Hint. Look for the following chart patterns (If you find others, great!): diamond, 2 triangles, 2 broadening tops, inverted and ascending scallop, and a shark-32 (a 3 day symmetrical triangle or pennant, each day’s trading range is inside the prior day).
It’s well after the downward breakout from the symmetrical triangle. Price pulled back into the formation and eventually move higher, busting the downward breakout. A busted chart pattern suggests a strong move.

**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:** Buy, but recognize that you’re late to the party. That increases the risk of a failed trade.

**Answer 2:** I’d use the height of the triangle projected upward from the top of the chart pattern. Alternatively, you can draw a line from the top of the triangle upward and parallel to the lower trendline. When it reaches the DAY of the breakout (and I’d use the lower breakout as a guide), then the position (price) of the line directly above the breakout becomes the target price. I show this in the below chart. The green line is the one parallel to the bottom of the triangle. From the downward breakout, the price of the green line directly above becomes the target. Price reaches the target soon after buying.

**Answer 3:** I’d place it at point A. A check of volatility says to place a stop no closer than 40.51, or 4.6% lower than the current close. I show the price as the green line. Choose which one you prefer.
This is what happened to the stock after buying. If you owned the stock, selling when price pierced the up-sloping red trendline would work well. It would have saved you from a world of pain.

The end