

Welcome to TheMarket.co.za Weekly Analysis Report

Date of Issue: 20 June 2012

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Classic Trading Rule:

"The final 10% of the time of a bull market will usually encompass 50% or more of the price movement."

ALL SHARE TESTS CRITICAL RESISTANCE

Introduction:

After a favourable result in Greece, the market has continued higher confirming the bullish signs we spoke about last week. Today the JSE All Share index has tested its critical resistance level of a sideways pattern since February. While it might pull back a bit from here, it is just a matter of time until it breaks out, in my opinion. The markets are awaiting an announcement from the US Fed tonight which will influence matters in the short-term. But there are higher targets on the US stock indices. The **Dow** update shows it having confirmed a short-term bullish pattern that is well formed and has a higher target. The JSE should therefore follow suit, perhaps after a minor pullback from here. The **All Share index** needs to give a definitive breakout above its current resistance level to get it going significantly higher over the med-term. We show a chart of the **USD/Rand**, which has formed a bullish pattern for the rand and is presenting a good trading opportunity here. Then we show a chart of the **copper price** that has bounced off a very important support level. This augurs well for it, as well as for resources shares in general. The stock charts looked at are: **Richemont** (very oversold), **Bidvest** (pausing before a breakout), and **Old Mutual** (new upside breakout).

The small-cap stock is **Nepi**, a property stock with a significantly higher target.

Overall, the picture is looking very much better, and as mentioned here some weeks back, I believe were seeing the best buying opportunity of 2012 taking place. In the immediate short-term though, short-term traders are to tighten stops, but the overall strategy is to be buying pullbacks.

Executive Summary:

- **Dow (chart 1):** Hold from recent buy (and add to) signals. A 1-3 day pullback can still be bought.
- **All Share Inx (chart 2):** Tighten stops on current long trade. Pullbacks remain buyable.
- **USD/ZAR (chart 3):** Go long (buy) the rand at current levels/sell the USD.
- **Copper (\$ (chart 4):** Buy at current levels for the short and med-term, with a tight stop below line 1.
- **Richemont (chart 5):** Buy either a pullback to R45.90 or a close above line 3 – first to happen.
- **Bidvest (chart 6):** Buy on either a pullback to line 1, or a close above line 3 – first to happen.
- **Old Mutual (chart 7):** Hold. Buy at current levels if not in; and add to on a minor pullback.
- **Nepi (chart 8):** Buy for ongoing med-term upside.
- **Leading Stocks (3-mths): Top 40** – Assore, Shoprit, Firstrand, RMBH, Truwths, Aspen, Kumba-IO
- **Resources 10** – Gfields, Exxaro, Anggold, BHPBilliton, Sasol.
- **Shortable stocks/indices:** 14 stocks, 0 indexes, 1 commodity, 2 currencies.

1. MARKET CHARTS

DOW JONES – Higher target

Broad Recommendation: HOLD/BUY PULLBACKS

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

Strategy: Hold from recent buy (and add to) signals. A 1-3 day pullback can still be bought.

Chart 1. (Daily)

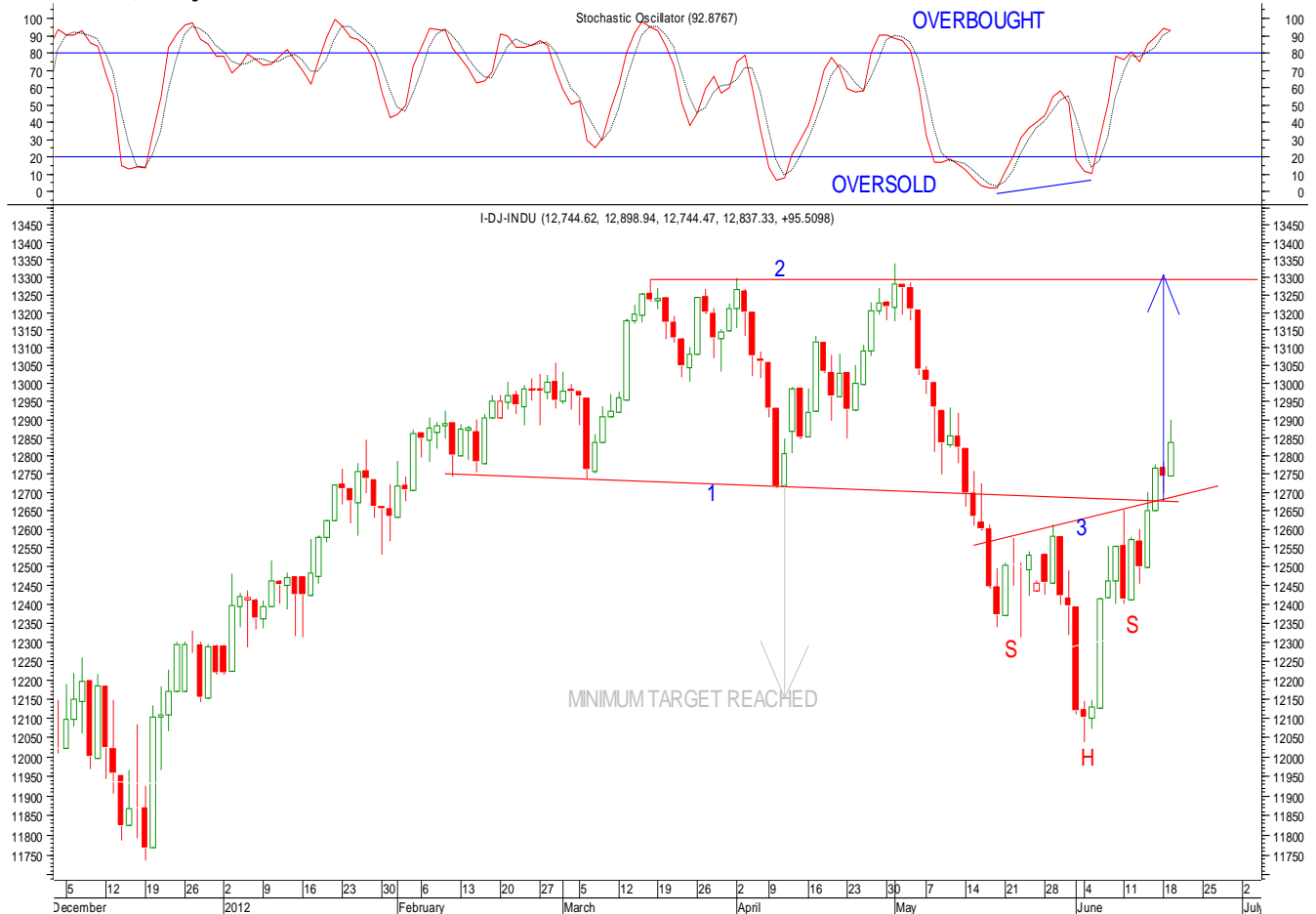


Chart Setup: The Dow has given another buy signal (after our initial one two weeks ago), by breaking out above line 3, its neckline, to confirm an inverse head and shoulders pattern (labelled S-H-S). There is still a higher short-term target in place.

