

GETTING STARTED IN

CHART PATTERNS

SECOND EDITION



THOMAS BULKOWSKI

author of Encyclopedia of Chart Patterns and the Evolution of a Trader series

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Thomas Bulkowski

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To Mary Schramski

Contents

[Preface to First and Second Editions](#)

[Acknowledgments](#)

[Chapter 1: Introduction to Chart Patterns](#)

[What Are Chart Patterns?](#)

[Enter the Retail Investor](#)

[Advantages of Chart Patterns](#)

[Disadvantages of Chart Patterns](#)

[What Does It Mean?](#)

[What We Learned](#)

[Chapter 2: Identifying Chart Patterns](#)

[The Blank Chart](#)

[Connecting Peaks](#)

[Connecting Valleys](#)

[Patterns with Curves](#)

[Patterns with Diagonals](#)

[That's a Wrap](#)

[What We Learned](#)

[Chapter 3: The Truth about Trendlines](#)

[What Are Trendlines?](#)

[A Trendline Example](#)

[Trendlines: External, Internal, and Curved](#)

[Touch Spacing](#)

[Trendline Touches](#)

[Trendline Length](#)

[Trendline Angles](#)

[Trendline and Breakout Volume](#)

[Measure Rule for Trendlines](#)

[Drawing Trendlines](#)

[1-2-3 Trend Change Method](#)

[Sample Trade Using Trendlines](#)

[Advanced Trendline Tactics](#)

[What We Learned](#)

[Chapter 4: Support and Resistance: *The Most Important Chart Patterns*](#)

[What Is Support and Resistance?](#)

[Chart Pattern SAR](#)

[Fibonacci Retracements](#)

[Peaks and Valleys](#)

[Horizontal Consolidation Regions](#)

[Round Number SAR](#)

[Trendlines and Channels](#)

[SAR and Volume](#)

[Using SAR to Trade](#)

[What We Learned](#)

[Chapter 5: Ten Buy Signals](#)

[High and Tight Flag](#)

[Pipe Bottoms](#)

[Inverted and Ascending Scallops](#)

[Three Rising Valleys](#)

[Rounding Bottoms](#)

[Descending Triangles](#)

[Ascending Broadening Wedges](#)

[Eve & Eve Double Bottoms](#)

[Triple Bottoms](#)

[Head-and-Shoulders Bottoms](#)

[What We Learned](#)

[Chapter 6: Ten Sell Signals](#)

[Head-and-Shoulders Tops](#)

[Diamond Tops and Bottoms](#)

[Double Tops](#)

[Ascending and Symmetrical Triangles](#)

[Flags and Pennants](#)

[Pipe Tops](#)

[Measured Moves and the Simple ABC Correction](#)

[Broadening Tops and Bottoms](#)

[Triple Tops](#)

[Selling Details](#)

[What We Learned](#)

[Chapter 7: Special Situations](#)

[Bull and Bear Markets](#)

[Bull and Bear Traps](#)

[The Dead-Cat Bounce](#)

[The Inverted Dead-Cat Bounce](#)

[Flat Base](#)

[Gaps](#)

[Lower Highs and Higher Lows](#)

[Partial Rises and Declines](#)

[Quick Rises and Declines](#)

[Spikes and Tails](#)

[Stops](#)

[Throwbacks and Pullbacks](#)

[What We Learned](#)

[Chapter 8: Busted Patterns: *Making Money by Trading Failure*](#)

[Single, Double, and Triple Busts](#)

[Busted Broadening Patterns](#)

[Diamonds, Doubles, and Head-and-Shoulders](#)

[More Busted Patterns](#)

[Busted Trading Tips](#)

[Busted: How Often?](#)

[What We Learned](#)

[Chapter 9: More Trades: *Putting It All Together*](#)

[IMC Global](#)

[Giant Industries](#)

[Lam Research](#)

[EMC](#)

[Rohm and Haas](#)

[JLG Industries](#)

[Southwest Airlines](#)

[Honeywell](#)

[Great Plains Energy](#)

[What We Learned](#)

[Chapter 10: The Art of Trading: *Checklists*](#)

