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!): diamond, 3 wedges, triangle, scallop.
The diamond top in November 2003 is actually part of a high, tight flag. Some of the lines drawn by my program are not as I would have drawn them, so assume a perfectly shaped pattern. The chart pattern on the right is a descending triangle. It confirms after price closes above the top trendline. Just before that, marked as A A on the chart, is an unconfirmed Adam & Adam double bottom.

**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:** Buy because the breakout is upward.
**Answer 2:** Measure the height of the triangle from the peak to the horizontal trendline and add it to the breakout price (where price pierces the trendline). Price reaches the target 84% of the time in a bull market, so consider multiplying the height by 84% and then add it to the breakout price. The high is at 55.80, low at 41.26 for a height of 14.54. 84% of this is 12.21. Added to the breakout of 46 gives a target of 58.21. The full height target is 60.54.
**Answer 3:** I would draw the bottom trendline higher, make it an internal trendline. If price dropped below the new line then I would sell. That would place the stop at 42.40.
Price threw back just after the breakout but the decline lasted just a day. Then, it was off to the races. As you look at this chart, think of what methods you would use to sell near the peak in March.

Price reached a high of 66.50, well above the 58.21 target, and even above the full-height target of 60.54.

The end.