

Welcome to TheMarket.co.za Weekly Analysis Report

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Classic Trading Rule:

"Gaining proficiency is the same in trading as in any other profession – it requires experience, and experience takes time."

JSE IN SCRAPPY SIDEWAYS RANGE

Introduction:

With JSE All Share index in just that, a scrappy sideways range, it's best to either stand aside for a while, or be very selective of the stocks you trade. Look for the ones that are trending the most, and enter in the direction of that trend. The current three-month long sideways consolidation is of course, a large pause before another large rally, in my view. Therefore, one just needs to be patient. The best strategy right now is to build up med-term positions on weakness, for the next major up leg in this bull market. The **Dow** chart update, also shows it within a med-term sideways range. Expect it to remain in this range a bit longer. The probabilities favour an eventual breakout to the upside. The **JSE All Share index** chart shows its short-term range bound levels – within the context of a med-term sideways range. This is a pause that relieves the large overbought condition to allow for another big rally eventually. We also show a chart of the **rand platinum price**, that has given a downside break, and looks negative. Then the **US Dollar index** is shown – perhaps the most important instrument in the world in terms of determining the direction of many markets. It has a breakout coming. The stock charts shown are **Remgro** (bullish), **Bidvest** (a buy signal lining up), and **RMBH** (continues to forge higher).

The small-cap stock is **Keaton**, a coal stock that has been beaten down but is showing recovery signs.

Overall, the secret to trading in the current short-term environment is to take profits quickly, and to be very selective of the trades one takes. Once the overall market breaks out, good trends will develop again. It's just a matter of time...

Executive Summary:

- **Dow (chart 1):** Traders buy a close above 13 131, or off line 1 (12 720) level – first to happen.
- **All Share Inx (chart 2):** Exit current long position on a bounce. Then trade at the boundaries.
- **Platinum (Rands) (chart 3):** Sell short on a minor bounce for more downside.
- **US Dollar Inx (chart 4):** Enter in the direction of the upcoming important breakout.
- **Remgro (chart 5):** Buy on a close above line 4.
- **Bidvest (chart 6):** Traders buy on a close above line 3, or at line 2 (aggressive).
- **RMBH (chart 7):** Hold/Buy at current levels, with caution, for more rallying.
- **Keaton (chart 8):** Buy at the R3/R3.05 level for a larger recovery.
 - **Leading Stocks (3-mths): Top 40** – Aspen, Naspers-N, Woolies, Assore, Vodacom, Steinhof, MondiPlc
 - **Resources 10** - Exxaro, Lonmin, ARM, Sasol, BHPBilliton
- **Shortable stocks/indices:** 25 stocks, 4 index, 5 commodities, 3 currencies.

1. MARKET CHARTS

DOW JONES – Consolidation phase

Broad Recommendation: UPWARD BIAS

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

Strategy: Traders buy a close above 13 131, or off line 1 (12 720) level – whichever happens first.

Chart 1. (Daily)

