

Welcome to TheMarket.co.za Weekly Analysis Report

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By Colin Abrams

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Classic Trading Rule:

"Don't be addicted to action. (Many traders get a thrill out of just being in the market. It's like a drug)."

TWO DISTINCT MARKETS

Introduction:

Last week the JSE All Share index reversed down from its critical resistance level shown in recent weeks. We advised tightening stops there, because such a solid resistance level is rarely broken on its first attempt. The index has slid back sharply since then, with a sell-off triggered by false upside breakouts in the US stock indices. Local resources stocks have borne the brunt of this. But findi stocks for the most part, have held up very well. We see the reality of two distinct markets: resi stocks on the one hand, and findi stocks on the other, continuing to move in largely opposite directions. Indeed traders in findi stocks (to the long side) have been making good money. We update the **Dow**, showing its false breakout. Unless it can rally back very soon, expect another sharp dip there. But I don't think the early-June lows will get broken (not by any significant measure, if at all). The **JSE All Share index** chart shows where support is for the current sell-off. We then show a chart of the **JSE gold index** that broke short-term support recently and is likely to drop a bit more. This correction is lining up a buying opportunity in my view. An interesting chart of the **USD/Yen** is then shown. It appears to be forming a very bullish major reversal pattern. The stock charts are **Shoprit** (higher target), **Imperial** (trying to breakout higher), and **Lonmin** (consolidating before a breakout).

The small-cap stock is **Intewaste**, an AltX stock that has given a bullish breakout of an important level.

Overall, it's still two markets on the JSE: findi and resi. A recent rally in resi stocks (so far) is a false start. The sustainable rally will eventually come there. But for now, the action remains buying findi stocks on pullbacks. Med-term though I still believe resi stocks are low risk.

Executive Summary:

- **Dow (chart 1):** Exit current long trade on a bounce to 12 670 level.
- **All Share Inx (chart 2):** Buy a reversal up off line 4 (33 500), with caution.
- **JSE Gold Inx (chart 3):** Buy on a close above line 2. Aggressive traders buy a reversal up off 2365.
- **USD/Yen (chart 4):** Buy at current levels for a med-term trade.
- **Shoprit (chart 5):** Buy on a close above line 4, or a pullback to line 3 – whichever happens first.
- **Imperial (chart 6):** Buy at current levels or better for a short-term rally
- **Lonmin (chart 7):** Enter in the direction of the upcoming breakout.
- **Intewaste (chart 8):** Start buying at current levels. If it pulls back to 55c add to your position.
- **Leading Stocks (3-mths): Top 40** – Assore, Firstrand, Shoprit, Truwths, RMBH, Shoprit, Kumba-IO
- **Resources 10** - Anggold, Gfields, Exxaro, BHPBilliton, Harmony.
- **Shortable stocks/indices:** 26 stocks, 4 indexes, 4 commodities, 0 currencies.

1. MARKET CHARTS

DOW JONES – Upside breakout failure?

Broad Recommendation: EXIT LONG POSITION ON A BOUNCE

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

Strategy: Exit current long trade on a bounce to 12 670 level.

Chart 1. (Daily)

