

Welcome to TheMarket.co.za Weekly Analysis Report

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By Colin Abrams

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Classic Trading Rule:

"Have an opinion on what the market should do, but don't decide what the market will do."

A TEMPORARY SELL-OFF STARTING

Introduction:

The local and overseas markets continued higher adding more weight to the view that the large head and shoulders pattern on the S&P is failing (a very bullish sign for the short-term). Right now, after a good run-up over the past two weeks, the JSE (and Dow/S&P) is overbought and giving a reversal day down today so far. Look for a sell-off over the coming days, which I believe will be temporary. I don't think the market will drop back to retest the 2 July low. This pullback should be used to line up buying opportunities for traders. In the interim, more aggressive traders can be selling short to grab part of this pullback. We start with a look at the **Dow** again. It reached a resistance level last night and I'm looking for a temporary sell-off here before more upside. Likewise for the **JSE All Share index**. We also show two commodity charts, the **gold** price and **copper**. Gold is oversold in the short-term but is still vulnerable to one more short-term dip before rallying again. Pullbacks here to be used to line up buys. Copper is approaching an important resistance level and is forming a potentially bullish pattern. A breakout will be positive for the stock market (short-term). The stock charts shown are **Old Mutual, RMBH, and Barworld** – all have the same basic strategy advice – to look for a pullback from here to buy, and then up again.

The small-cap chart is **Eastplats**. It is showing signs of reversing up again, after a recent correction.

Overall, look for a pullback in the coming days, locally and overseas. Use that as a chance to line up some buying opportunities for traders. There will be some profits to be made on the short side in the interim. But on the whole, more upside looks to be the most likely direction for the coming weeks.

Executive Summary:

- **Dow (chart 1):** Sell short a reversal day down. Then go long (buy) after a pullback to 10 050.
- **All Share Inx (chart 2):** Buy after a pullback to line 2. Aggressive traders can short to there.
- **Gold (\$)** (chart 3): Buy some now, but buy again if it drops to line 2 (\$1172 level).
- **Copper (\$)** (chart 4): Buy a close above line 2/sell short a reversal down off line 2 – first to happen.
- **Old Mutual (chart 5):** Sell short off line 2 (R13.35). Then go long (buy) at R12.70-R12.50.
- **RMBH (chart 6):** Traders sell short a reversal down off line 5, then go long from R32.50.
- **Barworld (chart 7):** Traders buy a pullback to R42.50.
- **Eastplats (chart 8):** Buy some at current levels and buy more on a close above line 3.
- **Leading Stocks (3-mths): Top 40** – Harmony, Shoprit, Massmart, Anggold, Gfields, Truwths.
- **Resources 20** - Harmony, Anggold, Gfields, Kumba, Angloplat
- **Shortable stocks/indices:** 15 stocks, 0 indexes, 1 commodity, 0 currencies.

1. MARKET CHARTS

DOW JONES – Overbought right now

Broad Recommendation: LOOK TO SELL SHORT, THEN GO LONG LOWER DOWN

Trend: Short-term up, but overbought. Med-term technically down. Long-term up.

Strategy: Traders sell short a reversal day down. Then go long (buy) after a pullback to 10 050.

Chart 1. (Daily)

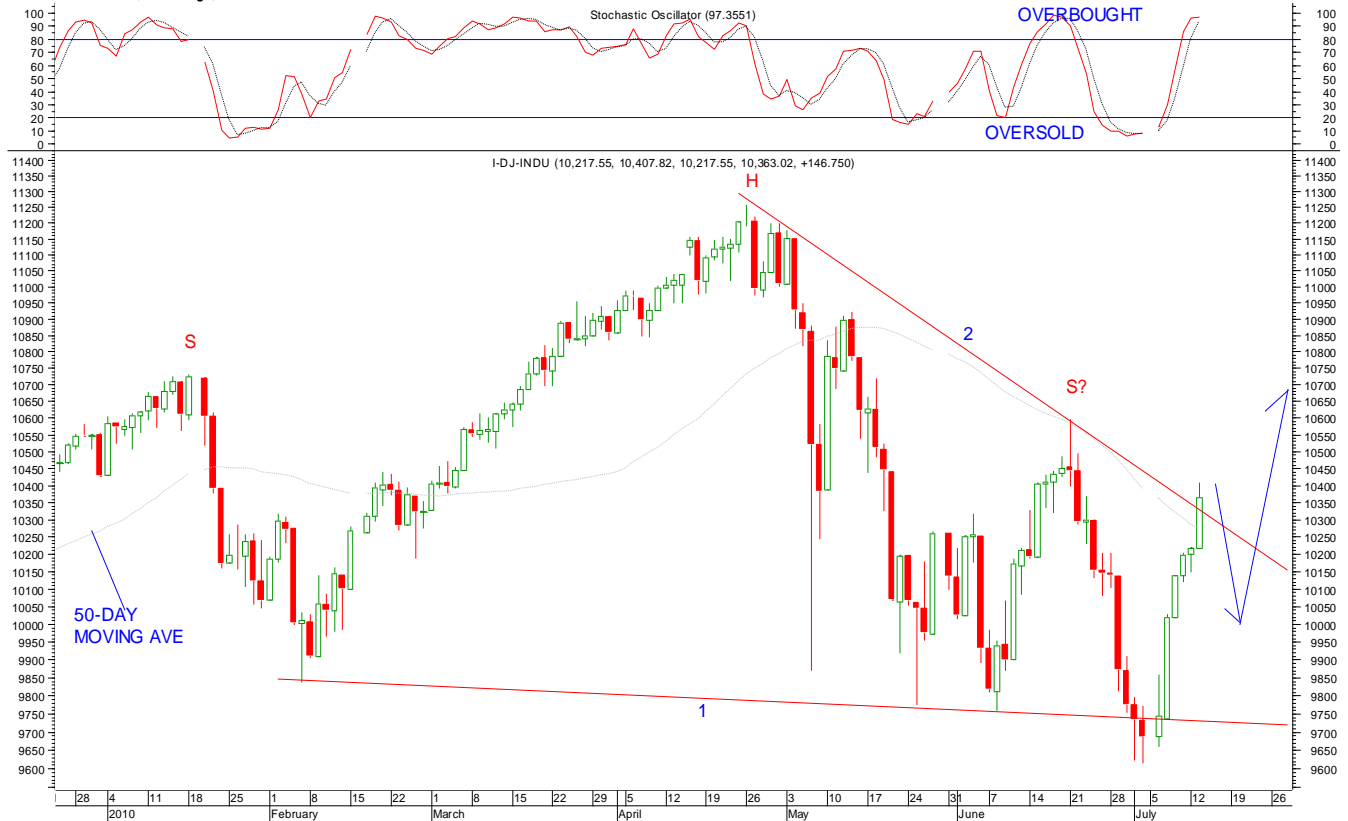


Chart Setup: The S&P 500 index (see last week's report) triggered the stop and reverse and has shown a decent profit over the past week. The Dow has the same potential head and shoulders pattern (as the S&P) and has rallied to close above line 2 last night. This is the first sign that the head and shoulders is failing (i.e. a bullish sign). (Note, the S&P closed just under its equivalent line 2 last night). I'm looking for a minor pullback here and then more upside.

