

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

Date of Issue: 11 August 2010

By Colin Abrams

**Contents:**

Intro and Exec Summary	3. <i>Relative Strength</i>	6. <i>Overall Summary</i>
1. <i>Market Charts</i>	4. <i>Notes &amp; Updates</i>	7. <i>Glossary (in first letter of each month)</i>
2. <i>Small-Cap Chart</i>	5. <i>"Shortable" Stocks/Indices</i>	

**Classic Trading Rule:****"Successful traders buy into bad news and sell into good news"****SELL-OFF FROM DANGEROUS LEVELS****Introduction:**

We're currently seeing the JSE All Share index sell-off sharply from what has been dangerously high levels as warned in recent weeks. The question was, will we see one more short-term leg up before the large correction occurs? Right now that is looking increasingly unlikely. If the market doesn't stabilise and give a bounce very soon, one should assume that the large correction has started. Investors should be in a good position having liquidated a large chunk of their holdings. From a trading standpoint, this sell-off has triggered short-term stops. Having said this, the market is oversold in the short-term, but the best one can hope for is a minor bounce I believe. That will setup many shorting opportunities for traders. We update **Dow**, showing it forming a bearish pattern. The **All Share index** has broken short-term support, and remains vulnerable. On the commodity front, we look at a chart of **Brent crude**, which is overbought, but I'm expecting to rally again after a pullback. The rand **gold** price is updated. It is likely retest its recent low before moving up again in earnest. The stock charts shown are **Massmart** (pulling back to support, for a potential buy signal), **Naspers-N** (also giving a minor pullback, with a final rally still possible), and **SABMiller** (providing high probability trades in both directions).

The small-cap (mid-cap in this case) chart is **Cityldg**. It looks to be recovering after many months of weakness

Overall, the market is transitioning from an uptrend to a new downtrend, I believe. It's not clear if we'll have one more minor up-leg before the large correction I'm expecting. Either way, markets around the world are dangerously high and have a lot more downside than upside potential over the coming months. Traders to be getting into shorting mode.

**Executive Summary:**

- **Dow (chart 1):** Traders sell short on a close below line 3.
- **All Share Inx (chart 2):** Traders buy a reversal day up from 27 500 (with great caution).
- **Brent Crude (chart 3):** Hold if in, otherwise buy on a pullback towards line 2.
- **Gold (ZAR) (chart 4):** If in, hold. If not in, buy on a retest of the July low (8483).
- **Massmart (chart 5):** Traders buy as close to line 1 as possible.
- **Naspers (chart 6):** Traders buy on a reversal day up from line 3 (R304) or slightly lower.
- **SABMiller (chart 7):** Traders buy a breaking of its previous day's high.
- **Cityldg (chart 8):** Buy for more follow through, but with caution.
- **Leading Stocks (3-mths): Top 40** – Kumba, MTN, BATS\*, Growpnt, Shoprit, ArcMittal, OML.  
**Resources 20** - Kumba, BHPBilliton, Exxaro, Metorex, Sasol.
- **Shortable stocks/indices:** 12 stocks, 0 indexes, 1 commodity, 0 currencies.

