Bulkowski’s Trading Quiz

What chart patterns can you find? A hint appears below and answers on the next page.

**Xilinx Inc (Semiconductor Cap Equip., NASDAQ, XLNX)**

**Hint.** Look for the following chart patterns (If you find others, great!): double top, high and tight flag, triangle.
The high and tight flag shows that price has doubled in less than 2 months and as you can see, it doesn’t work well. The flag forms on the left Eve top and price stalls at the second Eve top. Since price failed to breakout upward from the left Eve top in the HTF, you would ignore the pattern.

Price has broken out upward from the 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 on the upward breakout from the triangle

**Answer 2:** Since the pattern is trading near the yearly high, the 30 round number might cause some resistance as will the top where the triangle begins. Use the measure rule for triangles and project the height upward from the breakout price. The triangle high is at 29, the low is at 24.54, for a height of 4.46. Add this to the breakout at 26.71 for a target of 31.17. Price meets the target 84% of the time. For a more conservative target, multiply the height by 84% for a target of 30.45.

**Answer 3:** Place a stop just below the lower triangle boundary at 24.47, seven cents below the pattern trendline. That would make a potential loss of 12%, which is high. Volatility is 1.51 so a stop no closer than 25.20 would work. That’s a low of 26.71 – 1.51. I would leave the stop at 24.47.
Price pushed through round number resistance at 30, which I show as a green line, then seemed to revolve around it, trying to find its way. It moved upward forming an inverted and ascending scallop. Price has closed above the scallop top.

**Question:** If you owned the stock, what do you do now? The answer appears below and a chart on the next page.

**Answer:** The scallop has broken out upward so hold onto your shares.
Question: What do you do with the holding now? The answer appears on the next page.
Price formed a right-angled and ascending broadening top. When price closed below the base of this pattern, that was the sell signal.

The End