Bulkowski’s Trading Quiz

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!): 3 broadening patterns, rectangle, triple bottom.
Take a look at the broadening top in July-August. Schwager says that when a consolidation pattern (like the rectangle but it’s usually a flag or pennant) follows the pattern breakout, it’s an especially potent mixture (meaning profitable). You can see the spike upward on high volume.

The partial decline at A correctly predicts an upward breakout from a broadening top 72% of the time. From the rect, point B, the partial decline is right 89% of the time. Make sure the chart pattern obeys the identification guidelines (meaning it is fully formed) before looking for a partial rise or decline.

**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.

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**Answer 1:** Buy, but not at this price. Don’t chase price that’s running away from you. Wait for a throwback. The best buy strategy is to place a buy stop a few pennies above the top of the rectangle. That would get you in on the breakout.

**Answer 2:** If you use the height of the rectangle projected upward from the top trendline that would work well and give a target of 25.23. Price shot past that already.

**Answer 3:** Use the lower rectangle trendline as a support zone and a good location to place the stop.
Price threw back and then resumed the uptrend. In February, price dropped down.

**Question**: Is it time to sell? If so, why? The answer is on the next page.
Price formed a small double top (1, 2) and price broke through the long-term up-sloping trendline. When price closed below A, the confirmation price for the double top, we could say that price was on its way down. Time to sell. Yes, price did form a third top, which it does from time to time but it wasn’t of concern. Why not? Because we were out of the trade by then and looking elsewhere.

The end