

## Welcome to TheMarket.co.za Weekly Analysis Report

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By Colin Abrams

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### Classic Trading Rule:

**"Seldom take a position in the direction of an immediately preceding three-day move. Wait for a one-day pullback."**

## A LOOK AT GOLD ET. AL.

### Introduction:

The recent pullback on the stock market was temporary as expected (refer to the title of last week report). The JSE has reversed back up sharply, thereby giving traders a good profit so far if they bought on the pullback, as advised. Today's interest rate announcement has gone the "wrong" way but I don't think that matters much as far as the market is concerned, as we are more governed by overseas markets. Pullbacks are still buyable, as advised in this Monday's market update. This week we look at some gold charts (the **JSE gold index, dollar gold price, and Anggold**). They are all oversold, with positive divergences on their charts i.e. early bullish signs. As a result one should be looking for a reversal back up in the gold market after a recent correction. The other charts shown are the **Dow Jones**, which is pausing before another leg up I believe; and the **JSE All Share index** which still has higher to go, despite testing a short-term resistance level today. The other stock charts shown are **BATS** (prepare for another leg up again soon), and **MTN-Group**, which is testing its long-term resistance level at the moment.

The small-cap chart is **Granprade**, a financial stock that is breaking out above resistance right now.

Overall, the stock market still looks good for the next few weeks, as mentioned here in recent newsletters. There is clearly still nervousness around though, but I'm expecting stocks to continue edging up further. Minor pullbacks can still be bought by traders, but no aggressive buying is advised at all. I do believe we will be heading into a significant market top in the coming weeks, and investors need to be cognisant of this.

### Executive Summary:

- **Dow (chart 1):** Hold longs/buy on a break of yesterday's high (10 266) if not in.
- **All Share Inx (chart 2):** Traders hold/buy minor (i.e. 1-2 day) pullbacks for the short-term.
- **JSE Gold Inx (chart 3):** Traders prepare to buy.
- **Gold (\$) (chart 4):** Traders buy on either a retest of line 2 or a close above line 3.
- **Anggold (chart 5):** Buy on retest of 293.77/or on a close above line 2 (more conservative).
- **BATS (chart 6):** Buy a reversal day up from line 3 or lower.
- **MTN-Group (chart 7):** Sell short a reversal day from current levels/then go long lower down.
- **Granprade (chart 8):** Buy at the R2.30 level.
- **Leading Stocks (3-mths): Top 40** – Massmart, Shoprite, MTN, Truworths, Harmony, RMBH, Sanlam.
- **Resources 20** - Harmony, Kumba, Anggold, Gfields, Sasol.
- **Shortable stocks/indices:** 11 stocks, 0 indexes, 0 commodities, 1 currency.

