

Welcome to TheMarket.co.za Weekly Analysis Report

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By Colin Abrams

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Classic Trading Rule:

"Watch for volume climax (i.e. spike), especially after a long move."

ADVICE FOR INVESTORS VS. TRADERS

Introduction:

The local and overseas stock markets have continued higher as expected, showing good profits on the buy recommendations of recent weeks. The strategy for investors, as opposed to traders, should be very different right now. Investors (as advised in recent weeks) are to be gradually offloading/reducing their holdings into this rally. This rally is not to be bought by investors. Don't get sucked in. I'm expecting a very large correction once this bull phase is over. Traders on the other hand are to still be buying minor pullbacks for more upside in the short-term only. The **Dow** is updated, showing an upside target for it. The **JSE All Share index** is likely to still go higher in the next week or two, despite (like the Dow) being overbought in the short-term. We update a chart of the **copper price** shown here recently. It has a higher target too. We also show the **rand gold price**, which is currently breaking below an important support level. It is very oversold and likely to move up again in the not too distant future. The stock charts shown are **Kumba** (to still buy on a pullback), **Implats** (higher target), and **Sanlam** (higher target to buy on a minor pullback).

The small-cap chart is airliner, **Onetime**. It has a higher target in the short-term.

Overall, while the market is clearly overbought right now, any pullback is likely to still be temporary, as I'm indeed expecting higher prices to come in the short-term. This is the final leg up in the bull market from late-2008, and will lead to a very large correction after it, which isn't too far away.

Executive Summary:

- **Dow (chart 1):** Traders hold current longs/buy or add to, on a minor pullback.
- **All Share Inx (chart 2):** Traders buy a minor pullback. Investors reduce on the way up.
- **Copper (\$)** (chart 3): Traders buy for more follow through, ideally on a minor pullback.
- **Gold Price (ZAR)** (chart 4): Buy on a close above line 2.
- **Kumba-IO (chart 5):** Buy on a pullback towards line 1.
- **Implats (chart 6):** Traders buy a reversal up from the R196-193 zone.
- **Sanlam (chart 7):** Traders buy a pullback to line (R24.35) or lower.
- **Onetime (chart 8):** Buy for a short-term rally, on a pullback to R1.15 or lower.
- **Leading Stocks (3-mths): Top 40** – Shoprit, Massmart, Pick 'n Pay, MTN, Truworths, Richemont.
- **Resources 20** - Kumba, Exxaro, Harmony, BHPBilliton, Sasol.
- **Shortable stocks/indices:** 7 stocks, 0 indexes, 1 commodity, 0 currencies.

1. MARKET CHARTS

DOW JONES – Overbought, but higher target

Broad Recommendation: HOLD/BUY PULLBACKS

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

Strategy: Traders hold current longs/buy or add to, on a minor pullback.

Chart 1. (Daily)

