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!): 3 broadening patterns, wedge, triangle, double bottom.
The red inset shows a partial rise from a broadening top, which correctly predicts a downward breakout 61% of the time.

**Question 1:** If you owned this stock, do you sell, hold or buy more?

**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:** Hold because price hasn’t broken out below the bottom of the broadening top. If that were to happen, then sell immediately. With a 61% success rate for a partial rise, it’s best to wait for the breakout.

**Answer 2:** Measure the height of the chart pattern and project it in the direction of the breakout, from the breakout price. The high is at 29.09 and the bottom is at 23.73 for a height of 5.36. Add this to the highest high to get an upward target of 34.45 or subtract it from the lowest low for an 18.37 downward target. Price reaches the upward target 62% of the time and a downward target 37% of the time, so consider multiplying the height by 62% or 37%, for the respective breakout direction before adding/subtracting it to the breakout price.

**Answer 3:** Since you own the stock, the stop is the bottom of the chart pattern.
Price has flat lined since leaving the broadening top chart pattern. In other words, it hasn’t done much…at least for the period shown.

The end