# 1. MARKET CHARTS

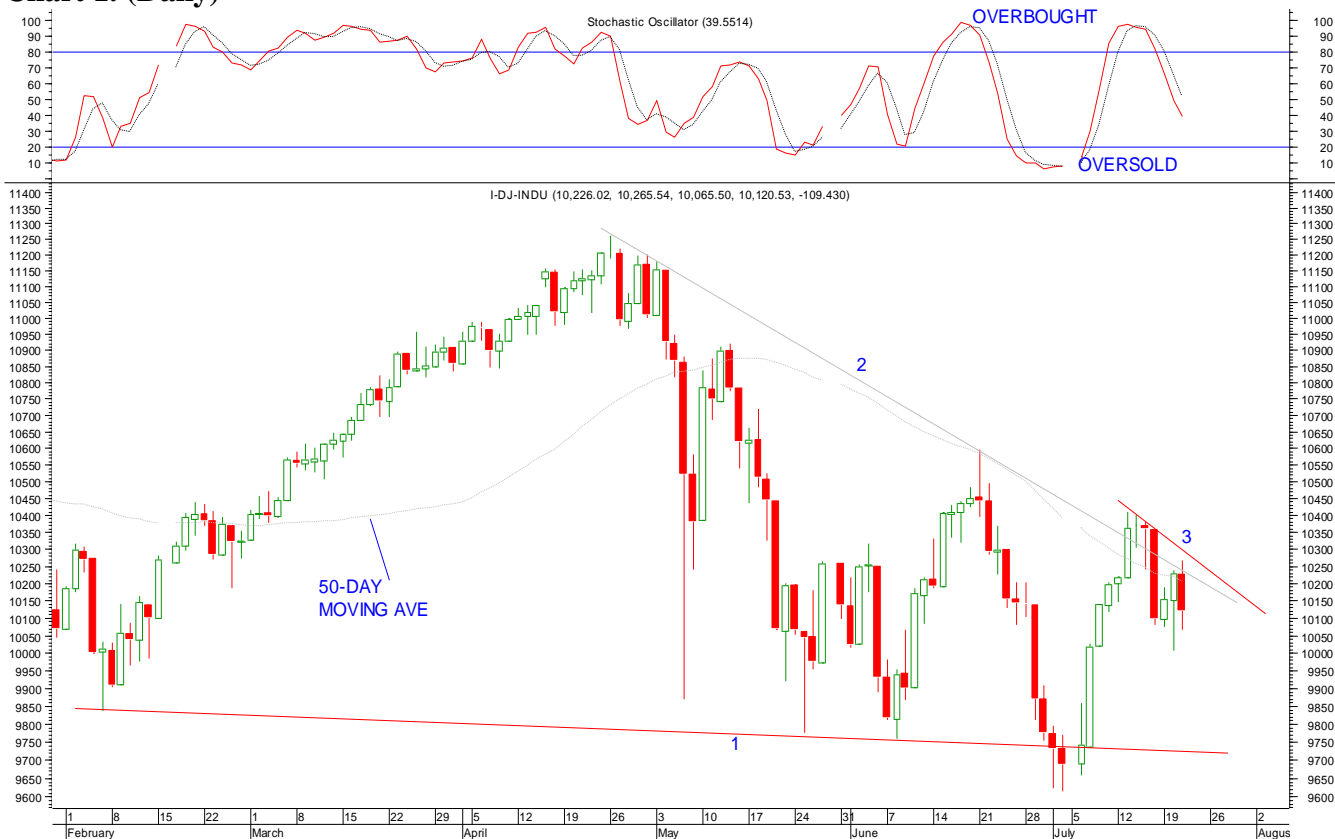
## DOW JONES – Pausing before more upside

**Broad Recommendation: TRADERS BUY. INVESTORS REDUCE HIGHER UP**

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

**Strategy:** Hold longs/buy on a break of yesterday's high (10 266) if not in.

**Chart 1. (Daily)**



**Chart Setup:** The Dow dropped to the mentioned level in last week's newsletter for a quick short trade, and then gave a reversal candle up from there on Tuesday. That was a signal to buy as advised last week (for traders only). The index has now formed a 'flag' over the past week and is preparing for a move up I believe.

- The short-term Stochastic Oscillator (on top has pulled back from its overbought level, but is not oversold yet. This means the index can still go sideways for a couple more days, if it doesn't just head straight up from here).

**Strategy Details:** Hold longs/if not in, buy on an intraday break of 10 266. (Note, if you would like extra certainty, wait for a close above line 3. Line 3 is at 10 277 on Thurs night, and declining at an angle of 20 points per day thereafter).

- Investors should be reducing their exposure to stocks higher up, over the coming weeks. Reduce exposure by 50%.

**Target:** Lock in some profits at 10 600 and more at 10 900. From 10 900, use a breaking of its prior one day low as the stop on the remaining portion.

**Stop-loss:** Initial stop is a close below 9 900. Once the price closes above line 3, move the stop up to below 10 000.

## JSE ALL SHARE INDEX – Breaking above resistance level

**Broad Recommendation: TRADERS BUY PULLBACKS. INVESTORS REDUCE HIGHER UP.**

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

**Strategy:** Traders hold/buy minor (i.e. 1-2 day) pullbacks for the short-term.

**Chart 2. (Daily)**



**Chart Setup:** The index dropped to line 2 as expected from last week's commentary. It reversed up off line 2 on Tuesday and is set to continue higher still. Line 3 has been adjusted to take into account last Friday's 'topping tail' high. A close above line 3 will be a further bullish sign (which is happening today so far).

- The short-term Stochastic Oscillator (on top) is still relatively overbought, which is the only short-term concern, but in a strong trend it can remain overbought for an extended time.

**Strategy Details:** Hold (based on last week's advice to buy after a pullback to line 2). If not in, it can still be bought, ideally after a 1-2 day pullback. Likewise for index stocks that are closely correlated to the All Share index.

- Investors hold, but as the index continues higher e.g. to 28 700 reduce holdings by 50%. After the present rally, I'm expecting a large correction.

