

CHARTERED MARKET TECHNICIAN (CMT) LEVEL 2 PRACTICE TEST (SAMPLE)

STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

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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

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- 1. What type of pattern does a Rising Window indicate?**
 - A. Bullish reversal pattern
 - B. Bearish reversal pattern
 - C. Bullish continuation pattern
 - D. Bearish continuation pattern
- 2. What does tolerance indicate in relation to multicollinearity?**
 - A. $1 - r^2$; lower values indicate less correlation
 - B. $1 - r^2$; lower values indicate a problem with multicollinearity
 - C. $1 + r^2$; higher values indicate multicollinearity
 - D. $1 + r^2$; lower values indicate more independence
- 3. What is the Ultimate Oscillator designed to combine?**
 - A. A/D Oscillator and simple moving average
 - B. A/D Oscillator and RSI concepts
 - C. RSI and Bollinger Bands
 - D. Volume and price action
- 4. Which trading system type is characterized by buying high and selling higher?**
 - A. Trend following system
 - B. Exogenous signal system
 - C. Reversion to the mean
 - D. Pattern recognition system
- 5. What does a high Upside/Downside Ratio typically indicate about market conditions?**
 - A. Expected to precede a bull market
 - B. Indicates bearish trends
 - C. Shows a stable market
 - D. Suggests uncertain conditions

6. What is the McClellan Oscillator based on?

- A. Net advancing issues over different time periods
- B. The average price of stocks over time
- C. Volume trends across the market
- D. Overall market sentiment

7. How do you calculate STARC Bands?

- A. Add or subtract the 5-period ATR to the 5-period SMA of closing prices.
- B. Multiply the closing prices by the average volume.
- C. Use the RSI to determine the band width.
- D. Calculate the moving average and standard deviation of prices.

8. What is the primary action recommended when trading a runaway gap?

- A. Sell at the higher part of the gap
- B. Buy at the higher part of the gap
- C. Hold until the price stabilizes
- D. Short sell at the lower part of the gap

9. What defines a centered moving average (CMA)?

- A. It is a moving average that is always up to date
- B. A moving average that is half the length of the cycle and displaced backwards
- C. It provides a leading signal for market movement
- D. It averages all prices for a fixed period without adjustment

10. Which type of gap is characterized by a common gap formation?

- A. Exhaustion Gap
- B. Breakaway Gap
- C. Runaway/Measuring Gap
- D. Common Gap

Answers

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

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Explanations

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1. What type of pattern does a Rising Window indicate?

- A. Bullish reversal pattern
- B. Bearish reversal pattern
- C. Bullish continuation pattern**
- D. Bearish continuation pattern

A Rising Window is generally interpreted as a bullish continuation pattern. This pattern forms when the price opens higher than the previous day's high, creating a gap or window between the two candlestick bodies. The presence of this gap suggests strong buying interest and momentum in the market, implying that the upward trend is likely to continue. In the context of technical analysis, a Rising Window indicates that buyers have overcome sellers' resistance, which can signal continued strength in the prevailing uptrend. The continuation signal is reinforced if subsequent price action maintains higher closing prices, thus validating the bullish outlook. Understanding this pattern is crucial for traders as it helps them identify potential entry points in the context of a rising market trend, emphasizing the significance of market psychology and momentum in price movements.

2. What does tolerance indicate in relation to multicollinearity?

- A. $1 - r^2$; lower values indicate less correlation
- B. $1 - r^2$; lower values indicate a problem with multicollinearity**
- C. $1 + r^2$; higher values indicate multicollinearity
- D. $1 + r^2$; lower values indicate more independence

Tolerance is a statistical measure that indicates the presence of multicollinearity in a regression model. Specifically, it is calculated as 1 minus the squared correlation coefficient between a predictor variable and all other predictor variables in the model ($1 - r^2$). When the tolerance value is low, it suggests that a predictor variable is highly correlated with other predictor variables, leading to potential multicollinearity issues. This can result in unstable coefficient estimates and other problems in the regression analysis, making it difficult to assess the effect of each predictor on the outcome variable. Choosing this option accurately reflects that lower tolerance values indicate a problem with multicollinearity, emphasizing its importance in regression diagnostics. The other choices incorrectly define how tolerance operates or misinterpret its implications in the context of multicollinearity. For example, using $1 + r^2$ misrepresents the formula and its interpretation entirely, while focusing on independent variables. Understanding tolerance correctly is crucial for identifying multicollinearity and ensuring sound analysis in regression modeling.

