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 diamonds, Eve & Adam double bottom, 4 broadening patterns of various types, and 3 scallops.
Price is rising after the scallop/EADB.

**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?

Since this is based on an actual trade, my answers appear on the following pages.
This is from my trade notebook.

“I bought at 32.19, market order. The stock has completed a confirmed Eve & Adam double bottom coupled with an upside earnings surprise 4 days ago. The stock has moved higher but may have overhead resistance at 32-33, where it is now trading. I expect it to push through this region then post new highs. Oil prices are falling but OPEC is expected to tighten the spigot in coming weeks, putting upward pressure on fuel prices. Economy is slow but some predict it's bottoming. This airline is one of the few still profitable. Sell in the early Spring when the market for airline stocks usually goes soft (strong starting in the fall). Upside is 38, another mild resistance zone. Downside is 28, a prior support zone in March through June 2000 on weekly scale. That would put the loss at a rather steep 13%. That region is also just below the double top high, a likely support zone. This is a risky trade due to overhead resistance so I limited the number of shares bought.”

Here’s the next chart, showing price action. Do you buy more at a lower price, sell, or hold on for a rebound?

The next page shows what I did.
More notebook:

“9/6/01 I put a stop at 31.50 this morning and it was hit. The stock has breached a support level and with weakness in the economy and Sept/October upon us, it's time to leave with a small loss. I should have bought at the breakout price. RSI peaked twice and now is headed down, suggesting a sell and CCI says sell too.”

Here’s the chart showing those important dates that I conveniently left off…and with good reason.

The middle of the chart shows that I sold just days before the terrorist attacks of 9/11. The stock bottomed at 17.40 on 9/27, well below my 31.50 stop price. I lost 2.5% on the trade. If I sold at the bottom, I would have lost over 18 times as much! Ouch. All of the airlines show a similar price pattern, by the way.

The end