CMT Level I 2014

Exam length: 2 hours and 15 min
Exam format: Multiple Choice
Number of questions: 132 (12 unscored)
Exam date: Spring and Fall
Estimated passing score: Not disclosed
Exam reading assignments: 1711 pages
Course study notes: 345 pages
Course multiple choice questions: 1188

Financial Certifications Series
What is the CMT?

The Chartered Market Technician (CMT) Program is a certification process in which candidates are required to demonstrate proficiency in a broad range of technical analysis subjects. Administered by the Market Technicians Association (www.mta.org). The Program consists of three levels. CMT Level 1 and CMT Level 2 are multiple choice exams while CMT Level 3 is in essay form. The exams for all 3 levels are administered twice a year, once during the Spring and again in the Fall. The objectives of the CMT Program are:

- To guide candidates in mastering a professional body of knowledge and in developing analytical skills.
- To promote and encourage the highest standards of education.
- To grant the right to use the professional designation of Chartered Market Technician (CMT) to those members who successfully complete the Program and agree to abide by the MTA Code of Ethics.

Value of the CMT:

The Chartered Market Technician (CMT) program offers a structured approach to study technical analysis and ensure all key areas are covered. The CMT can help to open doors that may lead to job opportunities. The CMT demonstrates to Wall Street that you are a professional in the field of technical analysis. For those seeking a more traditional Wall Street analyst job, passing the first two CMT exams provides a significant step towards attaining the “Registered Research Analyst” designation from FINRA. Even if you’re not looking for a FINRA exemption but rather just to learn technical analysis, the CMT Program offers a structured, organized, and comprehensive way to do so.

CMT Level I:

CMT Level I is a computer-based test automatically graded so you receive your qualifications in the test center. The level I test has a total length of 2 hours and 15 minutes with a total of 132 multiple choice questions (12 unscored). Level I candidates are responsible for 1,680 pages of reading assignments distributed in four books. The exams for all 3 levels are administered twice a year, once during the Spring and again in the Fall, so you have approximately 6 months to prepare for the following level. The passing score is not disclosed.

Study Notes:

All the information needed to take the test is included in our Study Notes. Besides, the great number of multiple choice questions, included in study notes, will give you the practice skill you need to empower your confidence when taking the test. Study Notes and Practice Tests can be purchased independently or in the same pack, with a discount of 78€ (approximately 15%).

- Study Notes (theory). 286€.
- Practice Notes (Multiple choice questions). 286€.
- Study Notes + Practice Notes. 572€.
  494€.
CMT Level 1 Exam Reading Assignments:

The definitive guide to Point and Figure.  
Jeremy Du Plessis.  
14%.

Technical Analysis of Stock Trends.  
Robert Edwards & John Magee.  
25%.

Technical Analysis Explained.  
Martin Pring.  
34%.

Technical Analysis.  
Charles Kirkpatrick.  
27%. 


What do CMT candidates say about the Study Notes?

“I have prepared my CMT-1 with a successful result within Alexey’s Study Notes, my own experience was good as the manuals are based entirely on the CMT reading assignments but are worked in a format that divides them in theme blocks; in each block there is a topic under which all the chapters from all the authors are ensemble to cover the topic in full; and this makes the material much easier to focus and follow rather than being jumping from one chapter to another from the all different books. Each block includes an exam at the end, with the entire past exam questions and a lot new more; it proves your understanding of the topic and provides you with the practice for the exam.

A great package for a successful preparation in terms of the manuals and the tutor Alexey, as he had prepared all the material and is already a CMT charterholder, hence he shares his experience as part of the preparation process. On my exam all the questions-topics were covered on Alexey’s Study Notes; and all my doubts during the preparation were answered by him quickly. A great tutor that enjoys his work and motivates you to keep going, thus I am getting onboard in Alexey’s ship for the level-2 CMT.”

María López Vázquez
CMT, EFA

“Preparation materials for the CMT certificate of Mr. De La Loma are an invaluable aid to the successful tacking of the official examinations. The clarity in the exposition of the different issues and the interesting preparation questions, show the author’s expertise on the subject.”