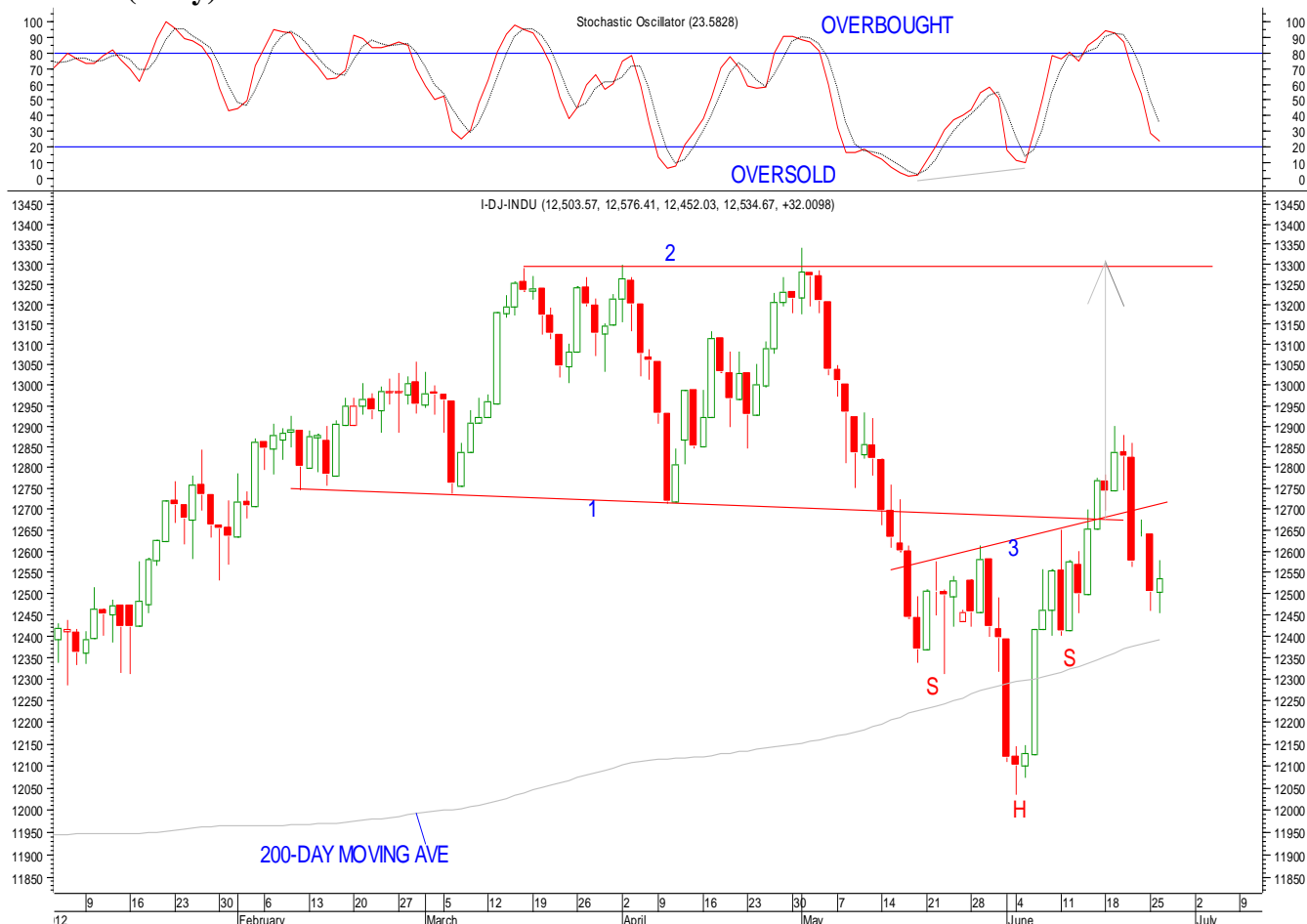


Chart Setup: The Dow now appears to have given a false upside breakout from a recent inverse head and shoulders pattern (labelled S-H-S). Failed patterns are normally very powerful, but in the opposite direction to the original breakout. As a result, great caution is advised here right now (for longs). A breakdown and close below 12 370 will confirm the failed pattern, in my view.

- The short-term Stochastic Oscillator (on top) is nearing its oversold region, but is not oversold yet.

Strategy Details: Exit the current long trade on a minor bounce to the 12 670 level. From there I believe it's best to sit on the sides for a bit to see in which direction a new trend develops. The bias through will be on shorting a minor bounce. But even then, great caution is advised.

Target: The upside target of 13 300 at line 2 is now in doubt, given what looks to be a false breakout. A retest of the June low of 12 035 is possible, but I don't think there will be any significant breakdown below the June low, if at all (the reversal up off the June 4th low as very significant).

Stop-loss: Stop from the recent inverse H/Sh long position, is a close below 12 370. If shorting on a minor bounce, keep a tight stop as a breaking of the high of its prior two days, and then prior one day if it nears the June low.

JSE ALL SHARE INDEX – Back into the middle of its range

Broad Recommendation: BUY LOWER DOWN (WITH GREAT CAUTION)

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

Strategy: Buy a reversal up off line 4 (33 500), with caution.

Chart 2. (Daily)



Chart Setup: Fortunately our advice last week to tighten trailing stops as this index got near line 2 resistance locked in profits. The index has dropped sharply since then without a reversal day/candle up to buy on. The index can still drop a bit further e.g. to line 4 (33 500). Right now, the price continues to remain in its large broadening formation (lines 1 and 2) since February. As such, this is the longest sideways move in the index since 2002, and makes trading conditions difficult.

- The short-term Stochastic Oscillator (on top) is approaching its oversold region, but we need to see signs of a reversal up on the price itself to confirm any new rally.

Strategy Details: Buy if it gives a reversal day/candle up (see Glossary) off/near line 4 (33 500). Note this level is also the 61.8% Fibonacci retracement (see Glossary) of the may-June rally. If no reversal up occurs there, then it's likely to retrace all the way back to line 3 (33 000-32 850), where one should look for a reversal up to buy. I don't expect the support zone of lines 3 to get broken.

Target: To line 4 (33 500), potential to lines 3 (33 00-32 850). To the upside, look for a rally back to line 2 (now 34 900). Once it breaks out and closes above there, it will set up a large rally to 36 800.

Stop-loss: Initial stop for new longs is a close below the low of a reversal day/candle up from line 4. If stopped out, or if the reversal only occurs from line 3, then the new stop will be a close below 32 850.

JSE GOLD INDEX – Approaching support, oversold

Broad Recommendation: PREPARE FOR NEW ‘BUYS’

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

Strategy: Buy on a close above line 2. But aggressive traders buy a reversal up off line 1 (2365).

