

# SAMPLE CMT LEVEL II EXAM

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The following document is a sample exam paper. The questions have been constructed/phrased in a manner that is similar to past exams. The objective of this sample exam is to give a clear indication of the question structure and language one can expect in the exam.

### Important points to note

- Note that these sample questions consist of questions patterned after those drawn from a much larger pool of actual exam questions. This creates the chance that the questions appearing in the exam may be significantly different from those contained in this sample. Candidates are cautioned **not to expect** exact replicas of the questions that will be seen in the current year administration.
- Note that the order in which questions appear in the sample exams has no bearing on the order questions will appear in the actual exam. The order of questions is randomized during the exam.
- The actual exam consists of 170 questions of which 150 are scored items. The remaining 20 questions are under trial for use in future exams.
- You will have four hours to complete the 170 questions of the exam.
- The exam is delivered on computer in Prometric testing facilities. Please schedule well in advance.

Please note that this sample question booklet has been prepared completely independently from the exam to ensure that the questions that will appear in the actual exam paper remain secure and confidential. The MTA maintains a discussion group forum for CMT candidates on its web site. Candidates are encouraged to utilize this resource and to discuss and clarify questions regarding the areas of the Body of Knowledge where they lack familiarity or seek better understanding.

This book of practice exams is produced by  
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## CMT Level 2 Sample Questions – Candidate Answer Sheet

- |           |           |           |            |            |
|-----------|-----------|-----------|------------|------------|
| 1. _____  | 31. _____ | 61. _____ | 91. _____  | 121. _____ |
| 2. _____  | 32. _____ | 62. _____ | 92. _____  | 122. _____ |
| 3. _____  | 33. _____ | 63. _____ | 93. _____  | 123. _____ |
| 4. _____  | 34. _____ | 64. _____ | 94. _____  | 124. _____ |
| 5. _____  | 35. _____ | 65. _____ | 95. _____  | 125. _____ |
| 6. _____  | 36. _____ | 66. _____ | 96. _____  | 126. _____ |
| 7. _____  | 37. _____ | 67. _____ | 97. _____  | 127. _____ |
| 8. _____  | 38. _____ | 68. _____ | 98. _____  | 128. _____ |
| 9. _____  | 39. _____ | 69. _____ | 99. _____  | 129. _____ |
| 10. _____ | 40. _____ | 70. _____ | 100. _____ | 130. _____ |
| 11. _____ | 41. _____ | 71. _____ | 101. _____ | 131. _____ |
| 12. _____ | 42. _____ | 72. _____ | 102. _____ | 132. _____ |
| 13. _____ | 43. _____ | 73. _____ | 103. _____ | 133. _____ |
| 14. _____ | 44. _____ | 74. _____ | 104. _____ | 134. _____ |
| 15. _____ | 45. _____ | 75. _____ | 105. _____ | 135. _____ |
| 16. _____ | 46. _____ | 76. _____ | 106. _____ | 136. _____ |
| 17. _____ | 47. _____ | 77. _____ | 107. _____ | 137. _____ |
| 18. _____ | 48. _____ | 78. _____ | 108. _____ | 138. _____ |
| 19. _____ | 49. _____ | 79. _____ | 109. _____ | 139. _____ |
| 20. _____ | 50. _____ | 80. _____ | 110. _____ | 140. _____ |
| 21. _____ | 51. _____ | 81. _____ | 111. _____ | 141. _____ |
| 22. _____ | 52. _____ | 82. _____ | 112. _____ | 142. _____ |
| 23. _____ | 53. _____ | 83. _____ | 113. _____ | 143. _____ |
| 24. _____ | 54. _____ | 84. _____ | 114. _____ | 144. _____ |
| 25. _____ | 55. _____ | 85. _____ | 115. _____ | 145. _____ |
| 26. _____ | 56. _____ | 86. _____ | 116. _____ | 146. _____ |
| 27. _____ | 57. _____ | 87. _____ | 117. _____ | 147. _____ |
| 28. _____ | 58. _____ | 88. _____ | 118. _____ | 148. _____ |
| 29. _____ | 59. _____ | 89. _____ | 119. _____ | 149. _____ |
| 30. _____ | 60. _____ | 90. _____ | 120. _____ | 150. _____ |



1. Which of the following is a component of the Code of Ethics? CFA Institute members shall:
  - a) use particular care in determining applicable fiduciary duty.
  - b) use reasonable care and exercise independent professional judgment.
  - c) maintain and improve the competence of other investment professionals.
  - d) practice and encourage others to practice in a professional and an ethical manner.
  
2. Allen Johnson, CMT, is working in the Singapore office of German Investment Corporation. From an informal conversation, Allen learns that the company's most recent annual report contains misappropriated information. No one at the Singapore office expresses concern, however, because there has been no breach of Singapore's law. Johnson should:
  - a) do nothing because the branch is outside of German jurisdiction.
  - b) seek advice from the company counsel to determine appropriate action.
  - c) do nothing because the branch is outside of Singapore's jurisdiction.
  - d) disassociate himself from the case with a written report to his supervisor.
  
3. Which one of the following most accurately describes the CFA Institute Standard about using material nonpublic information?
  - a) An analyst cannot use nonmaterial nonpublic information.
  - b) An analyst may use material nonpublic information as long as it is for his personal use.
  - c) An analyst may use material nonpublic information if it is legal in his country to do so.
  - d) An analyst may use nonmaterial nonpublic information as long as it has been developed under the Mosaic Theory.
  
4. Adam Green, a portfolio manager, is making a presentation to a prospective client. Green says that as a new portfolio manager, he made an average annual rate of return of 40% in the last two years at his previous firm and that based on this, he can guarantee a 40% return to the client. Which of the following statements is in accordance with Standard III(D), Performance Presentation?
  - a) Implying that he can guarantee a return.
  - b) Stating his past performance as long as it is fact.
  - c) Imputing his past performance to future performance.
  - d) Implying that he can guarantee a return based on just 2 years of performance.

5. Kai Wong, CFA, is concerned about the activities of several of his coworkers and feels legal violations are routinely overlooked. According to the Code and Standards, a recommended first step would least likely be to:
  - a) take legal counsel
  - b) contact industry regulators
  - c) provide her supervisor with a copy of the Code and Standards.
  - d) review the company's policies and procedures for reporting ethical violations.
  
6. An analyst has several groups of clients who are categorized according to their specific needs. Compared to research reports distributed to all of the clients, reports for a specific group:
  - a) will definitely include more basic facts.
  - b) may generally exclude more basic facts.
  - c) cannot be selectively distributed.
  - d) will not be allowed because it violates the Standard III(B), Fair Dealing.
  
7. Steve Smith, CFA, is an equity research analyst for a long-term investment fund. His annual bonus is linked to annual trading profits. Under a new policy, the assessment period is switched to a monthly assessment period. According to the Code and Standards, best practices dictate:
  - a) keeping the policy change within the firm.
  - b) keeping the policy change within the firm and existing clients.
  - c) updating disclosures when the policy change is implemented.
  - d) requiring Smith to obtain permission from each client prior to implementation of the new policy.
  
8. Which of the following actions would be a violation of the Standard VII(A) Conduct as Participants in CFA Institute Programs?
  - a) Exaggerating the implications of holding the CFA designation.
  - b) Misrepresenting information on the Professional Conduct Statement.
  - c) Participating in a civil disobedience movement to oppose a government action.
  - d) Using the CFA designation without submitting a Professional Conduct Statement and paying annual dues.

9. Paul Jones is a chemical industry research analyst for a large brokerage company. That industry is currently seeing an increase in mergers and acquisitions. While flying through Chicago, Jones sees several senior officers who she knows are from the largest and fourth largest chemical companies walk into a conference room. She concludes that negotiations for an acquisition might be taking place. Jones:
- may not act or cause others to act on this information.
  - may not act but advise others to act on this information.
  - may use this information to support an investment recommendation.
  - should inform her compliance officer that she has material nonpublic information on firms she covers.
10. In a meeting with his firm's senior research analyst, George Powel, a proponent of the CFA Institute Research Objectivity Standards (ROS), stated that the key objective of the ROS is to create voluntary reporting of research practices that promote independent and objective research to CFA Institute on an annual basis. With regard to his statements about the objectives of the ROS.
- he is correct.
  - he is incorrect.
  - He is correct about the voluntary reporting aspect.
  - He is correct about the independent and objective research aspect.
11. Which is not one of the Dow Theory principles?
- Trends are classified as Primary, Secondary and Counter Cyclical.
  - The averages discount everything.
  - Volume goes with the trend.
  - The trends persist.
12. Beta measures:
- the amount of excess returns in a portfolio over the risk-free rate of return.
  - the amount of volatility in a portfolio attributable to macroeconomic news.
  - the amount of volatility in a portfolio compared to the market volatility.
  - the amount of risk in a portfolio compared to the expected returns of any given equal-weighted index.
13. When using the RSI as an overbought/oversold indicator, a sell signal is generated when:
- RSI declines below its lower reference line and then rallies above it.
  - RSI rises above its upper reference line and then crosses below it.
  - RSI crosses beneath the midpoint (50 level).
  - RSI crosses above the midpoint (50 level).

14. When analyzing price action and volume, low activity (or a drop in volume) is normally associated with:

- a) a weak price trend.
- b) a strengthening price trend.
- c) greater fluctuations in price.
- d) lack of conviction on the part of traders.

15. A correlation coefficient of 0.75 between two variables suggests a/an \_\_\_\_\_ relationship:

- a) extremely strong
- b) strong
- c) low
- d) non-existent

16. Near the end of a recession:

- a) bonds turn up before stocks and commodities.
- b) stocks turn up before bonds and commodities.
- c) commodities turn up before bonds and stocks.
- d) all the asset classes turn up simultaneously.

17. Which of the following asset classes is a leading indicator for the stock market?

- a) Bonds
- b) Bullion
- c) Precious metal
- d) Energy

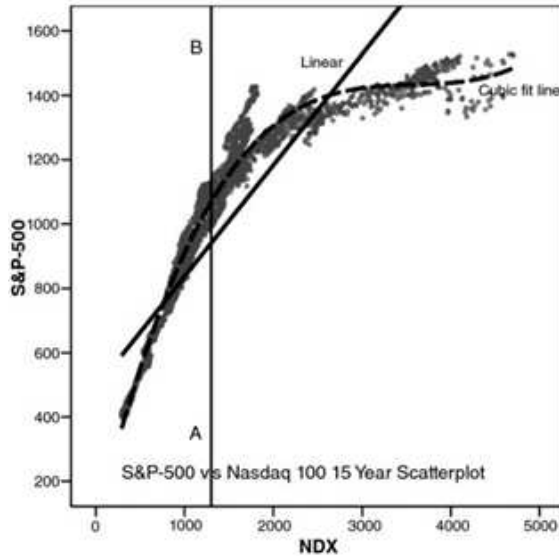
18. Identify the following assumption under the correlation coefficient:

- a) Linearity
- b) Normality
- c) Outliers and homoscedasticity
- d) All of the above

19. \_\_\_\_\_ moving average uses reverse linear weights:

- a) The pivot-point
- b) The simple
- c) The weighted
- d) The exponential

20. Interpret the relationship between the S&P 500 and the NASDAQ 100 indexes based on the chart shown below, if the Pearson's coefficient of correlation is 0.45:



- a) Linear relationship, as the Best Fit line is curvilinear.
- b) Linear relationship, as points fall generally along a straight line.
- c) Non-linear relationship, as points fall generally along a straight line.
- d) Non-linear relationship, as the Best Fit line is curvilinear.

