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!): Dead-cat bounce, diamond, triangle, triple bottom, double bottom.
Price has broken out upward from the large descending triangle.

**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 because of the upward breakout of the descending triangle.
**Answer 2, 3:** See the next page

Here’s my notebook entry for the trade.
“Date: 10/7/04
Filled at: 11.25
Stop: 9.57, below the lower broadening top boundary. That’s a large decline of 15%.
Upside target: I see price stalling at 12.25 but pushing through. This could be at the bottom of a very long rounding turn, with top at 96. See monthly/weekly scale. 16.50 looks like a good upside target. That is the site of an old high in June, August and in prior years (fall ’99).
Future S&P direction (guess): down as it’s at top of descending broadening wedge. It could breakout upward, though. Buy reason: triple bottom, pipe bottom, and broadening top all signal a buy. It’s been a year since the DCB and with this flat base, the stock could move up. The bad news is that I am late getting in...again.”

This is the weekly chart. I show the rounding turn in the blue line and overhead resistance in red. More on the next page.
This is a screen shot of the stock on the daily scale and the S&P 500 on the lower half. Notice how the index was climbing, forming a large descending broadening wedge or maybe a channel. I predicted the index would drop. If so, why was I buying?

The next page shows more.
This shows that I placed the stop below September’s minor low but I placed the stop on the day I bought. As I mentioned in my notebook, the stop is 15% away from the buy price but as you can see, it worked well because anything much closer and I would have been stopped out. That’s the price you pay when you trade stocks below $15 or so (very volatile).

**Question.** On the last day shown, I did something important. What was it?

The next page tells the answer.
This chart shows the day and price that I placed the stop. You can also see that price hit the stop. Here’s my notebook entry for the sale.

“Date: 1/3/2005
Filled at: 10.232
Sell reason: Hit stop”

How timely was the sale? The next page shows the result.
I show this on the weekly scale. Price moved up to A at a price of 11.99 and then tumbled to a low of 8.61 at B. After that, price recovered, making a straight-line run upward. Will it complete the massive rounding turn? That’s anyone’s guess.

The end.