

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

Date of Issue: 18 August 2010

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**Classic Trading Rule:**

**"Rather be out of a position wishing you were in, than in a position wishing you were out."**

## MEDIUM-TERM TARGETS

**Introduction:**

The JSE has continued down over the past week, and we are not going to rally back to retest the July high. I'm looking for a relief rally to start very soon, but it won't last long and then another large leg to the downside. The general strategy therefore is for traders to line up shorting opportunities on that bounce (details within). In the Notes & Updates section I've given medium-term+ targets on almost all the stocks. The outlook does not look good over the next 5 months (if you're a long only player, that is). But investors who have followed our advice will be sitting in a good position, with cash in hand, to eventually pick up the pieces at bargain basement prices. We start with a weekly chart of the **Dow**, showing its main support level. The **JSE All Share index** chart shows where a relief rally is likely to stop before it heads down again (after the current drop). A longer-term chart of the **JSE Indi 25 index** is shown, with its danger signs, as well as downside targets. Then we show an interesting chart of the **rand platinum price** and compare it to Angloplat. More downside expected there. The stock charts shown are **Angloplat** (significantly lower target), **Nedbank**, to be shorted on a bounce), and **ArcMittal** (heading for a breakout).

The small-cap chart is **York**, in the fast-improving timber sector. It's given an upside breakout.

Overall, the market is coming to the end of its first leg down in what will be (if I'm correct) an extended down move, lasting for a few months (into early 2011). Traders should be using the coming relief rally to line up some very high probability short trades. Shorting can be a highly profitable game and is recommended for market phases like the one we're heading into.

**Executive Summary:**

- **Dow (chart 1):** Hold current shorts/add to on a bounce to 10 540.
- **All Share Inx (chart 2):** Traders sell short on a reversal down from 28 000-28 250.
- **Indi 25 Inx (chart 3):** Traders sell short a bounce to the 23 100 level.
- **Rand Platinum price (chart 4):** Sell short on a bounce towards line 2.
- **Angloplat (chart 5):** Sell short on a reversal day down from current levels or higher.
- **Nedbank (chart 6):** Sell short the bounces.
- **ArcMittal (chart 7):** Wait for upcoming breakout direction.
- **York (chart 8):** Buy at current levels or better.
- **Leading Stocks (3-mths): Top 40** – MondiPlc, MTN, Shoprit, Old Mutual, BATS, Aspen, Richemont  
**Resources 20** - Kumba, Exxaro, Sasol, Implats, BHPBilliton.
- **Shortable stocks/indices:** 13 stocks, 0 indexes, 1 commodity, 1 currency.