# 1. MARKET CHARTS

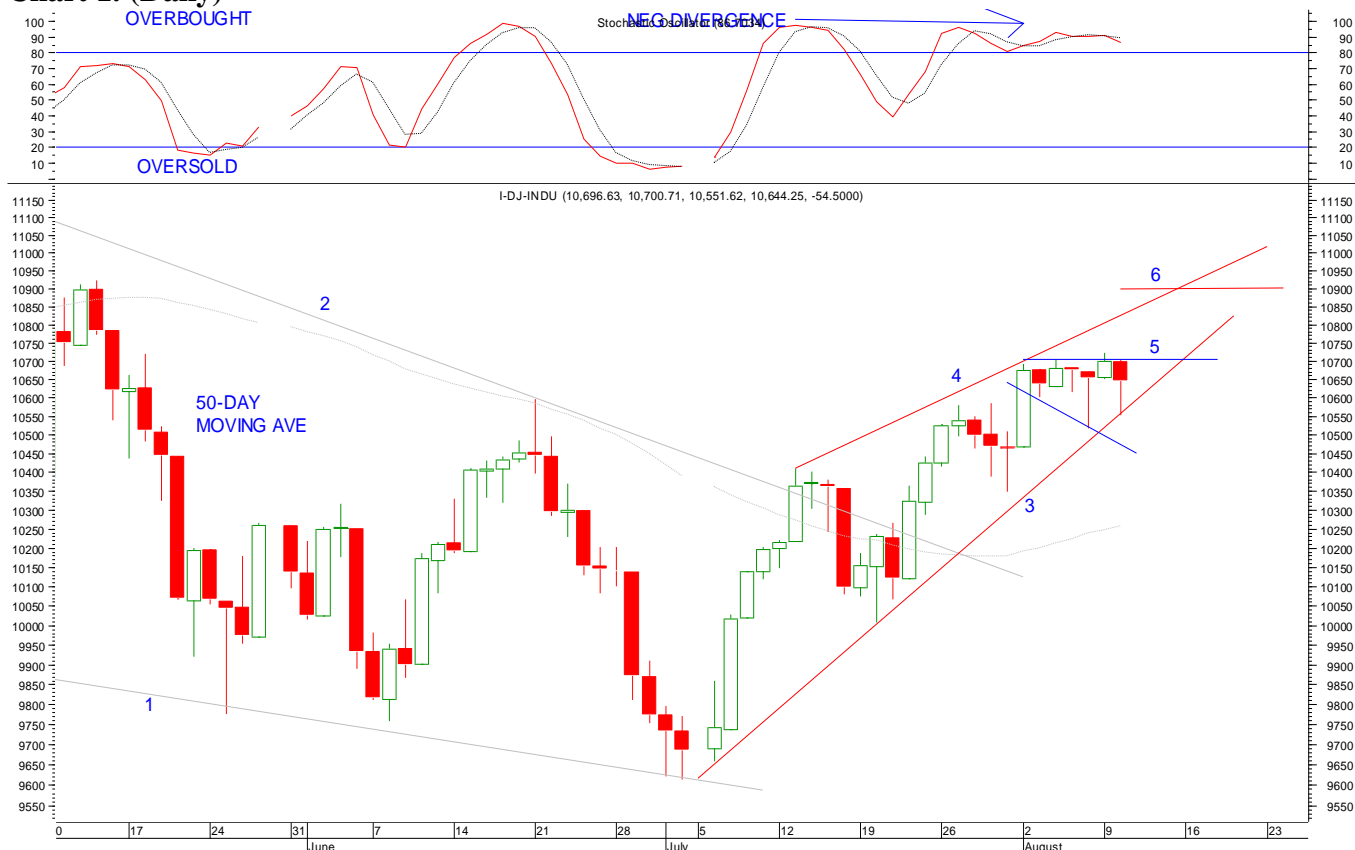
## DOW JONES – Bearish pattern

**Broad Recommendation:** WAIT FOR BREAKOUT DIRECTION/ POTENTIAL SHORT SELL

**Trend:** Short-term up, but overbought. Med and long-term up, but vulnerable.

**Strategy:** Traders sell short on a close below line 3/go long (buy) on a close above line 5.

**Chart 1. (Daily)**



**Chart Setup:** The Dow is in a rising wedge (lines 3 and 4). Rising wedges are typically bearish patterns i.e. breaking to the downside. There might be one more quick leg up (above line 5), but a breakdown below line 3 will be bearish.

- The short-term Stochastic Oscillator (on top) is giving a series of negative divergences (see Glossary) from its overbought region. This is warning of a correction to come.

**Strategy Details:** Traders wait to see in which direction the sideways move of the past week breaks out. If it closes above line 5 (10 705) then buy, with caution for a quick run to line 6 (10 900). But a close below line 3 will be a shorting signal. (Line 3 is at 10 590 on Weds night the 11<sup>th</sup> and line 3 is rising at an angle of 35 pts per day thereafter).

- Investors with an 18-month outlook to be reducing holdings of overseas stocks.

**Target:** A breakout above line 5 to take it to line 6 at 10 900. But a breakdown below line 3 will setup a minimum downside target of 10 195. Take half short-term shorting profits there and continue with a breaking of its prior one day high thereafter as your stop. If that is the start of the large correction I'm expecting, then the price will head down to 9600 and eventually lower e.g. 8900.

**Stop-loss:** For buying a close above line 5, the stop is a close below line 3. For shorting a close below line 3, the stop will be a close above line 5 (10 705).

## JSE ALL SHARE INDEX – Vulnerable

**Broad Recommendation: TRADERS BUY ON REVERSAL UP (WITH GREAT CAUTION)**

**Trend:** Up on all main time frames, but becoming vulnerable.

**Strategy:** Traders buy a reversal day up from current levels or from 27 500. Investors reduce holdings.

**Chart 2. (Daily)**



**Chart Setup:** The index has pulled back and broken below line 2 support, with no upward reversal there. Lines 3 and 4 are forming a tentative channel. Line 3 coincides with the 50-day moving ave, at the 27 600/500 level. Nearest support right now though is 27 790.

- The short-term Stochastic Oscillator (on top) has pulled back, but is not fully oversold.
- The bigger picture is a large broadening formation from Nov 2009. Line 1 is critical med-term+ support at 25 990. I'm expecting it to be tested in the months ahead and broken.

**Strategy Details:** Traders only, buy a clear reversal day/candle (see Glossary) up from current levels or lower e.g. 27 500. A close above line 4 will be a new short-term upside breakout (line 4 is at 28 595 on Weds 11<sup>th</sup>, and deckling at an angle of 60 pts per day thereafter). But if it reverses down off line 4, then sell short.

- Investors to be just about complete reducing to 50%. If we get another short-term rally then complete this. (Note, if you're a really long-term investor e.g. 5-10 years plus, then instead of selling you can consider hedging your portfolio, by shorting alsı futures/buying put options).

**Target:** Upside potential to retest the recent 28 909 high, with further potential to 29 565 (looking increasingly unlikely to be reached). Then downside over the coming months to line 1 (25 990), with line 1 to break and setup a move to the 23 500 level.

**Stop-loss:** Once/if the upside reversal occurs, place your initial stop as a close below 27 400. Lock in half profits at 28 900 and continue thereafter with a breaking of prior two day low your stop.

