curriculum (2018), Chapter 2

60. Sentiment data may include

- d) results of investor polls and surveys.

Reference: CMT Level I Curriculum (2018), Chapter 32

61. In a 5-day simple moving average, each day's price is assigned a weighting of

- c) 20%.

Reference: CMT Level I Curriculum (2018), Chapter 6

62. Volume divergences occur when

- d) a new high in an uptrend takes place on declining volume.

Reference: CMT Level I Curriculum (2018), Chapter 19

63. The primary use of a candlestick pattern is to

- c) strengthen the possibility of a reversal of a price trend.

Reference: CMT Level I Curriculum (2018), Chapter 10

64. Which is an example of candle pattern filtering?

- b) Using western techniques to confirm a candle pattern.

Reference: CMT Level I Curriculum (2018), Chapter 10

65. A point & figure chart
- a) ignores time.
Reference: CMT Level I Curriculum (2018), Chapter 11
66. The Kondratieff cycle extends for a period of about
- c) 54 years.
Reference: CMT Level I Curriculum (2018), Chapter 33
67. Put-call parity refers to
- a) the link between an asset's put and call premiums as they relate to the price of the underlying asset.
Reference: CMT Level I Curriculum (2018), Chapter 29
68. Trend lines
- c) are more significant the longer they stay in force.
Reference: CMT Level I Curriculum (2018), Chapter 4
69. Which of the following is a continuation pattern?
- a) flag
Reference: CMT Level I Curriculum (2018), Chapters 7, 8
70. Seasonality is a cycle that occurs
- a) yearly.
Reference: CMT Level I Curriculum (2018), Chapter 33
71. The interchangeability of a financial instrument is normally referred to as
- b) fungibility.
Reference: CMT Level I Curriculum (2018), Chapter 23
72. The VIX index measures
- d) the implied volatility of the S&P 500 index options.
Reference: CMT Level I Curriculum (2018), Chapter 30
73. If the VIX is quoted at 20, it indicates the market is expecting a movement of about _____ percent over the next 30 days.
- b) 5.77
Reference: CMT Level I Curriculum (2018), Chapter 30

74. In a double bottom pattern, volume is generally
- d) higher on the left bottom than the right.
Reference: CMT Level I Curriculum (2018), Chapter 7
75. When an economic crisis begins, investors generally buy _____ securities for their relative safety and sell _____ securities.
- b) treasury, corporate
Reference: CMT Level I Curriculum (2018), Chapter 18
76. The _____ index is a popular benchmark for measuring the performance of small-cap companies.
- b) Russell 2000
Reference: CMT Level I Curriculum (2018), Chapter 18
77. The NASDAQ Composite index is a _____ weighted index.
- a) market-cap
Reference: CMT Level I Curriculum (2018), Chapter 18
78. Which moving average(s) assign GREATER weight to the most recent data?
- d) both b and c
Reference: CMT Level I Curriculum (2018), Chapter 6
79. A moving average
- d) is all of the above.
Reference: CMT Level I Curriculum (2018), Chapter 6
80. Bullish support lines on a 3-box reversal Point & Figure chart are drawn at a _____ degree angle.
- a) 45
Reference: CMT Level I Curriculum (2018), Chapters 4, 11
81. If a fund has a beta of 1.2, then it has _____ than the overall market.
- d) 20% more volatility
Reference: CMT Level I Curriculum (2018), Chapter 21

82. An effective way of detrending price data to identify cycles is to
- c) divide the closing prices by a moving average of those prices.
Reference: CMT Level I Curriculum (2018), Chapters 26, 33
83. An important feature of the martingale process that makes it an appropriate model for EMH is
- a) the absence of future price predictability.
Reference: CMT Level I Curriculum (2018), Chapter 20
84. In EMH, technical traders can be thought of as a specific type of noise trader because
- b) technical traders are not rational traders.
Reference: CMT Level I Curriculum (2018), Chapter 24
85. The stochastics indicator measures
- c) the relative position of the closing price within a past high-low range.
Reference: CMT Level I Curriculum (2018), Chapter 9
86. Which of the following statements is an important assumption of the Efficient Market Hypothesis (EMH)?
- b) Investors as a group will act rationally.
Reference: CMT Level I Curriculum (2018), Chapter 20
87. Slippage is normally attributed to
- a) the bid-ask spread.
Reference: CMT Level I Curriculum (2018), Chapter 9
88. Objective technical analysis methods
- d) Are well-defined procedures that issue unambiguous signals.
Reference: CMT Level I Curriculum (2018), Chapter 26
89. When a great majority of investors have the same view of the market
- c) it is a warning to expect a reversal contrary to the majority opinion.
Reference: CMT Level I Curriculum (2018), Chapter 31
90. The Fed largely controls
- d) both money supply and short-term interest rates.
Reference: CMT Level I Curriculum (2018), Chapter 14

