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, 4 broadening patterns, head-and-shoulders.
Note the partial rise that predicts a downward breakout from the broadening formation in August. The ascending triangle and head-and-shoulders bottom have broken out upward.

**Question 1:** Do you buy, sell, or avoid? The answers appear below and a chart on the next page.

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

**Question 3:** What is the stop loss price?

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**Answer 1:** Buy. The preferable entry is to have an order to buy a penny above the breakout price. That gets you in at the perfect price and false breakouts are rare.

**Answer 2:** Compute the height of the triangle from the top trendline to the lowest valley in the pattern and add it to the breakout price (the value of the horizontal trendline). The method works 75% of the time in a bull market.

**Answer 3:** Below point A is a good stop location. It’s far enough away from the breakout and below the solid block of support just above it, and near the horizontal base of the broadening formation in the middle of the chart. That would mean a potential loss of just 4%.
This is one of those cases when closely following the stock would have saved money. The day after the buy signal, price broke out downward, closing below the lower trendline. That was the sell signal. The stock recovered and bobbed up and down around the triangle apex before gapping lower. If the original stop location remained intact (that is, if you didn’t sell when price closed below the lower trendline), then your loss would have been 6% to 10%, depending on when you sold (and assuming you bought at 36.55, at the horizontal trendline and sold at the high/low respectively, after price gapped over your stop).

Often, when price does not act as predicted, then it’s time to exit the position.

The end.