## 1. MARKET CHARTS

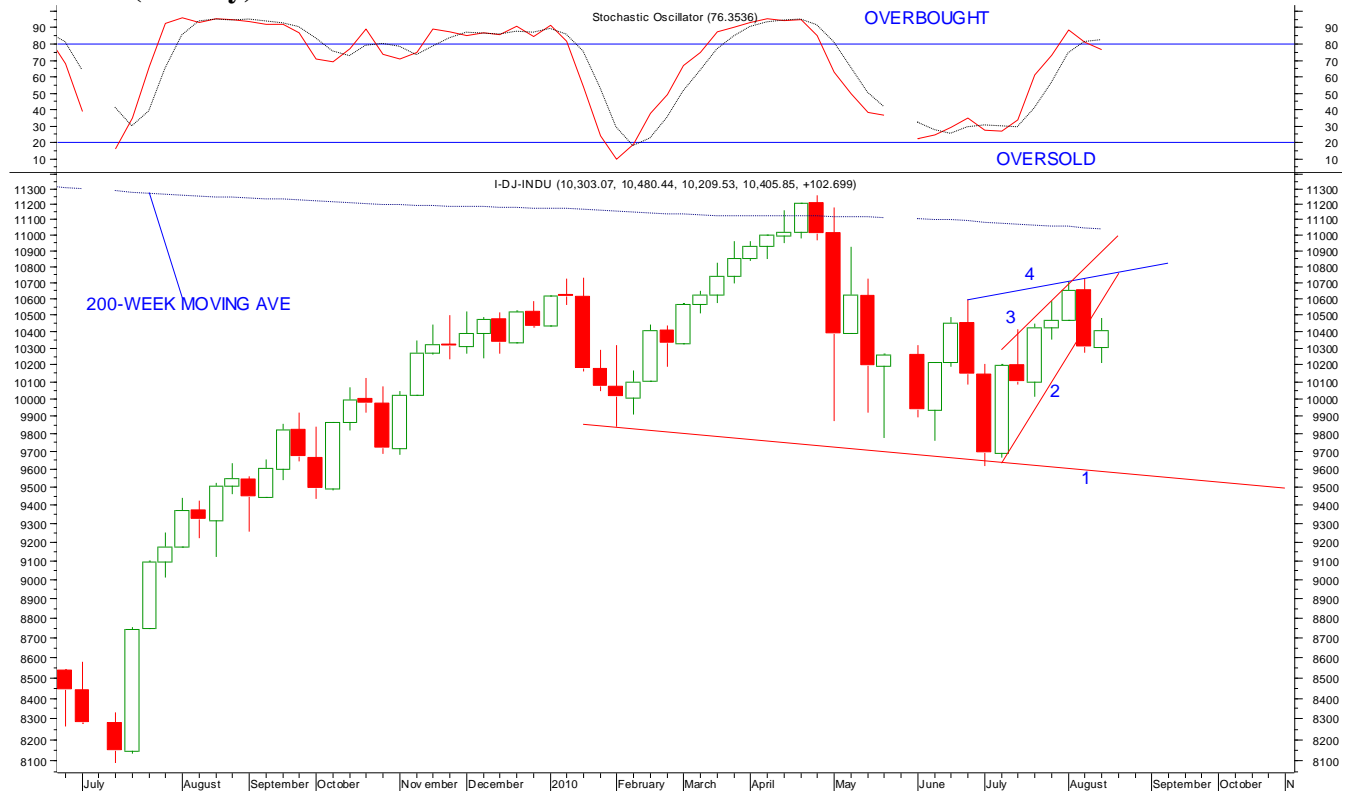
### DOW JONES – Downside potential

**Broad Recommendation: SELL SHORT THE BOUNCES. INVESTORS REDUCE**

**Trend:** Short-term sideways. Med-term technically up but vulnerable. Long-term up.

**Strategy:** Hold current shorts/add to on a bounce to 10 540.

**Chart 1. (Weekly)**



**Chart Setup:** This is weekly chart showing a slightly bigger perspective. The 200-week moving average provided solid resistance in April, as well as the previous time it was tested (in August 2008 – not shown). So upside is very limited right now. Last week the Dow gave a solid red reversal candle down (bearish).

- In addition, the weekly Stochastic (on top) is overbought (bearish).
- In the short-term, lines 2 and 3 form the rising wedge shown in last week's report. The price has stabilised right now, but any bounce is likely to be temporary.

**Strategy Details:** Traders hold shorts from last week's signal. If not in, sell short on a bounce to 10 540 or higher (on a reversal day/candle down). Current shorts can be added to then as well.

- Investors reduce exposure to overseas/US stocks by half.

**Target:** Right now, look for a bounce to 10 540, and perhaps 10 620 before it heads down again. (It might go back to retest the August high at line 4, 10 750, but not more than that). Then to the downside, the first target is 10 150 based on the rising wedge. Expect it to eventually work its way down to line 1 (9575). If line 1 breaks (which I think there is a good chance it will), the market will drop to 8500.

**Stop-loss:** Keep the stop wide initially to give it space e.g. as a close above line 1 (10 750). Once the price drops below 10 200 lower your stop to a breaking of its prior one-day high for very short-term traders. Bounces will continue to be shortable thereafter.

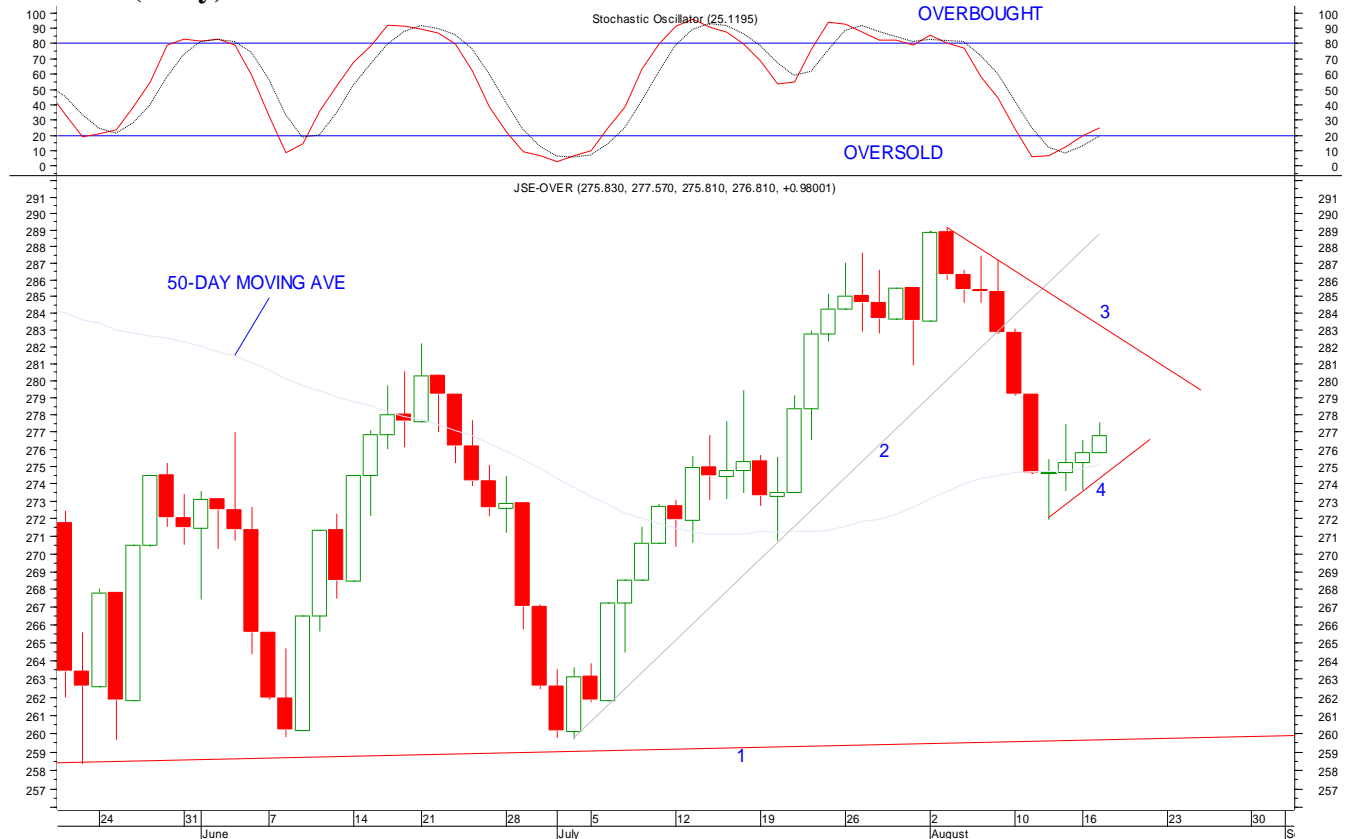
## JSE ALL SHARE INDEX – Downtrend well underway

### Broad Recommendation: SELL SHORT THE BOUNCES

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

**Strategy:** Traders sell short on a reversal down from 28 000-28 250, or on a close below line 4.

### Chart 2. (Daily)



**Chart Setup:** After a sharp sell-off last week, having broken line 2 support, the index is currently finding support at its 50-day moving ave. It has tried bouncing, but it's likely to be temporary.