- The short-term Stochastic Oscillator (on top) is in its overbought zone, but because this is the first leg of a new uptrend, it can remain there for an extended period. The weekly Stochastic still has good upside potential.

Strategy Details: Hold from recent buy and ‘add to’ signals. If not in, it can still be bought, but ideally on a 1-3 day pullback e.g. to the 12 700 level. (Note, you can buy now as long as you’re prepared to hold through a pullback if/when down does occur).

Target: Minimum upside target is 13 300 based on the height of the inverse head and shoulders projected up. Tighten stops when it gets there. It will probably stall there for a while, but I’m expecting further upside to 13 700 thereafter.

Stop-loss: Keep your stop wide for now to give it space to move, so place it as a close below 12 300. When it gets to line 2 (13 300) take partial profits, and raise the stop to below its prior two day low.

JSE ALL SHARE INDEX – At resistance today

Broad Recommendation: TIGHTEN TRADING STOPS/BUY PULLBACKS

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

Strategy: Tighten stops on current long trade. Pullbacks remain buyable for the foreseeable future.

Chart 2. (Daily)



Chart Setup: The All Share index has continued higher and is now very near critical resistance at line 2 (34 860). (The Top40 index, shown last week has broken its corresponding resistance level already). There's a reasonable chance of the price stalling at line 2 for a while before breaking out.

- The short-term Stochastic Oscillator (on top) is overbought, but being that it's at the start of (what I believe is) a new ongoing uptrend, it can remain overbought for an extended period.

Strategy Details: Traders tighten stops to a breaking of its prior one day low. If that stop triggers, buy again on a minor pullback to 34 280. But, if it closes above 34 880, buy/re-enter for an ongoing med-term rally.

Target: To line 2 (34 860), but a breakout and close above there (34 880 to be safe) will set up a med-term target to 36 700 i.e. the height of broadening formation 1-2 projected up. Note, if there is a pullback off line 2, then 34 280-34 180 is a good pullback level to buy from for short-term traders. (Note, it's possible that it gives a minor pullback only *after* the breakout).

Stop-loss: Current one-day low is the trailing stop for short-term traders. If buying on a pullback to the mentioned 34 280 level, the stop for that will be a close below 33 800. Med-term, for now give it space, so keep your stop as a close below the support zone of lines 3 at 32 850.

USD/RAND – Bullish target for Rand

Broad Recommendation: BUY (GO LONG) THE RAND

Trend: Short-term rand strengthening. Med term technically rand weakness.

Strategy: Go long (buy) the rand at current levels/sell the USD.

Chart 3. (Daily)