21. The strength and direction of the relationship between two markets is measured by:

- a) spread.
- b) regression.
- c) moving average.
- d) correlation coefficient.

22. 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

23. Which of the following indicator combines price, volume and open interest?

- a) TRIX
- b) Moneyflow Index
- c) True Strength Index
- d) Herrick Payoff Index



24. What trading decision must a trader make based purely on the trend lines in the chart below?



- a) Hold long positions
- b) Close out long positions
- c) Close out short positions
- d) Trading decisions cannot be made by using trend lines.

25. Which of the following points represents a valid island reversal in the chart below?



- a) A
- b) B
- c) C
- d) None of the above

26. Which of the following patterns resonate with the price action highlighted within the green rectangles marked 'A' & 'B'?



- a) Piercing Line & Hammer
- b) Piercing Line & Evening Star
- c) Bullish Engulfing & Shooting Star
- d) Bullish Engulfing & Hanging Man

27. \_\_\_\_\_ uses the distribution of the daily trading range to create a new indicator.

- a) TRIX
- b) Money Flow Index
- c) True Strength Index
- d) Intraday Intensity

28. Tick volume refers to:

- a) the number of contracts traded at each price tick.
- b) the number of contracts traded at each time interval.
- c) the change in open interest during a particular time interval.
- d) the number of recorded price changes during a particular time interval.

29. When using a two moving averages (MA) system, which of the following rules can be utilized to generate a buy signal?

- a) Buy when the faster moving average crosses the slower moving average from above.
- b) Buy when the faster moving average hooks the slower moving average from above.
- c) Buy when the faster moving average hooks the slower moving average from below.
- d) Buy when the current price crosses above both moving averages.

30. Which of the following rules can be utilized as an entry strategy for a long trade based on a MACD histogram?

- a) Go long when the MACD fast line turns higher.
- b) Go long when the MACD slow line turns higher.
- c) Go long when the histogram crosses through 0 from below.
- d) Go long when the MACD line crosses above the signal line for the second time, confirming the divergence.

31. In regard to cycle analysis, translation is:

- a) Distance between troughs
- b) Distance between peaks
- c) Useful in checking where the trend direction is headed or if it is changing
- d) To the right when the peak is beyond the halfway point

32. Which would be the MOST useful aspect of a cycle in studying the relationship between cycles with different start times?

- a) Phase
- b) Period
- c) Amplitude
- d) None of the above

33. Which of the following would normally be considered a sentiment indicator that is most useful to traders?

- a) Corporate buy backs
- b) Price/earnings ratio
- c) Insider buying
- d) The VIX

34. When using Out of Sample testing, the “out of sample” refers to?

- a) A small subset of data that was used to optimize the system.
- b) The unexpected set of parameters that gives the best system results.
- c) A set of data not used in the system building process.
- d) None of the above.

35. The payoff ratio is:

- a) One of the least important statistics used in system design.
- b) The ratio of profit to loss.
- c) The ratio of the profitable standard deviation value to the loss standard deviation value.
- d) The ratio of the average winning trade to the average losing trade.

36. \_\_\_\_\_ captures an increasing part of the profits as price moves in a favorable direction.

- a) Initial Stop
- b) Trailing stop
- c) Sell stop
- d) Standard deviation stop

37. The bias under which, when an event has not occurred recently, the event is perceived as having zero or negligible probability of occurring in future, is categorized as:

- a) Saliency bias
- b) Framing bias
- c) Sunk-cost bias
- d) Anchoring bias

38. \_\_\_\_\_ is a perception bias that arises when you are attempting to take a guess at something about which you have limited information.

- a) Saliency
- b) Framing
- c) Sunk-cost
- d) Anchoring

39. The “maximum cumulative drawdown” is a measure of:

- a) The largest single loss in a trading system or portfolio.
- b) The largest number of losses in a trading system or portfolio.
- c) The total number of losses in a trading system or portfolio.
- d) The largest loss in a trading system or portfolio from an equity peak.

40. The \_\_\_\_\_ tracks the degree of mass participation in rallies and decline.

- a) MACD line
- b) RSI
- c) Relative strength
- d) Advance/Decline Ratio

41. \_\_\_\_\_ as a risk measure results in an estimation of a price move in either direction.

- a) Put/Call parity
- b) Plurality index
- c) Implied volatility
- d) Standard deviation

42. A simple way to identify \_\_\_\_\_ cycles is to use \_\_\_\_\_ prices and find the dominant half-cycle.
- a) Long-term, weekly
  - b) Intermediate-term, weekly
  - c) Long-term, monthly
  - d) Short-term, monthly
43. Because Relative Strength is so \_\_\_\_\_ it is used as the primary \_\_\_\_\_ Random Walk and EMH.
- a) Successful, defense of
  - b) Successful, argument against
  - c) Weak, defense of
  - d) Weak, argument against
44. Open interest \_\_\_\_\_ when a bull sells his long position to bear who wants to cover his short position:
- a) rises
  - b) falls
  - c) remains unchanged
45. When open interest goes flat during a rally, it suggests that:
- a) bottom fishers are active.
  - b) new shorts are getting created.
  - c) old shorts are getting squeezed.
  - d) the trend is aging and the best gains are probably behind.
46. The measurement that tells the system designer how far a trade was in loss before it came back to close in profit is called?
- a) Maximum favorable excursion
  - b) Maximum adverse excursion
  - c) Return retracement ratio
  - d) None of the above

47. Based on the 2-day EMA of the Force index, which point on the chart represents a valid shorting opportunity, if the trend has turned lower?



- a) A
- b) B
- c) C
- d) D

48. During an uptrend, the simplest way to detect a trend change (from up to down) is to:

- a) draw trendlines along the peaks
- b) draw trendlines along the troughs
- c) draw a best-fit line through the downtrend
- d) use the slope of a long-term moving average
- e)

49. According to Schabacker's rules, which of the following does not help identify the end of a bull market?

- a) Stocks become a popular topic of conversation
- b) Popular stocks advance while some other companies collapse
- c) Interest rates are high
- d) Trading volume is low

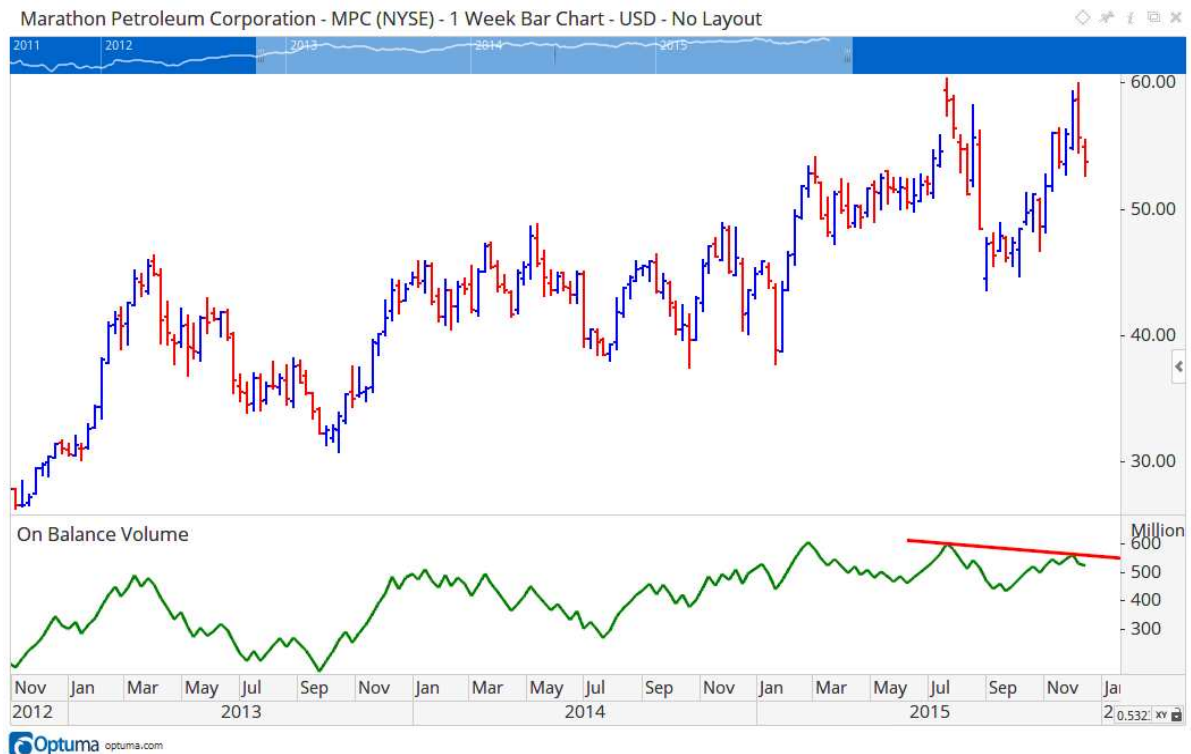
50. High values observed in the VIX usually means:

- a) a new bull market phase is about to begin.
- b) traders are buying less options.
- c) investors are anxious.
- d) investors are complacent.

51. The biggest drawback of a relative strength system is that:

- a) High transaction costs are involved in regular rebalancing
- b) Rebalancing and matching benchmark returns is a painful exercise
- c) The starting point of a system test has a massive influence on final results
- d) The portfolio is long only and fully invested, hence it is exposed to risks of that particular asset beta

52. An analysis of On-balance volume in the shares of Marathon Petroleum Corp (MPC) shown below suggest that:



- a) any near-term strength should be considered as an opportunity to reduce positions, given the divergence between OBV and price action.
- b) any near-term dips should be considered as buying opportunities, given the confirmation between OBV and price action.
- c) should immediately exit long positions and initiate short positions.
- d) we are likely to see pullback towards \$42.5 (previous support) and then price will start moving higher.

53. In the chart shown below, the OBV indicator is:



- a) confirming bearish price action.
- b) confirming bullish price action.
- c) diverging negatively from price action.
- d) diverging positively from price action.



54. Which of the following only considers the downside volatility in a system or portfolio?

- a) Sharpe Ratio.
- b) Sterling Ratio.
- c) Sortino Ratio.
- d) Return Retracement Ratio.

55. A reduction in the speed of either *%K-slow* or *%D-slow lines* indicates:

- a) a reversal on the next day.
- b) selling opportunity on the next rally.
- c) wait for a pullback as an excellent entry point.
- d) current trend will continue to dominate on next day.

56. Although the line chart shows higher and higher lows, if the *%D-slow* line has lower lows, then it indicates:

- a) buying opportunity on the next rally.
- b) selling opportunity on the next rally.
- c) fresh selling opportunity as trend is going to reverse on the next day.
- d) hold on to current positions and wait for confirmation on weekly chart.
- e)

57. When RSI rises above its upper reference zone, it shows that bulls are strong but the market:

- a) oversold and entering its buy zone.
- b) oversold and entering its sell zone.
- c) overbought and entering its buy zone.
- d) overbought and entering its sell zone.

