

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

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**Classic Trading Rule:****"Successful traders are not afraid to buy high and sell low."****MARKET TEARING TOWARDS SUPPORT****Introduction:**

The local market was not able to follow through on a reversal up on Monday and is hurtling towards very solid support on the All Share index of 26 000. It looks like it will retest that level before it gives the relief rally. Fear is a much stronger emotion than greed which is why the relief rally just isn't coming. This is frustrating for those looking to get short. Nevertheless, we believe there will still be plenty of great shorting opportunities to come in the months ahead. Investors who've followed our advice in recent weeks (to reduce/exit) will be watching from the sidelines, and pleased about that. We start with an update of the **Dow** showing its immediate short-term target. The **JSE All Share index** chart shows where major support is, despite being oversold. We also show a bigger picture view of financial stocks with the **JSE Financial 15 index** (fini). This chart looks ominous. We also show the **platinum price** (\$) which yesterday tested a very critical support level, but is holding up right now. The stock charts shown are bellwethers **Anglo** (testing critical larger support levels today), and **BHPBilliton** (vulnerable to large drop). And **Lonmin** (lower targets).

The small-cap chart is **Voxtelcom**, which is showing signs of reversing its long-term downtrend.

Overall, local and overseas stock indices still have a lot further drop I believe, as discussed here in recent weeks. The relief rally hasn't come yet, and right now it looks like it will only come once the All Share tests the 26 000 level. Right now the market is very overstretched to the downside in the very short-term. Rallies however will remain shortable.

**Executive Summary:**

- **Dow (chart 1):** Sell short on a bounce to line 3 if not in already.
- **All Share Inx (chart 2):** Sell short the bounces for the foreseeable future.
- **Fini 15 Inx (chart 3):** Sell short on a bounce to 7850. Investors to have exited at least half.
- **Platinum (\$) (chart 4):** Sell short on a closing price below \$1490.
- **Anglo (chart 5):** Sell short on a relief rally to R279.
- **BHPBilliton (chart 6):** Sell short on a bounce towards R215.
- **Lonmin (chart 7):** Sell short.
- **Voxtelcom (chart 8):** Buy at current levels.
- **Leading Stocks (3-mths):** Top 40 – Old Mutual, MTN, Richemont, MondiPlc, BATS, Shoprit.  
Resources 20 - Sasol, Exxaro, Kumba, Harmony, Gfields.
- **Shortable stocks/indices:** 25 stocks, 0 indexes, 1 commodity, 2 currencies.

# 1. MARKET CHARTS

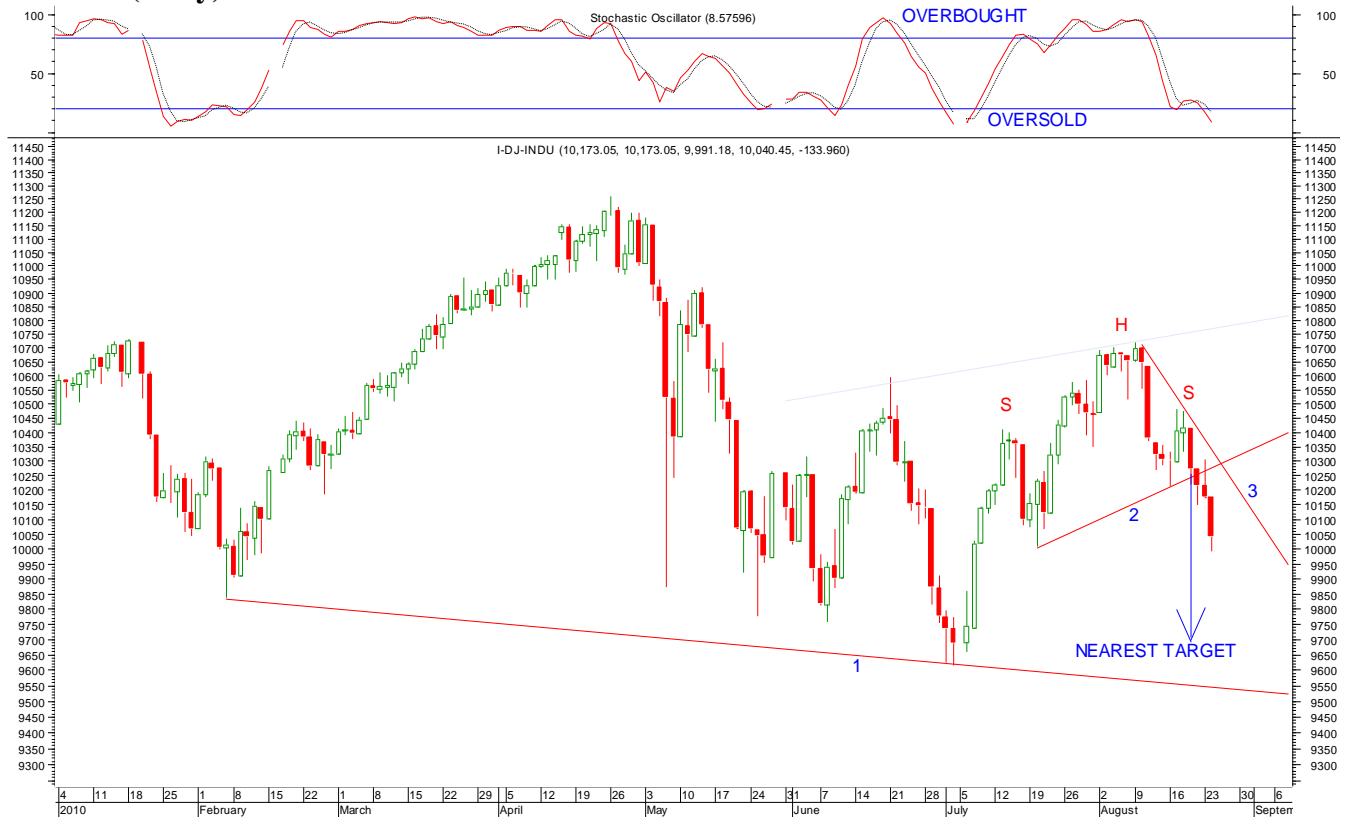
## DOW JONES – Heading lower

**Broad Recommendation: HOLD SHORT/SELL SHORT THE BOUNCES**

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

**Strategy:** Sell short on a bounce to line 3 if not in already.

**Chart 1. (Daily)**



**Chart Setup:** The Dow has continued down and broken below line 2, the 'neckline' of a head and shoulders pattern (labelled S-H-S). This is pointing to further downside in the very short-term. The big picture (refer to last week's chart), the Dow is looking very vulnerable over the medium-term+.