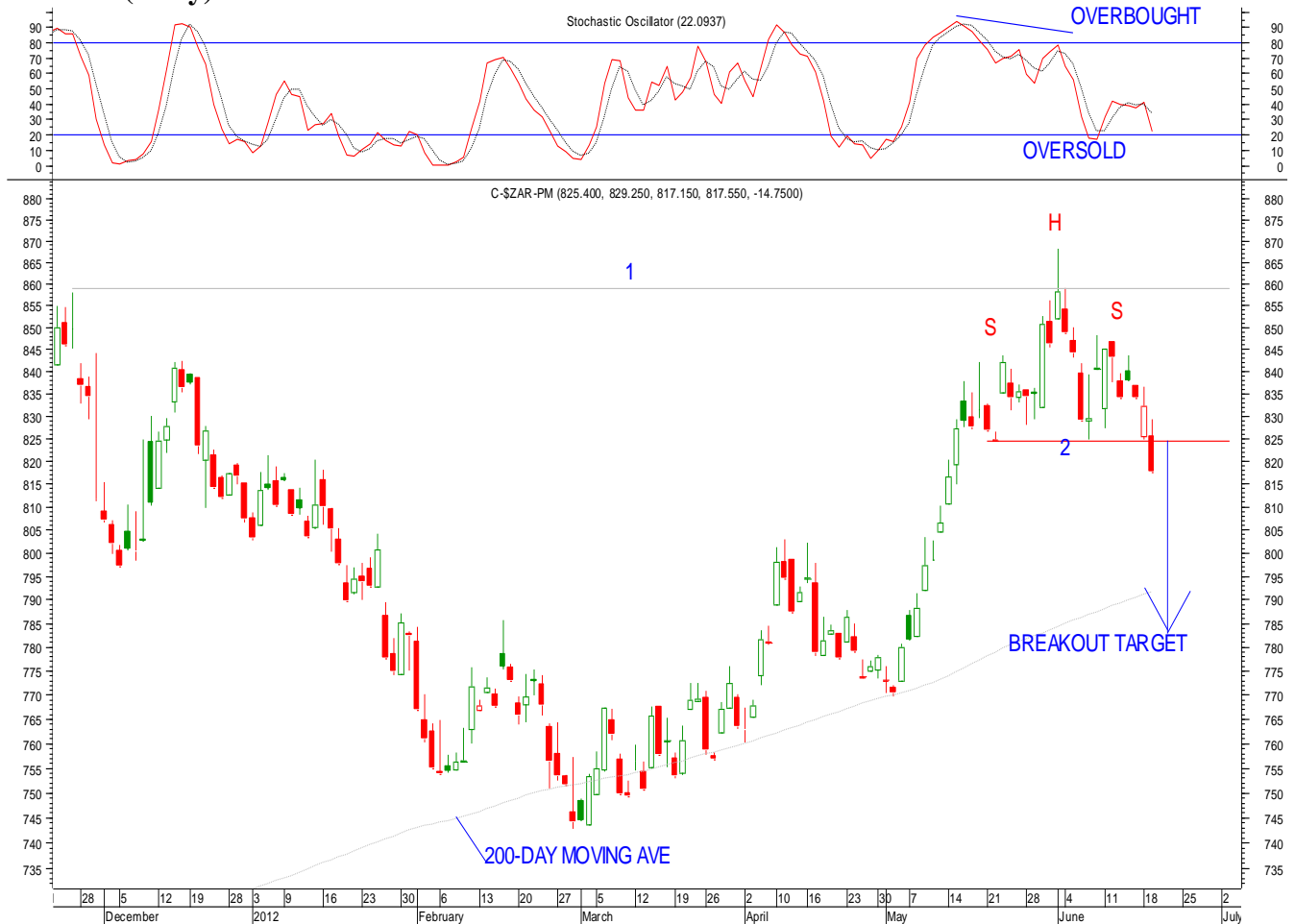


Chart Setup: After finding resistance (support) at line 1 a few weeks ago, the usd/zar has formed a head and shoulders (labelled S-H-S). Yesterday it closed below line 2 (the neckline) to confirm this pattern.

- The short-term Stochastic (on top) can still continue down further before becoming oversold for the dollar. The weekly Stochastic (not shown) is overbought for the dollar (bullish for the rand).

Strategy details: Go long the rand at current levels.

Target: Minimum target is to 7.8320 i.e. the height of the head and shoulders projected down. Note, that will be just beyond its 200-day moving ave, which has been providing dollar support in recent months.

Stop-loss: Initial stop is a close above 8.4650. Once the price closes below 8.03, move your stop to a close above 8.280. Once it closes below 7.95, lower your stop again to a breaking of its prior three-day high and take profits at/near the target.

COPPER (\$) – Testing critical support, oversold

Broad Recommendation: BUY

Trend: Down, but very oversold.

Strategy: Buy at current levels for the short and med-term, with a tight stop below line 1.

Chart 4. (Weekly)

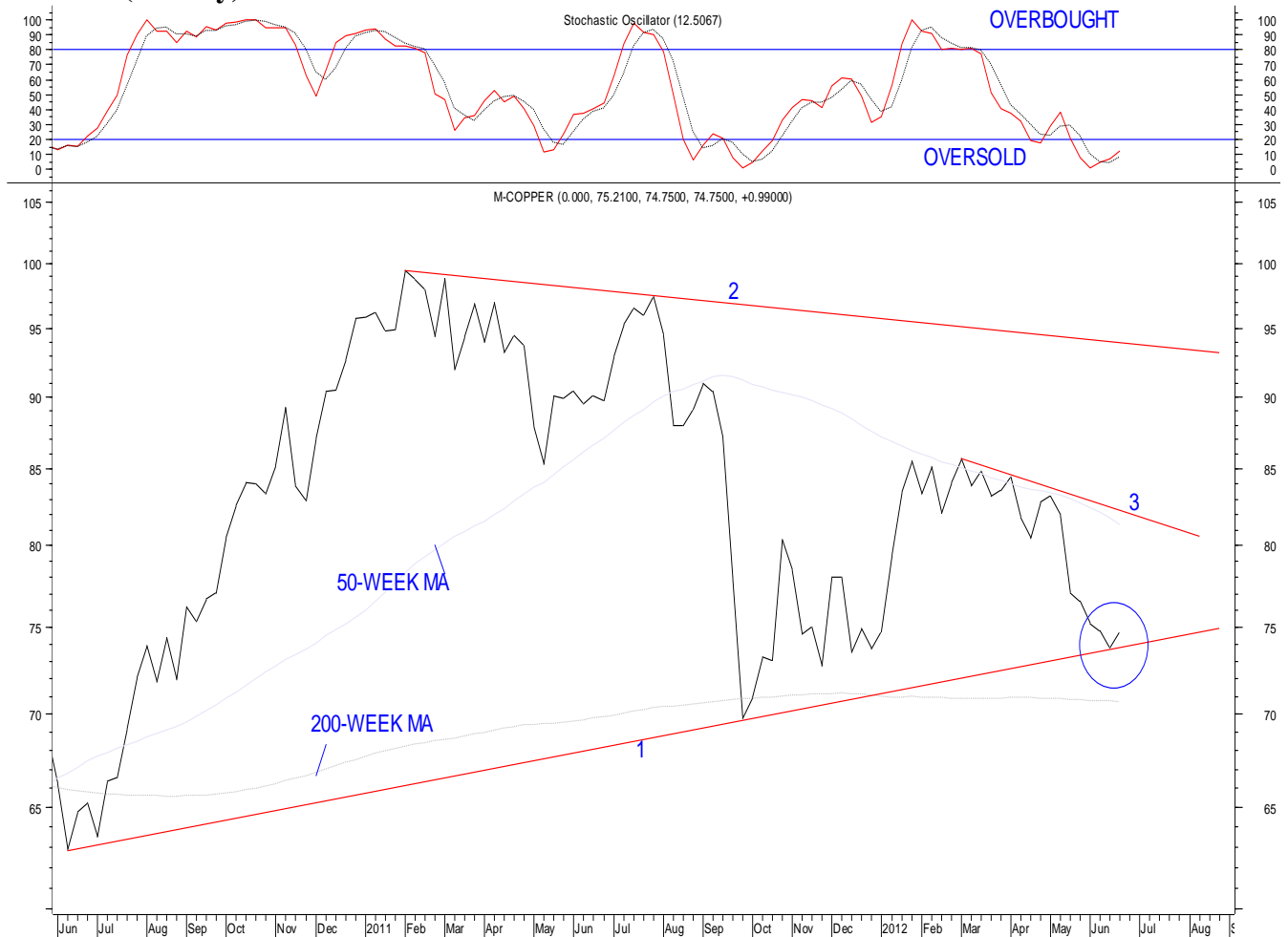


Chart Setup: After falling for many months, the copper price (LME copper) has now reached an important support level (line 1). It's reversed up off there so far, which is a good sign (see circle). This is also positive for resources stocks.