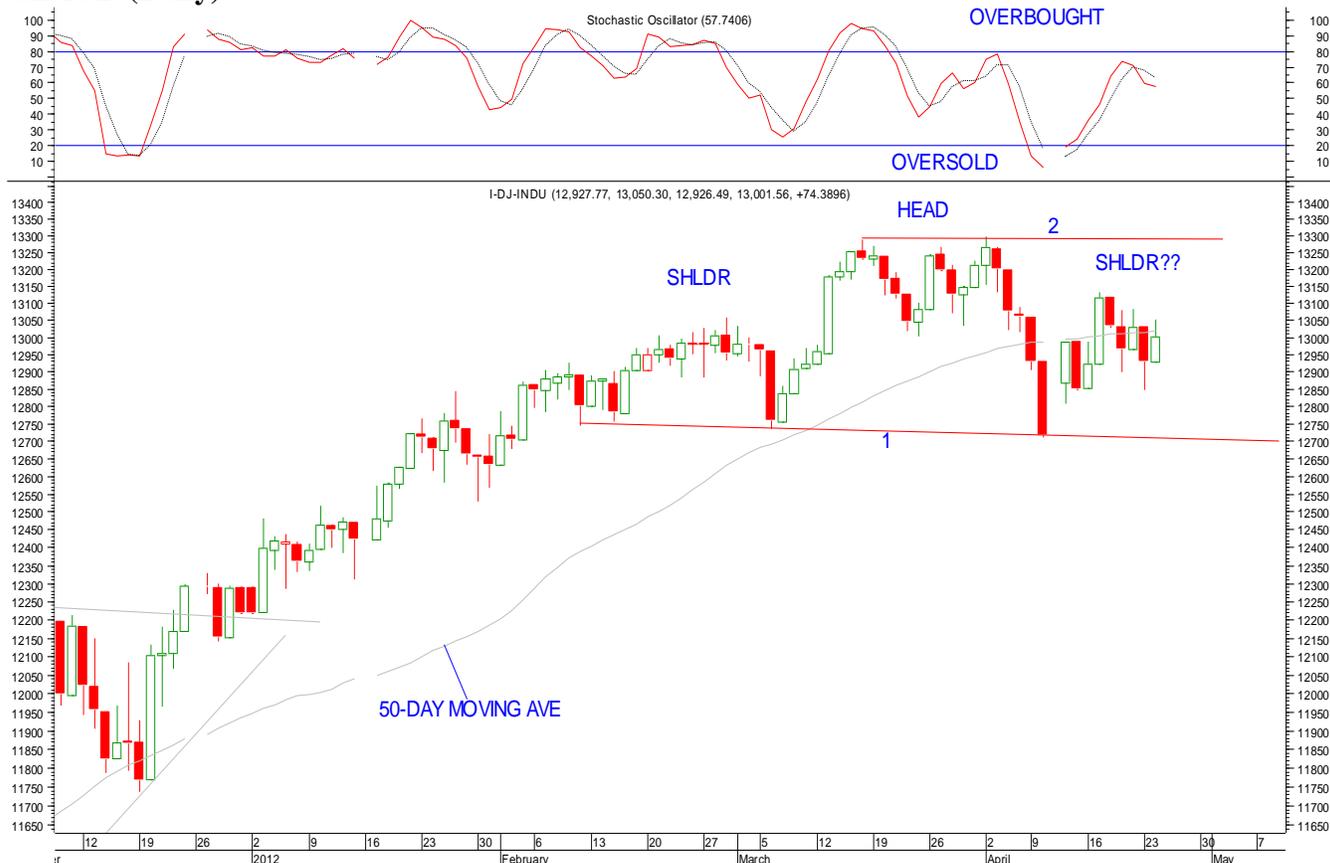


Chart Setup: A long trade last week was stopped out for a small loss. The price is very volatile (and tricky) at the moment in the short-term, as the index basically moves in a sideways range.

- The Dow is forming a “potential” head and shoulders (as labelled). It needs to break down below line 1 (12 700) to confirm that (bearish) pattern. But because there is still underlying strength in the market, we may well end up getting a “failed” head and shoulders, which will be very bullish. My bias for now is still to the upside.

Strategy Details: Continue to favour the upside, but with great caution, until the price resolves itself either above line 2 (13 300) or below line 1 (12 700). For now, take small profits within this range. Buy on either a close above 13 131, or on a reversal day/candle up (see Glossary) off line 1 (12 750-12 720 level). Do whichever happens first, but with caution. No aggressive buying advised.

- Note, if the index breaks down and closes below line 1 (12 700), that will be a short signal.

Target: For now it’s within the range of 13 300 and 12 720. To the upside, take half profits at/near line 2 (13 300) if reached, but if it closes above there then re-enter long aggressively. If there’s breakdown below line 1, it will setup a drop to 12 200 for shorting.

Stop-loss: For buying a close above 13 131, the stop will be a close below 12 950. For buying a reversal up off line 1, the stop will be a close below 12 700.

JSE ALL SHARE INDEX – A tight range

Broad Recommendation: TRADERS SIT ON THE SIDELINES/TRADE THE BOUNDARIES

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

Strategy: Exit current long position on a bounce. Trade at the boundaries (long off line 1/short off 2).

Chart 2. (Daily)



Chart Setup: After breaking out of a small diamond formation (blue), the index rallied for a few days, but fell sharply on Monday. The current long trade is still open. But right now the index is in the middle of a three-month sideways range formed by lines 1 and 2.

- The short-term Stochastic Oscillator (on top) is relatively overbought. The index is likely to continue in an untidy sideways fashion for a while longer.

Strategy Details: Exit current long position on a bit more of a bounce, to 34 050 and ideally if it gets closer to line 3 (34 225). But, if the index breaks yesterday (Tuesday's low) 33 700 intraday, exit then.

- The strategy therefore is to either sit on the sidelines for now (until this sideways range resolves itself); Or, trade at the boundaries i.e. buy at/near line 1 (33 150) and sell/sell short near line 2 (34 700 level). An eventual breakout above line 2 will be reason to go long again aggressively.

Target: The diamond pattern is pointing to a target to line 2 (34 700). But I'm not sure it will get there just yet. Line 4 is current short-term support (33 690). For now it is holding, but the market is nervous at the moment, and in a general consolidation mode. To the downside, there is support at line 5 (33 000). To the upside, I expect an eventual breakout above line 2, to take it to 36 200 and beyond. But for now the market is very range bound (between lines 1 and 2).

Stop-loss: Current short-term stop is an intraday break below 33 700. If buying off line 1, the stop is a close below 32 990. If shorting off/near line 2 on a reversal down, the stop is a close above 34 750.

RAND PLATINUM PRICE – Lower target

Broad Recommendation: SELL SHORT

Trend: Short-term down. Med-term sideways but vulnerable. Long-term sideways.

Strategy: Sell short ideally on a minor bounce for more downside over the short/medium-term.

Chart 3. (Daily)

