

CHARTERED MARKET TECHNICIAN (CMT) PRACTICE EXAM (SAMPLE)

STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

VISIT US ONLINE FOR
THE FULL VERSION STUDY GUIDE

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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. In Elliott wave theory, what are impulse and diagonal classified as?**
 - A. Corrective waves
 - B. Motive waves
 - C. Reversal waves
 - D. Cycle waves
- 2. Which phase is associated with a downward trend?**
 - A. Accumulation phase
 - B. Public participation phase
 - C. Distribution phase
 - D. Excess phase
- 3. 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
- 4. Which security is sold by the U.S. government as a short-term investment for one year or less?**
 - A. Treasury notes
 - B. Treasury bonds
 - C. Treasury bills
 - D. Muni bonds
- 5. 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

- 6. If a bond's price is greater than 100, what can be inferred about its yield?**
- A. A Equal to the coupon rate
 - B. B Higher than the coupon rate
 - C. C Lower than the coupon rate
 - D. D Fluctuating with market conditions
- 7. 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
- 8. Which type of chart is best suited for visualizing trends over a longer time period?**
- A. Candlestick chart
 - B. Line chart
 - C. Bar chart
 - D. Scatter plot
- 9. 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
- 10. What signifies a breakout from a rectangle pattern?**
- A. Price volume increases
 - B. Price stays within the boundary
 - C. Price closes outside the boundary of the pattern
 - D. Price remains stable

Answers

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

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Explanations

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1. In Elliott wave theory, what are impulse and diagonal classified as?

- A. Corrective waves
- B. Motive waves**
- C. Reversal waves
- D. Cycle waves

In Elliott wave theory, impulse and diagonal waves are classified as motive waves. Motive waves are essential components of market movement that trend in the direction of the larger trend. Impulse waves are the most common type of motive wave, consisting of five smaller waves that move in the same direction as the overall trend. Diagonal waves also serve as motive waves but feature a different structure, typically occurring in the early stages of new trends or late in existing trends, and can be either contracting or expanding. Understanding that impulse and diagonal waves contribute to the development of larger market trends helps traders recognize potential price movements. By identifying these structures, traders can anticipate future price actions aligning with the dominant market trend. Recognizing that corrective waves, which serve to retrace portions of impulse waves, differ fundamentally from motive waves aids in distinguishing between the various market patterns within Elliott wave analysis.

2. Which phase is associated with a downward trend?

- A. Accumulation phase
- B. Public participation phase
- C. Distribution phase**
- D. Excess phase

The correct answer identifies the distribution phase as the stage most closely associated with a downward trend in market behavior. During the distribution phase, market participants begin to sell off their holdings after a prior upward trend. This selling pressure generally results from the perception that the asset has reached its peak value, prompting traders and investors to take profits. As a consequence, the increased selling activity contributes to a decline in price, leading to the downward trend observed in this phase. Traders often recognize this phase as a time when supply outweighs demand, validating the downward price movement. In contrast, the accumulation phase typically occurs after a downtrend has ended, where informed investors start buying at lower prices, setting the stage for potential upward price movement. The public participation phase follows the accumulation phase and is marked by widespread interest and buying activity from the broader market, which reinforces upward price trends. The excess phase signifies an overbought condition where selling may begin as the market becomes saturated, but it often does not directly align with a clear downward trend in the early stages.

3. 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.

4. Which security is sold by the U.S. government as a short-term investment for one year or less?

- A. Treasury notes
- B. Treasury bonds
- C. Treasury bills**
- D. Muni bonds

Treasury bills, commonly referred to as T-bills, are securities issued by the U.S. government specifically designed for short-term investments that typically mature in one year or less. They are sold at a discount to their face value and do not pay interest in the traditional sense; instead, the return on investment comes from the difference between the purchase price and the amount paid at maturity. The key distinguishing factor for T-bills is their maturity period, which can range from a few days up to 52 weeks, making them highly liquid and suitable for investors seeking a safe, short-term place to park their money. This aligns with the characteristics and purpose of T-bills as a conservative investment option backed by the full faith and credit of the U.S. government. In contrast to T-bills, Treasury notes have maturities ranging from two to ten years, and Treasury bonds typically have maturities exceeding ten years. Municipal bonds, or muni bonds, are issued by local or state governments and are generally used to finance public projects, making them unrelated to U.S. government short-term funding. Thus, the specific and defined short-term nature of Treasury bills makes them the correct choice.

5. 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.

6. If a bond's price is greater than 100, what can be inferred about its yield?

- A. A Equal to the coupon rate
- B. B Higher than the coupon rate
- C. C Lower than the coupon rate**
- D. D Fluctuating with market conditions

When a bond's price is greater than 100, it indicates that the bond is trading at a premium. This typically occurs when the bond's coupon rate is higher than current market interest rates. Consequently, the yield, which reflects the income generated by the bond relative to its price, will be lower than the coupon rate. The yield is inversely related to the bond's price; when the price is above par (100), the yield decreases. In this scenario, because the bond is priced above its face value, investors are willing to pay more for it due to its attractive coupon payments. However, the yield calculation takes into account the price paid for the bond, meaning when the price exceeds 100, the yield must be lower than the stated coupon rate. This relationship between price and yield is fundamental to fixed income securities.

7. 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.

8. Which type of chart is best suited for visualizing trends over a longer time period?

- A. Candlestick chart
- B. Line chart**
- C. Bar chart
- D. Scatter plot

A line chart is best suited for visualizing trends over a longer time period because it effectively illustrates the progression of data points in a continuous manner, making it easy to observe general trends over time. The line connects individual data points, providing a clear picture of upward or downward movements in values, which is particularly useful for analyzing trends in financial markets, economic indicators, or any time series data. While candlestick charts, bar charts, and scatter plots each have their merits, they are generally better suited for specific types of analysis. Candlestick charts are mainly used in short-term trading to provide information about price action within a specific time frame, representing open, high, low, and close prices. Bar charts, although informative, can sometimes clutter the view when tracking trends over extended periods due to the increased detail in each time interval. Scatter plots are particularly useful for displaying the relationship between two variables, but they do not effectively convey the trend over time as a continuous line would. These characteristics make line charts particularly advantageous for trend analysis across longer durations.

9. 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.

10. What signifies a breakout from a rectangle pattern?

- A. Price volume increases
- B. Price stays within the boundary
- C. Price closes outside the boundary of the pattern**
- D. Price remains stable

A breakout from a rectangle pattern is signified by the price closing outside the boundary of the pattern. The rectangle pattern, also known as a consolidation or trading range, occurs when the price oscillates between a defined upper and lower horizontal level. When the price closes above the upper boundary or below the lower boundary, it indicates that the prevailing price range has been exceeded, suggesting a shift in market sentiment. The significance of a price close outside the established limits is that it often leads to increased momentum in the direction of the breakout. Traders usually view this as a signal to enter a position, anticipating that the price will continue to move in the breakout direction. In contrast, other choices describe conditions that do not indicate a successful breakout. For instance, if the price stays within the boundary, it suggests that the range is still intact, and no breakout has occurred. Stability in price or a lack of movement also indicates continuation within the established pattern rather than a breakout. Lastly, an increase in volume can be an accompanying factor in confirming a breakout but is not a standalone indicator of it. Therefore, the key point of emphasis is that the price must close outside the defined boundaries of the rectangle for a breakout to be confirmed.

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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