**Target:** To 28 750, with further potential to 29 500. There will be prior resistance at 28 210, but expect it to get broken.

**Stop-loss:** A close below line 2. (Line 1 is at 27 275 on Thurs 22<sup>nd</sup> and line 2 is rising at an angle of 90 pts per day thereafter).

## JSE GOLD INDEX – Bullish signs

### Broad Recommendation: TRADERS PREPARE TO BUY

**Trend:** Short-term technically down, but oversold. Med-term sideways. Long-term sideways.

**Strategy:** Traders buy on a retest of Tuesdays low (aggressive), or a close above line 3 (conservative).

### Chart 3. (Daily)



**Chart Setup:** After falling for a few weeks, the gold index formed a classic bullish reversal candle (a 'hammer'), on Tuesday (see circle).

- In addition, the short-term Stochastic Oscillator (on top) is giving a positive divergence (see Glossary) from its oversold level. This is an early warning of a rally to come. And coupled with the reversal candle, it is lining up for a high odds play.

**Strategy Details:** Traders look to buy gold shares again, on a retest of Tuesdays low (2305) (more aggressive), or on a close above line 3 (more conservative). Line 3 is at 2455 on Thurs 22<sup>nd</sup> and line 3 is declining at an angle of 10 pts per day thereafter.

**Target:** Look for a relief rally back to line 3 first, If/when we get the breakout and close above line 3, look for a retest of the June high of 2634. (I don't think it will go much higher than that on this run).

**Stop-loss:** For buying on a retest of 2305, place your stop as a close below 2265 based on this index. For buying on a close above line 3, the stop will be an intraday break of the lowest point made on the current correction (which so far is Tuesday's low of 2305).

