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!): broadening top, head-and-shoulders, triple bottom.
The triple bottom isn't easy to see in the chart because price doesn't drop much moving into the chart pattern. Price has broken out upward from the triple bottom. The green line shows the confirmation price. A close above the line signals a breakout.

**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.

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**Answer 1:** Buy because of the upward breakout.

**Answer 2:** Measure the height of the triple bottom and add it to the breakout price (the highest high in the pattern) to get a target price. The stock reaches the target 64% of the time. The low is at 16.96, high at 17.65 for a height of 0.69, making the target 18.34.

**Answer 3:** Place a stop below point 3, because there seems to be support (price congestion) above that setup by the triple bottom.
Price topped out at 18.78, well above the 18.34 target, but is now moving down. Do you see any reason for selling? The answer and final chart appears on the next page.
The stock has formed a complex head-and-shoulders top. If you extend the red neckline, price doesn’t close below it until March. A better sell signal is to use the right armpit low as the sell signal. Another head-and-shoulders top appears at peaks a, b, and c. A close below the blue neckline is the sell signal, which happens to occur on the same day as the green line.

You can use the measure rule for complex head-and-shoulders tops to determine how far price is likely to decline. If you bought the stock to collect dividends with potential capital gains, you may have wanted to hold onto the stock. Measure the downside and see if you could tolerate such a loss, at a minimum. If the fundamentals for the utility hadn’t changed, then it might be worth a hold, especially now that we can see price didn’t decline far.

The end