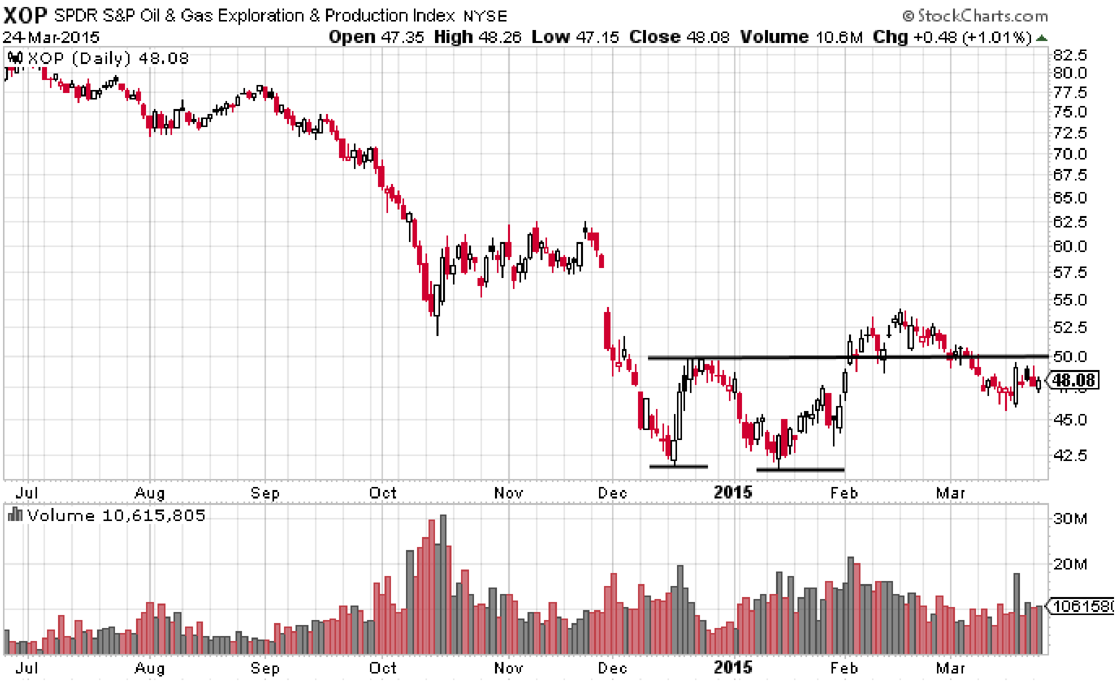
These ETFs are Breaking Out of Chart Patterns Now

Tickers in this article: XOP, EWA, IEFA, EDZ

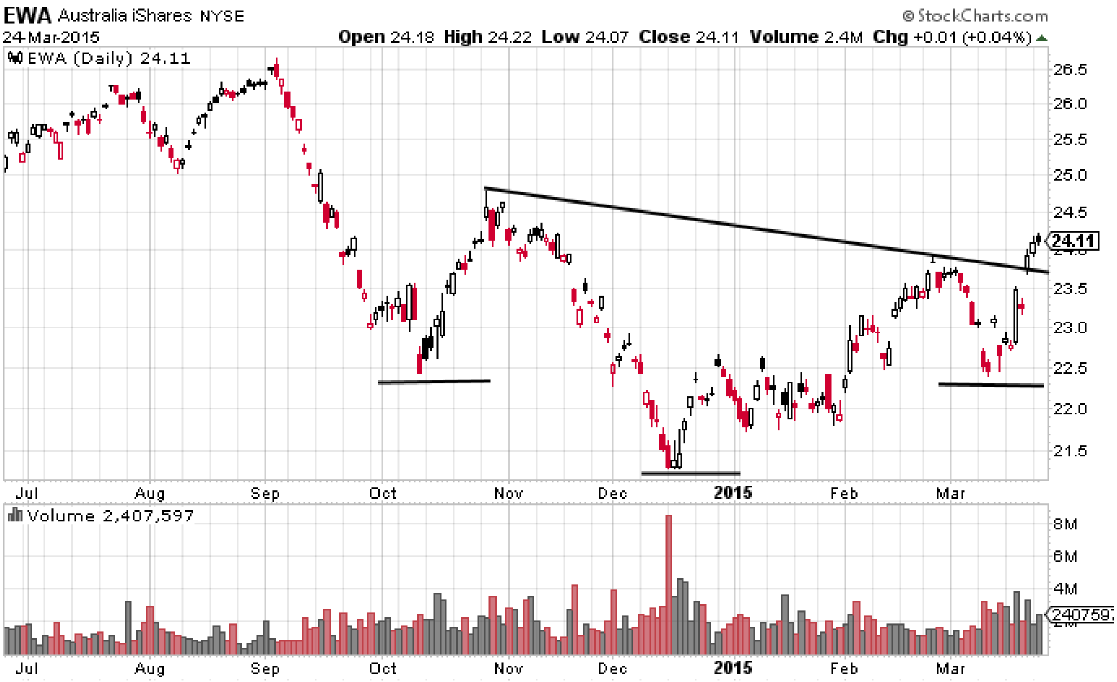
Chart patterns are one strategy traders can use when trading exchange-traded funds (ETFs) (or other tradeables). There are a number of chart patterns, grouped in two categories: continuation and reversal. Regardless of the pattern being traded, chart pattern traders watch for prices to move outside the pattern (a breakout). The breakout signifies a likely further move in that direction. While not an exact determinant of how far the price will travel following a breakout, by adding the height of the pattern to the breakout point for an upside breakout (or subtracting the height of the pattern for a downside breakout) an approximate profit target is attained. Here are four ETFs breaking out of chart patterns right now.

