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 triangles, 2 wedges, head-and-shoulders top, bump and run reversal top (BARR top).

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Notice how price at points A, B, and C follows the top symmetrical triangle trendline in the November 2002 pattern. The line supports price. What would cause you to buy the stock on the last day shown above? The following pages examine this in detail.
This is a screen capture of my “filters” screen. The bottom shows the CCI and the dual CCI used as a crossover indicator. Notice how the indicator made a low at point A and price recovered after that. In May 2003, CCI again showed a very low level at B. Would price also move up?

More on the next page.
The failure swing at A shows price recover for a few days. Does the failure swing at B suggest the same?

Here’s my notebook entry for the buy.

“5/12/03 I bought at market, filled at 40.25 for a yield of 5.3%. This is a dividend play, current income. CCI hit a very low low recently, suggesting an up move. RSI is being supported by the center of the three lines. I think the price is high, but finding support at 39-40. Upside is old high at 43, maybe higher. If it closes below 38, sell. There is a peak (according to PF chart) that should support the stock at that price.”

More on the next page.
As you can see, the day after I bought the first time, price dropped but recovered and made a new high as the indicators predicted. Here’s my notebook entry for the second buy.

“6/27/03 I bought at market, filled at 41.64 and 41.63, but the bid was 41.60 as I placed the order. Slippage. This is a dividend play, the yield is 5.2% at the current price. The stock has retraced much of its gain in May 2003, and I see support below. A dividend is due in a month, I think, when they report earnings. The temporary closing of an electricity generating plant because the water intake was fouled up may impact earnings. The symmetrical triangle in May-Jun 03 measure rule worked. The FED cut 1/4 point from the Fed funds rate two days ago, and I think that will help with financing costs should they need it. RSI has reached a support level and CCI may signal a buy if the stock closes up.”

More on the next page.
“1/30/04 Raised stop to 44.93 from 44.35. The stock has moved up on good earnings.”

I show the stop loss at a blue line that I placed at 38. When price made the sharp move up in January 2004, I raised the stop, finally. The original price target was hit in a few weeks (green line), but I didn’t sell. I gave back the gains, riding the stock down to the August low because I wanted to collect the dividend. Capital gains were secondary. Price came close to but didn’t hit my stop. A smarter play would have been to sell the day after price hit the target and then wait for the decline (assuming it declined).

More on the next page
“2/2/04 Raised stop to 45.79. On good earnings, the stock has shot up to 48+. At 10 PM, I decided to sell this stock after getting a quote. The stock has risen too far too fast to hold onto. With the stock closing where it began the day (48.01) and making an intraday high of 48.93, this is obviously a tail. Time to take the four digit gain and run. Also note that an insider sold recently, too. My only regret is that this will flag lower then complete the half staff and go to 51 or so, but not after a good retrace.”

I show the stop price as a red line the day I placed the stop. I sold the following day at 48.

Including dividends, I made 23% on the first trade and 18% on the second. After I sold, the stock eased lower.

The end.