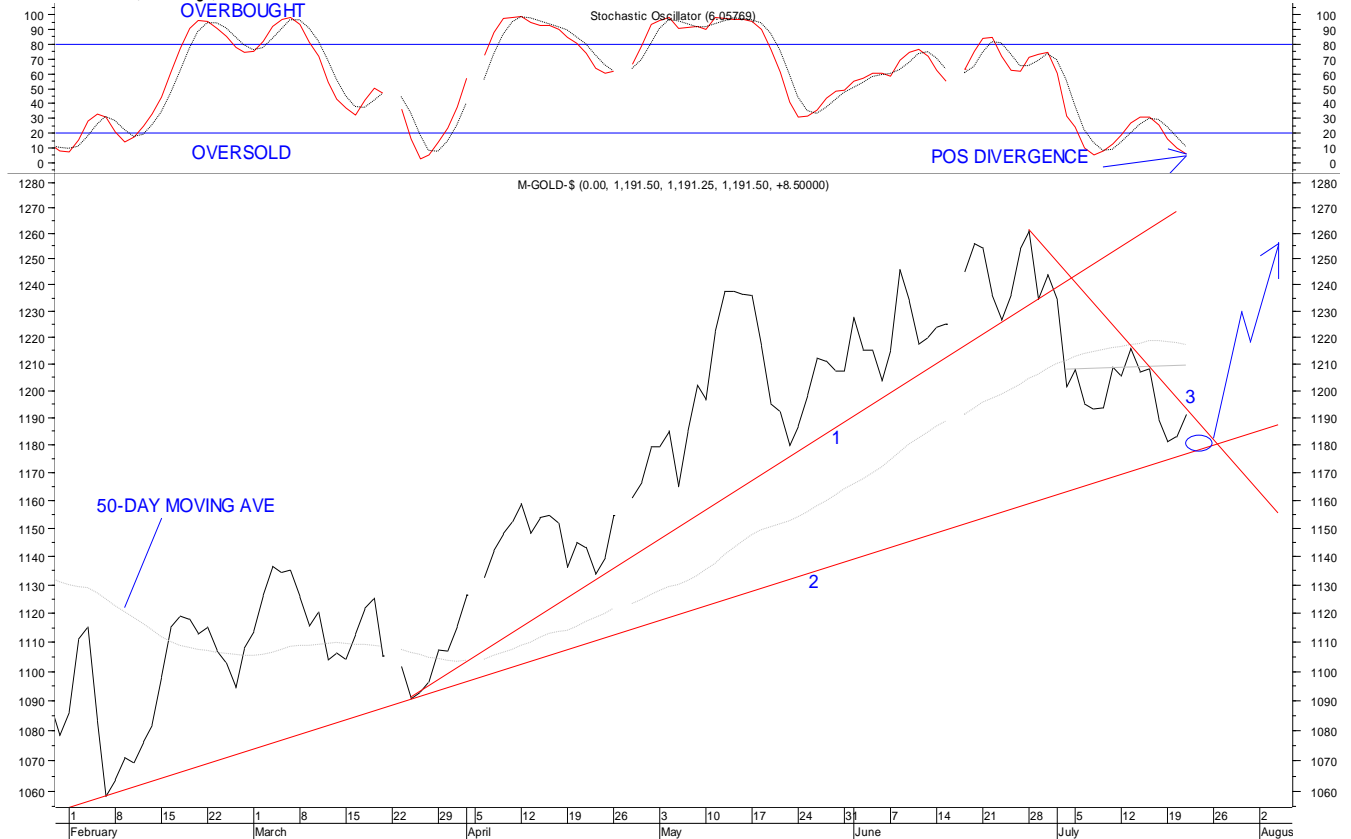
## GOLD (\$) – Oversold

**Broad Recommendation: TRADERS BUY. INVESTORS HOLD.**

**Trend:** Short-term technically down, but oversold. Med-term sideways. Long-term up.

**Strategy:** Traders buy on either a retest of line 2 or a close above line 3 – whichever happens first.

**Chart 4. (Daily)**



**Chart Setup:** Updating this chart from last week, the gold price pulled back to test line 2 as we suspected it might. The price is setting up for another good rally.

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

**Strategy Details:** Traders buy it on either a final pullback to line 2 (\$1179) or on a close above line 3. Do whichever happens first. (Line 3 is at \$1190.50 on Thurs 22<sup>nd</sup>, and declining at an angle of \$4.00 per day thereafter). (All on its spot price – see Glossary).

- Investors hold. More can be bought on pullbacks such as this, if desired.

**Target:** Look for a rest of the June high of \$1261 on a closing basis (and \$1270 intraday). But lock in partial profits at \$1230 to reduce your overall risk.

**Stop-loss:** If buying on a retest of line 2, place your initial stop as a close below \$1270. If buying on a close above line 3, place your stop as a close below \$1275.

## ANGGOLD (ANG) – Early positive signs

### Broad Recommendation: TRADERS PREPARE TO BUY

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

**Strategy:** Buy on retest of Tuesday's low, 293.77, aggressive/or on a close above line 2, conservative.

**Chart 5. (Daily)**



**Chart Setup:** Very similar the two preceding charts, Anggold have fallen over the past month and is showing signs of making a bottom. One such sign was a classic reversal candle up on Tuesday.

- Another bullish sign is a positive divergence on its daily Stochastic (on top).
- The only concern is a potential head and shoulders top (head in mid-June, and right shoulder in early July). This same potential pattern exists on the previous two charts as well. However, it isn't classically formed and a breakout above line 2 will be very bullish.

**Strategy Details:** Aggressive traders can buy on a retest of Tuesdays low (R293.77). Wait for a sign of it moving up from there (or from slightly lower). More conservative traders to buy on a close above line 2. (Line 2 is at R308.80 on Thurs 22<sup>nd</sup>, and line 2 is declining at an angle of R2.00 per day thereafter).

**Target:** Lock in half profits at R317, continue it a breaking of its prior 3 day low thereafter as your stop. Take remaining profits at R330 if reached. (Tighten your stop to a break of its prior 2 day low as it nears R330).

**Stop-loss:** If buying on the retest of Tuesdays low (R293.77), place your initial stop as a close below R287. If buying on a close ave line 2, the stop will be a close below R298.

## BATS (BTI) – Heading back to support

### Broad Recommendation: TRADERS BUY LOWER DOWN

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

**Strategy:** Buy a reversal day up from line 3 or lower.

**Chart 6. (Daily)**



**Chart setup:** BTI gave a classic reversal candle down last Friday (a 'shooting star'), which was the signal to sell short (for aggressive traders) as advised in the Notes & Updates section last week. It has dropped nicely since then. It is nearing line 3 support, and I'm expecting a reversal back up from there or from slightly lower.

- The big picture has it in a large broadening formation (lines 1 and 2). It will eventually break out of this large pattern, but for the time being it can be traded, with low risk, near both lines 1 and 2.
- The short-term Stochastic (on top) can still fall further before becoming oversold in the short-term, which confirms our view of more downside to come for the next couple of days, to line 3.

