Hint. Look for the following chart patterns (If you find others, great!): 2 double bottoms, head-and-shoulders, 2 triangles.
Price dropped below the large descending triangle in September 2005, and below the Adam & Adam double bottom (AADB). When price climbed above the top of the AADB (the highest peak between the two valleys), it busted the chart 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:** A busted chart pattern is often a signal of a strong move. Buy.
**Answer 2:** You could use the height of the large triangle to compute the target but that would give you a huge and probably unrealistic number. Instead, I would use the double bottom. Measure the height from peak between the two bottoms to the lowest bottom and add the result to the peak. The computed price becomes the target. Doing so gives a target of 16.18. That corresponds to a congestion region in Nov-Dec ’04.
**Answer 3:** Since price has climbed far, using the bottom of the triangle or below the double bottom would mean a large loss. 2x volatility is just 68 cents, suggesting a stop no closer than 13.80 would work well. That corresponds to the congestion region I have circled in red. That’s where I’d place my stop, perhaps just below this.
As you can see, price continued to move up after throwing back. It exceeded the target price and reached a recent high of 17.90.

The end.