- Also importantly, the weekly Stochastic (on top) is oversold (bullish).

Strategy Details: Buy at current levels for a med-term trade, or if preferred short-term traders buy minor (2-3 day) pullbacks for the foreseeable future.

Target: Look for a move initially to line 3 (8150 level) coinciding with its 50-week moving ave. (The current level of copper is 7505). From line 3 expect a pullback, but if it can break out above there on a closing basis, there's no reason it's shouldn't get to line 2 resistance eventually at 9300 (we will update accordingly).

Stop-loss: Initial stop is a weekly close below line 1. (Line 1 is at 7380 this week, and it's rising at an angle of \$0012 per week thereafter e.g. to 7392, 7404 etc, spot price). Short-term traders wait for two daily closes below line 1, instead of a weekly close. To the upside, take profits at/near line 3 (8130-8150). But a clear weekly breakout above 8150 will be a sign to re-enter long (for the med-term).

RICHEMONT (CFR) – Oversold, bullish pattern

Broad Recommendation: BUY

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

Strategy: Buy on either a pullback to R45.90 or a close above line 3 – whichever happens first.

Chart 5. (Daily)



Chart Setup: Richemont has pulled back over the past month but has formed a falling wedge pattern (lines 2 and 3), which typically breaks out to the upside. It has also found support near line 1, and not far from its rising 200-day MA (providing loose support).

- The MACD (on top) is on the verge of crossing its own (dotted) moving average line to trigger a buy signal, from an oversold level.

Strategy Details: Buy it either on a minor pullback to R45.90/R46, or buy on a close above line 3. Do whichever happens first. (Line 3 is at R48.15 on Weds 20th and its declining at an angle of 15c per day thereafter).

Target: Once the breakout above line 3 occurs, it will set up a target to R52.60 based on the height of the wedge projected up. Lock in partial profits at R51.40 to reduce your overall risk.

Stop-loss: Initial stop if buying on the pullback, is a close below line 1 (R45). If buying on the breakout above line 3, the stop will be a close below R45.75. From R51.40 take partial profits and raise the stop to a breaking of its prior three-day low to protect profits (then prior two-day low as it nears the target).

BIDVEST (BVT) – Consolidating before a breakout

Broad Recommendation: BUY

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

Strategy: Buy on either a pullback to line 1, or a close above line 3 – whichever happens first.

Chart 6. (Daily)

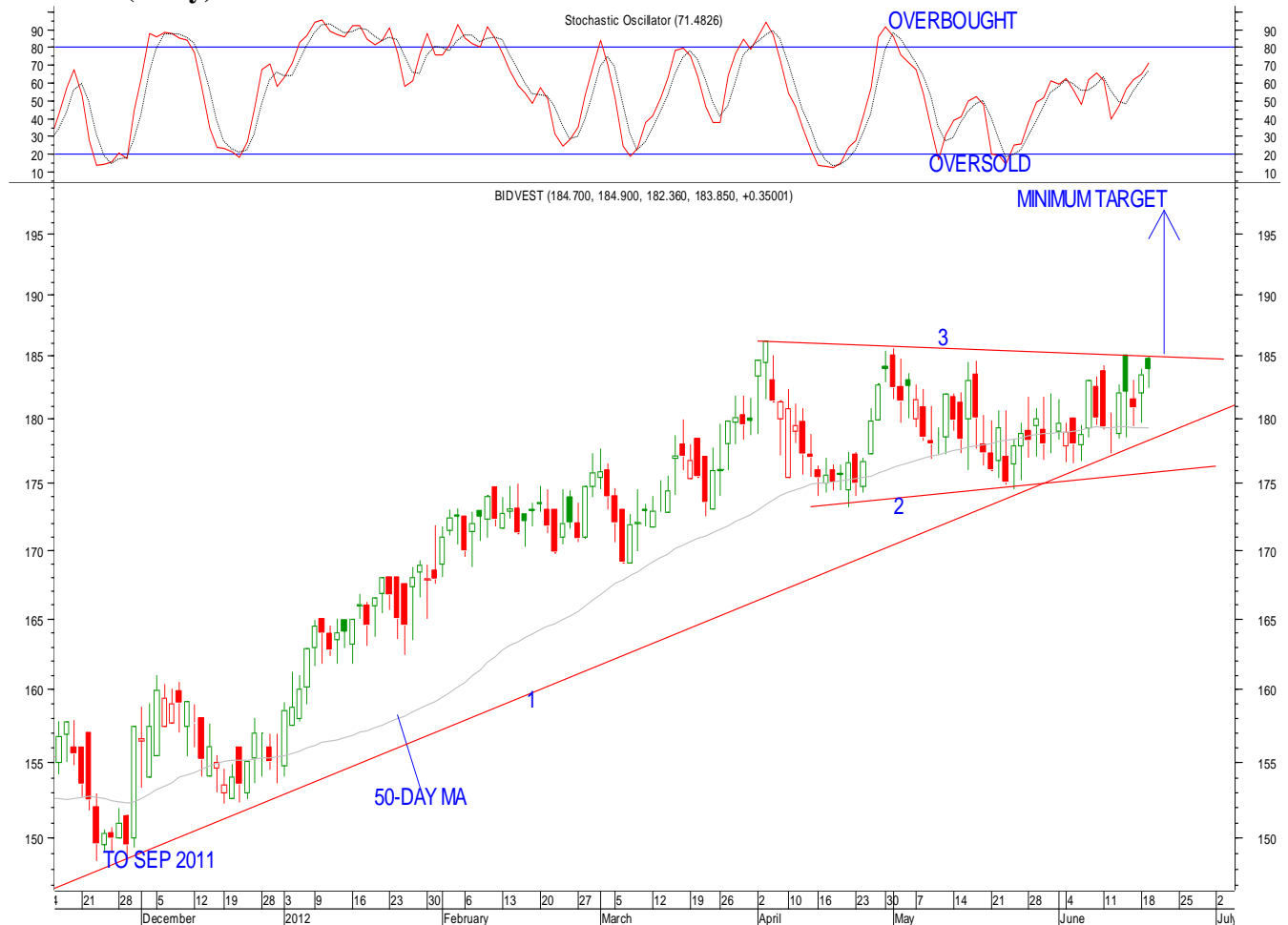


Chart Setup: Bidvest has been moving sideways in a triangle in recent months (lines 2 and 3), building up for an upside breakout in my view. It's currently testing line 3 resistance at R185. I like the fact that it's climbed up line 1 so consistently since September last year.

