Hint. Look for the following chart patterns (If you find others, great!): Double top, broadening top, triangle, wedge.
The double top is an Adam & Eve double top. That refers to the appearance of each top. The Adam peak is narrow, usually composed of one or two price spikes while Eve is wider and more rounded. Adam tends to retain its narrowness as you scan down the peak, but Eve tends to broadening out, just as the above chart shows. If spikes appear on an Eve top, they are more numerous, clustered, and usually short.

**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:** Do nothing. The stock has not confirmed, meaning price hasn’t closed below the lowest low between the two peaks. I show this price location as point A. If you are confident, then you could draw an up-sloping trendline and short once price closes below the line. The red line shows that scenario.  
**Answer 2:** Assuming a downward breakout, measure the height and project it lower. The highest top is at 67.10 and the low is at 58.80, for a height of 8.30. Subtract this from the price at point A, the lowest low, for a target of 50.50. Price reaches the target 69% of the time, so consider multiplying the height by 69% to get a closer target of 53.07.  
**Answer 3:** One stop location is above the highest peak, 67.10. I’d place it at 67.13 to be above the round number and above where others would place the stop (probably at 67). That would mean a potential loss of 67.13 (stop price) - 59.35 (current close) or 7.78 points, 13%. That’s too far. I like to keep the stop below 10%. 2x volatility is 2.46, suggesting a stop of 62.69 or 5.6% away. That’s more reasonable. My choice would be to place it above the minor high at B, 64.50 – call it 64.53, or 8.7% away.
The above chart shows a long, horizontal red line that marks the confirmation price. Short the stock once price CLOSES below the line. That didn’t happen until February, so patience is required for a proper entry.

**Question:** If you still owned the stock, is it time to close out the short? If so, why?

The answer appears on the next page.
A head-and-shoulders bottom (HSB) appears followed by a symmetrical triangle. I show the HSB neckline, a line joining the armpits of the head-and-shoulders bottom in green. Notice price never closes above the steep line. If it did, then that would say it’s time to cover the short. I prefer to use a horizontal line from the right armpit when the neckline slopes upward. I show this as a red line. A close above the line means it’s time to cover. A better cover is the upward breakout from the symmetrical triangle.

Look at the price at which you covered and the price at which you went short. The cover is likely above the short unless you sold on the rise from the head to the right shoulder. Now low at the lead low, near 53. If you didn’t close out your position until price crossed the red line, you gave back a chunk of change.

I don’t recommend going short. I’ve tried it on paper and made little money. My website shows research that says you’ll make more money on the long side even in a bear market.

The end