- The short-term Stochastic Oscillator (on top) is overbought, thereby pointing to a sell-off to come.

Strategy Details: Traders sell it short on a reversal day/candle (see Glossary) down from current levels or a bit higher (which will be either tonight or tomorrow night – Thurs). Take profits at 10 130 and 10 050. Then, all traders to buy a reversal day up from the 10 050-10 020 level.

- Investors keep holding US/overseas stocks, but look to reduce holdings in a few weeks time, once this up-phase nears completion.

Target: A pullback to 10 050 level and then up to 10 640, 10 920, and potentially to retest the April high of 11 258. Take partial profits at each of the upside target levels.

Stop-loss: For shorting a reversal day down from current levels, the stop is a break of the reversal days high. For buying on a reversal up after the pullback, place your stop as a close below 9900 or below the reversal days low (whichever is lower).

JSE ALL SHARE INDEX – Look for sell-off, then up

Broad Recommendation: LOOK TO SELL SHORT, THEN GO LONG LOWER DOWN

Trend: Short-term sideways. Med-term technically down. Long-term up.

Strategy: Buy after a pullback to line 2. Aggressive traders can short a reversal down to there.

Chart 2. (Daily)

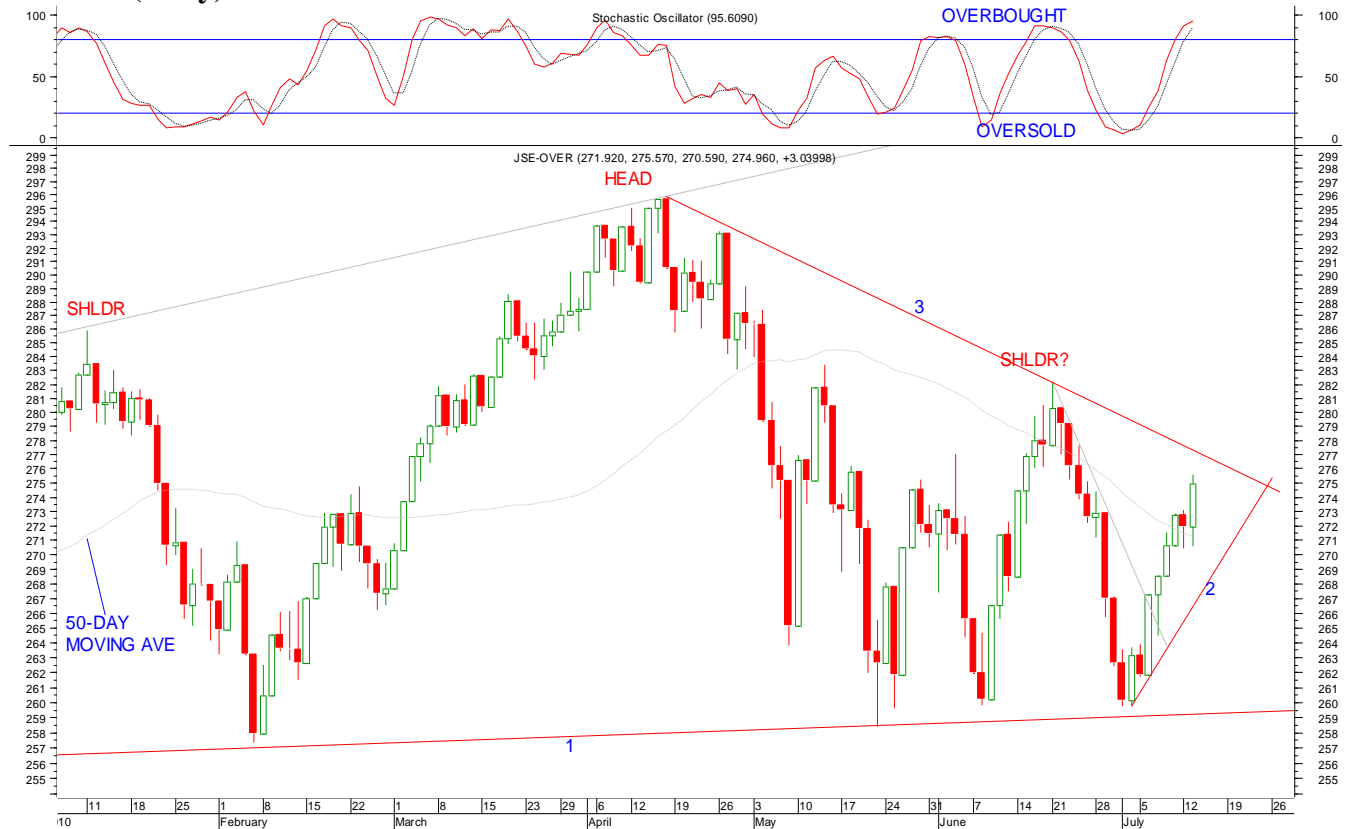


Chart Setup: The index continued up strongly over the past week and hasn't given a reversal candle down to sell short on as advised. My feeling is a minor pullback to start now, and then it's going to head higher again.

- The short-term Stochastic Oscillator (on top) is overbought, so a pullback is very likely to occur (before more upside).

Strategy Details: Traders only, can sell short a reversal day down from current levels for the drop to line 2. Thereafter, all traders to buy a reversal day/candle (see Glossary) up from line 2, or lower. (Line 2 is at 26 750 on Weds 14th and line 2 is rising at an angle of 100 pts per day thereafter).

- Investors keep holding for now.

Target: A pullback to line 2 (see level above) and then up again. A breakout above line 3 will lead to a move to 28 800, and very likely a retest of the April high (29 565).

- Such a move will be a chance for investors to liquidate part of their holdings (i.e. up to 50%).

Stop-loss: For shorting a reversal down from current levels, the stop will be a close above line 3. (Line 3 is at 27 710 on Weds 14th and declining at an angle of 25 pts per day thereafter). For buying a reversal day up from line 2 (or lower), the stop will be a breaking of the low of that reversal day (or a close below 26 550 – whichever is lower).

LATE FLASH: At midday today the index is so far giving a reversal candle down, off from its highs.

