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!): wedge, triangle, scallop, double bottom, Big W.
The rising wedge has broken out downward on exceptionally high volume after a quarterly earnings release.

**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:** Since the breakout is downward, consider shorting the stock – if you dare.
**Answer 2:** The rising wedge target is usually the start of the wedge (the bottom). In this case, the top of the symmetrical would be a good target, I think. Call it 26.07, which is above the round number support of 26.
**Answer 3:** If price rises above the recent congestion, then sell. I show the congestion area circled in green, say 29.54.
Prices formed a three rising valleys chart pattern in the process of curling around the end of the wedge. Price closed above the top of the pattern meaning that if you shorted the stock you probably lost money.

Is the behavior of the wedge surprising? Not really. In a bull market, 24% of the rising wedges dropped less than 5%. That’s a huge failure rate.

The end.