Hint. Look for the following chart patterns (If you find others, great!): rising wedge, head-and-shoulders, double bottom, and 1 pipe but it’s on the weekly scale.
Let’s say you bought near 16. You’ve made a bundle when it topped out at 46, but it measured move down since then (Dec peak to the Adam & Eve double bottom (AEDB) low, the stair step decline. This would become a Simple ABC correction if price closes above the Dec peak, but it hasn’t yet), bottoming at the AEDB before recovering to form a head-and-shoulders top.

**Question 1:** What alerts you to potential weakness?
**Question 2:** If price should drop, how far is it likely to fall?

The answers are below. A chart of copper prices appears on the next page.

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**Answer 1:** The stock tried to make a new high but failed. That in itself shows weakness. Combined with the head-and-shoulders top, it suggests price may drop more than expected but that’s just a guess.

**Answer 2:** Measure the height of the head-and-shoulders from the head (44.86) to the neckline directly below the head (39.59), vertically, then project the height (5.27) downward from the price where the stock pierces the blue neckline (39.85). That gives a target of 34.58. That’s a decline of 13%. Next, look for support zones. One appears at 35, corresponding to the bottom of the AEDB. Look for price to stall or reverse there. That’s also close to the target price.
This is the price of copper over the same period as the last chart. Price has moved up to a recent price of $1.36 from a low in April of $0.71 or so. It has also made a lower high, suggesting weakness. The following are charts from the other stocks in the copper industry. Look them over. Notice many peak in January.
All of the above charts show that price has peaked and is now moving down. Phelps Dodge (prior page) also shows a head-and-shoulders top, not confirmed yet because price hasn’t dropped below the right armpit. It’s possible that these charts, like PCU above, will double top – climb back to its old high because it appears to be turning after finding support at the congestion region outlined by the blue lines in November. That looks like a diamond top outlined with 2 additional lines for some reason. The lines in red are from my pattern recognition program suggesting additional patterns, mostly ascending triangles and a high and tight flag (HTF).

Look back at page 2. The stock shows a confirmed head-and-shoulders top.

**Question:** After looking at the price of copper and other stocks in the same industry, do you sell your holding? Do you short? The next page shows what happened to the stock.
The stock pulled back to the neckline before continuing down to a low of 27.76 before recovering. The decline from the breakout was 30%. Price did pause at the bottom of the AEDB at 35, but only for a week or so before continuing the slide.

Taken together, that’s how I decide whether to sell or not. I look at others in the same industry, check relevant commodities, and make my decision.

The end.