GOLD (\$) – Oversold but still short-term vulnerable

Broad Recommendation: TRADERS BUY (WITH CAUTION)

Trend: Short-term down, but oversold. Med and long-term up.

Strategy: Buy some now, but buy again if it drops to line 2 (\$1172 level).

Chart 3. (Daily)

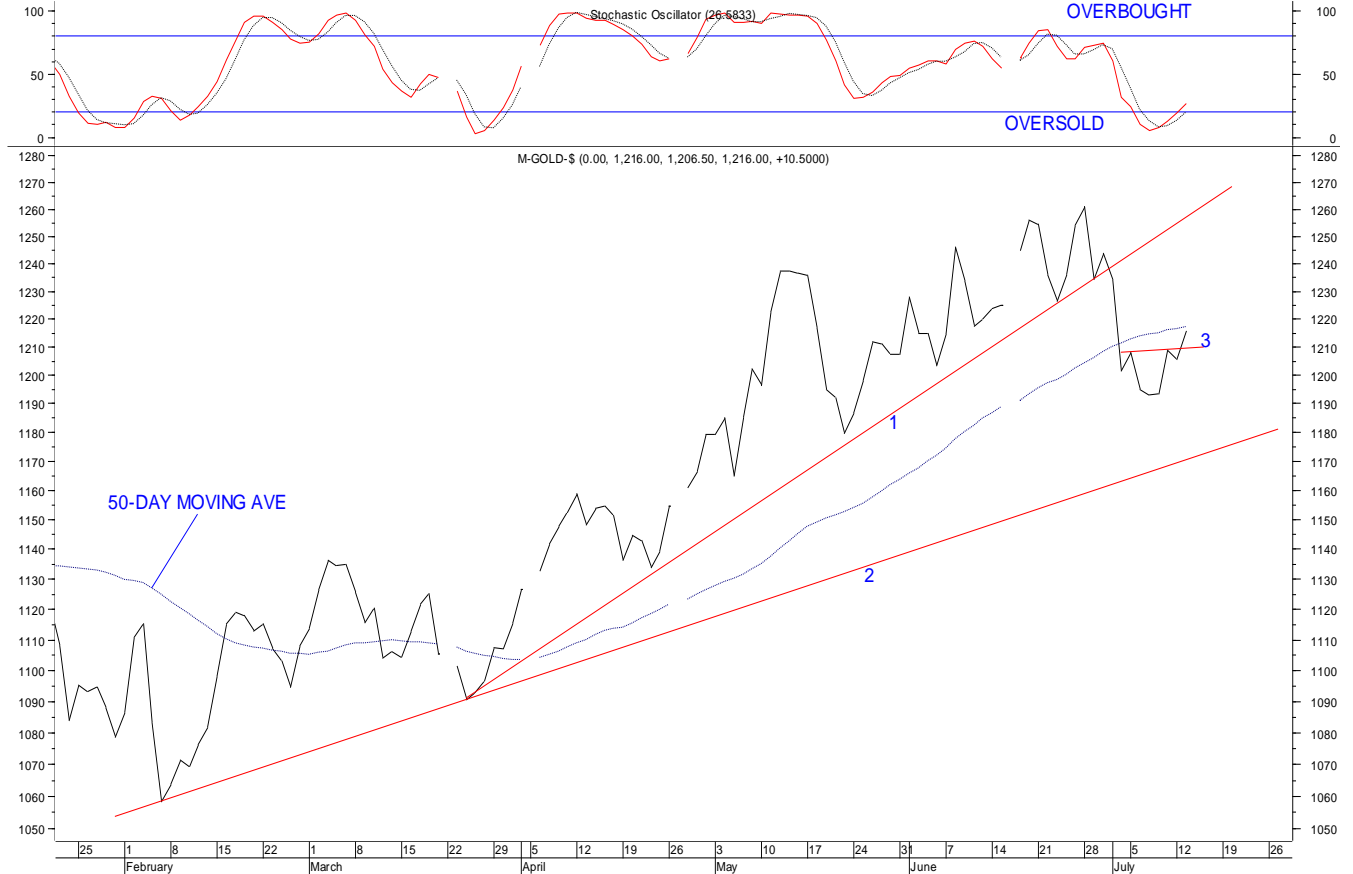


Chart Setup: After breaking line 2 support, the gold price fell swiftly. It has moved sideways over the past two weeks, and has broken out above line 3 of a small inverse head and shoulders. However, I'm not convinced it's going straight back up to new highs without a retest of line 2 first (\$1172).

- The daily Stochastic Oscillator (on top) is oversold, which is positive. A drop to line 1 will form a bullish divergence on the Stochastic which is the ideal scenario for buying again.

Strategy Details: For now, buy some, given the breakout above line 3. But if the price does sell-off to line 2, look to buy again on a reversal day up off/near line 2. (Line 2 is at \$1171.70 on Wednesday 14th and rising at an angle of \$1 per day thereafter).

- Investors keep holding gold bullion/or an ETF of the gold price (overseas).

Target: The small inverse h/sh is pointing to a minimum target of \$1225. Tighten stops when it gets there to a breaking of prior two-day lows. Even if it does drop to line 2 thereafter, I'm looking for a rally to retest the late June closing high of \$1261.

Stop-loss: For buying now, place your stop as a close below \$1200. If buying again off line 2, the stop is a close below \$1170.

COPPER (\$) – Bullish pattern forming?

Broad Recommendation: TRADE THE BOUNDARIES/ WAIT FOR BREAKOUT

Trend: Short-term up. Med-term down. Long-term up.

Strategy: Buy a close above line 2/sell short a reversal down off line 2 – whichever happens first.

Chart 4. (Daily)

