Hint. Look for the following chart patterns (If you find others, great!): rectangle, wedge, triple bottom if you combine the first two bottoms – it’s also a Big W, small descending broadening wedge, scallop, and simple ABC correction.
The simple ABC correction is the mystery pattern. Think of it as a measured move down nested inside a measured move up. If you’re not sure what all of that means then check my website. You won’t find the ABC pattern in my Encyclopedia…

**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 when price closes above the trendline drawn from 4 to 5.
**Answer 2:** Let’s assume price breaks out upward. 36% will reverse at 4 and form a double top, so keep that in mind. You can use the move from 3 to 4, projected upward from the low at 6, in a measured move up chart pattern. That gives a target of 28.17, which is huge. I would be more conservative. The average rise of the 2nd leg is 32%. That would place a target of 14.78 (the low at 6) x 32% = 19.50. That’s still a lot but it’s better than 28.
**Answer 3:** If I bought now, the day after point 6’s low, I’d use a volatility stop: $13.33 -10.7%. 2x volatility: $1.11.
When price pierced the down-sloping trendline that was a buy signal. And a good signal it was, too. You can see what happened to price.

The end.