[Before Buying](#)

[When to Sell](#)

[General Trading Tips](#)

[Trading Psychology](#)

[What We Learned](#)

[Chapter 1: Introduction to Chart Patterns](#)

[Chapter 2: Identifying Chart Patterns](#)
[Chapter 3: The Truth about Trendlines](#)
[Chapter 4: Support and Resistance](#)
[Chapter 5: Ten Buy Signals](#)
[Chapter 6: Ten Sell Signals](#)
[Chapter 7: Special Situations](#)
[Chapter 8: Busted Patterns](#)
[Chapter 9: More Trades](#)
[Chapter 11: Crunching the Numbers](#)
[Chart Pattern Performance: Notes](#)
[Glossary](#)
[Visual Index of Chart Patterns](#)
[About the Author](#)
[Index](#)
[Wiley End User License Agreement](#)

List of Tables

[Chapter 4](#)

[Table 4.1](#)

[Chapter 7](#)

[Table 7.1](#)

[Table 7.2](#)

[Chapter 8](#)

[Table 8.1](#)

[Table 8.2](#)

[Table 8.3](#)

[Table 8.4](#)

[Table 8.5](#)

[Table 8.6](#)

[Table 8.7](#)

[Table 8.8](#)

[Table 8.9](#)

[Table 8.10](#)

[Table 8.11](#)

[Table 8.12](#)

[Table 8.13](#)

[Table 8.14](#)

[Table 8.15](#)

[Table 8.16](#)

[Table 8.17](#)

[Table 8.18](#)

[Table 8.19](#)

[Table 8.20](#)

[Chapter 10](#)

[Table 10.1](#)

[Chapter 11](#)

[Table 11.1](#)

[Glossary](#)

[Table G.1](#)

List of Figures

[Chapter 1](#)

Figure 1.1 Facebook has an initial offering price of \$38, shown at the horizontal line on the daily scale.

Chapter 2

Figure 2.1 Even a blank chart shows valuable information.

Figure 2.2 This uptrend follows a stair step movement higher.

Figure 2.3 Trendlines AB form a rectangle top chart pattern.

Figure 2.4 These chart patterns use curved lines.

Figure 2.5 Chart patterns also form using diagonals.

Chapter 3

Figure 3.1 A falling wedge with an upward breakout marked a buying opportunity until a trendline, drawn along the tops connecting points A and B and extended down, warned that price might stall when it reached the trendline.

Figure 3.2 Shown on the weekly scale are the three types of trendlines: external, internal, and curved. The curved trendline highlights an ascending and inverted scallop chart pattern.

Figure 3.3 Trendlines with widely spaced touches perform better than do ones with narrow touches.

Figure 3.4 Use the distance from the trendline to the price high (A-B), measured vertically then projected downward from the breakout (D) to get a postbreakout price target. This is the measure rule for trendlines, but it only works between 63% (upsloping trendlines) and 80% (downsloping trendlines) of the time.

Figure 3.5 Shown is the 1-2-3 method of detecting a trend change. Point 1 is the breakout from an upsloping trendline. Point 2 is a test of the high, and point 3 is near a close below a recent low.

Figure 3.6 A trader used this trendline to double his money.

Chapter 4

Figure 4.1 Chart patterns show support and resistance along the trendlines that form their borders.

Figure 4.2 Price often stops between the 38% and 62% Fibonacci retracement of the prior move. The 62% retracement makes a good location for a stop-loss order.

Figure 4.3 Overhead resistance stops an upward breakout from a head-and-shoulders bottom chart pattern.

Figure 4.4 The black circles represent prices that approach a round number and stall there.

Figure 4.5 Price follows trendlines and channels that highlight support and resistance.

Figure 4.6 Several chart patterns set up overhead resistance.

Figure 4.7 Price climbed to the old peak at A before stalling. The two trendlines indicate where overhead resistance might be a problem.

Chapter 5

Figure 5.1 High, tight flags appear as flags, pennants, or random shapes after price doubles in less than two months.

Figure 5.2 Avoid high and tight flags after a long-term downtrend.