- The short-term Stochastic still has upside potential.

Strategy Details: Buy it on either a minor pullback to/near line 1 (R180/R179), or, buy on a close above line 3 (R185). Do have happens first.

Target: Once it closes above line 3, the minimum upside target will be R196.70 i.e. the height of the triangle projected up.

Stop-loss: Initial stop will be a close below R178.60. Note, buying on the pullback provides a better risk-reward ratio (see Glossary), buy arguably carries more risk. Once it nears the target (e.g. above R195), use a breaking of its prior two-day low as the trailing stop to protect profits.

OLD MUTUAL (OML) – Bullish breakout

Broad Recommendation: BUY

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

Strategy: Hold from recent signal. Buy at current levels if not in; and add to on a minor pullback.

Chart 6. (Daily)

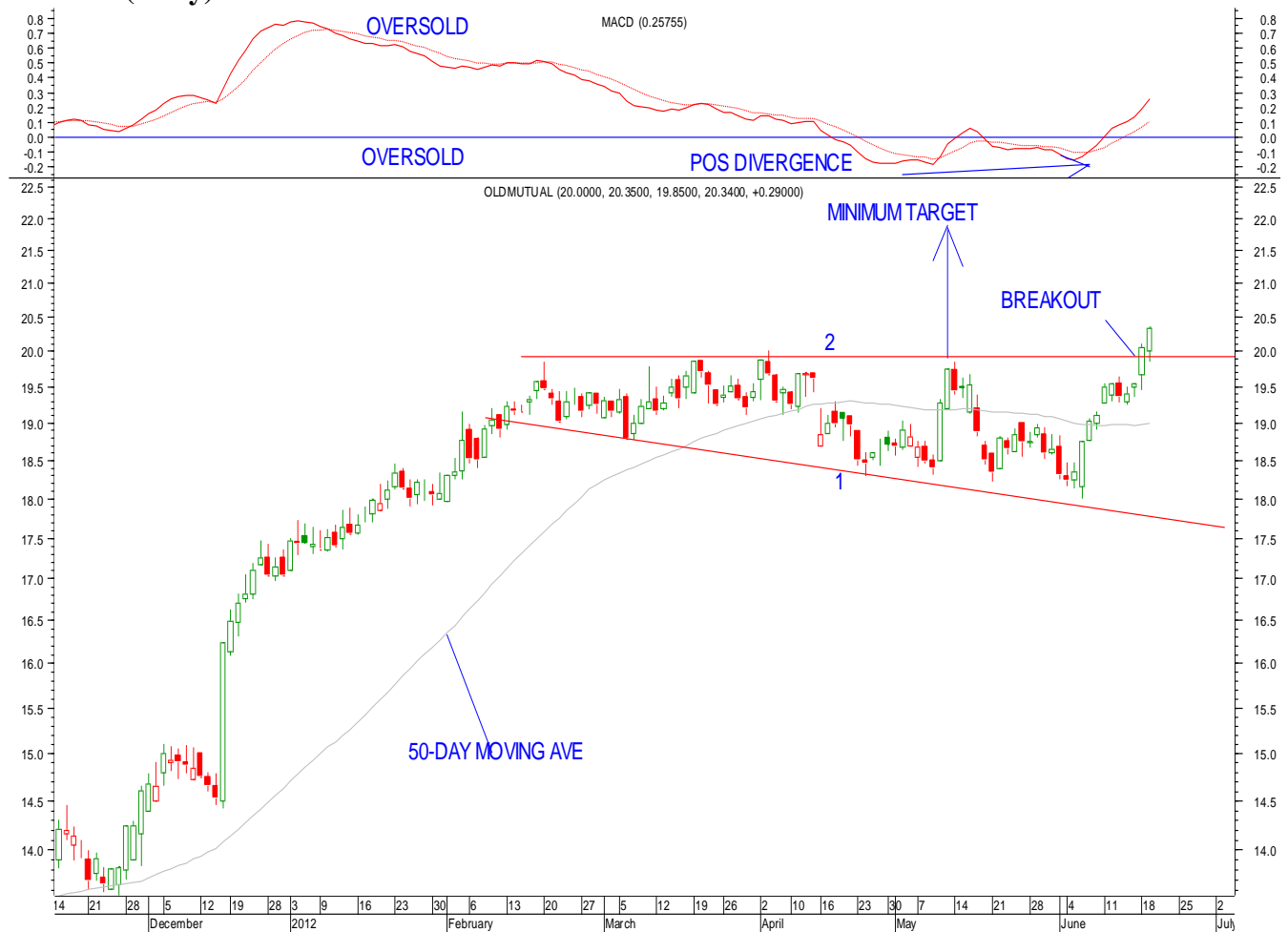


Chart Setup: Old Mutual triggered the buy signal mentioned last week in the Notes & Updates section. If not in, it can still be bought. It has broken out of a large broadening formation (lines 1 and 2).

- The MACD (on top) still has good upside potential after giving a positive divergence from its oversold region. Shorter-term oscillators are currently overbought, but any pullback if one occurs will be temporary.

Strategy Details: Hold from the recent buy signal. If not in, one should buy some at current levels to get a line in. If it pulls back to R19.95 more to be added on a reversal day up.

Target: Minimum target is R21.80 based on the height of the broadening formation projected up. (A few months ago we have a long-term chart and target for it in the The Big Picture newsletter).

Stop-loss: Initial stop is a close below R19.25. Once it gets to the target, take most profits and use a breaking of its prior one day low as the stop, to allow for catching further upside.