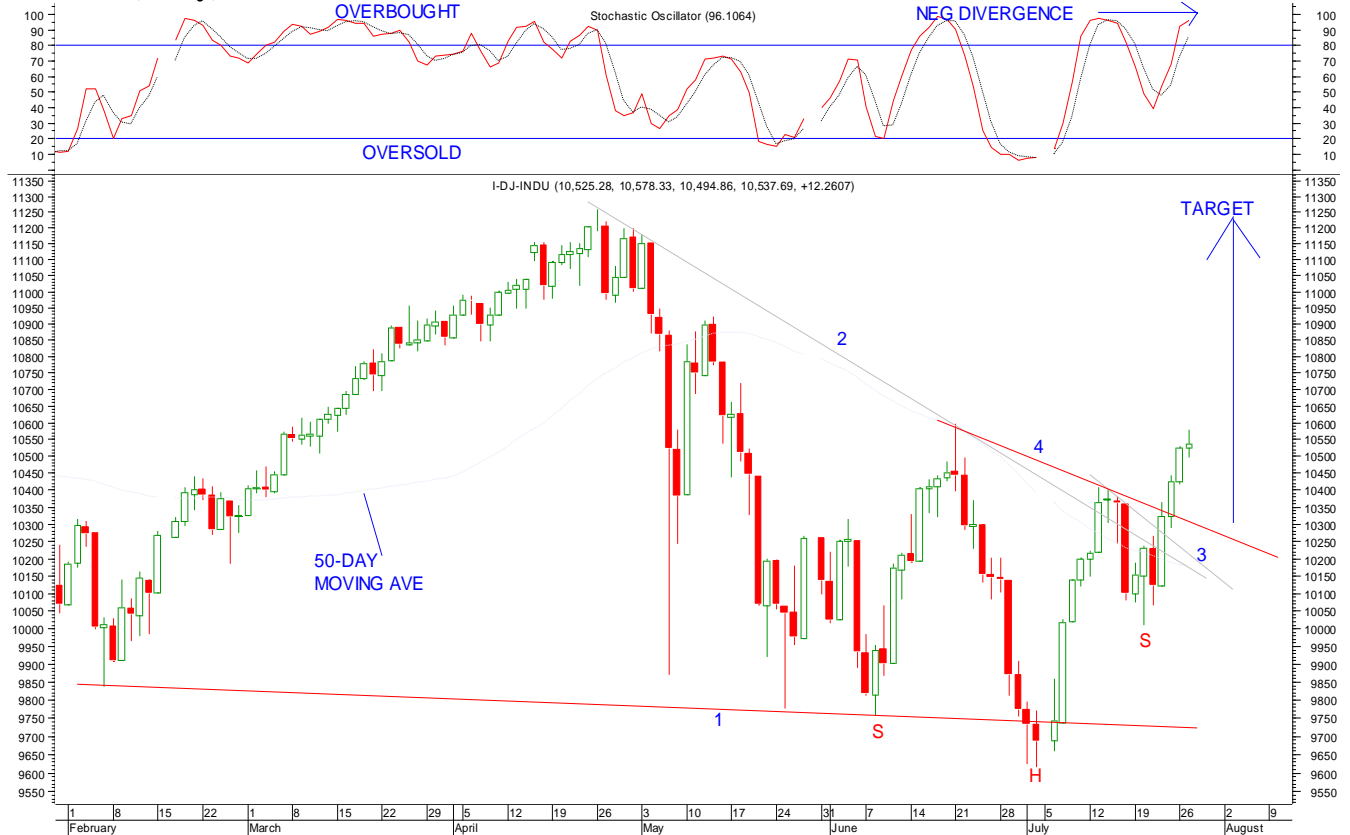


Chart Setup: The Dow continued up over the past week as expected. In the process it broke above a number of resistance levels, namely lines 2, 3 and 4, as well as decisively above its 50-day moving average. Moreover, the breakout above line 4 has confirmed an inverse head and shoulders (labelled S-H-S), which is pointing to more upside to come.

- The short-term Stochastic Oscillator (on top) however is giving a negative divergence (see Glossary) from its overbought region, which is a warning of a pullback to come in the interim. At the moment, any pullback will be temporary.

Strategy Details: Traders hold from our recent buy recommendation. A minor (e.g. 2-3 day) pullback can be used to buy if not in, or to add to current longs.

- Investors to be gradually *reducing* exposure to overseas stocks on this rally, as per recent newsletters.

Target: The inverse head and shoulders is technically pointing to a target of 11 230, which will be a retest of its April high. However lock in half profits at 10 900 to reduce your risk, and continue thereafter with a breaking of its prior 3-day low as the stop on the remainder of your position.

Stop-loss: Initial stop is a close below 10 230. For current trading longs, take partial profits on a breaking of its prior one day low, and then re-enter on the pullback.

JSE ALL SHARE INDEX – Overbought but more upside coming

Broad Recommendation: TRADERS HOLD/BUY A PULLBACK. INVESTORS REDUCE

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

Strategy: Traders buy a minor pullback towards line 2. Investors reduce exposure on the way up.

Chart 2. (Daily)



Chart Setup: The All Share index continued up over the past week, moving up through line 3 resistance. I'm expecting a minor pullback and then one more up-leg before a large correction.

- The short-term Stochastic Oscillator (on top) is giving a negative divergence (see Glossary) from its overbought level (i.e. an early warning of a drop to come).

Strategy Details: The general strategy is for short-term traders to hold, although one can take partial profits on a breaking of yesterday's low. Then look to buy again on a pullback towards line 2 i.e. 27 950 level. (Wait for the reversal day/candle up before entering).

- Investors to continue reducing your exposure to equities by at least 50% on this rally.

Target: A pullback towards line 2 (it might not pull back all the way to line 2). (Line 2 is at 27 635 on Weds 28th and line 2 is rising at an angle of 100 points per day thereafter). Look for the reversal at the 27 950 level. To the upside then, once it can get through and close above 28 800, look for a retest of its April high of 29 565. Start taking trading profits near there. Investors to have completed their reducing of exposure up there.

Stop-loss: For new longs, place your stop as a close below line 2 (see level above). Once the price nears 29 565, take at least half trading profits and continues with a breaking of its prior one day low thereafter as your trailing stop for traders.

COPPER (\$) – Breakout, higher target

Broad Recommendation: TRADERS HOLD/BUY A PULLBACK

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

Strategy: Traders buy for more follow through, ideally on a minor pullback.

