

Welcome to TheMarket.co.za Weekly Analysis Report

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Classic Trading Rule:

"It is better to be more interested in the market's reaction to new information than in the piece of news itself."

IMPORTANT REVERSAL TODAY**Introduction:**

After falling to our expected pullback level the JSE All Share index is giving a classic reversal day back up today. If it holds into the close today, it will, in my view be the start of the next (and final) up leg up in this bull market. What worries me is the monthly charts that are not looking good. I therefore think the best one can hope for is a retest of the recent highs and maybe slightly more. Thereafter, look for an extremely large correction. We'll start with the **Dow** update, which shows important support holding despite being tested numerous times in recent days. This is bullish and augurs well for another rally. The **All Share index** chart is shown with the short and med-term strategy there. Advice for investors will be updated as the next rally gets going. The important **USD/Rand** chart is also show, and is pointing to another rally in the rand before a much larger correction. We also update the **gold price**, showing a new upside breakout and higher target in place. The stock charts shown are **Naspers-N** (building up for a final rally), **Steinhof** (prepare for a new buy signal), and **Old Mutual** (a laggard that's to be monitored for a good comeback rally).

The small-cap chart is **Ansys**, on the AltX. It has a higher target after a recent breakout.

Overall, I'm expecting one more good rally on local and overseas markers. Today's upside turnaround is in all likelihood the start if that. I'd like to see the Dow breakout above 11 210 to confirm it. Therefore, traders prepare for another ride, but because markets are very high on a big picture perspective, trading sizes should be kept smaller than usual.

Executive Summary:

- **Dow (chart 1):** Wait for new breakout signal.
- **All Share Inx (chart 2):** Traders buy on a clear reversal day up from here, or a close above line 4.
- **USD/ZAR (chart 3):** Go long (buy) the rand on a close below line 4.
- **Gold (\$)** (chart 4): Buy for more short-term follow through.
- **Naspers-N (chart 5):** Hold current longs. Buy/add to on a close above line 3.
- **Steinhof (chart 6):** Traders prepare to buy again.
- **Old Mutual (chart 7):** Traders buy a clear reversal day up from here or lower, or a close above line 1.
- **Ansys (chart 8):** Buy on weakness to 25c or lower.

Leading Stocks (3-mths): Top 40 – Richemont, Truwths, BHPBilliton, Naspers-N, Kumba-IO, ARM.

Resources 20 - Metorex, Petmin, Wesizwe, DRDGold, BHPBilliton.

- **Shortable stocks/indices:** 12 stocks, 0 indexes, 0 commodities, 3 currencies.

1. MARKET CHARTS

DOW JONES – Support holding, upside bias.

Broad Recommendation: WAIT FOR NEXT BREAKOUT DIRECTION

Trend: Short and med-term sideways. Long-term up.

Strategy: Buy a close above 11 210/conversely sell short a close below line 2 – first to happen.

Chart 1. (Daily)

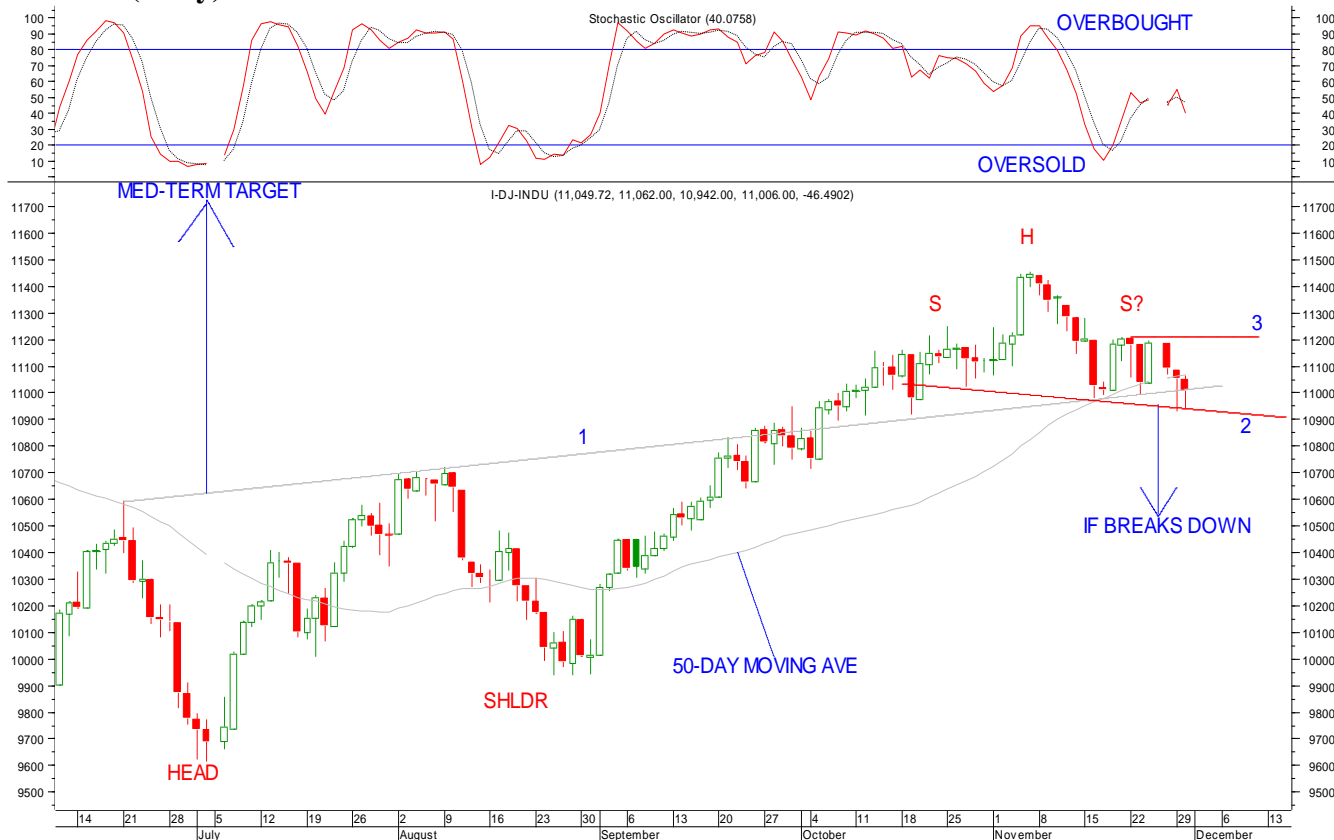


Chart Setup: The Dow is still in the potential head and shoulders pattern (labelled S-H-S?) shown last week. The past two sessions has seen it close well off its lows which is positive. Line 1 is still holding on a closing basis, and line 2 is now the ‘neckline’ of the potential head and shoulders. Note, there is still a higher target in place from an inverse head and shoulders in May-Aug.

- The short-term Stochastic Oscillator (on top) is neutral, but the odds are swinging back to the upside.

Strategy Details: Continue to wait patiently for the breakout direction. Therefore, buy a close above line 3 (11 210). Conversely, sell short a close below line 2. (Line 2 is at 10 940 on Weds night 1st and is declining at an angle of 4pts per day thereafter). Do whichever happens first. The odds are increasingly favouring an upside breakout I believe.