**Strategy Details:** Traders close shorts and go long (buy) a reversal candle up from line 3. (Line 3 is at R252 on Thurs 22<sup>nd</sup> and rising at an angle of 80c per day thereafter). If the reversal day doesn't occur there, then it can occur slightly lower down e.g. at R249.70.

**Target:** Up to R268. Take at least half profits there and continue with a breaking of its prior one-day low as the stop on the remainder. Note, it can potentially go all the way to line 2 (R277).

**Stop-loss:** Place your initial stop as a breaking of the low of a reversal day up from line 3, or a close below R249.

## MTN-GROUP (MTN) – Testing important resistance level

**Broad Recommendation: TRADERS SELL SHORT (WITH CAUTION).**

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

**Strategy:** Traders sell short a reversal day from current levels. Then go long after a sell-off.

**Chart 7. (Daily)**



**Chart Setup:** MTN is in a large broadening formation (or megaphone) (lines 1 and 2). It has now rallied to retest line 2 (R119 level). Lines 3 and 4 from a channel. There is evidence that this stock is being accumulated by institutions (which makes it a 'buy' for investors on weakness), but right I'm looking for a temporary sell-off.

- The short-term Stochastic (on top) is giving a negative divergence (see Glossary) from its overbought region, which is an early warning of a sell-off to come.

**Strategy Details:** Traders sell short on a reversal day down from current levels. (If preferred wait for a close below line 5 – which is more conservative). Line is at R114 on Thurs 22<sup>nd</sup> at rising at an angle of R1.00 per day thereafter).

- Then look to go long again (buy) from the R109.50 level. Investors can start nibbling at that level.

**Target:** A pullback to R111-R109.50. Traders lock in some profits at each of these levels on the short trade. A reversal day up from R109.50 to be bought long, for a move back to line 2, which will then be at R118.50. Note, a clear breakout and close above line 2 (currently R119.30) will be bullish for the big picture, setting up a longer-term target to R148.

**Stop-loss:** Initial stop for selling short is a close above R119.30. Once it gets to R111, use a breaking of its prior 2 day high as your stop, while taking profits as advised above. When going long again, place your stop as a close below R107.

## SMALL-CAP. CHART

### GRANPRADE (GPL) – Upside breakout

#### **Broad Recommendation: BUY ON A PULLBACK**

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

**Strategy:** Buy at the R2.30 level.

**Chart 8. (Daily)**



**Sector:** Other Financial

**Current Price:** R2.35.

**Chart Setup:** Grand Parade has broken out of a multi-month symmetrical triangle (lines 1 and 2). This pattern is pointing to a higher target.

- The short-term Stochastic (on top) is getting overbought, so expect a pullback soon before more upside.

**Strategy Details:** Buy it at the R2.30 level, for the med-term+.

**Target:** Minimum upside target (med-term) is R2.95 i.e. the height of the triangle projected up. Lock in partial profits at R2.80 to reduce your overall risk. Take remaining profits at the target.

**Stop-loss:** Initial stop is a close below R2.20.

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

- **Long:** Astrapak, Goldreef, Zeder.

### 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:** Massmart, Shoprite, MTN, Truworths, Harmony, RMBH, Sanlam.

**Weakest seven Top 40 stocks:** Lonmin, Anglo, ARM, Angloplat, Telkom, ArcMittal, Steinhof.

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

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

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

- **Old Mutual:** Reversed up from our buying level to lock in a small gain on the short trade, and to long again, as advised. It is doing well since then and is now testing med-tem resistance at 13.30. Keep holding/buy a close above 13.30 if not in. Target is 14-14.20. Stop is an intraday break below 12.75. There is a chance that the price continues up to above 15, but more confirmation is needed.
- **RMBH:** the short trade was advised to be closed in Monday's market update, for a small profit/breakeven trade. The reversal to go long (buy) came on Tuesday and the price is doing well so far. Keep holding. Target as advised in last week's newsletter.
- **Barworld:** pulled back to within a few cents of our mentioned buying level on Monday. If you didn't get in, it can still be bought on a close above 44.50. Then follow targets as pre last week's newsletter. Stop is a close below 42.90.

### 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):**

- MrPrice, Sappi, Gfields.

