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!): Big W, double top and bottom, head-and-shoulders, triangle, 2 scallops.
AADT is an Adam & Adam double top. The big W spans the EEDB and ends at the head of the H&S top. The symmetrical triangle shows an upward breakout.

**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:** Buy because of the upward breakout.

**Answer 2:** Measure the height of the triangle and add it to the breakout price. The result is the target and price reaches or exceeds the target 66% of the time, so consider multiplying the height by 66% and then adding it to the breakout price. The breakout price is the price at which the stock pierces one of the triangle trendlines.

**Answer 3:** The bottom of the triangle is usually a good stop location and that also agrees with a volatility stop location. Here’s the details as of the day before the breakout: Volatility stop: $27.20 - 8.4%. 2x volatility: $1.71 Minor low stop: 28.22 - 5.0% on 03/21/2005
If you bought the stock, you’d have taken a loss. If you still held on as it declined, that would be a mistake. The day after the prior chart, price peaked at 31.40 and dropped to a low of 25.55, for a potential loss of 19%. Price did recover, but you should not have ridden out the decline. Overhead resistance at A formed a solid wall accompanied by high volume, a potent resistance level.

The end.