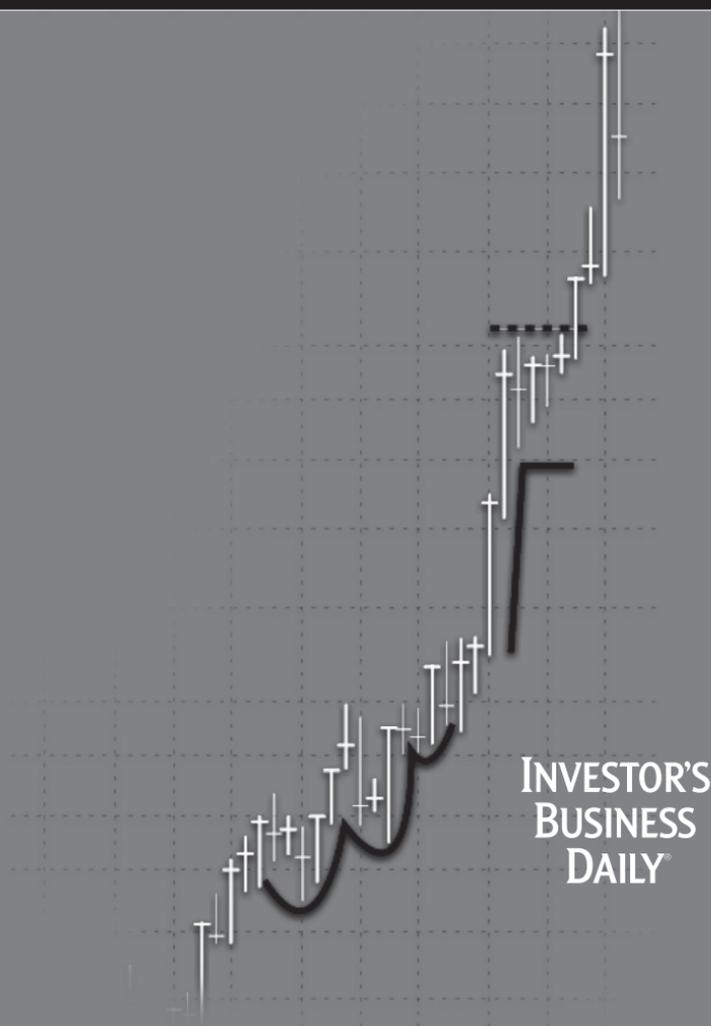


How To Recognize Great Performing Stocks >>

Your guide to spotting the Ascending Base and High Tight Flag chart patterns.



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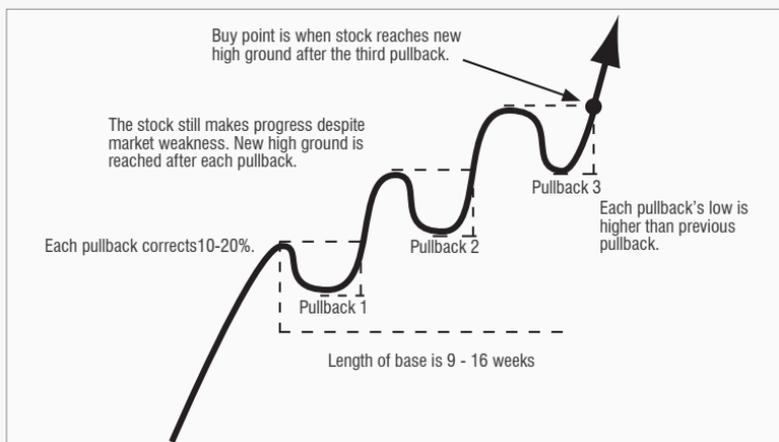
How to Recognize Great Performing Stocks

In the past four booklets, we covered the most common chart patterns seen in winning stocks before their major price moves. These patterns have been repeated countless times in each market cycle of the past century. Sometimes these winning stocks also form additional patterns when their moves are already well underway. The ascending base and high tight flag are two examples of this. Although they occur less frequently, they produce some of the most powerful price advances.

The Ascending Base

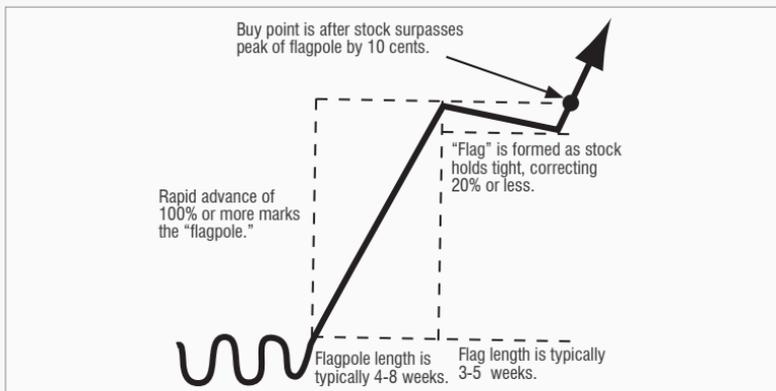
The ascending base is a pattern that usually occurs midway in a stock's move. It has three pullbacks of around 10-20%, with each high moving higher than the one previous and each low being made higher than the previous low. Typically, the ascending pullbacks are caused by a strong stock trying to fight against short term general market weakness. The base is usually between 9 to 16 weeks long.

The pivot, or buy point, for the ascending base is after the third pullback, when it moves 10 cents above its previous high on volume that is at least 50% above its average volume for the last 50 days.



