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!): 2 triangles, triple bottom, scallop
Points 1, 2, and 3 are the triple bottom. Bottom 2 is composed of two minor lows. You might want to draw a horizontal line along the bottoms and an up-sloping line along the tops and call it a broadening top, right-angled and ascending. The descending triangle has broken out downward on very high volume.

**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.

**Answer 1:** Short the stock or sell an existing holding.

**Answer 2:** Use the measure rule to predict a price target. Take the height of the triangle (highest high to lowest low in the pattern) and subtract the height from the breakout price – the price where it breaks the lower trendline. That places the target at 18.95.

**Answer 3:** You can’t use the top of the pattern as a stop because it’s 15% away. That’s too far. I’d place it at 22.51, which is 9% away. I show the location just above point A.
Price made the type of chart pattern that I look for: A downward breakout from the descending triangle that busts when price breaks out upward. They usually lead to a strong rally, as in this case.

The end