Today’s quiz isn’t a quiz at all but a trading tip I used to avoid buying Chevron.

With CVX, I saw the triple bottom acting as the reversal at the bottom of the W instead of the usual double bottom. I allow any chart pattern to appear at the bottom (instead of the usual double bottom) of a straight-line decline of the Big W like the one shown.

Anyway, I decided that if I bought on the day shown above, I would lose money. Why? I show the answer below.
As predicted, price moved lower. The key was the volume chart. All I looked at was the green bars. Price had been moving up for 4 days in a row. Would it make a 5th day up? Maybe, but the probabilities suggested otherwise. Notice that a few days earlier, price moved up for 6 days in a row.

In my program, I can count the number of up and down days and tell the probability of price continuing the move. In this case, the probability of price moving up for a 5th day is 6%. The probability of price moving up a 7th day is 1%. Thus, I suspected that price would close lower the next day, which it did. I saved myself some money by delaying the entry.

The end