3. What is the Ultimate Oscillator designed to combine?

- A. A/D Oscillator and simple moving average
- B. A/D Oscillator and RSI concepts**
- C. RSI and Bollinger Bands
- D. Volume and price action

The Ultimate Oscillator is specifically designed to combine the concepts of the Accumulation/Distribution (A/D) oscillator and the Relative Strength Index (RSI). This oscillator aims to address some of the weaknesses found in traditional momentum indicators by incorporating three different time frames. By employing the A/D oscillator, the Ultimate Oscillator accounts for volume in its calculations, which helps ensure that the strength of a price move is validated by the underlying volume activity. Additionally, by including RSI concepts, the Ultimate Oscillator leverages momentum analysis, allowing traders to assess overbought or oversold conditions in the market. This combination of volume and momentum through different time horizons enhances the reliability of price predictions, assisting traders in making more informed decisions. Hence, the connection of the Ultimate Oscillator to both the A/D oscillator and RSI concepts is essential for its functionality and purpose in market analysis.

4. Which trading system type is characterized by buying high and selling higher?

- A. Trend following system**
- B. Exogenous signal system
- C. Reversion to the mean
- D. Pattern recognition system

A trend-following system is characterized by the principle of buying high and selling higher. This approach is based on the idea that securities that have been rising in price will continue to rise, allowing traders to capitalize on momentum. Trend followers analyze price movements and often use technical indicators to identify the direction of trends, entering positions that align with these trends. By doing so, they aim to capture gains as the price continues to ascend, reinforcing the strategy of buying high with the expectation that the upward movement will persist. In contrast, other types of trading systems operate under different principles. For instance, a reversion to the mean strategy expects that prices will eventually return to a historical average, implying buying low after a price drop or selling high after a price surge, rather than consistently buying high. Exogenous signal systems rely on external indicators or events unrelated to price movements for trading decisions, while pattern recognition systems depend on identifying specific chart patterns to predict future price movements. These distinct focuses differentiate their strategies from trend-following systems, clearly highlighting why the focus on buying high and selling higher aligns with trend-following techniques.

5. What does a high Upside/Downside Ratio typically indicate about market conditions?

- A. Expected to precede a bull market**
- B. Indicates bearish trends
- C. Shows a stable market
- D. Suggests uncertain conditions

A high Upside/Downside Ratio generally indicates a bullish sentiment in the market. This metric is derived from analyzing the number of stocks or assets that are moving up in value compared to those that are moving down. When the ratio is high, it suggests that there are significantly more stocks experiencing upward movement than downward movement. This imbalance often reflects a broader market optimism, as it signifies strong buying pressure, which can indicate that investors are anticipating a rally or the beginning of a bull market. Moreover, such a scenario can point to accumulated positive sentiment that often drives further investment and can lead to sustained upward trends, making it plausible to suggest that these conditions could precede a bull market. This aspect emphasizes the psychological component of trading and the influence of trader behavior on market trends.

6. What is the McClellan Oscillator based on?

- A. Net advancing issues over different time periods
- B. The average price of stocks over time
- C. Volume trends across the market
- D. Overall market sentiment

The McClellan Oscillator is based on the difference between the number of advancing issues and declining issues in a market, calculated over a specific time period. This mathematical approach uses a short-term and a long-term exponential moving average of the net advances, which are the daily tally of stocks that advance relative to those that decline. By comparing these two moving averages, the McClellan Oscillator provides insights into market momentum and breadth. High readings typically indicate strong positive momentum, while low or negative readings can signal weakening momentum or bearish conditions. This focus on advancing and declining issues makes it a valuable tool for gauging overall market health and trends. Other options, while relevant concepts in technical analysis, do not accurately define the McClellan Oscillator's basis. For instance, average price, volume trends, and overall market sentiment are useful indicators in their own right but do not specifically pertain to the method by which the McClellan Oscillator functions.

7. How do you calculate STARC Bands?

- A. Add or subtract the 5-period ATR to the 5-period SMA of closing prices.
- B. Multiply the closing prices by the average volume.
- C. Use the RSI to determine the band width.
- D. Calculate the moving average and standard deviation of prices.

