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!): a double top, broadening wedge, 2 islands, scallop, diamond, triangle.

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Notice how the symmetrical triangle and the wedge form near the same price level. These types of “mirrors” are quite common. Price has pulled back to the broadening wedge.

**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.

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**Answer 1:** CONSIDER shorting once price turns down.

**Answer 2:** Since “mirrors” seem to work well with this stock, look on the left side of the chart for a target price. The island top and the valley to the immediate right of it I would use as my target. That would be a low of 76-77, at point A. That’s near a site of congestion.

**Answer 3:** The stop depends on how far up price moves. If it goes NO higher, then the combination of the long island and broadening wedge mirrors are wonderful resistance areas. I would expect price to reverse there. Thus, I’d use the top of the current price peak, about 86 (point B) as the stop price.
This is a chart of the future price action. Point B is the suggested stop price once it was clear price was moving down. That didn’t happen until price closed below the symmetrical triangle. Point C is a fake breakout (actually, an upward breakout occurred the day after C when price closed outside the triangle borders. Then price busted the pattern (meaning an upward breakout that moved little higher before tumbling and closing below the bottom of the chart pattern. When that happened, it was the sell short signal, and I show it as the green line. Price hit the target range: 76-77.

The end