Chart 3. (Daily)



Chart Setup: Updating this chart from a few weeks ago, the price has broken out above line 1 (the neckline) to confirm an inverse head and shoulders as pattern (as labelled), and the buy signal. It is pointing to a higher target.

- The only concern is that the short-term Stochastic Oscillator (on top) is overbought, but it can remain so for longer (e.g. refer to Feb/March '10).

Strategy Details: Traders hold if already in (from the prior recommendation). If not in, buy, ideally on a minor pullback to 6850 or lower.

Target: Minimum upside target is 7550 i.e. the height of the inverse head and shoulders projected up. Take most profits there and leave some on, with a tight stop such as a breaking of its prior two-day low, to allow for any further upside thereafter.

Stop-loss: Initial stop is a close below 6620 (spot price).

RAND GOLD PRICE – Testing important support level

Broad Recommendation: WAIT FOR BUY SIGNAL

Trend: Short-term down (but oversold). Med-term sideways. Long-term up.

Strategy: Buy on a close above line 2.

Chart 4. (Daily)



Chart Setup: The rand gold price is currently testing long-term support (line 1) at 8635 (see square box). (It did in fact close slightly below it last night). Line 1 coincides with its 200-day moving average (which typically provides further support). As a result, there's a reasonably good chance of a reversal up very soon, but one needs to wait for the confirmed signal.

- The daily Stochastic (on top) is clearly oversold (i.e. bullish).

Strategy Details: Traders buy (e.g. via Newgold) on a closing price above line 2. (Line 2 is at 8810 on Weds 28th and declining at an angle of R40 per day thereafter e.g. to 8770 etc). (The current price is 8560).

Target: Note, if the price doesn't reverse up very soon to trigger the buy, it can still fall to 8470. Once the buy signal triggers, look for a move back to 9175 for half profit taking, with potential to 9300.

Stop-loss: Once the buy signal triggers, place your initial stop as a breaking of the lowest point made on the current correction. To the upside, once it gets to 9175 take half profits as mentioned, and continue thereafter with a breaking of its prior 2-day low as the stop on the remainder.

KUMBA-IO (KIO) – More upside to come

Broad Recommendation: TRADERS BUY A PULLBACK.

Trend: Up, but short-term overbought.

Strategy: Buy on a pullback towards line 1.

Chart 5. (Daily)