Figure 5.3 This high, tight flag ended in failure when price moved marginally higher before plummeting.

Figure 5.4 Look for two parallel lines well below the surrounding price action on the weekly scale.

Figure 5.5 A pipe bottom appears in an exchange-traded fund.

Figure 5.6 The peak before a pipe bottom often becomes a resistance level, halting or delaying the price advance, as the numbers show.

Figure 5.7 These three inverted and ascending scallops narrow as they appear in a price uptrend. Point 2 should retrace about half the distance from points 3 to 1.

Figure 5.8 An inverted and ascending scallop appears in an exchange-traded fund.

Figure 5.9 A mutual fund uses a line chart to show inverted and ascending scallops AB and BC.

Figure 5.10 A close above the confirmation line represents the traditional buy signal. The inset shows a buy signal when the pattern follows a trendline.

Figure 5.11 The three rising valleys pattern, shown here as 1-2-3, suggests a reversal of the downward price trend.

Figure 5.12 Three rising valleys chart patterns appear in an exchange-traded fund.

Figure 5.13 Three rising valleys appear easier to spot using a line chart. This is a mutual fund.

Figure 5.14 This three rising valleys pattern fails to pierce trendline resistance, and price reverses. To

avoid similar situations, use the 1-2-3 trend change method. Notice the receding volume trend.

Figure 5.15 This rounding bottom is on the daily scale. Even so, the rounding turn is clear.

Figure 5.16 A rounding bottom appears as a descending scallop in an exchange-traded fund.

Figure 5.17 A head-and-shoulders top accompanies a rough-looking rounding bottom.

Figure 5.18 This rounding turn has price rising midway through the turn. When the rise completes, price returns to near where it began.

Figure 5.19 A descending triangle is flat along the bottom, and the top slopes downward. Price throws back to the top trendline in this example. The inset is not a descending triangle because price does not cross the pattern enough times to fill the white space.

Figure 5.20 A busted descending triangle breaks out at A, reverses, and becomes a buying opportunity at B.

Figure 5.21 This mutual fund shows a busted descending triangle that turns and makes a substantial uphill run.

Figure 5.22 This descending triangle breaks out downward then shoots out the top. Busted patterns, such as this one, suggest a powerful upward move.

Figure 5.23 An ascending broadening wedge appears as shown, but a larger one connects ABC on the top. D marks the bottom of a large partial decline correctly predicting an upward breakout from the ABC pattern.

Figure 5.24 A partial rise at A fails to show an immediate breakout, but the one at B works.

Figure 5.25 More partial rises appear at A and B in this mutual fund.

Figure 5.26 The partial rise shown at point A usually predicts a downward breakout from the pattern. Here, the breakout is upward.

Figure 5.27 Place a buy order at C for the traditional breakout, or at D, the third bottom touch, once price begins heading back up.

Figure 5.28 An Eve & Eve double bottom has two wide rounding valleys, not narrow price spikes as does its Adam counterpart.

Figure 5.29 Shown are the different combinations of Adam and Eve bottoms. Pattern AA is an Adam & Adam double bottom.

Figure 5.30 These twin bottoms do not form a double bottom because the pattern never confirms.

Figure 5.31 This is an example of a double bottom in a mutual fund.

Figure 5.32 An Eve & Eve double bottom confirmed, but price backtracked and changed into a triple bottom. Price didn't rise very far before tumbling.

Figure 5.33 A triple bottom (valleys 1, 2, and 3) appears at the end of an extensive decline. A breakout occurs when price closes above the price of point A or above the downsloping buy trendline.

Figure 5.34 This is an example of a triple bottom in an exchange-traded fund.

Figure 5.35 This is not a triple bottom because price dropped below the bottom of the pattern, invalidating

it.

Figure 5.36 A triple bottom (1, 2, and 3) has a third bottom above the other two. This suggests a better-performing triple bottom.

Figure 5.37 Resistance highlighted by a downsloping trendline warned of this failed triple bottom trade.

Figure 5.38 Shown is a head-and-shoulders bottom with pronounced shoulder symmetry and a downsloping neckline. Only the volume pattern is backward in this otherwise perfect example.