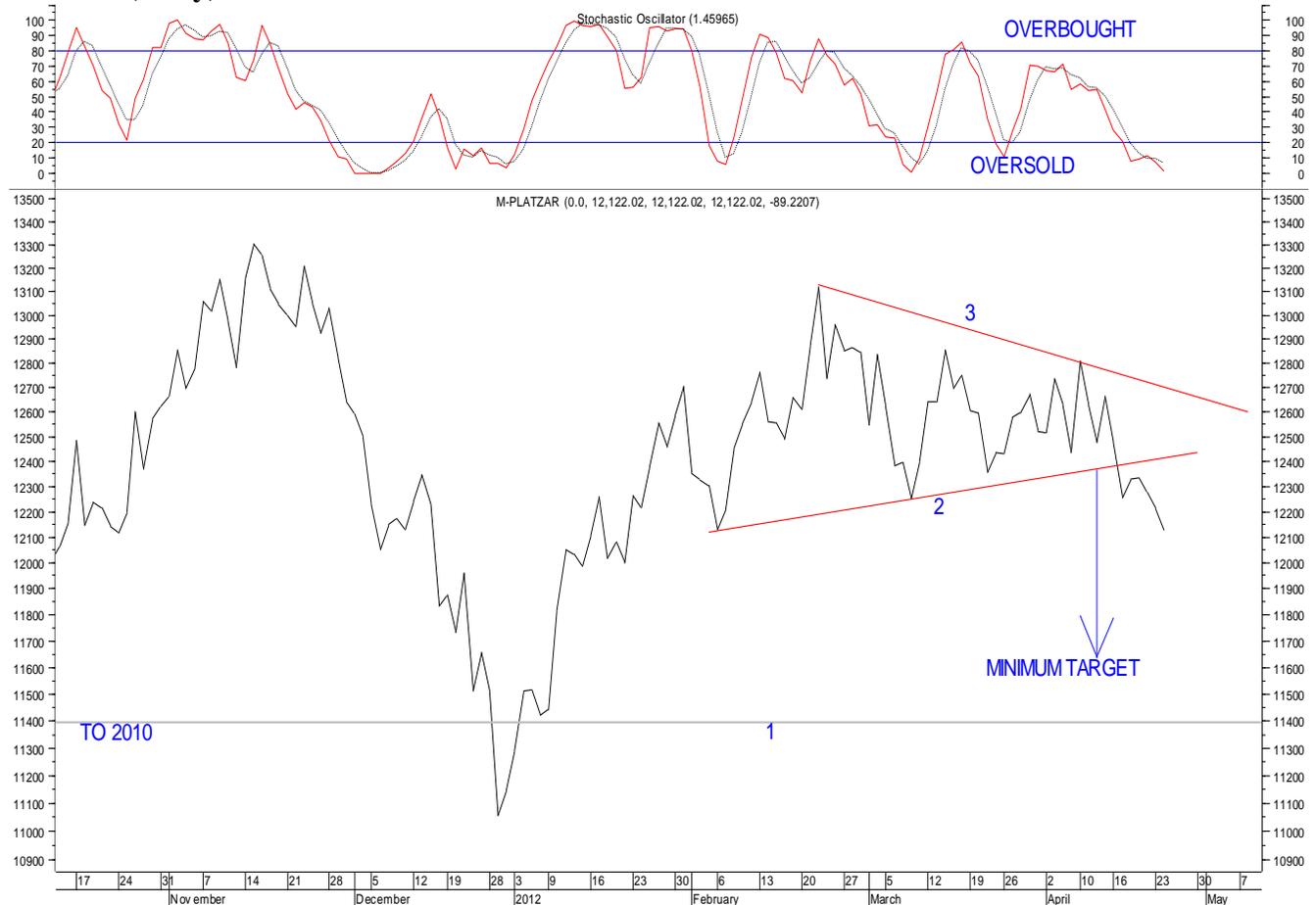


Chart Setup: The rand platinum price has broken down from a well-formed symmetrical triangle (lines 2 and 3). There is a clear lower target in place.

- In the immediate short-term, it is oversold, so a minor bounce is very likely, but it will be temporary.

Strategy Details: While one can't trade this instrument directly (although indirectly one can take a separate position in both the individual rand and the *dollar* platinum price), it is a general indicator for platinum shares. While the correction between the rand platinum price and the JSE platinum index isn't a perfect one, I have noticed that the platinum index tends to lead the rand plat. price. Right now, both the JSE platinum index and the rand plat price are pointing to lower targets. So, the strategy is to be shorting platinum stocks (mainly AMS and IMP) on minor bounces, for the foreseeable future.

Target: Minimum downside target here is 11 635 (current level is 12 122). Note, there is a downside target on the JSE platinum index of 51.50 (current level is 56.00).

Stop-loss: Initial stop is a close back above line 3 (which is currently at 12 690 -12 675).

US DOLLAR INDEX – Breakout coming

Broad Recommendation: WAIT FOR BREAKOUT DIRECTION

Trend: Short-term sideways to down. Med-term sideways.

Strategy: Sell short the USD index on a close below line 1/Conversely, go long a close above line 2.

Chart 4. (Daily)



Chart Setup: This is an important chart. The US Dollar Index (which can be traded as its own instrument, and not as a cross rate with another currencies), is in a med-term symmetrical a triangle right now (lines 1 and 2). It can break out in either direction. Once it does break out, it will have important implications for gold, the euro, and the rand.

- The short-term Stochastic (on top) is nearing its oversold region, so there is a reasonably good chance of a rally off line 1 for the dollar.

Strategy Details: While one can conceivably trade the short-term swings inside the triangle (buying off line 1/ shorting off line 2), the best strategy is to wait for the breakout direction. A close below 79.00 (line 1) will be a short signal. While a close above line 2 i.e. 80.15 will be a long (buy) signal. Do whichever happens first.

- Note, a breakdown here will typically see gold and the rand rallying. But an upside breakout will be bearish for gold and other currencies against the dollar.

Target: For a breakdown it's to 76.55; for a breakout it's to 82.80 – both based on the height of the triangle projected down/up.

Stop-loss: For shorting a breakdown, the stop is a close above 79.60. For a breakout, the stop is below 79.20.

REMGRO (REM) – A bullish setup

Broad Recommendation: BUY

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

Strategy: Buy on a close above line 4.

Chart 5. (Daily)



Chart Setup: Remgro is in a med-term consolidation pattern in the shape of a falling wedge (lines 2 and 3). Falling wedges typically break out to the upside. In the very short-term it is forming a ‘potential’ inverse head and shoulders (labelled S-H-S?). It needs to close above line 4 (R130.30) to confirm this pattern.

- The daily Stochastic Oscillator (on top) is oversold which is a bullish setup.

Strategy Details: Traders buy on a close above line 4 (R130.30). Take half profits at line 3 resistance. But if it closes above line 3, then re-enter that half sold, for further upside. (Line 3 is at R134.15 on Weds 25th and its declining at an angle of 10c per day thereafter).

Target: To line 3 initially (once it breaks out above line 4 to trigger the entry). If/when it breaks out above line 3, look for further upside to R142.90 i.e. the height of the wedge projected up.

Stop-loss: Once the buy signal is triggered, place your initial stop as a close below line 2 (R126.90). From line 3, take half trading profits, and raise your stop to a breaking of its prior two-day low. If it breaks out above line 3, give it more room to continue higher, so keep the stop as a close below R130.

