Chartered Market Technician (CMT) Practice Exam (Sample)

Study Guide

Everything you need from our exam experts!

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

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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

1. What is the basis of On-Balance Volume (OBV)?

A. Price precedes volume

B. News impacts trading volume

C. Volume precedes price

D. Volume is irrelevant to price

2. What does it indicate when a company in an uptrend reports earnings slightly above estimates but ends lower?

A. Market overreaction

B. Market discounting

C. Investor skepticism

D. Stock undervaluation

3. Which chart type combines Eastern and Western techniques in technical analysis?

A. Bar chart

B. Moving average chart

C. Ichimoku cloud chart

D. Rugby chart

4. What is a defining feature of a market gap?

A. It only occurs during earnings announcements

B. It happens during regular trading hours

C. It reflects a rapid change in market sentiment

D. It always indicates a market reversal

5. Which of the following is an example of a value-weighted index?

A. Dow Jones Industrial Average

B. Russell 2000

C. NYSE Composite

D. Wilshire 5000

6. When do gaps typically appear in the trading market?

A. During market volatility

B. Between the close of the market on one day and the open of the next day

C. At the opening of an earnings report

D. During high trading volume periods only

7. What does a price weighted index rely on for its trading price?

A. Market capitalization of the stocks

B. Trading prices of the individual securities

C. Average price of all stocks

D. Volume of stocks traded

8. What is an effective method for detrending price data to identify cycles?

A. Subtracting moving averages

B. Dividing closing prices by a moving average of those prices

C. Using exponential smoothing

D. Applying seasonal adjustments

9. What typically happens to violated support levels on price bounces?

A. They become strong support

B. They become overhead resistance

C. They are ignored by traders

D. They become new support levels

10. What type of bond gives the issuing company the right to repurchase bonds before maturity?

A. Callable Bonds

B. Putable Bonds

C. Convertible Bonds

D. Zero-Coupon Bonds

Answers

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

Explanations

1. What is the basis of On-Balance Volume (OBV)?

A. Price precedes volume

B. News impacts trading volume

C. Volume precedes price

D. Volume is irrelevant to price

On-Balance Volume (OBV) is a technical analysis indicator that measures buying and selling pressure as a cumulative indicator, which can help predict price movements. The fundamental premise of OBV is that changes in volume typically precede price changes. When volume increases on up days, it indicates bullish sentiment, suggesting that the price may rise soon after. Conversely, when volume increases on down days, it suggests selling pressure, indicating that the price may fall. This concept reflects the belief that volume is a leading indicator; therefore, as traders and investors accumulate stock, the price is likely to follow. The calculation involves adding the day's volume if the price closes higher and subtracting it if the price closes lower, allowing traders to see the underlying strength or weakness behind price movements. As such, the correct answer highlights the critical role of volume in forecasting price movements, establishing that volume indeed precedes price.

2. What does it indicate when a company in an uptrend reports earnings slightly above estimates but ends lower?

A. Market overreaction

B. Market discounting

C. Investor skepticism

D. Stock undervaluation

When a company that is in an uptrend reports earnings that are slightly above estimates but its stock price ends up lower, this suggests that the market is discounting the positive news. In this context, "market discounting" implies that investors might be pricing in future expectations that are not aligned with just the current earnings report. Even though the company beat earnings estimates, there may be concerns about factors such as increased competition, future growth potential, or overall economic conditions that overshadow the earnings surprise. Therefore, the downward movement in stock prices indicates that the market is recalibrating or adjusting expectations based on a broader perspective rather than reacting solely to the earnings result. This reflects a more cautious sentiment among investors, suggesting that while the immediate earnings report was positive, the future outlook may not be as rosy. Hence, the market is effectively valuing the stock lower due to these considerations, which aligns with the notion of market discounting.