Chart 3. (Daily)



Chart Setup: The gold index has drifted down over the past week, continuing its correction that started at the beginning of June. It is heading towards a support level at line 1 (2365), which is also a 61.8% Fibonacci retracement (see Glossary) of the May – June rally.

- The short-term Stochastic Oscillator (on top) is entering its oversold region; as a result this correction is probably nearing its end.

Strategy Details: The safest strategy here is to buy SA large-cap gold stocks on a close above line 2. (Line 2 is at 2545 on Weds 27th and its declining at an angle of 10 pts per day thereafter).

- Note, more aggressive traders though can buy on a reversal day/candle up (see Glossary) off line 1 (2365). But this does carry more risk.

Target: It can still drop to 2365 in the very short-term. But once it closes above line 2, look for a rally to line 3 at the 2785.

Stop-loss: For buying on a close above line 2, the stop will be a close below the lowest point made on the current pullback (since early June). If buying on a reversal day/candle up from line 1 (aggressive), the stop should be tight, is a close below the low of that reversal day up.

USD/YEN – ‘Hammering out’ a bottom

Broad Recommendation: BUY (WITH CAUTION INITIALLY)

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

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

Chart 4. (Weekly)



Chart Setup: The above chart is interesting as the dollar/yen is forming a large “potential” inverse head and shoulders (as labelled). It needs to close above line 3 (the neckline) to confirm this bullish pattern. Lines 1 and 2 also form a large falling wedge (a pattern with bullish implications). While it has broken out of the wedge, the breakout isn’t convincing as yet.

- The weekly Stochastic (on top) is relatively oversold and has good upside potential.

Strategy Details: Start buying at current levels, but not aggressively yet. The main signal will be a weekly close above line 3 (83.10). If/when that happens we’ll look to go long aggressively. Note, this is a med-term trade, not short-term. (The current level of the USD/Yen is 79.50).

Target: Look for a rally to line 3 first (83/83.10). Take profits there. If it closes above line 3 on a weekly closing basis, then re-enter long for a minimum target to 92 i.e. the height of the inverse head and shoulders projected up. It will be re-assed from there, but further potential is to 95.

Stop-loss: Initial stop is a weekly (Friday) close below 87.40 (spot price). Once it nears line 3, use a breaking of its prior one week low as your stop. Once it breaks out above line 3, the stop will be a weekly close below 80.

SHOPRIT (SHP) – Higher target

Broad Recommendation: BUY PULLBACKS

Trend: Up on all main timeframes.

Strategy: Buy on a close above line 4, or a pullback to line 3 – whichever happens first.

Chart 5. (Daily)



Chart Setup: After giving a decisive break out of a large wedge (lines 1 and 2) in early-June, Shoprit it's heading towards a higher target. It's currently pausing in the immediate short-term, and a bit more of a pullback is possible, before it continues higher.

- The short-term Stochastic (on top) is not oversold, and it did given a negative divergence (see Glossary) recently from its overbought region. The ideal scenario will be a bit more of a pullback to allow for a lower entry.

Strategy Details: While we have already recommended it as a buy some weeks back on the breakout, it can still be bought. Buy it on either a close above line 4 (R152.50), or buy on a pullback to line 3 (and reversal day/candle up from there). (Line 3 is in the R148.50-R146 zone, where one should be looking to buy). Buying on the pullback will be preferable in this case, because it will allow for greater upside.

Target: Minimum upside target is R157.50 i.e. the height of the wedge projected up.

Stop-loss: If buying on a close above line 4 (R152.50), the stop will be a close below R150. But if buying on more pullback (if it happens), the stop will be a close below R145.50.

IMPERIAL (IPL) – New breakout attempt

Broad Recommendation: BUY

Trend: Up on all main timeframes.

Strategy: Buy at current levels or better for a short-term rally

Chart 6. (Daily)

