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!): 2 rectangles, double bottom, triple top, scallop, 2 triangles, broadening top.
Price has touched the bottom trendline of a broadening top at points 2 and 3, making a partial rise (P). Partial rises usually predict an immediate downward breakout, but not this time. Let’s assume you spot the broadening pattern today, as shown.

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. When price touches the bottom trendline for the third time, buy. Price might rise up and curl back down in a partial rise, so watch for that. If that happens and price drops below the trendline then sell. If it touches the top trendline and begins heading down, sell.

Answer 2: Measure the height of the broadening top form highest peak to lowest valley and add it to the price of the highest peak. The result is the target. Look for round numbers (10, 15, 20) and overhead resistance to gauge how far price will rise. In this example, the high is at 42.99, the low is 39.17 giving a height of 3.82. Adding the height to the high price gives a target of 46.81.

Answer 3: A good stop location is below the trendline, providing the decline does not represent a large loss. In this example, there is a congestion region in August, between the two chart patterns (desc triangle and broad top). It also corresponds to the broadening top low. I would feel safe at placing a stop below the BT low but a few cents, call it 39.13. See the following chart.
Price has reached the target price after a swift move up at the start. Through October and into November, price moved horizontally before climbing to a new high. For the last 3 days, price has tumbled.

Question: Is it time to sell?

The next page shows the answer.
Price gapped up and then hit overhead resistance at the round number 50, forming an inverted roof pattern. Don’t go searching the planet for that chart pattern. It’s a new pattern I found but haven’t studied. I have seen in several stocks. I’m not sure what the trading implications of it are, but as you can see, price has broken out downward.

**Question:** Is it time to sell?

The next page shows the answer.
If you didn’t sell at the inverted roof, you have another chance now. Do you see it? Find the reason why it’s a good time to dump the stock. The following chart on the next page shows the answer.
The end.