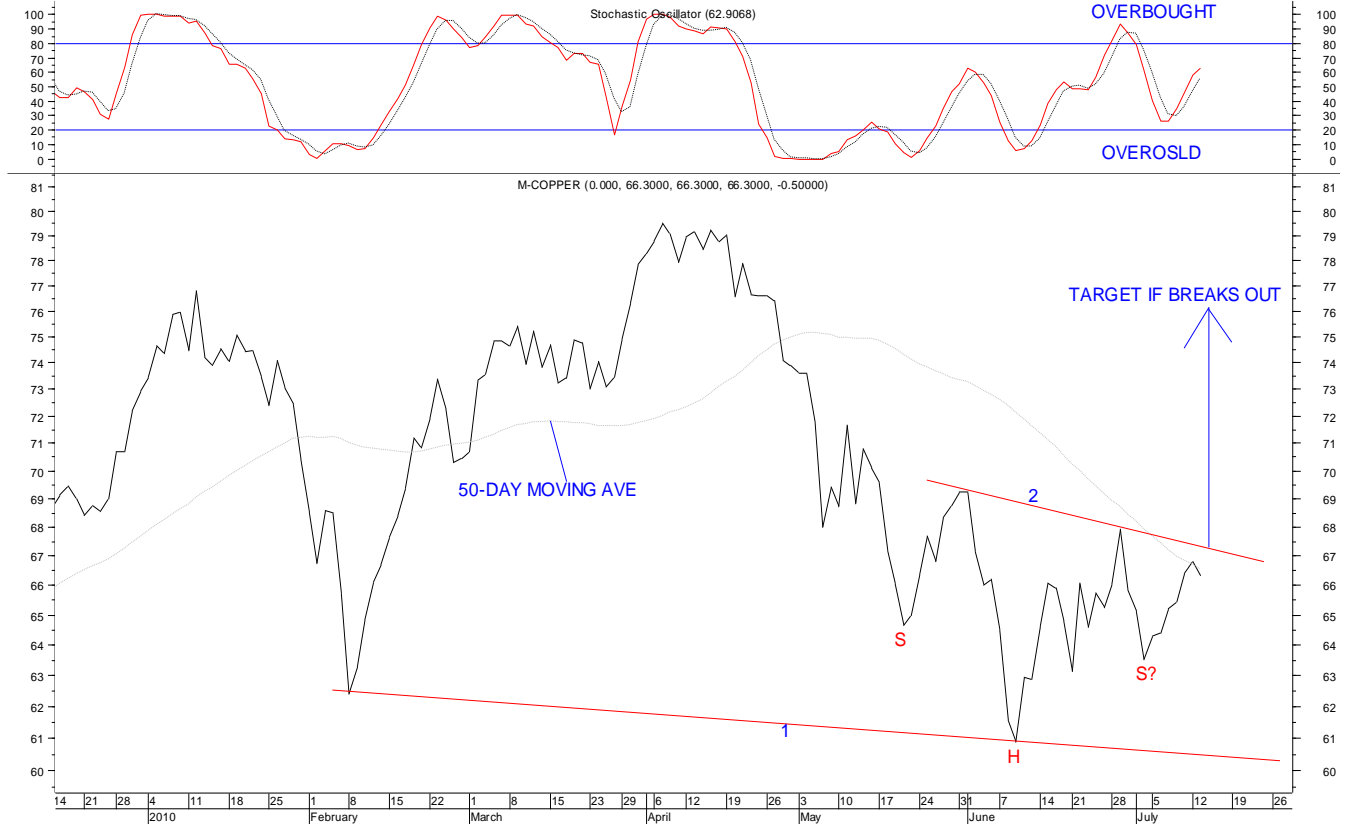


Chart Setup: Copper has a similar chart to many commodities right now e.g. oil, platinum, as well as the US stock indices (in that it's formed a potential, large head and shoulders). However, close inspection shows it also forming a "potential" inverse head and shoulders (labelled S-H-S?). It needs to close above line 2 (the neckline) to confirm the pattern. If it does break out, that will be positive for the stock market as well as other commodities, in the short-term.

- The daily Stochastic (on top) still has further upside before becoming overbought, so an upside breakout here is a real possibility.

Strategy Details: Buy a close above line 2. (Line 2 is at 67.30 on Weds 14th and line 2 is declining at an angle of 0.05 per day thereafter e.g. to 67.25, 67.20 etc).

- However, a clear reversal day/candle down off line 2 can be sold short, but with caution.

Target: If the upside breakout occurs, the minimum upside target will be 76.10 i.e. the height if the inverse head and shoulders projected up. (Lock in partial profits at 72). But for a reversal down off line 2 (for shorting), take profits at 64. If the price falls all the way down to line 1 at 60.50 (unlikely) then buy (go long) off there.

Stop-loss: For an upside breakout out, place your stop as close below 65.00. For a short signal, the stop will be an intraday break above the reversal days high or a close above line 2 (whichever is higher).

OLD MUTUAL (OML) – Testing resistance level

Broad Recommendation: TRADERS SELL SHORT/GO LONG LOWER DOWN

Trend: Short-term up, but overbought. Med-term sideways. Long-term up.

Strategy: Sell short a reversal down off line 2 (R13.35). Then go long (buy) at R12.70-R12.50.

Chart 5. (Daily)



Chart Setup: Old Mutual is still in a large symmetrical triangle (lines 1 and 2). It has had a good rebound off line 1 over the past two weeks and is set to retest line 2 at R13.35. I'm expecting a sell-off from/near line 2, and then a rally to most likely breakout above line 2.

- The short-term Stochastic (on top) is overbought. Implying a good chance of a pullback/correction from line 2 at any time.

Strategy Details: Traders sell short on a reversal day/candle down off/near line 2 (R13.35). Thereafter cover (exit) shorts and go long (buy) a reversal day up from the R12.70-R12.50 zone.

- As long as the price remains above line 1 (R11.80) on a closing basis, investors to keep holding.

Target: After the pullback, look for a rally to R14. Note, it is still pointing to a long-term target of R18, but I'm going to revise that down to R17. (That target will most likely not be reached on this rally).

Stop-loss: For shorting off line 2, place your stop as a breaking of the high of a reversal day down from there, or a close above R13.55 (whichever is higher). For buying (going long) in the mentioned buying zone, place your stop as a breaking of the low of a reversal day up from the R12.70/50 level, or a close below R12.30 (whichever is lower).

RMBH (RMH) – More upside after a pullback

Broad Recommendation: TRADERS SELL SHORT/GO LONG LOWER DOWN

Trend: Short-term up, but overbought. Med-term sideways. Long-term up.

Strategy: Sell short a reversal down off line 5, then go long from R32.50.

