Hint. Look for the following chart patterns (If you find others, great!): 2 broadening tops, double top and bottom, scallop, and broadening wedge
A and the Adam bottom are not an Adam & Adam double bottom because point B is not at least 10% above the lowest low (but it’s close). Point C is well above the 10% guideline. You could call this a triple bottom (A, Adam, and Adam). Price has yet to breakout of the broadening top.

**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.

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**Answer 1:** Since price hasn’t broken out yet, we don’t have a clear buy signal. However, the partial rise at point 1 suggests the breakout will be downward. This technique only works 61% of the time, so that’s just above random. When coupled with a performance rank of 18 out of 21 for downward breakouts (1 being best), I would look elsewhere for a more promising trade.  
**Answer 2:** If you decided to trade it, I’d short the stock. Use the measure rule to find a price target. Take the height of the pattern and project the height downward from the breakout price. Since we haven’t broken out yet, use the lowest low as the breakout price. I suggest you be conservative and multiply the height by 37%, because that’s how often the measure rule works, and then subtract the height from the breakout price.  
**Answer 3:** I would put the stop above the top of the pattern but no closer than the volatility stop reading. Volatility is $1.18, so a stop no closer than 36.27 (the current high) + 1.18 = 37.45. That’s about 40 cents above the highest high.
Here’s another approach to determining whether this stock is worth trading. The partial rise suggested a downward breakout except that it retraced more than 62% of the prior down move (the “Partial rise” line points to a high above the highest red line). The red lines represent the 62%, 50%, and 38% Fibonacci retrace lines, from top to bottom, respectively. The green dots (below the “s” in “rise” and below the last minor low in the broadening top) is the decline I used to calculate the retrace values. Price broke out upward.

If you had traded this stock as a short play, you’d have been stopped out for a loss.

After the price peaked in February, the stock declined, forming hills and valleys on its way to 27.15. The broadening top was bearish but premature.

The end