Figure 5.39 A head-and-shoulders bottom appears in an exchange-traded fund. Use a close above the right armpit as a buy signal.

Figure 5.40 This head-and-shoulders bottom appears in a mutual fund.

Figure 5.41 A head-and-shoulders bottom appears with an upsloping neckline. Buying using the traditional method of price closing above the neckline can lead to reduced profits. Instead, when the neckline slopes upward, draw a horizontal line from the highest peak in the pattern and buy when price closes above it.

Chapter 6

Figure 6.1 A head-and-shoulders top is a three-peak pattern with the middle peak towering above the others. The pattern confirms as valid when price closes below the neckline.

Figure 6.2 Two head-and-shoulders tops appear in an exchange-traded fund.

Figure 6.3 The head-and-shoulders top in this mutual fund marked the peak just as a bear market began.

which saw the fund drop 54%.

Figure 6.4 An upward breakout from a symmetrical triangle signaled a buy, and the head-and-shoulders said sell.

Figure 6.5 A diamond bottom appears after a quick decline. A quick rise often follows, returning prices back to the launch point.

Figure 6.6 This diamond appears in an exchange-traded fund. When price closed outside the pattern's boundaries, it signaled a sale.

Figure 6.7 A mutual fund displays a diamond bottom pattern.

Figure 6.8 This diamond top scared me out of the stock because I thought price would decline back to the launch point at A.

Figure 6.9 An Eve & Eve double top acts as a reversal of the upward price trend. Price confirms the pattern as a true double top when it closes below the confirmation line.

Figure 6.10 Shown are the other two combinations of Adam & Eve tops.

Figure 6.11 This Adam & Eve double top appears in an exchange-traded fund.

Figure 6.12 An Eve & Eve double top confirms when the mutual fund drops below the line at A.

Figure 6.13 I bought after a short-term downtrend and just after price reversed.

Figure 6.14 Two symmetrical triangles lead the way to a large ascending triangle.

Figure 6.15 This symmetrical triangle appears in an exchange-traded fund. The breakout led to a strong

decline.

Figure 6.16 A symmetrical triangle appears in a mutual fund. Notice the three touches of each trendline. The postbreakout drop didn't last long when it pulled back to B.

Figure 6.17 Two symmetrical triangles presented trading opportunities. The black circles are the locations and prices of stop-loss orders.

Figure 6.18 Pennant price action follows two converging trendlines while flags have parallel trendlines. Flags and pennants can slope in any direction but usually form against the prevailing price trend.

Figure 6.19 Two flags appear in an exchange-traded fund.

Figure 6.20 This pennant (B) might be a descending triangle, but it does appear near the middle of trend AC.

Figure 6.21 This flag unexpectedly broke out downward, creating a losing trade.

Figure 6.22 Pipe tops and bottoms appear on the weekly chart, along with a diamond bottom and ascending triangle. The pipe top confirms when price closes below the lowest low in the pattern.

Figure 6.23 Pipe B calls the turn from bear to bull market exactly.

Figure 6.24 A pipe top leads to a profitable trade.

Figure 6.25 Shown are a variety of measured moves, such as EFGA, ABCD, EADH, and HIJK.

Figure 6.26 Two measured moves appear in this exchange-traded fund, one nested inside the other.

Figure 6.27 This mutual fund has a large measured move.

Figure 6.28 This chart shows a nested measured move, a simple ABC correction.

Figure 6.29 I bought after a falling wedge and sold at the top of a measured move up.

Figure 6.30 A broadening bottom led to two profitable trades.

Figure 6.31 A broadening bottom breaks out at A, so B does not signal a partial rise.

Figure 6.32 A partial rise (B) in a broadening top (A) predicts a downward breakout.

Figure 6.33 A broadening bottom led to two profitable trades.

Figure 6.34 A triple top (peaks 1, 2, 3) appears just before price tumbles. The three-peak pattern becomes a true triple top when price closes below the confirmation line.

Figure 6.35 A triple top is also a right-angled and descending broadening formation.