SPDR S&P Oil & Gas Exploration and Production ETF (XOP)



SPDR S&P Oil & Gas Exploration and Production ETF (XOP) completed a double bottom chart pattern in February, but since then the price has drifted lower and is currently near the original breakout point. This provides a "second chance" buying opportunity. The original breakout point was $50, so buy on a rally above that. Traditionally a stop loss is placed below the double bottom low of $41.63. An alternative is to place the stop loss below a more recent swing low in order to reduce risk (near $46 for example). The height of the pattern is $8.37. Added to the breakout point, the potential upside target is $58.37. (For more, see: *The Anatomy of Trading Breakouts*.)

iShares MSCI Australia (EWA)

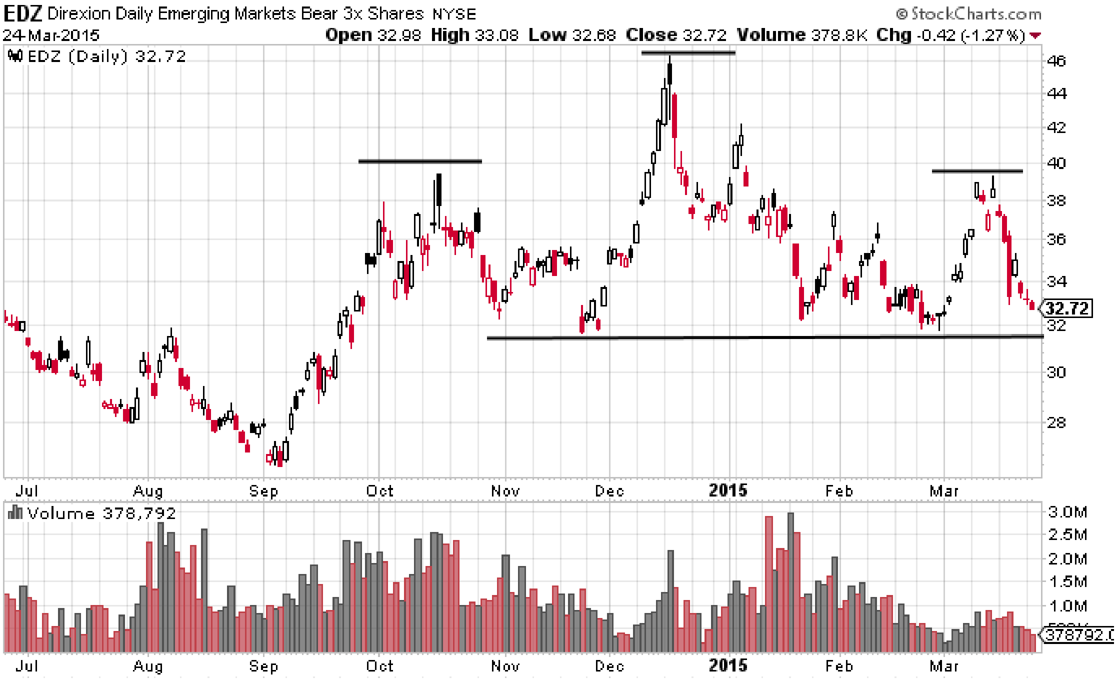


iShares MSCI Australia (EWA) broke above a lopsided inverse head and shoulders pattern on March 20. The price is still in the breakout/buy zone near $23.65. The stop loss is placed below the recent swing low of $22.40. The stop loss can also be placed below the low of the entire pattern, $21.30, although taking on this much risk isn't usually warranted. The left side of the pattern is much larger than the right side. The height of the left side is $4.40, giving a price target of $28.05 (when added to breakout price). The right side of the pattern is $2.63 in height, giving a price target of $26.28. Opting to use the more conservative target is often the better play, since it is more likely to be reached than a distant target. (For more, see: *How to Trade the Head and Shoulders Pattern*.)

iShares Core MSCI EAFE (IEFA)

iShares Core MSCI EAFE ([IEFA](#)) has already provided two chances to get in at the breakout price of a double bottom. The initial breakout occurred in February, with a second chance buying opportunity in March. With the price rallying again, it is uncertain whether another buying opportunity will arise at the entry price of $58.54. If it does, the stop loss can go below $56.87, the March swing low. The height of the pattern is $5.30; added to the breakout price it provides a price target of $63.84. (For more, see: *Trading Double Tops and Double Bottoms*.)

Direxion Daily Emerging Markets Bear 3X ETF (EDZ)



There is a clearly defined head and shoulders pattern in the Direxion Daily Emerging Markets Bear 3X ETF (EDZ). A breakout occurs if the price drops below $31.65, the low of the pattern (support). A stop loss can be placed above $39.28 — the high of the "right shoulder." The pattern is $14.59 in height. Subtracted from the breakout price, the price target is $17.06. Such large moves are possible because this is a leveraged ETF. Trade cautiously in leveraged ETFs; large price moves are the norm, and can cause significant financial loss (or gain) in short periods of time. (For more, see: *Leveraged S&P ETFs: Beware of Volatility*.)