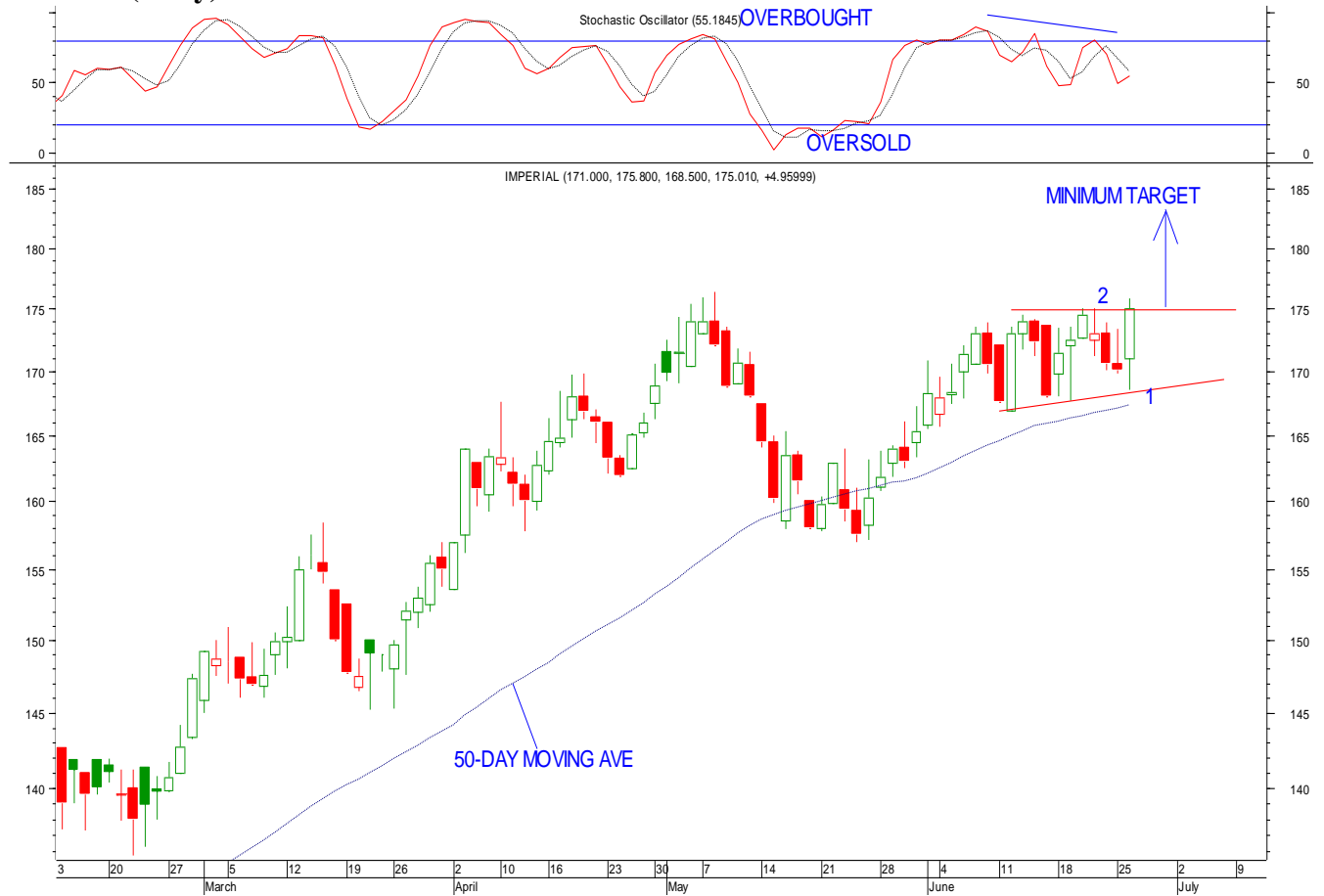


Chart Setup: Imperial is trading in an ascending triangle (lines 1 and 2) over the past two weeks. Yesterday it narrowly closed above line 2 resistance. This a new buy signal, although it might take a bit more effort to get going because it needs to overcome its early-May high, which is resistance, at the same level of its recent June highs.

- The short-term Stochastic has given a negative divergence from its overbought region (typically bearish), but because the price hasn't dropped yet, it has relieved some of its 'overbought-ness' and therefore can still rally before having a decent correction.

Strategy Details: Bottom line , buy at current levels or better e.g. closer to line 1 if at all possible (R168.50).

Target: Minimum target is R183. Take most profits there (for traders) and use its prior one-day low as a trailing stop on the remainder of your position.

Stop-loss: Initial stop is a close below line 1 i.e. a below R168.00.

LONMIN (LON) – A sharp move coming

Broad Recommendation: ENTER IN THE BREAKOUT DIRECTION

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

Strategy: Buy a close above line 2; Conversely, sell short a close below line 1 – first to happen.

Chart 7. (Daily)



Chart Setup: Lonmin has been very weak for the past two years. In the short-term, it's formed a symmetrical triangle (lines 1 and 2). It can break out in either direction, but the odds must favour a downside break.

Strategy Details: While one can trade the boundaries inside the triangle, rather wait for a breakout, and enter in the direction of that breakout. For an upside break, go long on a close above line 2. (Line 2 is at R102.60 on Weds 27th and its declining at an angle of 20c per day thereafter).

- Conversely, sell short on a close below line 1. (Line 1 is at R94.80 on Weds 27th and its rising at an angle of 20c per day thereafter). Do whichever happens first.

Target: For an upside breakout it will be to R112.75; but for a breakdown, to R86.30. (Both targets measured as the height of the triangle projected up or down).

Stop-loss: For an upside break, the stop will be a close below R98.70. For a breakdown, the stop is a close above R99. Once the price nears its relevant target, use a breaking of its prior one day low/high as the trailing stop, to protect profits.

2. SMALL-CAP. CHART

INTEWASTE (IWE) – Important breakout

Broad Recommendation: BUY

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

Strategy: Start buying at current levels. If it pulls back to 55c add to your position.

