Hint. Look for the following chart patterns (If you find others, great!): wedge, triangle, at least 2 scallops.
The green horizontal line shows the top of the falling wedge, which acts as a target. With the upward breakout from the symmetrical triangle, near the same price, the overhead resistance says “caution.”

**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.

**Answer 1:** Buy yesterday. In other words, place a buy stop above the down-sloping top trendline on the symmetrical triangle. It would have filled yesterday. With overhead resistance showing and with price moving up, you have a buy signal but the possibility of a throwback increases. The good news is most times price powers through nearby overhead resistance. If this were my stock, I’d probably buy anyway, but would watch for a throwback.

**Answer 2:** The target is the height of the triangle added to the breakout price. In this case, that would be a height of $9.69 - 8.59 = 1.10$. The breakout price is 9.25 giving a target of 10.35.

**Answer 3:** Place a stop at 8.53, below the nubbin that sticks out of the bottom of the triangle in mid June like a missed whisker. That would put the potential loss at 9.6%, which is actually quite good for a low priced stock. Sometimes, I’ve allowed stops as far as 15% away initially because stocks below $20 are more volatile than higher price ones. Volatility is 43 cents, suggesting a stop no closer than 9.31 (intraday low) - .43 = 8.88 would work. Thus the 8.53 stop is far enough away to not be stopped out on normal price fluctuation.
The stock was able to push through nearby overhead resistance (green horizontal line), but it stalled there for nearly a month. Then it moved higher and formed a descending triangle. Since the breakout from the triangle was upward, that meant holding onto the stock. Could you have predicted the large gap down move in early November? Earnings were announced as shown. Price gapped upward, making a new high on the announcement, but that’s as far as it got. Over the next days, price eased lower and, eventually, the stock dropped from 14.86 to a low of 12.10 in one day, a drop of 19%, nearly returning to the triangle apex in November. Then the stock recovered.

In March price formed a small symmetrical triangle. The stock broke out upward and formed a new high before throwing back to the triangle apex (red line). I show the bottom of the triangle as the blue horizontal line. Price has closed below this line.

**Question:** If you still own the stock, do you buy more at a lower price (average down), anticipating a rebound, sell, hold on, or short? The answer appears below and another chart on the next page.

**Answer:** A sell warning occurred when the throwback pierced the triangle apex, a known support zone. When it closed below the pattern low, it was a sell NOW signal. You can short the stock but search first for underlying support.
Price took its time moving lower, so if you owned the stock, you had many opportunities to exit. From the peak at 18.25, the stock reached a low of 8.50 in October before trending upward back to its old high, which it did in August.

The End