Chart 6. (Daily)

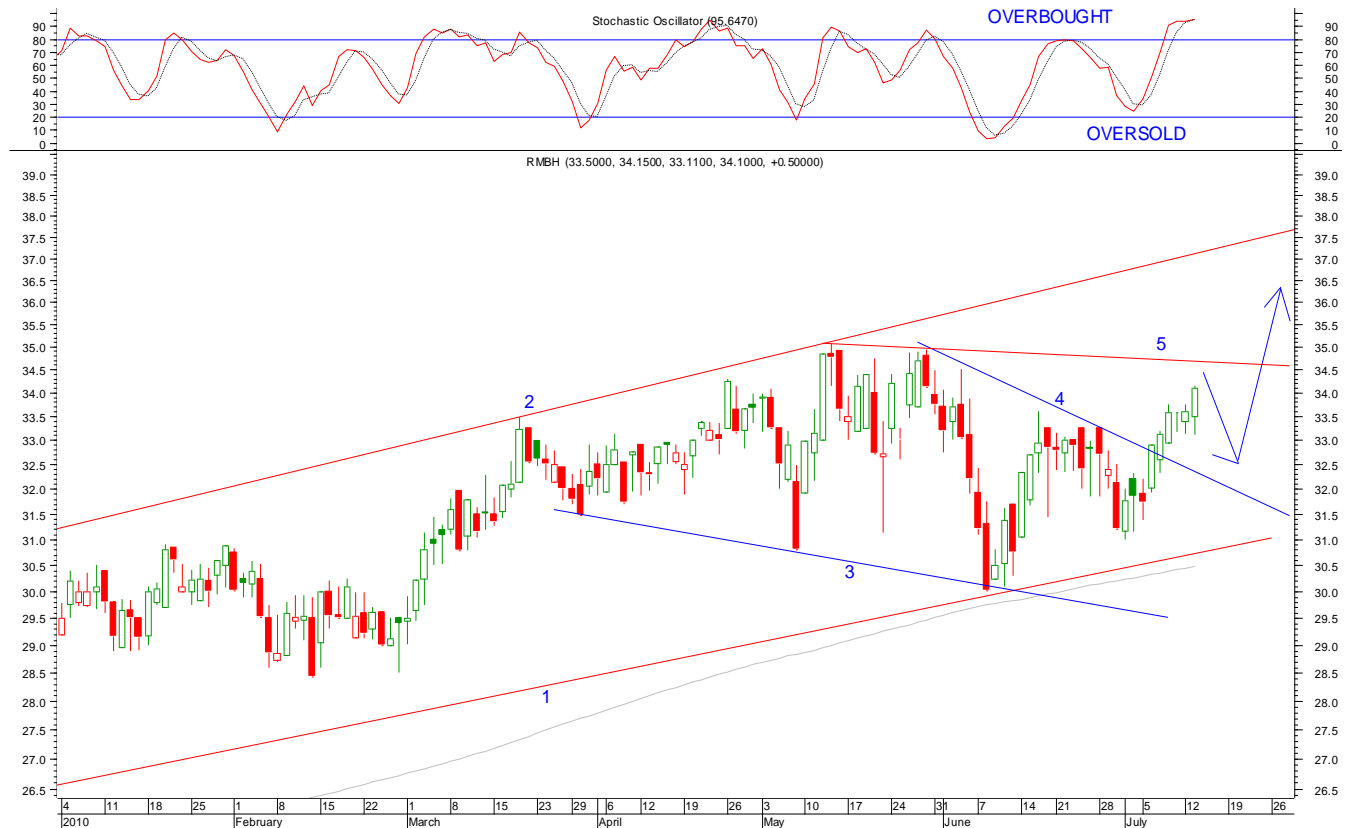


Chart Setup: Rmbh is in a long rising channel (lines 1 and 2). It has also formed a medium-term falling wedge (lines 3 and 4) – a bullish pattern. Current resistance is line 5 at R34.70.

- The short-term Stochastic (on top) is overbought. Look for a minor pullback and then up again.

Strategy Details: Traders sell short a reversal day/candle down off/near line 5 (R34.65/70). Then look to buy (go long) from R32.50.

Target: A pullback to R32.50, then R36.70 to the upside, but lock in partial profits at R34.95 to reduce your overall risk.

Stop-loss: For shorting off line 5, the stop is a close above R34.70. For going long lower down, the stop is a close below R32.40.

BARWORLD (BAW) – A short-term bottom forming

Broad Recommendation: TRADERS BUY A PULLBACK

Trend: Short-term sideways. Med-term technically down. Long-term sideways.

Strategy: Traders buy a pullback to R42.50.

Chart 7. (Daily)



Chart Setup: Barworld reversed up off line 1 support (coinciding with the late-Feb lows). It has formed a falling wedge pattern (lines 2 and 3). Falling wedges are bullish patterns. It is also forming a 'potential' inverse head and shoulders (label S-H-S? in red). It needs to close above line 4 (R45) to confirm this pattern.

- The short-term Stochastic (on top) is overbought, implying a minor pullback to occur before more upside.

Strategy Details: Traders buy on a pullback to R42.50-R42.

Target: The minimum target is R47 i.e. the height of the wedge projected up. Take at least half profits there. Note, a move to there will also confirm the inverse head and shoulders, which will point to further upside to R49.50. Take more profits at R48.30 on the way up (to reduce your overall risk).

Stop-loss: Initial stop will be a close below 41.95. Take profits in increments as mentioned above.

SMALL-CAP. CHART

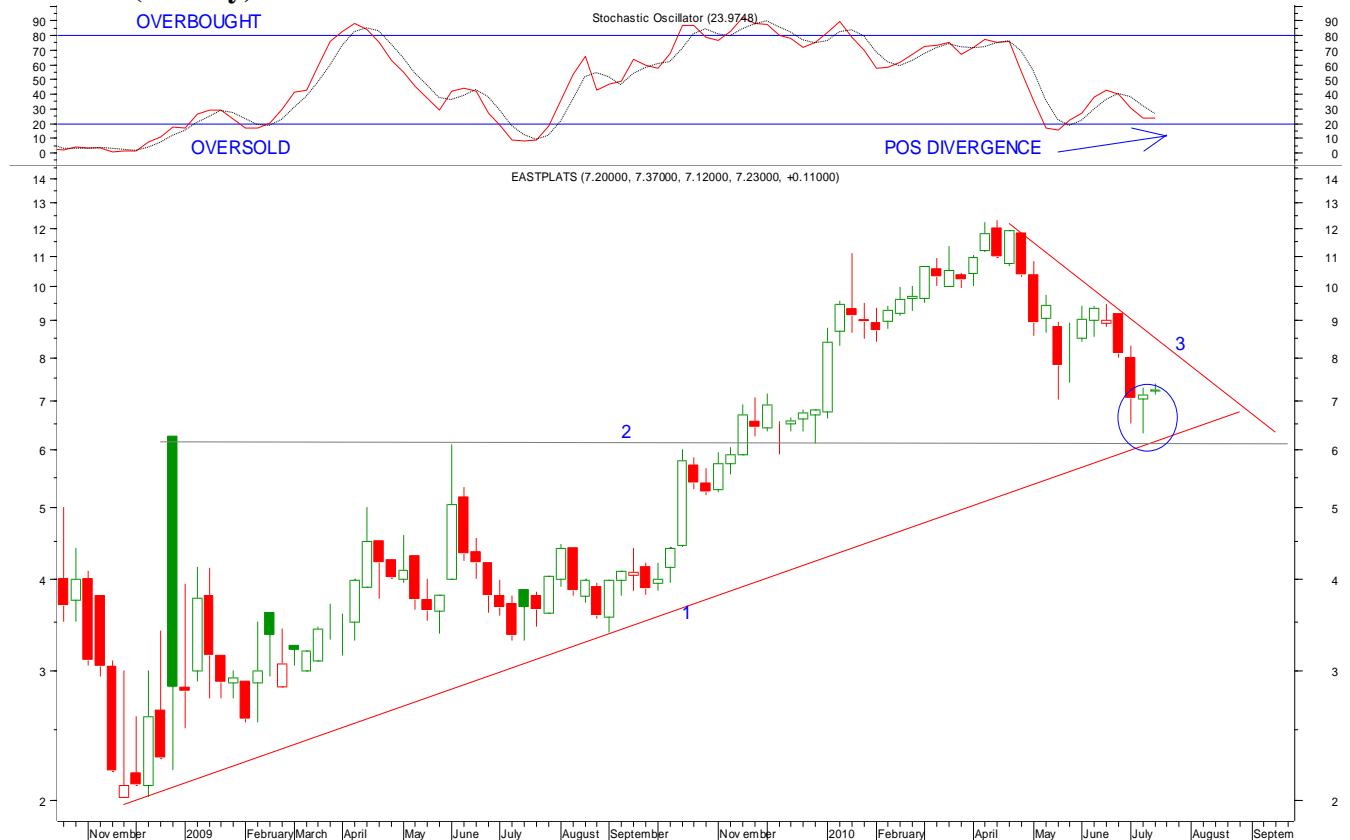
EASTPLATS (EPS) – Bullish signs emerging

