Here’s the latest 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!): 2 triangles, wedge, broadening top, double top, 2 head-and-shoulders.
Price has moved lower from the Adam & Eve double top. AEDTs are so called because of the shape of each peak. Adam peaks are narrow, usually one or two-day spikes while Eve tops are wider, more rounded appearing. When Eve tops have spikes, they are usually shorter and more numerous. There are performance differences for the four combinations of Adam and Eve tops (bottoms, too).

**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.
There are a few ways to interpret the chart. A head-and-shoulders top appears with a blue neckline. Price pierces the neckline but rebounds thereafter, suggesting a busted H&S top. Busted patterns tend to perform well. Also a falling wedge (in red) has two trendlines that slope downward but converge. Again, price pierces the lower trendline but rebounds. When it shoots out the top trendline, it busted the wedge. That’s a strong buy signal.

**Answer 1:** Buy.

**Answer 2:** Target: For the falling wedge, look for price to reach the high at the start of the chart pattern. The head marks the highest high in the pattern, so that’s the target.

**Answer 3:** Stop: Placing the stop below the lowest low means taking a 10% loss. Can we do better? Using a 62% Fibonacci retrace of the move from A to B would work well in this situation. You measure the rise from A to B, take 62% of it, and subtract it from the price at A. The result is the stop price which would be 6% below the current close.

The next page shows what happened.
The stock moved up in nearly a straight-line run since the buy signal. In late August, the stock moved vertically and then consolidated before easing down during the last few days shown.

**Question:** Is now the time to sell your holdings, go short, buy more or just hold on and pray?

The answer appears on the next page.
You can call the September pattern a diamond top, a head-and-shoulders top, or a back-to-back combination of a broadening top followed by a symmetrical triangle. A quick decline after the chart pattern often follows a quick rise leading to the pattern. However, the low after the downward breakout usually doesn’t return to the green (line) launch point, but the decline can be quick and severe. These situations are the ones that demand a quick exit.

Although the decline from this diamond is not a straight-line one, it still took prices down from the 76.50 diamond trendline pierce to a low of 65, a 15% drop. Notice how once the decline finished, price resumed the up-trend following the same slope as before the decline. That suggests a buy-and-hold approach would do well. A sell signal would occur when price pierced the long-term up-sloping trendline (not shown). That would happen in January when price plunged in a straight-line decline.

The end