What chart patterns can you find? A hint appears below and answers on the next page.

Notice that this is on the weekly scale. Also notice the price scale. The stock dropped from 117 to 9 in about 1.5 years. This chart is a good example of what a trade can do to your wallet if you don’t have an exit strategy.

**Hint.** Look for the following chart patterns (If you find others, great!): horns, pipes, and double tops.
P are for pipes, H are for horns, EE is an Eve & Eve double top, AA is Adam & Adam double top.

Both horns and pipes appear on the weekly scale. I didn’t pay any attention to the open or close price levels, just the spike length. Pipes are two weeks of parallel price action surrounded by prices that are well below the pipe tops. Horns are the same only there’s a week in between. You’ll find that pipe bottoms can be a very good performing chart pattern.

Price has confirmed the horn bottom in March.

**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 on the next page.
**Answer 1:** The horn bottom says buy.

**Answer 2:** Use the measure rule for horns. Take the height of the pattern and add it to the top of the pattern. In this case, I’d use overhead resistance to tell where price is likely to stall or reverse. The Adam & Adam double top (AA) in November may cause a pause or reversal. If price can rise above that, then a stall at 23 to 25 looks more certain. I show that zone as the parallel blue lines. That’s the site of bottoms in March to May 2001. However, if price does make it about the AA double top, it would confirm an ugly double bottom, suggesting a further price rise.

**Answer 3:** Place a stop below the horn low. That may be too far away for such a low priced stock. If so, then consider placing a stop below the red line, formed by several weeks worth of flat prices.

Here’s the chart of what happened.

![Semtech Corp (Semiconductor Cap Equip., NASDAQ, SMTC) chart](chart.png)

This is the chart, still on the weekly scale. The green line separates new price action from the old stuff. I show the potential resistance zones as blue lines. Prices in early 2005 formed a descending triangle that made noises about breaking out upward. In any case, the horn bottom turned into a wonderful buy signal as the chart shows.

The end