Broad Recommendation: BUY

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

Strategy: Buy some at current levels and buy more on a close above line 3.

Chart 8. (Weekly)



Sector: Platinum

Current Price: R7.23

Chart Setup: Eastplats has pulled back to its long-term support line (line 1) and formed a bullish reversal candle there (see circle). In addition, last week, line 2 support coincided with line 1, providing further support there.

- The weekly Stochastic (on top) is giving a positive divergence (see Glossary) from its oversold region, which is an early warning of a rally to come.

Strategy Details: Buy some now, and buy more either if it pulls back to line 1 (R6.30) and/or on a close above line 3 – whichever happens first. (Line 1 is at R6.22 this week and rising at an angle of 10c per week). (Line 3 is at R8.35 this week and declining at an angle of 25c per week hereafter).

Target: R10.70, but this target will only be formally 'activated' once the price breaks out above line 3.

Stop-loss: Initial stop is a weekly (i.e. Friday) close below R6.00. Once the price closes above line 3, move your stop up to a close below R7.00. Lock in partial profits at R9.40 to reduce your overall risk.

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

- **Long:** Astrapak, Coal, Dawn.

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: Harmony, Shoprit, Massmart, Anggold, Gfields, Truwths, RMBH.

Weakest seven Top 40 stocks: Lonmin, Exxaro, BHPBilliton, ARM, ArcMittal, Anglo, Abil.

Strongest five Resi 20 stocks: Harmony, Anggold, Gfields, Kumba, Angloplat.

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

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

- **Bidvest:** reversed down from our shorting level. Keep holding short. Take profits at 122.50-121.50. Lower stop to a close above 127.80.
- **SABMiller:** even though it didn't give the pullback I wanted (for buying), it got to the 226 target level mentioned in the Monday update. A reversal day down from current levels (which appears to be occurring today). Can be shorted for a drop to 217. Stop a close above 226.50.
- **Angloplat:** also didn't pull back quite as far as I'd have liked (to buy at a really low risk level), but is reversing back down today so far. Look to buy in the 710-700 range. Stop is a close below 689. Targets will be 770 and 790 (for taking profits at each level).

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):

- **Imperial, Massmart.**

- **Abil:** a close below 31.80 will lead to a further drop to 31.20-31. Look to buy a reversal day/candle up in that range. Target then to 33. Stop will be a close below 30.90.
- **Absa:** it didn't give a reversal day down to short on, so no shorting to have been done. It's now over-extended. Aggressive traders only, can sell it short on a reversal day down from current levels, for a drop to 128-127. Stop above the reversal days high. All traders to then buy a reversal day up from the 127 level or slightly lower. Stop will be a close below 124.80. Target to 139.
- **Anggold:** got to the first shorting target and stopped just 7c above the second target (306) – which is close enough (on a R300+ stock) to be taking profits. It is oversold and the question is whether it has one more minor dip to retest last week's low, or if it heads straight back up from here (like the gold price chart). My gut feel is one more drop first. Look to buy it on a drop to 307 or lower, on a reversal day/candle up. Stop below that day's low. Target will be 325, with potential to 340 (take profits at each level).
- **Anglo:** is tricky at the moment. Short-term support is 272.40. I would exit all trading positions here for now. A close below 272.40 will lead to a drop to 263.50. Look to buy a reversal day up from there, which will be a high probability trade. Stop below the reversal days low. Target will be 284-288. A reversal day up off 272.40 can be bought but with great caution, as that level is very likely to break.
- **Angloplat:** see update above.
- **ArcMittal:** my concern mentioned here about the market being oversold was correct as ACL reversed higher. It stopped a bit before the level advised for locking in partial profits and using the trailing stop. If you still implemented the trailing stop from near there it will have protected your short trade on the rally. Worst case it will have been stopped out for a small loss. Support today is 75.25 rising by 50c per day. If it closes below there then sell short again, for a drop to 72.50-72. Stop a close above 77.35.
- **ARM:** got to the 172 short-term profit taking level today, although didn't really pullback as much as I'd have liked to buy. Support is 162-50-161.50. Look for a drop to there in the coming days. Aggressive traders only, can sell it short for that. Stoop above 172. From there all traders to buy a reversal day up, for a move to 172.20. If it can breakout and close above 172.50 on that rally, look for further upside/re-enter for a move to 190. Aggressive short-term traders only, can short it for the initial dip to 74.50. It's in a med-term sideways pattern.
- **Aspen:** is proving a bit sluggish in the short-term. Look to buy it on a dip to 74.50 or lower. Stop a close below 73.75. Target 78.50-79.50.
- **Barworld:** see Chart 7.
- **BATS:** raced through the upside target .a decent profit nevertheless still made for traders. Aggressive traders only, can sell short on a reversal candle down from current levels for a quick drop to 248. Stop above the reversal days high. From the 248 level look to buy for a rally to 265.
- **BHPBilliton:** gave the relief rally to 211 as expected. Traders exit if you caught that rally. It is overbought right now. Look for a pullback to 205-203.50. Aggressive traders can sell short for that if it gives a reversal day down today or tomorrow to short on. From that target level (ideally 203.50), all traders look to buy again (wait for the ravel's day up as confirmation that it's ready to move up again). Target then will be 220. Lock in half profits tern and keep some on for further potential to 225. Stop will be below the reversal day up's low or a close below 203- whichever is lower.
- **Bidvest:** see update above.
- **Didata:** the short trade here triggered the stop as it rallied very sharply yesterday. If it pulls back to 11.25 then buy to go long for a move to 12.
- **Discovery:** gave the rally we were expecting. Has so far stopped a few cents short of the 36 target. Lock in at least half profits on this trade and bring your stop up to your breakeven level, (so you can't lose on the trade from here on). If that stop triggered look to buy again from 34.40. Target up to 36. Stop a close below 34.30.