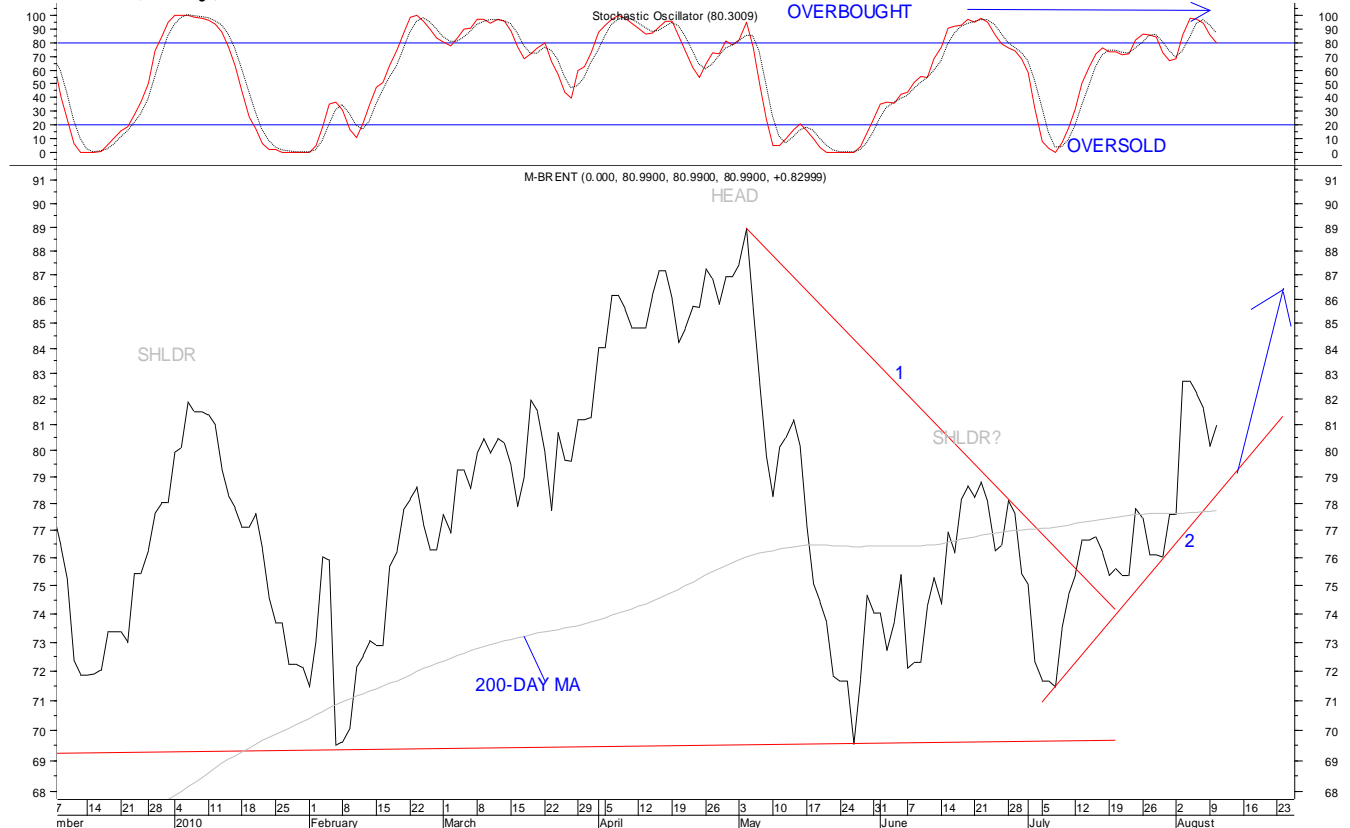
## BRENT CRUDE – Overbought, but likely to go higher

### Broad Recommendation: TRADERS HOLD/BUY A PULLBACK

**Trend:** Up on all main time frames, but short-term overbought.

**Strategy:** Hold if in, otherwise buy on a pullback towards line 2.

#### Chart 3. (Daily)



**Chart Setup:** The potential head and shoulders pattern shown here a few weeks ago did not confirm with a breakdown, and the price continued up above line 1, to form a bullish "failed" head and shoulders. I'm expecting it to still go higher and pullbacks are still buyable.

- The short-term Stochastic Oscillator (on top) is overbought, so it is vulnerable to a minor pullback.

**Strategy Details:** Hold if in, but if not in buy on a pullback to line 2. (Line 2 is at \$78.35 on Weds 11<sup>th</sup> and rising at an angle of 30c per day thereafter e.g. to 78.65 etc. on its spot price). Wait for a reveal day/candle up from there as your entry trigger. If the price drops below line 2 without reversing up first, look for the reversal from its 200-day MA at \$77.65.

- Traders who are currently in, can add to current positions on that signal.

**Target:** Take partial profits at \$84.70 and continue with a breaking of it prior two-day low thereafter as your trailing stop. It can potentially continue up to \$88.

**Stop-loss:** Initial stop is a close below \$77.50 (after the price has reversed up to trigger the buy signal).

## RAND GOLD PRICE – Upside potential

### Broad Recommendation: HOLD/BUY A PULLBACK

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

**Strategy:** If in, hold. If not in, buy on a retest of the July low (8483).

**Chart 4. (Daily)**



**Chart Setup:** Updating this chart from last week, the price moved slightly below its 3-year supporting trendline (line 1) but has reversed back above it and above line 2, to trigger the advised buy signal. It looks like we might have been one swing too early, as the price is likely to have a retest of the July low before moving up in earnest again.

- The short-term Stochastic (on top) is getting overbought, but the weekly Stochastic is oversold, and therefore bullish on a med-term view.

**Strategy Details:** Hold from recent buy signal. If not in, buy on a pullback towards the July low of 8483.

**Target:** 9130 to take half profits. Further potential thereafter to 9270.

**Stop-loss:** Initial stop is a close below 8300. Once it gets to 9130, take half profits and use a breaking of its prior two-day low as the stop on the remainder.