- The daily Stochastic Oscillator (on top) is oversold, so a relief rally is still possible, but it's looking increasingly likely that it will head down closer to line 1 first.

**Strategy Details:** Hold current shorts. If not in, sell short on a bounce towards line 3. (Line 3 is at 10 285 for Weds night the 25th, and line 3 is declining at an angle of 35pts per day thereafter). If you're worried about missing the rest of the move down, then one can sell short now, as long as you're prepared to holding through a relief rally if/when it occurs.

- Investors to have reduced overseas holdings by least 50% or more, as per advice over the past few weeks.

**Target:** Minimum downside target right now is 9710 i.e. the height of the head and shoulders projected down. Line 1 support is slightly lower at 9535, and will most likely be tested thereafter. Start taking short-term profits on shorts at the target and continue with a breaking of its prior one-day high on part of your short position thereafter. Note, a breakdown and close below line 1 will setup a lower target to 8550. I also have a lower target of 8410.

**Stop-loss:** The current stop for shorts is a close above line 3 (see level above). For new shorts on a bounce (if we get one), the stop will be a close above 10 500.

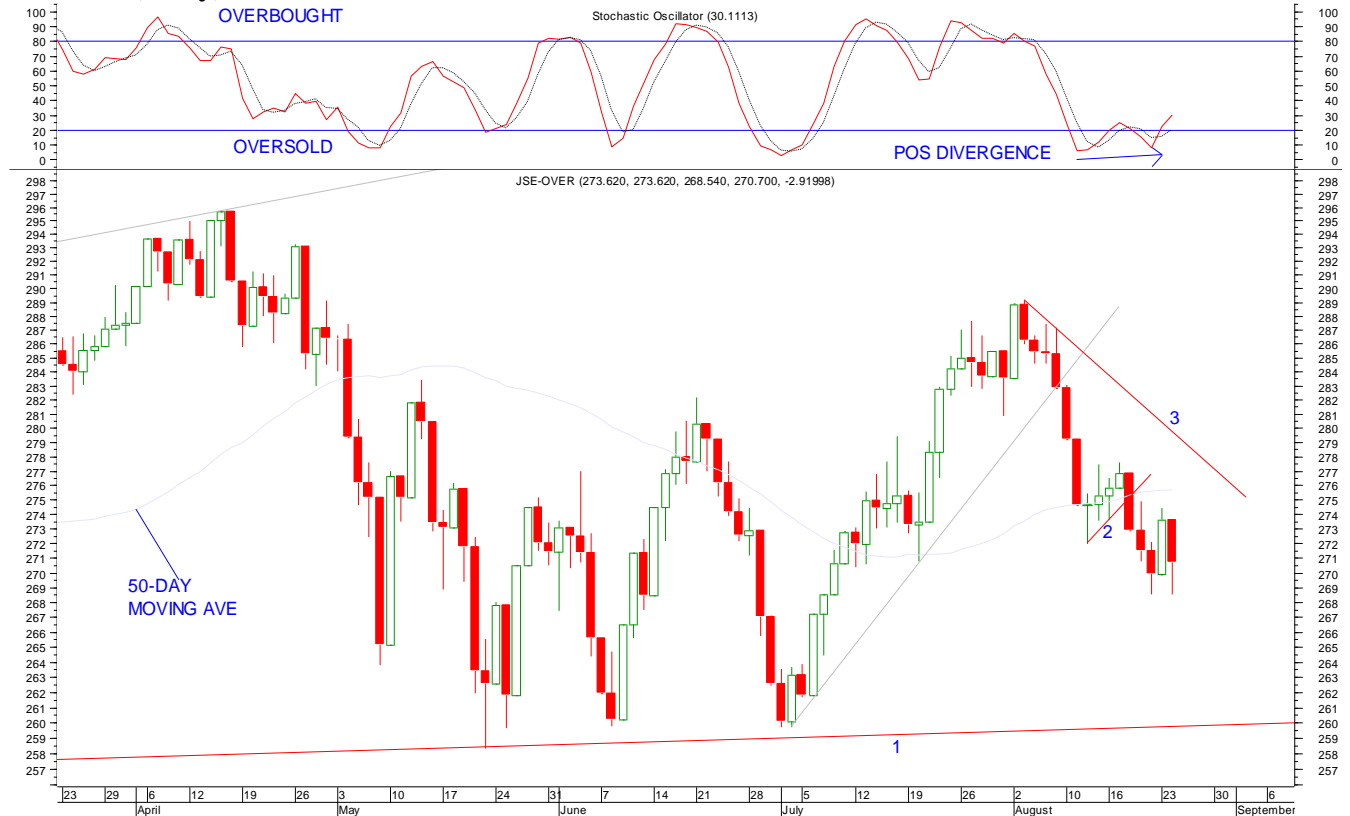
## JSE ALL SHARE INDEX – Major support level in sight

### Broad Recommendation: SELL SHORT THE BOUNCES

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

**Strategy:** Traders sell short on a bounce to/near line 3. Investors to have sold half already.

**Chart 2. (Daily)**



**Chart Setup:** The All Share broke line 2 last week to head further down. It gave a reversal candle up on Monday, which was short lived as it sold off again yesterday. There is still a reasonably good chance of a relief rally to line 3 before it heads down again (to line 1).

- The short-term Stochastic Oscillator (on top) is giving a positive divergence (see Glossary) from its oversold region, which is warning of a rally to come (a temporary rally only).