- **Exxaro:** gave the expected move up. Has stopped a bit short of the 116 target so far. It is overbought as well. Exit this long trade and look to get long again after a drop to 108.80 or a retest of 105.90 if it drops that far). Look for it to make its way up to 122.40 in the coming weeks. Stop a close below 105.
- **Firststrand:** has given the exacted rally and stooped a few cents short of 20.50 so far. I would have liked to see more of a pullback first to buy on though (because the less the risk on the trade the better). It's overbought now. Look for a pullback to 19.30 or lower to buy on a reversal day up. Target is to retest the April high of 21. Stop below the reversal days low.
- **Foschini:** reached the 68.70 level today for a nice profit. It is oversold. Aggressive traders can short it for a quick pullback to 65. Main support is 62.80 but I don't think it will pullback that far. Buy from the 65 level (on a reversal up) for a rally to 69.40. Stop below the reversal days low or a close below 62.80.
- **Gfields:** look for a rest of the recent 107 low to buy on. Wait for a reversal day from there or slightly lower to buy. Target then will be 103.50. Stop below the reversal days low or a close below 97 – whichever is lower.
- **Grindrod:** it's still in a sideways range between 15 and 14 now. Trade these boundaries for now i.e. buy near support/sell or sell short near resistance, with your stop a close outside these boundaries. Once the price closes outside either boundary, enter in the direction of the breakout for a R1.10 move per share. Current support for the up move of the past week is 14.50. It's in the middle of the sideways range, so wait for it to get near either boundary to enter.
- **Harmony:** has moved sideways over the past week, forming a small triangle. A close above 81.40 will be a breakout to buy but a close below 78.90 will be a short signal. Do whichever happens first. Target for an upside breakout will be 83.40 and for a breakdown, to 76.10. The odds favour an upside breakout. Note one can also buy it right near support at 78.90 with a tight stop as a close below that level.
- **Imperial:** triggered the buy signal and is still building up for a recovery move I believe (from its decline in recent months). Hold if in, otherwise buy a reversal day up from 87.90. Stop below the reversal days low. Target to 96. If it can breakout and close above 96.50 that will be a med-term breakout for further upside (and re-entering) for a move to 106.
- **Implats:** continued up to resistance at 193. It's overbought in the short-term but starting to look better. In the meantime, aggressive traders only, can sell short a reversal down from current levels for a drop to 183. Stop a close above 193.50. Then buy a reversal up from 183 or lower. Main support is 178.20. I don't think it will fall that far, but if it does then buy off there. Target will be up to 210.
- **InvPlc:** has had a strong rally back. Exit longs if you bought as advised. Aggressive traders sell short a reversal day down from current levels for a drop to 52.70. Traders then buy on a reversal back up from there or lower. Stop will be below the reversal days low or a close below 51.80 – whichever is lower. Target to 57.50.
- **Kumba-IO:** is giving a reversal day down today from our mentioned short-term target level Sell it short (with caution) for a drop to 325 for half profit taking and the rest at 318. Stop a close above 348.40. Then look to go long (buy) on a reversal day up from 325 or lower. Target then back to 348 and very likely higher e.g. 364.
- **Lonmin:** is overbought in the short-term, a close below 165.40 to be shorted for a drop to 158.20 for taking most profits. Continued thereafter with a breaking of prior one day high as your trailing atop on the balance. Stop a breaking of highest point on the current bounce which is 171.79 so far.
- **Massmart:** has got to the first profit target so far for some profit taking. It's moving sideways in a triangle and needs to close above 123.45 to give a breakout. Once can either take remaining profits now and re-enter on a close above 123.45 or wait for a pullback to 118.40 to buy more. The stop either way is a close below 118.10. Upside target for a breakout above 123.45 is 129.90.

- **Merafe:** reversed down from our shorting level mentioned here last week. Hold short, and take half profits at 1.21 and the rest at 1.18 if reached. From 1.21 use a breaking of prior one day high as your stop on the remainder.
- **MondiPlc:** is in a sideways range between 42.50 and 48.40. Trade the boundaries of this range for now it short at resistance/long at support. A close above 48.50 to be bought for a move to 54.70.
- **MrPrice:** has stopped a few cents short of 50 again. It is showing a good profit on this trade. Take profits here, and look for a pullback to 46.50 to buy again. (Investors keep holding regardless. Together with Shoprit it is (still) the best stock on the market).
- **MTN-Group:** has got to our mentioned shorting level again. Sell it short on a reversal day do from current levels. Lock in profits at 105.75 and more at 104.50. Stop above the high of the reversal day down or a close above 111.20 – whichever is higher. As long as it remains below 119 it's in a larger downtrend, but I might add, oversold on the monthly charts.
- **Naspers-N:** did not give a reversal day down to sell short on and continued straight up instead. It is no overbought and looking much better technically. Look for a minor pullback to 272 and buy a reversal day up from there. Target back to 291 initially. Breakout and close above 292 will be a re-entry signal for a potential retest of its March high of 224.90. I think there's a good chance of that happening in the coming weeks.
- **Nedbank:** gapped up on the news of a possible Hsbc takeover. As a result one should not short a stock when it is being directly affected by such news. It is overbought in the short-term, but is likely to continue higher to 139.70. Look for a pullback first though e.g. to 129.20 or lower. A reversal up from there can be bought. Stop below the reversal days low.
- **Netcare:** got to the target level even though it didn't give the kind of pullback I would like to see to buy on with high confidence. It's overbought in the short-term and is in a generally sideways med-term pattern. As a result one should be taking on small moves, in either direction. Look for a pullback to 12.75 to buy. Stop a close below 12.70. Target to 13.50.
- **Newgold:** got to the first profit target of 88 exactly before reversing up. It is oversold but may well retest that 88 level. Either way, lock in more shorting profits at 88.60 and continue with a breaking of its prior one day high as your stop. The theoretical target is down to 86.60 but not sure it will reach there on this drop.
- **Northam:** it's not doing much at the moment, and is in a large med-term sideways pattern. I'll keep monitoring it and if a high probability trade develops I will comment on it.
- **Old Mutual:** see Chart 5.
- **PPC:** trade the 33.50-30.50 range in both directions, for now. The stop for buying will be a close below 30.40. Take profits at 32.50.
- **Reinet:** didn't give a reversal day down to short on. It is getting overbought at the moment but will go higher after a pullback. Buy on a pullback to 11.25-11.15. Stop a close below 11.15. Target 11.80-85.
- **Remgro:** got close to our mentioned buying level but its chopping around in a med-term sideways pattern. Right now it's in the middle of its sideways range. Hold, but buy again at 93.50 and look to take profits at 99.30-100. Main stop level here is a close below 92.50.
- **Richemont:** reached and exceeded the 28 target after reversing up from slightly above our pullback level. It's heading towards very solid resistance at 29.20 and is overbought. Sell short a reversal day down from the 29 level for a quick drop to 27.80. Stop a close above 29.20. A reversal up from 27.50 or lower will be a sign to go long again for a move back to above 29. A close above 29.20 will be significant for further upside to 32.
- **RMBH:** see Chart 6.
- **SABMiller:** see update above.
- **Sanlam:** remains in a boring med-term sideways pattern. It needs to close above 24.55 to break out of this pattern to set up a larger move to above 27. It might happen in the coming weeks, but right now it can be bought on a pullback to 23.30. Take profits at 24. Stop a close below 23.