- Investors are not to be buying. We’ll be advising further selling by investors after the next rally.

Target: For a breakdown, it will be to 10 550 for short covering. But for a breakout, to 11 720 i.e. the height of the May-Aug inverse head and shoulders projected up. Further potential is to 12 200.

Stop-loss: For a short signal, the stop will be a close above 11 100. For a long (buy) signal, the stop will be a close below 11 000.

JSE ALL SHARE INDEX – Oversold

Broad Recommendation: WAIT FOR NEW BUY SIGNAL.

Trend: Short-term sideways. Med and long-term up.

Strategy: Traders buy on a clear reversal day up from here, or a close above line 4 (conservative).

Chart 2. (Daily)

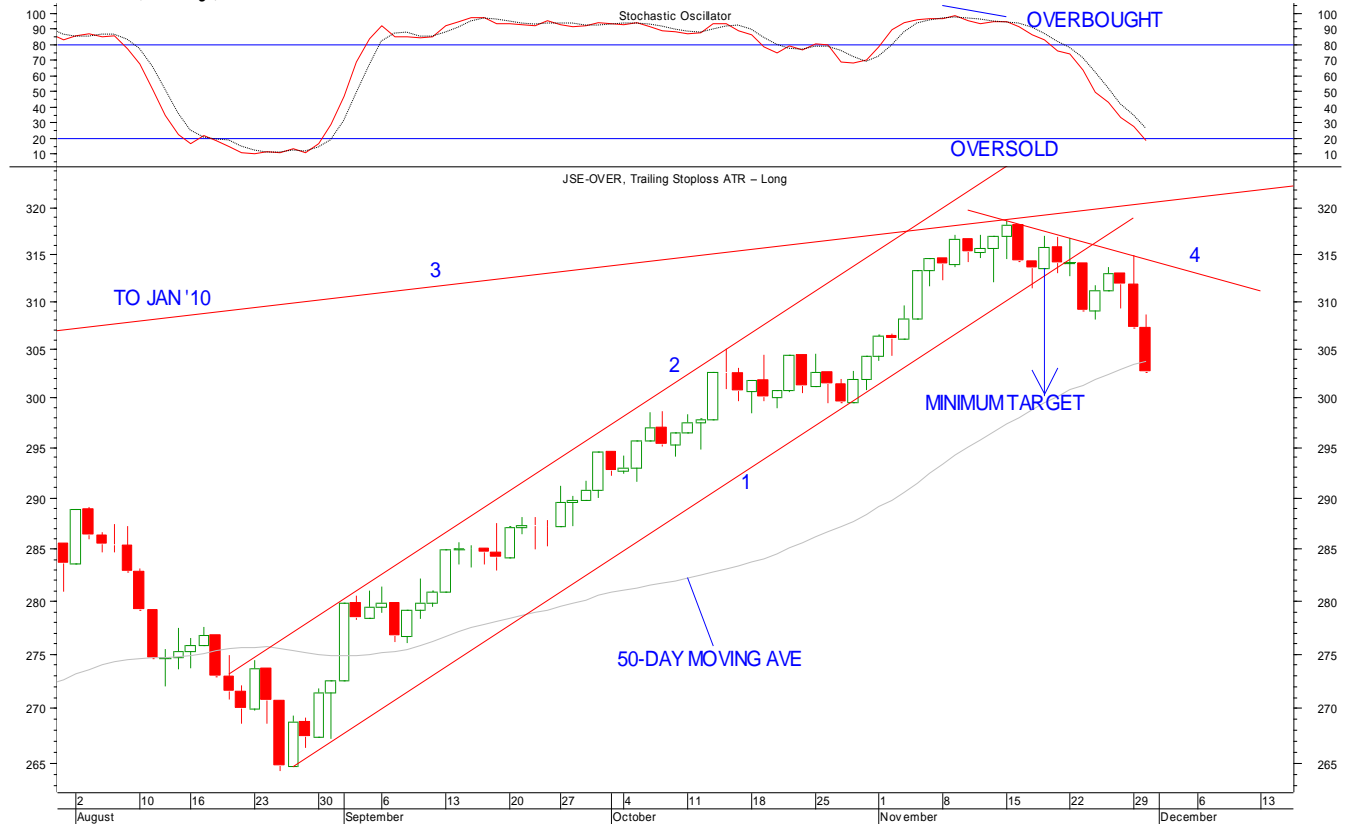


Chart Setup: The index has now dropped to the pullback zone mentioned here last week for short covering. It can still go lower however, before turning up, but I like the look to today's price action so far. Chanel 1-2 is point to a slightly lower target of 30 050, which might now be reached. But what concerns me, bigger picture, is that *monthly* chart has given a reversal month down. This points to limited more upside.

- The daily Stochastic Oscillator (on top) is in its oversold region so a reversal back to the upside can occur at any time. Shorter-term oscillators have been oversold for a few days already.

Strategy Details: I'm expecting one more rally before a large correction. Traders start buying on a clear reversal day/candle (see Glossary) up from current levels or lower. Do not buy all your position then, but simply start the process. (Note, if you're not sure if it's a clear one or not, rather do nothing).

- More conservative traders to wait for a close above line 4 to buy. (Line 4 is at 31 420 on Weds 1st and is declining at an angle of 40 pts per day thereafter).

Target: Right now there is support at the following levels: 30 000, 29 800, 29 150. It can fall to either of these levels before reversing back up. BUT a firm close today e.g. around 400 points up, will in my view, start the next uptrend. We'll be looking for a rally to 32 000. A retest of its all time high of 33 310 is now in doubt. (Thereafter a very large correction of about 8000-10 000 points at least).

Stop-loss: Below the low of a reversal day from here or lower. If buying on a close above line 4, the stop will be below the low of the current correction.

USD/RAND – Rand to rally again

Broad Recommendation: PREPARE TO GO LONG RAND

Trend: Short-term rand weakness, but oversold. Med-term sideways. Long-term rand strength.

Strategy: Go long (buy) the rand on a close below line 4.

Chart 3. (Daily)



Chart Setup: Updating the rand chart, in mid-Nov it broke out above (below) line 3. There is resistance (support) at line 1 (7.23) but it can reverse back down at any time. There is still a large broadening formation in place (lines 1 and 2), pointing to a stronger target for the rand.

- The short-term Stochastic Oscillator (on top) is overbought for the USD and is giving a negative divergence there i.e. warning of the rand to rally again.

Strategy Details: Go long (buy) the rand on a close below line 4. (Line 4 is at 7.1200 on Weds 1st, and rising at angle of 0.0150c per day therefore e.g. to 7.1350, 7.1500 etc).

Target: While it can still drift to 7.23 (line 1 extended across), if it closes below line 4, look for a final rally in the rand to 6.58 (i.e. the height of pattern 1-2 projected down). Thereafter, I'm expecting a large sell-off in the rand.

Stop-loss: Once the price closes below line 4 to trigger the rand buy signal, place your stop as a close above 7.24 (spot price). When it gets below 6.75, take partial profits and move your stop to a close above 7.02. As it gets to 6.70 use a breaking of its prior 2 day high as your trailing stop.

LATE FLASH: The rand is trading below line 4 so far today.

GOLD (\$) – New upside breakout

Broad Recommendation: TRADERS BUY. INVESTORS HOLD.

