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!): scallop, 3 wedges, 2 triangles.
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 starting on the next page.
Here’s my notebook entry for the trade.

“4/11/03 I bought at market around 1 pm. I got tired of waiting and each time I waited, the price climbed. This is near the yearly low, so the risk is reduced. They have raised earnings estimates recently, so that's good but retail sales from major retailers (for example, Wal-Mart) were soft in March. MMU (measured move up) target is 16, Symmetrical triangle SAR (support and resistance) apex at 16.50. Downside is old low at 10, far from the 14.23 purchase price. You might think of this as a 1-2-3 trend change trade, suggesting an upward price trend now. With war with Iraq winding down, the economy might rebound. There are many bottoms at 14.50, so that might be a repel point too. If it drops, I plan to buy more because I think it's still a good stock with upside potential and the nearby store seems to have the parking lot full.”

In case you are not familiar with Sperandeo’s 1-2-3 trend change method, a brief review. Draw a trendline from the highest high (Sept but I used the Oct peak) to lowest low (A) on the chart providing the line doesn’t cross price until after the lowest low. I show the trendline in blue. When price crosses the trendline, that’s the first indication of a trend change. Point 1 shows this. Step 2: price should retest the low. The low is in March (A) and I show the attempt to make a new low at point 2. The stock doesn’t come that close, but that’s okay. The final step is price must rise above the highest high between the low (A) and retest (2). The horizontal green line shows the crossing. Once all three conditions are fulfilled, the trend has changed. Please note that this doesn’t always work, but it helps. Anyway, I bought at point 1, filled at 14.23

The next page continues the trade.
The above chart shows what happened since I bought the stock. The move may not seem like much but the log scale squishes price movement.

**Question:** With the stock dropping, is it time to sell? My answer appears on the next page.
I sold where it says “Sell?” Here’s my notebook entry for the trade.

“5/17/04 I sold at market. This is going go MMD down to 21, maybe more, so it’s time to sell especially with weak sss (same store sales) and insider selling.

Date: 5/17/2004
Filled at: 22.78
Mood (sell too soon?): Good. Was time to sell the latest holdings and am confident I saved a few $. I expect this to continue down.
Sell reason: MMD to 21 or lower. Weak SSS with insider selling.”

As untimely as the sale was, I made 60% on the trade. I also bought back in as the chart shows, but I’ll leave that trade for another time.