2. SMALL-CAP. CHART

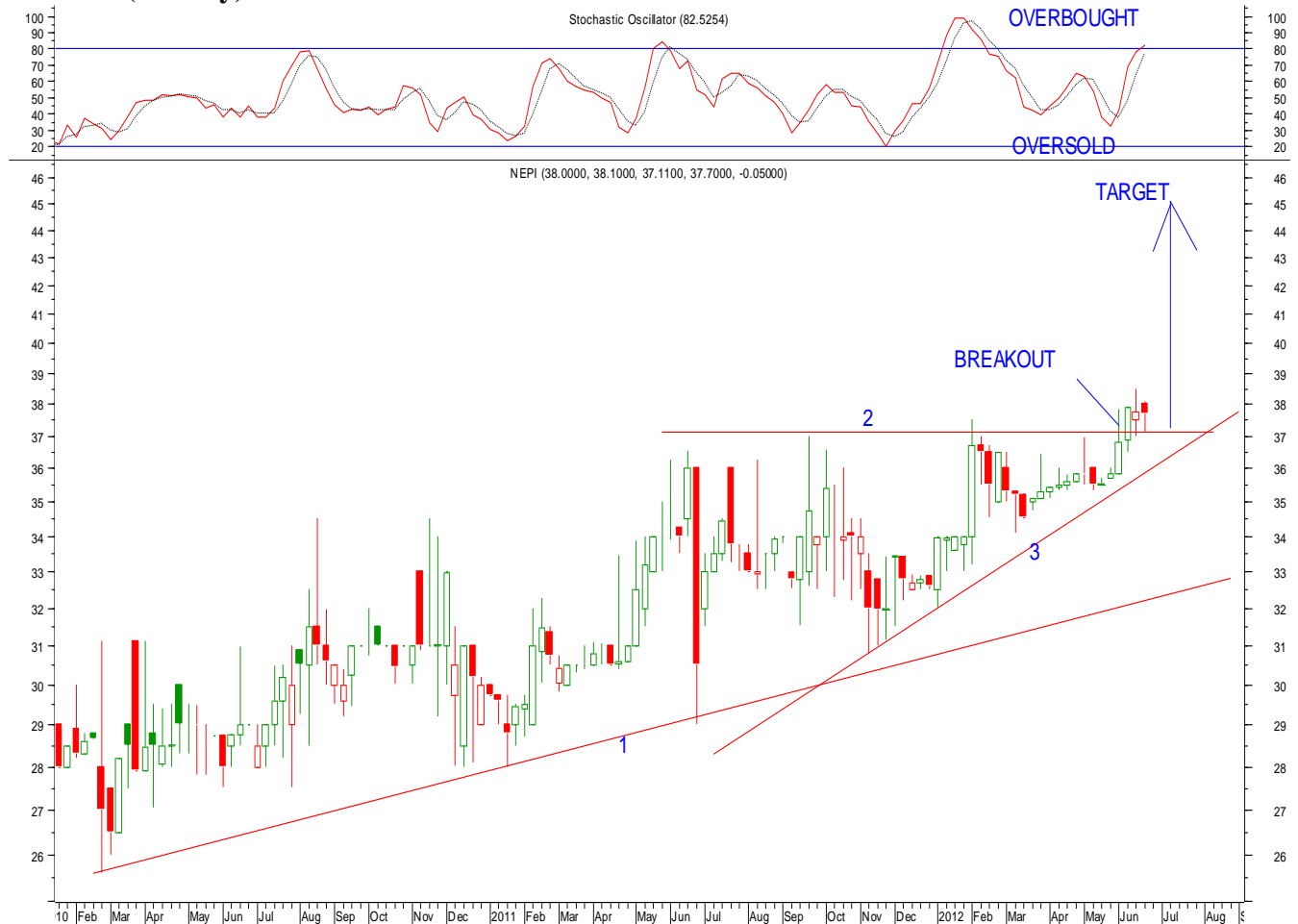
NEPI (NEP) – Bullish breakout

Broad Recommendation: BUY

Trend: Up on all main timeframes.

Strategy: Buy for ongoing med-term upside.

Chart 8. (Weekly)



Sector: Real Estate Holdings

Price: R37.70

Chart Setup: Nepi has broken out of a large ascending triangle (part of line 1, and line 2). It can also be drawn with line 3, as a tighter support line.

- The weekly Stochastic still has upside potential and is not yet fully overbought.

Strategy Details: Buy at current levels for a med-term trade.

Target: Minimum upside target is R45, based on the height of the triangle projected up.

Stop-loss: Initial stop is a weekly close below line 3. Line 3 is at R36.00 this week and it's rising at an angle of 20c per week hereafter. In the event of this being a false breakout, look to buy if it happen to drop to/near line 1 at R32.50, but that looks very unlikely.

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

- **Long:** Conduit, Elbgroup, Mixtel.

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: Assore, Shoprit, Firstrand, RMBH, Truwhs, Aspen, Kumba-IO.

Weakest seven Top 40 stocks: Lonmin, Amplats, Vodacom, Implats, Anglo, Steinhof, MTN.

Strongest five Resi 10 stocks: Gfields, Exxaro, Anggold, BHPBilliton, Sasol.

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

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

- **InvPlc:** a perfect trade here as it continued moving higher until it reached our profit target his morning. There is resistance at 49.80. Expect a pullback soon (probably from there), e.g. to 46.40 level. A reversal day up from there will be a chance to buy again. I think it will break 50. Short-term target will be 52 but med-term to 58.
- **Steinhof:** it hasn't triggered the buy signal yet (so obviously no action to have been taken). If it closes above 25.75 that will be a first buy signal but for aggressive traders. Everyone else buy on a close above 26.30. Targets then 27.50 and potentially 28.50. Stop a close below 24.90.
- **Woolies:** this trade is doing nicely so far, having a good run today. A close above 51.90 will setup further upside to 55.50. Hold/minor pullbacks are still buyable. Stop a close below 48.95 for now.

