

Chartered Market Technician (CMT) Level 1 Practice Test (Sample)

Study Guide



Everything you need from our exam experts!

Copyright © 2026 by Examzify - A Kaluba Technologies Inc. product.

ALL RIGHTS RESERVED.

No part of this book may be reproduced or transferred in any form or by any means, graphic, electronic, or mechanical, including photocopying, recording, web distribution, taping, or by any information storage retrieval system, without the written permission of the author.

Notice: Examzify makes every reasonable effort to obtain accurate, complete, and timely information about this product from reliable sources.

SAMPLE

Table of Contents

Copyright	1
Table of Contents	2
Introduction	3
How to Use This Guide	4
Questions	5
Answers	8
Explanations	10
Next Steps	16

SAMPLE

Introduction

Preparing for a certification exam can feel overwhelming, but with the right tools, it becomes an opportunity to build confidence, sharpen your skills, and move one step closer to your goals. At Examzify, we believe that effective exam preparation isn't just about memorization, it's about understanding the material, identifying knowledge gaps, and building the test-taking strategies that lead to success.

This guide was designed to help you do exactly that.

Whether you're preparing for a licensing exam, professional certification, or entry-level qualification, this book offers structured practice to reinforce key concepts. You'll find a wide range of multiple-choice questions, each followed by clear explanations to help you understand not just the right answer, but why it's correct.

The content in this guide is based on real-world exam objectives and aligned with the types of questions and topics commonly found on official tests. It's ideal for learners who want to:

- Practice answering questions under realistic conditions,
- Improve accuracy and speed,
- Review explanations to strengthen weak areas, and
- Approach the exam with greater confidence.

We recommend using this book not as a stand-alone study tool, but alongside other resources like flashcards, textbooks, or hands-on training. For best results, we recommend working through each question, reflecting on the explanation provided, and revisiting the topics that challenge you most.

Remember: successful test preparation isn't about getting every question right the first time, it's about learning from your mistakes and improving over time. Stay focused, trust the process, and know that every page you turn brings you closer to success.

Let's begin.

How to Use This Guide

This guide is designed to help you study more effectively and approach your exam with confidence. Whether you're reviewing for the first time or doing a final refresh, here's how to get the most out of your Examzify study guide:

1. Start with a Diagnostic Review

Skim through the questions to get a sense of what you know and what you need to focus on. Your goal is to identify knowledge gaps early.

2. Study in Short, Focused Sessions

Break your study time into manageable blocks (e.g. 30 - 45 minutes). Review a handful of questions, reflect on the explanations.

3. Learn from the Explanations

After answering a question, always read the explanation, even if you got it right. It reinforces key points, corrects misunderstandings, and teaches subtle distinctions between similar answers.

4. Track Your Progress

Use bookmarks or notes (if reading digitally) to mark difficult questions. Revisit these regularly and track improvements over time.

5. Simulate the Real Exam

Once you're comfortable, try taking a full set of questions without pausing. Set a timer and simulate test-day conditions to build confidence and time management skills.

6. Repeat and Review

Don't just study once, repetition builds retention. Re-attempt questions after a few days and revisit explanations to reinforce learning. Pair this guide with other Examzify tools like flashcards, and digital practice tests to strengthen your preparation across formats.

There's no single right way to study, but consistent, thoughtful effort always wins. Use this guide flexibly, adapt the tips above to fit your pace and learning style. You've got this!

