Hint. Look for the following chart patterns (If you find others, great!): triple bottom, flag, triangle, broadening pattern.
Price has NOT broken out of the flag pattern. The flag sits atop a long flagpole. The rise to the flag confirms the triple bottom and some have said that a congestion pattern, like the flag forming just after the breakout from the triple bottom, suggests a good/strong move upward.

**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?

My notebook entry for the trade explains my answers. They appear on the next page.
Here’s my notebook entry for the buy that occurred on the last bar of the chart.

“Date: 4/20/05
Trade time: market open
Filled at: 25.36
Stop: 23.13
Upside target: 26.93, just below the down-sloping trendline at 27+.
Future S&P direction (guess): up for a few days, then down.
Buy reason: A flag trade and confirmed triple bottom with an expected rise to the down-sloping trendline.”

The green trendline is the one I mentioned in my notebook entry. I show the price target (blue) and stop location (red). For the target, I used the measure rule but recognized that the trendline might interfere with the price move. The high at A is at 25.98 and the trend launch point is at B, 23.60 for a height of 2.38. Add this to the flag low at C, 24.67 to get a target of 27.05. I adjusted the price downward to keep it below the round number 27 and below the trendline.

The stop is below the triple bottom low, which should support price if it declines to that point. It’s 8.8% below the buy price, so it’s below the 10% that I like to see for stops.

The following page shows the next part of the trade.
Price has moved up not as smoothly as I like to see after a flag, but up nevertheless.

**Question:** What do you do now?

My answer appears below and another chart shows on the next page.

Here’s my notebook entry.

“5/4/05 Stop raised to 24.63 which is just below the flag low on the day I bought. I thought of moving it closer, but don't trust the stock's volatility.” I show the stop as the green line. This cuts the potential loss to just 3%. That’s how you cut your losses and let your profits run. So far, so good.
Here’s my notebook entry again. The two circles show the stop locations and approximate dates of placement.

“5/8/05 Stop raised to 25.03
5/10/05 Stop raised to 25.41”

Question: What do you do now? I will tell you that I did something unusual. My answer appears on the next page.
I removed the stop. Here’s what happened to the stock.

5/18 is the last bar shown on the stock and here’s my notebook entry.

“5/18/05 I removed the above stop days ago and am reinstating it here. Stop 24.97, below round number 25 support and below the prior valley. I want to give this every chance to move higher. Right now, it’s making higher highs and higher lows, so it's moving up. Leaving the stop at 25.41 guarantees profitability (it is hits at that price), but might cash me out early. If the 24.97 stop hits, then the stock has changed trend as it's forming a lower low. Since this was a short-term trade, I should have stuck with my limit to sell at 26.90. Will I never learn?”

The following page shows what happened next.
“5/19/05 Stop raised to 25.47, below the latest minor low as the pattern makes a head-and-shoulders top. I think this is going to drop. The commodity channel index (an indicator) confirms that it's time to get out.”

The red dot shows the stop location.

“5/24/05 I think this is head-and-shouldering, so I cancelled the stop order and placed a limit order to sell at the recent high. I expect this to reach 26.38 intraday, completing a Big W with an EADB (Eve & Adam double bottom) as the bottom pattern, day order.”

I show the limit order location as the price of the red line. I entered the order on the last bar shown.

**Question:** What would you have done with the stock? The next page shows yet another chart.
“Date: 5/26/05
Trade time: market open
Filled at: 26.09
Sell reason: This is completing a head-and-shoulders and I don't want it to drop like it did on 1/5/05. Time to get out with a small profit. I'm real nervous about the market health and I've been wanting to dump this one ever since I canceled the limit order to sell it at 26.90 -- a big mistake.”

I made about 2.7%. As the chart shows, the stock continued upward, reaching a high of 37.58. That’s nearly a 50% move up from the buy price.

Remember when I said that a congestion area (the flag) forming after a congestion area (the triangle) suggested a strong move up? Looks like that was correct in this case.

Notice how price stalled at the green trendline as I predicted.

The end.