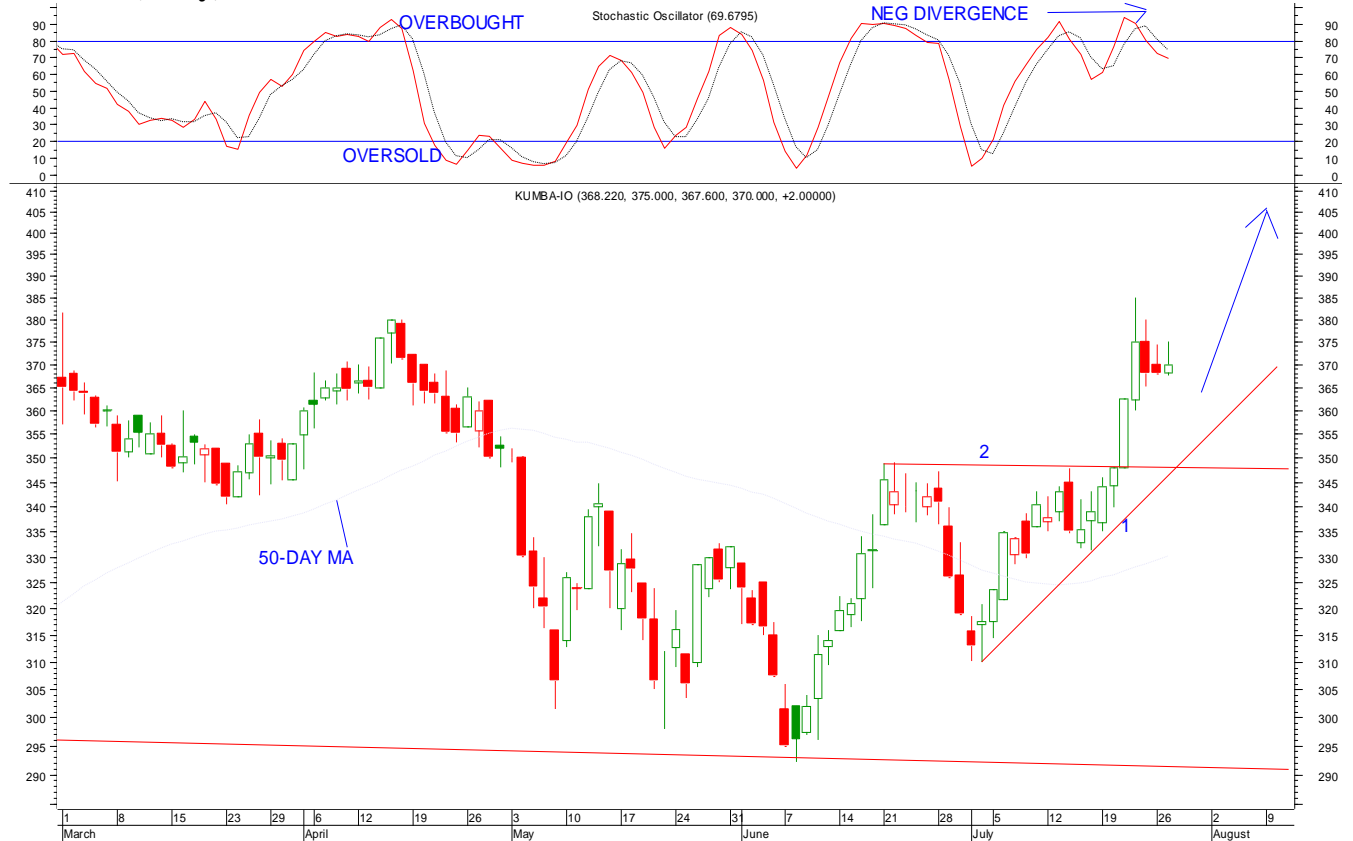


Chart Setup: A recent breakout above line 2 resistance has seen Kumba run to a new all time high. I'm expecting more upside, after a pullback in the interim. Traders will be able to catch that run.

- The short-term Stochastic (on top) is clearly overbought, and giving a negative divergence, which is warning of a pullback to come.

Strategy Details: Traders buy on a minor pullback, ideally to the R353 level. Buy on a reversal day/candle up from there. Support is line 1 at R349 on Weds 28th and rising at an angle of R2.20 per day thereafter.

- Note the only question in my mind is, does it test last week's high (R384.97) before it pulls back, or will it simply pull back from here? Either way, be patient and look to be a buyer at the levels stated above.

Target: After a pullback, look for a move to above R400. Short and med-term players start locking in profits at/near R400, and continue thereafter with a breaking of its prior one-day low as the stop on the remainder of your position. It can go to R405-410. Investors to be reducing holdings by at least half, up there.

Stop-loss: Initial stop (after the entry signal has triggered) is a close below line 1. (Line 1 at R349 on Weds 28th and rising at an angle of R2.20 per day thereafter).

IMPLATS (IMP) – Overbought but higher target still

Broad Recommendation: TRADERS BUY A PULLBACK

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

Strategy: Traders buy a reversal up from the R196-193 zone.

Chart 6. (Daily)



Chart Setup: Implats recently broke out of a symmetrical triangle (line 2 and latter part of line 1). It is still pointing to a higher target to come.

- Is it overbought in the short-term as seen by the Stochastic (on top). Therefore, expect a minor pull back before more upside.

Strategy Details: Traders buy it on a reversal day/candle up in the R196-R193 zone. (Ideally the closer to R193 the better).

- It's generally not a share that I'd advise investors to be holding.

Target: After a pullback to the buying zone, look for another rally to R215. Take most profits there, but keep some on with a breaking of its prior one-day low as your trialing stop. It can potentially move all the way to line 3 at R222.

Stop-loss: Initial stop is a close below R190.

SANLAM (SLM) – Upside breakouts

Broad Recommendation: TRADERS BUY A PULLBACK

Trend: Up, but short-term overbought.

Strategy: Traders buy a pullback to line (R24.35) or lower.

Chart 7. (Daily)



Chart Stop: After many months of moving sideways, Sanlam recently broke out of two broadening formations (lines 2 and 4; and lines 2 and 3). Higher targets are in place.

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

Strategy Details: Traders buy on a pullback to R24.35 (line 4) or lower.

Target: Target 1 is R26.80 (i.e. the height of pattern 2-3 projected up). Take half profits there and continue with a breaking of its prior 2-day low as the stop on the remainder of your position. Target 2 is at R27.80 (the height of pattern 1-4 projected up). Take all remaining profits there if reached.

Stop-loss: Initial stop when buying on a pullback, is a close below R23.70. Note trailing stop as mentioned above.

SMALL-CAP. CHART

ONETIME (1TM) – Higher target

Broad Recommendation: TRADERS BUY A PULLBACK

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

Strategy: Buy for a short-term rally, on a pullback to R1.15 or lower.

Chart 8. (Daily)



Sector: AltX

Current Price: R1.25

Chart Setup: Onetime has broken out of a descending triangle/wedge (lines 1 and 2). This pattern is pointing to a higher target to come. (Note, it has already moved a bit since I did this chart on Monday).

