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!): head-and-shoulders, broadening top, scallop, triangle, wedge, potential triple bottom.
The stock has closed above the down-sloping line of the descending triangle, but it hasn’t climbed above the confirmation point of the triple bottom. That would be the highest peak between the three bottoms.

Question 0: Do you wait for a confirmed triple bottom before trading?
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 0: No need to wait. You have a buy signal from the triangle.
Answer 1: The descending triangle has a confirmed upward breakout. Buy.
Answer 2: Look for overhead resistance. Where is it? Look at the left scale. See that 10? That represents round number support and price will stall there 22% of the time within 50 cents of 10 (9.50 to 10.50) and 42% will stop within a buck of 10. See the next page.
I show overhead resistance at 10 (long green line) and at the old peak (short green line). Expect price to stop at the price level of an old peak 26% of the time.

**Answer 3:** The flat bottom of the triangle is a good place for a stop, but is it too close? Volatility is a sedate 29 cents so a stop placed no closer than 8.79 (7% away) would help to prevent you from being stopped out on normal price movement. Volatility is 2 times average daily price range over the prior month. See my website for details.

The next page shows what happened.
You can see that it took price several months to push through the 10 level. Eventually it did and doubled. Price is trending down now. Notice that the bottoms of price in November rest upon the March ’03 peak (prior chart) marked by the red line.

**Question:** If you own the stock do you sell?

This is a chart of the RSI indicator during the same period as the above price chart. It shows the indicator heading downward toward the oversold 30 line. I use 16 as a lookback, not the default 14, by the way.

More on the next page
This is the CCI and dual CCI indicator. The DCCI is a 5 period average of the CCI. The indicator is below 0, meaning price is heading lower, as if we couldn’t see that from the price chart. The 0 crossovers are the important points and crossings of the two lines. Those are the trading signals. Notice the prior -200 bottom in September (green circle) and what happened to price after that (it rose).

More on the next page.
This is the MACD indicator. It shows price having downward momentum. Duh. But is it time to sell?

See the next page.
This is a simple trendline with price making a strong move below the line on high volume. If this were my stock, I’d probably sell. You could wait for the 1-2-3 trend change signal, which I’ve talked about before. See my website for details on how that applies. The next page shows what happened.
Price continued lower, bottoming at 15.90 after peaking at 19.71, a drop of almost 20%. Price then formed an ascending scallop and moved to new highs, peaking at 58.63. Remember when we were worried about 10 being overhead resistance? Patience is often the way to riches…or a bigger loss.

The end