Trend: Up, despite recent consolidation.

Strategy: Buy for more short-term follow through.

Chart 4. (Daily)

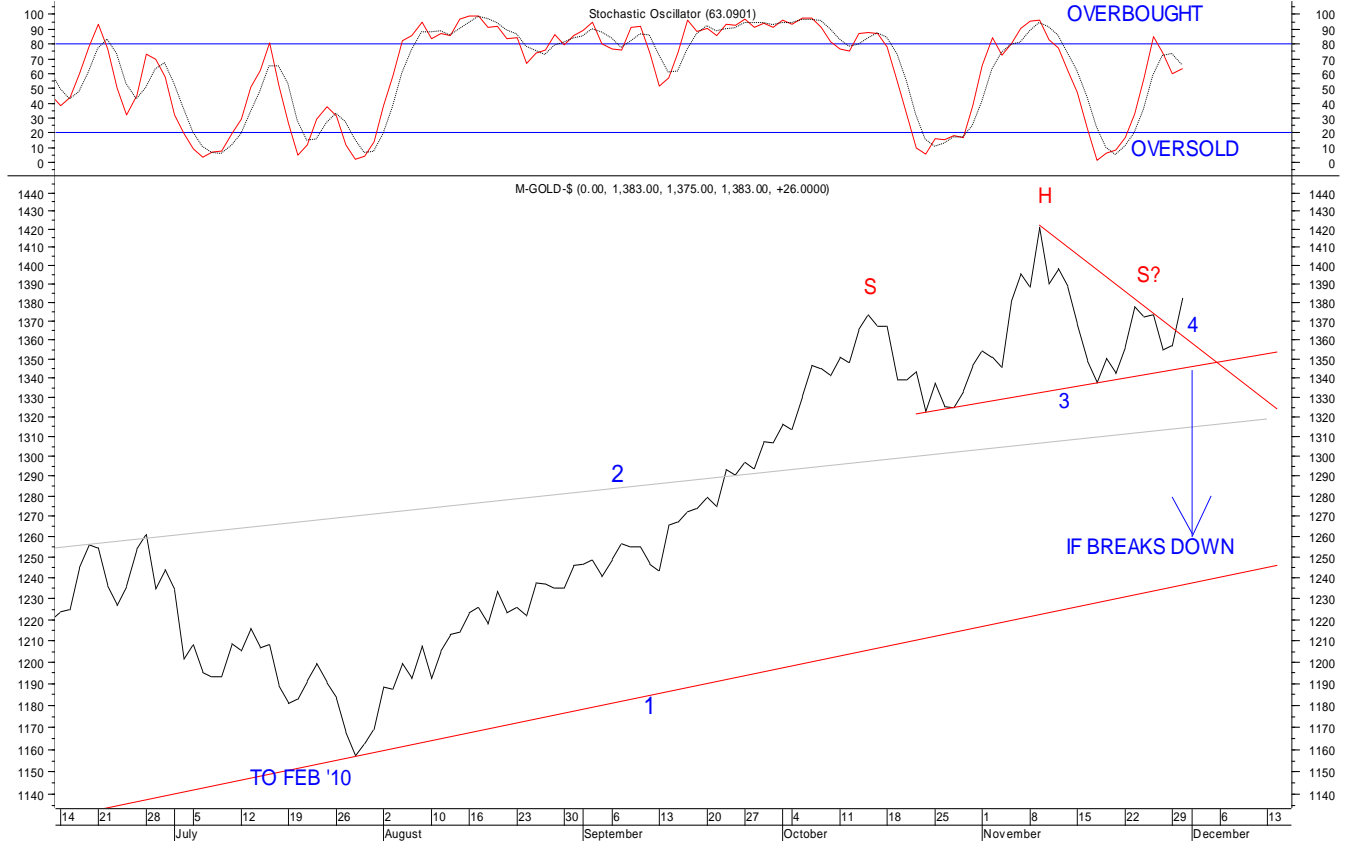


Chart Setup: The gold price is forming a “potential” head and shoulders (labelled S-H-S?). It needs to close below line 3 (the neckline) to confirm this bearish pattern. But yesterday it broke out above line 4, which is very bullish and should see it rallying sharply (and negate the potential head and shoulders).

- The short-term Stochastic Oscillator (on top) is relatively overbought, which is the only short-term concern.

Strategy Details: Traders buy now for a rally to \$1450. I would not recommend aggressive buying though. But if it reverses down to close below line 3, then reverse and sell short. (Line 3 is at \$1346 on Weds 1st and rising at an angle of \$1.00 per day thereafter – spot price).

Target: Right now the new breakout points to a target of \$1450. If it reverses and breaks down below line 3, the target will be \$1260 (very close to line 1 support, which is currently at \$1240) – albeit unlikely to happen.

Stop-loss: Current initial stop as a close below line 3 (although this is quite wide, it simply means you buy fewer contracts or rands per point). For the (very unlikely) short signal, the stop will be a close above \$1373.

NASPERS-N (NPN) – Consolidating before a rally

Broad Recommendation: HOLD/WAIT FOR NEW BUY SIGNAL

Trend: Short-term sideways. Med and long-term up.

Strategy: Hold current longs. Buy/add to on a close above line 3.

Chart 5. (Daily)