**Strategy Details:** Traders look for a rally to/near line 3 to sell short. (Line 3 is at 27 910 on Weds 25th and line 3 is declining at an angle of 60 pts per day thereafter). If you're concerned about missing the move, you can sell short some now (although it is risky) as long as your prepared to hold through a relief rally if/when it occurs. And then to sell short more on a relief rally.

- Investors to have reduced long-term holding by 50% on the July rally, as advised over the past 6-8 weeks.

**Target:** After a bounce, it's down to line 1 at 26 000. While there's a good chance of a bounce off line 1, expect it to eventually break, and to setup a further drop to 23 300, with potential to 22 500 eventually.

**Stop-loss:** For shorting on a bounce, the stop will be a close above 28 100 initially. Take profits near line 1 for traders. Bounces thereafter will continue to be shortable. A close below 25 980 will be a re-entry short signal, for further med-term downside.

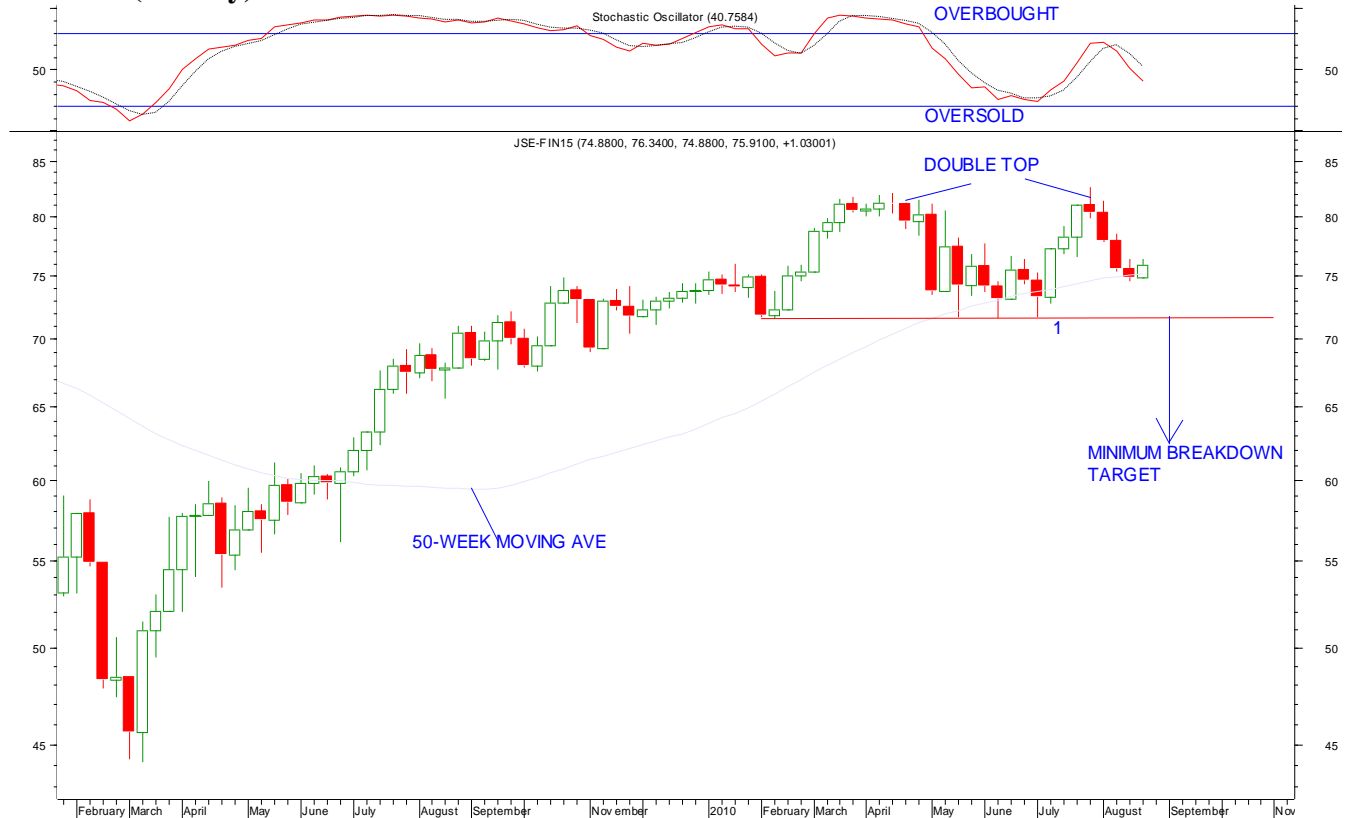
## JSE FINANCIAL 15 INDEX – Bearish reversal pattern forming

**Broad Recommendation: SELL SHORT THE RALLIES. INVESTORS TO SELL**

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

**Strategy:** Traders sell short on a bounce to 7850. Investors to have reduced by at least half.

**Chart 3. (Weekly)**



**Chart Setup:** This weekly chart of the fini 15 index shows it having formed a large, potential 'double top' (as labelled). It needs to close below line 1 to confirm this bearish pattern. It is our view that this will happen.

- On the bottom left of the chart is the start of the new bull market, and the index has had an enormous run over the past 18 months. A decent sized retracement will therefore not be unusual.
- The weekly Stochastic Oscillator (on top) can still fall more before becoming oversold.

**Strategy Details:** Traders sell short large-cap fini stocks or SatrixFin, on the bounces. Right now I'm looking for a bounce to the 7850 level and then down again. (Current level of this index is 7590).

- Investors to have reduced long-term holdings by at least half on the prior rally, as advised over the past 6-8 weeks. Remain on the sidelines for the foreseeable future. We will advise when to get back in.

**Target:** A drop to line 1 at 7160 over the coming weeks. While a bounce from there is to be expected, it's unlikely to last long, as we are favouring a breakdown below line 1 i.e. a weekly close below 7150 will confirm that. Then significantly further downside to 6250 i.e. the height of the double top projected down.

**Stop-loss:** For traders shorting on a minor bounce towards 7850, place your stop as a daily close above 8000. Cover shorts at/near line 1 but re-enter short on a weekly or two consecutive daily closes below line 1 (7150).