The High Tight Flag

The high tight flag is also a rare pattern often found in some of the more powerful moves. It begins with a strong run-up in price (up to 100% or more in one or two months). This creates the “flagpole” of the high tight flag. Normally, you expect a sharp pullback after such a strong move, because the stock is so extended. However, this pattern consolidates no more than 10-20% in three to five weeks. It retains the majority of its previous move and holds tight. This is the “flag” portion of the pattern. Many of the examples from our model books show moves of 200% or more after breaking out of high tight flags, making this pattern well worth studying.



The pivot point on the high tight flag is a straight line across from the previous high, the top of the flagpole. The breakout occurs when the stock surpasses this line by 10 cents on volume that is at least 50% above its average volume for the last 50 days.

These patterns are more advanced patterns. They are more difficult to recognize and interpret correctly. Careful study of previous examples will help you take advantage of these patterns when they occur. Current earnings should be up a large amount.

As always, more educational examples are available in the *Investors Corner* feature in IBD®. Plus, visit our web site, Investors.com, to view our *Online Courses* and video examples in the *Daily Stock Analysis*.

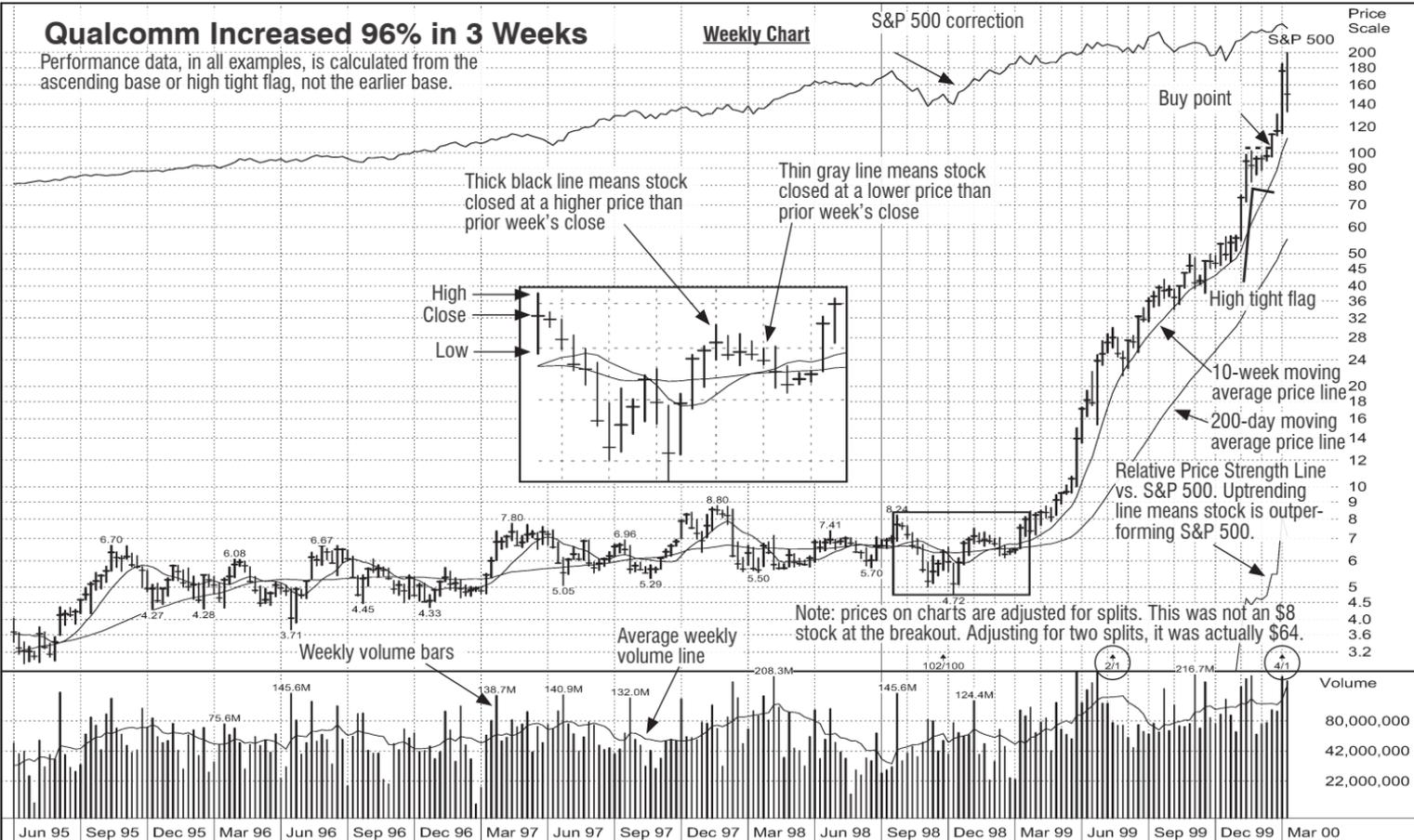
The chart on the next page gives you definitions of key features included in IBD chart examples and can be used as an additional reference as you go through this booklet.

We look forward to helping you become a more successful investor.