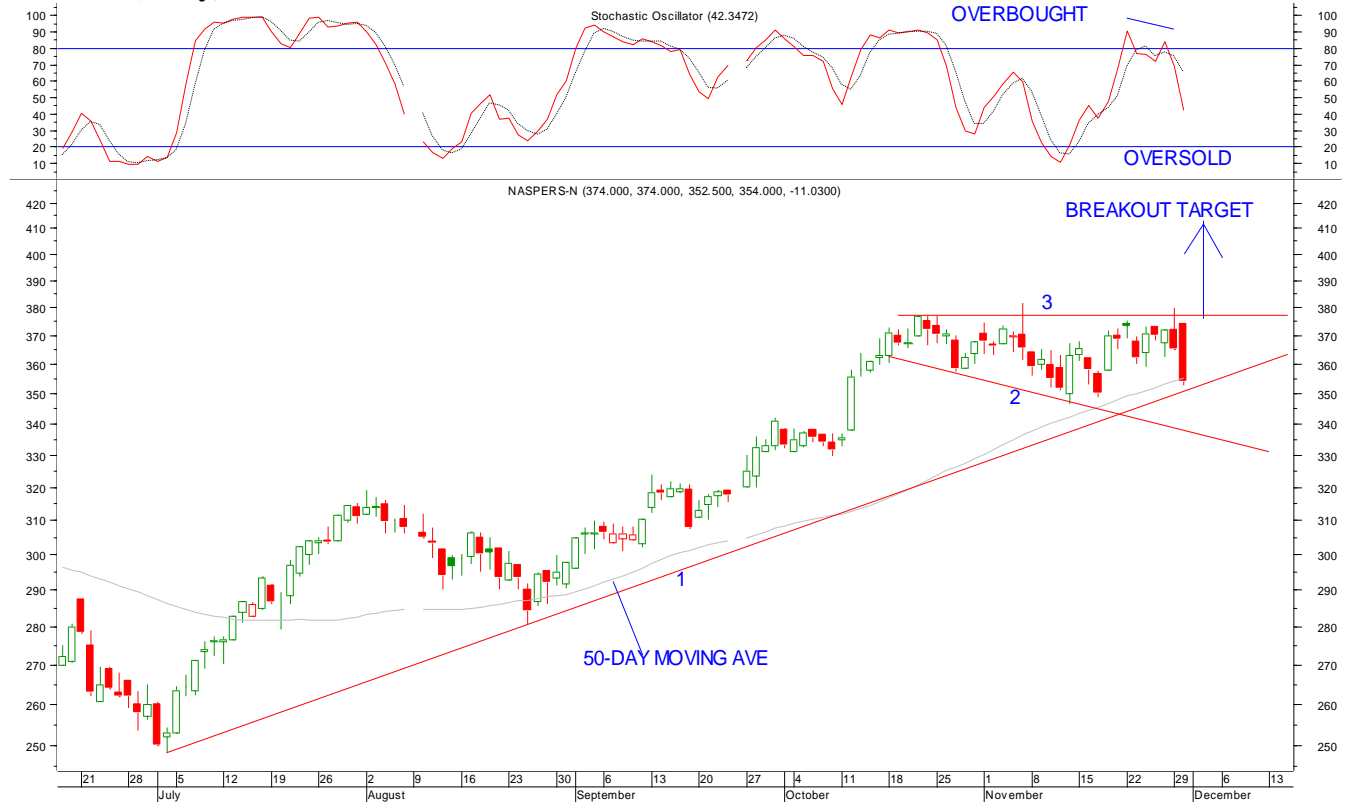


Chart Setup: Naspers has been moving sideways for the past 6-weeks in a broadening formation (lines 2 and 3). It is now testing double support at line 1 and its rising 50-day moving average (at R352). It can drift lower, e.g. to line 2 at R337, but this is still a pause in an uptrend as is see it.

- The short-term Stochastic (on top) can still fall more before becoming oversold, which is the only short-term concern.

Strategy Details: Hold current longs. Then buy add to them on a close above line 3. Or, if not in, buy a new long position on a close above line 3 (R377).

- Note, aggressive traders buy on a clear reversal day/candle up off line 2 (R337 if reached/neared).
- Investors to be selling at least half their position at the upside target.

Target: Once the uptrend resumes with a breakout and close above R377 (line 3), look for a minimum target of R412-R415 to take at least half profits, and continue with a breaking of its prior one day low as your trailing stop on the remainder.

Stop-loss: Keep your current stop as a close below line 1 i.e. below R349. Note, if stopped out be sure to re-enter on the first reversal day back up (i.e. dont forget about this trade). When buying on a close above line 3 the stop will be a close below R355.

STEINHOF (SHF) – One more rally to come

Broad Recommendation: TRADERS PREPARE TO BUY. INVESTORS SELL HIGHER UP

Trend: Short-term sideways. Med-term up. Long-term sideways to up.

Strategy: Traders buy on a close above line 2 (conservative), or reversal up from R20.80 (aggressive).

Chart 6. (Daily)

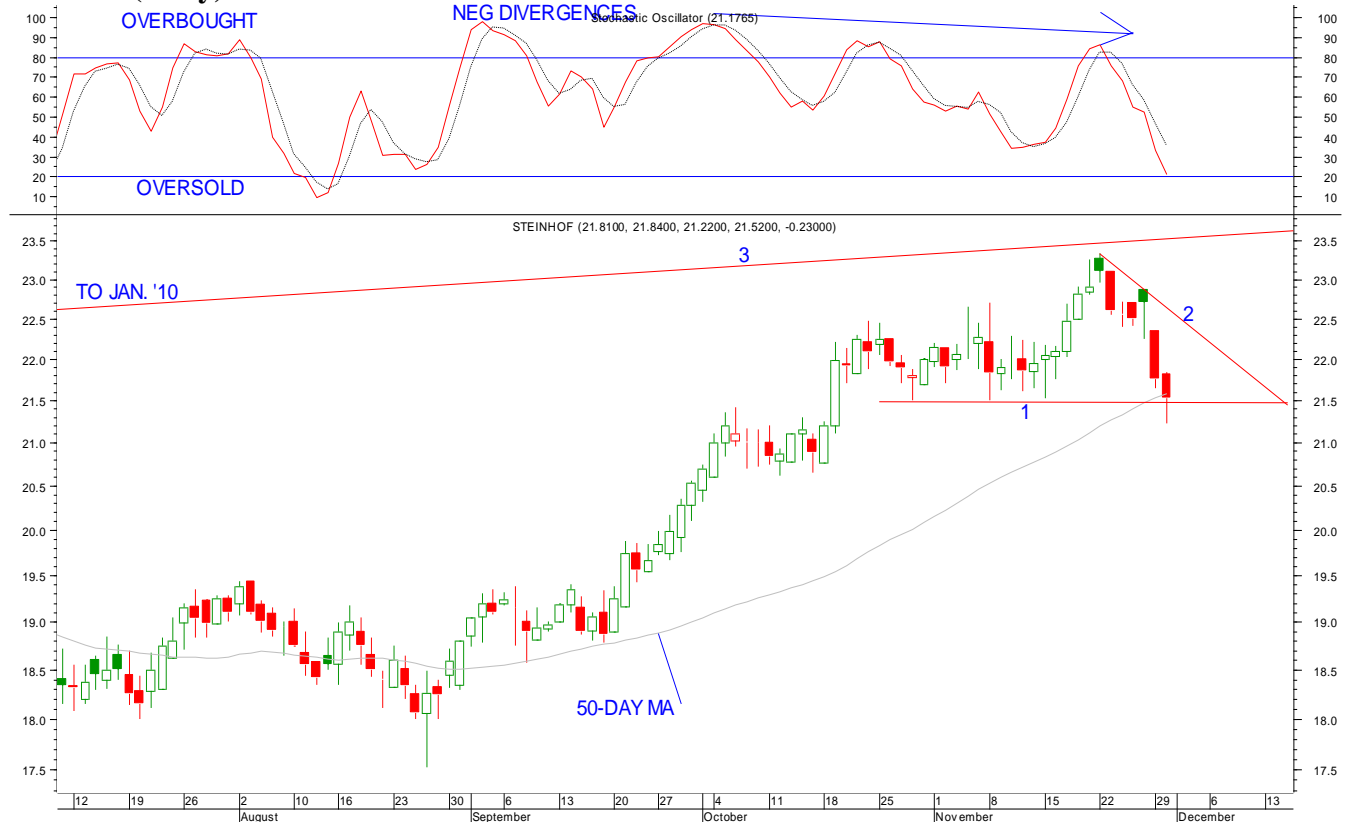


Chart Setup: Steinhof has pulled back over the past week from line 3, long-term resistance. It's now testing line 1 and its 50-day moving average (support). It gave somewhat of a 'bottoming tail' yesterday, but not convincing as yet. Either way, I'm expecting one more up leg here, and then a large correction.

- The short-term Stochastic (on top) is becoming oversold, implying a rally to start soon. What is significant though on a bigger picture view, is the series of negative divergences (see Glossary) on the Stochastic, which is pointing to a much large sell-off to come (after the next rally).