Questions

SAMPLE

- 1. What is a pivot low in technical analysis?**
 - A. A key price point below which the stock will not drop**
 - B. A reversal point following a breakaway gap**
 - C. A reference point for future price predictions**
 - D. A level where traders should always enter trades**

- 2. What do percentage envelopes represent?**
 - A. A fixed percentage of the total volatility**
 - B. A percentage of the moving average plotted above and below it**
 - C. The total percentage of daily trades**
 - D. The margins needed for margin trading**

- 3. What is a typical use of pivot points in trading?**
 - A. Deciding long-term investment strategies**
 - B. Determining entry and exit points for day trades**
 - C. Establishing risk management practices**
 - D. Analyzing fundamental factors affecting securities**

- 4. What is indicated when total quantity bought equals total quantity sold?**
 - A. Market volatility**
 - B. Market equilibrium**
 - C. Market inefficiency**
 - D. Market rally**

- 5. How often does the US economy typically suffer a recession, excluding periods of war?**
 - A. Every 20 months**
 - B. Every 30 months**
 - C. Every 40 months**
 - D. Every 50 months**

- 6. What does a declining wedge pattern typically indicate?**
- A. A possible continuation of the current trend**
 - B. An impending upward breakout**
 - C. Insufficient trading volume**
 - D. High chances of market reversal downward**
- 7. What happens to the volume when moving from the left bottom to the right bottom in a double bottom pattern?**
- A. It decreases significantly**
 - B. It remains constant**
 - C. It is higher on the right**
 - D. It typically decreases**
- 8. How are standard triangles characterized in technical analysis?**
- A. They are bounded by straight, parallel lines**
 - B. They are recognized by non-parallel boundary lines**
 - C. They are defined by circular formations**
 - D. They always precede a trend reversal**
- 9. What does LWMA stand for in moving averages?**
- A. Linear Weighted Monetary Average**
 - B. Linearly Weighted Moving Average**
 - C. Last Weighted Moving Average**
 - D. Long-term Weighted Market Average**
- 10. What does an oscillator's range indicate?**
- A. It is always open-ended**
 - B. It can only be between -100 to 100**
 - C. It determines stock volatility**
 - D. It represents liquidity levels in the market**

Answers

SAMPLE

1. B
2. B
3. B
4. B
5. C
6. B
7. D
8. B
9. B
10. B

SAMPLE

Explanations

SAMPLE

1. What is a pivot low in technical analysis?

- A. A key price point below which the stock will not drop
- B. A reversal point following a breakaway gap**
- C. A reference point for future price predictions
- D. A level where traders should always enter trades

A pivot low in technical analysis is defined as a price point on a chart where the price has declined to a low, followed by an increase in price to demonstrate a potential reversal. This typically occurs after a series of lower lows and is often seen as a sign of a potential change in trend from downward to upward. The relevance of the correct answer lies in its identification of a pivot low as a reversal point, which signifies a shift in market sentiment. This can be used by traders to identify potential entry points into long positions or to adjust their strategy based on the market direction. This price action indicates that after reaching that low, buyers may be entering the market, leading to higher prices, which traders seek to capitalize on. Other options may misinterpret the concept of a pivot low or attach conditions that do not accurately reflect its definition. For example, asserting that it is a key price point below which the stock will not drop suggests a certainty that may mislead traders, as prices can and do breach levels deemed significant. Additionally, identifying it solely as a reference point does not capture the dynamic nature of the pivot low being a pattern indicative of reversals rather than just a static point. Lastly, suggesting it as a level where traders should always enter trades

2. What do percentage envelopes represent?

- A. A fixed percentage of the total volatility
- B. A percentage of the moving average plotted above and below it**
- C. The total percentage of daily trades
- D. The margins needed for margin trading

Percentage envelopes represent a percentage of the moving average plotted above and below it. This technical analysis tool is used to identify overbought and oversold conditions in the market. The envelopes are created by determining a certain percentage above and below a specified moving average, thus framing the price action within these bands. When the price descends toward the lower envelope, it may indicate that the asset is oversold, potentially signaling a buying opportunity. Conversely, when the price approaches the upper envelope, it could indicate that the asset is overbought, suggesting a potential selling opportunity. The use of percentage envelopes helps traders visualize price movements relative to the moving average and make informed trading decisions based on market trends.

