Hint. Look for the following chart patterns (If you find others, great!): head-and-shoulders, double top and bottom, 2 wedges, rectangle, big w.
This is a busy screen. On the upper left in March is a Big W that failed to live up to expectations when the right side didn’t reach the height of the left at 27+. It did form another Big W which stretches across most of the chart. The rectangle top had an upward breakout that closed out the Big W. Price retraced and threw back to the top of the rectangle.

**Question 1:** Do you buy or sell the stock now?

**Question 2:** What is your target price?

**Question 3:** What is your stop loss target?

Answers appear below. The next page shows the chart.

**Answer 1:** Since the throwback looks like it has completed, buy.

**Answer 2:** For the price target, compute the height of the rectangle and add it to the price of the top trendline. The top is at 21.77, the bottom at 19.84 for a height of 1.93 for a target of 23.70. You can see that price reached that on the breakout day. Since that is no help, use overhead resistance to guess a target. If you draw a horizontal line at 24, there seems to highlight congestion areas. That is also the price at which the stock topped out in the days after the breakout.

**Answer 3:** The rectangle low is a good stop price. That would mean a loss of 10% from the close. Volatility is $0.76 so a stop below 21.08 would work. That would mean a loss of 5%. I would probably opt for the rectangle low because a volatility stop below the minor low seems too close.
This is from my notebook of the trade.

“Date: 3/1/2005
Filled at: 22.129
Stop: 19.83
Upside target: 27
Future Nasdaq direction (guess): Down
Buy reason: rectangle throwback completed on good earnings. I expect next quarter to report good earnings too, sending price higher. The rectangle will support the stock, so risk is low despite a possible dropping market.”

Note that I placed the stop just below the rectangle low. I chose 27 as the target, the price near the high in January 2004, the peak at the far left Big W.

More notebook entries. You can figure out where I placed the stops.

“3/8/05 Stop raised to 21.13 when the stock shot up over $2 and it's up again today.
4/4/05 Stop raised to 23.70 as price has climb and markets are weak. I want to tighten the stop despite the volatility in the stock.
4/6/05 Stop raised to 24.70 to close on the rising price.”

The stock has throwback to the symmetrical triangle apex but the chart doesn’t show price turning yet.

**Question:** What do you do now, if anything? The answer appears on the next page.
I sold the stock. Here’s my notebook entry.

“Date: 4/14/2005
Filled at: 24.706
Sell reason: Hit stop. I haven't been monitoring my stocks this week as I’ve been waiting for an internet connection. If I had followed the stock closer, I might have sold sooner because of the downward pierce of an upward channel.”

As I look at the chart now, I have no idea where the upward channel is. I made over 11%.

The end.