- The short-term Stochastic Oscillator (on top) is oversold. I'm expecting a breaking of last week's low and then a relief rally before it resumes its recent downtrend.

**Strategy Details:** If you bought based on last week's newsletter (i.e. on the reversal day up from our mentioned buying level, which occurred on Thursday), look to exit either near 28 000 or a close below line 4 - whichever happens first. (Line 4 is at 27 530 today and rising at an angle of 70pts per day).

- Traders sell short on either a reversal day/candle down from the 28 000-28 250 level or a close below line 4 (whichever happens first).
- Investors to have reduced holdings by half, or to complete this process on the next rally if not.

**Target:** A retest of last week's low (27 194) and then a bounce to bounce to 28 000, with further potential to 28 200 i.e. line 3 (Line 3 resistance is at 28 270 on Weds 18<sup>th</sup> and declining at an angle of 60 pts per day thereafter).

- Thereafter look for it to make its way down to line 1 (26 000). A breakdown of line 1 will set up a further move down to 23 500 over the coming months.

**Stop-loss:** For current short-term longs, as mentioned above. For new shorts on a close below line 4, stop is a break above 27 760. Once it breaks last week's low, use a breaking of its prior one day high as

your stop for very short-term traders. If/when shorting from higher up, the stop will be a close above line 3 (see level above) after the reversal day down.

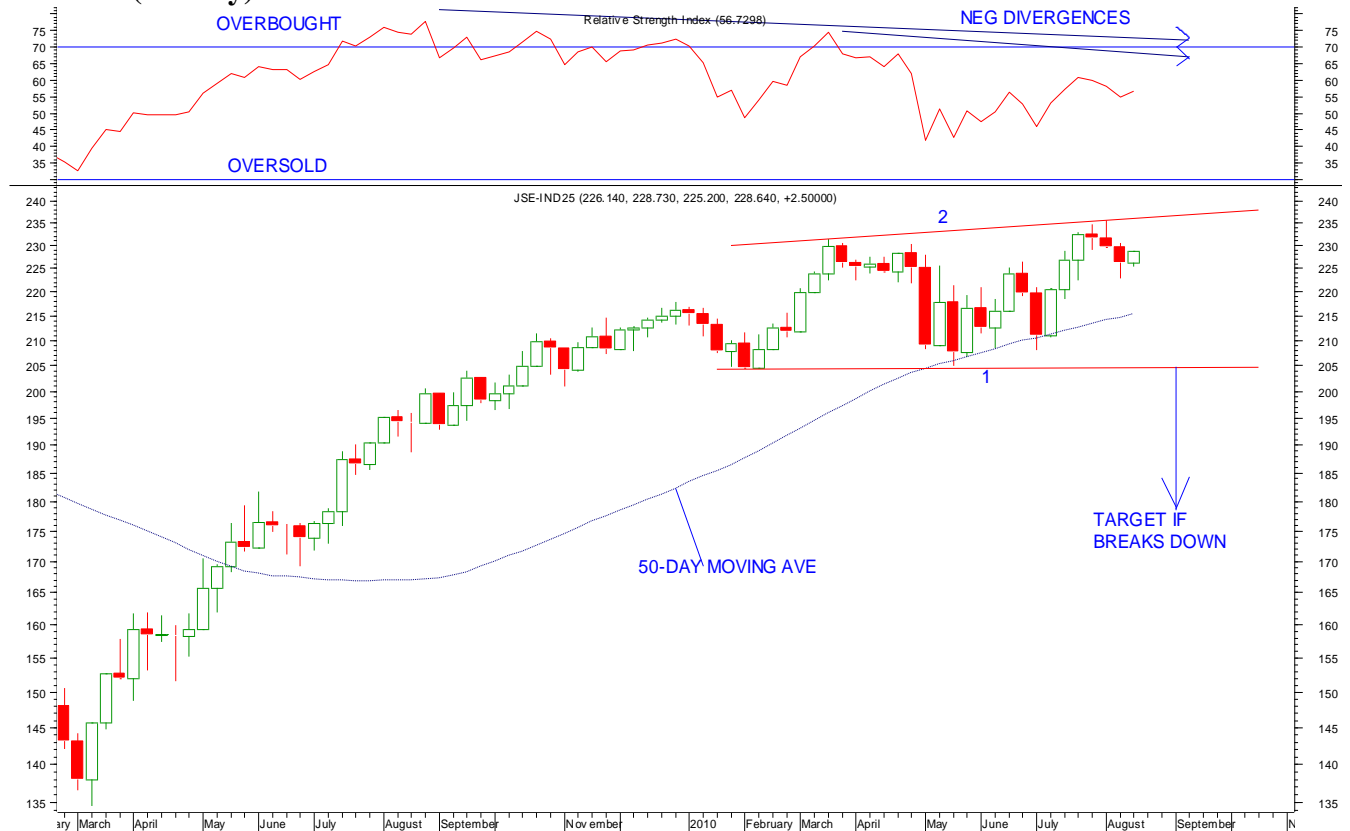
### JSE INDUSTRIAL 25 INDEX – Large danger sings

#### **Broad Recommendation: SELL SHORT THE BOUNCES**

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

**Strategy:** Traders sell short a bounce to the 23 100 level.

**Chart 3. (Weekly)**



**Chart Setup:** The indi 25 index has been the strongest of the three main local indices (the others being financials then resources, in that order). The index made a new all time high in early August. It has formed a large broadening formation (lines 1 and 2), which I believe is a topping pattern (rather than a continuation pattern).

