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CMT Level II Exam

CMT CMT-Level-II

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QUESTION NO: 1

According to Charles Dow, what has been the main downfall of Wall Street investors?

- A. Independent thinking
- B. Failure to stay the course
- C. Pride of opinion
- D. Failure to abide by classic trading rules

ANSWER: C

QUESTION NO: 2

Which is the CORRECT interpretation of the candlestick hammer pattern?

- A. A hammer always has a black real body
- B. A hammer comes after market rallies
- C. A hammer has no lower shadow
- D. A hammer need not be confirmed by other indicators

ANSWER: D

QUESTION NO: 3

Which of the following is the CORRECT order of the Industrial Life Cycle?

- A. Innovation, Maturity, Consolidation and Decay
- B. Innovation, Consolidation, Decay and Maturity
- C. Innovation, Consolidation, Maturity and Decay
- D. Innovation, Maturity, Decay and Consolidation

ANSWER: C

QUESTION NO: 4

Which of the following method is used to plot sequential trading data? Choose the best possible answer.

- A. Point-and-figure charts
- B. Line charts
- C. Japanese candlestick charts
- D. Bar charts

ANSWER: A

QUESTION NO: 5

From a contrarian's perspective, which of the following would be considered a bullish indicator?

- A. A Business Week cover with a story on "The Death of Equities"
- B. The vast majority of professional financial letter writers are bullish
- C. CNBC is on the television at the local bar, and everyone is paying attention
- D. Sales of investment books are increasingly dramatically

ANSWER: A

QUESTION NO: 6

Which of the following is true of the Efficient Frontier concept in modern portfolio theory?

- A. It centers on the premise that systemic risks in the financial markets can be diversified away.
- B. It is a 45 degree line plotting possible risk versus return
- C. It is a plot of the highest possible returns obtainable over a series of risk levels
- D. It is unrelated to the risk free rate

ANSWER: C

QUESTION NO: 7

Which of the following is NOT true in chart interpretation:

- A. A price chart is a representation of human behavior
- B. The goal is to find consistent, reliable and logical patterns
- C. Chart patterns can be caused by commonly used trading techniques
- D. The behavioral aspects of prices are irrational

ANSWER: D

QUESTION NO: 8

If we increase the sample size what effect does it have on the approximation/outcome of the statistical tests?

- A. The approximation will decrease
- B. The approximation will improve
- C. It has no effect on the approximation
- D. The approximation will not improve

ANSWER: B

QUESTION NO: 9

The only effective method of diversifying a portfolio is by including asset classes with _____ correlation to stocks such as cash, foreign exchange or commodities.

- A. positive
- B. meaningful
- C. low/negative
- D. moderately positive

ANSWER: C

QUESTION NO: 10

Which of the following is true of Wilder's Parabolic System?

- A. It is a time/price reversal system
- B. It always in the market
- C. It only works for trending markets
- D. All of the above

ANSWER: D

QUESTION NO: 11

The Sharpe Ratio is defined as?

- A. (expected return plus the risk free interest rate) divided by the standard deviation of returns
- B. (expected return minus the risk free interest rate) divided by the standard deviation of returns
- C. (expected return divided by the risk free interest rate) divided by the standard deviation of returns
- D. (expected return times the risk free interest rate) divided by the standard deviation of returns

ANSWER: B

QUESTION NO: 12

Which of the following is a true statement according to Elliott Wave Theory?

- A. Wave four should not overlap wave one
- B. The theory is composed of time, ratios and wave forms, in that order of importance
- C. The theory was originally applied to individual stocks and does not work as well for indices
- D. The theory works best in commodity markets traded primarily by professional traders such agricultural futures

ANSWER: A

QUESTION NO: 13

What percentage of return should be earned if you have \$100 in the capital and sustain a 20% loss to return to the break-even level of \$100?

- A. Return 30 percent to the \$80 to return to the \$100 break-even level
- B. Return 25 percent to the \$70 to return to the \$100 break-even level
- C. Return 30 percent to the \$70 to return to the \$100 break-even level
- D. Return 25 percent to the \$80 to return to the \$100 break-even level

ANSWER: D

QUESTION NO: 14

Which of the following BEST describes equity market performance during the presidential election cycle:

- A. Market has its strongest year during first year of president's term, posts its worst returns during the pre-election year and slightly negative returns in election years
- B. Market has an above average year during first year of president's term, posts negative returns during the pre-election year and its strongest returns in election years
- C. Market has a below average year during first year of president's term, posts its strongest returns during the pre-election year or in the election year
- D. Market has a below average year during first year of president's term, posts its strongest returns in the second year and reasonably strong returns during the pre-election and election years

ANSWER: C

QUESTION NO: 15

Which of the following is NOT a valid technical method for determining price targets?

- A. Discounted value of expected future cash flows
- B. Height of the head in a head and shoulders pattern
- C. Channel width

D. Measure of triangle base from breakout

ANSWER: A