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!): triangle, head-and-shoulders, double bottom, three falling peaks, broadening pattern, scallop.
Price has broken out downward from the descending triangle by closing below the bottom trendline. Suppose you own the stock.

**Question:** Do you sell it?

The answers appear on the next page.
Before making a selling decision, evaluate how far price is likely to decline.

Above is the weekly chart. Price is at the bottom of the support zone as the red support line shows. If it can drop below that, then it might continue lower to support line 2. I drew this using the numerous price bottoms as guides along with the congestion zone in the circle.

Notice how price shoots upward in a straight-line run out of the circled region. I would be afraid that price will tumble back down in a similar manner, a quick decline. That’s not always the case, but it worries me when I see such a pattern. This is on the weekly scale. What does the quick rise look like on the daily scale?

The next page shows it.
Here’s the quick rise along with the 3 falling peaks highlighted for reference. The congestion zone formed by the diamond should prove to be a good support area because price looks packed together, tight.

What happened? See the next page.
The chart pattern busted when it broke out downward, reversed, and broke out upward. Busted patterns usually do quite well.

**Question:** If you didn’t sell on the downward breakout, or even if you did, do you buy now?

The answer appears below and a chart shows on the next page.

**Answer:** Look for overhead resistance before making a buy decision.
I show the overhead resistance in red. I would have bought in this situation because price can push through overhead resistance just as a person can eat a bowling ball if they try hard enough. However, when price closed below the bottom trendline, I would have sold. Notice the straight-line decline back to the support area I highlighted earlier as the red support line 2.

The end.