Iñaki Arcocha Torres
CFA CIIA CAIA FRM

“I found the notes were done very professional, I passed with flying colours, and the best part is the material is condensed dramatically no fluff all fact.”

David Waite
CFA

“I I found myself pick up the material pretty quickly. I have actually read all 4 books on the reading list but honestly, I couldn't comprehend what I read and sometimes was so confused. Your study notes are well-organized, comprehensive yet clearly explained to the details which helped clear all the confusion. Getting your study notes + practice exams was such a right decision.”

Kim Ho

“It seems like a mess in my mind after finishing CMT level 1 reading assignments. However, when reviewing by using Alexey's study notes everything becomes clearer. All knowledge in four books is systematized carefully by dividing in well-organized blocks with unforgettable key points. Alexey's notes as well as practice exam have served me well in CMT level 1 exam and now I am ready for the next level together with his CMT level 2 materials.”

Thuy Nguyen Thu

“The materials provided for CMT level 1 were excellent. The arrangement of the chapters and concepts were wonderful and very phased. The materials and practice exams are indispensable for any CMT aspirant.”

Bharat Jhunjhunwala

“Alexey De La Loma’s CMT material is concise, yet thorough. The combination of text summaries and practice exams more than adequately prepared me for the exams. I would certainly recommend. The material is much harder than the exam so I was well prepared.”

William Skultety

"I am pleased to say I passed the CMT Level 1 exam last week and I found the quality of your materials and particularly the exam questions to be excellent and allowed me to better prepare myself".

Alasdair Stewart.
Alexey De La Loma Jiménez
CAIA, CMT, EFA, FRM

Alexey De La Loma has got degrees in Economics and Business Administration at University Carlos III in Madrid. He is in the middle of a degree in Mathematics at UNED University in Madrid and, also in the middle of a Ph.D in Applied Statistics in UNED University in Madrid. He is taking the third level of the CFA designation in June 2013. Currently, he is co-founder in Diversia Trading, a company devoted to financial education in Financial Markets, trading systems, Visual Chart, Forex, EasyLanguage, technical analysis, financial modeling and derivatives. Courses are offered in online format too. From 2001, he has been trading for his own account. He publishes regularly articles in financial magazines as Estrategias de Inversión and Gestión Alternativa and appears regularly in financial radio programs as Cierre de Mercados in Radio Intereconomía. From 2010 he is the editor of the online free financial magazine Gestión Alternativa, with more than 120.000 subscriptions.

Until September 2007, was a partner in TradeSolver S.L. and he was in charge of developing trading strategies and portfolios for the fund TS SYSTEMATIC STRATEGIES. He started his career in international companies as CLH, Arthur Andersen, Banco de Santander and IBM, with broad international experience (Great Britain, Italy, Portugal, Chile, Peru and Argentina).

Books.

"Las voces de los maestros de los mercados financieros". Published by Millenium Capital in 2006.

"Todo lo que hay que saber sobre Candlesticks. Un enfoque moderno". Published by Millenium Capital in 2011.

Financial Certifications Series:

- CMT (Chartered Market Technician).
- CFTe (Chartered Financial Technician).
- CFA (Chartered Financial Analyst).
- CAIA (Chartered Alternative Investment Analyst).
- EFA. (Asesor Financiero Europeo).
- FRM. (Financial Risk Manager).
0. CODE OF ETHICS.

I. PRINCIPLES AND HISTORY OF TECHNICAL ANALYSIS

1.1. History of technical analysis: from Charles Dow to Welles Wilder.
   1.1.1. Introduction to technical analysis.
   1.1.2. The critical view of fundamental analysis from the technical perspective.
   1.1.3. Behavioral finance vs. traditional finance.
   1.1.4. Charts.

