Bulkowski’s Trading Quiz

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, high and tight flag, 2 rectangles, wedge.
The high and tight flag (HTF) measures from a low of 16.84 on 8/28/03 and rises to the top of the diamond at 38.25 on 11/14/03, a rise of 127% in about 2 months, qualifying the rise as a HTF. The breakout is upward from the pattern and upward from the diamond. (For a HTF, price must climb 90% in less than 2 months and that was fulfilled when price approached the bottom of the diamond).

**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:** Buy

**Answer 2:** Since the rise leading to the pattern is 127%, take half of that 63%, and that’s the measure.

**Answer 3:** 2x Volatility is 3.61, suggesting a stop no closer than 35.14 or 17.9% below the current low would work well. Of course, that’s much too far away, I think. I was going to suggest placing it below the diamond bottom, but that’s farther away. Thus, as bad as it is, I’d use the vol stop or maybe place it a bit closer.
Price at point A is 51.65 and that’s a rise of 35% above the diamond top, well below the projected target rise of 63% (and a corresponding price target of 48.96).

**Question:** is it time to sell or hold on for additional gains?

Answer on the next page.
The correct answer is to sell. When price pierced the lower ascending broadening wedge trendline that was the sell signal. Selling then or near the pullback at B would have saved you a bunch of money. Better that Geico (that’s a joke for U.S. readers).

The end