Chartered Market Technician (CMT) Practice Exam (Sample)

Study Guide

BY EXAMZIFY

Everything you need from our exam experts!

This is a sample study guide. To access the full version with hundreds of questions,

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Table of Contents

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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.

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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. Don't worry about getting everything right, 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, and take breaks to retain information better.

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.

7. Use Other Tools

Pair this guide with other Examzify tools like flashcards, and digital practice tests to strengthen your preparation across formats.

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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!

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Questions

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1. **Which candlestick signal can often appear at the top of an uptrend and is characterized by a small body?**
   - **A. Doji**
   - **B. Exhaustion Gap**
   - **C. Evening Star**
   - **D. Hammer**

2. **The mosaic theory suggests that an analyst can use which types of information in their analysis?**
   - **A. Only public information**
   - **B. Only nonpublic information**
   - **C. Both material public and nonmaterial nonpublic information**
   - **D. Only material nonpublic information**

3. **Which of the following candlestick patterns indicates a potential reversal after a downtrend?**
   - **A. Hanging Man**
   - **B. Inverted Hammer**
   - **C. Morning Star**
   - **D. Runaway Gap**

4. **If a client offers additional compensation based on capital appreciation, what is the ethical action for the portfolio manager?**
   - **A. Accept the arrangement without notifying anyone**
   - **B. Obtain permission from his employer prior to accepting the compensation arrangement**
   - **C. Consult with the client alone to finalize the details**
   - **D. Decline any additional compensation offers**

5. **According to the theory of contrarian opinion, what typically occurs after a high degree of consensus?**
   - **A. A trend reversal**
   - **B. A market stabilization**
   - **C. An increase in volatility**
   - **D. A shift in investor sentiment**

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6. **What might a gap up followed by a long upper shadow on a candle chart indicate?**
   - A. A continuation of the upward trend
   - B. A bullish reversal signal
   - C. A bearish reversal signal
   - D. A market consolidation

7. **In finance, what does the term 'callable' refer to regarding bonds?**
   - A. The ability to convert into equity
   - B. The ability to sell back to issuer
   - C. The issuer's right to repurchase the bond
   - D. The interest rate risk mitigation

8. **What occurs after a downtrend breakout from a chart pattern when prices return to the breakout point within 30 days?**
   - A. Reversal
   - B. Pullback
   - C. Rally
   - D. Consolidation

9. **What defines a bear trap in market terminology?**
   - A. Prices drop below a resistance level
   - B. Prices recapture a violated support level after sell signals are generated
   - C. Prices break through an established trend line
   - D. Prices consolidate at a support level

10. **In risk management, what is one common goal for investors?**
   - A. Maximize tax liabilities
   - B. Increase risk without limit
   - C. Minimize potential losses
   - D. Eliminate all forms of risk

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Answers

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

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Explanations

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1. Which candlestick signal can often appear at the top of an uptrend and is characterized by a small body?

- A. Doji
- B. Exhaustion Gap
- C. Evening Star
- D. Hammer

The Evening Star candlestick pattern is indeed characterized by its small body and is typically found at the top of an uptrend. This pattern is a three-candle formation that signals a potential reversal in price direction. The first candle is a strong bullish candle, which shows the strength of the uptrend. The second candle is often a small-bodied candle, which may be either bullish or bearish, indicating a pause or indecision among traders. The final candle is a bearish candle that confirms the reversal, suggesting that sellers have begun to take control. This configuration is significant because it represents a shift in market sentiment from bullish to bearish, highlighting the potential for a downturn after a prolonged uptrend. The presence of a small body in the second candle often symbolizes reduced momentum and uncertainty in the trend, setting the stage for the final bearish confirmation in the third candle. In contrast, other options do not fit this specific scenario. The Doji, while also involving a small body, does not indicate a specific trend reversal pattern by itself without further context of the surrounding candles. An Exhaustion Gap typically signifies the last surge of buying before a trend reversal but does not refer to a candlestick body structure itself. A Hammer, although it has a small body and can appear

2. The mosaic theory suggests that an analyst can use which types of information in their analysis?

- A. Only public information
- B. Only nonpublic information
- C. Both material public and nonmaterial nonpublic information
- D. Only material nonpublic information

The mosaic theory posits that analysts can build a comprehensive view of a company's prospects by integrating various types of information, both public and nonpublic. The correct choice reflects this holistic approach, which holds that analysts can utilize both material public information—such as financial reports, analyst presentations, and press releases—and nonmaterial nonpublic information, which may include insights gathered from industry contacts or observations that do not constitute material nonpublic information. By blending these different types of information, analysts are able to create a "mosaic" that provides a more informed perspective than either type of information could yield alone. This concept is crucial in the field of investment analysis, as it reinforces the importance of considering the broader context and varied sources of knowledge when evaluating a security. In contrast, the other options limit the scope of information to either only public or only specific types of nonpublic information, which would restrict an analyst's ability to gather a complete picture of the market or a specific company. By allowing the integration of various informational elements, the mosaic theory enhances the analytical process and supports more nuanced investment decisions.