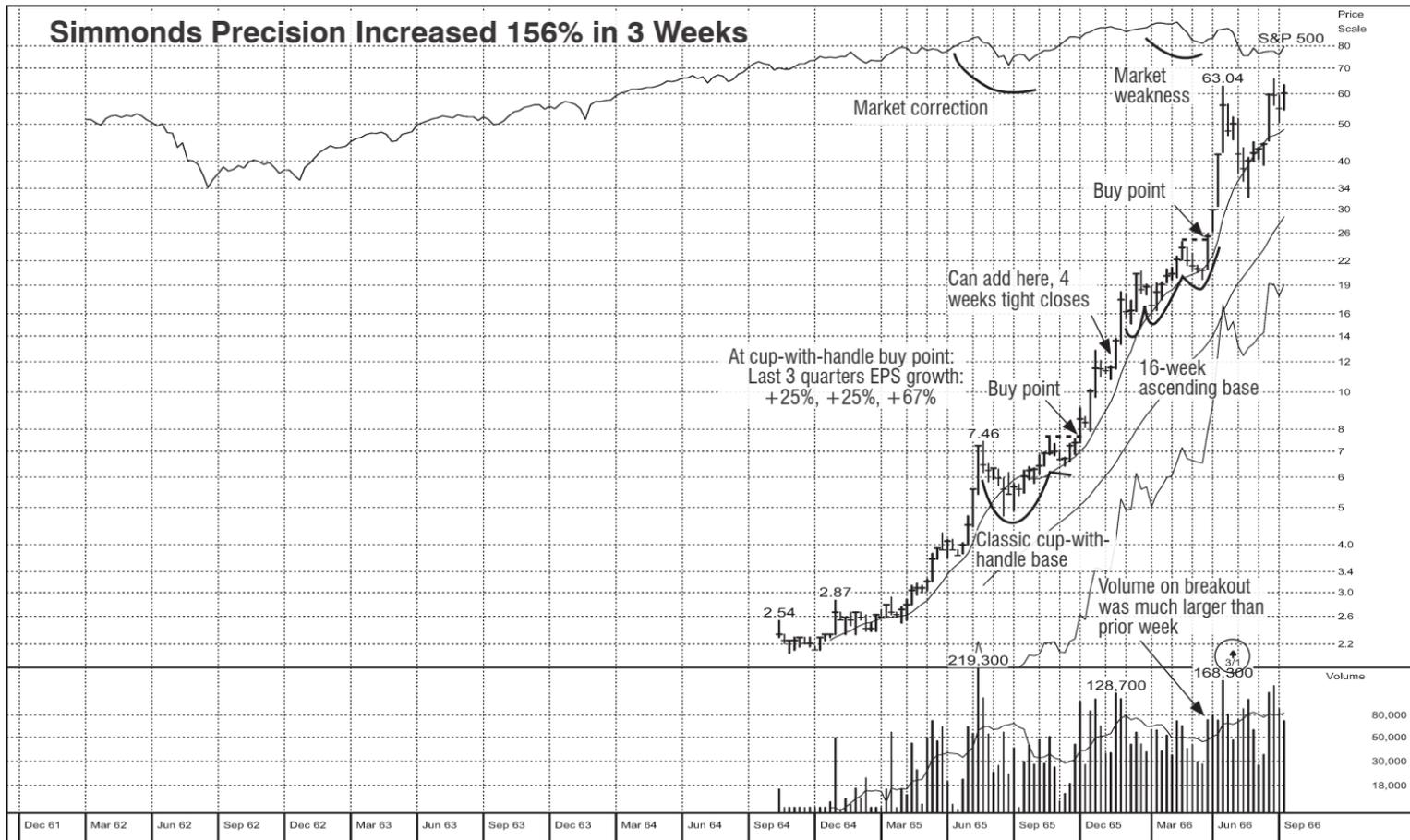
William J. O'Neil

Qualcomm Increased 96% in 3 Weeks

Performance data, in all examples, is calculated from the ascending base or high tight flag, not the earlier base.