Figure 6.36 Price did not drop much after this triple top confirmed.

Figure 6.37 Two triple tops appear in a stock. Use the upsloping trendline to signal an early exit instead of waiting for confirmation.

Figure 6.38 Will the double top at BC find support at the flat top (A)? Note weekly scale.

Figure 6.39 The stock dropped to the support area before recovering.

Chapter 7

Figure 7.1 A bull trap snares bullish traders at the upward breakout (A) then drags them underwater until they gush blood to the right of B.

Figure 7.2 The stock dropped 28% in one day when the company pulled Vioxx from distribution. After a bounce of just a few days, the downtrend resumed.

Figure 7.3 I bought after the head-and-shoulders bottom broke out upward and sold when it looked as though the bounce phase of a dead-cat bounce was over.

Figure 7.4 The announcement of good news sent the stock higher at A and F, but only for a short time.

Figure 7.5 I bought the stock the day before good news and sold a day later.

Figure 7.6 I bought after the breakout from a symmetrical triangle and sold the day price took off.

Figure 7.7 A chart pattern occurs after the breakout from a flat base.

Figure 7.8 A breakout-day gap occurs in an ascending triangle. The inset shows two types of gaps.

Figure 7.9 When a lower peak occurs (A, B), it warns of a bearish trend change. Valleys that fail to continue moving lower (C, D) also warn of a bullish trend change.

Figure 7.10 A partial rise correctly predicts a downward breakout, and a partial decline predicts an upward breakout.

Figure 7.11 I bought the stock twice and sold it as the stock made a partial rise.

Figure 7.12 A slow decline from B to C follows a quick price rise from A to B.

Figure 7.13 Several tails mark the turning point in this stock.

Figure 7.14 A tail appears on the right edge of the chart. Do you sell the stock or hang on for additional gains?

Figure 7.15 The stop (the horizontal lines) is raised as price makes new highs (diagonal lines).

Figure 7.16 Price pulls back after the head-and-shoulders top breakout and throws back after an upward breakout from a head-and-shoulders bottom.

Figure 7.17 A head-and-shoulders top stages a downward breakout. Will this chart pattern pull back?

Chapter 8

Figure 8.1 The three stages of busted chart patterns.

Figure 8.2 Shown are some of the variations of busted broadening patterns.

Figure 8.3 This busted broadening bottom broke out downward and zoomed higher, only to roll over and die.

Figure 8.4 Shown are busted diamonds, double tops and bottoms, and head-and-shoulders.

Figure 8.5 The stock ultimately climbed to nearly 56 but was spotted too late for entry.

Figure 8.6 Here are another six busted chart patterns.

Figure 8.7 An upward breakout from a symmetrical triangle busts when price drops to the other side of the triangle and closes outside the lower trendline. Shown on the weekly scale.

Figure 8.8 Shown are various scenarios for price trends and busted chart patterns.

Chapter 9

Figure 9.1 Do you buy, sell, hold, or sell short the stock at point A?

Figure 9.2 The stock moved up and was sold just days before it peaked.

Figure 9.3 Is this stock a buy, sell, hold, sell short, or avoid altogether?

Figure 9.4 This high, tight flag failed to follow through on the upward breakout.

Figure 9.5 This stock appears on the weekly scale. Do you buy, sell, hold, sell short, or avoid it altogether?

Figure 9.6 A rounding turn leads to a profitable trade. The S&P 500 index cooperated by moving higher between the buy and sell points.

Figure 9.7 The stock is in a downtrend, but the general market has been moving up for a few weeks. Do you trade this stock?

Figure 9.8 The chart shows the two-buy and one-sell orders. The black circles are stops.

Figure 9.9 An earnings announcement gives a key to how the stock will perform. Do you trade this stock?

Figure 9.10 Good entry, but a poor exit cut a potential profit dramatically.

Figure 9.11 The stock is trending down after a quick rise. How do you trade this one, or do you?

Figure 9.12 This swing trade turned out well, timing the sale almost perfectly in the ascending scallop chart pattern.

