**Hint.** Look for the following chart patterns (If you find others, great!): Two triangles, diamond, wedge, broadening bottom, triple bottom.
The blue lines were drawn by my program so they are not as accurate as hand drawn ones, so forgive the appearance. The ascending triangle has price closing above the top trendline.

**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:** Buy the stock because of the upward breakout.
**Answer 2:** Set the price target to near the top of the broadening bottom (28.13) or the diamond top at 28.70. Since two tops appear near 28 (Sept ‘04 and April ‘05), price may stall there. You can also use the measure rule for ascending triangles. Compute the height from the top trendline to the lowest low in the pattern and add the result to the top trendline. That would give a target of 28.77, very close to the highest peak on the chart (the diamond top).
**Answer 3:** A good stop point would be just below the knot of support at 26.70, just below where price is currently trading. That may be a bit close since it allows a decline of just 1.7% before hitting the stop. Volatility is 61 cents, meaning that a stop should be placed no closer than 26.56. Since this means lowering the stop from 26.70, I would use a Fibonacci retrace of the swing from the third bottom of the triple bottom to the high at the current price and place it at 25.73, which is just below the 62% retrace of that up-swing.
The above chart shows that price climbed after the breakout from the ascending triangle, but not before touching the bottom (26.68) of the knot I mentioned as a support level. Price recovered and peaked near 31, twice, forming what appears to be a double top.

**Question:** Do you sell, hold on, or buy more?

Then answer appears on the next page.
The correct answer was to hold onto the stock because it continued moving up. In 65% of the cases I looked at in a bull market, price continued rising without confirming the double top as a valid chart pattern. In other words, price did not close below the lowest valley between the two peaks 65% of the time before making a new high like that shown in the chart.

The end.