- **Sappi:** triggered the buy signal and reached the target not long thereafter for a perfect trade. There is a lot of resistance at the 33.30 level. Look for a pullback to buy e.g. to 31. Stop a close below 30.40. Target to 36.
- **Sasol:** reached the mentioned target and is overbought now in the short-term. Look to buy below 276. Lock in half profits a 286 and more at 290 if reached. Stop a close below 271.50.
- **Shoprit:** moved up beautifully to reached and exceed the trading target for a nice trade. It's overbought in the short-term. Pullback to 85.20 can be bought again by traders. Target to 90.50.
- **Spar:** moving sideways over the past few days and hasn't got going as yet. Lock in some profits as a result. Make the stop a close below 79.50. Take all trading profits at 83 if reached.
- **Stanbank:** reached and exceeded the mentioned trading target for a decent profit. It is overbought so look for a pullback to 107 to buy on. Target then to 116. Stop will be a close below 104.70.
- **Steinhof:** got to our profit taking level for shorts and reversed up for going long as advised. It's getting overbought, so exit that long trade for a small profit. Re-enter a reversal day up from 17.90 or lower. A close above 18.65 will be a med-term breakout for buying as well. That will lead to a rally to 20.50.
- **Telkom:** got slammed apparently on the cfo's decision to resign. Fortunately no long signal was triggered before then. There is good support at 33-32.60. But a reversal day up from there ideally as close to the latter level as possible. Stop below that day's low. Target to 36.20.
- **Tigbrands:** is currently testing resistance at 178.10. It is also overbought in the short-term. A reversal day down from current level can be shorted, with caution, for a drop to 171.80 and to 170 for profit taking at each level. Stop is a close above 178.50. Look to go long a reversal day up from the 170 level for a move back to 178. Stop a close below 168. If it can close above 178.50 it will setup a higher target of 189.50 for buying.
- **Truwhits:** hasn't reached the target yet of 57.20-58 for traders, but keep holding. Stop is close below 53.50. It's still basically in a large sideways med-term pattern.
- **Vodacom:** hasn't reached the 62 target yet but is showing a profit. It's getting overbought so I'd advise exiting this trade at current levels. Look for a pullback to 58.20 or lower to buy on. Target then up to 62. Stop a close below 57.30.
- **Woolies:** stopped 11c short of the first target for partial profit taking. Exit this trade at current levels and look to re-enter on a pullback to 24.20 or lower. Target then 25.80-26. Stop a close below 23.30.

GOLD UPDATE: The JSE gold index bounced from the mentioned support level and is oversold on the daily chart. It is still looking vulnerable on the weekly chart and I'd like to see more upside confirmation before buying. A pullback to retest the recent low of 2412 will present a chance to buy gold shares (on a reversal day back up from there). It can still drop to 2330 in the short-term before moving up in earnest again.

Dollar gold price: see Chart 3 for detailed commentary.

Rand gold price: is still pointing to a downside target of 8860 in the short-term. It's getting oversold but a drop to there is still very possible. No buying advised right now then. Main support level here is longer-term is 8600. Larger target is still 10 000.

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 14 July '10) Price (R) 20-Day MA: 40-Day MA:

ALTECH	60.0000	60.8915	62.4815
ALTRON	23.0000	23.7980	24.3965
ASTRAL	108.9500	111.2165	112.2542
AVENG	33.4500	34.1610	34.9700
BIDVEST	124.7500	127.1985	127.5658
DRDGOLD	3.2800	3.4240	3.4448
GROUP-5	33.5400	34.2265	34.6300
LONMIN	169.7500	173.6695	178.5665
M&R-HLD	38.5000	39.2325	39.4333
MERAFE	1.3000	1.3275	1.4310
NEWGOLD	89.4500	91.3305	91.6025
RAUBEX	18.4000	19.3795	20.2835
SENTULA	2.1500	2.2635	2.3342
SIMMERS	0.8800	0.9835	1.0658
WESIZWE	1.8000	1.8650	1.9742

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

M-PLATZAR	11553.3203	11751.4131	11849.8984
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SUMMARY

The market looks to be heading higher in the coming weeks, but look out for a temporary sell-off in the interim, as it catches its breath after a good rally over the past two weeks. The sell-off is starting today and should continue for a few days and perhaps a week. Use this pullback to line up buys for traders. More daring traders should be able to capture some of the downside move in the interim, by selling short.

If we do get this rally over the next few weeks (which is what I'm expecting), that will be another opportunity for investors to be reducing longer-term holdings. The rally may well surprise to the upside i.e. go further than most people are expecting, so don't be in a rush to offload long-term holdings just yet. That being said, investors shouldn't be buying either. Just hold for now until the time comes to reduce (which we will advise).

Sincerely,

Colin Abrams
TheMarket.co.za

PS: Remember: Protective stops on all positions!

NEXT COURSE DATES:

JOHANNESBURG

Course 1: Technical Analysis (Level I) - 1st August '10 (Sunday).

Course 2: Advanced Technical Analysis (Level II) and Money Management - 22nd August '10 (Sunday).

Course 3: Developing Trader Discipline (Trading Psychology) - 20th August '10 (Friday).

Please let us know if you'd like to attend. Seating is limited.

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