- The 50-week moving average is providing good support on pullbacks; expect it to be tested soon.
- The *weekly* RSI (on top) is giving to negative divergences (see Glossary), one of which is particularly large. Both are warning of a large correction to come.

**Strategy Details:** Traders sell short large cap industrial stocks/or SatrixInd on a bounce back to 23 100 on this index. (Current level is 22 864).

- Investors to have reduced holdings on the recent rally, as advised here in recent weeks.

**Target:** Initially to make it way to its 50-week MA (21 550), but thereafter back to line 1 support (20 480). If line 1 gets broken (which I'm expecting it to), it will setup a minimum downside target of 17 880 i.e. the height of pattern 1-2 projected down. That target (which is a minimum target) is about 20% lower than current levels.

**Stop-loss:** Keep your stop for shorting as a close weekly above line 2 (23 650). Take most shorting profits at line 1, and a weekly close below line 1 (20 480) will be a signal to re-enter short.

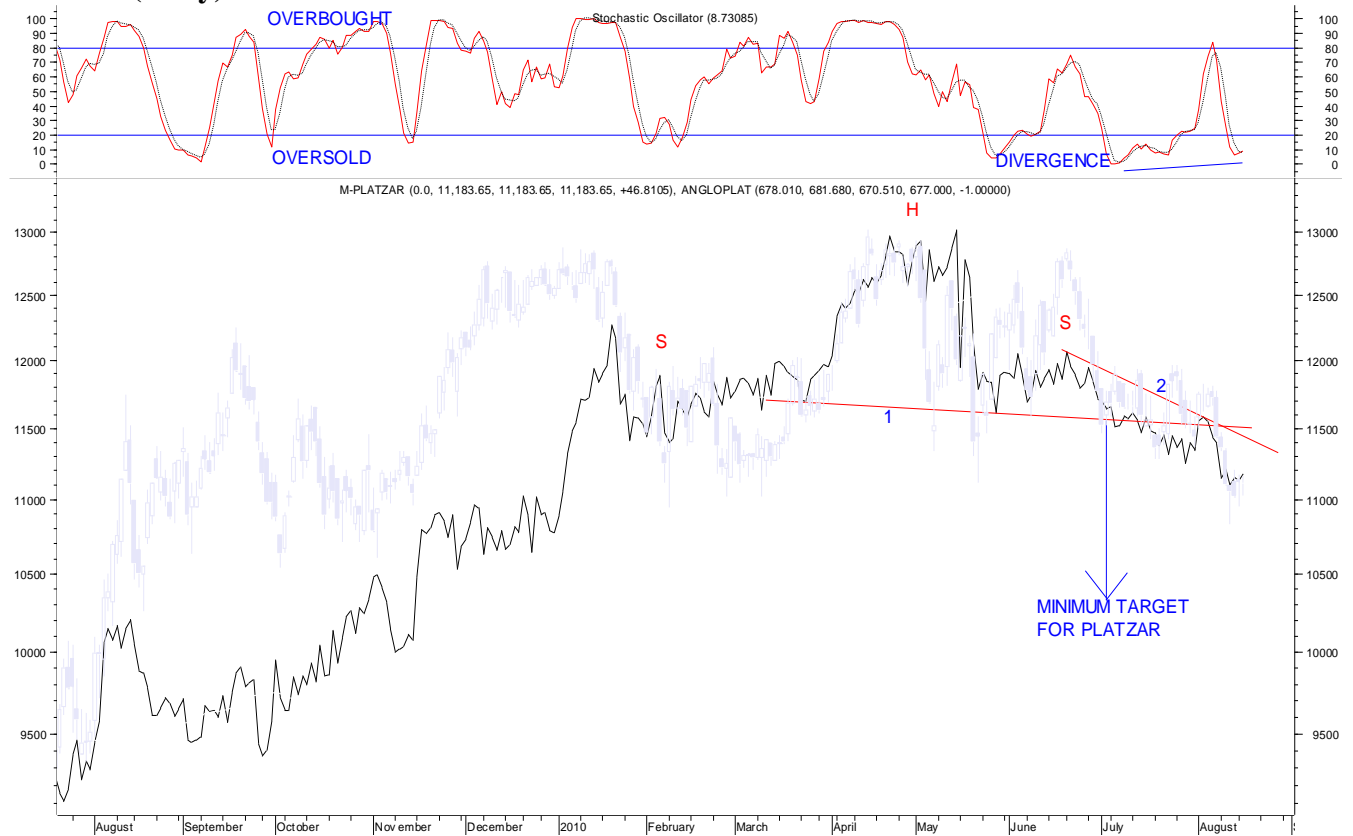
## RAND PLATINUM PRICE – Lower target

### Broad Recommendation: SELL SHORT THE BOUNCES

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

**Strategy:** Sell short on a bounce towards line 2.

**Chart 4. (Daily)**



**Chart Setup:** The rand platinum price (black line) has formed a large head and shoulders (labelled S-H-S). I've overlaid Angloplat on the chart (light grey). There is a close correlation between the large-cap platinum stocks and the rand platinum price, particularly during this year so far. There is a lower target for the rand plat price which is also bearish for Angloplat (see Chart 5).

- The daily Stochastic (on top) is oversold and giving a positive divergence, which is warning of a rally to come. But I'm doubtful a rally will go above line 2.