Chart 8. (Weekly)



Sector: AltX

Price: 62c

Chart Setup: Intewaste has broken out of a well-defined channel (lines 1 and 2), and is pointing to a higher target. The 40-week (or 200-day) moving average has provided good support to a consolidation over the past seven months, which is a bullish sign.

- The weekly Stochastic (on top) is in its overbought zone, so it can give a pullback from here. Nevertheless, I like the fact that it's broken out of the channel, as well as broken out of a sideways range of the past seven months.

Strategy Details: Buy some at current levels to get a line in. If it then pulls back to 55c, buy more i.e. to complete your order (position).

Target: Minimum target is 96c measured as the height of channel 1-2 projected up. This will also coincide with its 2009 highs, which will offer resistance there.

Stop-loss: Initial stop is a weekly i.e. Friday close below 50c. Take partial profits at 79c to reduce your overall risk.

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

- **Long:** Brimstn-N, Foneworx, FortressA, Trnpaco, Trustco,

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, Firstrand, Shoprit, Truwths, RMBH, Shoprit, Kumba-IO.

Weakest seven Top 40 stocks: Lonmin, Vodacom, Amplats, Implats, Steinhof, Abil, Absa.

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

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

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

- **Richemont:** its pulled back over the past week, and hasn't give a reversal day/candle up yet to buy on (something, as you know, I always want to see first before entering – because it tells me that sentiment is swinging from the bears back to the bulls). Today so far it is weak again, and can still drop to 43.90. There is some support at 44.50 though that might hold it up. Either way, the upside breakout of line 3 (see last week's report for the chart) has not been broken, and that's the safest strategy now, to wait for a breaking of it to buy on). It's at 47 today but angling down (refer to last weeks report).
- **Bidvest:** has not given the upside breakout as yet, but it did pullback to the mentioned support level (line 1) to buy on. Place your stop as a close below 176. It needs to close above 184.75 to break out, which will be another buy signal (a more conservative one) for a rally to 196.50.
- **Old Mutual:** it's pulled back over the past few days after its recent upside breakout. Stop is a still a close below 19.25. Target 21.80 short/medium-term. My only concern is that if it continues down for the rest of this week it will be a reversal week down, which will see it drift lower next week. Short-term traders should probably just exit then (if it closes weak on Friday) for a small loss, and re-enter lower down e.g. 19.40/30 level. But for now it's still a hold. A clear reversal day up from current levels or lower will be a buy signal for those not in. The basic strategy here is to be buying pullbacks.

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):

- **Remgro, Newgold.**

- **Abil:** it reached our target for a nice short-term profit. It pulled back sharply thereafter (on Monday). If it retests its recent lows at 35.60 then buy again on a reverse day up. Stop will be a close below 35.20 an target up to 38.50. Right now there are better opportunities though.
- **Absa:** our target given last week was 159.60 and it reached 159.57 (3c which is certainly close enough to take profits in my view). Last Friday's candle was also a reversal candle down (in case there were any doubts). That was very fortunate given its plummet yesterday, which was a 'black swan' event for a blue chip stock. Nevertheless, I can only assume its going to take a lot of work to get back to its former highs. It's pointing to a minimum target of 140.50 now, and potentially as low as 134 eventually. There's no reason to be buying at the moment. I don't think it's a bargain. Minor 92-3 day) bounces are shortable.
- **Amplats:** it struggled to get through that 520 level and then fell sharply on Friday, which fell through our mentioned stop. That's the downside of waiting for the closing price to exit, sometimes it can fall hard through the stop level. A retest of its recent 463 lows is possible now. It is also getting oversold in the short-term though. Aggressive traders can buy if it gives a clear reversal day/candle up from the 464 level (like it did on 4th June). Stop a close below 462 and target to 510. Caution advised though because it's in a downtrend.
- **Anggold:** it triggered the downside break of a consolidation pattern mentioned last week. I thought it was likely to break to the upside but because the upside breakout buy signal didn't occur, no action (buying) was to be done (which is why I always want the market to 'tell' me if I should enter or not). I suggested not to short if it broke to the downside. Minimum target now is 281. It is getting oversold. But there's no signal to be buying yet. Technically it will need to close above 300 to trigger a new buy signal.
- **Anglo:** after reaching our first target of 285 it gave a further upside breakout of an inverse head and shoulders, much like the Dow/ S&P500, but like those indices the upside breakout has proved to be a false breakout. On Friday it formed a bearish reversal week/candle down. It fallen back sharply as a result. Indications are that it will make a bottom on Friday (29th). I do think it will struggle to break its June low around 254. A clear reversal candle up from the 261 level will be an aggressive buy signal, with your stop below the reversal days low, and target back to 287. But I can't help feel we're near a major low here on a med-term view, with the actual bottom being the early June low. Nevertheless, caution advised here for the next few days.
- **ARM:** it's reversed sharply lower after giving a false breakout last week. This stock is very volatile. It's now testing important lows at the 165-164 level and is oversold. If you're still in, given that it's so close to important support lows it's not worth exiting right now. Keep your stop as a close below 163. A very clear reversal candle up from current levels will be a buy signal albeit it aggressive. Look for a bounce back to 175-180.
- **Aspen:** findi stocks are just so much easier right now than resi stocks. Aspen got within a few cents of our 127.10 short-term target last week before drifting lower. (the reversal candle down last thurs, near our target, was a signal to take short-term profits). Nevertheless, it's still very much a med-term hold, and still a short-term hold if you're still in. Stop is a close below 120 in

