Here’s the weekly scale first so we can get the big picture. This is not in the order in which I make an investment. I find my chart patterns on the daily scale and when it shows promise, I switch to the weekly scale then the intraday. The weekly scale highlights support and resistance zones, trendlines, and chart patterns that might cause future problems to price movement. The intraday scale I sometimes use to time the entry and exit, but I find that just a market order works best for me. Otherwise, I tend to delay buying or selling until proper entry or exit is long past. It costs me money.

What chart patterns do you see? Look for support and resistance zones that might influence price movement. The answers appear on the next page and a hint at the bottom of this one.

Hint: Look for a 3 pipes, a horn, 2 triangles, channel.
A head-and-shoulders top in late 2001 (red) might form if price reaches the height of the left shoulder. It has a high of 15.70 so expect price to top out around 15, just in case it doesn’t match the left shoulder high. As to overhead resistance zones, if you draw a horizontal line from the left shoulder to the right, you find patches of resistance. I show the lines bounding the region in green. The left shoulder block of price movement is clear but there’s also a pause when price declines from the head downward. I would expect price to stall in that range. Thus, a head-and-shoulders top might be likely.

Let’s look at the daily scale – next page.
What chart patterns can you find here? A hint appears below if you need it.

**Hint.** Look for the following chart patterns: diamond, 2 triangles, broadening pattern.
Above is the daily scale. It shows a descending triangle with 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.

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**Answer 1:** Buy. The breakout is upward, so trade with the trend.
**Answer 2:** You can use the measure rule for the triangle, which is the height added to the breakout price to get a target. This time, however, let's use support and resistance. See the next page.
I see stiff overhead resistance in the solid block or price movement in January 2002 compounded by the July peak. I expect price to stall or even reverse there, maybe causing a throwback. That’s okay, because price rebounds 86% of the time. This is the same as the head-and-shoulders we saw on the weekly scale. The left shoulder is in July and the head in December.

**Answer 3:** What’s the stop price? Certainly the bottom of the triangle is a good place. Price already shows support there. I’d check placement for volatility to see how close it should be placed (see my website for stop placement and look for a volatility stop).

The next page shows the chart.
Price has touched the top of the resistance zone and has now closed lower. I show the price trend in the inset. Do you see anything that might cause you to sell?

**Question:** Do you hold onto the stock, buy more, or sell, maybe even sell short? One answer appears below.

The rising wedge looks almost like a channel except the lines aren’t parallel as they are in a channel. Since the wedge has a downward breakout, that means sell, but is it the right decision? See the next page.
The stock found support at the bottom of the descending triangle before recovering and forming an Eve & Eve double top. After that pattern confirmed (when price closed below the valley between the two highs), price continued lower, cutting itself in half (15.60 to 7.57). In this case, selling a long holding and shorting the stock would have been a good move. Holding on would have been a costly mistake.

Here’s the weekly scale, and we guessed right about the head-and-shoulders.

The end.