58. Divergences between RSI and prices tend to occur at:

- a) at important tops and bottoms.
- b) when prices are in a trading range.
- c) when prices violate down in a trading range.
- d) when important news flow is expected in market/stocks.

59. \_\_\_\_\_ is an indicator/oscillator which measures any security's strength by monitoring upward and downward changes in its closing prices.

- a) On-balance volume
- b) Relative Strength Index
- c) Accumulation/distribution line
- d) Moving Average Convergence and Divergence (MACD)

60. An Underwater curve measures?

- a) The drawdown from each successively higher peak in equity.
- b) The final loss in equity.
- c) How profitable each trade in a system is.
- d) The loss, in dollars, of the maximum drawdown (MDD).

61. Decline in ADX indicates:

- a) the market is declining.
- b) the market is trending higher.
- c) the market is consolidating.
- d) the market is becoming less directional.

62. Open interest can be defined as:

- a) total number of calls and puts.
- b) total contracts traded in a month.
- c) the total number of contracts traded each day.
- d) the total number of outstanding contracts.
- e)

63. A buy signal is generated using a 2 period RSI oscillator which:

- a) crosses into an overbought territory.
- b) crosses into an oversold territory.
- c) crosses the threshold of 10 moving higher.
- d) crosses the threshold of 10 moving lower.

64. When ADX falls below both Directional lines, it identifies:

- a) a flat and dull market.
- b) the dominant group is getting stronger.
- c) the trend is becoming less directional.
- d) the market is in oversold territory.

65. Which of the following methods measures the speed of any surge and shows when its momentum is starting to break?

- a) SAR
- b) Oscillators
- c) Parabolic systems
- d) Trend-following system

66. The price of a stock near its previous low, accompanied by a higher low in RSI, would be a situation of:

- a) positive confirmation.
- b) positive divergence.
- c) negative divergence.
- d) negative confirmation.

67. When price direction is sideways and OBV direction is up it suggests:

- a) moderate downtrend.
- b) no determination.
- c) distribution period.
- d) accumulation period (bottom).

68. The VIX is a measure of the Implied Volatility being projected through:

- a) Fear in the market.
- b) The prices of Dow Jones index options.
- c) The prices of all equity options.
- d) The prices of S&P 500 index options.

69. The most profitable \_\_\_\_\_ are long-term.

- a) investments.
- b) option strategies.
- c) mean reversion trades.
- d) trend following systems.

70. Given the following daily values for Open, High, Low & Close, what change would you expect in Chaiken's Accumulation Distribution Index?

Open = 12

Close = 10

High = 13

Low = 9

- a) All the day's volume would be added to the previous index value
- b) All the day's volume would be subtracted from the previous index value
- c) Half the day's volume would be added to the previous index value
- d) Half the day's volume would be subtracted from the previous index value

71. Volume is usually \_\_\_\_\_ in trading range but \_\_\_\_\_ dramatically after a breakout.

- a) rising, decreases
- b) low, increases
- c) high, increases
- d) low, shrinks

72. Bullish divergences are observed when prices \_\_\_\_\_ to a new \_\_\_\_\_ but RSI makes a \_\_\_\_\_ than its previous decline/rally.

- a) rally, peak, lower top
- b) fall, low, lower top
- c) fall, low, higher bottom
- d) rally, peak, higher bottom

73. \_\_\_\_\_ is a valuable piece of information when analyzing patterns.

- a) Breadth
- b) Volume
- c) Moving averages
- d) Indicators/oscillators

74. A sell signal using a MACD indicator is generated when:

- a) the Fast MACD line turns positive.
- b) the Slow MACD line turns negative.
- c) the fast MACD line crosses above the slow signal line.
- d) the fast MACD line crosses below the slow signal line.
- e)

75. MACD Signals can be improved by thresholds equal to previous \_\_\_\_\_ in the indicator and taking the signals only after the MACD line \_\_\_\_\_ the threshold.

- a) average values, crosses.
- b) divergences, confirms.
- c) highs and lows, enters.
- d) signal values, exits.

76. Which of the following statements is a true notion about market efficiency according to efficient market hypothesis?

- a) Market efficiency implies that no one can beat the market.
- b) Pricing errors in an efficient market is a non-random variable.
- c) Market efficiency requires the market price to be equal to rational value at all times.
- d) Market efficiency requires that prices deviate from rational value in an unbiased fashion.

77. Which of the following statements is a false prediction about price reaction, according to EMH?

- a) Prices should neither overreact nor underreact to news.
- b) Prices should change only when news arrives.
- c) Stale information, information already in the public domain has no predictive power.
- d) Linear function between current and past returns can be used to predict future returns.

78. Travelers buying airplane accident insurance after a recent airplane crash, is an example of which of the following biases?

- a) Framing bias
- b) Saliency bias
- c) Anchoring bias
- d) Sunk-cost bias

79. \_\_\_\_\_ is a perception bias that arises when you are attempting to make a guess at something about which you have limited information.

- a) Framing bias
- b) Saliency bias
- c) Anchoring bias
- d) Sunk-cost bias

80. An investor liquidating stocks that hold paper gains before liquidating stocks that, at current prices, have lost money, is known as:

- a) framing effect.
- b) endowment effect.
- c) status quo effect.
- d) disposition effect.

81. A Call Option writer makes money

- a) By selling the option
- b) When the price of the underlying security rises above the strike price
- c) As the time value decreases and the intrinsic value increases
- d) All of the above

82. European Options are different than American Options because?

- a) American Options have an earlier exercise date
- b) European Options have an earlier exercise date
- c) European Options cannot be exercised early
- d) American Options cannot be exercised early

83. \_\_\_\_\_ is/are more likely to signal exhaustion of the current trend.
- a) Rising volume
  - b) Falling volume
  - c) Volume spikes
  - d) Unchanged volume
84. A \_\_\_\_\_ warning is an extreme turn in one of the indicator plots. This usually indicates at most two days remaining in the old trend.
- a) Stochastic
  - b) Force Index
  - c) Average True Range
  - d) Moving Average Convergence Divergence
85. When is a buy signal given while using MACD-histogram?
- a) When it breaks the centerline from above.
  - b) When it breaks the centerline from below.
  - c) When the MACD-histogram stops rising and ticks down.
  - d) When the MACD-histogram stops falling and ticks up.
86. When open interest falls while prices are in a trading range, this implies:
- a) New buyers are entering the market.
  - b) New short selling.
  - c) The market is in a congestion phase.
  - d) Position liquidation.
87. What would the Implied Volatility be if you were told the one day expected movement was 2%?
- a) 0.317
  - b) 31.7
  - c) 6.93
  - d) 5.04
88. When doing Regression Analysis, \_\_\_\_\_ measures the excess returns and is found on the regression chart by calculating the \_\_\_\_\_.
- e) beta, slope
  - f) alpha, slope
  - g) beta, y-intercept
  - h) alpha, y-intercept

89. The Top-Down fundamental analysis process begins with an analysis of:
- a) Sectors
  - b) Industry Groups
  - c) The economy
  - d) Individual stocks
90. \_\_\_\_\_ is an oscillator which combines volume with prices to discover the force of bulls or bears behind every rally or decline.
- a) Stochastic
  - b) Force Index
  - c) Williams %R
  - d) MACD-Histogram
91. A burst of extremely high volume reflects:
- a) professionals are adding fresh long positions.
  - b) confirmation and the trend is likely to continue.
  - c) amateurs are buying on a positive brokerage report.
  - d) a trend is nearing its end and suggests an imminent reversal.
92. Which is not an indicator used in the Zweig Bond Model?
- a) Short-term slope of the Dow Jones 20 Bond Average.
  - b) Longer term slope of the Dow Jones 20 Bond Average.
  - c) The trend of the S&P 500 Index.
  - d) The yield curve.
93. \_\_\_\_\_ systems are better because they are \_\_\_\_\_ and they avoid \_\_\_\_\_.
- a) Nondiscretionary, fast, losing trades.
  - b) Nondiscretionary, mechanical, emotion.
  - c) Manual, discretionary, mistakes.
  - d) Manual, careful, biases.
94. Put options will expire worthless if:
- a) volatility increases
  - b) the underlying stock falls in value beyond the strike price
  - c) the underlying stock rises in value beyond the strike price
  - d) volatility decreases

95. A breakaway gap usually occurs:
- a) at the start of a new trend.
  - b) In the middle of the trend.
  - c) together with a volume spike.
  - d) only in stock indices.
96. Stocks with superior fundamentals tend to decline in value much less than.
- a) Low-Beta stocks.
  - b) High-Beta stocks.
  - c) High priced stocks.
  - d) Poorly managed stocks.
  - e)
97. \_\_\_\_\_ errors occur when investors place too much weight on information that confirms their prior opinions, but underweight or completely disregard evidence that contradicts their prior opinions.
- a) Extrapolation
  - b) Confirmation
  - c) Hindsight
  - d) Cognitive
98. When hard assets rise in value, \_\_\_\_\_ will decline.
- a) commodities
  - b) soft assets
  - c) international stocks
  - d) precious metals
99. When ADX rallies above both directional lines, it identifies:
- a) less directional market
  - b) flat and sleepy market
  - c) a trending market
  - d) lull market
100. The implied volatility of an option is the projection of an annualized \_\_\_\_\_ standard deviation move in the underlying stock over the life of the option.
- a) one
  - b) two
  - c) three
  - d) four



101. \_\_\_\_\_ is known for emphasizing a high level of rationality in investor behavior and aggregate market outcome.

- a) The Dow theory
- b) Behavioral finance
- c) Adaptive market hypothesis (AMH)
- d) Efficient market hypothesis (EMH)

102. Phase refers to:

- a) The height of the wave from its horizontal midpoint (the X-axis).
- b) the number of time units necessary to complete one wavelength.
- c) the number of wavelengths that repeat every  $360^\circ$ , calculated as  $\omega = 1/T$ .
- d) a measurement of the starting point or offset of the cycle relative to a benchmark wave.

103. \_\_\_\_\_ and \_\_\_\_\_ have seasonal patterns.

- a) Volume, volatility
- b) VIX, put/call ratio
- c) Open interest, interest rates
- d) Open interest, market breadth

104. Rising prices, falling volume and falling open interest can be interpreted as:

- a) the uptrend is in the last stage
- b) new buyers entering the market
- c) short sellers covering their positions causing a rally.
- d) buyers covering their long positions in futures and investing in cash market

105. \_\_\_\_\_ can be used to predict the future price trend of a market based on its correlation with multiple related markets.

- a) Sortino ratio
- b) Harmonic mean
- c) Bayes' theorem
- d) Linear regression

106. \_\_\_\_\_ explains the relationship between the number of advancing and declining stocks, and the up and down volume.