1.2. Fundamental vs. Technical approach.
   1.2.1. Types of linked futures contracts.
   1.2.2. Regression lines.

1.3. The technical analysis controversy.
   1.3.1. Do markets follow a Random Walk?
   1.3.2. Are markets Efficient?
   1.3.3. Pragmatic technical analysis criticisms.
   1.3.4. Behavioral technical analysis criticisms.

1.4. Pragmatic technical analysis criticisms.
   1.4.1. What is a ticker tape?
   1.4.2. Types of linked futures contracts.
   1.4.3. Line charts.
   1.4.4. Bar charts.
   1.4.5. Candlestick charts.
   1.4.6. EquiVolume and CandleVolume.

1.5. Basic principles of technical analysis.
   1.5.1. Why do markets trend and how are they identified?
   1.5.2. Definition of technical analysis.
   1.5.3. Three fundamentals or axioms of technical analysis.
   1.5.4. Advantages and disadvantages of technical analysis.

II. DOW THEORY, CYCLES AND ELLIOT

   2.1.1. The averages (indices) discount everything.
   2.1.2. The market has three movements.
   2.1.3. Major or primary trends have three phases.
   2.1.4. Volume (turnover) goes with the trend.
   2.1.5. The two averages must confirm (principle of confirmation).
   2.1.6. Price action determines the trend.
   2.1.7. Lines indicate movements and may be a substitute for Secondary trends.
   2.1.8. Only closing prices used.

2.2. Dow theory in practice.
   2.2.1. Preferential trends.
   2.2.2. The market has three movements.
   2.2.3. Major or primary trends have three phases.
   2.2.4. Volume (turnover) goes with the trend.
   2.2.5. The two averages must confirm (principle of confirmation).
   2.2.6. Price action determines the trend.
   2.2.7. Lines indicate movements and may be a substitute for Secondary trends.
   2.2.8. Only closing prices used.
   2.2.9. Dow theory in practice.
   2.2.10. Primary or major trends.
   2.2.11. Secondary or intermediate trends (Martin Pring).
   2.2.12. The Dow theory’s defects.
   2.2.13. The Dow theory in the 20th and 21st centuries.

2.3. Cycles.
   2.3.1. Cycle elements.
   2.3.2. Cycle principle.
   2.3.3. Founding and projecting cycles.

2.4. Short-term and long-term cycles in real markets.
   2.4.1. Short-term cycles, temporal or stationary patterns.
   2.4.2. Long-term cycles.

2.5. Theories of Market Structure: Elliott, Fibonacci and Gann.
   2.5.1. Elliott Wave Theory (EWT).
   2.5.2. Impulse Waves.
   2.5.3. Corrective Waves.
   2.5.4. Guidelines and general characteristics of EWT.
   2.5.5. Projected Targets and Retracements.
   2.5.6. Using EWT.
   2.5.7. Fibonacci Sequence.
   2.5.8. William Delbert Gann.

   2.6.1. Founding and projecting cycles.
   2.6.2. Impulse waves.
   2.6.3. Corrective Waves.
   2.6.4. Guidelines and general characteristics of EWT.
   2.6.5. Projected Targets and Retracements.
   2.6.6. Using EWT.
   2.6.7. Fibonacci Sequence.
   2.6.8. William Delbert Gann.

III. SHORT-TERM PATTERNS (GAPS)

3.1. Short-term bar chart patterns.
   3.1.1. One- and Two-Bar Reversal Patterns.
   3.1.2. Multiple Bar Patterns.
   3.1.3. Volatility Patterns.
   3.1.4. Intraday Patterns.

3.2. Gaps.
   3.2.1. Breakaway or Breakout Gaps.
   3.2.2. Runaway, Continuation or Measuring Gaps.
   3.2.3. Exhaustion Gaps.
   3.2.4. Other minor gaps.
   3.2.5. Opening Gaps.
   3.2.6. Island Reversal.