- **Abil:** pulled back close to our mentioned buying level but stopped slightly above it before reversing up on Tuesday. It then rallied to exceeded the upside target. Look for more upside to 35.25. A clear reversal day down from there or higher can be sold short, with caution, for a drop to 32.70. Stop above the reversal days high.
- **Absa:** pulled back also not as far as the pullback level for buying. The 139 target is not far away. I think it will still get to 140.30 at least, and maybe 142.30. It is too high to be buying at these levels for my liking.
- **Anggold:** see Chart 5.
- **Anglo:** gave a clear reversal day up on Tuesday for buying at our buying region. A close above 282.50 today will be a further positive, for more upside to 292.50. Take half profits there and continue with a breaking of its prior 2 day low as the stop thereafter. Current stop is a close below 270.
- **Angloplat:** gave the pullback for buying at our mentioned levels. Is doing nicely at the moment. Keep holding. Lock in some profits at 739 to reduce your overall risk. Take more profits at 770, and continue thereafter with a breaking of it prior 1 day low as the stop, while taking further profits at 790 if reached.
- **ArcMittal:** triggered the mentioned short signal and dropped to the target for a quick profit. It has reversed up sharply and is showing sings of institutional buying coming in. A close above 80.70 today will trigger a buy signal for a move to 90.50 at least, with further potential to 94. It is a bit extended right now after a sharp move in recent days. So a pullback to 78.50 is very likely, that will provide another/better entry opportunity. Stop is a close below 75.
- **ARM:** gave the drop to our mentioned buying level and in the process, to allow for a nice profit on the short trade advised. Hold the new long. It's already nearing the 172.50 target but I think it's going to continue up more. A close above 172.50 will setup a target to 192, but lock in partial profits at 182 to reduce your risk. Current stop is a close below 161.80.
- **Aspen:** has already reached the mentioned target although I would have liked a bit more pullback. If in keep holding/buy on a minor (2-3) day pullback. Target to 83. Stop is a close below 76.
- **Aveng:** A close above 33.95 can be bought, with caution for a move to 35.60-35.95. Stop will be an intraday break below 33.
- **Barworld:** see update above.
- **BATS:** see Chart 6.
- **BHPBilliton:** did give a pullback but not as far as hoped. It reversed up from above our buying level and has already exceeded the first target of 220. Next target is 226. If not in, buy on a minor pullback to below 220 (ideally to 217). Target to 234 eventually on this run.
- **Bidvest:** did not reach the downside target and triggered the stop. It's now testing resistance at 132.50. Buy on a close above that level or on a pullback to 128.20 - whichever happens first (the latter will present a better risk/reward ratio). Stop will be a close below 127. Lock in half profits at 137.80 and tune with a breaking of its prior one day low thereafter as your stop.
- **Didata:** the potential takeover shot it up. At these levels I would take profits if holding (traders). There is more downside than upside at these levels i.e. if the deal falls through it will drop back sharply.
- **Discovery:** take trading profits at 35.80-36. It gave a bit of a pullback earlier this week to allow for buying more. Stop is a close below 34.75.
- **Exxaro:** pulled back to within a few cents of our buying level. Is looking good for further upside. Take some profits at 119 and more at 122.50. Stop is a close below 111.30.
- **Firststrand:** pulled back to our mentioned buying level and reversed up from there .It reached the first target of 20.50 today. Lock in more profits at 20.80 (stop is breaking of prior one day low thereafter) and the rest at 21 if reached.