## MASSMART (MSM) – Testing important support

**Broad Recommendation: TRADERS PREPARE TO BUY (WITH CAUTION)**

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

**Strategy:** Traders buy as close to line 1 as possible.

**Chart 5. (Daily)**



**Chart Setup:** Massmart, one of the market leaders, is currently pulling back to its 50-day moving ave (which typically provides support) as well as line 1 support (currently at R122.25). There is a good chance of a reversal back up from there for another short-term rally.

- The short-term Stochastic (on top) is clearly oversold, which is a bullish setup.

**Strategy Details:** Traders only, buy as close to line 1 as possible. (Line 1 is at R122.25 on Weds 11<sup>th</sup> and rising at an angle of 20c per day thereafter). Wait for a reversal day/candle up from/near line 1 to buy.

- Note, more conservative traders can wait for a close above line 2 to buy, but I don't think it's necessary in this case. (Line 2 is at R126.55 on Weds 11<sup>th</sup> and line 2 is declining at an angle of 50c per day thereafter).
- Investors to be reducing holdings, as has been the strategy for some weeks now.

**Target:** A retest of the recent R129.97 high. Lock in some profits at R128.10 on the way up. Once it nears the target, use a breaking of its prior two-day low as your trailing stop.

**Stop-loss:** Initial stop is a close below line 1 (note, it must give the reversal up before buying). If buying on a close above line 2, use a breaking of the lowest point of the current pullback as your stop.

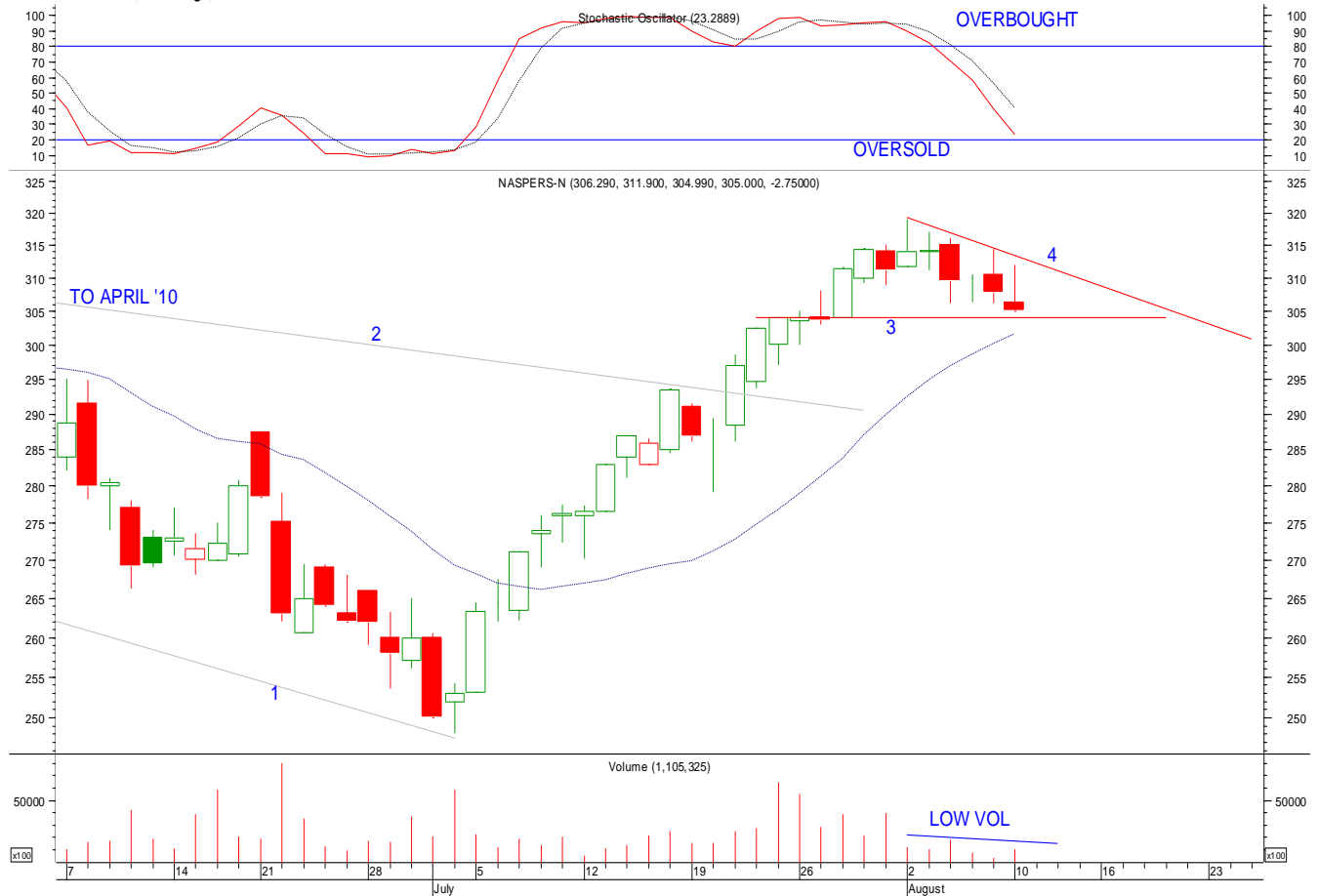
## NASPERS-N (NPN) – Becoming short-term oversold

**Broad Recommendation: TRADERS HOLD/PREPARE TO BUY. INVESTORS REDUCE**

**Trend:** Up on all main time frames. Short-term becoming oversold.

**Strategy:** Traders buy on a reversal day up from line 3 (R304) or slightly lower. Hold if in.

**Chart 6. (Daily)**



**Chart Setup:** Naspers has given a minor pullback over the past week, on low volume (see bottom segment). This is a bullish sign.