- a) Arms Index
- b) Thrust oscillator
- c) McClellan oscillator
- d) High-low Index (HLX)

107. All the following statements about end of bull markets are true except:
- a) interest rates have declined
  - b) trading volume increases sharply
  - c) warning about an overheated stock market appear on the news
  - d) popular stocks advance significantly while some other companies collapse
108. When using the RSI as an overbought/oversold indicator, a buy signal is generated when:
- a) RSI crosses above the midpoint (50 level).
  - b) RSI crosses beneath the midpoint (50 level).
  - c) RSI rises above its upper reference line and then crosses below it.
  - d) RSI declines below its lower reference line and then rallies above it.
109. A V-top or V-bottom is always accompanied by \_\_\_\_\_ and usually \_\_\_\_\_.
- a) high volatility, low volume
  - b) low volatility, low volume
  - c) low volatility, high volume
  - d) high volatility, high volume
110. When the VIX is 34.6, the expected 30-day market movement is:
- a) 1%.
  - b) 3.46%.
  - c) 10%.
  - d) 34.6%.
111. According to Schabacker's Rules, which of the following indicates an end of a Bear Market:
- a) Interest rates are high.
  - b) Interest rates have declined.
  - c) Trading volume increases sharply.
  - d) Stocks become a popular topic of conversation.

112. Which of the following patterns resonate with price action highlighted within the green rectangles marked 'A' & 'B'?



- a) Piercing Line & hammer
- b) Piercing Line & Evening Star
- c) Bullish Engulfing & Shooting Star
- d) Bullish Engulfing & Hanging Man

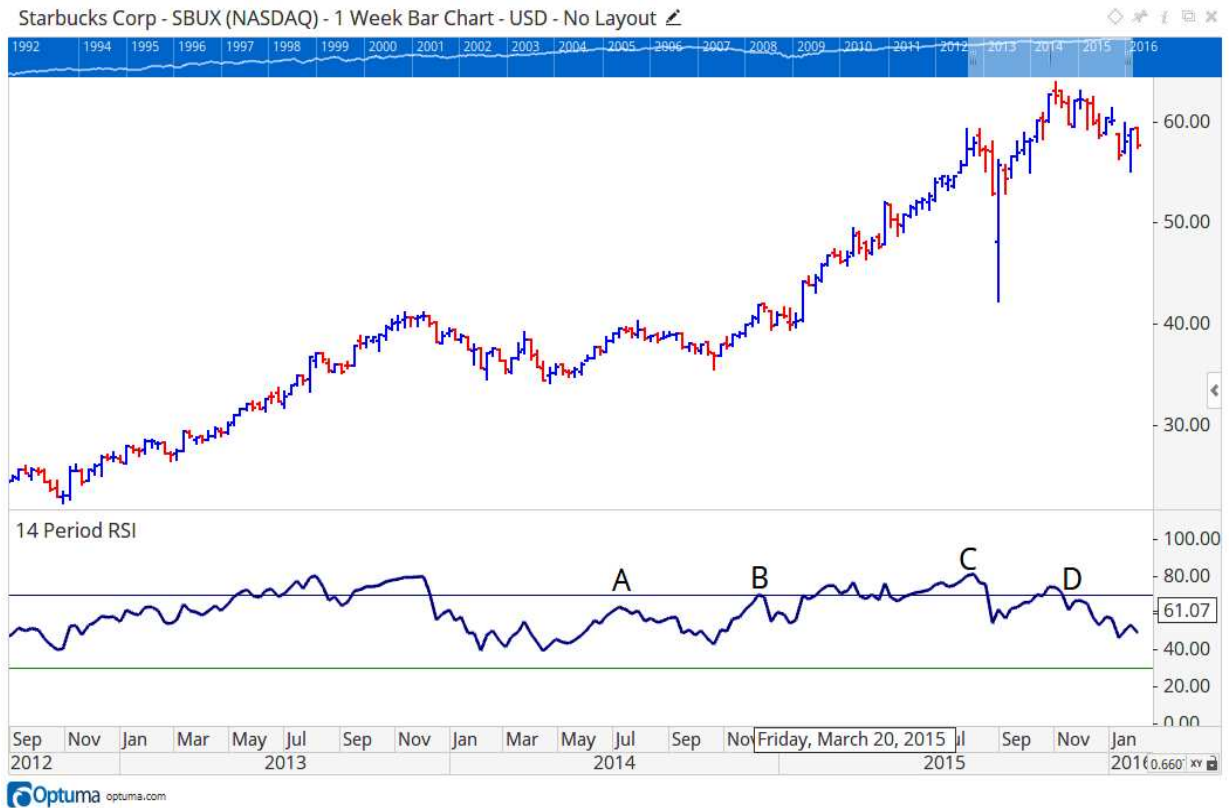
113. The simplest and easiest method of intermarket analysis is:

- a) momentum indicators.
- b) correlation analysis.
- c) creating autoregressive analysis models.
- d) a visual inspection of a comparison chart.

114. When constructing a portfolio, it is important to select securities that have a \_\_\_\_\_ degree of \_\_\_\_\_ between investment returns.

- a) low, volatility.
- b) low, correlation.
- c) high, volatility.
- d) high, correlation.

115. In the following chart, where is a negative divergence in RSI observed?



- a) A
- b) B
- c) C
- d) D

116. In a trading system that uses three moving averages a long trade is typically signaled when the shortest (fastest) moving average is used to:

- a) act as a filter by requiring that it be falling as the signal is triggered.
- b) act as a filter by requiring that it be rising as the signal is triggered.
- c) trigger a trade when the other two moving averages are diverging.
- d) trigger a trade when the other two moving averages are converging.

117. Identify the highlighted chart pattern below:



- a) Triple bottom
- b) Double bottom
- c) Cup and handle formation
- d) Head and Shoulders bottom

118. A/An \_\_\_\_\_ gap occurs at the end of a sustained and volatile price move and confirms the reversal.

- a) exhaustion
- b) runaway
- c) breakaway
- d) common

119. In an ideal situation, stock price of Gold mining companies and U.S Dollar index are:

- a) positively correlated.
- b) negatively correlated.
- c) no correlation is observed.
- d) positively correlated in an inflationary environment.

120. Diversification of portfolio is achieved by:

- a) investing equally in bonds and equity.
- b) investing in mutual funds.
- c) investing in asset classes which have low correlation.
- d) investing in asset classes which have high correlation.

121. Using a 13 period EMA of the Force Index, which point on the chart would be a valid sell signal?



- a) A
- b) B
- c) C
- d) D

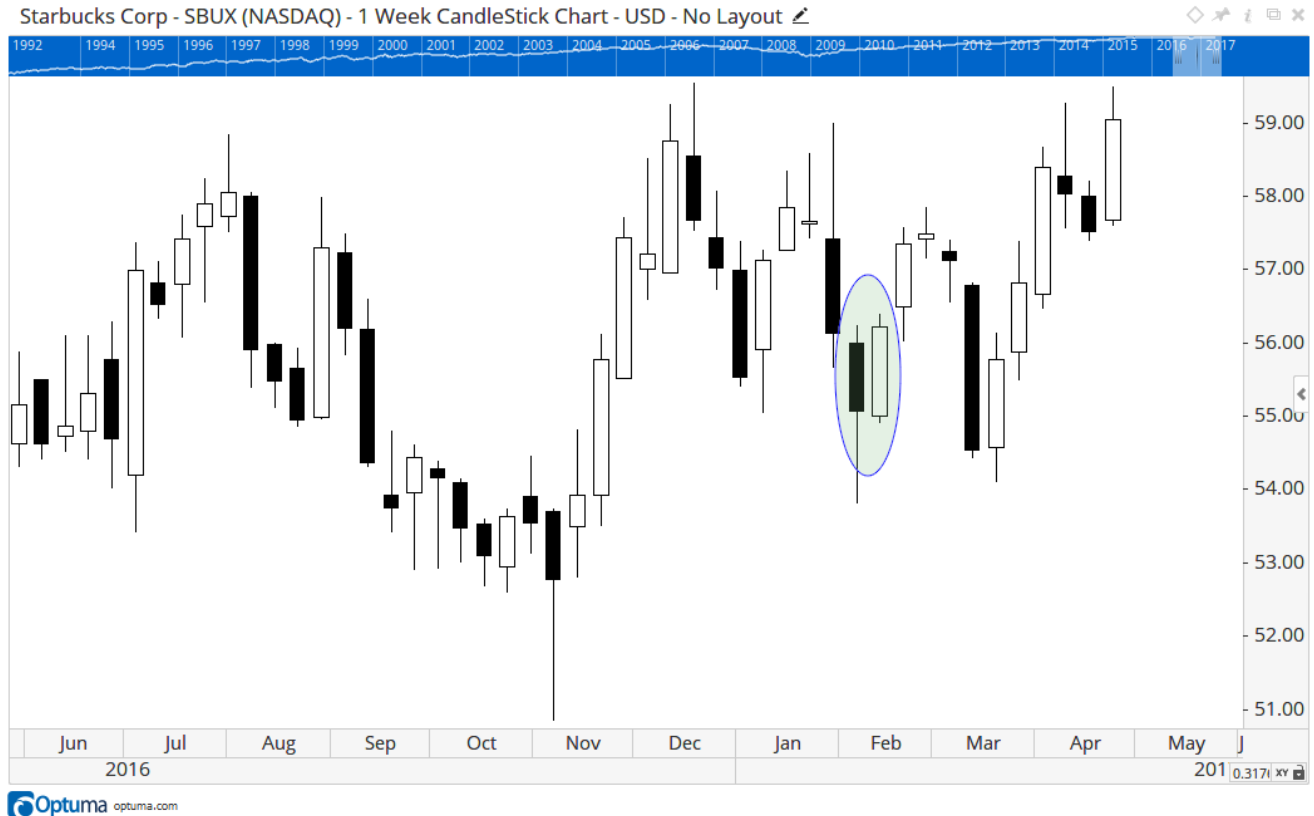
122. Brazilian equity index (indice Bovespa) has topped out and is trading lower, from an intermarket perspective what can be a reason for a decline in equity markets?

- a) Commodity cycle has topped out a few months earlier, and commodity prices have started declining which in turn lead to fall in equity index.
- b) Commodity prices are increasing which lead to a shift from equities to commodities.
- c) Brazil's central banks have increased interest rates in last couple of months which lead to flight of capital.
- d) Foreign institutional investors are withdrawing funds from emerging markets and investing into developed markets.

123. What is the impact of falling commodity prices on the currency of a country which is heavily dependent on commodity export?

- a) Currency will appreciate.
- b) Currency will depreciate.
- c) Has no impact on currency as there is no correlation between them.
- d) Currency is mostly managed by the central bank. Therefore, it has no impact on currency.

124. Identify the candlestick pattern highlighted below within the circle:



- a) Harami.
- b) Bullish Engulfing.
- c) Hammer.
- d) Marubozu.

125. What chart pattern do you see in the box on this chart?



- a) Flag.
- b) Pennant.
- c) Ascending Triangle.
- d) Broadening Triangle.

126. During the last leg of an economic expansion, how do different asset classes perform?

- a) All the asset classes turn down simultaneously.
- b) Bonds turn down, followed by stocks and then commodities.
- c) Stocks turn down, followed by bonds and commodities.
- d) Commodities turn down, but bond and stocks continue to trend higher.