**Strategy Details:** Sell short on a bounce towards line 2. (Because one can't trade this instrument directly, use it as a guide for shorting Angloplat/other platinum stocks (Line 2 is at 11 435 on Weds 18th and declining at an angle of 0.010 per day thereafter e.g. to 11 425, 11 415 etc).

- Note, technically one can trade this chart, by shorting the platinum price and going long the rand simultaneously.

**Target:** Minimum downside target is 10 335 i.e. the height of the head and shoulders projected down. (Current level is 11 183).

**Stop-loss:** Place your initial stop as a close above line 2 (see level above) (but only after the price has reversed down from near line 2).

## ANGLOPLAT (AMS) – Critical support breaks

**Broad Recommendation: SELL SHORT**

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

**Strategy:** Sell short on a reversal day down from current levels or higher.

**Chart 5. (Daily)**



**Chart Setup:** Angloplat broke down sharply below line 1 support last week. Lines 1 and 2 form a large channel. More downside is expected.

- The short-term Stochastic (on top) is oversold, so expect a temporary relief rally soon (after the next minor down leg).

**Strategy Details:** Traders sell short on a reversal day/candle down from current levels or higher (ideally from the R685/690 level). Look to lock in short-term profits after last week's low is broken (R655.51). Then wait for a refer rally (see below) before shorting again.

**Target:** Eventual downside target (med-term) is to R560 i.e. the height of channel; 1-2 projected down.

- But in the meantime, look in half profits at R655 and use a breaking of its prior one day high as the stop on the remainder of your position. A clear reversal day up from there can be bought (buy aggressive traders only) for a relief rally to R685-R690. From there, look to sell short again on a reversal day down, and then expect a bigger drop to R610-R590. Bounces will remain shortable down to the R560 target.

**Stop-loss:** Initial stop for shorting will be a break of the reversal day down's high. Or, if the reversal down takes place above R690, place your stop as a close above R704.

## NEDBANK (NED) – More downside coming

### Broad Recommendation: SELL SHORT

**Trend:** Sideways on all main time frames.

**Strategy:** Sell short a reversal day from line 1 or higher, or on a close below line 2.

### Chart 6. (Daily)



**Chart Setup:** Nedbank is giving a relief rally from an oversold level. It's likely to be a temporary rally with more downside to come soon.

- The short-term Stochastic (on top) is not yet overbought, so it can bounce a bit more before heading down again.

**Strategy Details:** Traders sell it short on a reversal day down from line 1 (R133 level) or from a bit higher e.g. R134.50. Alternatively, wait for a close below line 2 to sell short. (Line 2 is at R130.20 on Weds 18<sup>th</sup> and line 2 is rising at an angle of R1.20 per day thereafter). (In this particular case, I don't think it's necessary to wait for a close low line 2 – particularly if a clear downward reversal candle occurs from our shorting level).

- Investors to be out of banking shares, or at least to have sold half.

**Target:** Initial target to R125, but thereafter to make its way to R120. Bounces will continue to be shortable.

**Stop-loss:** Initial stop is a close above R137 if shorting from higher up. (If shorting on a close below line 2, the stop will be a break above R132.60). Once the price gets to R127 use a breaking of its prior 3 day high as the stop. Then when the price breaks below R125.40 use a breaking of its prior two day high as the stop. Lock in half profits at R124 and then use a breaking of its prior one day high a stop.

## ARCMITTAL (ACL) – Prepare for breakout

### Broad Recommendation: TRADERS HOLD/BUY

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

**Strategy:** Buy on either a close above line 4 (R87) or a close to line 3 as possible (R84.50).

**Chart 7. (Daily)**



**Chart Setup:** ArcMittal has move sideways over the past 2-3 weeks, and has shown very good relative strength recently, while the overall market has dropped. Lines 1 and 2 form a channel, which still has a higher target. Lines 3 and 4 form an ascending triangle, while is likely to breakout to the upside I believe. Moreover, the 20-day moving average is now 'catching up' to the price, so a breakout can occur at any time.

- The short-term Stochastic has given a good pullback and can move back up at any time.

**Strategy Details:** While the price can technically break out of the triangle in either direction, the odds favour an upside breakout I believe. Traders buy on either a close above line 4 (R87.00) or as close to line 3 as possible (R84.50). Do whichever happens first.

- Note, in the less likely event of the price closing below line 3 (R84.50) then sell short.

**Target:** Channel 1-2 is pointing to a minimum target of R90.50. Lock in partial profits there and take remaining profits above R92.

**Stop-loss:** Initial stop is a close below R84.50.

## SMALL-CAP. CHART

### YORK (YRK) – Multi-month breakout

#### Broad Recommendation: BUY

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

**Strategy:** Buy at current levels or better.

Chart 8. (Daily)



**Sector:** Forestry

**Current Price:** R3.49

**Chart Setup:** York has broken out of a multi-month sideways channel (lines 1 and 2). These are the type of breakouts that I personally like to buy (i.e. narrow ones).

- The short-term Stochastic (on top) is neutral. The price can still pull back a bit, to close its recent upside breakout gap.

**Strategy Details:** Buy it at current levels or better e.g. ideally a pullback to line 2 (R3.33 level).

**Target:** Take some profits at R4.70, and then R5.70 (longer-term).

**Stop-loss:** Initial stop is a close below line 1 (R3.00)

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

- **Long:** Accent, Ciplamed, Intewaste.

### 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:** MondiPlc, MTN, Shoprit, Old Mutual, BATS\*, Aspen, Richemont. (Bats is not in the top 40 index but is currently the largest share on the JSE).