Figure 9.13 A descending triangle with a pullback at point A predicts a decline. Do you trade this stock in June?

Figure 9.14 A throwback to the broadening pattern turned into an inverted dead-cat bounce with a late exit.

Figure 9.15 Here is the setup to the Honeywell trade, on the weekly scale.

Figure 9.16 The stock breaks out strongly but then reverses, hitting the stop.

Figure 9.17 The electric utility cut its dividend in half and saw its stock plummet 50%.

Figure 9.18 Less than a week after the stock bottomed, I bought the stock.

Chapter 10

Figure 10.1 The stock diverges with the relative strength index indicator (trendlines), and failure swings appear at turning points (circles).

Preface to First and Second Editions

I read that a chartist becomes world class after viewing a million chart patterns. If you analyze one pattern per chart on 250 stocks each trading day, it'll take 15 years to reach a million. Fifteen years! We don't have that much time. I'm asking for only a few hours.

Before we go any further, look at the cover of this book. See where it lists the price? If you buy this book and make one profitable trade because of it, that money will be well spent. That's cheap education, but I'm going to give you so much more.

Chart patterns are the footprints of the smart money, but the dumb money is mixed in as well. Together their footprints leave a trail. I'll help you follow that trail so that your dream of earning a million can become reality.

One investor did it. She read this book, made a million. It took her a year. But she's the outlier. You won't be that lucky.

So let's begin by discussing chart patterns, starting with the basics: trendlines, support, and resistance. Then let's discuss the buy and sell signals, the special situations, and the busted patterns. I'll sprinkle the text with actual trades that still teach valuable lessons. Near the end of the book, I'll include a trading checklist and a list of things we've learned along the way. Don't overlook the visual index of chart patterns. It'll make identification easy.

Throughout the book, I gear the presentation to the beginning investor or trader, but it comes with tips and techniques that will delight and inform the professionals, too.

What differentiates my books from others is that I prove what I say. The statistics mentioned throughout this book are not guesses nor are they copied from others, but are the results of studies I conducted using tens of thousands of chart patterns that I found.

This edition updates most of the statistics. Each statistic represents the performance of hundreds of patterns traded perfectly, without commissions or fees. You won't be able to achieve those returns, but these numbers provide a basis for comparison, they provide a foundation for dreams.

Let those dreams carry you away. And when you return to earth, let's get to work on that million.

Begin with this book.

Buy it.

Read it.

Make money.

Maybe a million.

Thomas Bulkowski
March 2014

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Other Books by Thomas Bulkowski

Encyclopedia of Candlestick Charts

Encyclopedia of Chart Patterns, Second Edition

Fundamental Analysis and Position Trading: Evolution of a Trader

Swing and Day Trading: Evolution of a Trader

Trading Basics: Evolution of a Trader

Trading Classic Chart Patterns

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Visit my website at www.thepatternsite.com. The site contains over 650 articles I have written on price patterns and trading; it's free, and there is no registration. If you would like to contact me, e-mail me at tbul@hotmail.com.

T. B.

Chapter 1

Introduction to Chart Patterns

An investor I'll call Gina e-mailed me her story. She had saved \$100,000 in her IRA. Then she bought this book and used its teachings to grow her account. She bought exchange-traded funds that tracked the metals. A year later, her account was worth \$1.1 million. She made a million in one year. Wow.

I had a hard time believing her story so I talked to my brother. "She's an outlier." She's the exception to the rule, the one person in the world that makes it to the very top. She was in the right place at the right time and did everything right to make a bundle.

If Gina can do it, why not you?

What Are Chart Patterns?

Have you ever strolled into the woods and found footprints in the soil? If it's muddy, you may see bird tracks. You may also find larger tracks from cats, dogs, and even deer. You don't see the actual animal, just their tracks. If you follow the tracks, perhaps you can discover a beautiful creature.

When people trade a stock, they leave behind a footprint. Volume increases. The price bar printed on the chart may also change. String enough of those price bars together and they form patterns, which we call chart patterns.

I used to think that *chart patterns* were the footprints of the smart money. I think the dumb money steers the feet, too. What does that mean?