127. In the following chart of Dow Jones Industrial Average, interpret the RSI indicator in between the highlighted vertical lines:



- Negative divergence is observed between price and indicator.
- Positive divergence is observed between price and indicator.
- Bearish confirmation is observed between price and indicator.
- Bullish confirmation is observed between price and indicator.

128. WTIC crude prices have declined from \$100 to \$50. Will the fall in crude have any impact on stock prices of oil exploration companies?

- Since they have a positive correlation, stock prices of oil exploration companies will decline because of reduced margins.
- Since they have a negative correlation, stock prices of oil exploration companies will rise because of increased margins.
- Since they have no-correlation, prices are decided while awarding the contract.
- Since they have no-correlation, most of the companies hedge their risk.

129. In the following chart of Cheniere Energy Partners LP, interpret the reading of the stochastic indicator:



- Stochastic is confirming the price action; should use current strength in price to initiate short position.
- Positive divergence as stochastic made a higher high, and prices a new low; should have gone long immediately at \$20 and placed a protective stop below the latest low.
- Negative divergence as stochastic made a higher high and price a new low; should wait for a breakout for a close above \$25.
- Stochastic is in overbought zone which indicates prices are losing momentum and are going to fall again.

130. In the following chart of Exxon Mobile, calculate the downside target from the flag:



- a) \$78.60
- b) \$80.40
- c) \$80.00
- d) \$81.90

131. Based on the chart given below, identify the chart pattern and the best course of action:



- a) Head and shoulder top; go long and use current pullback as shares are retesting an important support level at point B.
- b) Double top; go short at point A as shares have violated an uptrend support line.
- c) Triple top; wait for a close below point C and execute shorts when prices are 2% below the neckline.
- d) Head and shoulder top; wait for a close below point B to execute below the neckline.

132. A “triple witching day” occurs when we witness:

- a) the S&P 500 futures, options on futures and options on individual stocks all expiring at the same time.
- b) a breakout to 52 week new highs by the DJIA, SPX and RUT indices.
- c) a breakout to all-time new highs by the DJIA, SPX & RUT indices.
- d) all three of the DJIA, SPX500 & RUT registering 52 week lows.

133. Based on the chart given below, when was a valid long exit signal generated on the chart using the basic rules for using bands (note the arrows)?



- a) A
- b) B
- c) C
- d) No signal was generated during the trend

134. Which of the following is not an EMH assumption?

- a) Investors are rational.
- b) Volatility is a function of information arbitrage.
- c) Arbitrage forces prices to rational levels.
- d) Investor errors are uncorrelated.
- e)

135. Falling volume while price is rising means?

- a) Volume confirms the price rise.
- b) Volume confirms the price drop.
- c) Volume indicates a weak rally
- d) Volume indicates a weak pullback

136. Which of the following strategies of trading the Bollinger Bands constitutes the highest risk?

- a) Buy (close out shorts and go long) when the prices close above the upper band; close out longs when the prices close below the lower band.
- b) Sell short when the prices close below the moving average; close out short positions when prices recapture the moving average.
- c) Buy (go long) when prices close above the upper band. Close out longs when prices reverse and close below the moving average value (the center of the band).
- d) Sell short when prices close below the lower band. Cover your shorts when prices close above the moving average value.

137. Based on the chart given below, what pattern is shown in the box?



- a) Diamond Top.
- b) Ascending Triangle.
- c) Double Top.
- d) "M" pattern.

138. Which of the following characteristics is the first that should be considered when choosing or building systems to trade?

- a) A longer time to recovery than short-term drawdowns.
- b) Time in markets: Choose the one that trades more frequently.
- c) Gradual increases in equity line instead of downward surges.
- d) Which markets the system will be traded on.

139. The MACD Histogram is a/an:
- trend-following indicator.
  - momentum indicator.
  - breadth indicator.
  - oscillator.

140. Based on the chart given below; identify the best course of action:



- Shares are losing momentum which can be confirmed by negative divergence between price and ROC; trader should be cautious and be quick to reduce position on a violation of trendline.
- Shares are making a series of higher highs and higher lows; ROC has turned negative which is confirming the price action; should use current pullback to add to position.
- ROC has turned negative which is a sell signal; should initiate a short position.
- Negative divergence observed between price and ROC should be ignored as prices are near life time highs.

141. Extrapolation errors occur when investors:

- assume that current and recent conditions will prevail well into the future, also causing them to ignore the evidence of changing circumstances.
- tend to be overconfident regarding their abilities and make major mistakes like too little diversification and over trading.
- are tricked into thinking that they can foretell the future because they can easily observe the past.
- try to identify patterns in financial markets that do not exist.

142. Based on the chart below, interpret the on balance volume (OBV) indicator with respect to price action over the last 12 weeks:



- a) Clear uptrend.
- b) Weak uptrend near reversal.
- c) Distribution.
- d) No determination.

143. Stocks with superior fundamentals will normally decouple and start outperforming on a relative basis during:

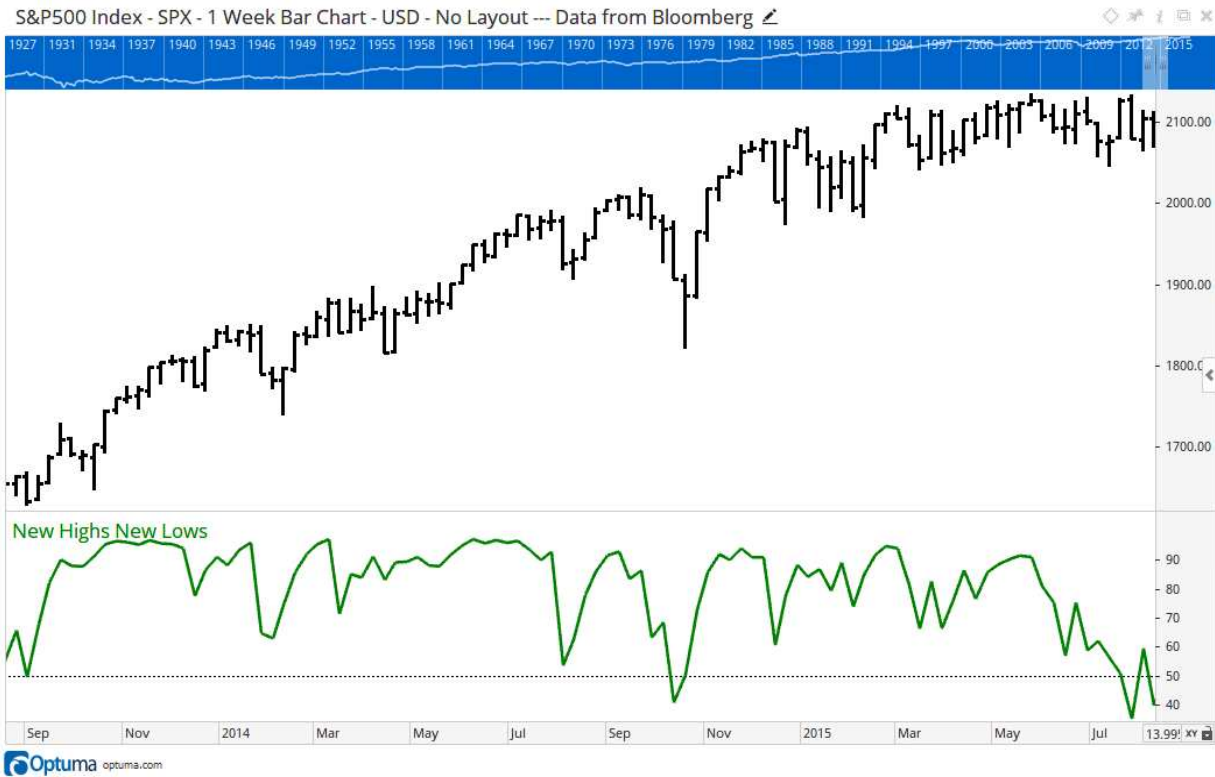
- a) a rampant bull market.
- b) a market consolidation.
- c) the last legs of an uptrend.
- d) a market correction (bear market).

144. Which of the following statements about diamond tops is false?

- a) Breakouts tend to be fast-moving price runs.
- b) The price objective is usually equal to the width of the complete pattern.
- c) A steep entry is usually followed by a steep exit.
- d) Diamond tops are a combination of a broadening pattern and a symmetrical triangle.



145. Interpret price action in the chart below, combined with takeaways from the SPX New High-New Low index:



- a) Confirmation between price action and indicator; the ongoing pullback can be bought.
- b) Divergence between price action and indicator; suggests exiting of long positions.
- c) Divergence between price action and indicator; can initiate shorts at current levels.
- d) Can initiate long positions at current price level; breadth bottomed out at the same level as the pullback in October 2014.

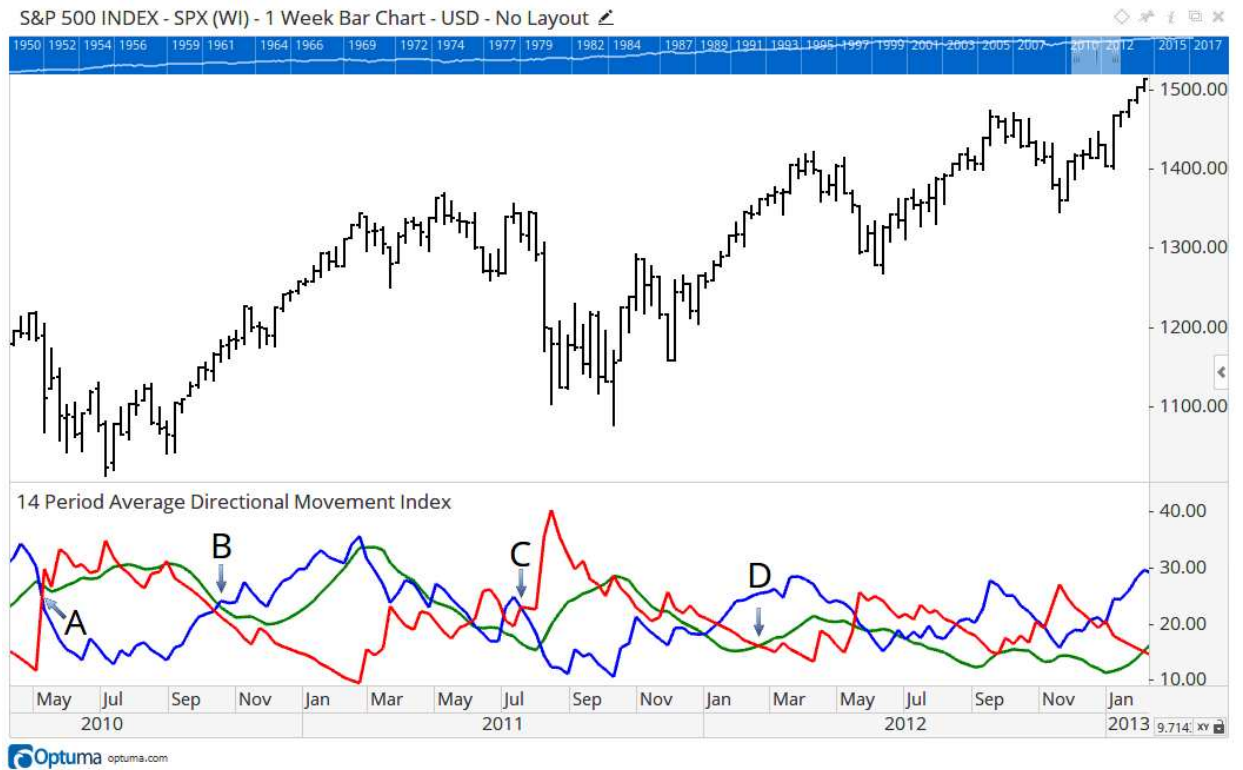
146. The McClellan Oscillator is what type of indicator?