- The Stochastic (on top) is overbought right now, which points to a minor pullback at any time, before more upside.

Strategy Details: Traders buy on a pullback to R1.15 or lower (the lower the better).

Target: Minimum upside target is R1.38 i.e. the height of the triangle projected up. Take at least half profits there and hold the rest for a retest of its January high of R1.44. Note, don't chase the share, if it doesn't pullback then let it go. It will pull back at some stage soon.

Stop-loss: Initial stop is a close below R1.07. Once it gets to R1.38 take half profits and continue with a breaking of its prior 2-day low as the stop on the remainder. Then use prior one day low as the stop, as it nears R1.44.

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

- **Long:** EOH, S-Ocean.

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: Shoprit, Massmart, Pick 'n Pay, MTN, Truworths, Richemont, Growthpoint.

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

Strongest five Resi 20 stocks: Kumba, Exxaro, Harmony, BHP Billiton, Sasol.

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

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

- **Anggold:** is still pulling back. Aggressive traders can still enter on a clear reversal day/candle up from current levels or lower. But the safer option and in this case recommended, is to wait for a close above line 2 resistance (see last week's chart) to buy.
- **BATS:** as the per Monday update it gave a classic reversal candle up last Thursday to buy (within a whisker of our ideal buying level). That was the signal to buy. Keep holding if you did. A pullback to 256 or lower can still be bought. Target to 268. Stop is a close below 253.
- **MTN-Group:** gave the reversal down off the mentioned resistance level yesterday. While that was a shorting signal for aggressive traders, all other traders wait for a close below 118 today to enter short. (It is selling off further today). Stop is an intraday break above 120. Target is R111-R109.50.

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):

- **Grindrod, Firstrand, Stanbank, Foschini.**

- **Abil:** current stop for traders is a close below 33.50. But a close above 34.40 will take it further up to 35.20 for short-term profit taking. It is overbought at the moment but selling short on a reversal down, in this market, is risky and not advised.
- **Absa:** reached the mentioned upside target for trading profits to be taken, and is pulling back today. Traders only, look to buy a reversal day up from 133 or lower, for a move to 141.50-142.50. Investors to be reducing holdings by at least half if not more, on that move.
- **Anggold:** see update above.
- **Anglo:** reached the mentioned trading target for at least half profit taking. Use a breaking of prior one day lo as the stop on the remainder. Traders look to buy again on a reversal day up from the 285-283 level or slightly lower. Target then to 297 and 302 for profit taking at each level (investors to be reducing up there). Stop is a close below 279.
- **Angloplat:** got to the first target for some partial profit taking as advised. It has pulled back since, but it is still looking ok. Look to buy back the half sold/or get in for a new trade, in the 703-692 range, ideally as close to 692 as possible. Stop a close below 690. Lock in some profits again at 743. A close above 745 will take it up to 790.
- **ArcMittal:** triggered the mentioned buy signal and has continued straight up. If not in, it can still be bought around the 83 level. Take profits at 89 and more at 91. Stop is a close below 78 for a new trade. Current longs can lock in partial profits as its had a good run in recent days.
- **ARM:** got to and exceeded the target for some good profits. It is pointing to further upside but is likely to pullback a bit first e.g. to 168.50 or a bit lower. Re-enter then for a move to 182. Stop is a close below 164.
- **Aspen:** reached the 83 target yesterday for a nice profit on this trade. There is a lot of resistance at 84 and it is overbought. Traders look to get back in again on a pullback to 80 or lower. Take profits at 84 then. A breakout and close above 84 will setup further upside to 90, but wait for the first pullback then to re-enter.
- **Aveng:** triggered the mentioned breakout and buy signal and has had a sharp run, exceeded the mentioned target. There is resistance at 37.80. Traders can buy on a pullback to 35 or lower. There's no sign as yet that investors should be buying, but a close above 38 will signal that.
- **Barworld:** gave the mentioned pullback for buying if not in. Target is 47 for traders. Stop is a close below 43.
- **BATS:** see update above.
- **BHPBilliton:** has continued straight up with hardly a pullback. If you did manage to get in, take half trading profits and continue with a breaking prior one day low as your trailing stop. A pullback to below 220 can be bought by traders only. Target is to 234.
- **Bidvest:** triggered the mentioned buy signal and has a very good run, getting close to the target so far. Lock in half profits at least for traders. A pullback to 130 or lower can be re-entered/bought for a move to 137.80. Stop will be a close below 128.
- **Didata:** take short/end-term profits. Nothing further to report here unless the deal falls through.
- **Discovery:** reached the mentioned target for trading profits. Can be re-entered at 35.30 or lower (ideally 35.10). Target is 36.85. Stop is a close below 34.95.
- **Exxaro:** has continued up very nicely, giving good profits to our subscribers. It is overbought. Take remaining profits for traders on a breaking of its prior one day low or above 127 (first to happen). Traders re-enter on a pullback to 119 or lower. Target then is 128.50-129.50.
- **Firststrand:** got to our profit target and trailing stop soon thereafter to complete a nice profitable trade. It is overbought and due for a pullback. Traders look to re-enter at the 19.80 level. Target is to 21.50-70.
- **Foschini:** gave the pullback k to our mentioned buying level and rallied to reach the target soon thereafter. Traders buy again on a pullback to 68.50. Target then will be 72.50-73. Stop a close below 66.50.