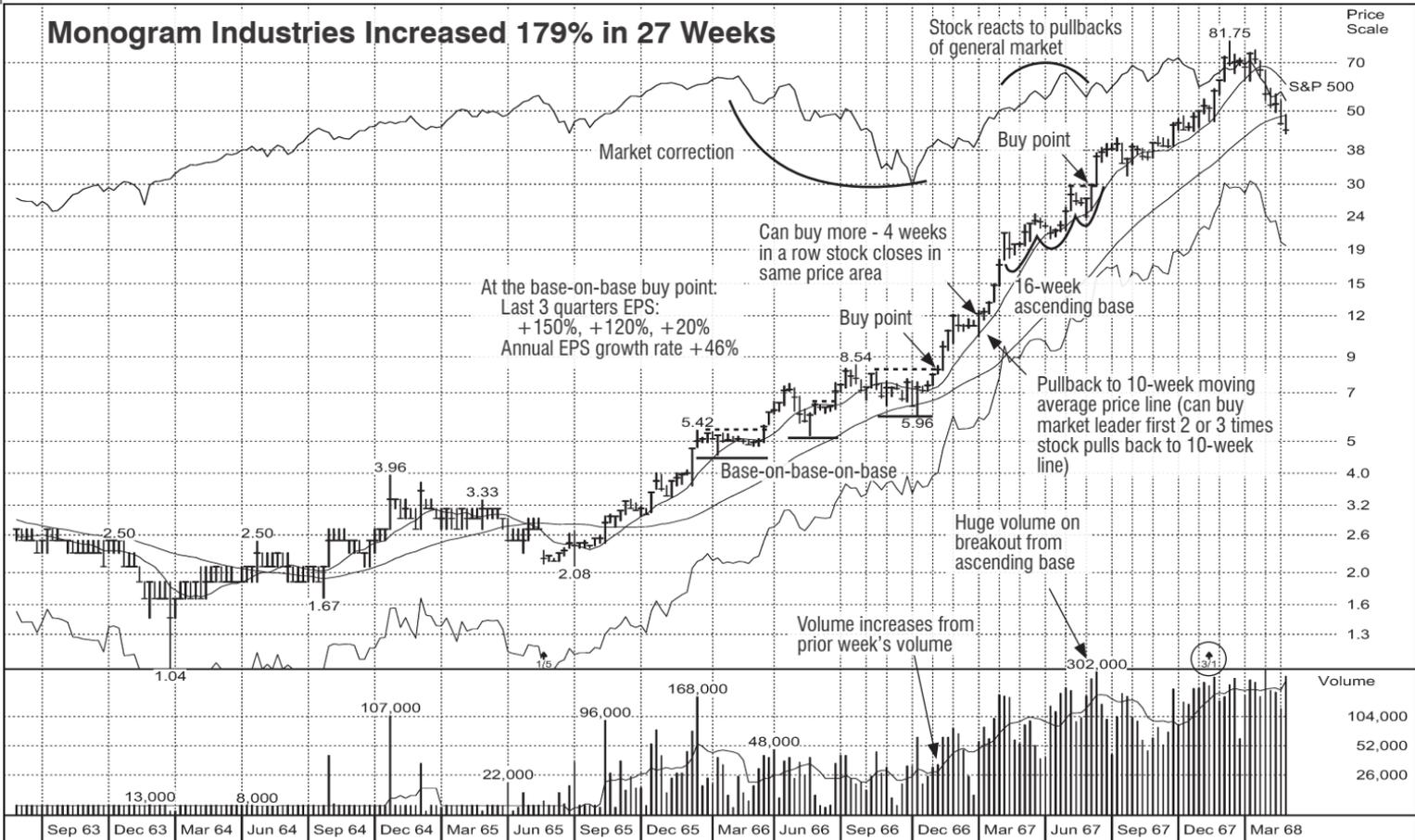


Simmonds Precision Increased 156% in 3 Weeks



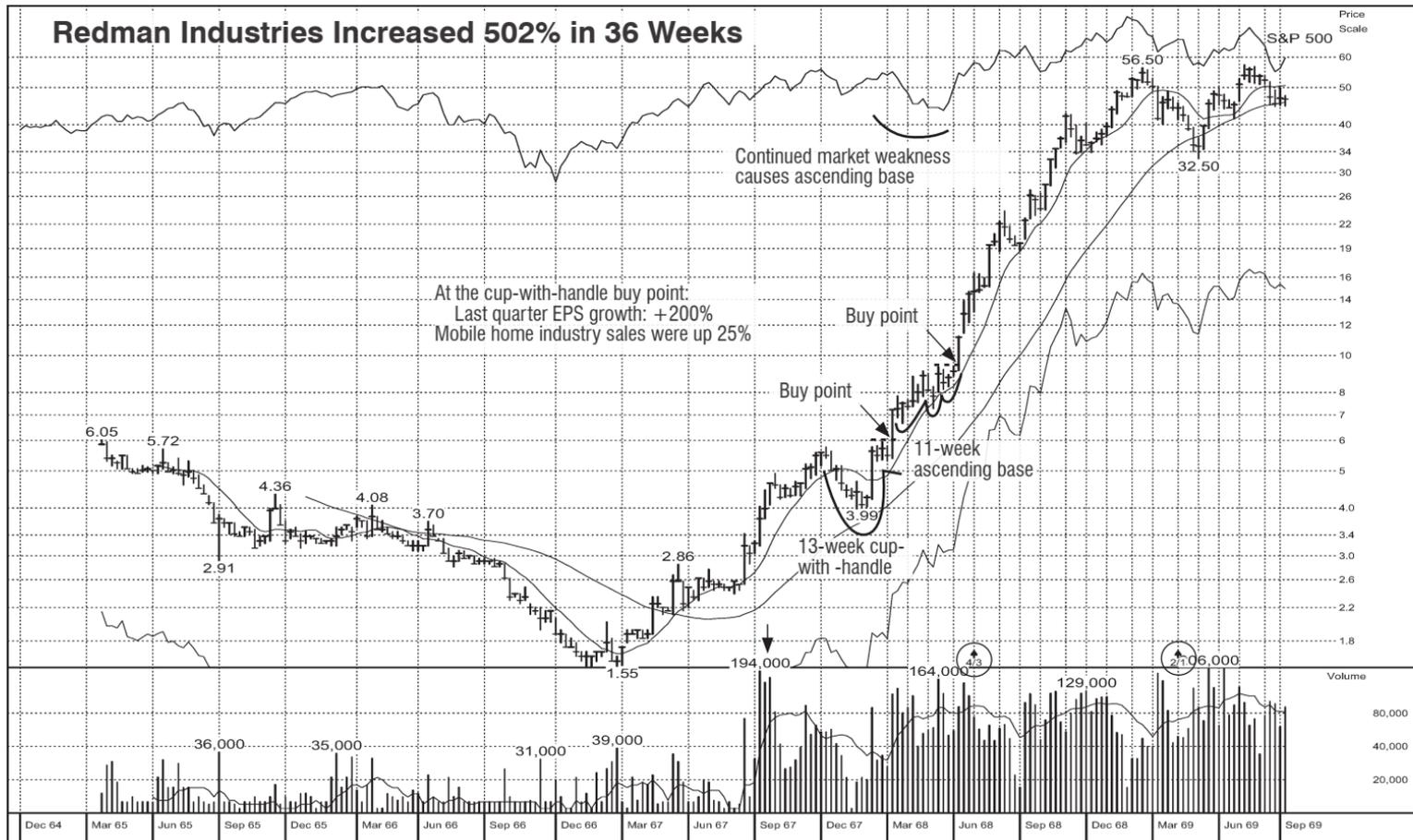
7/8/1966

Monogram Industries Increased 179% in 27 Weeks



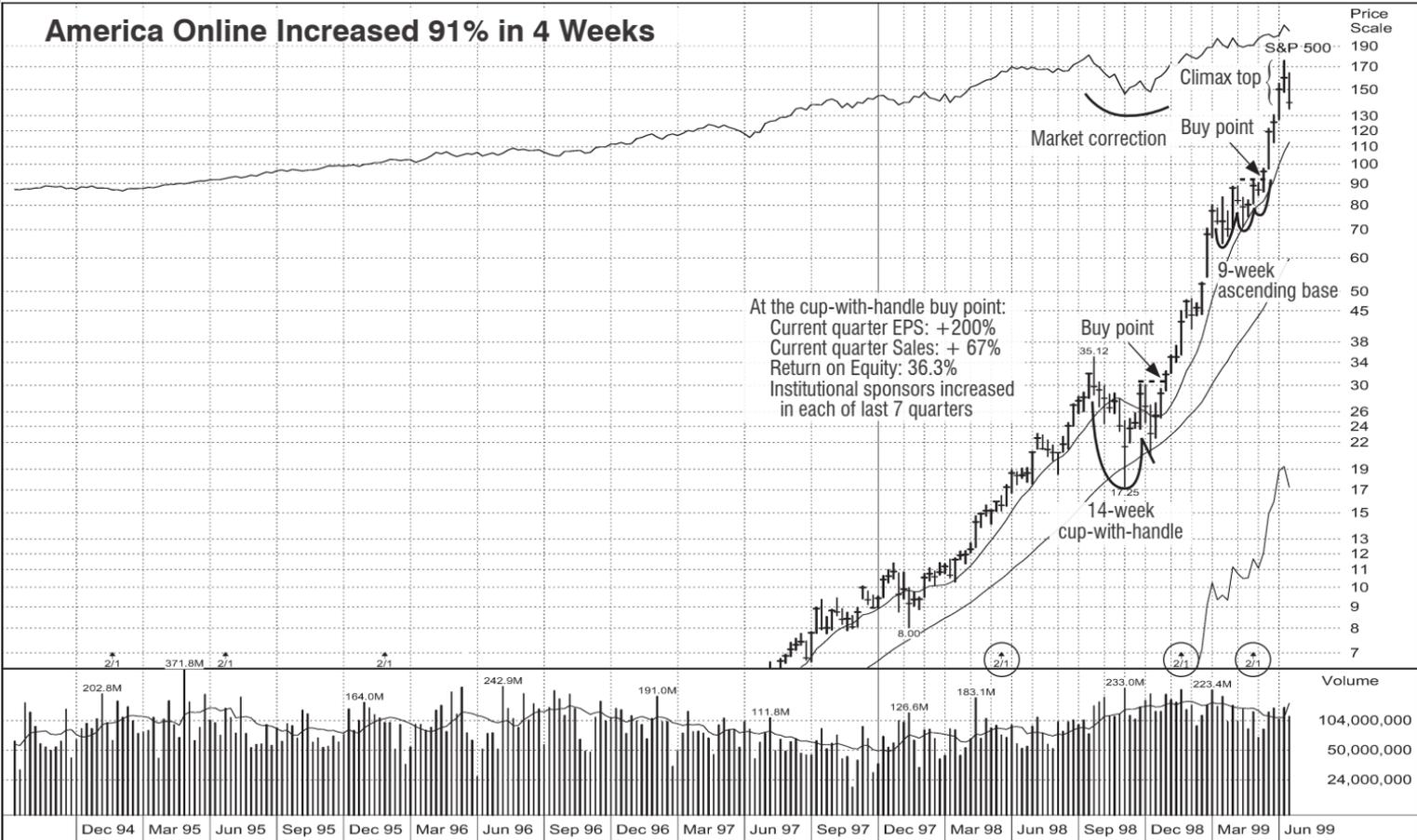