3. What is a typical use of pivot points in trading?

- A. Deciding long-term investment strategies
- B. Determining entry and exit points for day trades**
- C. Establishing risk management practices
- D. Analyzing fundamental factors affecting securities

Pivot points are widely used in technical analysis to identify potential levels of support and resistance in the price movement of securities. These levels help traders, particularly day traders, in determining optimal entry and exit points based on short-term price movements. In the context of day trading, pivot points are calculated using the previous trading day's high, low, and close prices, providing specific price levels where the market might react. When the price approaches a pivot point, traders often look for signs of a reversal or continuation in the market direction. This enables them to strategically place trades with a higher probability of success, allowing for informed decisions on when to enter or exit a position. The other options, while relevant to trading, do not align directly with the primary function of pivot points. Long-term investment strategies are generally based on different analytical techniques, risk management practices encompass broader parameters such as stop-loss orders, and fundamental analysis involves examining economic data rather than price levels derived from technical charts. Thus, the characteristic use of pivot points clearly relates to determining entry and exit points for day trades.

4. What is indicated when total quantity bought equals total quantity sold?

- A. Market volatility
- B. Market equilibrium**
- C. Market inefficiency
- D. Market rally

When total quantity bought equals total quantity sold, it indicates market equilibrium. In this state, the supply of an asset matches the demand for that asset, leading to a balance where no significant price changes are expected. This balance results in a stable market environment, where the forces of buying and selling are in harmony. When a market reaches equilibrium, prices tend to stabilize since there is no overwhelming pressure for either buyers or sellers to change prices significantly. This can be reflected in various types of financial markets, where equilibrium implies that participants are satisfied with the current price levels based on available information and market conditions. In contrast, options suggesting market volatility would imply fluctuations in price and activity, which does not occur when buying and selling quantities are balanced. Market inefficiency refers to situations where prices do not fully reflect all available information, which would lead to imbalances rather than equilibrium. Meanwhile, a market rally signifies an upward trend in prices due to increased buying interest; this would not be the case when purchases and sales are equal.

5. How often does the US economy typically suffer a recession, excluding periods of war?

- A. Every 20 months**
- B. Every 30 months**
- C. Every 40 months**
- D. Every 50 months**

The correct answer indicates that historically, the US economy has typically experienced a recession approximately every 40 months, which translates to a little over three years. This figure is derived from analyzing economic cycles over prolonged periods and is supported by various studies that examine the frequency, duration, and severity of economic downturns, excluding periods of war when recessions may occur more frequently due to the impacts of military expenditure and societal disruption. Understanding this cycle is crucial for someone preparing for the Chartered Market Technician (CMT) examination, as it gives insights into market behaviors, investment strategies, and economic indicators that follow or precede such downturns. Recognizing the historical patterns of recessions helps analysts forecast potential market transitions and make informed investment decisions during different economic phases.

6. What does a declining wedge pattern typically indicate?

- A. A possible continuation of the current trend**
- B. An impending upward breakout**
- C. Insufficient trading volume**
- D. High chances of market reversal downward**

A declining wedge pattern is a technical chart pattern characterized by converging trendlines that both slope downward. This pattern typically indicates a potential upward breakout, as it suggests that the price is making lower highs and lower lows, while the momentum is starting to shift as buyers begin to step in. As the pattern progresses, the distance between these trendlines narrows, which often leads to increased buying interest as it reaches a critical point near the apex of the wedge. Traders often interpret this as a bullish signal because the trend is losing momentum and might be preparing for a reversal to the upside once the price breaks above the upper trendline of the wedge. This pattern can provide a signal for traders looking to enter long positions, as it emphasizes that despite the initial downward movement, the conditions are aligning for a potential price increase. Thus, identifying and understanding the implications of a declining wedge pattern is crucial for predicting market behavior and making informed trading decisions.