91. In rectangle, triangle, flag and pennant patterns, volume generally
- b) decreases as the pattern develops.
Reference: CMT Level I Curriculum (2018), Chapter 7
92. Monetary indicators are considered _____ indicators.
- b) external
Reference: CMT Level I Curriculum (2018), Chapter 32
93. A flag is generally formed by a _____ in a bull market or a _____ in a bear market.
- c) correction, rally
Reference: CMT Level I Curriculum (2018), Chapters 7, 8
94. As per the theory of contrary opinion, a high degree of consensus normally precedes a
- a) trend reversal.
Reference: CMT Level I Curriculum (2018), Chapter 34
95. The white or black portion of a candlestick is also referred to as the
- c) real body.
Reference: CMT Level I Curriculum (2018), Chapter 3
96. _____ has the highest component weighting in the U.S. Dollar index.
- a) Euro
Reference: CMT Level I Curriculum (2018), Chapter 18
97. In relation to the principles of technical analysis, the phrase “patterns are fractal” refers to the assumption that
- c) pattern analysis is universal and independent of time.
Reference: CMT Level I Curriculum (2018), Chapter 1
98. When a larger number of stocks register new lows vs. new highs, the New High-New Low Index is
- d) negative, and is below the centerline.
Reference: CMT Level I Curriculum (2018), Chapter 19

99. The distribution of open interest among various categories of market participants in the futures markets is reported in

- c) the Commitments of Traders report.

Reference: CMT Level I Curriculum (2018), Chapter 34

100. Identify the point & figure pattern highlighted below.

- d) upside breakout of an ascending triangle

Reference: CMT Level I Curriculum (2018), Chapter 11

101. The Elliott Wave pattern highlighted below is

- c) an ending diagonal.

Reference: CMT Level I Curriculum (2018), Chapter 12

102. Identify the Elliott Wave pattern highlighted below.

- c) zigzag in a bull market

Reference: CMT Level I Curriculum (2018), Chapter 12

103. The Elliott Wave pattern highlighted below is

- d) an expanded flat.

Reference: CMT Level I Curriculum (2018), Chapter 12

104. Identify the Elliott Wave pattern highlighted below.

- b) running flat

Reference: CMT Level I Curriculum (2018), Chapter 12

105. Identify the following “Double-Three” combination pattern as per the Elliott Wave Theory.

- b) zigzag, zigzag, flat

Reference: CMT Level I Curriculum (2018), Chapter 12

106. Relative strength studies suggest that strong performance over which time period is an indicator of strong performance?

- c) 26 weeks

Reference: CMT Level I Curriculum (2018), Chapter 35

107. The chart formation highlighted below is
- b) an ascending triangle.
Reference: CMT Level I Curriculum (2018), Chapter 7
108. The chart formation highlighted below is
- b) a double bottom.
Reference: CMT Level I Curriculum (2018), Chapter 7
109. Identify the candlestick pattern highlighted in the chart.
- a) hammer
Reference: CMT Level I Curriculum (2018), Chapter 8
110. The chart formation highlighted below is a:
- d) d. bullish engulfing.
Reference: CMT Level I Curriculum (2018), Chapter 8
111. Identify the Point & Figure pattern highlighted below.
- c) ascending triple top
Reference: CMT Level I Curriculum (2018), Chapter 11
112. Identify the type of gap highlighted in the chart.
- d) exhaustion gap
Reference: CMT Level I Curriculum (2018), Chapter 8
113. The chart formation highlighted below is
- d) a head and shoulders bottom.
Reference: CMT Level I Curriculum (2018), Chapter 7
114. Identify the gap highlighted (black arrow) in the chart.
- d) Breakaway gap
Reference: CMT Level I Curriculum (2018), Chapter 8
115. After testing and refining a trading system, further validation should be done using data known as
- b) out-of-sample.
Reference: CMT Level I Curriculum (2018), Chapter 27

116. The chart formation highlighted below is a
- a) flag.
Reference: CMT Level I Curriculum (2018), Chapter 7
117. Identify the point & figure pattern highlighted below.
- a) triple bottom
Reference: CMT Level I Curriculum (2018), Chapter 11
118. The Point & Figure pattern highlighted below is a
- c) spread triple top buy.
Reference: CMT Level I Curriculum (2018), Chapter 11
119. The point & figure pattern highlighted below is a
- d) downside breakout of a bearish support line.
Reference: CMT Level I Curriculum (2018), Chapter 11
120. Identify the chart formation below.
- d) head and shoulders top
Reference: CMT Level I Curriculum (2018), Chapter 7