3. Which chart type combines Eastern and Western techniques in technical analysis?

A. Bar chart

B. Moving average chart

C. Ichimoku cloud chart

D. Rugby chart

The Ichimoku cloud chart stands out as a powerful tool in technical analysis that merges elements from Eastern and Western methodologies. Originating from Japan, the Ichimoku system encompasses various components such as the cloud itself, which provides insight into potential support and resistance levels, as well as trend direction. It aims to offer a comprehensive view of price action at a glance, incorporating aspects of momentum and volatility. Key features of the Ichimoku chart include the Tenkan-sen and Kijun-sen lines, which are akin to short-term and long-term moving averages respectively—important facets of Western technical analysis. The inclusion of these lines encourages the trader to assess price trends in a multifaceted manner, combining insights from both traditions. This chart type highlights its adaptability and effectiveness in analyzing market conditions, making it a preferred choice for traders who embrace a holistic approach to technical analysis. Through the fusion of these techniques, traders employing the Ichimoku cloud can glean richer context regarding market sentiment and potential price movements.

4. What is a defining feature of a market gap?

A. It only occurs during earnings announcements

B. It happens during regular trading hours

C. It reflects a rapid change in market sentiment

D. It always indicates a market reversal

A defining feature of a market gap is that it reflects a rapid change in market sentiment. Gaps occur when there is a substantial difference between the closing price of one trading session and the opening price of the next session, indicating significant market movement. This can stem from various factors, such as news releases, economic reports, or other events that shift traders' perceptions and expectations about a stock or the market. The nature of a gap highlights how quickly traders react to new information, resulting in a jump in prices either upward or downward. It encapsulates the essence of trader psychology, where a major shift in sentiment can leave the market with no transactions at certain price levels, thus creating a gap. While gaps can occur during earnings announcements, they are not restricted to these events; they can arise due to any significant news or development that influences investors' views. Gaps do not always indicate a market reversal; they can signify a continuation of the existing trend as well, depending on the context. Lastly, gaps are less common during regular trading hours, as they are usually a result of events that happen outside of those times, like after-hours trading or overnight news.

5. Which of the following is an example of a value-weighted index?

A. Dow Jones Industrial Average

B. Russell 2000

C. NYSE Composite

D. Wilshire 5000

The Russell 2000 is considered a value-weighted index because it is constructed based on the market capitalization of the companies included in the index. In a value-weighted index, also known as a market-capitalization-weighted index, larger companies have a greater impact on the index's overall value than smaller companies. This means that the index reflects changes in the value of the larger companies more than those of smaller ones. The Russell 2000 specifically tracks the performance of the 2000 smallest stocks in the Russell 3000 Index, which represents a broad spectrum of the U.S. equity market. Its value-weighting approach means that changes in the stock prices of larger capitalization companies will have a more pronounced effect on the Russell 2000's movement compared to smaller companies. In contrast, other indices mentioned utilize different weighting methodologies. For instance, the Dow Jones Industrial Average is price-weighted, where the index value is influenced by the stock prices of its components rather than their market capitalizations. The NYSE Composite consists of all common stocks listed on the NYSE and is also not strictly a value-weighted index, and the Wilshire 5000 is a broad index of U.S. stocks but encompasses multiple weighting schemes, primarily focusing

6. When do gaps typically appear in the trading market?

A. During market volatility

B. Between the close of the market on one day and the open of the next day

C. At the opening of an earnings report

D. During high trading volume periods only

Gaps in the trading market typically appear between the close of the market on one day and the open of the next day. This phenomenon occurs when there is a significant change in the price of a security that happens after the market closes. Factors that can cause such price movements include news announcements, economic data releases, earnings reports, or major geopolitical events that occur while the market is closed. As a result, when trading resumes, the price of the security opens at a level that is different from its previous close, creating a "gap" on the price chart. This gap can reflect either a gap up or a gap down, depending on whether the open is above or below the previous day's closing price. While gaps can be influenced by market volatility or high trading volume, they are fundamentally defined by the timing of the market's closure and opening.