- The short-term Stochastic (on top) is reaching its oversold region (although it can go a bit lower).

**Strategy Details:** Hold if currently in (traders) with your stop a close below R300. If not in, buy on a reversal day/candle up ideally from line 3 (R304), which is also near its 50-day moving ave. If the reversal occurs slightly below line 3 i.e. at R301.70, that's also ok.

- I'd like to see a well-formed a reversal candle before buying. If you're not sure, rather wait for a close above line 4 to enter (for traders). Line 4 is at R312.30 on Weds 11<sup>th</sup>, and declining at an angle of R1.10 per day thereafter e.g. to R311.20 etc).
- Investors to be reducing holdings, but this is definitely one of the best stocks on the market in general.

**Target:** Up to R324 i.e. the height of a prior broadening formation (lines 1 and 2), projected up.

**Stop-loss:** A breaking of the low of the reversal day/candle up for new longs. For current longs (traders), place your stop as a close below R300. Note, no large positions advised at this stage because the overall market is high, and vulnerable.

## SABMILLER (SAB) – At support level

### Broad Recommendation: TRADE THE BOUNDARIES

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

**Strategy:** Traders buy a breaking of its previous day's high.

**Chart 7. (Daily)**



**Chart Setup:** Updating this chart shown here fairly recently, the price is still in a sideways channel (lines 1 and 2). The price has pulled back to line 3 support, as well as its 200-day moving ave, which has provided support in this channel. (As an aside, lines 3 and 2 also form an ascending triangle). Look for a move back up to test line 2 soon.

- The short-term Stochastic (on top) is oversold, supporting the view of another move up to line 2.

**Strategy Details:** Traders buy on an intraday breaking of its previous day's high (yesterday's high for example was R218.24). Alternatively, wait for a reversal day up at line 3 (R213.75), or near line 1 (R210.60) to buy.

- Note, when the price eventually closes *outside* the channel, enter in the direction of that breakout i.e. Go long a close above R227.70/sell short a close below R209.50.

**Target:** For now, it's back to line 2 at R227.30/70. A reversal down from there to be shorted for a move back to line 3. Note, when the eventual breakout of this channel occurs, look for at least a R17 per share move in the direction of the breakout.

**Stop-loss:** If the entry triggers above line 3, place your stop as a close below R213. If it occurs below line 3, the stop will be a close below R210.

## SMALL-CAP. CHART

### CITYLDG (CLH) – Bullish reversal pattern forming

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

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

**Strategy:** Buy for more follow through, but with caution.

Chart 8. (Daily)



**Sector:** Hotels

**Current Price: R77.10.**

**Chart Setup:** After declining for many months, it has formed an inverse head and shoulders (labelled S-H-S) and broken out above line 3 (the 'neckline'). Lines 1 and 2 also form a falling wedge, which is typically a bullish pattern. The price is currently stalling at its 200-day moving ave.

- The short-term Stochastic (on top) is still relatively overbought. So it can pull back a bit more before moving up again.

**Strategy Details:** Traders buy it at the R75.60 level or lower. No large positions advised because the overall market is high.

**Target:** Minimum upside target is R83.50 i.e. the height of the inverse head and shoulders projected up. However, lock in some profits at R81.50 to reduce your overall risk.

**Stop-loss:** Initial stop is a close below R73.70. Once it gets to 81.50 take partial profits, and raise your stop to a breaking of its prior 2 day low. Take all profits at 83.50 if/when reached.

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

- **Long:** Anooraq, Ciplamed, York

### 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:** Kumba, MTN, BATS\*, Growpnt, Shoprit, ArcMittal, Old Mutual. (Even though BTI is not in the top 40 index it is currently the largest share on the JSE).

**Weakest seven Top 40 stocks:** ARM, Nedbank, Angloplat, Lonmin, Absa, Firstrand, Tigbrands.

**Strongest five Resi 20 stocks:** Kumba, BHPBilliton, Exxaro, Metorex, Sasol.

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

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

- **Gfields:** has moved straight up then pulled back for a few days recently. Today it is heading up again. Lock in partial profits at 103.55. If it closes above 103.80 then buy back the portion you sold – for a move to the 107.50 target.
- **BATS:** hold, buy on a reversal day from current levels or lower e.g. 251. Stop is a close below 249.50. Target is 267/268.
- **Exxaro:** No upward reversal day yet to buy. Prior longs will have been stopped out on yesterday's drop. If it gives an upward reversal day/candle from the 113.80 level then buy, with caution. Take profits at 123. If it continues down, closing below 112.80 then there won't be another up leg to retest the recent highs, but only a bounce to 121 at best.

### 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):**

- Shoprit, Foschini, Kumba-IO, Angloplat.