Strategy Details: Traders look to buy for one last rally, but with caution. Buy on a close above line 2. (Line 2 is at R22.54 on Weds 1st and declining at an angle of 10c per day thereafter). That is the more conservative entry. A more aggressive entry is a reversal day/candle up from line 1 (R21.50) or lower. (e.g. R20.80 if reached)

- Investors sell holdings on a move back towards line 3 (R23.50).

Target: Up to line 3 at R23.50. Start taking partial trading profits at R23.30, and use a breaking of its prior one day low as the stop on the remainder.

Stop-loss: For buying on a close above line 2 the stop will be a close below R21.50 (line 1). For aggressive buying signal, the stop will be below the low of the reversal day/candle back up.

OLD MUTUAL (OML) – Downside overdone?

Broad Recommendation: HOLD/PREPARE TO BUY

Trend: Short and med-term down, but oversold. Long-term sideways to up.

Strategy: Traders buy a clear reversal day up from here or lower, or on a close above line 1 (safer).

Chart 7. (Daily)

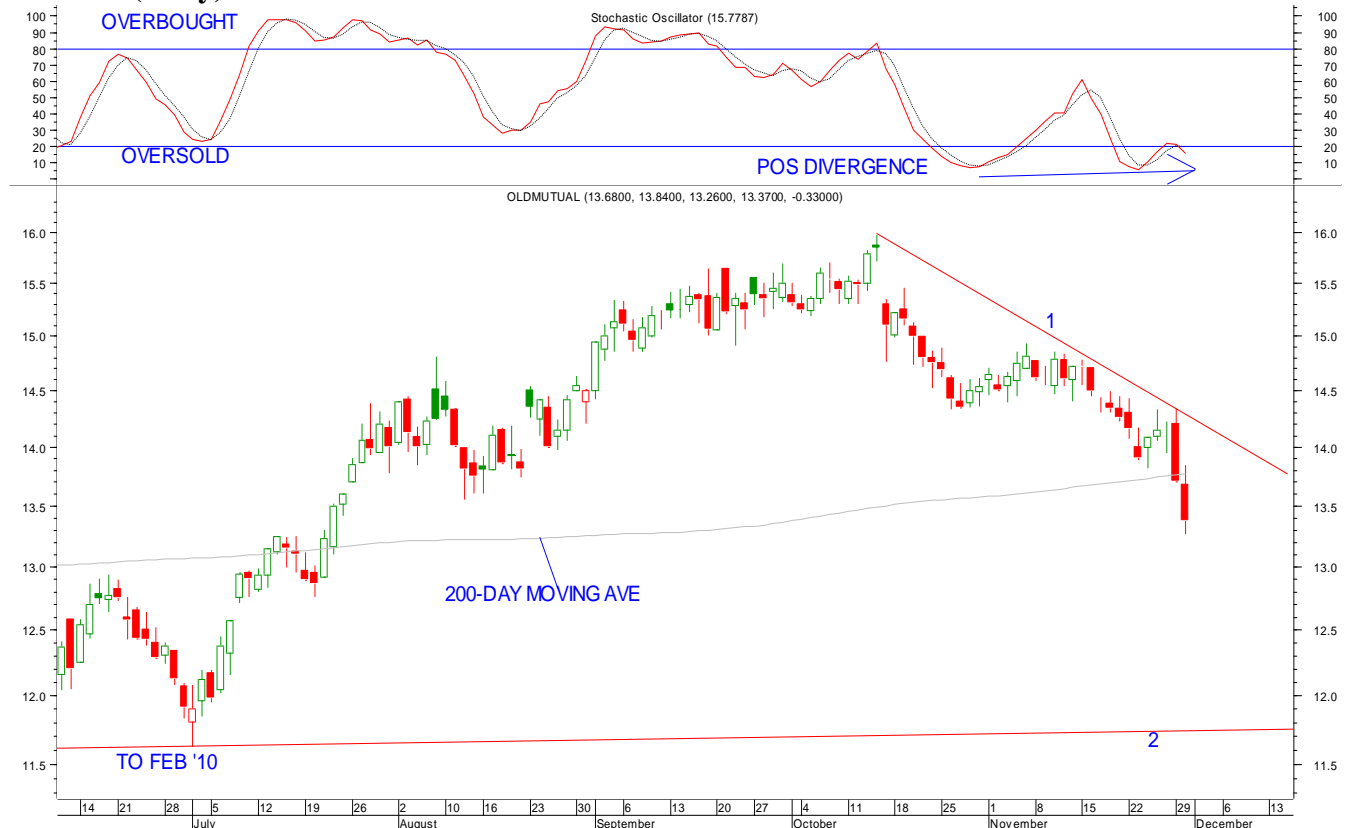


Chart Stop: Old Mutual has had a large correction over the past 6-weeks and yesterday reached a support level (not shown), at the 61.8% Fibonacci retracement (see Glossary) of the July-Oct rally. It is also still near its 200-day moving ave.

- The daily Stochastic (on top) is giving a positive divergence (see Glossary) which is warning of a rally to come. The *weekly* stochastic is also now oversold.

Strategy Details: It's a med-term hold as advised in recent weeks to start accumulating on weakness. A clear reversal day/candle from current levels or lower e.g. R13 will be another opportunity to buy. The more conservative buying signal though will be a close above line 1. (Line 1 is at R14.25 on Weds 1st and declining at an angle of 5c per day thereafter).

Target: While it can still drop to R12.90 in the immediate short-term, it is getting close to another rally. A close above line 1 will set up a move to R15.30. I'm not convinced its will go much higher than that. However, potential is to R16, but take at least half profits at R15.30 and continue with a breaking of its prior one day low as the stop on the remainder.

Stop-loss: Med-term stop is a close below line 2 (R11.70). Short-term it's a close below R12.50, and if buying on a close above line 1, the stop will be an intraday break of the lowest point reached on the recent correction.

SMALL-CAP. CHART

ANSYS (ANS) – Higher target

Broad Recommendation: BUY ON WEAKNESS

Trend: Short and med-term up. Long-term technically still done.

Strategy: Buy on weakness to 25c or lower.

Chart 8. (Weekly)



Sector: AltX (engineering/software industry)

Current Price: 26c

Chart Setup: Ansys is in a bottoming pattern and has formed an inverse head and shoulders (labelled S-H-S). More upside is expected in the coming months.

- However, the weekly Stochastic (on top) is overbought and giving a negative divergence, which is warning of a pullback to come.

Strategy Details: Because volume is not that high on this stock, a pullback is a chance to accumulate on weakness. Buy it on a pullback to 25c or lower e.g. start at 26c, buy more at 25c, more at 24c etc.

Target: Minimum upside target is 42c i.e. the height of the inverse head shoulders projected up. Take at least half profits there. But keep some on for further upside potential to line 2 at 50c.

Stop-loss: A weekly close below 20c. Once it reaches 42c use a breaking of its prior weekly low as your stop on the remainder of your position.

Other small-caps of interest (alphabetically): (shares to consider on a pullback)

- **Long:** Italtile, Simmers, Suprgrp.