IV. BLOCK IV. CANDLESTICKS

4.1. Candlestick patterns.
   4.1.1. Reversal Candlestick patterns.
   4.1.2. Continuation Candlestick patterns.

V. CHARTISM, VOLUME AND OPEN INTEREST

5.1. Support and resistance.
   5.1.1. Why do support and resistance occur?
   5.1.2. How are important reversal points determined?
   5.1.3. Estimating support-resistance potential.
   5.1.4. Pull-backs and Throw-backs.
   5.1.5. What is a bottom – What is a top?
   5.1.6. Proportion Measuring Implications (Martin Pring).

5.2. Trends.
   5.2.1. Regression lines.
   5.2.2. Trendlines.
   5.2.3. Trend Channels.
   5.2.4. Double trendlines and trend ranges.
   5.2.5. Speed lines.
   5.2.6. Andrews Pitchfork.

5.3. Price patterns.
   5.3.1. Rectangles.
   5.3.2. Double tops and double bottoms.
   5.3.3. Triple tops and triple bottoms.
   5.3.4. Head and Shoulders and Reverse H&S.
   5.3.5. Descending triangles.
   5.3.6. Ascending triangles.

5.4. Symmetrical triangles (also “Coll” or “Isosceles triangle”).
5.5. Breakout rules in Standard triangles.
5.6. Broadening patterns.
5.7. Diamond Top.
5.8. Smaller price patterns.
5.9. Wedges (classic pattern).
5.10. Wedge and Climax (Kirkpatrick).
5.11. Rounding tops and rounding bottoms.

VI. STATISTICAL TECHNICAL ANALYSIS

6.1. Oscillators and Indicators.
   6.1.1. Indicators vs. Oscillators.
   6.1.3. Moving Average Convergence Divergence (MACD).
   6.1.4. Rate of Change (ROC).
   6.1.5. Relative Strength Index (RSI).
   6.1.6. Candle Momentum Indicator (CMO).
   6.1.7. Relative Momentum Index (RMI).
   6.1.8. Trend Deviation (Price Oscillator).
   6.1.10. Williams %R.
   6.1.11. Commodity Channel Index (CCI).
   6.1.12. Know Sure Thing (KST) indicator of Martin Pring.
   6.2.1. How is a simple moving average (SMA) calculated?
   6.2.2. Other types of moving averages.
   6.2.3. Strategies for using moving averages.
   6.2.4. Directional movement and ADX.
   6.2.5. Determining Trend and Trading Range.
   6.2.6. Envelopes, Bands and Channels.
   6.3. Volume Indicators.
   6.3.1. OBV, On Balance Volume.
   6.3.2. Price-Volme Trend.
   6.3.3. WVAD. Williams Volume Accumulation Distribution.
   6.3.4. CAD. Chaikin Accumulation Distribution.
   6.3.5. WAD. Williams Accumulation Distribution.
   6.3.6. Volume Rate of Change.
   6.3.7. Volume Oscillator.
   6.3.8. Demand Index.
   6.3.9. Chaikin Money Flow.
   6.3.10. Twigg Money Flow.
   6.3.11. Chaikin Oscillator.
   6.3.12. Money Flow Index (Oscillator).
   6.3.13. Ease of Movement.
   6.3.15. Arms Index (TRIN).

Financial Certifications Series
VII. FINANCIAL MARKETS, RELATIVE AND MARKET STRENGTH

7.1. An overview of Markets.
7.1.1. Markets classification.
7.1.2. Commodities futures.
7.1.3. How is the market measured: Indices or averages.
7.1.5. Stock market sector rotation.
7.2. The practical side of options and futures by W.H.C. Bassetti.
7.2.1. Futures on the DJIA Index and some practical exercises.
7.2.2. Options on the DJIA futures and some practical exercises.
7.3. Measuring Market Strength.
7.3.1. Market Breadth.
7.3.2. Up and Down Volume Indicators.
7.3.3. Net New Highs and Net New Lows.
7.3.4. Diffusion Indicators.
7.3.5. Very short-term indicators.
7.4. Relative Strength.
7.5. Flow of Funds.
7.5.1. Funds in the marketplace.
7.5.2. Funds outside the marketplace.
7.5.3. The cost of funds.
7.5.4. FED policy.
7.5.5. Long-term interest rates (the Bond Market).
7.5.6. Summary on interest rate changes by Martin Pring.
7.6.1. Identifying Primary Global Trends and individual country selection.
7.6.2. Checkpoints for identifying primary stock market peaks and troughs.
7.6.3. Stock selection or stock picking.
7.6.4. Summary.