**Weakest seven Top 40 stocks:** ARM, Lonmin, Telkom, Angloplat, Anglo, Nedbank, Stanbank.

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

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

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

- **Massmart:** hasn't reversed up from line 1 in last week's report. It is oversold, but I think retail stocks have run their course for the time being and are to be shorted on bounces. Look to short this stock on a bounce to 125 and reversal day down from there. Target to 113. Stop above the reversal days high, or a close above 127.
- **Naspers-N:** broke all the way through support without reversing up to give a buy signal (which is why we wait for the reversal day first). Sell it short on a reversal day down from 306 or higher. Look for a quick drop to below 290. Stop above the reversal days high. Start locking in trading profits there and use a breaking of prior one day has the stop on the remainder. Bounces will continue to be shortable to 250 from where we'll re-asses.
- **SABMiller:** got to the buying level. I personally don't feel comfortable being long it right now so would advise exiting. Traders can buy on a drop to support at 211. Alternatively keep holding if you're ok to hold through a drop to there. Stop is a close below 210.50. Take profits at 220-222. Note a close below 210.50 will setup a shorting signal for a drop to 190 at least.

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

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

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

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

- **Old Mutual, Grindrod, Pick'n Pay.**

- **Abil:** it's oversold. Expect a minor bounce to the 33 level soon to sell short on. Stop will be a close above 33.50. Target down to 30.30. Med-term back to 28.
- **Absa:** despite being oversold right now, it's had a very steep sell-off. Closest support is 123.90 which is being tested today. Bounces are shortable but right now wait for a bounce closer to 130 to sell short. Targets will be down to 119.20. And if it breaks down from there it will setup further downside to 111 and eventually 103 med-term.
- **Anggold:** got to the mentioned 318-320 profit taking level. It is overbought and a drop to 308 will be a chance to buy again (on a reversal day up). Med-term there's a good chance of it making its way up to 330.
- **Anglo:** a slight pause in recent days is giving way to another down leg. Look for it to get to/near support at 262.50. I think that level will break in time. I have a target of 259.20. If it gives a bounce to 279 in the interim then sell it short. Once it closes below 262 it will setup a med-term target down to 227.50. Potentially eventually to 206. Bounces are shortable for the foreseeable future. Investors who have sold on our advice in the recent weeks will be waiting for the much larger drop to come. There is still time to reduce.
- **Angloplat:** see Chart 5.
- **ArcMittal:** see Chart 7.
- **ARM:** came straight down to our 157 target, without a prior bounce. Look for a drop now to 155.75 after a recent bounce over the past few days. After a drop to 155.75, look for a bounce to 165-167. Aggressive traders only can buy for that if it gives a reversal day up from support. All other traders to short it on the bounce back to 165. Once it closes below 155, it will setup a far large downside target to 117 for more shorting.
- **Aspen:** reversed up right from our mentioned buying level and reached the profit target. There is a lot of resistance at 84, and given the overall market being vulnerable to a much larger drop, this stock is unlikely to break through to the upside. So, a reversal day down from 84 to be shorted (with caution) for a drop to 78.60. Stop a close above 84.10. Look for it to eventually make its way to 73.80. If it breaks there it will setup a move to 66 med-term.
- **Aveng:** construction stocks which were beaten down during the recent bull run, are now showing improved relative strength and we may well see fund managers moving out of others stocks and into construction again. AEG is overbought, so look for a drop to 35.50 to buy. I think it will make its way up to 41 in the coming weeks or longer.
- **Barworld:** triggered the prior trading stop and gave a bounce to allow for selling short as advised. Look for it to drop to 41.50 again and then to very important support at 40. There will most likely be a bounce before it gets to the later level e.g. 43.50. Sell it short on that bounce. Target to 40. A breakdown below 40 will setup a drop to 35 at least.
- **BATS:** hold. Stop is a close below 250. A close above 255.60 will take it higher again. Take profits at 264. But a close below 250 will setup a drop to 241.80. If it breaks down sell short on the first bounce towards 255. Stop a close above 256.
- **BHPBilliton:** a bounce attempt lasted for a few days only as it fell sharply yesterday and today so far. Bounces are shortable i.e. a bounce to 119 or higher. Target to make its way down to 199 short-term. Med-term to 174.
- **Bidvest:** look for a retest of 128.60 at any time and then a slight relief rally to the 132.50 level where one should be shorting it. Target down to 122.80 short-term, with 121 being very important med-term support. If/when that breaks, expect a drop to 100 med-term.
- **Discovery:** gave a reversal candle up from our mentioned support level yesterday. It is oversold, so a bounce is very likely however given the overall state of the market I don't recommend buying (unless you're happy to take a small move e.g. to 36.65). A close below 35.50 will setup a drop to

