Hint. Look for the following chart patterns (If you find others, great!): 2 ascending scallops, 1 broadening top, triangle.
Ascending scallop 1 isn’t drawn well by my computer as a rounded turn, but you get the idea. Notice that the right side of the pattern ends much higher than the left (at 76 versus 67.53). The scallop appears like the letter J. Look at ascending scallop 2. Notice any difference? The stock tops out at a price not much higher than on the right side of the pattern.

**Question 1:** What does it mean when the right side of the scallop doesn’t rise much higher than the left?
**Question 2:** Do you buy, sell, or short this stock?
**Question 3:** What is your price target?
**Question 4:** What is your stop price?

Answers appear below. The next page shows what happened to price.

**Answer 1:** It signals a trend change, but it’s not a guarantee. However, you can see price already moving lower.
**Answer 2:** Sell an existing holding for short-term traders or sell short.
**Answer 3:** Assume price drops below the bottom of the scallop, confirming a downward breakout. The measure rule is the height of the pattern applied to the breakout. The high is at 80.48 directly below point A in the chart. The low is 73.70 for a height of 6.78. Since the measure rule works just 58% of the time in a bull market, multiply the height by 58% (3.93) and subtract it from the lowest low for a target of 69.76, matching the price level of point B.
**Answer 4:** Volatility is high at 2.08, so you’d want to put your stop higher than 2.08 above the breakout (the lowest low). I show it as a horizontal line near the scallop bowl low. If this is too close, then you can always raise the stop to the left scallop rim high at 79.17.
Price reached a low above the highest volume spike on the chart, at a price of 64, below the target of 69.76. If you sold short at the scallop low and covered at the low on the chart, you would make 13%. That’s for a perfect trade without commissions. Chances are you’d be lucky to get away with half that profit. If you failed to cover, you can see what happened to price.

The end