- **Foschini:** didn't give a reversal down for shorting (aggressive traders only as mentioned). It continued straight up to the target instead. Next target is 70.95, but buy on a pullback to 67.20 or lower, as it's relatively overbought. Look for an eventual move to 73.50.
- **Gfields:** fell as expected and gave a classic reversal candle up on Tuesday from our buying level. It can still be bought, and if it drops to retest 93.90 then buy more. Stop a close below 92.50 then. Lock in partial profits at 101.80 and raise your stop as a breaking of its prior one day low thereafter. A close above 101 will be a re-entry buy signal for a move to 106.20.
- **Grindrod:** I'm adjusting the sideways range that it's currently in, to 15.15 and 14 at the bottom. Trade these boundaries for now. It's nearing the upper boundary, and if it gives a clear reversal candle down off there then sell short, with caution for a drop to 14.60-14.50. Stop a close above 15.15. But a close above 15.15 will be a buy signal (buy ideally on a 2-3 day pullback thereafter) for a move to 16.20.
- **Harmony:** triggered the short signal and reached and exceeded the downside target for a profit. It is oversold and a reversal day up can be bought (with caution) initially for a move back to 80. Stop below the reversal days low. There is support right now at 73.65.
- **Imperial:** reached the 96 target so far. A close above 96.50 will trigger a further upside breakout but be aware that it is overbought in the short-term. If that breakout occurs then buy on a pullback to 94. Stop will be a close below 91.50. Target to 103.
- **Implats:** a perfect short trade reached and exceeded the mentioned target. It reversed up from the to trigger the mentioned buy signal. It's doing very well. Keep holding but use a breaking of its prior 2 day low as your trailing atop for traders. Lock in some profits at 199, and more at 205. Pullbacks are buyable for traders.
- **InvPlc:** stopped just shy of the aggressive short target, but was close enough to be taking at least half if not all profits. It then reversed up for buying as advised (although I would ideally have liked to see a bit further drop). Important resistance is at 56.10. Keep holding/buy a close above there if not in. Lock in partial profits at 57.50 and more at 59.50. Keep a bit on, in case it moves all the way back to 672 which is possible.
- **Kumba-IO:** reversed back up from above our 325 downside target. Has exceeded both upside targets so far. Look for it to continue up to 400 at least, into new all time higher territory. Buy on a minor (e.g. 2-3 day) pullback e.g. to/near 350.
- **Lonmin:** stopped above the shorting target after an initial good drop, and will have been stopped out after it reversed back up. A close above 171.50 can be bought for a move to 181 but keep in mind it is a laggard in the sector. Stop a close below 165.
- **Massmart:** gave the upside breakout for buying/re-entering, and is nearing the upside target of 129.90. Stop is a breaking of prior one day low.
- **Merafe:** look to exit his short trade. A close above 1.39 will be a new breakout for buying. Target to 1.50 for some profit taking (raise stop to prior one day low) and then 1.55. Stop is a close below 1.28. It can be bought on a pullback towards 1.28 if we get one in the interim.
- **MrPrice:** is consolidating sideways at its prior high which is a bullish sign. I think we're going to get the upside breakout here every soon. Buy in again if you're out/ideally on a pullback to below 49. Stop is a close below 48.45 for traders. Lock in a bit of profit at 51.50 and continue with a breaking of its prior one day low thereafter as your stop. Investors keep holding.
- **MTN-Group:** see Chart 7.
- **Naspers-N:** gave a pullback on Tuesday and a reversal day up the same day to buy, but more importantly it's broken out above the important resistance level. Look for a move to 325, but it is overbought so the proper way to trade it is to wait for a pullback to enter e.g. to below 280. Pullbacks will remain buyable here.
- **Nedbank:** gave a classic reversal candle up on Tuesday from the mentioned buying level. Hold/buy on a close above 133.25 if not in (but it carries more risk at these levels). Lock in profits at 137.20 and more at 139. Stop is a close below 130.50.