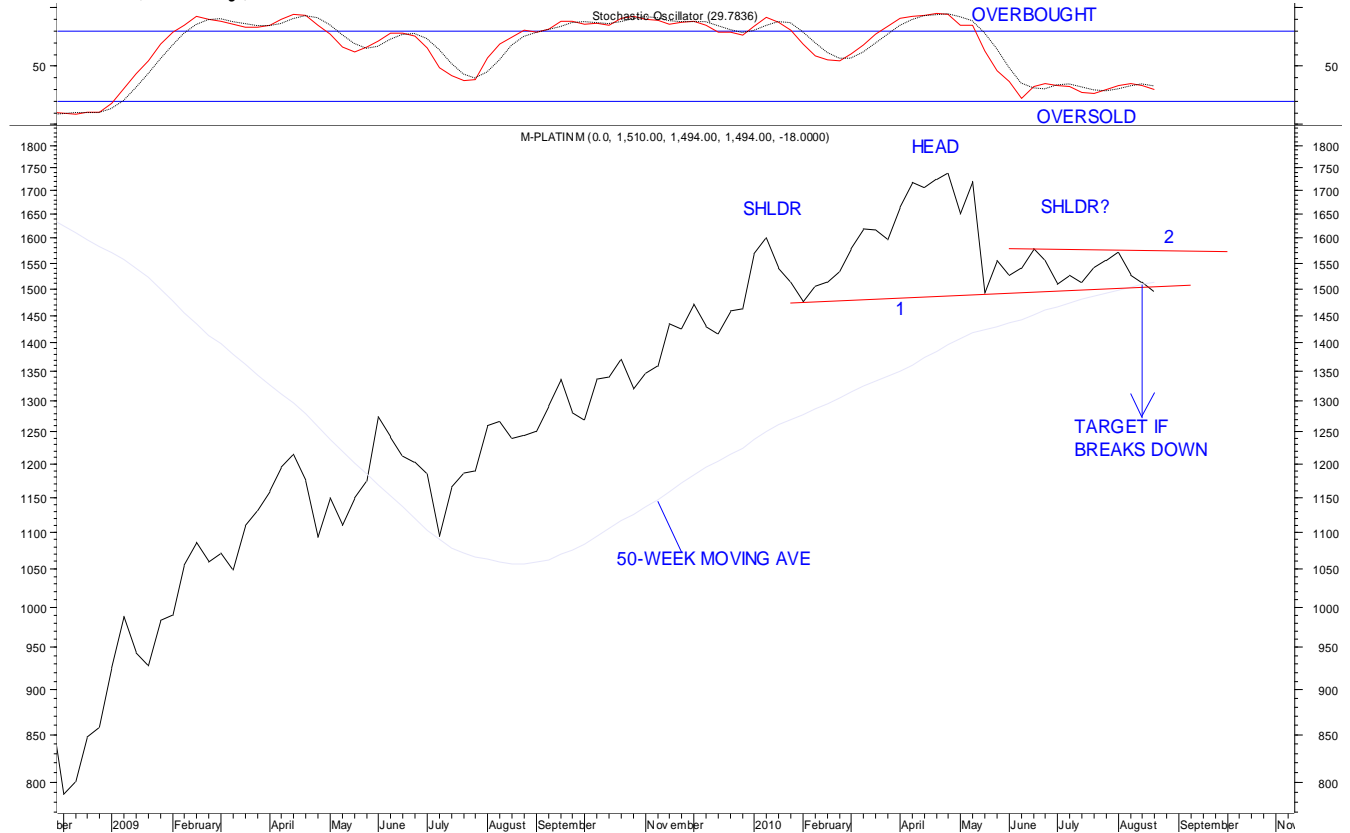
## PLATINUM PRICE (\$) – Testing critical support

### Broad Recommendation: BEARISH BIAS

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

**Strategy:** Sell short on a closing price below \$1490/Conversely, buy on a close above line 2.

Chart 4. (Weekly)



**Chart Setup:** The platinum price is still in a large 'potential' head and shoulders (as labelled). It needs to close below line 1 (the 'neckline') to confirm the pattern. If however the price breaks out above line 2 (\$1575), it will rally sharply. The odds favour a break to the downside I believe.

- This weekly chart shows just how far the price has rallied from its 2008 bear market lows. A breakdown and correction below line 1 will therefore not be unusual at all.
- The weekly Stochastic Oscillator (on top) is relatively oversold, but it will become more oversold (and move fully into its oversold region) if the price breaks down below line 1.

**Strategy Details:** For now, wait for the breakout direction i.e. sell short on a close below line 1 (i.e. a week close or two consecutive closes below \$1490). However, a close above line 2 (\$1575) will be a signal to go long i.e. buy. Do whichever happens first.

**Target:** The minimum target for a breakdown will be \$1275 i.e. the height of the head and shoulders projected down. Conversely, a breakout above line 2 will setup a minimum target to \$1655, with potential to its April high of \$1750. The odds favour the downside break though.

**Stop-loss:** For shorting a close below line 1, the initial stop will be a close above \$1545 (spot prices). For buying a close above line 2, the stop will be a close below \$1540.

## ANGLO (AGL) – Major support level breaking today?

### Broad Recommendation: SELL SHORT RALLIES

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

**Strategy:** Sell short on a relief rally towards R279.

Chart 5. (Daily)



**Chart Setup:** Anglo dropped to retest critical support yesterday at line 1 (R261.90). It did give a reversal candle up yesterday, so a (temporary) relief rally is still likely to start at any time. Lines 1 and 3 form a large channel/wedge; while lines 1 and 2 form a medium-term channel. The price is trading well below its 200-day moving average.

- The short-term Stochastic (on top) is giving a small positive divergence from its oversold region, which is warning of a rally to come, which we expect to be temporary.

**Strategy Details:** Traders sell short on a rally towards the R279 level (on a reversal day/candle down). If you're worried you'll miss the move then sell short some on a close below R261, as long as you're ok to hold it through any relief rally that occurs. (And then to short more higher up).