- a) Momentum
- b) Oscillator
- c) Breadth
- d) None of the above

147. How can one identify the existence of a cycle?

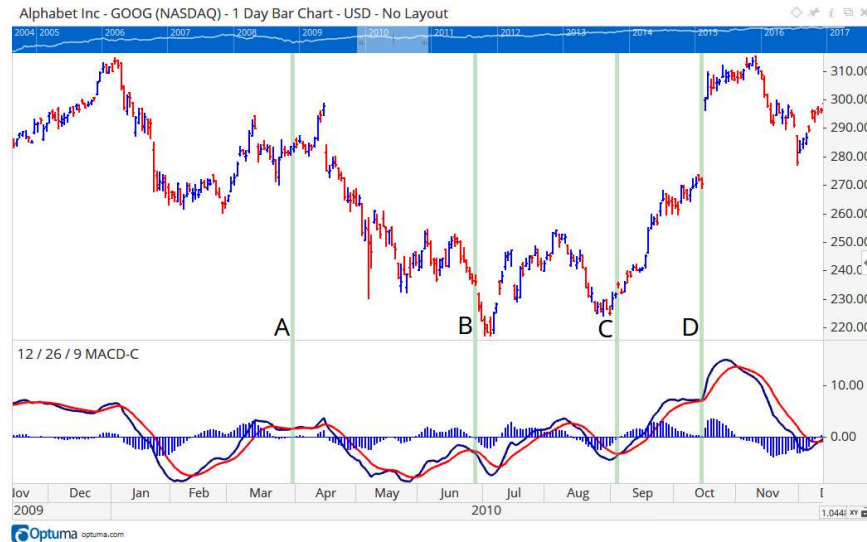
- a) Switch time frames
- b) Remove price trend
- c) Remove volume trend
- d) Use n period extremes

148. Which of the following instances marks a single best valid buy signal with respect to the direction system for the next new trend?



- a) A
- b) B
- c) C
- d) D

149. Which crossover in MACD-Histogram is the strongest buy signal generated in the following chart of Alphabet Inc.



- a) A
- b) B
- c) C
- d) D

150. When an RSI makes a lower top (peak) above 50, a sell order should be executed when:

- a) The RSI crosses below 50.
- b) the RSI crosses below 30.
- c) the last peak is retested.
- d) the trough between the peaks has been crossed from above.

**CMT Level II  
Sample Exam  
Answers**

1. Which of the following is a component of the Code of Ethics? CFA Institute members shall:  
d. practice and encourage others to practice in a professional and an ethical manner.  
Reference: CFA Institute Code of Ethics and Standards
  
2. Allen Johnson, CMT, is working in the Singapore office of German Investment Corporation. From an informal conversation, Allen learns that the company's most recent annual report contains misappropriated information. No one at the Singapore office expresses concern, however, because there has been no breach of Singapore's law. Barrett should:  
b. seek advice from the company counsel to determine appropriate action.  
Reference: CFA Institute Code of Ethics and Standards
  
3. Which one of the following most accurately describes the CFA Institute Standard about using material nonpublic information?  
d. An analyst may use nonmaterial nonpublic information as long as it has been developed under the Mosaic Theory.  
Reference: CFA Institute Code of Ethics and Standards
  
4. Adam Green, a portfolio manager, is making a presentation to a prospective client. Green says that as a new portfolio manager, he made an average annual rate of return of 40% in the last two years at his previous firm and that based on this, he can guarantee a 40% return to the client. Which of the following statements is in accordance with Standard III(D), Performance Presentation?  
b. Stating his past performance as long as it is fact.  
Reference: CFA Institute Code of Ethics and Standards
  
5. Kai Wong, CFA, is concerned about the activities of several of his coworkers and feels legal violations are routinely overlooked. According to the Code and Standards, a recommended first step would least likely be to:  
b. contact industry regulators  
Reference: CFA Institute Code of Ethics and Standards
  
6. An analyst has several groups of clients who are categorized according to their specific needs. Compared to research reports distributed to all of the clients, reports for a specific group:  
b. may generally exclude more basic facts.  
Reference: CFA Institute Code of Ethics and Standards

7. Steve Smith, CFA, is an equity research analyst for a long-term investment fund. His annual bonus is linked to annual trading profits. Under a new policy, the assessment period is switched to a monthly assessment period. According to the Code and Standards, best practices dictate:
- c. updating disclosures when the policy change is implemented.
- Reference: CFA Institute Code of Ethics and Standards
8. Which of the following actions would be a violation of the Standard VII(A) Conduct as Participants in CFA Institute Programs?
- b. Misrepresenting information on the Professional Conduct Statement.
- Reference: CFA Institute Code of Ethics and Standards
9. Paul Jones is a chemical industry research analyst for a large brokerage company. That industry is currently seeing an increase in mergers and acquisitions. While flying through Chicago, Jones sees several senior officers who she knows are from the largest and fourth largest chemical companies walk into a conference room. She concludes that negotiations for an acquisition might be taking place. Jones:
- c. may use this information to support an investment recommendation.
- Reference: CFA Institute Code of Ethics and Standards
10. In a meeting with his firm's senior research analyst, George Powel, a proponent of the CFA Institute Research Objectivity Standards (ROS), stated that the key objective of the ROS is to create voluntary reporting of research practices that promote independent and objective research to CFA Institute on an annual basis. With regard to his statements about the objectives of the ROS.
- b. he is incorrect.
- Reference: CFA Institute Code of Ethics and Standards
11. Which is not one of the Dow Theory principles?
- a. Trends are classified as Primary, Secondary and Counter Cyclical
- Reference: MTA, CMT Level II Curriculum (2017), Chapter 1
12. Beta measures:
- c. the amount of volatility in a portfolio compared to the market volatility.
- Reference: MTA, CMT Level II Curriculum (2017), Chapter 24
13. When using the RSI as an overbought/oversold indicator, a sell signal is generated when:
- b. RSI rises above its upper reference line and then crosses below it.
- Reference: MTA, CMT Level II Curriculum (2017), Chapter 6

14. When analyzing price action and volume, low activity (or a drop in volume) is normally associated with:  
d. lack of conviction on the part of traders.  
Reference: MTA, CMT Level II Curriculum (2017), Chapter 7
15. A correlation coefficient of 0.75 between two variables suggests a/an \_\_\_\_\_ relationship:  
b. strong  
Reference: MTA, CMT Level II Curriculum (2017), Chapter 15
16. Near the end of a recession:  
a. bonds turn up before stocks and commodities.  
Reference: MTA, CMT Level II Curriculum (2017), Chapter 16
17. Which of the following asset classes is a leading indicator for the stock market?  
a. Bonds  
Reference: MTA, CMT Level II Curriculum (2017), Chapter 16
18. Identify the following assumption under the correlation coefficient:  
d. All of the above  
Reference: MTA, CMT Level II Curriculum (2017), Chapter 13
19. \_\_\_\_\_ moving average uses reverse linear weights:  
a. The pivot-point  
Reference: MTA, CMT Level II Curriculum (2017), Chapter 3
20. Interpret the relationship between the S&P 500 and the NASDAQ 100 indexes based on the chart shown below, if the Pearson's coefficient of correlation is 0.45:  
d. Non-linear relationship, as the Best Fit line is curvilinear.  
Reference: MTA, CMT Level II Curriculum (2017), Chapter 15
21. The strength and direction of the relationship between two markets is measured by:  
d. correlation coefficient.  
Reference: MTA, CMT Level II Curriculum (2017), Chapter 15
22. The only effective method of diversifying a portfolio is by including asset classes with \_\_\_\_\_ correlation to stocks such as cash, foreign exchange or commodities.  
c. low/negative  
Reference: MTA, CMT Level II Curriculum (2017), Chapter 16

23. Which of the following indicator combines price, volume and open interest?  
d. Herrick Payoff Index  
Reference: MTA, CMT Level II Curriculum (2017), Chapter 6
24. What trading decision must a trader make based purely on the trend lines in the chart below?  
a. Hold long positions  
Reference: MTA, CMT Level II Curriculum (2017), Chapter 1
25. Which of the following points represents a valid island reversal in the chart below?  
d. None of the above  
Reference: MTA, CMT Level II Curriculum (2017), Chapter 9
26. Which of the following patterns resonate with the price action highlighted within the green rectangles marked 'A' & 'B'?  
b. Piercing Line & Evening Star  
Reference: MTA, CMT Level II Curriculum (2017), Chapter 9
27. \_\_\_\_\_ uses the distribution of the daily trading range to create a new indicator.  
d. Intraday Intensity  
Reference: MTA, CMT Level II Curriculum (2017), Chapter 7
28. Tick volume refers to:  
d. the number of recorded price changes during a particular time interval.  
Reference: MTA, CMT Level II Curriculum (2017), Chapter 7
29. When using a two moving averages (MA) system, which of the following rules can be utilized to generate a buy signal?  
d. Buy when the current price crosses above both moving averages.  
Reference: MTA, CMT Level II Curriculum (2017), Chapter 2
30. Which of the following rules can be utilized as an entry strategy for a long trade based bullish MACD histogram divergence?  
c. Go long when the histogram crosses through 0 from below.  
Reference: MTA, CMT Level II Curriculum (2017), Chapter 6
31. In regard to cycle analysis, translation is:  
d. To the right when the peak is beyond the halfway point  
Reference: MTA, CMT Level II Curriculum (2017), Chapter 17



32. Which would be the MOST useful aspect of a cycle in studying the relationship between cycles with different start times?

a. Phase

Reference: MTA, CMT Level II Curriculum (2017), Chapter 17

33. Which of the following would normally be considered a sentiment indicator that is most useful to traders?

d. The VIX

Reference: MTA, CMT Level II Curriculum (2017), Chapter 9

34. When using Out of Sample testing, the “out of sample” refers to?

c. A set of data not used in the system building process.

Reference: MTA, CMT Level II Curriculum (2017), Chapter 22

35. The payoff ratio is

d. The ratio of the average winning trade to the average losing trade.