3/1/1968

Redman Industries Increased 502% in 36 Weeks

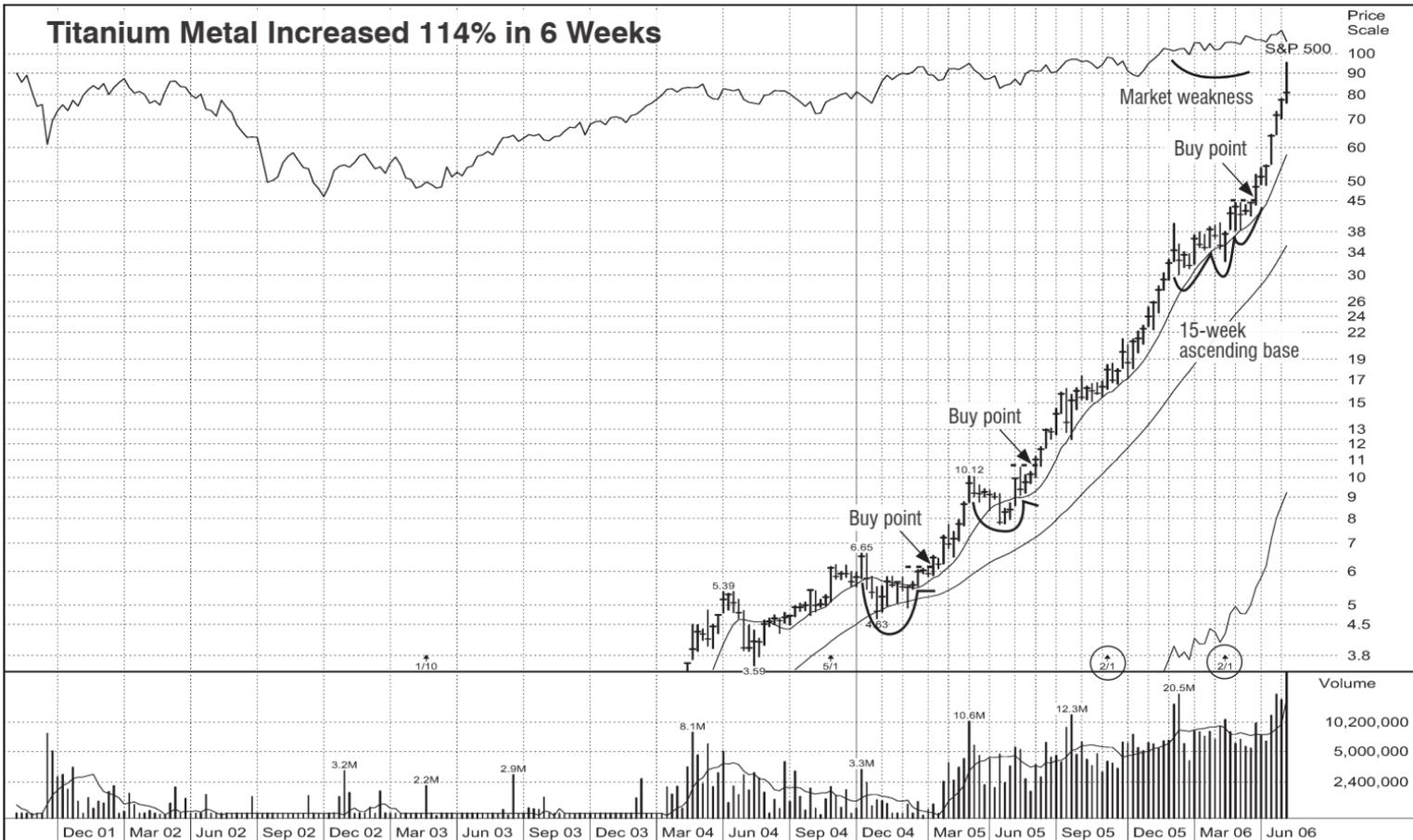


7/4/1969

America Online Increased 91% in 4 Weeks



Titanium Metal Increased 114% in 6 Weeks



IPO: 6/5/1996