- **Gfields:** has moved back to retest last week's low. Keep holding if in. A reversal day up from current levels or lower will be a new buy signal (albeit an aggressive one). Stop is a close below 93.80. Lock in half profits at 99.30. But a close above 100 will be the safer/more conservative buy signal. Aggressive traders to re-enter if that happens. Target then will be 106. If it doesn't reverse up soon, it can fall as far as 87.
- **Grindrod:** gave the upside breakout above its recent sideways range, with no reversal day down there for shorting. The buy signal was triggered on the breakout. It is overbought right now. Buy on a pullback to 15.20 or lower. Target to 16.40. Stop is a close below 15.
- **Harmony:** continued down sharply and has support now at 71.30. If it doesn't give a clear reversal day up from there it can continue all the way back to support at 68.15. It will be safest to buy it near there preferably. Stop will be a close below 68. Target hen 75.50-76 for some profit taking, with potential to 79.
- **Imperial:** gave the meantime upside breakout and a brief pullback thereafter to buy as advised. The pullback was brief so one might not have got the chance to enter on. A pullback to below 96 can be bought. Stop a close below 94. Target is 101-103.
- **Implats:** see Chart 6.
- **InvPlc:** reached and exceeded the first target so far for some profit taking, and has not yet reached the second target of 59.50. It is overbought. A pullback to 56.40 or lower can still be bought. For a move to 59.50-80. Stop the will be a close below 54.
- **Kumba-IO:** see Chart 5.
- **Lonmin:** triggered the mentioned breakout and has had a good run. It has stopped slightly short of the target so far (181.50). Look for a minor pullback and then take profits at 181.
- **Massmart:** still grinding its way higher. Target is 129.90. Hold with your stop a close below 123.50. It can be bought if it pulls back to there in the interim. Take profits at 129.50.
- **Merafe:** it has moved sideways over the past week. Buy on a pullback to 1.30 or lower (with caution). Stop is a close below 1.28. Target to 1.49.
- **MondiPlc:** hold if you bought from the recommendation two weeks ago. Target is 55. It is overbought right now though. A pullback to 49 can be bought if not in. Stop is a close below 47.50.
- **MrPrice:** got within 10c of the 51.50 target with is close enough to be taking at least half profits. Trialing stop locked in the rest as advised. Best strategy with thus stock is to just hold it and not interfere (for traders, and all the more so for investors). It can be bought again below 50. Keep your stop as a close below 48.50. Next profit target will be 51.80
- **MTN-Group:** see update above.
- **Naspers-N:** has continued sharply up and is very overbought in the short-term. Target is to 325 eventually. Buy on a pullback to 296. Lock in partial profits then at 312.
- **Nedbank:** broke out and reached all our mentioned target levels. Look for a pullback to 134.90 or lower to buy again, for traders. Stop is a close below 133.40.
- **Netcare:** reached and exceeded the mentioned target for a decent profit. It is overbought. Re-enter if it drops to 13.20. Stop a close below 1305, and target is 13.80.
- **Newgold:** continued straight down without reversing up for a buy signal. It eventually exceeded the downside target given here some weeks back (which was in doubt of being reached at one stage). It's very oversold and one to put on your radar for buying again relatively soon. Support is at 82.30. If that breaks, it can drop to below 80. Right now it would need to close above 85.80 to trigger a new buy signal. But aggressive traders can buy if it gives a clear reversal day up, ideally from 82.30 or lower. Target then to above 90.
- **Northam:** triggered the mentioned buy signal. Target to 46.85.
- **Old Mutual:** has reached and exceeded our second target of 14.20 for some good profits on this trade. Next target is 14.60 but look for a pullback to 13.70-60 to buy again first. Initial stop will be a close below 13.25. I think it will eventually reach 15.
- **Pick 'n Pay:** Buy on a pullback to 44.90 or lower. Target to 48. Stop a close below 43.40.