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3. Which of the following candlestick patterns indicates a potential reversal after a downtrend?

A. Hanging Man

B. Inverted Hammer

C. Morning Star

D. Runaway Gap

The Morning Star is a candlestick pattern that signals a potential reversal after a downtrend. This pattern consists of three candles: a long bearish candle, followed by a smaller body candle (which can be either bullish or bearish), and concluding with a long bullish candle. The first candle indicates strong selling pressure as the market is in a downtrend. The second candle, which has a smaller body, highlights indecision in the market, where sellers are potentially losing momentum. The final bullish candle confirms a shift in sentiment and a potential reversal, as the buyers step in and push prices higher. This pattern is significant because it not only shows a shift in momentum from bearish to bullish but also the market psychology shifting from fear to optimism among traders. The presence of the long bullish candle after the downtrend is a strong signal that buyers are starting to take control, making it a valuable indicator for traders looking for potential entry points in an upward trend. In contrast, the other patterns mentioned may have different implications or may occur in different contexts. For instance, while the Hanging Man and Inverted Hammer can also indicate possible reversals, they do so mostly at the end of an uptrend rather than after an established downtrend. The Runaway Gap typically indicates a continuation

4. If a client offers additional compensation based on capital appreciation, what is the ethical action for the portfolio manager?

A. Accept the arrangement without notifying anyone

B. Obtain permission from his employer prior to accepting the compensation arrangement

C. Consult with the client alone to finalize the details

D. Decline any additional compensation offers

The ethical action for a portfolio manager when offered additional compensation based on capital appreciation is to obtain permission from their employer prior to accepting the compensation arrangement. This approach maintains transparency and ensures that the portfolio manager complies with company policies and regulations regarding compensation structures. By seeking approval from their employer, the portfolio manager holds themselves accountable to both their firm and the ethical standards that govern their professional conduct. This action protects the integrity of the investment process, as it allows the employer to assess the situation and any potential conflicts of interest that might arise from the additional compensation linked to the success of the portfolio's performance. The other options fail to uphold the necessary ethical standards in different ways. Accepting the arrangement without notifying anyone undermines the trust placed in the manager by both the employer and the client. Consulting with the client alone to finalize details could lead to complications or misunderstandings, especially if the employer is unaware, while declining any additional compensation could eliminate potential benefits for the manager and clients without addressing the ethical implications of the offer. Thus, obtaining permission is the most appropriate and ethical response.

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5. According to the theory of contrarian opinion, what typically occurs after a high degree of consensus?

A. A trend reversal

B. A market stabilization

C. An increase in volatility

D. A shift in investor sentiment

In the context of contrarian opinion theory, a high degree of consensus among investors typically indicates that many market participants share a similar viewpoint or expectation regarding future market movements. When this happens, it often leads to an overextension in market psychology, which can set the stage for a trend reversal. The rationale behind this is that when most investors are aligned in their beliefs—whether overly bullish or bearish—they might not leave room for differing opinions or counteractions. Consequently, market prices may become overvalued or undervalued due to this consensus. As a result, when new information or changes in sentiment occur, it can trigger a sudden and significant adjustment in price direction, reflecting the contrary beliefs of the minority who may have differing viewpoints. This behavior supports the notion that when everyone is on one side of the market, the opposite movement is often more likely to follow, leading to a reversal in the prevailing trend.

6. What might a gap up followed by a long upper shadow on a candle chart indicate?

A. A continuation of the upward trend

B. A bullish reversal signal

C. A bearish reversal signal

D. A market consolidation

A gap up followed by a long upper shadow on a candlestick chart typically indicates a bearish reversal signal. This pattern starts with a gap up, suggesting strong buying interest at the opening and a potential continuation of an upward trend. However, as the trading day progresses, the price experiences a push higher, followed by a significant retracement, which is depicted by the long upper shadow. This implies that, despite initial strength, buyers were unable to sustain that upward momentum, and sellers took control, driving the price back down significantly from its intraday high. As a result, the long upper shadow acts as a warning sign that the buying pressure may be waning, indicating potential weakness and a shift in sentiment. Traders often interpret this pattern as a signal that the market may soon experience a decrease in price, making it a notable indication of a bearish reversal.