- Very aggressive traders only, can buy on a breaking of yesterday's high (268.09) for that bounce, but with great caution because it is counter-trend.
- Investors to only look at buying once the downside targets are met.

**Target:** Potential to R279 for a bounce and then back down again. A close below line 1 i.e. below R261 will set up two larger downside targets. Target 1 is R225 is the height of channel 1-2 projected down. Target 2 is R207 (the height of pattern 1-3 projected down).

**Stop-loss:** For shorting after a rally, place your stop as a close above R289, or a breaking of the reversal days high from the R279 level (which is lower).

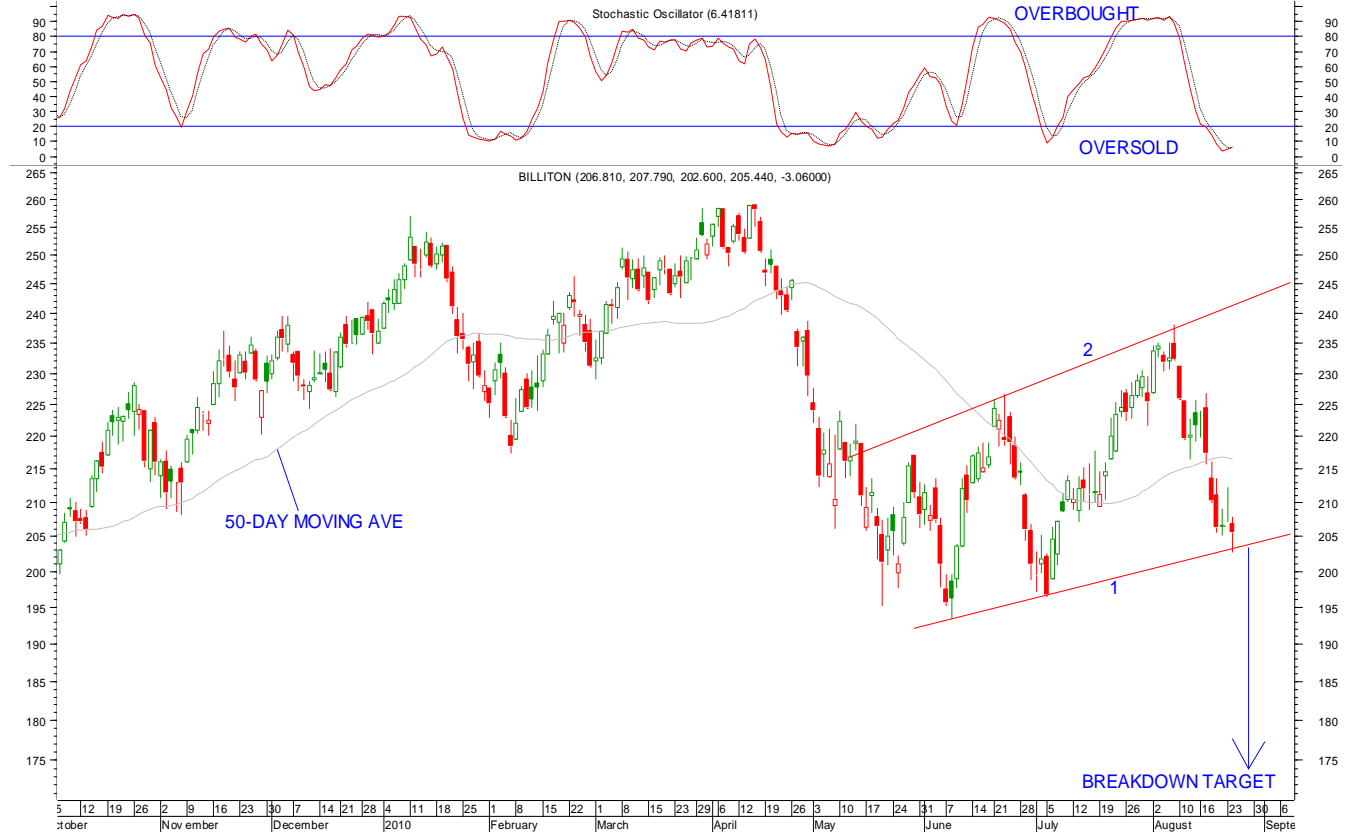
## BHPBILLITON (BIL) – Testing critical support

**Broad Recommendation: SELL SHORT THE RALLIES**

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

**Strategy:** Sell short on a bounce towards R215.

**Chart 6. (Daily)**



**Chart Setup:** Billiton has formed a rising channel/broadening formation (lines 1 and 2) and tested line 1 support yesterday. It gave a reversal candle up from there. While it may retest yesterday's low (R202.60), the odds favour a relief rally before more significant downside.

- The daily Stochastic (on top) is clearly oversold, which supports the view of a relief rally to come (albeit temporary).

**Strategy Details:** Traders sell it short on a rally towards R215 on reversal day/candle down. Investors to have reduced positions as advised, and to not get back in until the downside target has been reached.

- If you're worried about missing the down move (traders), then sell short on a close below line 1 i.e. below R202.50, as long as you're prepared to hold through a relief rally if it occurs.

**Target:** After a bounce to R215 (with potential to R220) look for a drop to retest line 1 initially (R204 level by then). A close below line 1 will set up a minimum downside target of R174 (with potential to R153, if the sell-off gets really nasty – which it might).

**Stop-loss:** For shorting on a rally, place your initial stop as a close above R225 or above the reversal days high from the R215 level (whichever is lower).

## LONMIN (LON) – Two lower targets

### Broad Recommendation: SELL SHORT THE RALLIES

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

**Strategy:** Sell short on either a bounce to R180-R183, or on two closes below line 3.

**Chart 7. (Weekly)**



**Chart Setup:** Lonmin broke down from a large rising wedge (lines 1 and 2) at the end of April. It has been making its way down ever since, and is one of the weakest stocks in the top 40 index. Lines 3 and 4 form an ascending triangle. Line 3 is critical support right now, at R168.80.

- The weekly Stochastic has moved up in recent months, to give itself space to move back down again.