- **Abil:** last weds was a reversal candle up, but its low was broken 2 days later to trigger a small stop. If it closes above 33.85 then traders only to buy, with caution. Target to 35.10. But a reversal day down off 33.85 can be sold short, with your stop a close above 33.85, and target to 31.55.
- **Absa:** has continued straight down with no upward reversal day for buying. It is oversold, but can still drop to 126. If it doesn't reverse up very soon, one should assume there won't be another up leg to rest recent highs. If it gives a clear reversal day up from the 126 level then buy, with caution, for a move to 134.50. Stop below the reversal days low. If it continues straight down though we'll look at shorting the next bounce.
- **Anggold:** has continued up nicely. There is initial resistance at 314.20. When it gets there use a breaking of its prior one day low as a training stop to take partial profits only (traders). Take further profits at 318-320. Potential to 328 but there will be pullbacks be aware that it's getting overbought in the short-term.
- **Anglo:** has continued straight down over the past week with no reversal day up to buy again. It has broken a number of support levels on the way down and this is a concern in terms of there being another final leg up (which I'm now beginning to doubt). If it gives a reversal candle up from current levels, the traders buy for a quick snap-back to 291. Stop below the reversal days low. Current support is 276.50. If it closes below 275 expect it to then go down to 262, which is an important support level for it. I would expect that level to break over the coming months with a drop to 230.
- **Angloplat:** its recent rally petered out and it has fallen back to test very important support at 694. Right now it is trading below there. If it closes below 691 then exit. That could setup a drop to 643. The first rally after a close below 691 will be shortable.
- **ArcMittal:** has moved sideways over the past week, showing good relative strength. Hold, with your stop a close below 83.50. Lock in partial profits above 88. A close above 88.50 will setup a move to 91 for further profit taking.
- **ARM:** triggered the mentioned stop. Shift into shorting the bounces mode here. A bounce to 170 or higher to be shorted on a reversal day down. Target to 157. Stop a close above 173.60.
- **Aspen:** has pulled back over the past two days with no reversal day up to up. It is oversold in the short-term, but if it doesn't reverse up soon, expect it to continue down. A reversal day up for 78.70 to be bought, with caution for a bounce to 82. Stop a close below 78.40. From 82 level, sell short a reversal day down to 75.50.
- **Aveng:** closed above the mentioned resistance level after a good run. Wait for a pullback to 35.50-35.10 to buy. Target to 39. Investors can start nibbling on such a pullback. It is going counter trend to the overall market.
- **Barworld:** exit on a bounce to 44.70. Current stop is a close below 43. From 44.70 sell short a reversal day down. Target to 40.50.
- **BATS:** see update above.
- **BHPBilliton:** is pulling back after a very good run, and from an overbought level. A reversal day up from 121.80 can be bought, but with caution and no large positions, for a bounce back to 230.50. If it doesn't reverse up from there it can pullback to 217-215. Med-term it is overbought. Depending on the quality of the next bounce we'll consider shorting it (to be updated).
- **Bidvest:** Stop is a close below 128.70. A close above 132.50 can be bought, with caution, for a rally to 136.90. Stop a breaking of the low of the current pullback.
- **Discovery:** med-term support is 35.60. A reversal day up from there can be bought, with but caution. Stop a close below 35.40. Take profits above 37.25.
- **Exxaro:** see update above.
- **Firststrand:** has continued straight down, and is oversold. It didn't give reversal day up to buy but those in will have had the stop triggered. No large positions were advised. At this stage it doesn't look like we're going to get one more leg up here. Bank shares have had a massive run-up in recent

- weeks and I think their bull markets are over for the next few months. Sell it short after a bounce to 20 and reversal down from there. Expect it to make its way down to 18.05 in the coming weeks.
- **Foschini:** pulled back as expected, and gave a reversal candle up on Friday. It is oversold. Hold if in, otherwise only buy on a close above 68.60 or a reversal day up from 66.50. Stop is a close below 66.30. Target to 71.80.
  - **Gfields:** see update above.
  - **Grindrod:** hold. Stop is a close below 15.15. Target 15.90-16.10.
  - **Harmony:** continued up sharply, but gave a pullback yesterday to buy if you weren't in. Take trading profits at 79.70-81.50. It is getting overbought in the short-term.
  - **Imperial:** stop if in is a close below 92.70. If not in, only buy on a close above 95.50. Target then to 98.50 for partial profit taking and potential to 99.80. No large positions advised.
  - **Implats:** after an initial good rally, getting close to first target it has reversed sharply down. Keep your stop as a close below 192. A reversal day up from 192 can be bought, with caution. But I'm getting an uneasy feeling here. Exit if we get a bounce back to 204. A close above 204.85 will be bullish for a run to 215 but I'm getting doubtful that it's going to break out. A reversal day down from 204 can be shorted for a drop to 181 over the coming weeks. Long-term support is 180.
  - **InvPlc:** it's oversold after a sharp pullback. Hold if in, with a stop as a close below 53. A reversal day up from 53.10 can be bought, with caution, by traders. Exit at 56.50. From there we'll look to short it for a drop back to 50.50.
  - **Kumba-IO:** it has pulled back to support at 362. If it gives a reversal day up from here then buy (with caution) if not in. If in, hold, with your stop a close below 161.50. If stopped out, look to re-enter from 356 on a reversal day up. No large positions. Take half profits at 380, and the rest at 385. If it doesn't continue all the way down, support is at 347.20.
  - **Lonmin:** traders buy, with caution on a reversal day up from 175. Lock in some profits at 185 and more at 189. Stop a close below 175. A reversal day down from 185-189 to be shorted for a drop to 163.50.
  - **M&R-Hld:** is starting to look better. Moved sideways over the past week. A close above 44 will be a buy signal for investors. Traders buy on a pullback to 41.40, but still with caution. Stop is a close below 41.40.
  - **Massmart:** see Chart 5.
  - **Merafe:** the scepticism mentioned last week on the inverse h/sh here is proving to be correct as it's struggling to get going. Exit any longs near 1.39. A reversal day down from 1.39-1.41 to be shorted. Target to 1.20. Stop a close above 1.43.
  - **MondiPlc:** got to the 55 target yesterday before pulling back to round off a good trade. Sell short for a drop to 50.25. Stop is a close above 55.15.
  - **MrPrice:** mentioned trailing stop triggered after a good run. It's now oversold in the short-term. Only if it gives a reversal candle up from 47.30 level can it be bought again (traders). Target to 50.30. Stop a close below 46.20. It is overbought on a medium-term view and, longer-term players to be reducing holdings on any bounce to 50.
  - **MTN-Group:** has moved sideways over the past two weeks, just below important long-term resistance at 120. No clear trade here right now. Traders exit prior short trade at current levels for a breakeven trade. If it pulls back to 110 look to buy. Alternatively a close above 120 to be bought (to setup a longer-term target to 145).
  - **Naspers-N:** see Chart 6.
  - **Nedbank:** reversed up last Thursday to then slip back to trigger a small loss. There is support at 127. A clear reversal day up can be bought, but with caution. Take some profits at 132, and the rest at 134.50. It doesn't look like it's going back to retest its recent high. A reversal day down from the 132.50-134 range to be shorted for a drop to 122.50.
  - **Netcare:** it's overextended. It might still go to 14.10 but not much more if it does, Short-term support is 13.35. If it gets to 14.10 or higher sell it short for a drop to 13.25..

