Hint. Look for the following chart patterns (If you find others, great!): two symmetrical triangles, a flag, descending broadening wedge, right-angled and ascending broadening formation, an Adam & Adam double top, and an Adam & Eve double bottom.
Price has gapped upward through the breakout of the symmetrical triangle. Notice that volume is increasing which is odd for a symmetrical triangle.

**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?

Since this is based on an actual trade, the answers appear later.
I bought the stock on the last day shown on the prior page. Here’s my notebook entry.

Date: 6/30/04
Filled at: 17.45
Stop: 15.73
Upside target: 21.03 score: +3
Mood (will trade work? Bought too soon?): Yes. I may be overtrading and the market may struggle moving higher.
FED is due to raise interest rates by 1/4 point today.
S&P direction over pattern lifetime: higher.
Future market direction (guess): Up but will stall soon at old Feb 2004 highs. It is having trouble moving higher even now.
Buy reason: Tall symmetrical triangle with upward breakout. I am late getting in, but score of +3 looks good. Chemicals are doing well relative to other industries.

Here’s the trade up to the next decision point. Please ignore the awful drawing of the blue lines by my program.

Overhead resistance has repelled the advance and price has gapped lower. What do you do? If you own the stock, do you hold on? Buy more? Or sell outright? The next page tells what I did. Ignore the gaps in the blue lines. I erased some marks my program put in. I’ll tell you what the black circles mean on the next page.
The black dots on the prior page show where I placed my stops in both price and time. Here’s the next notebook entry.

7/16/04 Stop raised to 16.43
7/21/04 Stop raised to 16.93

Date: 7/22/04
Filled at: 18.10
Sell reason: The stock was down as the market was up, so I decided to sell. This is coming off a double top and I fear it will give back all of its gains and more. Time to exit. I may be gun shy as 3 other trades were stopped out today (2 for a loss). I am getting out as the market is trending lower. Earnings are due in 2 days. Why take the chance?

Here’s the following price action.

Price turned around and moved higher, reaching a high of 35.65 in early March. The “book score,” of +3 had a target of 21.17, or 28% above the breakout. Price cleared that hurdle and continued rising. For reference, the book score is from my *Trading Classic Chart Patterns* book, and I use it to determine whether a pattern is worth trading, and how far price is likely to rise. On the trade, I made 3.5% or just over $550, but I exited too early and missed a large profit opportunity. Such is life…

The end