- **Reinet:** is nearing the 11.70-80 targets now for profit taking. Minor pullbacks remain buyable for further upside to 11.90.
- **Remgro:** reached and exceeded the profit target. Traders re-enter on a pullback to 9.50 or lower. Stop a close below 98. Target to 104.90.
- **Richemont:** exceeded the target and triggered the mentioned upside breakout. It is overbought so is likely to pull back in the interim. If you bought, buy more at 28.40 or lower. Stop is a close below 27.40. Lock in some profits at 31.20 and the rest at 32.50.
- **RMBH:** exceeded the first target and stopped a bit short on the second target (36.70) so far, but partial profits at least, locked in. It is overbought so expect a pullback e.g. to 34, where the portion sold can be bought back. Stop is a close below 33.20. Take profits at 36.50.
- **SABMiller:** is still range bound but the trade from last week worked out to a tee. Resistance is 227.50. It needs to close above there to trigger an upside breakout for buying for a move to 246. Support is currently 215 and then 210.50. It can be bought at either or both these levels in the meantime. Stop a close below 210.
- **Sanlam:** see Chart 7.
- **Sappi:** does not want to give a pullback. Target is to 36 and potentially 37.50. It is very overbought in the short-term so look to buy on a minor pullback e.g. 33.40 or lower. Main support level is 31. Pullbacks are buyable for the foreseeable future.
- **Sasol:** after reaching the prior target, it continued up to trigger the mentioned re-entry signal. Stopped just short of the 303 target so far, but is pulling back sharply today. Pullbacks are buyable here for now (traders). Hold/buy in the 286-282.50 zone (ideally as close to the latter level as possible. Target then 303-305. Stop is a close below 280.
- **Shoprite:** continued to fly up. You can't hold a (consistently) winning stock back. Traders buy again at 89-88.50. Stop a close below 86. Target to 96.
- **Spar:** reached and exceeded the mentioned target for another profitable trade. It is overbought. Buy on a pullback to 83.30 or lower (with caution). Target to 88.40. Stop a close below 81.30.
- **Stanbank:** got to the 118.75 target sooner than expected. Traders re-enter at 112.50 or lower for another ally to above 120 for profit taking. Investors to be reducing exposure on that rally.
- **Steinhof:** triggered the mentioned buy signal and so far stopped 10c short of the 19.45 target. Take at least half profits there (or near the e.g. 19.30). A pullback to 18.70 or lower can be bought/re-entered. Stop is a close below 18.35. Take profits at 19.60-80.
- **Telkom:** is moving up from last week's buy recommendation here. Take some profits at 34.80 and more at 35.60. Stop is a close below 32.60.
- **Tigbrands:** buy in the 177.50-175.50 zone. Is giving a pullback at the moment to buy. Target is 190-192. Stop is a close below 175.
- **Truworths:** triggered the mentioned buy signal. Keep holding. Target still 60.50 and 61.50 for profit taking at each level. Stop is a close below 55.50.
- **Vodacom:** is making its way to the 64.50 target. Look to sell short a reversal day down if it gets to 65-65.20. Target then back down to 60.50. Stop will be a breaking of the reversal days low. I don't envisage this trade triggering in the next week though.
- **Woolies:** stopped within a few cents of the 26.50 target yesterday, which is close enough to be taking half, if not all, trading profits. A pullback to 25-24.70 can be re-entered/bought. Stop a close below 24.60. Target to 26.50. No large positions advised at this stage.

GOLD UPDATE: The JSE gold index has continued down and is very oversold. Support is at 2220. A reversal day up from current levels or lower can be bought (by aggressive traders). The index needs to close above 2380 to trigger a new upside breakout and more conservative buy signal. Right now it does appear though that it has formed a head and shoulders, which is pointing to a target of 2190. So it is still vulnerable, despite being heavily oversold. There's no rush to jump in just yet. Wait for a sign of it bottoming first, at the 2200 level.

Dollar gold price: has continued down and has broken below the shown support level, triggering a short-term stop. It is very oversold in the short-term with divergences on the oscillators. If it doesn't reverse up soon, it can fall as far as 1130 in the short-term. Right now it needs to close above 1185 to trigger a new buying signal (that level is declining by \$2 per day). If it heads down to 1130 then buy a very clear reversal day/candle up from there. The big picture is still positive.

Rand gold price: see Chart 4 for details.