- **Newgold:** is setting up for a final quick drop I believe and then back up. A close below 84.15 will lead to that drop, to retest recent lows of 83.09. Don't short it on that drop, it's too oversold. A reversal day up from 83.10 can be bought by more aggressive traders. Others await further instructions. Target then it gets going will be to 91+.
- **Old Mutual:** short-term target reached and exceeded. Stopped close to the 15 level as well. Short-term support is 13.80. Only if it gives a reversal up from there re-enter, with great caution for a move to 15. Stop will be a close below 13.60. If it doesn't get to 15 sell it short on the first reversal day don, for a drop to 13 and then to 12.
- **Pick 'n Pay:** steady sell-off over the past week, and it is oversold now. Buy a reversal day up from 44.40 level, with caution. Target 46.40-47. Stop a close below 44. A reversal day down from 46.50 to be shorted. Is vulnerable to a drop back to 41 over the coming weeks and lower over the months.
- **Reinet:** pulled back as expected, but no reversal day up yet to buy. Support is 11 right now, and it is getting oversold. If it reverses up from 11, buy with caution for a quick bounce to 11.50. Stop a close below 11.
- **Remgro:** got close to 104.50 profit taking level, has moved sideways over the past week. Exit trades at 103.50-104. Current stop is a close below 99 for traders. A close below 99 to be shorted for a drop to 94.50 i.e. med-term support.
- **Richemont:** stopped just short of the trading target on Thursday. It reversed down (Thursdays reversal candle don was the signal to exit because it was close to that target). It now appears to have formed a small head and shoulders and is pointing to a target of 26.60. Sell it short, but with caution and no large positions at this stage. Stop is a close above 29.25. Lock in partial profits at 27.30 on shorts to reduce your overall risk.
- **RMBH:** no reversal day up to buy as it continued straight down. Traders in it from before will have had the stop triggered. It is oversold, so look for a bounce to 34 and sell short a reversal down from there or slightly higher. Target down to 30.20. Stop a break above 36.
- **SABMiller:** see Chart 7.
- **Sanlam:** hold with your stop a close below 24. Exit on a rally to 25.50.
- **Sappi:** is currently the strongest stock of the top 100 or so stocks on the JSE on a relative basis. Wait for a pullback to 33.50 or lower to buy. Main support level is 31.70 but I don't think it will pullback that far. Target is 37.50
- **Sasol:** got within 12c of the target (R300) which is close enough to be taking profits. It might still bounce to 301.50 again. Buy only re-enter if it pulls back to the 287 level. Stop will be a close below 286.40
- **Shoprite:** is giving a pullback from being overbought. It is now oversold and another leg up still very likely. Re-enter only on a close above 88.50 or on a clear reversal day up from 85.50. Target is 92.50-93.50. Stop will be a breaking of the lowest point of the current pullback.
- **Spar:** is still in pullback mode, but is getting oversold. Traders re-enter, with caution on a close above 85 (angle falling by 15c per day). Target back to 87. If it gives a reversal day/candle up from 81.50 before the upside breakout it can be bought then, but is more risky. Stop below the reversal days low.
- **Stanbank:** I must say it has fallen more than I was expecting over the past few days. It is currently oversold. If in, exit on a bounce to 113, or a close below 104.90 – whichever happens first. I think the best one can hope for is a bounce to 113-115. Investors to be have reduced holdings by 50%. A reversal day down from 113 or higher to be shorted, for a drop to 101. Stop above reversal days high.
- **Steinhof:** gave a reversal candle up on Friday but it's not having follow through. Exit at 18.90 or a close below 18.60 – first to happen. A reversal candle down from the 19 level to be shorted for a drop to 17.50.