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7. In finance, what does the term 'callable' refer to regarding bonds?

A. The ability to convert into equity

B. The ability to sell back to issuer

C. The issuer's right to repurchase the bond

D. The interest rate risk mitigation

The term 'callable' in the context of bonds specifically refers to the issuer's right to repurchase the bond before its maturity date. This feature allows the issuer to redeem the bonds at predetermined prices after a specified date, often when interest rates decline or when the issuer has excess cash to pay off debt. This characteristic can be advantageous for issuers because it provides flexibility to refinance debt at lower interest rates, potentially saving money on interest payments. However, it also introduces reinvestment risk for bondholders, as they may have to reinvest their funds at lower prevailing rates if the bonds are called. The other options describe different concepts. The ability to convert a bond into equity pertains to convertible bonds, where bondholders have the option to exchange their bonds for a specified number of shares. Selling back to the issuer isn't typically a feature of bonds, as it would involve the issuer buying back the bonds, which is different from calling them. Interest rate risk mitigation refers to strategies employed to manage risks associated with interest rate fluctuations, but this does not describe the callable feature itself.

8. What occurs after a downtrend breakout from a chart pattern when prices return to the breakout point within 30 days?

A. Reversal

B. Pullback

C. Rally

D. Consolidation

A downtrend breakout signifies a significant shift in market sentiment, where sellers have pushed prices below a key support level or pattern. When prices return to the breakout point within a relatively short period, such as 30 days, this phenomenon is referred to as a pullback. During this pullback, traders often seek to test the strength of the breakout. If prices retrace to the breakout point, it indicates that there are potentially buyers looking to confirm the breakout. However, it also serves as a critical test for the newly established downtrend. If the price can't hold above the previous support level (which has now turned into resistance), it can lead to further price declines. In context with the other choices, a reversal typically suggests a complete change in trend direction, which may not necessarily follow a downtrend breakout. A rally implies a significant upward price movement, usually characterized by strong buying pressure, which does not apply to the situation immediately after a downtrend breakout. Consolidation refers to a phase where prices trade within a range without a clear trend direction, which may occur later but is not specific to the immediate action following a breakout pullback. Thus, a pullback accurately describes the scenario of prices returning to the breakout level shortly after a

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9. What defines a bear trap in market terminology?

- A. Prices drop below a resistance level
- B. Prices recapture a violated support level after sell signals are generated
- C. Prices break through an established trend line
- D. Prices consolidate at a support level

A bear trap is defined as a market scenario where prices drop below a significant support level, leading traders to believe a bearish trend is in motion. This situation often triggers sell signals, causing traders to enter short positions, expecting prices to fall further. However, a true bear trap occurs when the prices quickly recoup or "recapture" that violated support level, invalidating the initial sell signals and potentially leading to a rapid price increase. This phenomenon can mislead traders, resulting in losses for those who have shorted the market based on the initial price drop. The other definitions do not accurately capture the essence of a bear trap. When prices drop below a resistance level, it does not reflect the reversal aspect inherent in a bear trap. Similarly, breaking through an established trend line describes a change in trend direction but lacks the specific characteristics of a bear trap. Lastly, consolidation at a support level indicates price stability rather than the deceptive reversal that defines a bear trap. Thus, the choice that highlights the recapture of a violated support level after sell signals are generated truly encapsulates the concept of a bear trap in market terminology.

10. In risk management, what is one common goal for investors?

- A. Maximize tax liabilities
- B. Increase risk without limit
- C. Minimize potential losses
- D. Eliminate all forms of risk

In the context of risk management, one common goal for investors is to minimize potential losses. This involves implementing strategies that help to protect capital while still allowing for some degree of opportunity for returns. Investors often seek to balance the potential risks associated with various investments against the likelihood of experiencing significant financial setbacks. By focusing on minimizing potential losses, investors can make more informed decisions that help safeguard their investments over time. This goal reflects a prudent approach to preserving capital and ensuring long-term financial stability, allowing investors to maintain their portfolio's value even in volatile market conditions.

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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://charteredmarkettech.examzify.com

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

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