BIDVEST (BVT) – Prepare to buy

Broad Recommendation: **PREPARE TO BUY**

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

Strategy: Traders buy on a close above line 3, or at line 2 (aggressive).

Chart 6. (Daily)

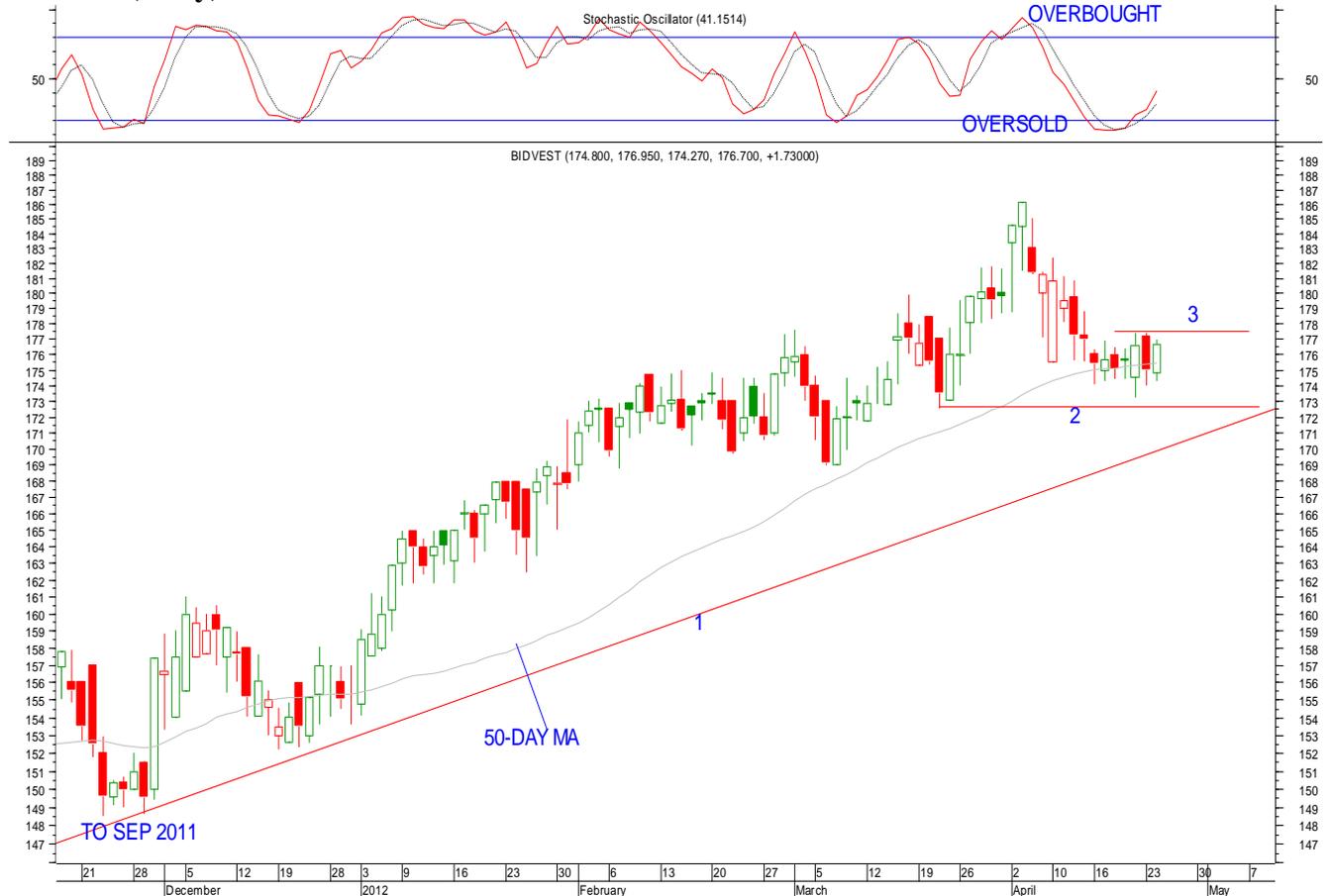


Chart Setup: Bidvest has pulled back in recent weeks, and is taking a breather after a good run in recent months. There is support nearby at line 2 (R172.50), and more significant support at line 1 (R170). The odds favour a resumption of its uptrend, in my view.

- The short-term Stochastic (on top) is oversold.

Strategy Details: The safest strategy here is to buy on a close above line 3 (R177.40). More aggressive traders can buy if it drops to line 2 first (R172.50) level, and gives a reversal day/candle up from there.

Target: Once the buy signal is triggered, take partial profits at R181.50 for traders. Take remaining profits at R186 if/when reached.

Stop-loss: If buying on a close above line 3, the stop will be a close below line 2 (R172.50). If buying off line 2, the stop will be a close below line 1 (R170). Once the price gets to R181.50 take partial profits and use a breaking of its prior two-day low your stop (while taking all trading profit at R186).

RMBH (RMH) – Pattern still bullish

Broad Recommendation: TRADERS BUY

Trend: Up on all main timeframes.

Strategy: Hold/Buy at current levels, with caution, for more rallying.

