Bulkowski’s Trading Quiz

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!): symmetrical triangle, broadening top, inverted and descending scallop, descending scallop, Adam & Adam double top, Eve & Eve double bottom, head-and-shoulders top, Big W, horn and pipe (both on the weekly scale so you can ignore them).
The red Qtr symbol in the upper right of the chart with the small red circle shows the release of quarterly earnings.

**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.

**Answer 1:** The breakout from the earnings surprise was downward, suggesting a short sale. Since price has recovered, it’s best to stay away and not short. Price is near the yearly high, so you don’t want to short a stock making new highs but stick to one making new lows (as my research finds...the study is on my website somewhere, maybe in Studies or in the FAQ). I see no other reason to own this stock or trade it.

**Answers 2, 3:** Don’t trade this one, so the answer is moot.
The scaling is different so it may take a bit to adjust to the new chart, but the red vertical line shows (to the left) where the last chart ended and the new one began. Price continued moving up so a short would have cost you money, at least on paper. The head-and-shoulders top that formed was a much better indicator of price turning lower. When it confirmed then that was the time to short the stock, if you are bold or crazy enough to do that. With the cost of jet fuel what it is, that’s not a bad bet providing you covered near the October low.

The end