**Strategy Details:** Sell it short on either a bounce to R180/183 or on two consecutive daily closes below line 3 (R168.80). Do whichever happens first (although the bounce would be preferable – if one had the choice).

**Target:** A weekly close below line 3 will set up a minimum downside target to R138.20 (Target 1). There is already a large downside target (Target 2) of R130 i.e. the heft of pattern 1-2 projected down.

**Stop-loss:** For shorting on a relief rally, the stop will be a close above R185. If shorting on the breakdown below line 3 (if that happens first), use the same stop-loss, but if it does happen to bounce to R180 thereafter, sell more.

## SMALL-CAP. CHART

### VOXTELCOM (VOX) – Early bullish signs

**Broad Recommendation: BUY (WITH CAUTION)**

**Trend:** Down, but oversold on all main time frames.

**Strategy:** Buy at current levels.

**Chart 8. (Daily)**



**Sector:** AltX

**Current Price:** 29c

**Chart Setup:** After falling for the past two years Vox is showing early signs of a potential turn. The price has broken out of a falling wedge (lines 1 and 2) (bullish), and should head back to line 3 resistance at least.

- The Stochastic (on top) is giving a multi-month positive divergence from its oversold level, which is pointing to a rally to come. The first sign of that happening was the recent breakout above line 2 last week.

**Strategy Details:** Buy at current levels for the med-term plus.

**Target:** The minimum upside target is 40c i.e. the height of the wedge projected up. That is about 30% higher than current levels. Line 3 resistance is at 41c so expect resistance there. If it breaks out and closes above 41c, that will be a significant breakout, for a further move to 80c (to re-enter).

**Stop-loss:** Initial stop is a close below 25c. When it gets to 38c raise your stop to breakeven (i.e. your entry) and use a breaking of its prior 2 day low as a trailing stop (while taking profits at 40c).

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

- **Long:** Suprgrp.

### 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:** Old Mutual, MTN, Richemont, MondiPlc, BATS, Shoprit, ArcMittal.

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

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

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

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

- **Angloplat:** has sold off sharply over the past week. There wasn't really a clear reversal day down to short on, but it did break another short-term support level, like the all share index for putting on a short. It is oversold with positive divergences so there is still a very good chance of a bounce e.g. to 670. Bounces are to be shorted. Med-term target (minimum) is 560.
- **Nedbank:** Hsbc's offer has put a spoke in this short trade. On Thursday it came within 1c of our stop-loss of 32.60. The gap up on Monday triggered the stop but a lot higher. I imagine it will still drift down again, when markets break their main med-term support levels.
- **ArcMittal:** is still in its sideways pattern of the past few weeks. Yesterday it moved down intraday but came back up to close above support. It is technically still a hold. But keep your stop as a close below 84.80. Given the overall state of world markets, there's no harm in reducing part of your position in case it does break down.

### 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):**

- **ARM, Exxaro, Firstrand.**

- **Abil:** it's virtually down to the 30.30 target already. My chart shows it did give a bounce on Monday to short on but it might be a bad tick, not sure. Either way, bounces (ideally a 3-4 day bounce) are shortable. Next support level is 30. Med-term back to 28.
- **Absa:** we got a bit of a bounce late last week, not as much as I'd ideally have liked (which shows just how eager people are to sell at the moment). Bounces remain shortable e.g. a bounce to 127. Targets will be down to 119.20 which is very solid support. And if that breaks down (which I suspect it will eventually) it will setup further downside to 111 and eventually 103 med-term.
- **Anggold:** has dropped to the mentioned 308 level, but it is still overbought, and given that the gold price is rallying very well today (with no follow through in the gold shares) indicates to me that this stock will most likely continue down. Therefore I would not be buying now. We'll look at it again from the 300 level with regards to potentially buying.
- **Anglo:** see Chart 5.
- **Angloplat:** see update above.
- **ArcMittal:** see update above.
- **ARM:** has broken med-term support and is pointing to a minimum target of 117 eventually. Despite it being oversold, bounces are very much still shortable. Sell it short on a bounce to 160 or higher. You can short it now as long as you don't mind sitting through a relief rally if we get one. Stop above 170.
- **Aspen:** has sold off from its main 84 resistance level. Short-term support is 79, close shorts there. Any bounce back to 84 can be shorted but keep in mind its one of the strongest top 40 stock so there are far better shorting candidates. 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:** is giving the expected pullback and is getting oversold in the short-term. While it can bounce to above 38 I would be reluctant to buy it given the vulnerable state of the overall market. Unless it can remain above 38 for about two weeks it might be worth buying but for now I'd stay on the sides and watch it closely.
- **Barworld:** has got to the first shirting target at the 40.50 level, but expect it to make its way down to important support at 40. Minor bounces are shortable e.g. to 43.75. A breakdown and close below 40 will setup a drop to 35 at least for further shorting.
- **BATS:** continued down to trigger the stop for aggressive traders. The rally I was expecting has just not occurred here. If it closes above 253 buy with caution for a rally to 261. This stock has been known to go counter to the overall market, so such a breakout is possible. No large positions on longs though. In the meantime a reversal day down from 252.50 can be shorted, with your stop a close above 253. Target to 240. That is probably the more likely scenario.
- **BHPBilliton:** see Chart 6.
- **Bidvest:** bounces very close to our 132.50 shorting level. Can be shorted at 131.50 or higher. Stop a close above 134. 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:** broke the mentioned important support level. It's pointing to a minimum target to 33.90. Traders look to short it from the 36.50 level. Med-term down to 30.20 eventually. Bounces e.g. to 36.50 are shortable.
- **Exxaro:** moved show from our mentioned shorting level and reached the target. The best one can hope for is a bounce to 118. It is oversold like the rest of the market, so a bounce is still possible. A close below 110.50 will setup a drop to 95 for further shorting.