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):

- **Implats, Anglo, Billiton, Anggold, Harmony, MTN-Group, Woolies, Sasol, Barworld.**

- **Abil:** it's had a good blast off in recent days and is heading rapidly towards our target of 38.10. Take half profits there and use a breaking of its prior one day low as a trailing stop. Further potential to 40.50. Pullbacks will continue to be buyable until it gets there.
- **Absa:** it's still pointing to a target of 159.60 but is such a laggard relative to FSR. For now hold, with a trailing stop as a breaking of its prior two day low for short-term traders. Med-term it technically still has a target to 170 but something is going to have to change to send it to there.
- **Amplats:** it's struggling to get through resistance at the 518-520 level. It's also overbought in the very short-term. Hold for now. Raise your stop to a close below 498.50. A close above 520 will take it higher to 540-544 for taking profit.
- **Anggold:** it's still in a consolidation over the past three weeks which is a pause before more upside. A close above 308 will be a new buy signal. Target to 332. Stop is a close below 298.50. A close below 298.50 will technically point to a drop to 277 but I would not short if it triggers, because I believe the med-term trend is up.
- **Anglo:** it's reached our first profit target today of 285. A close above 283, which looks on course for today so far, will be a further bullish development, and setup more rallying to 315 over the short/med-term. Further potential to 330. It's a med-term hold and short-term traders to buy minor pullbacks for the foreseeable future. Support for a pullback is 277 then 271. Enter after a reversal day up, as usual, if buying on the pullbacks. Stop below the reversal days low. It won't go up to 315 in a straight line, so expect there to be pullbacks along the way.
- **ARM:** it triggered the mentioned buying level and is pointing to a target of 194. There will be pullbacks along the way, but it's a hold/buy on pullbacks if not in. Stop is a close below 169.90 for now.
- **Aspen:** it's reached our first profit target for partial profits to be taken as mentioned last week. It gave a further short-term breakout yesterday and is pointing to a minimum target of 127.10 in the immediate short-term. It's a hold on the majority of this position still. Take more profits at 127.10-127.80. Pullbacks remain buyable, while it might stall at prior highs of 128 for a bit expect it to make its way higher to 135-139 med-term it's a med-term hold; traders buy pullbacks.
- **Assore:** it's reached and exceeded our 306 target for another nice gain. Look for a pullback to the 297 level to buy again, on a reversal day/candle up. Target 320-325. It is very overbought right now.
- **Barworld:** buy, with caution initially for a rally to 91-94. There is some resistance nearby at 85 it needs to close above to continue higher but I think that will happen. Stop is a close below 78.90.
- **BATS:** hold. Take more profits at 420 and the final part of 425 which is the main target I have right now. Stop is currently a close below 404 for the short-term. Med-term below 393.80.
- **BHPBilliton:** it's so far got within a few cents of our 246 target, and further confirmed that the bottom is in as we mentioned recently. Tighten stop when it gets to 246/247, to a breaking of its prior one day low for short-term traders. Pullbacks remain buyable e.g. to 237.80 level. A close above 247.50 will be a further plus and setup more upside to 262 initially. So it's a med-term hold and traders buy minor (2-3 day) pullbacks. Note, a breakout and close above 263 that can hold there for two or three days will be **extremely** bullish for further med-term upside to 350.
- **Bidvest:** see Chart 6.
- **Discovery:** continue holding, It's doing very well and triggered the further buy signal mentioned last week, target to 53.40 initially. A pullback to 50.50 if we get one can still be bought. Stop is a close below 49.80 for traders and below 49 for med-term players.
- **Exxaro:** its only given a 1 day pullback so far. It looks to be heading straight to its 214 target. If you took profits last week as advised it hasn't given a chance to re-enter as yet. It is overbought in the short-term. Any pullback near 204-202 is a chance to buy again. Stop a close below 195.50.

- **Firststrand:** what an outstanding performer as its stopped just a few cents short of our 28 target so far. Take some profits and use a breaking of its prior one day low as the stop on the remainder.
- **Gfields:** its pulled back to our mentioned buying/re-entry level over the past week and is still consolidating before heading higher. Buy it near 112 or a close above 115.50 if not in. Do whichever happens first. Once the latter occurs look for a minimum move to 122 to take half profits. Continue from there with a breaking of its prior one day low as the stop.
- **Harmony:** it pulled back to our mentioned buying level on Monday. It's a med-term hold. It can also be bought on a close above 88.80 (or on weakness back to 85-86). Once it closes above 88.80 it will setup a minimum target of 94.40 for taking half profits. Stop then to prior one day low. Further potential to 101 in the short/med-term. Initial stop right now is a close below 82.80.
- **Imperial:** is edging close to our 176 target. Keep holding though. A close above 174.80 will setup a further move to 181.50 for taking profits. Raise your stop then to a close below 168.
- **Implats:** it triggered the second buy (or add to) signal as advised last week and has confirmed the inverse H/Sh mentioned. Target is 159 and it's a hold. Stop is a close below 139.80 for now. Tighten it as it nears the target.
- **InvPlc:** see update above.
- **Kumba-IO:** its moving up beautifully and is not far from the first target of 597. Use a breaking of its prior one day low from here to take half profits, and take half profits at 597 if it gets there before triggering the stop. Continue with the same stop. Potential to 610 but we'll look to get in again after a pullback if the trailing stop triggers.
- **Massmart:** hold as a med-term buy. I think it has good upside potential here over the med-term. A close above 172.40 will take it up to 189. From there well reassess but it has potential to 198 (all med-term). Current stop a close below 160.50 for the med-term.
- **MrPrice:** hold. It gave a pullback to our new buying level as well, yesterday. Enter on a close above 108.50. Target is 114-115. Short-term stop a close below 104.30. But pullbacks remain buyable (as always). And the best strategy is simply to hold for the med-term+.
- **MTN-Group:** triggered the mentioned breakout and is pointing to a minimum target of 143-144. Take profits there. If not in, buy on a minor pullback to 137.60 level. Stop is a close below 135.50.
- **Naspers-N:** triggered the mentioned new upside breakout. It's a hold/buy on minor pullbacks. Minimum target is to 500. Stop is a close below 450 for now.
- **Nedbank:** reached the first mentioned target (for some profit taking) and has a next target of 181-182. Hold the remainder for that. Raise stop to a close below 171.
- **Netcare:** pullbacks are buying on an ongoing basis for the med-term. Med-term target is 17.80.
- **Newgold:** hasn't had short-term follow through as yet from its recent breakout, but is back into a small triangle pattern. Short-term-only stop is a close below 127.50. It needs to close above 132.60 to get going again and give another buy signal. It appears to be pausing before rallying again. It's a hold for now. But best strategy is to hold for the med-term to a target of 143.80.
- **Old Mutual:** see Chart 7.
- **PPC:** it triggered the mentioned buy signal but great caution advised. I would not feel comfortable with it just yet. Stop is a close below 26.70 (it might retest that level). Target to 29.40.
- **Reinet:** has got to the mentioned short-term target. Med-term target to 15.40. Pullbacks are buyable until it reaches there.
- **Remgro:** it triggers the stop by just a few cents on a steep drop on Monday (not sure if it went ex-div). It is worth re-entering if you were stopped out. Keep your stop as a close below 129. There is a lot of resistance at the 135-136 level that is not getting through. Once it attempts it again and closes above 137.50 look for a rally to the 144 target we've had here for some time. It remains a med-term hold nevertheless.