- **Telkom:** has given the expected pullback. Hold if you bought on Friday's reversal candle, if not wait for further pullback to 13.65 to buy. No large positions. Target to 36.20. Stop a close below 33.30.
- **Tigbrands:** pulled back sharply on overseas news, after a very good run initially. Exit on a bounce to 183. Medium-term support is 167.
- **Truwths:** gave the bounce to exit with a small profit. It has pulled back and support is nearby at 56. It is oversold. Aggressive traders can buy only if it gives a reversal day up off that level. Stop a close below 55.80. Target to 59.
- **Vodacom:** got to the profit taking level. But it is high on a med-term view. It might still bounce to 64.50 but I don't think more than that. If it gets to 64.50 or higher sell it short on a reversal day down. Target then back to 58.
- **Woolies:** moved below the mentioned short-term support level to trigger the exit. It is oversold so might bounce to 25.70 but I don't think its worth buying at this stage of the game, with the overall market being so high. If it does bounce, sell it short from that level for a drop to 23.75. A close below 23.75 will be another short signal for a drop to 21.50.

**GOLD UPDATE:** The JSE gold index has continued up nicely, moving counter to the overall market over the past week. It's nearing some resistance at 2480-2500. Tighten vey short-term stops on gold stocks as it gets there to a breaking of prior one day low. Gold shares are not completely out the woods yet. The next pullback will be important in assessing the strength of hte recent move. But at this stage there is a reasonably god chance of it making its way up to 2600 after a pullback.

**Dollar gold price:** pulled back to 1189 as mentioned in yesterdays market update, and is looking like moving up from there again. It is pointing to a minimum upside target of \$1242. Take short-term profits there/near there.

**Rand gold price:** see Chart 4.

## 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 11 Aug. '10) Price (R) 20-Day MA: 40-Day MA:

ANOORAQ	7.7500	8.1340	8.3138
AQUARIUS	29.7000	32.0830	36.1263
BLUETEL	4.3500	4.3995	4.5883
DRDGOLD	3.0000	3.1255	3.2790
ILIAD	7.7600	7.9105	8.0805
ILLOVO	26.8900	28.3400	28.3625



## **INTRAWEEK MARKET UPDATE SERVICE:**

### **SYNCHRONISING REGULAR AND PREMIUM SUBSCRIPTION DATES:**

Please note, I didn't foresee the difficulty from an admin point of view, of synchronising the expiry dates of the Regular and Premium subscriptions for those that have signed up. (This issue applies to upfront paying subscribers only, and not to those on debit orders).

So, if you are still planning to sign up for the Premium service (assuming you're not on a debit order), the best way to do this (for all concerned) is to please email us first, to find out when your regular subscription expiry date is. Then, one can make a payment for the Premium service to align it with the same expiry date. Both subscriptions will then be synchronised date-wise.

Don't forget, the special offer for current subscribers only, is R50 per month for the Premium service, for the next 8 months. Thereafter the advertised rate of R85 will apply i.e. the current rate the general public is paying.

Thank you for your understanding in this regard (for those who you are still wanting to subscribe to the new service).

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.

## **COPYRIGHT:**

**THIS NEWSLETTER IS TO BE READ ONLY BY THE PERSON WHO HAS PAID AND SUBSCRIBED TO IT (I.E. THE SUBSCRIBER). UNDER NO CIRCUMSTANCES IS IT TO BE SHOWN (OR GIVEN) IN PHYSICAL OR ELECTRONIC FORM TO ANY OTHER PERSON, WITHOUT THE PRIOR CONSENT OF THEMARKET.CO.ZA. NOTE FURTHER, ANY PERSON FOUND TO BE DISTRIBUTING THIS DOCUMENT TO A NON-SUBSCRIBER (WITHOUT OUR PERMISSION) WILL HAVE HIS/HER SUBSCRIPTION CANCELLED WITH IMMEDIATE EFFECT. (A HUGE AMOUNT OF WORK GOES INTO EACH ISSUE OF THE NEWSLETTER AND TO SHOW IT TO A NON SUBSCRIBER IS NOT ONLY MORALLY INCORRECT, IT IS ALSO ILLEGAL). FURTHERMORE, ELECTRONIC TRANSMISSION (EMAIL), REPRODUCING, AND/OR DISSEMINATING THIS DOCUMENT (OR PART THEREOF) IN ANY OTHER MANNER WITHOUT THE WRITTEN CONSENT OF THEMARKET.CO.ZA IS A VIOLATION OF THE COPYRIGHT LAW - AND IS ILLEGAL.**

***LEGAL ACTION WILL BE TAKEN AGAINST PERPETRATORS***

## **DISCLAIMER:**

Information for stock and index observations are obtained from sources believed to be reliable, but we do not warrant its completeness or accuracy, or warrant any results from the use of the information. Your use of the stock/index/commodity/or currency observations, and opinions are entirely at your own risk and it is your sole responsibility to evaluate the accuracy, completeness and usefulness of the information. The information provided here is for interest and educational purposes only, and does not constitute advice. The editor and publisher of TheMarket.co.za newsletter will not be held responsible for losses incurred as a result the opinions expressed herein. All information herein is based on opinion; markets follow their own course. You must assess the risk of any trade and make your own independent decisions regarding any securities mentioned herein (or options thereon). We will from time to time have a position in the securities described herein. One should always use protective stops on all trading and investment positions. There is a risk of monetary loss in trading and/or investing on the financial markets.

Charts created in Metastock

© Copyright, TheMarket.co.za. All rights reserved

Tel: 011 440-7880

Fax: 086 510 9988

info@themarket.co.za