- the short-term, and the price looks to be wanting to go higher again right now. Lock in partial profits at 127.10 and use a breaking of its prior 1 day low as the stop from there. Med-term 135-139 is still very attainable.
- **Assore:** it's reached our mentioned pullback level to buy again and gave a reversal candle up from there yesterday. Buy on a break above 307 for a rally to 320. Take partial profits at 315 and use a breaking of its prior 1 day low as the stop from there. Initial a stop is a close below 296.50.
 - **Barworld:** keep holding. It's moved sideways to slightly down over the past few sessions. It is potentially formed an inverse head and shoulders. A close above 83.40 will confirm that and point to a minimum target of 89. Stop is a still a close below 78.90.
 - **BATS:** it's reached our first target of 420 for partial profit taking and today stopped R1 short of the 425 target so far. No harm in taking more short-term profits here, and use a breaking of its prior 1 day low as the trailing stop. It can still get closer to 427 in the short-term.
 - **BHPBilliton:** it got within just a few cents of our mentioned 246 target last week and we advised then to tighten stops to a breaking of its prior one day low. That will have locked in remaining profits and protected you from the slide we've seen over the past few days. Last week it gave a bearish reversal week down. The follow through this week can still take it lower i.e. closer to its 220/219 early June lows. It is getting oversold in the short-term and I do not expect any significant break of the June lows, if at all. Therefore, the June rally so far has proved to be a false start, but it is oversold on the weekly charts as well. If it gets to that 220 level and gives a clear reversal day/candle up then aggressive traders to start buying again, with the stop a close below 217. Target to 245 initially then.
 - **Bidvest:** see update above.
 - **Discovery:** it got to our mentioned 53.40 target exactly yesterday before reversing down. So a nice profit made on that trade. It's overbought in the short-term, so look to re-enter on a bit of a pullback to 51.60-51.10. Stop a close below 50.80; target to 54-54.50.
 - **Exxaro:** it gave a reversal day/candle up yesterday for the first time on its drop in recent days. It's oversold in the short-term but still vulnerable. Stop is a close below 190.50 but I don't feel confident about holding it long in the immediate short-term. It can drop to below 190 but its main, larger support level is 183. If it happens to drop near 183 then buy on a reversal day up, with your stop a close below 183. For now take half profits at 203 and use a prior 1 day low as your stop from there.
 - **Firstrand:** it reached our 28 target for another rally good profit in this market-leading stock. It's overbought and has support at 26.40. It can drift to there. But overall it's moved about 30% since we recommended it a few months ago, and is overbought on a med-term view. I would want to see how it acts at the 26.40 level before considering re-entering. Med-term stop is a close below 25.90.
 - **Gfields:** it broke short-term support triggering the short-term stop. (there was actually no clear reversal candle up to buy on though beforehand). Right now it has some support at 105, but needs to close above 112 to trigger a new buy signal, for a rally to the 122 level..
 - **Harmony:** like GFI it broke below short-term support, triggering the trading stop. It has support at 78.60, but needs to close above 84.30 to trigger a new buy signal. It's very oversold in the short-term. The buy signal will take it back to 89.50. Stop will be below the low of the current short-term correction.
 - **Imperial:** see Chart 6.
 - **Implats:** like the US stock indices it gave a false upside breakout of an inverse H/Sh. It gave a reversal candle shown last week and has pulled back sharply, triggering the stop. It's oversold but can still retest its June below 130. Very frustrating as its given a false start. But I dont think it worth shorting at these levels. We'll see how it reacts at/near the June lows regarding buying.