3. RELATIVE STRENGTH

- These are the strongest index stocks on a *3-month* basis relative to the JSE All Share Index.
- Typically the leading stocks keep leading. Therefore, traders can buy these stocks on pullbacks, although always look at the chart first before making a decision. Medium and longer-term players should look to buy them when they first appear on this list.
- We've also included the *weakest* index stocks. These can either be shorted on bounces (if in a downtrend), or traded as a "pairs trade" against the strongest stocks i.e. go long a strong stock, and sell short a weak stock at the same time.

Strongest seven Top 40 stocks: Richemont, Truwths, BHPBilliton, Naspers-N, Kumba-IO, ARM, Steinhof.

Weakest seven Top 40 stocks: Nedbank, Old Mutual, ArcMittal, Stanbank, MTN, Firstrand, Reinet.

Strongest five Resi 20 stocks: Metorex, Petmin, Wesizwe, DRDGold, BHPBilliton.

Resi 20 vs. Findi 30 over 3-months: Resi 20 stronger.

4. NOTES & UPDATES: - Concerning last newsletter's index stock charts:

- **Exxaro:** gave reversal candle up last weds. Another one today will be another buying opportunity. Once the price closes above 133.80 raise your stop to a breaking of the lowest point of the current pullback (so far that's yesterdays low of 125.87). Target to 145.
- **ARM:** has reversed up nicely from line 3 support in last week's newsletter for the aggressive buying signal. All other traders buy on a close above 192.20, which may well happen today. Stop then a close below 184.50. A close above 197.90 will be a further upside breakout. Target to 210.
- **Grindrod:** a reversal day/candle up today will be the buy signal for traders. Med-term players keep holding/add to then. A close above 19 should take it rapidly to its minimum upside target of 20. Place stop as a close below 17.80 for traders.

Other recommendations and index stocks of interest (alphabetical order):

Important Notice: When buying after a pullback or selling short after a bounce, always look for a sign of a reversal e.g. reversal day or reversal candle before entering (otherwise one is simply picking a top/bottom, which does not work). A reversal day/candle at the top is typically when the price rallies that day but then sells off to close near the bottom of the day's range. Conversely, a reversal day/candle at the bottom is when the price initially drops that day, but then rallies back to close near the top of the day's range. Waiting for the reversal day will put the odds back in your favour. (I usually like to see the high/low of the reversal day taken out the next day before finally entering).

- Regarding taking profits, I suggest locking in profits in thirds as the price moves in your favour i.e. 1/3 of your position, then another third then the final third.

High probability trades (or charts), other than the three stock charts, I particularly like (long or short) at the moment (in no particular order. See comments below):

- **Barworld, MTN, Billiton, Exxaro, Sanlam.**

- **Abil:** there's a reasonably good chance it moves back up to retest its retest high of 37.58 but its not a trade I feel is worth taking.
- **Absa:** dropped to 130 and slightly lower yesterday, as expected. A reversal day up from here can be bought, with caution though. Targets are 136.50 then 139 and 140 to take some profit at each level. Stop is an intraday break below 129.
- **Anggold:** triggered the stop by a few cents yesterday. It s looking much better today so re-enter this trade (long). Still, gold shares should be dong much better given that the rand weakened in recent days while the gold price was pretty steady to up. The rally of yesterday and today in the gold price should also be pushing gold shares up more than they are. At best here one can hope for a retest of 365, but I'm doubtful it will get even that far. Lock in some profits at 350 and continue thereafter with a breaking of prior 2 day low as the stop. Take more profits at/near 360 if reached. Stop is a close below 325.60. The monthly chart dos not look good.
- **Anglo:** had a 2 day run last week before giving a final drop this week. Today its reversing back up and is most lily now going to start a new uptrend. Keep holding if you bought on last weeks rally, the stop hasn't been triggered. A reversal day up today will be buy signal. Place your stop as a close below 300. A close above 325 will confirm the new uptrend and also be a further buy signal. Lock in some profits at 341.50 and continue thereafter with a breaking of its 3 day low as your stop. Take more profits at 355 if reached.
- **Angloplat:** it did give a reversal day up last weds. If you bought on that you will have been stopped out yesterday. Its reversing back up to day so re-enter on a strong close today. (Note, buying reversal day's/candle is a fairly aggressive strategy in general). The safer entry her will be a close above 692. That will setup a move to 715. Stop then will be a close below 668.
- **ArcMittal:** it has support at 74.90, and is very oversold. I canst see any reason to buy though, unless it breaks out above 81.40.
- **ARM:** see update above.
- **Aspen:** after getting very close to the upside target it drifted down and went below the short-term stop level. The med-term stop is still active (now 91.50). Its getting oversold and may well still rally to 99.50 but I dont see any real fireworks here. A close above 95 will be a buying signal but no aggressive buying advised, for a move to that target. Stop will be close below 91.50.
- **Aveng:** fell sharply earlier this week, triggering the short-term stop. Look to re-enter though on a reversal day up from there. Place your new stop as a close below 40.30. Take some profits at 43.50 and continue thereafter with a breaking of prior 2 day low as the stop. Take remaining profits at 44.50 if reached.
- **Barworld:** I still like the look of this chart. Buy on a close above 62.20 or a reversal day up form 58.80 or lower - whichever happens first. Target is 66-67.
- **BATS:** confirmed the mentioned head and shoulders to sell short again and reached the downside target today. It may well bounce off support at 256.80 but I dont like the look of it on the higher time frames.
- **BHPBilliton:** no clear reversal day up given for buying. It might happen today though. The safer entry is a close above 258.60 today (declining by R1 per day hereafter). Stop then will be a close below 249. Don't like the look of the bigger time frames here so take half profits at the recent high of 273.80 and continue thereafter with a breaking of its prior 3 day low as your stop on the reminder. Potential to 390 but I don't think it will get there. We'll be advising investors to be taking further profits after the next rally.
- **Bidvest:** closed below support but has given some bullish reversal candles over the past two days. Exit any aggressive short trades. Buy on a close above 153 for a rally to 159 as a short-term trade. Stop is an intraday break below 147..