- **Richemont:** see Chart 5.
- **RMBH:** has continued performing excellently and has reached both mentioned upside targets for profits to be locked in at each level. Keep a trailing stop as a breaking of its prior one day low for now on the final part of this trade.
- **SABMiller:** has got close to the 329 target so far before pulling back a bit today. It's still a hold. Start locking in partial profits from near 328, and then the res at 329-330. If it can breakout and close above 331 that will be very bullish for re-entering, and minor pullbacks thereafter will be buyable again for traders. That will setup a far higher move to 355.
- **Sanlam:** it's very overbought, but as we said, if the market continues up so will it. Its passed our profit targets for some nice profits on this move. It can still get to 36. Minor (2-4 day) pullbacks are buyable.
- **Sasol:** it triggered the new breakout as mentioned and is rallying well also far, it can still be bought (ideally on a minor pullback), for a minimum move to 386.80. Take partial profits there. And continue with a stop like a breaking of its prior one day low for traders. But med-ten keep holding as I believe it will get to 410. Stop a close below 360.
- **Shoprit:** it gave a minor pullback last week for buying. It's on its way to a med-term target of 157-160. Hold, particularly as a med-term position. Short-term traders can trade around that on minor pullbacks.
- **Stanbank:** after a sharp pullback (that did not trigger the stop) its continuing up again. Keep holding. Take half profits at 118 and raise stop from there to a breaking of it prior one day low. If it can close above 118 that will be positive and a re-entry signal for a move to 121 and potential to 124. Current stop is a close below 112.
- **Steinhof:** see update above.
- **Tigbrands:** it reversed up from our 250 buying level to trigger a re-entry but it's still a aggressive for now, keep your stop as a close below 250. If not in rather wait for a close above 264.80 to enter. Or, buy if it happens to drop to 247.50 level and gives a reversal day up. Once to can close above 264.80 it will setup a minimum target of 278.50. Take half profits there and use a prior one day low as the stop on the remainder.
- **Vodacom:** its continued down and has gapped done though its 200-day moving ave which is not a good sign. Its pointing to target to 89. Minor bounces technically are shortable but it's very oversold and I don't feel comfortable shorting at such oversold levels. We'll wait for the next good buy signal to occur, which will be updated.
- **Woolies:** see update above.

GOLD UPDATE: The JSE gold index is in a small channel as it catches its breath before moving up again. It needs to close above 2600 to trigger the confirmed new upside breakout. That will take it to 2760-2790 where the is some resistance. Right now it can still drop to the 2485 level.

Dollar gold price: its pulling back sharply today from a short-term overbought level. It still needs to close above 1635 to get going, in my view. Right now a pullback to 1580 is still possible. Pullbacks are buyable as mentioned last week. Stop is a close below 1577 for traders. Med-term the stop is a close below 1523. Give it space to move for now. A close above 1635 will setup a rally to 1720 initially, with further potential to 1780 – the critical resistance level it needs to break to head to a new all time high.

Rand gold price: Med-term target is still 14 750. Its consolidating and has support at 13 100 and 12 960. The best strategy here is to hold for the med-term or pullback pullbacks for traders but it is volatile in terms of short-term pullbacks, and therefore tricky to time.

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 20 June '12) Price (R) 20-Day MA: 40-Day MA:

AECI	79.8000	80.2260	83.7552
ALTECH	47.7500	49.2150	51.2038
ALTRON	24.5000	24.5495	24.7927
ASTRAL	117.5200	120.4795	121.9330
EMIRA	12.2000	12.2835	12.3947
GRINDROD	14.0400	14.2040	14.8405
GROUP-5	23.5000	23.7275	25.7605
LEWIS	72.2500	73.8705	74.5502
LIB-HOLD	87.0000	87.0065	87.7985
PICKNPAY	43.5200	44.0670	44.6447
PPC	27.6500	27.6910	28.9603
STEINHOF	25.2600	25.7880	26.7220
TELKOM	20.8400	21.5170	22.6600
VODACOM	93.8000	99.4385	102.7458

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

M-BRENT	95.6000	100.9690	107.3928
C-EUR-\$	125.0000	125.1850	127.5400
C-GBP-\$	154.3000	155.3400	158.0475

OVERALL SUMMARY

While the JSE All Share index is testing its critical resistance level today, the typical response at these junctures is some sort of pullback. I believe it will be temporary though, if we get one. I particularly like the fact that there are clearly higher targets on the main US stock indices. The JSE will surely follow them even higher.

All this is very positive news for the JSE and world stock markets. This is setting up an excellent medium-term rally on the market, which I believe will continue for quite a few months (leading up to the US elections). Of course, it will be a volatile time particularly until things really get going (above resistance), but the writing is on the wall (for the bears).

Indeed, many of our recommendations in recent weeks are already showing very good gains, and we're looking for that to continue. Any pullback from current levels will be temporary, and the market is overbought in the immediate short-term. But the strategy remains one of lining up 'buys' on pullbacks. Moreover, if there is positive news out of the US Fed tonight, any pullback will be short lived.

So, we wait patiently to see if the All Share index can break out and close above its critical resistance level (of 34 860 right now). I do believe it's a matter of time.

Sincerely,

Colin Abrams
TheMarket.co.za

PS: Remember: Protective stops on all positions!

NEXT COURSE DATES:

JOHANNESBURG

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

DURBAN

Course 1: Technical Analysis - 19 August 2012 (Sunday)

Please email us if you'd like to attend.

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