Hint: This is not an easy chart in which to find patterns because the price action is so volatile. Look for 3 three rising valleys, broadening top, scallop, triangle.
The numbers 1, 2, and 3 mark the three valleys of the three rising valleys (3RV) chart pattern. There are others I didn’t show. The symmetrical triangle on the far left I think is suspicious because of the white space in August. It looks to cut off a rounding turn although it’s not very rounded…

Let’s say you see the last 3RV on the right and decided to trade it. Price has closed above the top of the chart pattern, confirming the 3RV as a valid chart pattern.

**Question 1:** Do you buy, sell, or short the stock?  
**Question 2:** What is your price target?  
**Question 3:** What is your stop loss price?

The answers appear below and charts appear on the next page.

**Answer 1:** The next chart shows a price channel. If price bounces off the top trendline and moves down, then buying would be a mistake. Perhaps it would be best to wait and see what price does. If it pushes through the top of the channel, then buy. Otherwise, hold off.  
**Answer 2:** The measure rule for the 3RV is the height added to the breakout price. The height is the top (62.56) minus the bottom (56.20) for a height of 6.36. Add this to the pattern’s high (it’s also the breakout price) to get a target of 68.92. Price reaches the target just 58% of the time, so use caution. Consider multiplying the height by 58% and then adding it to the breakout for a closer target.  
**Answer 3:** The closest minor low is valley 3 at a price of 58.89. That would be a decline of about 6.5% below the current close, which is reasonable. Volatility is $1.54 which is 1.5 times the average of the high-low range over the prior month (although testing shows that 2x volatility would be a better choice). That says to place a stop no closer than 60.90, so the minor low stop is fine (it’s below 60.90). You could also go with the volatility stop for a closer stop loss.
If price bounces off the top channel trendline, then don’t buy. If it closes above it, then buy.

The next page shows what happened.
Price pushed through the top channel wall and is now curling over and retracing the gain.

**Question:** Do you sell, buy more, or hold on? The answer appears on the next page along with a chart.
Answer: This depends on the type of trader you are. Swing traders should have sold by now. Position traders would hold on. Why? Because price hasn’t retraced far enough to become a sale. The chart shows the Fibonacci retracement percentages. If price were to drop below the 62% retrace line, then that would mean a sell. If price touches it and bounces upward, then swing traders would buy, expecting price to reach the prior minor high at 68 (near point B in the below chart).

The next page shows what happened to the stock.
As you can see, price double topped at Top 1 and Top 2 but the pattern didn’t confirm (price failed to close below the low between the double tops, shown as the horizontal line). A confirmed head-and-shoulders top appears. Price has closed below the right armpit, even though it didn’t close below the blue neckline.

**Question:** Do you sell? The answer appears below and the next page shows the final chart.

**Answer:** Short-term traders would sell. For longer-term traders, it depends on how far price is going to decline and how much money you want to lose. The stock might stall at the busted double top peaks or it might drop to 65 where it would find support at the double top valleys. Or it could continue down. If I owned this stock, I’d sell it. Why wait and take a larger loss? The head-and-shoulders is a sell signal. Ignore it at your peril.
Price dropped to find support at the busted double top lows, bounced upward, and seesawed up and down, forming a falling wedge. Selling would have been the best move.

The end.