Hint. Look for the following chart patterns (If you find others, great!): 5 triangles of various types, scallop, and a pipe on the weekly scale.
The stock has closed above the top of the ascending triangle, following a classic volume pattern (diminishing over time as the breakout approaches).

**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 screen.

---

**Answer 1:** Since the breakout is upward, that’s a buy signal, but read the caution in answer 3.  
**Answer 2:** Measure the height of the triangle from the top trendline to the lowest valley in the pattern and add the height to the price of the top trendline. That would give a target of 16.98. Price reaches the target 75% of the time. That may sound like a good number but be conservative and look for nearby resistance zones where price might stop.  
**Answer 3:** Volatility is $1.20, so a stop no closer than 12.30 (the volatility subtracted from the current low) would work well. I would place the stop near point A (see the chart), which is at 11.81, call it 11.77. That would place a potential loss at 15%, which is too far away. So, I’d move it up to near B, which bottoms at 12.22, so I’d place the stop at 12.17. That would narrow the potential loss to 12%, which is still too high. That’s the problem with trading lower priced stocks…you could take a potential pasting if the trade goes bad, but if it works, the results can be breathtaking. This is a trade you may decide to stay away from because the volatility and distant stop placement are signaling high risk.
Here’s an example of a trade gone bad. As good as many people think ascending triangles are, they have a tendency to bust -- curl downward after an upward breakout. Trade them carefully. The stock bottomed at 8.35 in May, a drop of 40%, which emphasizes the need for a stop to limit losses. The Ps on the chart are pipe bottoms that appear on the weekly scale but my program (and patternz) automatically identifies them on the daily chart so I don’t have to search the weeklies. The HTF is a high and tight flag, a move where the stock doubles and then pauses before moving up about 50% higher. HTFs also have a tendency to fail often. In fact, the HTF shown here peaks at 26 and then tumbles to 18.64 in about 5 weeks.

The end