- **Netcare:** buy at current levels or better. Stop is a close below 12.70, target is 13.60.
- **Newgold:** more shorting profits will have been locked in as advised last week. It is oversold so can start rallying again at any time (like the dollar gold price). A close above 88.75 can be bought, with caution at first. Stop will be a close below 87.50. Targets will be 91.70 then 92.70 for taking some profits at each level.
- **Northam:** a close above 44.97 can be bought for a move to 46.90 for some profit taking and take further profits at 47.70. Stop will be a close below 43.60.
- **Old Mutual:** see update above.
- **Reinet:** gave the mentioned pullback for bung (11.25 or lower) – can still be bought there. Target is 11.70-80. Stop is a close below 11.05.
- **Remgro:** got to the profit taking level. A close above 100 will be a new breakout for a move to 101.60-90 at least. Right now try bug on a pullback to below 97.
- **Richemont:** got to the shorting target for closing aggressive shorts and all traders to go long. It is now at the important 29.20 level. Some profits can be taken here to reduce your risk, but a close above 29.20 will see further upside to 30 at least and potentially to 32.50. It can be re-entered for that, but with caution. Stop a close below 27.95.
- **RMBH:** see update above.
- **SABMiller:** dropped to our target level for a nice short trade. It is range bound between 227.50 and 210.50. Try go long as close to 215 as possible, and take profits at 227. A close above 227.50 to be re-entered for a further move to 246.
- **Sanlam:** it's testing and breaking out above med-term resistance today, at 24.50. It is overbought as look to buy on a pullback to 23.75. A close above 24.50 will setup a move to 25.80 and potentially 26.60. Still, buy on a pullback after the breakout.
- **Sappi:** target is to 36 and potentially 37.50. It is overbought in the short-term so look to buy on a minor pullback e.g. 31.80 or lower. Main support level is 30.40. Pullbacks are buyable for the foreseeable future.
- **Sasol:** got within cents of our buying level. If you still ought, it's at the second profit target already (290) for a good profit. A close above 290 can be bought/re-entered but with caution (this is a very volatile stock). That will setup a move to 303-305. Keep stop wide initially as a close below 277.
- **Shoprite:** has already exceeded the 90.50 target and continues to be an outstanding stock. Is getting overbought, I wouldn't buy at these levels. If it pulls back close to 85 then look to buy again. Stop if you're long (traders only) is a close below 88).
- **Spar:** reached and exceeded the 83 target. It is consolidating before another move up to 85.90. If you can get in on a quick pullback then do so for that move. Stop a close below 82.20.
- **Stanbank:** pulled back close to 107 for buying but not quite there. The target is 116 and it's on its way to there (today's interest rate announcement will certainly affect it either way). If it does pullback to 108 or lower then buy if not in. Look for retest of its all time high of 118.75 in the coming weeks if not sooner.
- **Steinhof:** got within a few cents of the buying level and has moved up nicely from there. Hold if you bought. A close above 18.65 will be another buy signal if not in. Minimum target then to 19.45 for some profit taking and potentially 20.50. Stop a close below 18.10..
- **Telkom:** is good support at the 32.845 level and it is oversold. It's a low risk buy at current levels, with a tight atop as a close below 32.60. Take some profits at 34.80 and more at 35.60.
- **Tigbrands:** has given an upside breakout and is pointing to a minimum target of 190. It's overbought right now so it can pullback e.g. to 175.50. That would be the ideal entry point. You can buy some now as long as you're prepared to hold it through a minor pullback.
- **Truworths:** reached the mentioned profit target for traders. Traders re-enter on either a pullback to 55.50 or a close above 57.65 – first to happen. Stop will be a close below 55 and target 60.50 and 61.50 for profit taking at each level.

- **Vodacom:** finally reached and exceeded the 62 target, the exit was premature. Look for it to make its way up to its prior high at 64.50. It's too overbought to buy at current levels though. A pullback to 60.50 can be bought, stop a close below 60 and target 64.50-65.
- **Woolies:** pulled back to the mentioned buying level for traders. Hold with a stop a close below 24.40. A close above 25.50 will take it to 26.50 for profit taking.

**GOLD UPDATE:** See Chart 3 of the JSE gold index for detailed commentary.

**Dollar gold price:** see Chart 4 for detailed commentary.

**Rand gold price:** while it is still pointing to a downside target of 8860 in the short-term, it's clearly oversold with a positive divergence on the oscillators, so it can reverse back up at any time. A clear reversal day up from here or lower will setup a move to 9450. Main support is 8635. 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 22 July '10) Price (R) 20-Day MA: 40-Day MA:

AQUARIUS	30.4500	36.5580	39.0485
BASREAD	12.2500	12.6455	13.0907
CITYLDG	74.0900	74.3755	74.4060
DRDGOLD	3.1500	3.3330	3.4048
GROUP-5	33.0500	33.8300	34.3545
ILIAD	8.1400	8.1925	8.2460
ILLOVO	27.6500	28.4710	28.7537
JUBILEE	3.2500	3.2575	3.4255
LONMIN	166.4000	167.8465	175.8595
PETMIN	2.4500	2.6430	2.6700
WESIZWE	1.7200	1.8125	1.9288

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

C-GBP-YEN	132.4300	133.3625	133.4368
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## SUMMARY

Local and overseas stocks are holding up well and are set to continue higher over the next 2-3 weeks, in our opinion. Minor pullbacks can still be bought, but with a healthy dose of caution.

On sector that looks set to start rallying again is gold, after a month of steady selling. Our long-term view of the gold price is very much still up, and pullbacks such as seen in recent weeks are opportunities to buy.

This rally in the stock market (over the past 2-3 weeks) has caught many by surprise, and that is a positive because its likely to fuel further upside, as further short covering takes place. Our subscribers were prepared for this rally, I believe, as we've been talking about the large topping patterns in the US failing, for a few weeks already.

Still, don't get 'carried away' to the upside. Because we are nearing the end of a great bull phase in the market that started on the JSE in late 2008, and in the US, in early 2009. Stay tuned for what to expect after the next market top.

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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**Tel: 011 440-7880**

**Fax: 086 510 9988**

**info@themarket.co.za**