Chart 7. (Daily)

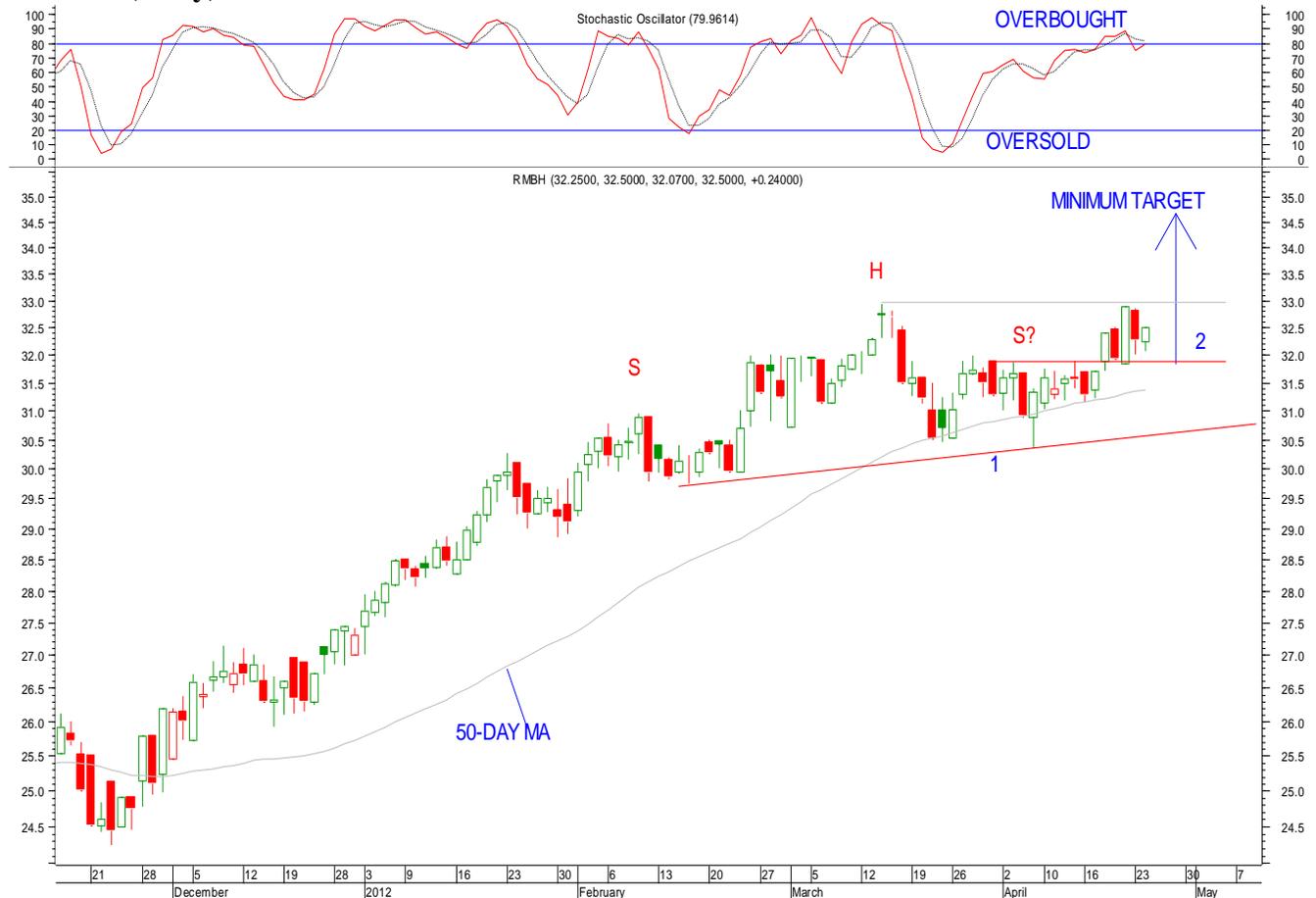


Chart Setup: RMB has formed a med-term ‘failed’ head and shoulders. This is a very bullish pattern. (Note, the pattern didn’t actually confirm in the first place, but I still call it a ‘failed’ H/Sh).

- The price is currently finding resistance at its March high, but it should break out above there in the near future.
- The short-term Stochastic (on top) is relatively overbought, but it can remain there for an extended period in a strong trend, as seen in Dec/Jan.

Strategy Details: Traders buy, but with caution at current levels, given that it is somewhat overbought in the very short-term. (Note, it is also currently a long trade based on a buy signal given in the Notes & Updates section recently).

Target: R34.60.

Stop-loss: Initial stop is a close below R31.30. If stopped out, look to re-enter as close to line 1 as possible (R30.70). To the upside, once the price gets above R34, use a breaking of its prior two-day low as your trailing stop, to protect profits (and take profits at the target if/when reached).

2. SMALL-CAP. CHART

KEATON (KEH) – An initial buy signal

Broad Recommendation: BUY

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

Strategy: Buy at the R3/R3.05 level for a larger recovery.

Chart 8. (Weekly)



Sector: Coal

Price: R3.05

Chart Setup: After falling consistently for the past few years, Keaton is now showing signs of forming a base for a potential recovery. Its price has formed an inverse head and shoulders (labelled S-H-S), and has broken above line 1, the neckline. That is the first positive development in over two years. It's pointing to a higher target.

- The weekly Stochastic Oscillator (on top) is overbought, which is a potential negative.

Strategy Details: As a med-term+ trade, it's worth buying for a potential recovery here. Try getting in at the R3.00/R3.05 level. There is good recovery potential here.

Target: Minimum target is R3.90 measured as the height of the inverse head and shoulders projected up. From there it will need to be re-assessed, but there is certainly potential to R4.50 thereafter.

Stop-loss: Initial stop is a weekly (i.e. Friday) close below R2.75. Take half profits at R3.90 and continue thereafter with a trailing stop such as a breaking of its prior one-week low, to allow for catching further upside.

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

- **Long:** Afrimat, Holdsport, Intewaste, Santova, Sekunjalo.

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: Aspen, Naspers-N, Woolies, Assore, Vodacom, Steinhof, MondiPlc.

Weakest seven Top 40 stocks: Anggold, Gfields, Harmony, Implats, Anglo, Amplats, BHPBilliton.

Strongest five Resi 10 stocks: Exxaro, Lonmin, ARM, Sasol, BHPBilliton.