7. What does a price weighted index rely on for its trading price?

A. Market capitalization of the stocks

B. Trading prices of the individual securities

C. Average price of all stocks

D. Volume of stocks traded

A price-weighted index fundamentally relies on the trading prices of the individual securities that make up the index. This type of index calculates its value by taking the sum of the prices of its constituent stocks and then dividing that total by a specific divisor. Each stock's influence on the overall index is directly proportional to its price; higher-priced stocks have more impact than lower-priced stocks. This system means that if a stock with a higher trading price experiences a significant price movement, it will affect the index more dramatically than a stock with a lower trading price, regardless of the total market capitalization or trading volume of the underlying stocks. Notably, this method emphasizes the absolute trading price rather than other factors such as market capitalization or trading volume, which are more relevant for other types of indices.

8. What is an effective method for detrending price data to identify cycles?

A. Subtracting moving averages

B. Dividing closing prices by a moving average of those prices

C. Using exponential smoothing

D. Applying seasonal adjustments

Detrending price data is essential to identify underlying cycles without the influence of long-term trends or noise. Dividing closing prices by a moving average of those prices provides a clear view of the relative performance of the asset over a specific period. This method effectively normalizes the data, allowing for the isolation of cyclical patterns that might be masked by prevailing trends. When prices are divided by a moving average, it helps visualize how the price behaves relative to its average performance over time. It highlights fluctuations and cycles rather than the overall trending direction of the price, enabling analysts to focus on short-term movements and recurring patterns. Other methods, while useful in their contexts, do not specifically target cycle identification as effectively. Subtracting moving averages might reveal trends but can obscure cyclical behavior. Using exponential smoothing focuses more on recent data, which may diminish the visibility of cycles that span broader timeframes. Lastly, applying seasonal adjustments is excellent for data that exhibits strong seasonal patterns but does not necessarily assist in removing trends or identifying cycles in the same way that dividing by a moving average does.

9. What typically happens to violated support levels on price bounces?

A. They become strong support

B. They become overhead resistance

C. They are ignored by traders

D. They become new support levels

When a support level is violated, it often indicates a shift in market sentiment and can lead to significant changes in how traders perceive that price level. Once a support level has been broken, and the price bounces back towards that level, it tends to act as overhead resistance. This means that when the price retraces to that previously established support level, traders may view it with skepticism. The reasoning behind this is that the violation suggests a weakening of buyers at that price point, implying that there are now more sellers willing to sell at that level. As a result, this formerly supportive price point can create selling pressure when approached again, leading traders to take short positions or avoid buying until the price demonstrates strength beyond the former support. Therefore, in market analysis, it is crucial to recognize that previously violated support levels often transition to resistance levels, reflecting a psychological change in how traders react to price movements. This concept is vital for understanding market dynamics and making informed trading decisions.

10. What type of bond gives the issuing company the right to repurchase bonds before maturity?

A. Callable Bonds

B. Putable Bonds

C. Convertible Bonds

D. Zero-Coupon Bonds

Callable bonds are designed specifically to give the issuing company the right to repurchase the bonds before their maturity date. This feature allows the issuer to take advantage of declining interest rates, enabling them to refinance their debt at a lower cost. When interest rates decrease, the value of existing bonds with higher interest rates goes up, and issuers may find it beneficial to call these bonds to reissue new bonds at lower rates. The other types of bonds listed do not provide this feature. Putable bonds allow bondholders to sell the bonds back to the issuer at specified times before maturity, providing them with some protection against rising interest rates. Convertible bonds give the holder the option to convert the bonds into a specified number of shares of the issuing company's stock, allowing for potential equity participation. Zero-coupon bonds are issued at a discount and do not make periodic interest payments; they are redeemed at face value at maturity, with no early repurchase option available. Thus, callable bonds are unique in granting the issuer the right to repurchase before maturity.

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!