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!): rectangle, 2 triangles, broadening pattern, triple bottom, head-and-shoulders, and a flag.
Depending on how you draw the top trendline, the symmetrical triangle has broken out upward near its yearly high. The channel trendlines suggest there is more price upside. Do you believe it?

**Question 1:** Do you buy or sell short the stock?
**Question 2:** What is your price target?
**Question 3:** What is your stop loss price?

The answers appear below and the following price action appears on the next page.

**Answer 1:** Since the breakout is upward, buy the stock.
**Answer 2:** Use the measure rule for a symmetrical triangle. Measure the height and project upward from the breakout price. The height is the lowest low (83.50) subtracted from the highest high (88.90) for a height of 5.40. The price at which the stock pierces the top trendline is 87.85 for a target of 93.25. Price meets or exceeds the target 66% of the time, so be conservative (use a closer target) in your guess.
**Answer 3:** Use the minor low at 84.57, call it 84.47 to remove round number (84.50) support from the picture. That would give a potential loss of about 4%, which is very good.
Price took off and reached a high at 100.92 where it retraced about 63% of the move up from the stop loss point (the minor low before the triangle breakout). Price formed a second top and now appears to be heading down. I kept the channel lines in place just to show what happened. When price moves away from a trendline, that means it’s gaining momentum. When it’s heading toward a trendline, that means momentum is decreasing.

**Question:** If you own the stock, do you sell, buy more, or wait for it to bounce off support before adding to a position? The answer appears below and a chart on the next page.

**Answer:** Sell. The next page shows why.
The stock formed an Eve & Eve double top, confirmed when price closed below the valley between the two peaks (confirmed at the far right shown in the prior chart). Price continued down as you can see, but it did find support at the symmetrical triangle and formed an ascending broadening wedge in May.

The end