- **InvPlc:** it's still a bit overbought and would like to see more of a pullback before buying again e.g. at 46.90 or a bit lower. A reversal day up from there will be buyable. Stop then will be a close below 46.20 and target to 49.50-49.80.
- **Kumba-IO:** it reached our 597 target beautifully for a really nice profit, and then dropped very sharply thereafter. It's hugely volatile at the moment, in both directions. It has support at 547, and then 540. I don't like the massive 'gravestone doji' last week on its weekly chart. I don't see any clear trade right now but a retest of last week's high (599.50) is possible before it heads down. Another option is it might be forming a head and shoulders in the short-term, but more data is needed to confirm that.
- **Lonmin:** see Chart 7.
- **Massmart:** no change. 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 we'll reassess but it has potential to 198 (all med-term). Current stop a close below 160.50 for the med-term.
- **MrPrice:** take partial short-term profits from 111.80 and use a breaking of its prior 2 day low thereafter as your stop. Target to 113-114 short-term. Current trading stop a close below 108.20. But the best strategy remains to simply hold for the med-term+.
- **MTN-Group:** got perfectly to our 143-144 target range for profit taking as advised. Pullbacks are buyable but with caution now. Pullback level to 139.40 or lower on a reversal up. Stop below the reversal days low. Target back to 143.40/144.
- **Nampak:** a good med-term target here to 27.90 as a first target with further potential to 29. Stop a weekly close below 23.50.
- **Naspers-N:** after a recent breakout, it's pulled back but did not trigger our mentioned stop. Today fortunately it's rallying back sharply based on some corporate news. Take half trading profits at 475-477. From there use a breaking of its prior one day low as your stop. A close above 477.50 will be a re-entry signal for a rally to 490/500 but I'm not sure that's going to happen just yet.
- **Nedbank:** has stopped fractionally short of our 181 target (remember this target was given in December last year. It is overbought in the short-term. As you know, when it gets that close to a target one should always take at least partial profits. Keep your stop for now as a close below 171. Med-term stop is a close below 164.75. A close below 170 will point to a pullback to 165.
- **Netcare:** pullbacks are buying on an ongoing basis for the med-term. Med-term target is 17.80.
- **Newgold:** has been consolidating in recent weeks but hasn't triggered our mentioned stop yet. It is also quite volatile. A close above 131.50 is needed to get it going again, and will also be a new buy signal. For now it's still a hold. Place your stop as a close below 127. If we get the upside breakout take half profits at 136. But best strategy is still to hold for the med-term to a target of 143.80.
- **Old Mutual:** see update above
- **PPC:** as mentioned last week, I did not feel comfortable with a long position here at all, and it did go on to trigger the stop. Technically bounces are shortable but it is very oversold so that is risky at these levels as well.
- **Reinet:** has stopped a few cents short of the 15.40 med term target so far. Start taking some profits from 15.30 and use a prior 1 day low as the stop.
- **Remgro:** it's retested med-term support levels and that looks to be holding quite well for now. However, buy near 130, with your stop a close below 129.50. No aggressive buying advised yet though. There is a lot of resistance at the 135-136 level that is not getting through. Take profits there. Once it attempts it again and closes above 137.50 re-enter and look for a rally to the 144 target we've had here for some time. It remains a med-term hold nevertheless.
- **Richemont:** see update above.
- **RMBH:** excellent profits locked in here on the final part of this trade as per the mentioned trailing stop. It's overbought in the short-term, and a close below 35.25 can see it drop further, to

- 34.30. No new buying signal just yet for traders. Med-term its still a hold but taking partial profits after the great run its had is always good idea.
- **SABMiller:** reached our upside profit target for a good gain. It is overbought in the short-term so might struggle to breakout above this 330/331 resistance area. If it can breakout and close above 331 on a weekly closing price, that will be very bullish for re-entering, but on a pullback thereafter because its short-term overbought, and minor pullbacks thereafter will be buyable again for traders. That will setup a far higher move to 355. For now, short-term support is 322.75. A close below there will take it down to 315.80.
 - **Sanlam:** reached our 36 target for more profit taking. Ts very overbought right now so caution is advised. A retest of 36 is very likely in the coming days though. Support is 34.95. I'd like to see a decent sell-off before buying again.
 - **Sasol:** this stock has been so volatile recently, almost untradeable. It gave an upside breakout, rallied but then failed. (along with the US sock indices). As a result, our stop as triggered. It's now breaking below an important short-term support level of 347. Minimum downside target is 337.50-336. It's too volatile to trade right now in my opinion (unless you hold it for a 2 or 3 days maximum, in either direction. But, why make life difficult for yourself, rather trade the findi stocks to the long side on pullbacks (or short resi stocks when they're overbought).
 - **Shoprit:** see Chart 5.
 - **Stanbank:** it reached the 118 target for taking half profits. It then triggered the re-entry signal, but pulled back sharply since then. It has support at 110.60. Keep your stop as a close below there and exit if you did re-enter, on a move back to 117. It will need to give a decisive close above 118 and stay there for two days before an new upside breakout is confirmed.
 - **Steinhof:** it continues to drift down with no buy signal being triggered as yet. It is also too oversold to be shorting in my opinion. I would want to see a close above 26.30 to trigger a buy (or a close above 25.80 for aggressive traders). Bit right now there are better opportunities elsewhere. I will monitor for a new med-term buy signal though.
 - **Tigbrands:** it broke to the downside out of short-term consolidation. The long trade was aggressive as mentioned last week and therefore risky; it triggered the stop on that for a small loss. The trend is still down for now. It has support in the 247-245 range but buy it is bottom picking, and therefore dangerous. No new trade for now. If it closes above 257.50 then buy, with caution, for a rally to 270, and a stop below the low of the current sell-off. No large position advised.
 - **Vodacom:** it's very oversold on both daily and weekly charts. A snap-back to 96.50-97 is very possible but I will not buy for that as the trend is clearly down. It will need to prove that the trend has turned up again for me to buy it. It does have support at 92. If it bounces to the 96 level we'll consider shorting it, but it will need to be a convincing short because its still very oversold. Right now there's no action to be taken here.
 - **Woolies:** it's had a good run but pulled back in recent days. Still, if you consider how week the All Share index has been in recent days, weeks, and months, you can see where the main buying is taking price (in stocks like WHL). It's still a hold. A close above 51.15 will see it challenging its recent high. Lock in partial trading profits at 52. Further potential to 55 eventually. Pullbacks remain buyable, Current stop for traders is a close below 49.40.