Reference: MTA, CMT Level II Curriculum (2017), Chapter 22

36. \_\_\_\_\_ captures an increasing part of the profits as price moves in a favorable direction.

b. Trailing stop

Reference: MTA, CMT Level II Curriculum (2017), Chapter 6

37. The bias under which, when an event has not occurred recently, the event is perceived as having zero or negligible probability of occurring in future, is categorized as:

a. Saliency bias

Reference: MTA, CMT Level II Curriculum (2017), Chapter 28

38. \_\_\_\_\_ is a perception bias that arises when you are attempting to take a guess at something about which you have limited information.

d. Anchoring

Reference: MTA, CMT Level II Curriculum (2017), Chapter 28

39. The maximum cumulative drawdown (MDD) is a measure of:

d. The largest loss in a trading system or portfolio from an equity peak

Reference: MTA, CMT Level II Curriculum (2017), Chapter 22

40. The \_\_\_\_\_ tracks the degree of mass participation in rallies and decline.

d. Advance/Decline Index

Reference: MTA, CMT Level II Curriculum (2017), Chapter 7

41. \_\_\_\_\_ as a risk measure results in an estimation of a price move in either direction.  
c. Implied volatility  
Reference: MTA, CMT Level II Curriculum (2017), Chapter 11
42. A simple way to identify \_\_\_\_\_ cycles is to use \_\_\_\_\_ prices and find the dominant half-cycle.  
a. Long-term, weekly  
Reference: MTA, CMT Level II Curriculum (2017), Chapter 17
43. Because Relative Strength is so \_\_\_\_\_ it is used as the primary \_\_\_\_\_ Random Walk and EMH.  
b. Successful, argument against  
Reference: MTA, CMT Level II Curriculum (2017), Chapter 21
44. Open interest \_\_\_\_\_ when a bull sells his long position to bear who wants to cover his short position:  
b. falls  
Reference: MTA, CMT Level II Curriculum (2017), Chapter 7
45. When open interest goes flat during a rally, it suggests that:  
d. the trend is aging and the best gains are probably behind.  
Reference: MTA, CMT Level II Curriculum (2017), Chapter 7
46. The measurement that tells the system designer how far a trade was in loss before it came back to close in profit is called?  
b. Maximum adverse excursion  
Reference: MTA, CMT Level II Curriculum (2017), Chapter 22
47. Based on the 2-day EMA of the Force index, which point on the chart represents a valid shorting opportunity, if the trend has turned lower?  
a. A  
Reference: MTA, CMT Level II Curriculum (2017), Chapter 7
48. During an uptrend, the simplest way to detect a trend change (from up to down) is to:  
b. draw trendlines along the troughs  
Reference: MTA, CMT Level II Curriculum (2017), Chapter 1

49. According to Schabacker's rules, which of the following does not help identify the end of a bull market?  
d. Trading volume is low  
Reference: MTA, CMT Level II Curriculum (2017), Chapter 1
50. High values observed in the VIX usually means:  
c. investors are anxious.  
Reference: MTA, CMT Level II Curriculum (2017), Chapter 9
51. The biggest drawback of a relative strength system is that:  
d. The portfolio is long only and fully invested, hence it is exposed to risks of that particular asset beta  
Reference: MTA, CMT Level II Curriculum (2017), Chapter 23
52. An analysis of On-balance volume in the shares of Marathon Petroleum Corp (MPC) shown below suggest that:  
a. Any near-term strength should be considered as an opportunity to reduce positions, given the divergence between OBV and price action.  
Reference: MTA, CMT Level II Curriculum (2017), Chapter 7
53. In the chart shown below, the OBV indicator is:  
b. confirming bullish price action  
Reference: MTA, CMT Level II Curriculum (2017), Chapter 7
54. Which of the following only considers the downside volatility in a system or portfolio?  
c. Sortino Ratio  
Reference: MTA, CMT Level II Curriculum (2017), Chapter 22
55. A reduction in the speed of either *%K-slow* or *%D-slow lines* indicates:  
a. a reversal on the next day.  
Reference: MTA, CMT Level II Curriculum (2017), Chapter 6
56. Although the line chart shows higher and higher lows, if the *%D-slow* line has lower lows, then it indicates:  
b. selling opportunity on the next rally.  
Reference: MTA, CMT Level II Curriculum (2017), Chapter 6
57. When RSI rises above its upper reference zone, it shows that bulls are strong but the market:  
d. overbought and entering its sell zone.  
Reference: MTA, CMT Level II Curriculum (2017), Chapter 6

58. Divergences between RSI and prices tend to occur at:  
a. at important tops and bottoms.  
Reference: MTA, CMT Level II Curriculum (2017), Chapter 6
59. \_\_\_\_\_ is an indicator/oscillator which measures any security's strength by monitoring upward and downward changes in its closing prices .  
b. Relative Strength index  
Reference: MTA, CMT Level II Curriculum (2017), Chapter 6
60. An Underwater curve measures?  
a. The drawdown from each successively higher peak in equity.  
Reference: MTA, CMT Level II Curriculum (2017), Chapter 22
61. Decline in ADX indicates:  
d. the market is becoming less directional.  
Reference: MTA, CMT Level II Curriculum (2017), Chapter 2
62. Open interest can be defined as:  
d. total number of outstanding contracts.  
Reference: MTA, CMT Level II Curriculum (2017), Chapter 7
63. A buy signal is generated using a 2 period RSI oscillator which :  
d. crosses the threshold of 10 moving lower.  
Reference: MTA, CMT Level II Curriculum (2017), Chapter 6
64. When ADX falls below both Directional lines, it identifies:  
a. a flat and dull market.  
Reference: MTA, CMT Level II Curriculum (2017), Chapter 2
65. Which of the following methods measures the speed of any surge and shows when its momentum is starting to break?  
b. Oscillators  
Reference: MTA, CMT Level II Curriculum (2017), Chapter 6
66. The price of a stock near its previous low, accompanied by a higher low in RSI, would be a situation of:  
b. positive divergence.  
Reference: MTA, CMT Level II Curriculum (2017), Chapter 20

67. When price direction is sideways and OBV direction is up it suggests:  
d. accumulation period (bottom).  
Reference: MTA, CMT Level II Curriculum (2017), Chapter 7
68. The VIX is a measure of the Implied Volatility being projected through:  
d. The prices of S&P 500 index options.  
Reference: MTA, CMT Level II Curriculum (2017), Chapter 11
69. The most profitable \_\_\_\_\_ are long-term.  
d. trend following systems.  
Reference: MTA, CMT Level II Curriculum (2017), Chapter 2
70. Given the following daily values for Open, High, Low & Close, what change would you expect in Chaiken's Accumulation Distribution Index?  
Open = 10  
Close = 8  
High = 13  
Low = 9  
d. Half the day's volume would be subtracted from the previous index value  
Reference: MTA, CMT Level II Curriculum (2017), Chapter 7
71. Volume is usually \_\_\_\_\_ in trading range but \_\_\_\_\_ dramatically after a breakout.  
b. low, increases  
Reference: MTA, CMT Level II Curriculum (2017), Chapter 1
72. Bullish divergences are observed when prices \_\_\_\_\_ to a new \_\_\_\_\_ but RSI makes a \_\_\_\_\_ than its previous decline/rally.  
c. fall, low, higher bottom  
Reference: MTA, CMT Level II Curriculum (2017), Chapter 20
73. \_\_\_\_\_ is a valuable piece of information when analyzing patterns.  
b. Volume  
Reference: MTA, CMT Level II Curriculum (2017), Chapter 8
74. A sell signal using a MACD indicator is generated when:  
d. the fast MACD line crosses below the slow signal line.  
Reference: MTA, CMT Level II Curriculum (2017), Chapter 6

75. MACD Signals can be improved by thresholds equal to previous \_\_\_\_\_ in the indicator and taking the signals only after the MACD line \_\_\_\_\_ the threshold.  
c. highs and lows, enters.  
Reference: MTA, CMT Level II Curriculum (2017), Chapter 6
76. Which of the following statements is a true notion about market efficiency according to efficient market hypothesis?  
d. Market efficiency requires that prices deviate from rational value in an unbiased fashion.  
Reference: MTA, CMT Level II Curriculum (2017), Chapter 19
77. Which of the following statements is a false prediction about price reaction, according to EMH?  
d. Linear function between current and past returns can be used to predict future returns.  
Reference: MTA, CMT Level II Curriculum (2017), Chapter 19
78. Travelers buying airplane accident insurance after a recent airplane crash, is an example of which of the following biases?  
b. Saliency bias  
Reference: MTA, CMT Level II Curriculum (2017), Chapter 28
79. \_\_\_\_\_ is a perception bias that arises when you are attempting to make a guess at something about which you have limited information.  
c. Anchoring bias  
Reference: MTA, CMT Level II Curriculum (2017), Chapter 28
80. An investor liquidating stocks that hold paper gains before liquidating stocks that, at current prices, have lost money, is known as:  
d. disposition effect.  
Reference: MTA, CMT Level II Curriculum (2017), Chapter 29
81. A Call Option writer makes money.  
a. By selling the option.  
Reference: MTA, CMT Level II Curriculum (2017), Chapter 10
82. European Options are different than American Options because?  
c. European Options cannot be exercised early  
Reference: MTA, CMT Level II Curriculum (2017), Chapter 10

83. \_\_\_\_\_ is/are more likely to signal exhaustion of the current trend .  
c. Volume spikes  
Reference: MTA, CMT Level II Curriculum (2017), Chapter 7
84. A \_\_\_\_\_ warning is an extreme turn in one of the indicator plots. This usually indicates at most two days remaining in the old trend.  
a. Stochastic  
Reference: MTA, CMT Level II Curriculum (2017), Chapter 6
85. When is a buy signal given while using MACD-histogram?  
b. When it breaks the centerline from below.  
Reference: MTA, CMT Level II Curriculum (2017), Chapter 6
86. When open interest falls while prices are in a trading range, this implies:  
c. The market is in a congestion phase.  
Reference: MTA, CMT Level II Curriculum (2017), Chapter 7
87. What would the Implied Volatility be if you were told the one day expected movement was 2%?  
b. 31.7  
Reference: MTA, CMT Level II Curriculum (2017), Chapter 11
88. Opening prices reflect pressures that have built up while market was closed and are normally dominated by \_\_\_\_\_ as they tend to read the news in the evening and trade in the morning.  
d. alpha, y-intercept  
Reference: MTA, CMT Level II Curriculum (2017), Chapter 13
89. The Top-Down fundamental analysis process begins with an analysis of:  
c. The economy  
Reference: MTA, CMT Level II Curriculum (2017), Chapter 24
90. \_\_\_\_\_ is an oscillator which combines volume with prices to discover the force of bulls or bears behind every rally or decline.  
b. Force Index  
Reference: MTA, CMT Level II Curriculum (2017), Chapter 7
91. A burst of extremely high volume reflects:  
d. a trend is nearing its end and suggests an imminent reversal.  
Reference: MTA, CMT Level II Curriculum (2017), Chapter 7

