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!): 2 triangles, double and triple bottoms, head-and-shoulders.
Price has broken out upward from the descending triangle and completed a throwback.

**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 begin on the next page.
Here’s my notebook entry for the trade.

“Date: 9/21/04
Filled at: 23.1
Stop: 19.64, just below triple bottom low, or 15% down. Ouch! I am willing to sacrifice this drawdown to get to the old high of 33.
Upside target: 33, the January 2004 high
Future S&P direction (guess): Up. Nasdaq is moving above its 200 day MA in a tight flag. I expect the measure rule to fulfill.
Buy reason: On the weekly chart, this is at the bottom of a rounding turn. Fundamentals are good when compared to others in the semiconductor capital equipment business. A triple bottom, pipe bottom round out the bottom of the turn. This may take 9 months to return to the old high, but it looks very promising. Expect price to blip up then return to the rounding bottom base as happens in some rounding turns. When it gets over 30, be prepared to sell. I feel confident about this trade.”

This chart shows the 200-day exponential moving average in the Nasdaq composite and the flag I mentioned in my notebook. The next page shows the stock on the weekly chart.
Here’s a picture of the rounding turn on the weekly scale. More notebook: “11/17/04 Stop raised to 24.83. 12/6/04 Stop raised to 25.47. 12/16/04 Stop raised to 27.13” See next page for comments about the below chart.
Squeezed on the prior page is a chart of the stops as I raised them. The horizontal red lines show the date and price where they were placed. The round circle is the last stop placed on the last bar on the chart, at just over 27.

“Date: 1/4/2005
Filled at: 27.131
Sell reason: hit stop”

As the above notebook entry says, price dropped and hit my stop, taking me out before I thought the time was right. Nevertheless, I made 17%. Price eventually climbed to 33, hitting it in 10/13/2005, nine months after I sold and after reaching a low of 24.24.

The end