Bulkwowski’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!): triangle, wedge, broadening top, triple bottom, big W
The falling wedge has broken out downward.

**Question 1:** Do you buy or sell short?

**Question 2:** What is your target price?

**Question 3:** What is your stop loss?

The answers appear below and a chart appears on the next page.

**Answer 1:** Sell short, if you dare, because of the downward breakout.

**Answer 2:** I would expect price to decline to the flag at A, a knot of support that might cause a pullback. After that, I would expect a continued decline because that’s what happens after a pullback, usually (like 87% of the time).

**Answer 3:** If price closes above the top trendline, then I would close out my position.
Price made a lower low the next day but then gapped up to close above the top trendline. That would be the exit signal. A downward breakout followed by a quick reverse is common behavior for falling wedges, since it happens 27% of the time. That may not sound like much until it happens to a stock you have shorted.

The end.