- **Discovery:** triggered the very short-term stop which is frustrating. Its still a med-term hold. A reversal day back up from here is a re-entry signal for traders. Short and med-term stop is a close below 38.50 now. Take half profits at 41.50. And the rest at 42-42.50.
- **DRDGold:** No change. Only buy on a close above 3.85, on good volume, for a med-term for a move to 5.10.
- **Exxaro:** see update above.
- **Firstrand:** fell sharply to support yesterday and is oversold. Reversal day/candle up from current levels is an aggressive buying signal. Take profits at 21.50. Stop is a close below 20. I don't think it will go higher than 22.65 at a maximum, and med-term players and investors to exit from 21.50 to 22.50.
- **Gfields:** keep holding. Its getting going today and one should be locking in partial profits at 122.50 and more at 124-124.50 if reached. Stop is a close below 115.
- **Grindrod:** see update above.
- **Harmony:** triggered the short-term stop but is still above med-term support. Re-enter but with caution on a reversal day up from here (forming today so far). Take some profits at 84 and the rest at 86. Stop is a close below 78. Med-term players also to take profits at the mentioned levels.
- **Imperial:** buy at current levels or better. Take half profits at 130 and continue with a breaking of its prior 2 day low thereafter. Potential to 135. Stop is a close below 120 for traders.
- **Implats:** another short-term stop that was triggered on the steep sell-off of the past 2 days. There was admittedly no reversal day up from 208 to buy on though. Nevertheless, the med-term picture is still bullish so re-enter on a reversal day up from here. Med-term its been a hold throughout. Lock in partial profits at 217 and the rest at 225.
- **InvPlc:** a sharp sell-off yesterday broke med-term support to trigger the stop. The share has been struggling of late and any bounce back towards 57 to be used to exit med-term holdings. Current support is 54.15.
- **Kumba-IO:** yesterdays drop on the market triggered a number of short-term stops and this was one of them. Look to get right back in though on a reversal day up from current levels. The stop will be an intraday break of the low of that reversal day up. Med-term players keep your stop as a close below 385. A close above 417 will be a further buying signal, but no aggressive buy advised. I don't think its going to reach the 475 target now, given the sharp sell-off of recent days. Take half profits at 433.80 and continue thereafter with a breaking of its prior 3 day low as the trailing stop. If it reaches 455 take more profits.
- **Lib-Hold:** another stock that was stopped out on yesterday's steep drop. But get right back in on the first reversal day up. Target is 76. Stop a close below 69.
- **Lonmin:** continued drifting down but is oversold now. Still, its lagging again. Support is 182. A close above 194.70 will be bullish, a short-term only, buy signal. Take all profits at 210 if it gets back there.
- **M&R-Hld:** reached the minimum downside target now and is oversold on the daily and getting oversold on the weekly. So new rally is likely to be not far off. Very important support is at 37.60. If it gets near there then buy on the first reversal day up. Stop a close below 37.50. Look for a relief rally to 41 at any time. A close above 41 can be bought, with caution, for a move to 43.
- **MrPrice:** hold. Stop is a close below 61.75. Traders lock in partial profits at 67.50 (move stop up to breaking of prior 3 day low then) and more at 70 if reached.
- **MTN-Group:** it fell to break below med-term support yesterday. This triggered the stop. If it closes above 125.80 then re-enter. Take profits at 130-132. Stop a close below 121. Upside is becoming limited given the current state of the market. Med-term players to take profits there as well and investors to take partial profits there.
- **Naspers-N:** see Chart 5.
- **Nedbank:** got to the downside target. It needs to close above 129.50 to trigger a buy signal. It is oversold though.

- **Netcare:** its reversing up today to buy. Its an aggressive signal and the more conservative signal is a close above 15.15. Target to 16 for most profit taking, with potential to 16.50. Stop is a close below 14.40. Once it gets near 16 raise the stop to a close below 15.35.
- **Newgold:** got to the first profit target so far for partial profit taking, the next one is 98. Raise your stop to a close below 94.70. Take profits at 98 again.
- **Old Mutual:** see Chart 7.
- **Pick 'n Pay:** if it closes above 48 then buy, or an aggressive buy or a reversal day up from 46.50. Target is 50-50.50. Stop below the reversal days low for aggressive buy and an intraday breaking of lowest point on the current pullback for buying above 48. No large positions advised.
- **PPC:** has now pulled back to some support at 32.50 no reversal day up has occurred as yet to buy, but it is getting oversold. A clear reversal day up from current levels or lower will be a buy signal. Stop below its low. But the safer more conservative buy signal will be a close above 34. Target then to 36..
- **Reinet:** triggered the stop yesterday by 2c and today is reversing back up which is very frustrating. Re-enter on either a close reversal day back up from current levels or wait for a close above 12 to buy again. Target for the latter event will be to 12.60. No large position sizes advised.
- **Remgro:** a sharp drop in recent days hasn't given a reversal day aback up yet to buy as advised. Traders only, buy a clear reversal day up from current levels for a move to 110. Stop below the reversal days low. Med-term players take profits at 110 as well.
- **Richemont:** Buy reversal day up form current levels for a rally to 41.50. Stop is a close below 37.60.
- **RMBH:** hugely volatile but triggered the mentioned buy signal. Pulled back in recent days but still a hold. Target is 38-38.50 for profit taking. Stop is close below 35. Can still be bought.
- **SABMiller:** went ex-div and fell like a stone over the past two days. The stop is still holding and a reversal day up from current levels is another buy signal i.e. an add to. Stop a close below 223.50. A negative looking monthly chart now makes me doubt it will reach 250. Start taking profits though near 240 and use a breaking of its prior 2 day low on the rest from there, in the hope that it might still reach 250.
- **Sanlam:** gave a nice reversal candle yesterday off support to buy from our mentioned buying level. Stop is still a close below 25.70. Take half profits at 27.40 and continue with a breaking of its prior one day low thereafter as your stop.
- **Sappi:** is oversold but nothing else happening here right now. Main support is 32.50.
- **Sasol:** did give a reversal candle up on Friday to buy as advised. Fell after that but the stop has not been triggered. Another reversal day/candle up form current levels is another buy signal. A close above 326.50 will see it continuing higher e.g. to 340. If it gets near 340 take profits. I'm doubtful of the 370 target being reached.
- **Shoprite:** continued down exactly as expected to the levels from last weeks comments. Only buy if it close above 100.50 and even then, with caution. It is looking vulnerable still. Stop below the low of the current pullback then for traders only. Target to 104.50. If it breaks out and close above 104.50 then re-enter for more upside to 110.50.
- **Stanbank:** reversed up on Friday to buy as advised. Pulled back sharply in past 2 days but the stop is still holding i.e. a close below 102. Another reversal day up form here can be added to. Take profits at 108-109.
- **Steinhoff:** see Chart 6.
- **Telkom:** buy if it closes above 36.70 for a rally to 38.75. Stop then a close below 35.
- **Tigbrands:** went ex-div but is still in a triangle. Buy on a close above 188.50 or a close to 182 as possible. Stop is a close below 181. Target from an upside breakout will be 195 at least.
- **Truwhits:** no buying signal trigged as yet. Med-term players and investors hold with your stop a close below 66.75 for med-term players.

- **WBHO:** is holding up well. Support is 130 short-term. Keep holding as a med-term play to 151.50. A close above 139 is needed to get it going to the target.
- **Woolies:** continued drifting down as expected. Support is at 26-25.75. Buy on a close above 26.95. Stop then will be a close below 26. Target then to 28.50-29 for short and med-term players..

GOLD UPDATE: The JSE gold index is now moving up from the oversold level mentioned last week. I'm doubtful it will reach 3000 though. The best one can hope for is 2850-2900. Gold shares can therefore be bought with great caution at the levels mentioned for individual stocks above. No large positions advised because gold shares are not responding as they 'should' be.

Dollar gold price: see Chart 4 for details commentary.

Rand gold price: is still zigzagging up towards its target of 10000. It is overbought though, so raise stop to a close below 9600. It might not reach 10 000 on this leg.

5. "SHORTABLE" STOCKS AND INDICES

Please note:

- We list the stocks and indices (local and overseas) that are in *short-term* (at least) downtrends, and that can be sold short (see Glossary for definition) on rallies to resistance.
- Selling short can be done via single stock futures, CFDs, spread trading, and/or put warrants.
- One way of trading these stocks/indices is to sell short rallies to the falling 20-day moving average (in stronger downtrends) or the falling 40-day moving average (in more gradual downtrends). These moving averages tend to act as resistance. *Wait for a downward reversal at the moving averages before selling short.*
- NOTE 1: ALWAYS USE PROTECTIVE STOPS ON ALL POSITIONS. Selling short is for short-term traders only, and all positions must be monitored closely.
- NOTE 2: The instruments on this list are not automatic shorts, but it is a starting point for looking. Always look at the chart first before making a final decision.

