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, broadening top only
The first symmetrical triangle I drew used an internal trendline as marked. Internal trendlines are ones where the price outliers poke outside the line. It connects the majority of trading. The more recent triangle shows a downward breakout that busted followed by an upward breakout. A busted chart pattern suggests a powerful move upward, but in this case? A pattern busts when price moves less than 10% away from the breakout before reversing and breaking out in the new direction.

**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:** Buy because the breakout is upward after the busted downward breakout. Plus, there’s no overhead resistance because the pattern is trading at the yearly high.  
**Answer 2:** Measure the height of the triangle from highest peak (21.93) to lowest valley (19.31) in the pattern and project it upward from the breakout price (20.53). The target is 23.15.  
**Answer 3:** From the 20.53 breakout price, place a stop below the minor low at 19.15. That would make the potential loss 7%, which is acceptable. The volatility is $0.65, meaning don’t place a stop closer than 19.69, so a stop at 19.15 would work.
The following analysis using the scoring system I discuss in my book *Trading Classic Chart Patterns*. I found the following factors important in how price performs after the breakout from a symmetrical triangle.

1. The trend starts in August 2003. I show it as point 1 on the chart. It’s a place where price climbs at least 20%, moving backward. Intermediate term rises score 0 for this pattern.

2. Since the breakout is near the yearly high, there is no horizontal consolidation region to worry about (overhead resistance). That scores +1 for a +1 total.

3. The breakout price is within a third of the yearly high for a +1 score. Total +2.

4. The height of the pattern is 21.93 – 19.31 or 2.62, divided by the breakout price (20.53) gives 12.76%. That is below the median 15.98%, so this triangle is a short one for a -1 score. Total +1. Height is the most important factor influencing performance, by the way.

5. The volume trend doesn’t influence how this pattern behaves after the breakout, so the score is unchanged.

6. The breakout day volume is above average so that scores +1 for a total of +2.

7. Is a throwback likely? That is always a tough question. I see no overhead resistance that would cause a throwback so that scores +1 for a total of +3. It you think a throwback will occur, then deduct 2 from the final score (you remove the +1 we just added and add in a -1 for a throwback).

8. Will the pattern move up less than 10% before dropping below the bottom of the pattern (a bullish trap)? If we were to score the pattern after the downward breakout (a bearish trap), then we can see that the pattern busted (downward breakout with a quick turn to the upside and a later upward breakout). However, we are only looking at the upward breakout and with no overhead resistance to force price back down, it’s unlikely to bust a second time. Thus, the pattern won’t “bull trap” for a +1 score. Total +4.

9. The pattern doesn’t have a breakout day gap but it wouldn’t matter if it did for this pattern. The score is unchanged.

10. The market trend in the S&P 500 from the start of the pattern to the end is rising for a -1 score, oddly. Total +3.

11. Market cap is the number of shares outstanding multiplied by the breakout price. Computing that places the stock in the small cap category, which I define as up to $1b. Score: +1. Final score: +4.

Chart patterns with scores above 0 have rises that average 46%, if traded perfectly, without commissions and other fees. Those with scores below 0 rise just 19%. The median rise is 28.47%. That means a price target of 26.37 from the 20.53 breakout. A positive score is no guarantee of success, because it just tells you the probability of the chart pattern doing well. I use the system whenever I trade and rarely will I trade a pattern with a minus score.

How did we do? The next page shows the answer.
I show a few other chart patterns along the way to riches, the symmetrical triangle we’ve talked about followed by an ascending triangle and a broadening top. The scoring system worked because price climbed to reach or exceed the target. Notice the consolidation region in August that touches the target price and rebounds there. I think that’s coincidence, but it’s interesting.

The end.