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

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

- **Barworld:** keep holding. Today it's having a good rally so far. It is oversold in the short-term. As discussed last week, take profits in increments, first at R100.50, then more at R104 and potential to 106. Initial stop still a close below 94.20.
- **Aspen:** reached and exceeded the upside profit target. If you bought on the pullback in this case you would've made a lot more. Right now it overbought. Buy again on a pullback to 122-120 on a reversal day up. Med-term target of 139.
- **Implats:** reversed down from our mentioned shorting level, and also closed below support to trigger the more conservative short signal. Continue to hold short. A close below 146.30 will see it dropping again. Minimum target is still 143.30. And potential to 138. Short-term stop is a close above 152.

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 i.e. the entry 'trigger').

- 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 Charts 5, 6, and 7, that I particularly like (long or short) at the moment (in no particular order. See comments below):

- **Vodacom, Firstrand, Absa, Reinnet.**
- **Abil:** triggered the short-term stop on Mondays sell-off for a small loss. It's in a volatile sideways med-term range at the moment. No clear trade here right now. If it closes below 381.0 then sell short but with caution for a drop to 36. Stop a close above 39.10. To the upside if it closes above 39.30 go long for a move to 42, with your stop a close below 38.20. No large positions for now.
- **Absa:** it triggered the upside breakout and formed a 'failed' head and shoulders in the process. This is a bullish pattern. Right now the price has pulled back quite sharply since then, however. Keep your short-term stop as a close below 154.50. A clear reversal day/candle up from current levels or lower will be another buy signal. No large positions at this stage because the market is still in an unresolved sideways range. Med-term upside target is still 171.
- **Amplats:** it continued straight down. If you managed to get short then you'll be smiling, but it didn't bounce quite as much as I'd have liked to get in short. Very classic reversal candle up yesterday (Tues). It's very oversold so a minor bounce is very likely from here e.g. to the 510 level. To buy for that will be very counter-trend though, and risky. Rather look to short a reversal down from the 510 level. Med-term target is still to 450.
- **Anggold:** has continued drifting down, and as we suspected, gold shares will drop further than most expect. It is rallying today so far. A close above 261 will be the first buy signal, albeit it still very aggressive. I'm still waiting for a weekly reversal up as the main buying confirmation. It could happen at any time because it's so oversold on all timeframes. If it closes above 261 it will be an aggressive buy signal for a rally to 281-285. From there we'll reassess to see if the main downtrend is over, but I suspect still not. Stop a close below 255.
- **Anglo:** it triggered the short-term, aggressive buy signal for move to 302 from a small inverse head and shoulders mentioned last week. As it nears 300 start taking partial profits and use a trailing stop like a breaking of its prior one day low on the remainder. It's still technically in a downtrend so I see no reason to be going long aggressively or for the med-term as yet. The prospect of one more leg down to the 275 level still exists, to my mind.
- **ARM:** it reversed down from our shorting level and has dropped since then. Target is 171, but take half shorting profits from 174 and use a breaking of its prior two day high as the stop from there. The stop in the meantime is close above 183.50.
- **Aspen:** see update above.
- **Barworld:** see update above.
- **BATS:** got to and exceeded the short-term 403 profit target. Its pulling back quite sharply at the moment. Short-term support is 391. If it gives a reversal day/candle up from the then buy,. With caution. Stop a close below 391. Target 410-413. Med-term target is still 420.
- **BHPBilliton:** its trying to make its way back up in the short-term but the main trend is still down for now. Yesterday to give a classic reversal candle up. there is a short-term target to 250.80 in place but buying for that is risky because it is counter-trend. If you do buy place your stop as a close below 238.95. I personally am not buying yet.
- **Bidvest:** see Chart 6.
- **Discovery:** it got back to and exceeded the 52 target. Best strategy here is just to hold it for the med-term+, and if you want to trade around it by buying on minor (e.g. 3 day) pullbacks, that's good. Next target is 53.10 then 53.50. Main support is 50.50 – if you can get it near there if we're lucky enough to see it drop, then buy there as well. Stop a close below 50.30.