Shortable Stocks: (as of 1 Dec. '10) Price (R) 20-Day MA: 40-Day MA:

AFROX	19.8000	19.8095	20.2617
AQUARIUS	35.9000	39.7555	40.2940
ARCMITTAL	75.0500	78.8220	80.3770
COAL	8.2000	8.3285	8.9823
GIJIMA	0.7100	0.7335	0.7570
MONDILTD	51.3300	55.6325	57.3275
MONDIPLC	52.2300	55.6650	57.2870
NEDBANK	124.5000	130.7335	134.6950
REINET	11.3800	11.7780	11.9142
RMBH	35.3100	36.4215	36.6155
STANBANK	102.0300	104.9215	105.8945
TRNSHEX	2.3200	2.5620	2.9492

Shortable Indices/Currencies/Commodities: Price 20-Day MA: 40-Day MA:

C-EUR-\$	135.4000	136.8145	137.9673
C-EUR-GBP	85.2100	85.6290	86.6325
C-EUR-ZAR	924.2500	949.9210	956.1430

SUMMARY

I love the look of today's reversal day back up and think we're in for a good ride, albeit short-term, to end this bull market that started just over two years ago. As an investor do not be tempted to buy. Big picture, markets are very high. We'll be advising investors to exit after this rally.

Traders however should get a nice run here, but because the markets are high in general, a healthy amount of caution is advised. And its important not to get "carried away" if a really good rally takes place. This is typically what happens at major market tops i.e. euphoria. Smart players will eventually be looking to sell into the rally after it has a good run.

For now, the next few days will be crucial to see if today's rally has follow through. I suspect it will.

Sincerely,

Colin Abrams
TheMarket.co.za

PS: Remember: Protective stops on all positions!

GLOSSARY OF TERMS USED IN *TheMarket.co.za* NEWSLETTER:

- **Bearish/Bullish Engulfing Pattern:** A candlestick whose entire body 'engulfs' the body of the prior candlestick. Is bearish if found after a rally; or bullish if found after a drop.
- **Bottoming tail:** A price candle where the price falls sharply from the open, but then recovers to rally strongly into the close. A bullish sign.
- **(Japanese) Candlesticks:** Price bars (called 'candles') which accentuate the open-close relationship. Is an alternative to the Western bar-chart.
- **CFDs:** (Contract-for-difference) is a leveraged instrument, like a futures contract except there is no expiry date, and one trades the underlying itself, not a derivative of it.
- **Closing price (or the 'close'):** the last price of the specific time period chart e.g. last price of the day for a daily chart. If trading on the close, either execute your trade just before 5pm (if the specific signal is triggering), or first thing the next morning.
- **Countertrend:** 'going' (trading) counter to the main trend. E.g. if the main trend is up, then a countertrend trade will be to sell short. (Note it is always risky to take a countertrend trade, and generally not recommended. Remember, 'the trend is your friend').
- **Doji candle:** A price bar (candle) where the opening price is equal to the closing price. Denotes indecision. Typically precedes a trend change.
- **Double top:** Refers to the rise of a stock's price, a drop, and then a rise back to the same level as the original rise – all occurring after a significant rally. Bearish.
- **Elliot Wave Theory:** Each trend is made up of five waves in the direction of the main trend. (It can be further subdivided into the same sequence of waves on a smaller time frame).
- **Fibonacci retracement level:** A point where prices typically find resistance/support when retracing a prior move - the most significant is 61.8% (others are 38.2%, 50%, 78.6%).
- **Fibonacci extensions:** Using Fibonacci numbers (e.g. 61.8%, 161.8%, 261.8%) to project future price targets (or reversal areas) based on the length of prior price swings in a particular stock

- **Gravestone Doji:** A candlestick that rallies sharply after the open, but then reverses down and closes at same level as the open (which is at the low of the bar). Looks like a gravestone. Bearish.
- **Head-and-Shoulders price target:** the minimum target is the height of the pattern to the “neckline” projected downwards from the breakdown point.
- **Long position:** Opposite of selling short i.e. buying because one expects the price to rise
- **MACD:** stands for Moving Average Convergence/Divergence. Is the difference between a 12-day and 26-day exponential moving average, plotted as a single line. Shows price extremes.
- **Negative Divergence:** Is typically a bearish sign occurring when an indicator (e.g. RSI) fails to make a high, but the price itself does i.e. setting up a divergence between the indicator and the price.
- **Overbought:** an area on an oscillator that typically indicates when more buying than selling (which has pushed prices up) is reaching an extreme level. A fall or correction is then due.
- **Oversold:** an area on an oscillator which typically indicates when more selling than buying (which has forced prices down) is reaching an extreme level. A rally is then due.
- **Pivot high:** A high, with a lower high on either side of it.
- **Pivot low:** A low, with a higher low on either side of it.
- **Positive Divergence:** Occurs when the price makes a new low, but the indicator does not i.e. setting up a divergence between the price and the indicator. Bullish.
- **Relative Strength (or ‘Ratio’) Analysis:** comparing one market or stock to another to see which is outperforming on a relative basis. Not to be confused with Relative Strength Index (RSI).
- **Resistance:** A level *above* the market where selling is greater than buying (i.e. supply).
- **Reversal Bar (Day):** Occurs when the price makes a new low relative to the previous price bar’s low, but then reverses and rallies to close above the previous bar’s close (bullish). And vice versa for a bearish reversal day. It typically signals a change in trend. Note, the larger the range of the reversal day, the better.
- **Reversal candlestick:** Typically bullish when the price opens low, then weakens, but rallies strongly into the close, to close near the day’s high e.g. hammer, bullish engulfing pattern, piercing pattern. Vice versa for bearish signals e.g. shooting star, bearish engulfing pattern, dark cloud cover. Note, the larger the range of the reversal candle, the better.
- **Risk-Reward ratio (good):** A trade where the potential profit is at least 3x the potential loss.
- **Selling short (or ‘shorting’):** Expecting prices to drop, so selling first and buying-back later.
- **Short position:** A trade where one has sold short (as above)
- **Shooting Star (candlestick) –** A candle that suggests a minor (at least) reversal. The body of the candle is near the low, and the line has a long upper ‘tail’.
- **Spot Price:** the price of the underlying instrument itself i.e. not the futures price.
- **Support:** A level *below* the market where buying is greater than selling (i.e. demand).
- **SSF's:** Single Stock Futures.
- **Stop-loss:** point where you close the trade if it moves against you - to protect yourself.
- **Time frames:** (approximately) Short-term: 0-6 weeks; Medium-term: 2-5 months; Long-term: 1yr + (for purposes of TheMarket.co.za analysis report).
- **Trailing stop-loss (or ‘trailing a stop’):** moving the stop in the direction of the market to lock-in profit e.g. a breaking of prior day’s high/low, or a percentage retracement of the current move (e.g. 50%), or the breaking of a moving average e.g. 10-day MA for the short-term, or 50-day MA for medium-term.
- **Weekly close:** the closing price on Friday afternoon.

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