What chart patterns can you find? A hint appears below and answers on the next page.

**Hint.** Look for the following chart patterns (If you find others, great!): 2 head-and-shoulders, double top, triangle, scallop, wedge, rectangle, V bottom.
The stock has broken out upward from the head-and-shoulders bottom when price closed above the down-sloping neckline. Will the stock throwback (move up, curl around and drop back to the breakout price) and continue tumbling?

**Question 1:** Do you buy, short, or avoid trading this stock?

**Question 2:** If trading this one, what is the target price?

**Question 3:** If trading this one, what is the stop price?

The answers appear below and a chart on the next page.

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**Answer 1:** Since the breakout is upward, buy, but expect a throwback because the rectangle overhead sets up resistance.

**Answer 2:** Compute the target price using the height from the head low to the neckline directly above. Then add the height to the stock where price pierces the neckline to get the target. In this case, the target is $(18.25 - 15.28) + 16.87$ or 19.84.

**Answer 3:** Volatility is 91 cents so a stop no closer than 15.79 is wise. The right shoulder low is at 15.55 and it looks like a solid block with a flat bottom. It’s a good stop location. Potential loss: 10% measured from the close to the stop.
As the above chart shows, price climbed without throwing back (it didn’t return to the breakout price or neckline within a month or at all, in this case). The stock issued a quarterly earnings report and the stock gapped lower.

**Question:** If you held the stock, should you sell? The answer appears below and the chart on the next page.

**Answer:** Sell. The top is a head-and-shoulders so you should sell.
You can see the head-and-shoulders top but it looks like a complex one: dual shoulders on each side of the head. The sell signal occurred when price closed below the up-sloping neckline at 27.30. The stock bottomed at 18.74.

The end.