- 7. What happens to the volume when moving from the left bottom to the right bottom in a double bottom pattern?**
- A. It decreases significantly**
 - B. It remains constant**
 - C. It is higher on the right**
 - D. It typically decreases**

In a double bottom pattern, the behavior of volume is significant as it can provide insights into the strength of the price action and the potential for a trend reversal. When moving from the left bottom to the right bottom of this pattern, volume typically decreases. This decline in volume suggests that market participants are less active during the formation of the second bottom compared to the first, which often indicates a lack of conviction among bears. The first bottom usually attracts more attention and selling pressure, leading to higher trading volumes as the market tests a key support level. However, by the time the price reaches the second bottom, some traders may start to believe that the price won't go lower, which results in reduced selling activity and lower volumes. This volume behavior is critical in technical analysis because an increase in volume during the breakout from the second bottom is needed to confirm the pattern and provide a stronger signal of a potential bullish reversal. If the volume is not supportive, the breakout may be weak and less valid. Thus, understanding that volume decreases while moving from the left to the right bottom enhances the analysis of trader sentiment and potential market movements following the pattern completion.

- 8. How are standard triangles characterized in technical analysis?**
- A. They are bounded by straight, parallel lines**
 - B. They are recognized by non-parallel boundary lines**
 - C. They are defined by circular formations**
 - D. They always precede a trend reversal**

In technical analysis, standard triangles are characterized by having non-parallel boundary lines. This unique structure arises from two converging trendlines, one sloping upward and the other sloping downward, creating a triangular shape. As the asset price fluctuates, it oscillates between these two trendlines, ultimately leading to a breakout or breakdown when the price moves past one of the boundaries. The converging nature of the boundary lines is crucial for identifying standard triangles, as they reflect a period of consolidation where the price volatility is decreasing, often preceding a significant price action as the market resolves the uncertainty. Recognizing this pattern helps traders anticipate potential movements in the stock or asset price, making it a useful tool in their technical analysis toolkit. Thus, the presence of non-parallel boundary lines is what fundamentally defines standard triangles in this context.

9. What does LWMA stand for in moving averages?

- A. Linear Weighted Monetary Average
- B. Linearly Weighted Moving Average**
- C. Last Weighted Moving Average
- D. Long-term Weighted Market Average

LWMA stands for Linearly Weighted Moving Average. This type of moving average gives more weight to recent price data compared to older data. The "linear" aspect refers to the way in which the weights are assigned; they increase linearly as the data gets more recent. For instance, in a 5-period LWMA, the most recent price would be multiplied by 5, the next by 4, and so forth, down to the oldest price, which would be multiplied by 1. This creates a more responsive average that reflects recent price movements better than simple moving averages, which treat all data points equally. In trading and technical analysis, the LWMA can be particularly useful for identifying trends more quickly, making it a favored tool among traders who want to react to market changes promptly.

10. What does an oscillator's range indicate?

- A. It is always open-ended
- B. It can only be between -100 to 100**
- C. It determines stock volatility
- D. It represents liquidity levels in the market

An oscillator generally provides a range of values that helps traders analyze market conditions, typically fluctuating between two thresholds. In many commonly used oscillators, such as the Relative Strength Index (RSI) or the Stochastic Oscillator, the values are confined to a specific set of bounds, often between -100 to 100 or 0 to 100. This defined range facilitates the interpretation of market momentum, indicating overbought or oversold conditions based on where the oscillator currently lies within that span. By having a fixed range, traders can assess whether market conditions are potentially turning in favor of buyers or sellers, aiding in decision-making about entry and exit points. This relationship of bounded values allows for clearer analysis compared to concepts that do not have constrained ranges, making option B the most accurate representation of an oscillator's range.

Next Steps

Congratulations on reaching the final section of this guide. You've taken a meaningful step toward passing your certification exam and advancing your career.

As you continue preparing, remember that consistent practice, review, and self-reflection are key to success. Make time to revisit difficult topics, simulate exam conditions, and track your progress along the way.

If you need help, have suggestions, or want to share feedback, we'd love to hear from you. Reach out to our team at hello@examzify.com.

Or visit your dedicated course page for more study tools and resources:

<https://cmtlevel1.examzify.com>

We wish you the very best on your exam journey. You've got this!

SAMPLE