92. Which is not an indicator used in the Zweig Bond Model?  
c. The trend of the S&P 500 Index.  
Reference: MTA, CMT Level II Curriculum (2017), Chapter 26
93. \_\_\_\_\_ systems are better because they are \_\_\_\_\_ and they avoid \_\_\_\_\_.  
b. Nondiscretionary, mechanical, emotion.  
Reference: MTA, CMT Level II Curriculum (2017), Chapter 22
94. Put options will expire worthless if:  
c. the underlying stock rises in value beyond the strike price  
Reference: MTA, CMT Level II Curriculum (2017), Chapter 10
95. A breakaway gap usually occurs:  
a. at the start of a new trend.  
Reference: MTA, CMT Level II Curriculum (2017), Chapter 9
96. Stocks with superior fundamentals tend to decline in value much less than.  
b. High-Beta stocks  
Reference: MTA, CMT Level II Curriculum (2017), Chapter 24
97. \_\_\_\_\_ errors occur when investors place too much weight on information that confirms their prior opinions, but underweight or completely disregard evidence that contradicts their prior opinions.  
b. Confirmation  
Reference: MTA, CMT Level II Curriculum (2017), Chapter 24
98. When hard assets rise in value, \_\_\_\_\_ will decline.  
b. soft assets  
Reference: MTA, CMT Level II Curriculum (2017), Chapter 21
99. When ADX rallies above both directional lines, it identifies:  
c. a trending market  
Reference: MTA, CMT Level II Curriculum (2017), Chapter 2
100. The implied volatility of an option is the projection of an annualized \_\_\_\_\_ standard deviation move in the underlying stock over the life of the option.  
a. one  
Reference: MTA, CMT Level II Curriculum (2017), Chapter 11



101. \_\_\_\_\_ is known for emphasizing a high level of rationality in investor behavior and aggregate market outcome.  
d. Efficient market hypothesis (EMH)  
Reference: MTA, CMT Level II Curriculum (2017), Chapter 24
102. Phase refers to:  
d. a measurement of the starting point or offset of the cycle relative to a benchmark wave.  
Reference: MTA, CMT Level II Curriculum (2017), Chapter 17
103. \_\_\_\_\_ and \_\_\_\_\_ have seasonal pattern.  
d. Open interest, market breadth  
Reference: MTA, CMT Level II Curriculum (2017), Chapter 7
104. Rising prices, falling volume and falling open interest can be interpreted as:  
c. short sellers covering their positions causing a rally.  
Reference: MTA, CMT Level II Curriculum (2017), Chapter 7
105. \_\_\_\_\_ can be used to predict the future price trend of a market based on its correlation with multiple related markets.  
d. Linear regression  
Reference: MTA, CMT Level II Curriculum (2017), Chapter 14
106. \_\_\_\_\_ explains the relationship between the number of advancing and declining stocks, and the up and down volume.  
a. Arms Index  
Reference: MTA, CMT Level II Curriculum (2017), Chapter 7
107. All the following statements about end of bull markets are true except:  
a. interest rates have declined  
Reference: MTA, CMT Level II Curriculum (2017), Chapter 1
108. When using the RSI as an overbought/oversold indicator, a buy signal is generated when:  
d. RSI declines below its lower reference line and then rallies above it.  
Reference: MTA, CMT Level II Curriculum (2017), Chapter 6
109. A V-top or V-bottom is always accompanied by \_\_\_\_\_ and usually \_\_\_\_\_.  
d. high volatility, high volume  
Reference: MTA, CMT Level II Curriculum (2017), Chapter 1

110. When the VIX is 34.6, the expected 30-day market movement is:  
c. 10%.  
Reference: MTA, CMT Level II Curriculum (2017), Chapter 12
111. According to Schabacker's Rules, which of the following indicates an end of a Bear Market:  
b. Interest rates have declined.  
Reference: MTA, CMT Level II Curriculum (2017), Chapter 1
112. Which of the following patterns resonate with price action highlighted within the green rectangles marked 'A' & 'B'?  
c. Bullish Engulfing & Shooting Star  
Reference: MTA, CMT Level II Curriculum (2017), Chapter 9
113. The simplest and easiest method of intermarket analysis is:  
d. a visual inspection of a comparison chart.  
Reference: MTA, CMT Level II Curriculum (2017), Chapter 16
114. When constructing a portfolio, it is important to select securities that have a \_\_\_\_\_ degree of \_\_\_\_\_ between investment returns.  
b. low, correlation.  
Reference: MTA, CMT Level II Curriculum (2017), Chapter 16
115. In the following chart, where is a negative divergence in RSI observed?  
d. D  
Reference: MTA, CMT Level II Curriculum (2017), Chapter 20
116. In a three moving average system, when looking for a long trade, the shortest (fastest) moving average is used to:  
b. act as a filter by requiring that it be rising as the signal is triggered.  
Reference: MTA, CMT Level II Curriculum (2017), Chapter 5
117. Identify the highlighted chart pattern below:  
b. Double bottom  
Reference: MTA, CMT Level II Curriculum (2017), Chapter 8
118. A/An \_\_\_\_\_ gap occurs at the end of a sustained and volatile price move and confirms the reversal.  
a. exhaustion  
Reference: MTA, CMT Level II Curriculum (2017), Chapter 9

119. In an ideal situation, stock price of Gold mining companies and U.S Dollar index are:  
b. negatively correlated.

Reference: MTA, CMT Level II Curriculum (2017), Chapter 16

120. Diversification of portfolio is achieved by:  
c. investing in asset classes which have low correlation.

Reference: MTA, CMT Level II Curriculum (2017), Chapter 16

121. Using a 13 period EMA of the Force Index, which point on the chart would be a valid sell signal?

d. D.

Reference: MTA, CMT Level II Curriculum (2017), Chapter 7

122. Brazilian equity index (indice Bovespa) has topped out and is trading lower, from an intermarket perspective what can be a reason for a decline in equity markets?

c. Brazil's central banks have increased interest rates in last couple of months which lead to flight of capital.

Reference: MTA, CMT Level II Curriculum (2017), Chapter 16

123. What is the impact of falling commodity prices on the currency of a country which is heavily dependent on commodity export?

b. Currency will depreciate.

Reference: MTA, CMT Level II Curriculum (2017), Chapter 1

124. Identify the candlestick pattern highlighted below within the circle:

b. Bullish Engulfing.

Reference: MTA, CMT Level II Curriculum (2017), Chapter 9

125. What chart pattern do you see in the box on this chart?

d. Broadening Triangle.

Reference: MTA, CMT Level II Curriculum (2017), Chapter 8

126. During the last leg of an economic expansion, how do different asset classes perform?

b. Bonds turn down, followed by stocks and then commodities.

Reference: MTA, CMT Level II Curriculum (2017), Chapter 16

127. In the following chart of Dow Jones Industrial Average, interpret the RSI indicator in between the highlighted vertical lines:

b. Positive divergence is observed between price and indicator.

Reference: MTA, CMT Level II Curriculum (2017), Chapter 20

128. WTIC crude prices have declined from \$100 to \$50. Will the fall in crude have any impact on stock prices of oil exploration companies?
- Since they have a positive correlation, stock prices of oil exploration companies will decline because of reduced margins.
- Reference: MTA, CMT Level II Curriculum (2017), Chapter 16
129. In the following chart of Cheniere Energy Partners LP, interpret the reading of the stochastic indicator:
- Positive divergence as stochastic made a higher high, and prices a new low; should have gone long immediately at \$20 and placed a protective stop below the latest low.
- Reference: MTA, CMT Level II Curriculum (2017), Chapter 20
130. In the following chart of Exxon Mobile, calculate the downside target from the flag:
- \$80.40
- Reference: MTA, CMT Level II Curriculum (2017), Chapter 8
131. Based on the chart given below, identify the chart pattern and the best course of action:
- Head and shoulder top; wait for a close below point B to execute shorts below the neckline.
- Reference: MTA, CMT Level II Curriculum (2017), Chapter 8
132. A “triple witching day” occurs when we witness:
- the S&P 500 futures, options on futures and options on individual stocks all expiring at the same time.
- Reference: MTA, CMT Level II Curriculum (2017), Chapter 7
133. Based on the chart given below, when was a valid long exit signal generated on the chart using trading rules based on Bollinger bands?
- C
- Reference: MTA, CMT Level II Curriculum (2017), Chapter 2
134. Which of the following is not an EMH assumption?
- Volatility is a function of information arbitrage
- Reference: MTA, CMT Level II Curriculum (2017), Chapter 19
135. Falling volume while price is rising means?
- Volume indicates a weak rally.
- Reference: MTA, CMT Level II Curriculum (2017), Chapter 7

136. Which of the following strategies of trading the Bollinger Bands constitutes the highest risk?
- Buy (close out shorts and go long) when the prices close above the upper band; close out longs when the prices close below the lower band.
- Reference: MTA, CMT Level II Curriculum (2017), Chapter 4
137. Based on the chart given below, what pattern is shown in the box?
- Double Top.
- Reference: MTA, CMT Level II Curriculum (2017), Chapter 8
138. Which of the following characteristics is the first that should be considered when choosing or building systems to trade?
- Which markets the system will be traded on.
- Reference: MTA, CMT Level II Curriculum (2017), Chapter 22
139. The MACD Histogram is a/an:
- oscillator.
- Reference: MTA, CMT Level II Curriculum (2017), Chapter 6
140. Based on the chart given below; identify the best course of action:
- Shares are losing momentum which can be confirmed by negative divergence between price and ROC; trader should be cautious and be quick to reduce position on a violation of trendline.
- Reference: MTA, CMT Level II Curriculum (2017), Chapter 6
141. Extrapolation errors occur when investors:
- assume that current and recent conditions will prevail well into the future, also causing them to ignore the evidence of changing circumstances.
- Reference: MTA, CMT Level II Curriculum (2017), Chapter 24
142. Based on the chart below, interpret the on balance volume (OBV) indicator with respect to price action over the last 12 weeks:
- No determination.
- Reference: MTA, CMT Level II Curriculum (2017), Chapter 7
143. Stocks with superior fundamentals will normally decouple and start outperforming on a relative basis during
- a market correction (bear market).
- Reference: MTA, CMT Level II Curriculum (2017), Chapter 24

144. Which of the following statements about diamond tops is false?
- b. The price objective is usually equal to the width of the complete pattern
- Reference: MTA, CMT Level II Curriculum (2017), Chapter 8
145. Interpret price action in the chart below, combined with takeaways from the SPX New High-New Low index:
- b. Divergence between price action and indicator; suggests exiting of long positions.
- Reference: MTA, CMT Level II Curriculum (2017), Chapter 7
146. The McClellan Oscillator is what type of indicator?
- c. Breadth
- Reference: MTA, CMT Level II Curriculum (2017), Chapter 7
147. How can one identify the existence of a cycle?
- b. Remove price trend
- Reference: MTA, CMT Level II Curriculum (2017), Chapter 17
148. Which of the following instances marks a single best valid buy signal with respect to the direction system for the next new trend?
- d. D
- Reference: MTA, CMT Level II Curriculum (2017), Chapter 2
149. Which crossover in MACD-Histogram is the strongest buy signal generated in the following chart of Alphabet Inc.
- c. C
- Reference: MTA, CMT Level II Curriculum (2017), Chapter 6
150. When an RSI makes a lower top (peak) above 50, a sell order should be executed when:
- d. the trough between the peaks has been crossed from above
- Reference: MTA, CMT Level II Curriculum (2017), Chapter 6