VIII. TRADING SYSTEMS AND TRADING MANAGEMENT.

8.1. Introduction to Mechanical Trading Systems (Pring).
8.1.2. Design of a successful trading system.
8.1.3. Trading system examples.
8.1.4. Trading systems summary.
8.2. Trading Management (Edwards and Magee).
8.2.1. Two touchy questions: Leverage and Equity Short Selling.
8.2.2. Stop orders: Protective and progressive stops.
8.2.3. Not all in one basket.
8.2.4. Balanced and Diversified.
8.2.5. Trial and Error.
8.2.6. Stick to your guns.
8.2.7. How much capital to use in trading?
8.2.9. Portfolio Risk Management.
8.3.1. Mechanical (NonDiscretionary) versus Discretionary Systems.
8.3.2. Designing a Trading System.
8.3.3. Types of Technical Systems.
8.3.4. Testing a System: Special Data Problems.
8.3.5. Optimization.
8.3.6. Backtesting and Measuring Results for Robustness.
8.3.7. What is a good trading system?
8.4. Money and Risk Management (Kirkpatrick).
8.4.1. Risk and Money Management.
8.4.2. Testing money management strategies.
8.4.3. Money Management Risks.
8.4.4. Protective Stops.
8.4.5. Trailing Stops.
8.4.6. Profit Target and other Stops.
8.4.7. Monitoring systems and portfolios.
8.5. Basic Statistics (Kirkpatrick and Bauer).
8.5.1. Descriptive Statistics.
8.5.2. Modern Portfolio Theory.
8.5.3. Performance Measure and Artificial Intelligence.
8.6. Types of orders and other trader terminology (Kirkpatrick).
8.7.1. Trading glossary.
8.7.2. An Order Ticket.
9.1. Introduction to Point and Figure.
9.1.1. History and development.
9.1.2. Where did Point and Figure charts get their name?
9.2.1. Characteristics of Point and Figure Charts.
9.2.2. 1-box reversal charts.
9.2.3. 3-box reversal charts.
9.2.4. 2-box and 5-box reversal charts.
9.2.5. Close Only Method vs. High/Low Method.
9.2.6. Log scale vs. Arithmetic scale Point and Figure Charts.
9.3. Understanding Point and Figure charts.
9.3.1. Point and Figure Signals.
9.3.2. Double-top and Double-bottom.
9.3.3. Triangle-top and Triangle-bottom.
9.3.4. The strength of the pattern.
9.3.5. Catapult patterns.
9.3.6. Triangles.
9.3.7. Traps and Shakeouts.
9.3.9. Bullish and Bearish pattern reversed.
9.3.10. Poles.
9.3.11. Congestion Analysis.
9.3.12. Trendlines on Point and Figure charts.
9.3.13. Point and Figure charts Summary.
9.4. Projecting Price Targets.
9.4.1. Horizontal counts on 1-box reversal charts.
9.4.2. Horizontal counts on 3-box reversal charts.
9.4.3. Vertical counts on 3-box reversal charts.
9.4.4. Things you should know about Point and Figure counts.
9.4.5. Counts on log scale.
9.4.6. Risk and Reward.
9.4.7. Summary.

X. APPLIED PSYCHOLOGY AND SENTIMENT THEORIES

10.1. Sentiment indicators and bubbles.
10.1.1. Momentum as a substitute for sentiment.
10.1.2. Sentiment indicators.
10.1.3. Managing bubbles.
10.2. The theory of contrary opinion.
10.2.1. The crowd versus the contrary opinion.
10.2.2. Three steps to forming a contrary opinion.
10.2.3. Summary by Martin Pring.