- **Exxaro:** after an initial rally its pulled back steadily over the past week and triggered the stop on Monday. It is oversold, so look to get back in on a close above 209.20. Target then up to our original 218-220 level. Stop will be a close below 204.50.
- **Firststrand:** it triggered the mentioned new buying signal last week and is holding up very well relative to Absa and SBK over the past few days. It's still la hold/buy on a minor pullback e.g. 24.30 or lower. Targets are up to 26 initially then 26.50 and potentially 27. My advice is to take partial profits at each of these levels. These are med-term targets.
- **Gfields:** continued drifting down and has very important support at 95. It got very close to that yesterday. We may well be setting up for a rally here but probably a temporary rally. I'm not convinced the gold stock slide is entirely over yet. Look for a bounce to the 101.80 level where a reversal day down will be another short signal, for a drop to 95. Stop a close above the reversal days high. Unless I get a clear reversal week up, I still dont see any signal to go long.
- **Harmony:** has continued drifting down. Its main, longer-term support level is at 69. It's not that far way but the chances are for a minor rally to come and then a drop to that level, which will probably end the entire down move. But for now it's best to take it one day/week at a time here. Right now I'm looking for a bounce to 78.40. A reversal day/candle down from there will be another short signal for a drop to 70, but with caution, and a tight stop as a breaking of the reversal day down's high.
- **Imperial:** reached the short-term profit target for half profit taking, and the mentioned trialling stop locked in the rest. A clear reversal day/candle up will be a buy signal, but I'd prefer to buy a bit lower down again e.g. closer to 160 or lower, on a reversal day/candle up. Stop will be a close below 155. Expect it to make its way up eventual to its all time high at 179. This is another stock that is good to just hold for the med-term+, and trade around that (i.e. buy) after any sharp short-term pullbacks.
- **Implats:** see update above.
- **InvPlc:** is bouncing from a very oversold level but still has a target to 43.20. Bounces are still short table. Keep holding the current short trade. Stop is a close above 45.60. Any reversal day down from the 45 level will be another short signal, with the same stop and target.
- **Kumba-IO:** it actually closed above the breakout level mentioned last week to trigger the buy signal. Pulled back sharply on Monday but has reversed that drop which is a bullish sign. My bias is to the upside here and it can be bought at current levels but with caution, and no large positions. Take partial profits at 553, with the target being 574. Stop is a close below 527.
- **Lib-Hold:** went ex-div last week which accounted for its drop. Even then, its stop didn't get triggered. It was a R2.21 dividend, so its price effectively keeps it well on its way to its 93 and 95 targets. Having gone ex-div means its actually reached the 93 target already. Stop is a close below 88.30. Right now a drop back to 162 is most likely before it bounces again.
- **Massmart:** is a good med-term recovery prospect. It still needs to close above 170 to trigger the buy signal for a med-term recovery. I'm still looking for a rally back to 198 when that happens
- **MrPrice:** it reached and exceeded the 103 target before pulling back. Best strategy here is still as a med-term+ hold (as its been for a long time). It is overbought in the short-term, and a pullback to 97.50/98 will be a good buying level again. No clear larger targets here right now. But to 120 is one option but I need more clarify to confirm that (in time no doubt it will get there).
- **MTN-Group:** it triggered the short-term buy signal mentioned last week and reached the target today. That's been a good profit, particularly for those who bought lower down near support, as advised a few weeks back. Is overbought and I'm expecting another drop here quite soon. Clear reversal day down from current levels or higher will be a new short signal, for a drop to 128.50. Stop above the reversal day down's high (or a close above 136.70 – whichever is higher).
- **Naspers-N:** it got within a few rand of our 470 target before pulling back sharply today so far. The advice was to take half trading profits at 470. But when its that close I always like to take at

- least some profits anyway, because it won't always reach the target exactly. Nevertheless, med-term picture is still very bullish. Continue with the strategy of taking half profits at 470 and using a breaking of its prior one day low as the stop on the remainder. If we get a reversal day/candle up from 457 then that's also a short-term buy signal, but with caution at these levels. Current stop is a close below 455 for short-term traders only. Larger targets are 500 and 520. Main support level is 441, and its buyable of the if it does happen to drop there at any stage.
- **Nedbank:** hold. It's consolidating before a run to its original med-term target of 180. Short-term stop is a close below 163. Med-term stop a close below 159.
 - **Newgold:** moved sideways over the past week. It's vulnerable to a drop to 120.50. To the upside it needs to close above 128.70 to give an upside breakout for larger recovery rally. It's best to wait for that.
 - **Old Mutual:** has trended down over the past week. Keep a short-term stop on longs as a close below 18.20 for traders only. Med-term its consolidating before a large move to the upside again. My gut feel is it can drop more before getting going again. A close above 19.15 will be a new buy signal for a move to above 20 and most likely 21.
 - **PPC:** it triggered the short-term stop as it broke down from the triangle mentioned last week. It's pointing to a minimum target of 29.60 now. I do think this pullback is temporary and is sign up a chance to get in again at lower levels for the rally to our 34.60 target. Therefore no re-entry trigger here just yet.
 - **Reinet:** it got within 3c of our 14.45 first target and then plummeted yesterday. 3c is certainly close enough to be taking some profit at least. Nevertheless, the stop has not been triggered and one has to go to work again here. It's still a hold and a reversal day up from the 13.85 will be a signal to buy again i.e. add to or to buy for the first time if not in. Target still to 14.45 and med-term to 15. Stop is a close below 13.85.
 - **Remgro:** see Chart 5.
 - **Richemont:** a sharp drop on Monday saw it drop below the stop level to trigger it. It is bouncing back so far which is always very frustrating. A strong close today will be a re-entry signal, but with caution, for a rally to 49.60. Try enter on an intraday pullback tomorrow or next week e.g. to 47.50. Stop a close below 46.45. A breakout and close above 49.70 will see it going sharply higher.
 - **RMBH:** see Chart 7.
 - **SABMiller:** it reached our upside profit target for a nice profit. Its currently pulling back from there. Look to go long again from the 322 level on a reversal day/candle up. Stop will be a close below 318. Target then 333.50.
 - **Sanlam:** went-ex div which accounted for its drop. It's still a hold/ or a new buy on a reversal day up from current levels or lower. Support is at 31.90. Take partial trading profits at 33.60. Further targets are still 34.65 and then 34.90. Short-term only stop is a close below 31.90. Med-term hold.
 - **Sasol:** the current short trade is still a hold. Keep your stop as a close above 372.70. Take partial short profits at 356.60 and more at 355. Lower stop to a breaking of its prior one day high from the 356.50 level. While it is oversold on the larger time frames, I do think it is still vulnerable.
 - **Shoprite:** triggered the further buy signal and mentioned and is still a hold. Current target is 155. Best strategy here as its been all along. Is to just hold it for the med-term+. Short-term stop is a close below 136.
 - **Spar:** Keep holding. It's continues to grind its way slowly higher and is nearing its 122.70 target for taking most short-term profits. Keep some on from there with a breaking of its prior one day low as the stop. Take all trading profits at 124 if reached.
 - **Stanbank:** it triggered the buy signal mentioned last week. It's in a sideways range at the moment and needs to close above 114 to get going again. That will take it up to 118.50. The