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

ANGGOLD	289.0000	308.9065	319.8712
AQUARIUS	33.2400	34.5995	38.1628
DRDGOLD	3.0400	3.2570	3.3625
GFIELDS	94.9000	98.8630	101.6933
ILIAD	7.6500	8.0915	8.1997
NEWGOLD	83.2500	88.9215	90.6970
WESIZWE	1.7600	1.8015	1.8830

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

M-PLATZAR	11424.0000	11522.9414	11701.9229
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SUMMARY

Minor pullbacks are still to be bought by traders, as more upside is expected in the short-term. Investors are to be gradually offloading at least half (if not more) of your holdings on this rally, which is likely to last a few weeks longer. If you are an investor who generally takes a 12-18 month view on the market then I would in fact be selling up to 100% of holdings on this rally. Those with a 3-5year+ outlook should definitely keep part of their holdings on.

Right now good profits are still to be made on the upside for the short-term, but obviously with increasing risk. There will come a time in the not too distant future, where big profits will be made by selling short, but not just yet.

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).

MONEY-BACK GUARANTEE: Please note, I'm offering a 100% money-back guarantee to all attendees of Course 1 (particularly applicable to those already knowledgeable in technical analysis). If you don't learn anything new on this course, you will get a full refund.

Please let us know if you'd like to attend. Seating is limited, but there is still space for this set.

INTRAWEEK MARKET UPDATE SERVICE:

As you are aware, I've been sending out a market update on a Monday, as well as any other time a significant event you need to be aware of, happens on the market (e.g. some Fridays recently).

Indeed, there has been a need for a more than once a week service (newsletter), largely due to the fact that nowadays a lot can happen from one week to the next.

While the original choice was between a weekly webinar, or an intraweek update email - for various reasons I believe the email route is more preferable right now.

Subscribers have now been receiving intraweek updates for the past two months, which I believe is a reasonable amount of time to evaluate this intraweek service. The service has been free up until now, but as mentioned at the outset, there would eventually be a nominal charge for this extra service (for those who would like to subscribe to it).

As a result, from the 1st August, subscriptions to TheMarkt.co.za will fall into two categories:

Option 1: Regular Subscription – this will be the weekly newsletter only.

Option 2: Premium Subscription – the weekly newsletter plus intraweek updates.

The intraweek updates will consist of the Monday Market Update, as well as a market update at any other time during the week, should there be a significant change/event on the market that you need to be aware of.

SPECIAL INTRODUCTORY OFFER FOR CURRENT SUBSCRIBERS:

Current subscribers only, will be given the chance to subscribe to the extra service (the intraweek updates) i.e. the Premium subscription, as opposed to the Regular subscription, at a vastly discounted price. The special rate for current subscribers will be just R50 per month extra, for the next 8 months (until March 2011). Thereafter, the advertised price of R85 per month will apply (which is the rate the public will pay from 1 August).

SO, for a mere R50 per month more (for the next 8 months) you'll be able to receive the intraweek market updates i.e. be a "premium" subscriber.

I believe this is a very fair price. Indeed, for a few rand extra per month you'll have someone (i.e. me) watching the market for you and alerting you to any significant change on the market. This is in addition to the Monday Market Update (which gives a general update of the market since the previous Wednesday's newsletter, including the three stock charts from the newsletter, as well as any other stock/s of interest at that moment).

WHAT YOU NEED TO DO:

If you would like to subscribe to the Premium service, starting 1 August then:

1. If you're currently on a monthly debit order, please send us an email instruction to increase your debit order by R50 p/m for the next 8 months.
2. If you've been paying via the "once-off" payment route, then please pay for the next 8 months of intraweek market updates in two lots i.e. R200 (50 x 4) now, for the first four months, and then R200 at end-Nov for the next 4 months. (Alternatively you can simply pay R400 in one go now for the next 8 months if easier). [Note the reason I'm splitting it into two lots of 4 months, is to prevent an admin overload on our side, if people were to send in payments of R50 each month].

IN SUMMARY:

Current subscribers to TheMarkrt.co.za are being offered an introductory price of just R50 per month (for the next 8 months) if they would like to receive the intraweek market updates. Thereafter the regular advertised rate of R85 per month will apply.

If you do not want to subscribe to this extra service, simply do nothing.

If you would like to subscribe, please follow one of the two payment options mentioned above i.e. authorise us to debit your account an extra R50 per month; or pay via EFT/bank transfer the stated amount (see bank details below).

I hope that you will make use of this new service, which for a nominal amount extra, will keep you even more in touch with the current market, and any significant changes intraweek that occur.

Looking forward to hearing from you in an effort to further enhance the all-round service offered to you.

Best regards

Colin

The banking details are as follows (for people subscribing to the Premium service via once-off payment):

Acc: TheMarket.co.za
Standard Bank, Hyde Park Branch
Branch code: 006605
Acc no. 027304183

Please fax the transfer slip to 086 510 9988 (or email it if easier) so that we will be able to look out for and identify your payment. Many thanks.

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Tel: 011 440-7880
Fax: 086 510 9988
info@themarket.co.za