To calculate STARC Bands, the correct method involves using the Average True Range (ATR) and the Simple Moving Average (SMA) of closing prices. Specifically, you take the 5-period ATR and either add it to or subtract it from the 5-period SMA of closing prices. This process helps to establish upper and lower bands around the SMA, providing insights into potential price movements and volatility. STARC Bands, which stands for Stoller Average Range Channels, are particularly useful in indicating overbought or oversold conditions in the market. By incorporating ATR, which reflects the market's volatility, and SMA, which smooths price action, traders can make informed decisions about entry and exit points. The other choices do not align with the standard methodology for calculating STARC Bands. For instance, multiplying closing prices by average volume does not yield a volatility band; rather, it would produce a numerical value that combines price and volume without giving context to price movements. Similarly, using the RSI to determine band width focuses on momentum rather than volatility. Meanwhile, calculating the moving average and standard deviation of prices pertains more closely to other forms of technical analysis rather than the specific formulation of STARC Bands.

8. What is the primary action recommended when trading a runaway gap?

- A. Sell at the higher part of the gap
- B. Buy at the higher part of the gap**
- C. Hold until the price stabilizes
- D. Short sell at the lower part of the gap

When trading a runaway gap, the primary action recommended is to buy at the higher part of the gap. A runaway gap typically occurs during a strong trending market and signals a continuation of the trend. This type of gap often indicates increasing momentum in the direction of the trend, suggesting that traders who missed the initial move have now been attracted to the market. Buying at the higher part of the gap allows traders to take advantage of this momentum, as price tends to continue moving in the direction of the gap. The presence of the gap reinforces the bullish or bearish sentiment prevailing in the market, and entering a trade at this level aligns with the prevailing trend dynamics. The rationale for this action is based on technical analysis principles that suggest gaps will frequently act as support or resistance levels in the future. In the case of a runaway gap, the price typically has strong upward momentum, making it a favorable entry point for traders looking to capitalize on the ongoing trend.

9. What defines a centered moving average (CMA)?

- A. It is a moving average that is always up to date
- B. A moving average that is half the length of the cycle and displaced backwards**
- C. It provides a leading signal for market movement
- D. It averages all prices for a fixed period without adjustment

A centered moving average (CMA) is defined as a moving average that is calculated over a time period that aligns with the length of the cycle being analyzed, often half the cycle length, and is displaced backwards. This means that the CMA is centered on the current data point and incorporates both past and future data points for a more accurate representation of the trend. For instance, if the cycle length is 10 periods, the CMA would average the data from the previous 5 periods, the current period, and the next 4 periods to ensure it reflects the trend at the midpoint of the cycle. This characteristic makes it particularly useful for identifying trends and patterns without lagging too far behind current price action, as it incorporates both historical and upcoming data relative to the current point in time. The other options do not accurately describe the properties or calculation methods of a centered moving average. For example, the notion of a moving average being "always up to date" doesn't reflect the specific methodology of centering. Similarly, a leading signal implies a predictive capability that is not a fundamental aspect of CMAs, which are typically used for trend-following rather than forecasting future movements. Finally, averaging all prices without any adjustment characterizes a simple moving average rather

10. Which type of gap is characterized by a common gap formation?

- A. Exhaustion Gap
- B. Breakaway Gap
- C. Runaway/Measuring Gap
- D. Common Gap**

The type of gap that is characterized by a common gap formation is indeed referred to as a common gap. Common gaps typically occur in a trading range or before a continuation pattern and do not signal strong buying or selling interest. These gaps appear on a price chart when the market opens at a different price than the previous day's close, but the gap is eventually filled as the price action resumes its previous trend. Common gaps are often seen during periods of low volatility and are more likely to be filled quickly as traders do not view them as significant. This contrasts with other types of gaps like exhaustion gaps, breakaway gaps, and runaway gaps, which indicate strong momentum or shifting market sentiment and usually remain unfilled for a longer period. Thus, understanding common gaps helps traders identify areas on the chart where price ineffectiveness may occur without strong trends emerging. This is why identifying common gaps in trading can aid in decision-making and strategy development.

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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://cmtlevel2.examzify.com>

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

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