33.90. Traders look to short it from the 36.50 level. Med-term downside to 33.10 then 31.50 if to closes below 35.50.

- **Exxaro:** gave a reversal candle up on Thursday from our mentioned buying level. Lock in half profits and use a breaking of prior one day low as the stop on the remainder. Take further profits at the 120 level. A reversal down from 120 to be shorted for a drop to 111. Stop above reversal days high. Med-term, a close below 110 will setup a drop to 95 for further shorting.
- **Firststrand:** gave a bit of a bounce in recent days to short on but I'd have liked more of a bounce. Aggressive traders only, can buy a reversal day up from below 18.45 for a relief rally to 19.20-19.40. From there all traders to sell short a reversal down for a drop to 18.05. Med-term downside potential, to 15.50.
- **Foschini:** it is oversold but look for it to continue down after a bounce. Short it from 68.70 or higher. Target to 64 initially. Stop a close above 70.
- **Gfields:** got to the first profit target, hasn't reached the second one yet. It looks vulnerable to a short-term drop, which will be confirmed with a close below 102 i.e. a drop to below 99. I would take remaining short-term profits now, and re-enter after a drop to below 99. Target then up to 107. Stop below a reversal day up from 99 or lower.
- **Grindrod:** triggered the short-term trailing stop. It is in a small triangle and can break out in either direction. A close below 15.12 will be a short signal for a drop to 14.45, but a close above 15.55 to be bought for a move to 16.20. Stop a close above 15.55 for shorts/below 15.12 for a long signal.
- **Harmony:** got to the mentioned profit target to end a nice, but quick profit. It is underperforming GFI right now, which is why I prefer the latter. A reversal day up from 73.20 can be bought, stop below the reversal days low and target to 81. Solid med-term support is at 70.60.
- **Imperial:** look to exit current longs at 97 or higher. Traders sell short a reversal day down from 97.50 level. Drop to 93.55 initially, and then to 90.50. Further support to 87.50.
- **Implats:** sharp sell-off last week lead to a triggering of the stop for short-term longs. It's giving a bounce now, but expect it to be temporary. Look to sell it short on a reversal down from 193.60 or if it doesn't happen from there then from 196.70. To the downside expect some support at 181.20, to lock in some of its on shorts. If it closes below 181 re-term short for further downside to 167.50.
- **InvPlc:** is giving a temporary bounce after a sharp sell-off. Exit any longs into the current bounce. Sell short a reversal day/candle down from current levels or higher. Lock in half profits below 51.35 and continue with a break of prior one day high as the stop on the remainder. Look for it to drop to below 50 again in the coming weeks. Bounces are shortable. If it closes below 50 for a few days i.e. 2 or 3, it will setup a drop to 41.80 med-term for further shorting.
- **Kumba-IO:** a sharp fall will have triggered short-term stops. Bounces are shortable. The best one can look for is a bounce to 350 to sell short on. Downside targets are to 302, and thereafter 290 over the coming weeks. A breakdown of 290 will lead to a drop to 225 med-term for more shorting.
- **Lonmin:** gave a reversal candle up from our buying level on Thursday. Take profits at 180-183. Current atop is an intraday break below 170.35. From the 180-183 level sell it short on a reversal candle down. Target to 158.50. Stop a close above 184.
- **M&R-Hld:** take short-term profits at 43-43.20. It still needs to close above 44 to give a med-term upside breakout. Current support is 41.30. Construction stocks are quietly building bases and are starting to look better. Try buying as close to 40 as problem.
- **Massmart:** see update above.
- **Merafe:** a reversal day down from current levels or higher to be sheeted for a drop to 1.21 with potential to 1.17. Stop above the reversal days high or a close above 1.42 (whichever is higher). Med-term support is 1.17. a close below her will setup further downed to 85c.
- **MondiPlc:** has had an outstanding run in recent weeks. It is overbought and one can look to short it. If already short from last week's comments, hold. It is counter-trend which makes it more risky. Keep your stop a close above 50.50. Lock in some profits at 50.50, and more at 48.80.

- **MrPrice:** gave a classic reversal candle up yesterday from our buying level. Any buying to be done with caution. Exit at the 50 level. Stop is an intraday break below 46.60. A reversal day down from the 50 level or higher to be shorted (with caution because its one of the strongest stocks on the market), for a drop to 44.90. Stop above the reversal days high.
- **MTN-Group:** re-tested the important 120 resistance level but couldn't close above it. Look for a pullback to 112.60 and potentially to 109 where it will become a relatively low risk buy. It does have good recovery potential as its been moving counter to the general market i.e. falling while the market was rallying last year. I don't see a clear trade right now, unless it gives a clear reversal day down from 120 sell sit short for a drop to 112. Stop a close above 120.
- **Naspers-N:** see update above.
- **Nedbank:** see Chart 6.
- **Netcare:** med-term players and investors to be taking profits on this rally. It can still go to 14-14.10. Traders sell short a reversal day down from there for a drop to 13.45. Stop a close above 14.20. Med-term potential back to 12.65 if the market sells off as I'm expecting it to.
- **Newgold:** is setting up for a final drop I believe. It s no overbought so that drop can occur at any time. A close below 85.90 today (and declining by 20c per day hereafter) will setup that short signal, for a drop to 83.20. Stop will be a breaking of the highest point on the current bounce.
- **Old Mutual:** gave the reversal up from our mentioned buying level. The best one can hope for is a move to 14.35-14.50 I think. Look to take short-term, profits in that zone. Once it gets near 14.35 use a breaking of its prior one day low as the stop. Then sell it short on a clear reversal day/candle down from the 14.50 level. I think this will be a high probability trade for a move down to 13.20 initially with potential to 12.85. Stop will be above the highest point of the current bounce. Look for a drop to 11.80 med-term, with potential to 9.85 if things get nasty.
- **Pick 'n Pay:** its new downtrend is well underway but it is very oversold right now, so wait for a bounce first, to 44.50 or higher to sell it short. Stop will be a close above 45.80. Target down to 43.20 initially for some profit taking. But once it closes below 43, to will setup a further target to 39.10 for more shorting. Med-term potential to 34.
- **Reinet:** gave the reversal up from our buying level and has got close to the 11.50 target so far. Look to take profits at 11.40 level. A reversal day down from there to be shorted for a drop to 10.85 and then to 10.40. Stop a close above 11.60. A close below 10.40 will take it back to 9.
- **Remgro:** triggered the short-term stop and sell short signal and got close to the target (94.50). It has bounced but probably not for long. Hold short/sell short a reversal down from 99.50 level for a drop to 94.50-94. A close below 93.40 will setup a target to 86 for more shorting, with potential to 80.80 med-term.
- **Richemont:** got to our first target of 37.30 for partial profit taking as advised. IT has bounced from there. Hold reaming shorts/sell short on a reversal day down from 28.90. Target to 26.50. A head and shoulders pattern is pointing to a target of 26.20. Med-tem target to 24.60.
- **RMBH:** sell short on a bounce to 32.80 or huger on a reversal day down. Stop will be a close above 34.50 it can bounce as far as that). Target down to 31. But a close below 31 will setup a large downside target of 27 for ongoing shorting.
- **SABMiller:** see update above.
- **Sanlam:** short-term stop triggered as it fell through support. It's oversold and is likely to have a minor bounce soon to 24.55. Sell it short from there. Target to 22.35. A close below 22 will setup a larger move down to 19.40.
- **Sappi:** is holding up extremely well. Current support is 34.90. A close below there will lead to a minimum target of 33.20. Further support is 32.40. Look to buy it off the latter level, with caution. Upside target is still to 37.50.
- **Sasol:** pulled back to the buying level and had a decent rally but is pulling back today again. Hold with caution. No harm in exiting he trade at breakeven if desired. Otherwise stop is a close below 284.50. Exit at 293. Med-term support is 267-262.