- stop for now is a close below 110. If it does trigger that stop look for a drop to 106/105 to buy again. Expect an eventual move to 119/120.
- **Steinhof:** keep holding. Its pulled back over the past week but the trade is still on. First target is 29.65. Take half profits there and continue with a breaking of its prior one day low thereafter as your stop. Right now it needs to close above 28.30 to get going again. Current stop is a close below 27.20.
 - **Tigbrands:** it has triggered the re-entry signal yet for a move to 294. The previous long trade reached its target. A close above 281.80 will trigger the new buy signal, which look like it will happen today. Take some profits at 298 the rest at 294. Current stop a close below 272.
 - **Vodacom:** I like the look for this chart for another short-term buy signal. There is a current long trade still on here from lower down. Keep holding. If not in, then buy (as long as it doesn't close near today's low for it) for another rally. Target to 112. Short-term stop a close below 106.50. if stopped out, re-enter from 104.80.
 - **Woolies:** Mondays drop narrowly triggered the short-term stop. It's currently in a consolidating phase. there is support at 47.40 and a reversal up from there will be a new buy signal for traders. Like with many findi stocks at the moment, its best to just hold for the med-term+. Main support level here is 46. A close above 49.65 will also be a new buy signal, for a rally to 52.

GOLD UPDATE: The JSE gold index has support at 2165, which it's almost reached, and then 2120 if necessary. Right now, I'm looking for a minor rally and then most likely another (and probably final) leg down. As such, there's still no signal to buy as yet. A weekly reversal up will be the first sign, as mentioned here recently. A rally to 2250 is very likely and then another leg down to break recent lows on this index. Med-term it is low risk I believe, but I like to have an actual entry trigger to buy on.

Dollar gold price: the gold price remains under pressure in the short-term, as we suspected it would. The first buy signal (albeit aggressive), will be a close above \$1654. But the main signal to buy will be triggered on a close above \$1680. To the downside, it can still reach \$1610 in the interim. Bigger picture here is still bullish.

Rand gold price: remains in a large consolidating pattern. It needs to close be 13 500 to give the all important upside breakout - that will set up a large rally. Short-term support is 12 680. Its best to wait for that breakout.

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 Apr. '12) **Price (R)** **20-Day MA:** **40-Day MA:**

AECI	91.4000	91.6915	92.2483
AMPLATS	491.5900	521.8700	545.2603
ANGGOLD	255.5000	271.3545	288.0145
ARM	176.5600	179.9365	183.3680
CAPSHOP	40.5100	40.5340	40.6698
DRDGOLD	5.0400	5.4465	5.5842
GFIELDS	97.0000	102.2990	107.0745
GIJIMA	0.4400	0.4840	0.5088
HARMONY	73.2200	80.0905	85.3765
HULAMIN	7.1600	7.6150	7.7975
IMPLATS	149.0400	151.5715	156.2702
INVPLC	44.3000	45.7190	46.9297
LONMIN	125.6100	127.0890	128.7370
M&R-HLD	27.5100	28.0545	28.3703
MASSMART	166.0000	166.2205	168.6673
MONDILTD	69.7000	70.6445	70.7545
MONDIPLC	70.3500	70.8440	71.1328
NAMPAK	21.7500	22.7420	23.0565
NORTHAM	31.6600	33.6560	33.8522
OLDMUTUAL	18.4500	19.2585	19.2920
RAUBEX	13.4000	13.7420	14.1730
REMGRO	129.3000	130.8775	131.1093
SASOL	363.2000	368.1835	378.6948
SUNINT	80.3000	81.0670	82.3643
TELKOM	23.2700	23.8005	24.7162

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

I-CRBSPOT	486.8200	491.2520	496.9667
I-DAX-IDX	6523.0000	6771.9375	6863.5894
I-FT-100	5665.5698	5747.0107	5820.5557
I-NIKKEI	9468.0400	9766.2139	9816.5459
M-BRENT	118.0300	121.4220	123.1125
M-COPPER	81.2000	82.9045	83.8055
M-GOLD-\$	1649.5000	1655.6750	1675.4875
M-PLATINM	1556.0000	1604.8000	1637.7250
M-PLATZAR	12122.0195	12485.3818	12556.4033
C-\$-JYEN	81.5300	81.7020	81.9948
C-EUR-GBP	81.9200	82.6910	83.0880
C-EUR-YEN	107.1000	107.5250	107.9750

SUMMARY

The market is in a general consolidation phase, and that even applies to many of the leading stocks i.e. the findi stocks. Certainly resources stocks have been consolidating (and many dropping sharply) for some time already. There are indications of a potential market rally in May, to take the market up to a

seasonal high period, with a sell off into mid/late-June again. But for now, we'll take it one day/and week at a time.

Overall, prudent advice in current environment is to keep your trading positions much smaller than usual, and to take profits quickly, because markets can (and do) reverse quickly in both directions in these scrappy sideways consolidations.

As always, those who are patient will reap the rewards. And the longer the market continues sideways, then larger those rewards will be.

Finally, look out tonight (Weds) for a US Fed announcement, that will most likely lead to some volatility.

Sincerely,

Colin Abrams
TheMarket.co.za

PS: Remember: Protective stops on all positions!

NEXT COURSE DATES:

CAPE TOWN

Course 1: Technical Analysis - 27 May 2012 (Sunday)

JOHANNESBURG

Course 1: Technical Analysis - 10 June 2012 (Sunday)

Course 2: Advanced Technical Analysis and Money Management - 17 June 2012 (Sunday)

Course 3: Developing Trader Discipline (Trading Psychology) - 27 July 2012 (Sunday)

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

NEXT WEEKS NEWSLETTER:

Due to all the public holidays and long weekend, next week's newsletter will come out on Thursday. I will try get it out in the first part of the day if possible. Enjoy your upcoming long weekend!

VELOCITY TRADE:

Subscribers still considering opening accounts should view some short video clips on how to use the Terminal Velocity platform. It's at the "Education" tab at this link, <http://trade.themarket.co.za/themarket/>

For subscribers who would like to view **due diligence** information on the company (Velocity Trade), please email us and we will forward this to you. info@themarket.co.za

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