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!): small head-and-shoulders, 2 triangles and a wedge, pipe bottom on the weekly scale, too.
The ascending triangle has broken out downward.

**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:** short the stock if you are crazy enough to want to risk it. If I owned this stock, I’d sell it.
**Answer 2:** Measure the height of the triangle and project it downward from the breakout price. That’s the high at 33 minus the low at 30.44 (pattern start) giving a height of 2.56. Subtract it from the breakout of 32.20 for a target of 29.64.
**Answer 3:** The top of the triangle would be a good stop location, especially since it’s at the round number of 33. I’d place the stop at 33.07 or so. That would mean a potential loss of less than 4%.
The stock has moved up from the low in October.

**Question:** What would cause you to cover the short? The answer appears on the next page.
Price formed a triple bottom. By drawing a “neckline” along the price peaks in the pattern, a close above the red line signals an upward move and time to close out the short position.

The end.