

# **PATTERN TARGET PROFIT**

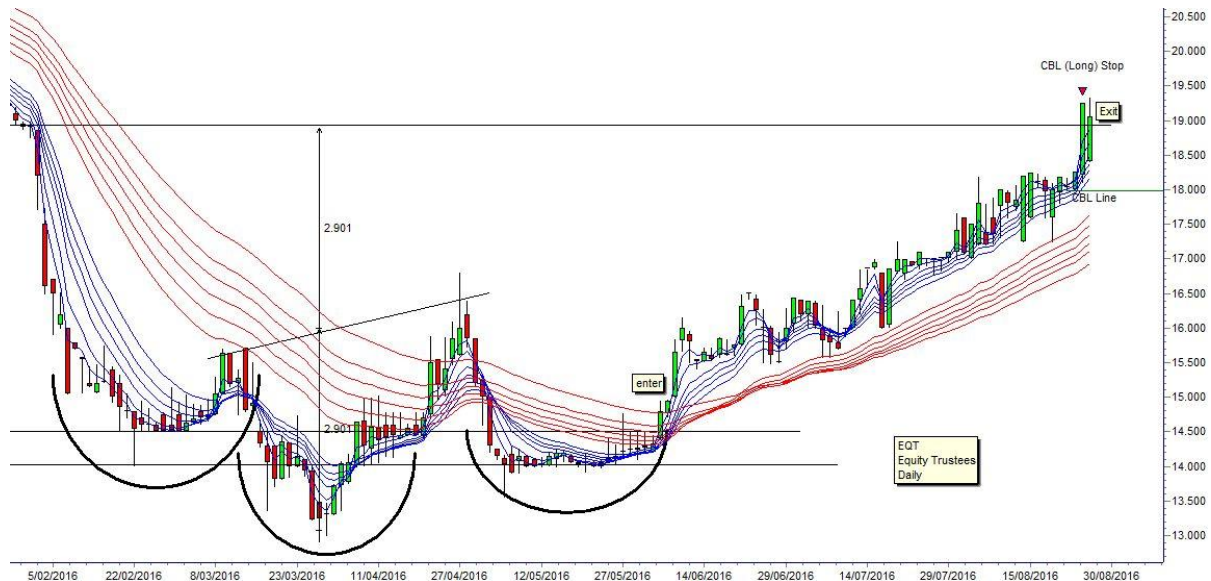
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This EQT trade is a boring trend trade with a well defined chart pattern based profit target at \$18.90. The initial sell order is placed just below this level at \$18.85. This is designed to get the trader out if the momentum slows as the price approaches this target level.

This did not happen. The upwards buying momentum was very strong. For case study purposes we apply the order line management methods used with SKI and make an exit near \$19.19. This delivers a \$5501.66 profit for a return of 27.51%.

All of the up trend features on the chart remain strong and many traders will keep this trade open.

However the purpose of this case study was to show how chart pattern and target analysis is combined with other trend analysis features. The trade has achieved its purpose so it is closed.



This case study trade is an example of the way a chart pattern – inverted head and shoulder pattern– is used to identify the trade and set a strategic exit target. The trend breakout is confirmed with GMMA analysis. The trade is actively managed using a count back line.

This EQT example has two confirming patterns and each pattern can be used to verify the conclusions of the other pattern.

The first pattern is the inverted head and shoulder pattern.

The distance between the head and the neckline is measured and gives an upside target near \$18.90. The second pattern is the pattern of support and resistance. This has a strong consolidation band between \$14.00 and \$14.50. Above this is a resistance level near \$15.70. The next resistance level is near

\$18.90. This is where the gap-down started and this upper level is often a future target for the trend recovery.

In this chart two separate methods verify the \$18.90 target level. The trade method is straightforward and aggressive. For case study purposes we take an entry near \$15.05 as the breakout develops above the consolidation band. The stop loss is a close below \$14.50. This buys 1,329 shares for a cost of \$20,000 and puts 730.90 at risk or 0.73% of total trading capital.

**Here's the marked to market update on the case study trade performance.**

Stock code	<b>EQT</b>
Total investment pool money in account	100,000
Your investment risk for this trade	2,000
<b>Average entry price</b>	<b>15.05</b>
<b>Stop loss</b>	<b>14.50</b>
Cost of trade	<b>20,000.00</b>
Number of shares buy	<b>1,329</b>
Loss if sell at stop loss	730.90
Risk % of total investment pool money	0.73%
Planned Profit exit price	<b>19.19</b>
Profit	<b>5,501.66</b>
Trade profit %	27.51%

The target is \$18.85, just below the pattern calculation target. This level is used as it increases the probability the trade will be executed at this level. Price will probably reach \$18.90, but the danger is that just few shares might change hands at this level. By setting the advance sell at \$18.85 we are guaranteed the full trade exit will be achieved if the price reaches the \$18.90 pattern target level.