GOLD UPDATE: see Chart 3 for commentary on the JSE gold index.

Dollar gold price: it continued drifting down, with no new buy signal triggering. It needs to close above \$1620 to trigger a new buy signal. It's still vulnerable in the very short-term, with a retest of the 1530 level still a possibility. Wait for the new buy signal. When it happens it will letup a minimum target to 1720. This is still a large consolidation in a massive bull market. Right now there's no saying when this consolidation will end, but the med-term stop is a close below \$1523. If that stop does

happen to trigger it doesn't mean the bull market is over, just means a larger consolidation continuing until the bull market resumes. On a percentage basis the consolidation of recent months has not been large, as a percentage of its larger bull market. So, the long-term trend is still up.

Rand gold price: It needs to close above 13450 to get going again. Med-term target is still 14 750. Its consolidating and has support at 13 100 and 12 960. Support is 12 920, then 12 600. The best strategy here is to hold for the med-term.

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

| | | | |
|-----------|----------|----------|----------|
| ABSA | 143.5000 | 152.3115 | 153.2867 |
| AECI | 78.2000 | 79.3840 | 82.4258 |
| ALTECH | 48.5000 | 48.6455 | 50.6053 |
| ANGLO | 269.8700 | 270.9010 | 273.7095 |
| ARCMITTAL | 53.2000 | 53.5720 | 54.1680 |
| ARM | 168.5000 | 173.2850 | 173.4427 |
| ASTRAL | 117.2500 | 119.2670 | 121.2385 |
| BARWORLD | 81.0000 | 81.6900 | 84.4320 |
| BASREAD | 12.3700 | 13.3970 | 14.0050 |
| BILLITON | 229.1300 | 231.4640 | 232.7068 |
| GRINDROD | 13.5200 | 13.8615 | 14.6287 |
| GROUP-5 | 23.0000 | 23.5590 | 24.9620 |
| IMPLATS | 135.8700 | 139.6365 | 140.4475 |
| LEWIS | 70.2900 | 73.2140 | 73.9822 |
| LIB-HOLD | 85.8600 | 86.6825 | 87.5275 |
| LONMIN | 96.2700 | 96.8340 | 104.1180 |
| M&R-HLD | 25.0700 | 26.6805 | 26.9295 |
| NORTHAM | 25.1000 | 26.7300 | 28.0915 |
| PPC | 26.6000 | 27.4240 | 28.5210 |
| REUNERT | 67.5800 | 68.7845 | 69.4230 |
| RICHEMONT | 45.3300 | 46.6495 | 47.6462 |
| SPAR | 111.8000 | 112.5350 | 112.8170 |
| STEINHOF | 25.0500 | 25.4920 | 26.3727 |
| TELKOM | 20.1200 | 20.5390 | 22.2253 |
| TIGBRANDS | 249.0900 | 254.1060 | 262.3972 |

VODACOM 94.4000 97.1230 100.9577

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

| | | | |
|------------|------------|------------|------------|
| I-DAX-IDX | 6132.3901 | 6180.4893 | 6310.2412 |
| I-DJ-INDU | 12502.6602 | 12505.7471 | 12608.5254 |
| I-NASDAQ | 2836.1599 | 2842.2185 | 2869.3940 |
| I-SP500 | 1313.7200 | 1319.3750 | 1329.5962 |
| M-BRENT | 90.6700 | 96.6760 | 103.7645 |
| M-COPPER | 73.4200 | 74.3610 | 77.1233 |
| M-PLATINM | 1433.0000 | 1445.4000 | 1458.8250 |
| M-SILVER\$ | 2744.0000 | 2810.0000 | 2839.9751 |

OVERALL SUMMARY

The overall sideways range on the All Share index has made trading very difficult in recent months, but more consistent gains have been achievable by buying findi stocks on pullbacks. Resources stocks have indeed been very difficult to trade because of this volatility in both directions. The steep sell-off of recent days is a perfect case in point.

Given events overseas, the markets are understandably very nervous, and news events coming up like a conference in the EU later the week, will have a bearing on new price direction. Also, next week the US Fed meets, and I think it will be a particularly important meeting if they are going to print more money (i.e. introduce a form of QE3). Frankly, if Obama does that soon, time will be running out for him to be (certain of being) re-elected. He knows that, he 's not a fool.

So, bottom line, great caution is still advised. Overall, my bias has not changed – I'm looking for a very solid rally into November. It's quite possible (and likely) that the early-June low is the bottom.

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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