- **Firststrand:** gave a bit of a bounce in recent days to within a few cents of the bounce target. If you sold short there as advised, keep holding. Bounce to 19.10 can be shorted still. If it closes above 19.10 look for a bounce to 19.70 and short some more there. Downside target short-term is 18.05. Two consecutive daily closes below 18 will setup a med-term downside target to 15.50 for more shorting.
- **Foschini:** it's still drifting down, and has support at 64.50. It's oversold with divergences so if it does bounce to 67.50 then short it. Further downed target is 61.70. A close below there will setup a larger downside target to 52.
- **Gfields:** if you re-entered on yesterdays reversal candle up as advised hold, but it is getting increasingly risk being long here in the short-term. Keep a tight stop as a close below 101.50. I don't think it will go much higher than that. A pullback to the 98.50 level will be worth a relook for buying.
- **Grindrod:** It is still in a small triangle and can break out in either direction. A close below 15.10 will be a short signal for a drop to 14.45, but a close above 15.50 to be bought for a move to 16.20. Stop a close above 15.55 for shorts/below 15.10 for a long signal.
- **Harmony:** gave the reversal candle up yesterday from our buying level. Hold, but with caution. If it drops to 70.50 then buy some more. But a close below 70.50 will be the overall stop-loss. Take trading profits at 78.
- **Imperial:** got to the upside target. It has held up remarkably well over the past week. If it closes below 96 then sell it short. Target to 92.30 initially for half profit taking and the rest at 90.50. Stop above the high of the current rally which so far is 98.45.
- **Implats:** gave a reversal day down last weds for shorting and broke through the downside target. It has now broken very important support. It is also oversold though, and it's still a guess if it will give a relief rally or not (likewise for the overall market). Any bounce to 189 to be shorted if it does. Target down to 168. Stop a close above 198.
- **InvPlc:** reversal candles down on weds and Thurs last week for shorting. Hold short/sell short on a bounce to 54 or higher, or on a close below 52.25. Target to 50. If it closes below 50 for 2 days, it will setup a drop to 41.80 med-term for further shorting on bounces.
- **Kumba-IO:** gave a reversal rally on Monday but it didn't follow through as I'd have liked (to allow for getting a high probability short trade on). It's oversold. Bounces are shortable. One can short it here as long as you're prepared to hold through a relief rally if we get one. If it doesn't bounce close to 350 then short some more. 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:** see Chart 7.
- **M&R-Hld:** is in a sideways paten over the past few weeks but exit longs as close to 43 as possible. Sell it short there with your stop a close above 43.20. Take profits at 39.60.
- **Massmart:** triggered the short trade and stooped jut 12c short of the 113 target. Look for 113 to be rested soon. Bounces are shortable e.g. a bounce to 120. Downside potential to 106.
- **Merafe:** hold current short trade/bounces to 1.35 or high can still be shorted. Target to 1.21 with potential to 1.18. Stop above the reversal days high or a close above 1.42 (whichever is higher). A close below 1.17 will setup a larger downside target to 75c.
- **MondiPlc:** hold the short trade. Lock in some profits at 50.50, and more at 48.80. Stop is a close above 55.50 (note the typo from last week). Downside to 47.50 eventually but it is a strong stock on a relative basis so there are far better shorts out there.
- **MrPrice:** the long trade was stopped out. Look for it to make its way down to 44.50. Bounces are shortable. It's unlikely to bounce more than to 48. Med-term target down to 40.
- **MTN-Group:** broke out above long-term resistance. It is overbought so buying at current levels comes with risk. Med-term it is looking much better and appears to have turned the corner fundamentally. Buy a pullback to 117.50 or lower. Stop a close below 114. Larger target eventually

up to 145 but that's going to take quite a long time. Take short-term profits at 125. Investors can accumulate on weakness.

- **Naspers-N:** reversed down from our shorting level and has exceeded the first shorting target already (290) for some profit taking. Look for more downside to 277. There is support at 275. Lower your stop on reminder to a breaking of prior one day high. Look for it to make its way down to 250 actually, and bounces are shortable.
- **Nedbank:** see update above.
- **Netcare:** med-term players and investors to be taking profits on this rally to 13.80. A close below 13.20 will be a short signal for a drop to 12.50. Stop will be a close above 13.75.
- **Newgold:** has continued up over the past week, helped along by a weaker rand. There is resistance at 90 and it is overbought in the short-term. There is always the chance it just continues straight up without giving the pullback I've been exiting here. I think the strategy should switch to buying in on a minor pullback e.g. to 85.70. A retest of the July low is looking unlikely.
- **Old Mutual:** got to our upside target for a nice profit. Sell it short on a bounce back to 14.50. Target will be 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.
- **PPC:** bounces are shortable e.g. to 30.20 level. Target is 26.90.
- **Reinet:** exit if still in (long). Sell short form 11.25 or higher. A close below 10.90 will take it to 10.40. And a close below 10.40 back to 9 (med-term+).
- **Remgro:** hold shorts and take profits at 94. A close below 93.75 will setup a target to 86 for more shorting, with potential to 80.80 med-term.
- **Richemont:** reversed down from our new shorting level as mentioned. It has been holding up relatively well but I don't think for long. Support is 27.70. Lock in partial shorting profits there. A close below 27.65 to be shorted again (the part you closed), for a drop to 24.60. Current stop is a close above 29.50.
- **RMBH:** trading sideways over the past week. Bounces are shortable e.g. to 32.50 or higher (the higher the better). A close below 31.10 will setup a larger drop to 26.50 for more shorting.
- **SABMiller:** closed below important support last week. My advice last week was to exit the long trade. If you bought on Monday's reversal day up, look to exit for a small loss. A close below 210 to be shorted for a drop to 193 at least, with further downside potential to below 190. If it bounces a bit after the breakdown don't worry, give it 'wiggle' room.
- **Sanlam:** sold off sharply last Wednesday but hasn't given a bounce since then for shorting. Sell it short for a drop to 22.15. Ideally wait for the bounce e.g. to 24. A close below 22 will setup a larger move down to 19.40 for more shorting.
- **Sappi:** is breaking short-term support and will fall to 32.50. That's an important support level. If it gives a clear reversal day up off her then buy it with extreme caution (it has been one of the strongest stocks on the market of late). Stop blow the reversal days low. Upside target to 37.50 but given the overall state of the market it's unlikely to go that far. R36 will be a good profit taking level.
- **Sasol:** gave a rally on Monday to allow for exiting longs (if still in, as exiting last week was also recommended). It is getting hit hard today. Support at 272, and then 263. Expect a bounce before it reaches the latter level, but any rally to the 290 level will be shortable. Look to buy it of 263 with your stop a close below 262 for a relief rally back to 278 – but this might only occur in a few weeks time.
- **Shoprite:** rallied well yesterday to trigger the mentioned buy signal. It remains the top share in the top 40 index in my view. However given the weakness in the overall market I don't think it will rally to more than 90.50 in the short-term. Look to take trading profits form 88.50-90.50. It's not a share to be shorting at all. But rather to be adding to long term positions on corrections. First main support level for a correction is 78.40.

