What chart patterns can you find? A hint appears below.

**Hint.** Look for the following chart patterns (If you find others, great!): 3 triangles, double tops (1) and bottoms (2), big W.
Price has broken out upward from this 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?

The answers appear on the next page.
Here’s my notebook entry for the trade.

“Date: 5/18/05
Filled at: 17.44
Stop: 15.53
Upside target: 21, site of old resistance (March to April 2004) and a gap in Nov 2004 (21.30 to 22.06). With luck, this will complete a Big W out at 24-25.
Future S&P direction (guess): Down as it's hitting overhead resistance. That might force the market to take a closer look at drug stocks, like this one. Fly to safety...
Buy reason: Upward breakout from a symmetrical triangle. The knot of congestion during the past week at 17-17.65 also signals a buying opportunity according to Schwager.”

This chart shows the trading landscape as I saw it on the day I placed the trade. The Big W price target is in green. On the way, there’s overhead resistance and a breakaway gap to push through first. I show the stop location in red, placed a few cents below the minor low. The congestion circled in green is a positive sign. Will it portend a winning trade as Schwager says?

The next page shows the general market during that time.
This is the general market and it shows overhead resistance. How did the trade do? See the next chart.

Noven Pharmaceuticals (Drug, NASDAQ, NOVN)

This is the day after I bought. “5/19/05 Stop raised to 16.23, just below the 62% Fib retrace.” I must have thought that the stop was too far away. The Fib retrace is 62% of the A-B distance. See the next page for more fun.
“7/22/05: I extended the expiration of the stop another month.” The red line shows the price level. My broker places an expiration date on the stop loss order, which I renewed for another month. The congestion zone is circled in green. Price has trended down after the upward breakout.

**Question**: is it time to sell? The next page shows my answer.
I didn’t sell because there was no reason to. My stop wasn’t hit and I wanted to give this stock every opportunity to move higher. However, on the last day shown above, I became nervous about the stock. I canceled the stop order and manually timed the exit. Here’s my notebook entry.

“Date: 8/19/05
Filled at: 16.557
Sell reason: Downward breakout from right-angled broadening wedge, ascending. I tried to time it but would have done better if I sold it at the open in a market order.”

The next page shows the price action after the sale.
I sold before the decline really got going and saved myself some bucks. I lost 5% on this one.

The End