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 triangles, 1 flag, and a dead-cat bounce.
If you had trouble finding the flag, don’t be surprised. A high and tight flag (HTF) appears from C to D (flagpole) with the “flag” from D onward. C bottoms at 3.92 and D reaches a high of 8.46, a move of 116%. The move from A to B measures 91%, barely qualifying as a high and tight flag only price doesn’t confirm the pattern because it sinks to C instead of continuing up. The up move must be at least 90% in less than 2 months to qualify as a HTF. Receding volume is best as well as a tight flag, not a loose congestion pattern.

Before we move onto the quiz, look at the price scale on the above chart. Notice the decline from 55 to below 4. Ouch. Think stop loss orders are not important? Think again.

The price to the right of D has climbed above the high at D, confirming the HTF as a valid chart pattern.

**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 but with caution. The dead-cat bounce and large decline from 55 suggests this stock has loads of problems. One dead-cat bounce often follows another.

**Answer 2:** Base the target on the measure rule. Since we know price climbed 4.54 (8.46 – 3.92), take half of that and project upward from the flag low (the lowest low to the right of D). That gives a target of 2.27 + 7.71 = 9.98, just below the round number 10.

**Answer 3:** Volatility is 87 cents which may not sound like much but it requires a stop at 7.43, or 10.2% below the current close. That’s a bit far, so I’d place it a few cents below the low to the right of D, at 7.67 (the low is a 7.71).
If you placed an order to sell at the 9.98 location, you would have exited at point A and made a tidy sum. The green line shows the target price and the red line shows the stop.

Question: If you didn’t sell yet, what would cause you to sell now instead of waiting for price to hit the stop? The answer appears on the next page.
Answer: The blue line is the confirmation point for the Eve & Eve double top. Since the pattern confirms, it means it’s time to sell. Dump the stock instead of waiting for it to reach the stop.

The end.