Hint. Look for the following chart patterns (If you find others, great!): 1-3 flags, double bottom, 2 triangles, head-and-shoulders, broadening pattern.
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: Sell or short the stock because the breakout is downward.
Answer 2: Measure the height of the head-and-shoulders and project the result downward from the breakout price. But where’s the breakout price? With down-sloping necklines, if they are steep enough, you won’t have price piercing the neckline. So, I use a close below the right armpit as the sell signal. The target in this example would be: (peak) 78.05 – 71.18 (neckline) = height = 6.87. (RS low) 70.07 – 6.87 = 63.20 is the price target. Price reaches the target just 55% of the time, so be conservative in your estimates.
Answer 3: Volatility is 1.93. Adding this to the intraday high of 70.34 gives a stop of 72.27. That’s the closest the stop should be. That places it in the middle of the flag that appears between the head and right shoulder. For safety, I’d probably place it above the right shoulder. That would mean a potential loss of 8%, which is reasonable.
This shows what happened to the stock. It continued lower until finding support at the triple bottom, 64.84 at its lowest. So, the stock missed the 63.20 target but with 55% meeting the target, that should not be a surprise.

The end.