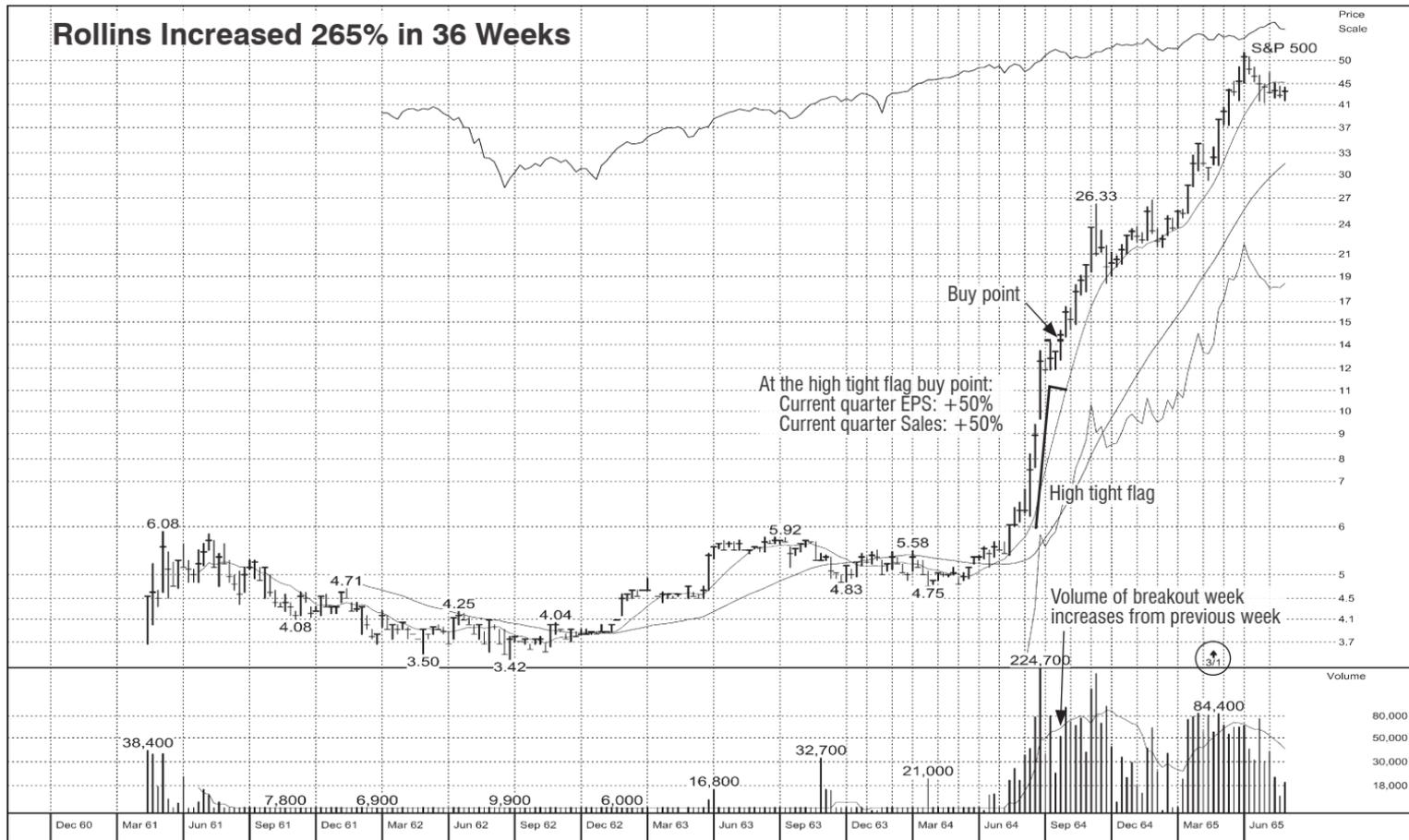
5/12/2006

Syntex Increased 482% in 25 Weeks



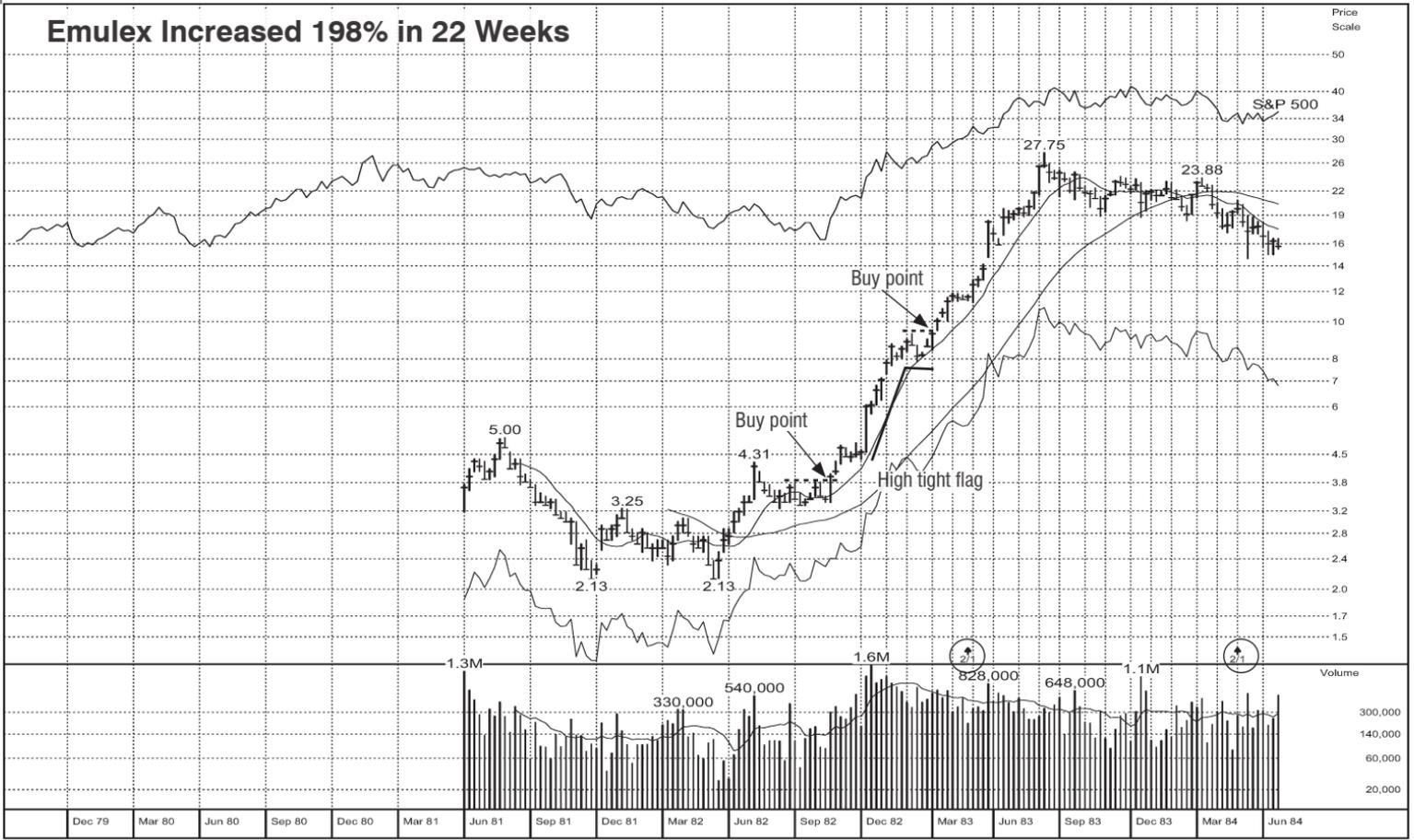
4/24/1964

Rollins Increased 265% in 36 Weeks



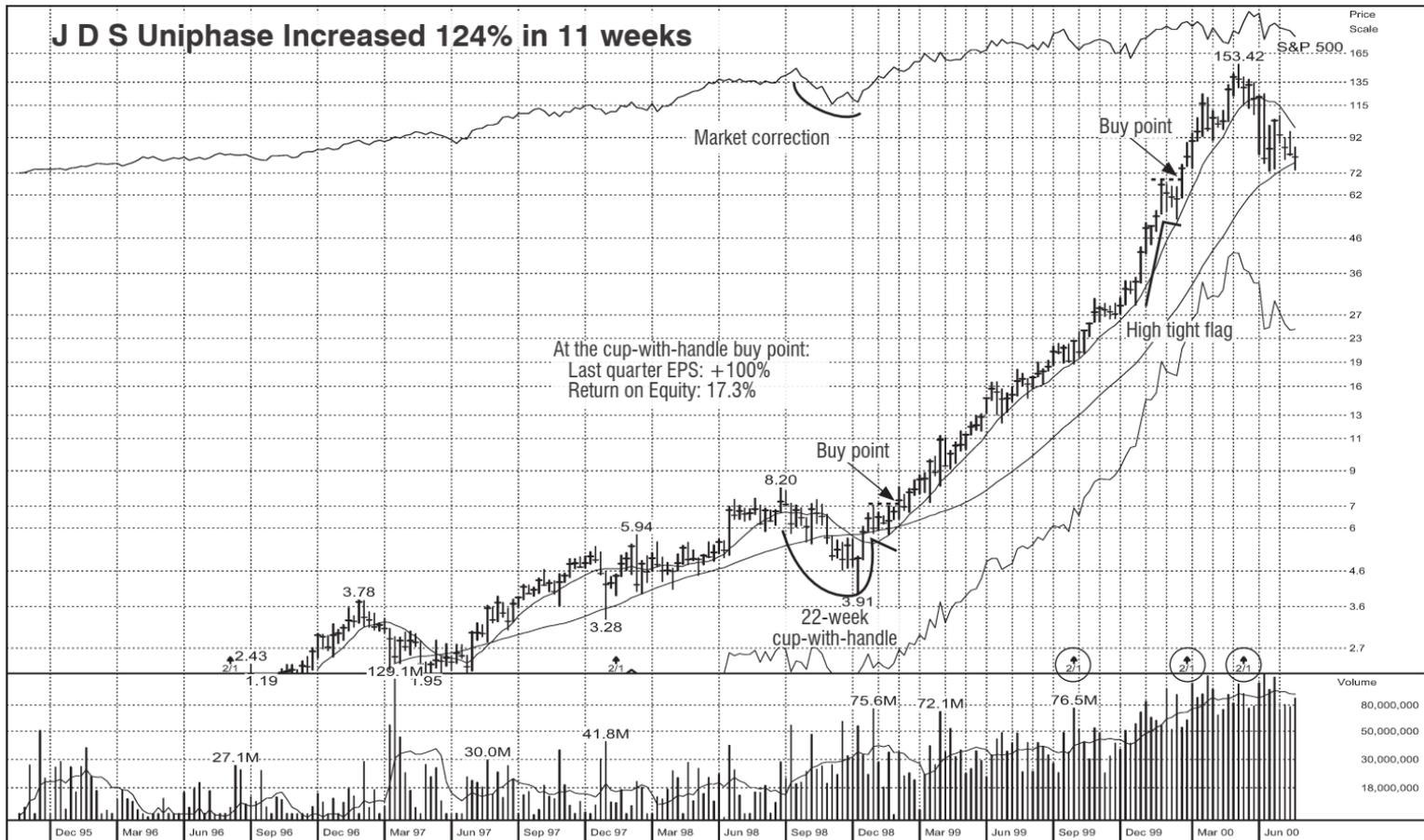
