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!): 2 triangles, scallop, big w, double bottom, diamond, flag.
The Qtr symbol in the upper right of the chart says the company issued a quarterly earnings announcement on that date (the spike).

**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 surprising earnings release is downward, so avoid buying. With price near the yearly high, you don’t want to short either. I’d look elsewhere for a more promising trade.

**Answer 2:** Look what happened at the prior spike, at point A. Price eased lower and that’s what I would expect from the stock now. I would expect price to drop to the green target line. I don’t think A will support price because price is already there. If price does drop then it might find support at the Dec peak (green line) with additional support from the minor highs in June.

**Answer 3:** Since price is expected to drop, placed a stop above where it’s trading now. I’d put it above the Qtr spike.
It never ceases to surprise me how I can be right and wrong at the same time. I correctly identified where price would stop – it’s circled in red. But I missed the extended decline that dropped the price nearly in half.

The end.