- **Shoprit:** hasn't triggered a new buy signal and is very oversold. The best one can hope for is a relief rally in the short-term I believe i.e. a close above 85.50 to take it to 88.60. Aggressive traders only, can buy that, but it's risky. For 88.60 trades sell short on a reversal day down. Target then down to 81.30 short-term. Med-term to 77.80
- **Spar:** it is oversold. If you bought on yesterdays reversal candle up, hold, with your stop a close below 80.40. Traders otherwise look to short it on a rally to 83.50. If it doesn't happen there then at 84.70. Target to 79, with further support at 77.60.
- **Stanbank:** has hardly bounced in recent days and large institutions are bailing out of banks I suspect. The short-term stop will have been triggered. Support is 101.20 which is being tested today. Look for a relief rally soon to 107.80. Sell it short from there. Note two consecutive closes below 100.90 will setup a med-term downside target of 85.50 for more shorting.
- **Steinhof:** sell short a reversal day down from 19-19.20. A close below 18.45 will take it to 17.40. Stop will be a close above 19.70. A close below 17.30 will be very bad med-term for a drop to 13.80.
- **Telkom:** exit any longs at the 34.90 level. Main support level is 32.75 for it to drop to, but it's been 'doing its own thing' for a while, so isn't necessary going to follow the overall market.
- **Tigbrands:** can drop to 168 in the coming days, but exit longs at 177 (it might be after the identical drop). Main med-term support is 167. A close below there will setup a target down to 147 for shorting.
- **Truwths:** reversed up off support. Aggressive traders could've bought as mentioned last week. If you did, hold with your stop a close below 54.80. Exit at the 57.50 level. A close below 54.80 will setup a target to 49. Short it on the first minor bounce after that breakdown.
- **Vodacom:** exit longs. Look for it to make its way down to 58 and totally to 52 med-term. No clear trade right now but the bias will be to short it from the 63.50 level or higher.
- **Woolies:** support is 23.75. A close below there will be a short signal for a drop to 21.35, or a bounce back to 25 can also be shorted in the interim. Stop a close above 25.40. Med-term target is 19.90.

**GOLD UPDATE:** The JSE gold index is struggling to break above the 2500 resistance level. Look for a pullback to 2400 and then another leg up, taking it to 2600. It is overbought right now. Look to re-enter gold stocks on that pullback, but with caution.

**Dollar gold price:** It is pointing to a minimum upside target of \$1242 for the short-term but it's getting overbought and if it doesn't get there fairly soon, I think it will sell-off again, potentially back to the July low (\$1157). For now, hold. It can pull back to 1209 in the interim.

**Rand gold price:** it's overbought, so look for a pullback to 8660 or lower (8520). From there, there should be good upside potential.

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

ANGLOPLAT	677.0000	706.9625	721.7808
ANOORAQ	7.4000	8.0430	8.1315
BLUETEL	4.1400	4.3485	4.4950
COAL	9.7000	11.3250	11.7390
ILIAD	7.5000	7.7675	7.9897
ILLOVO	26.1500	27.5925	28.0350
JUBILEE	3.1000	3.2255	3.2403
MVELA-RES	41.5500	43.4650	44.0940
NORTHAM	43.2500	43.9840	44.5490
PETMIN	2.4800	2.5215	2.5972
PPC	30.6500	31.2650	31.4345
TONGAAT	103.0000	104.8030	105.6410
WESIZWE	1.6200	1.7265	1.7772

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

M-PLATZAR	11183.6504	11341.0264	11503.4492
C-EUR-GBP	81.9300	83.0210	83.0360

## SUMMARY

As we've been saying for many weeks, expect the market to turn down in August to begin a large downtrend. That's now underway, and is likely to continue for the coming months (this years October might be a really bad one).

There will be rallies along the way, but these are to be used to line up new shorting trades. Investors who've reduced holdings or exited completely, are to remain on the sidelines for the foreseeable future and park their money in money market funds to earn interest. The time will come to buy again at super low prices.

In the meantime, traders who haven't done much shorting since the 2008 low, are to start honing their skills again, because a lot of money will be available on the downside via shorting. However, do wait for the next relief rally to really get going on the short side in earnest.

Sincerely,

Colin Abrams  
TheMarket.co.za

PS: Remember: Protective stops on all positions!

**NEXT COURSE DATES:**

## **JOHANNESBURG**

**Course 2: Advanced Technical Analysis 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 i.e. If you don't learn anything new on these courses that can significantly change your trading for the better, you will get a full refund.

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

### **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.

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