5/28/1965

Emulex Increased 198% in 22 Weeks



4/27/1984

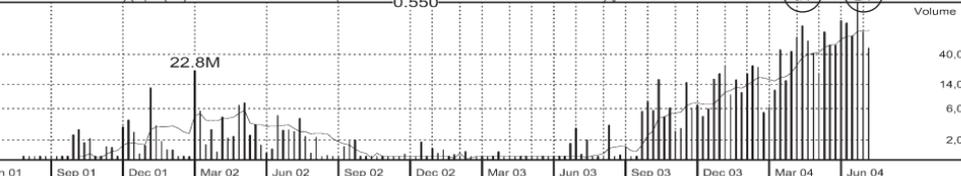
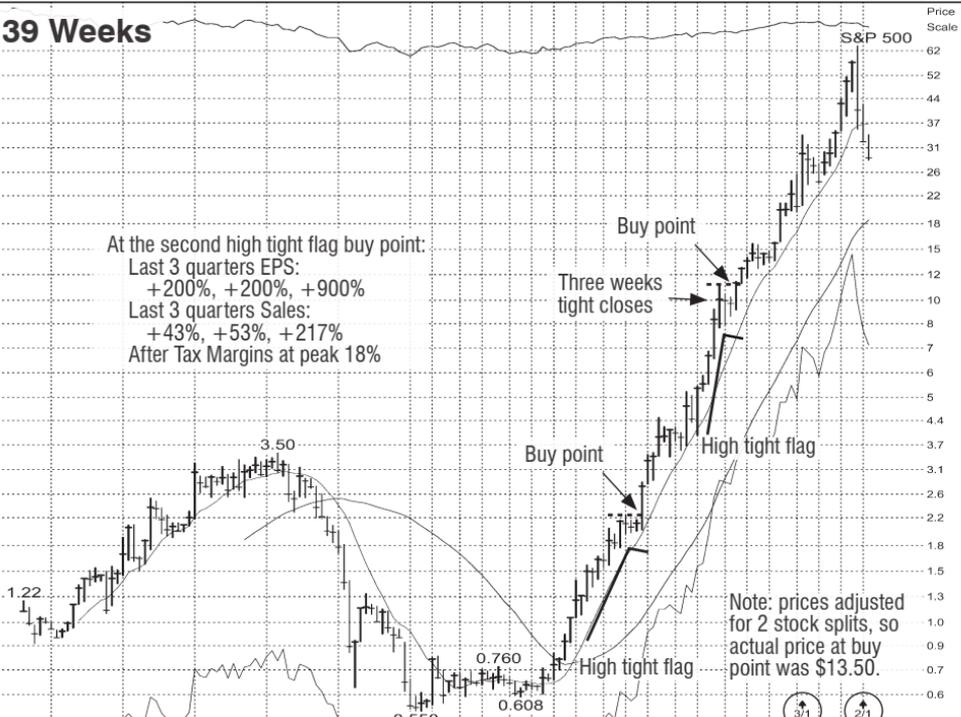
J D S Uniphase Increased 124% in 11 weeks



IPO: 11/16/1993

5/26/2000

T A S E R Increased 2751% in 39 Weeks



Dec 99 Mar 00 Jun 00 Sep 00 Dec 00 Mar 01 Jun 01 Sep 01 Dec 01 Mar 02 Jun 02 Sep 02 Dec 02 Mar 03 Jun 03 Sep 03 Dec 03 Mar 04 Jun 04

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