- **Spar:** triggered the short-term stop last week. It reversed up yesterday on the Shoprite results but I don't expect the rally to last too long. Short it from the 82 level. Stop will be a close above 83.70. Take profits at 78. But a close below 77.60 will be a re-entry short signal for a drop to 67.50.
- **Stanbank:** fell straight down to support at 101.20 which is being tested again today. Ant relief rally will be shortable e.g. to 104 or higher. But a close below 01 will setup a large downside target to 86.70 for re-entering short (note it will probably give a bounce after such a breakdown. Use it to sell more). Keep a wide stop initially to give it space e.g. above 111.
- **Steinhof:** reversed down last week from our shorting level, and then closed below the mentioned support level to trigger another short signal. Hold short, with target to 17.40. A close below 17.30 will be very bad med-term for a drop to 13.80 for further shorting.
- **Telkom:** look for it to make its way back to its main support level at 32.75. From there aggressive traders will most likely get a chance for a quick bounce to 34.50 for an aggressive buy. Stop will be a close below 32.70.
- **Tigbrands:** close shorts at 168.50 for traders. Re-enter short on either a bounce to 175, or on a close below 166.80. The latter will setup a med-term target to 146.
- **Truwhs:** closed below med-term support and has setup a target to 49.80. Bounces are shortable e.g. from 56.50. It is oversold like the rest of the market. Like with most stocks, you can sell short without waiting for ht bounce as long as you're prepared to hold through a relief rally when it comes (and then short some more higher up).
- **Vodacom:** sell short at current levels or higher. Target to 53.80 med-term. Stop is a close above 63.35.
- **Woolies:** broke short-term support but has even more significant support at 22.90. Minor bounces are to be shorted, but again there are better stocks to short (e.g. the resi stocks). Nevertheless, a bounce to 24.20 will setup a shorting opportunity here. A close below 22.90 will activate a target of 20. Keep stop wide initially as a close above 25 (which I doubt it will get near).

**GOLD UPDATE:** The JSE gold index is not responding to the sharp rise in the gold price in the past 24hrs. This is significant and points to more downside in gold shares for now I believe. Support is 2365. They may rally from there but I'm concerned about the gold price in the short-term and doing think this rally will last much longer. If clear reversal candles up occur from 2365 then look to buy gold stocks but still with great caution, for a short-term rally e.g. to 24.60.

**Dollar gold price:** is getting very near our \$1242 short-term target today (might even have reached it). The gold price is overbought and I'm expecting a short-term sell-off to stat at any time – very likely back to retest the July low of \$1157. A close below 1220 can be shorted by short-term traders for that drop, but keep a tight atop e.g. a breaking of prior 3 day high. Big picture is still positive and a hold for investors.

**Rand gold price:** it's still overbought and likely to have a pullback. The question is whether it will pull back as far as its July lows of 8500. There is support at 8650 where we'll re-assess.

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

ABSA	123.9000	130.1555	130.5310
ALTECH	60.0000	60.9835	61.0148
ANGLOPLAT	626.9400	688.8345	705.5045
AQUARIUS	30.0000	31.0390	33.0508
ARM	153.0000	164.5945	164.7595
COAL	8.7500	10.4365	11.3290
DRDGOLD	2.9600	3.0360	3.1580
FIRSTRND	18.8500	19.3425	19.4240
ILIAD	7.5500	7.6695	7.8935
ILLOVO	25.5000	26.9340	27.6855
JUBILEE	3.2100	3.2170	3.2292
MVELA-RES	40.8000	42.4210	43.4608
NAMPAK	17.5200	18.2220	18.5798
NORTHAM	41.1100	43.2980	43.9355
PICKNPAY	42.9800	44.3860	44.3952
PIKWIK	17.4500	18.3240	18.4395
PPC	29.6700	30.9640	31.0810
RAINBOW	15.1100	15.3045	15.4812
REINET	11.0400	11.3285	11.3405
RMBH	32.0500	32.8365	33.1720
SA-BREWS	213.1500	217.6060	218.8380
STANBANK	103.7000	107.9675	108.7280
TELKOM	33.4100	34.1005	34.7430
TONGAAT	102.0500	103.4200	105.1048
WOOLIES	23.2500	24.6220	24.7113

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

M-PLATZAR	10984.7803	11268.2930	11405.8809
C-EUR-GBP	81.9000	82.6100	82.9993
C-EUR-YEN	108.1000	111.1900	111.2425

## SUMMARY

The first stage of a new bull market that started with the 2008 low has come to an end in our view, as mentioned last week, and we're seeing the first leg down of a bear phase that's likely to last for quite a few months. Investors who have followed our advice, will have taken protective action by either selling or hedging your portfolio with alsj futures.

It has been frustrating for short-term traders waiting for a bounce to sell short on, as the bounce hasn't really come. A minor bounce last week was short-lived. And Monday's solid reversal day up had no

follow through. Nevertheless, markets don't fall in a straight line, so there will still be plenty of opportunities to sell short.

What will be very telling is how the JSE All Share reacts when it reaches its important 26 000 support level. Judging by the action of Anglo and Billiton today, that support level will not hold for much longer. World markets are indeed in for a bumpy ride. Traders will make big money by shorting, while investors who taken protective action, will await the market bottom with great eagerness.

Sincerely,

Colin Abrams  
TheMarket.co.za

PS: Remember: Protective stops on all positions!

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