

Welcome to TheMarket.co.za Weekly Analysis Report

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Classic Trading Rule:

"When you see a trend, jump on it."

CONTINUE WITH WINNING STRATEGY

Introduction:

The winning strategy is to be buying large cap findi stocks on pullbacks, and either shorting large-cap resi stocks on rallies, or avoiding them another. This has been our recommended strategy for most of 2012, and remains so. The one positive concerning resources though, is a breakout in BHPBilliton over the past week, which I like. That might be the start of a turnaround in resi stocks, but it's still too early to say. In the meantime, stick with where the "low hanging fruits" are, which is large-cap industrial and selected fini stocks. The **Dow** chart shows it having broken out above short-term resistance, which is a positive sign. Be aware that there are some important news events/meetings taking place overseas this week which will move prices (Fed meeting, US jobs data, ECB etc). The **JSE All Share index** chart shows it having hit our main resistance level yesterday and is trying to get back there today to retest it. It's overbought in the short-term but building up for the eventual (and long-awaited) breakout, in my view. We also show a chart of the **Gold price (\$)**, which broke out last week, and is pulling back today from an overbought level. We then show a chart of the **JSE Banks index**, which has a higher target despite a sharp sell-off yesterday. The stock charts shown are **MTN-Group** (important upside breakout), **Richemont** (higher short-term target), and **MMI-Hldgs** (a new rally getting underway).

The small-cap stock is **Calgro-M3**, a good performer, which has given a new breakout.

Overall, we're still in the most news-driven stock market for many a year. One day Europe is fixed then the next day it's not. Caution is therefore still advised overall; but as one can see, buying the strongest stocks on pullbacks pays off, and will always pay off. That should continue to be the strategy for now.

Executive Summary:

- **Dow (chart 1):** Hold from recent breakout/Buy on a reversal day up from current levels or lower.
- **All Share Inx (chart 2):** Traders re-enter long on a reversal up from lines 5 (34 400-34 290).
- **Gold (\$)** (chart 3): Buy on a minor pullback closer to \$1600 (on a reversal day up).
- **JSE Banks Inx (chart 4):** Hold current bank recommendations/or, buy on 2-3 day pullbacks.
- **MTN-Group (chart 5):** Hold from recent breakout/buy. Add to if pulls back to R146 level.
- **Recent (chart 6):** Hold from recent signal/Buy some now and the rest on a pullback to R45.40
- **MMI-Hldgs (chart 7):** Traders buy at current levels for a short-term trade.
- **Calgro-M3 (chart 8):** Buy at current levels for a med-term rally.
- **Leading Stocks (3-mths): Top 40** – Truwths, Shoprit, Growpnt, Assore, Aspen, Harmony, SABMiller
Resources 10 - Harmony, Anggold, Gfields, BHPBilliton, Sasol.
- **Shortable stocks/indices:** 15 stocks, 0 indexes, 0 commodities, 3 currencies.

1. MARKET CHARTS

DOW JONES – Upside breakout

Broad Recommendation: BUY PULLBACKS (WITH CAUTION)

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

Strategy: Hold from recent breakout/Buy on a reversal day up from current levels or lower.

Chart 1. (Daily)

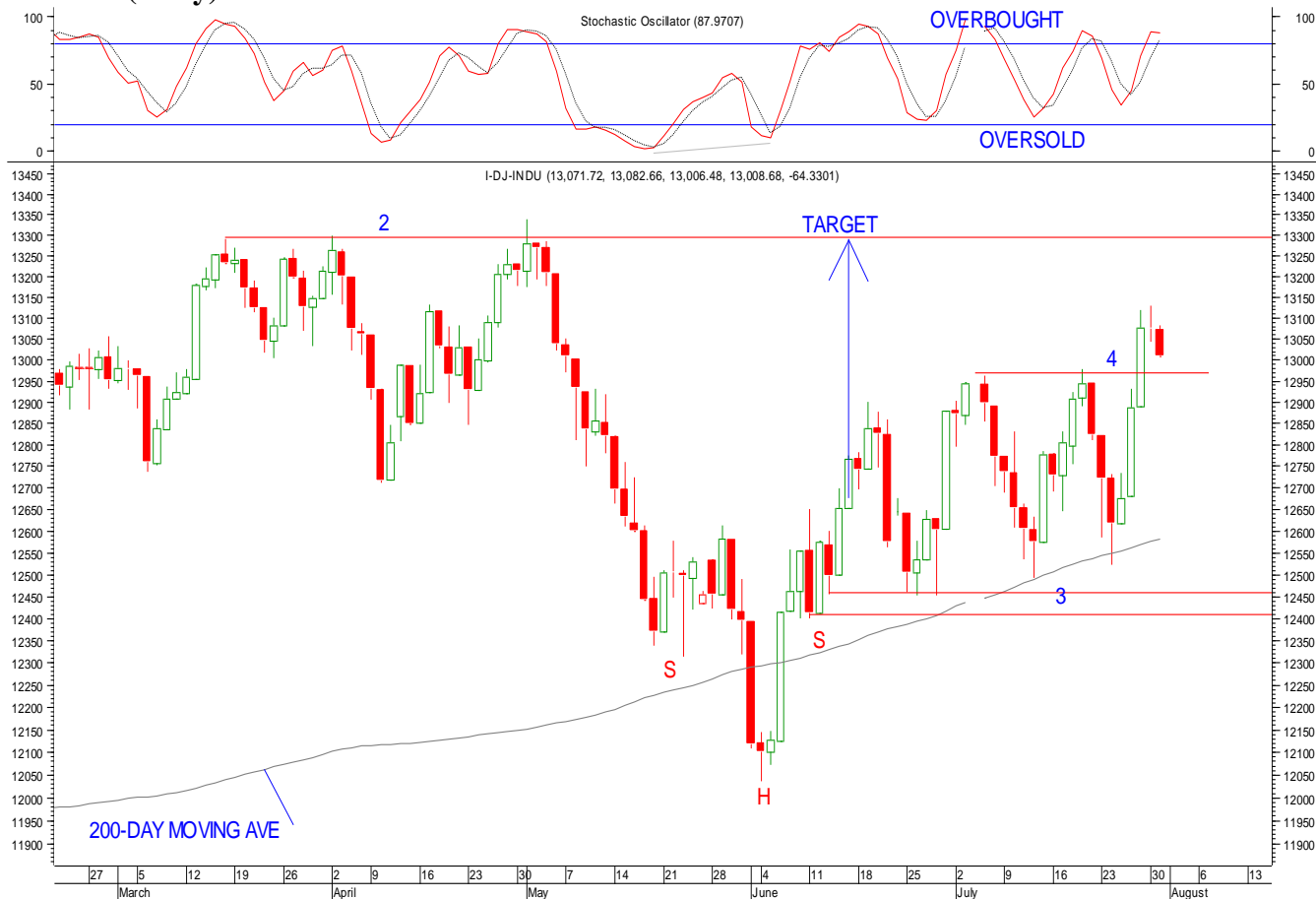


Chart Setup: The Dow reversed up nicely off its 200-day moving ave, as we suspected it would. It then reached its short-term target at line 4, and continued straight through line 4 without any reversal day down to short on. The breakout triggered a new buy signal as advised last week. The odds favour more upside in the short-term, but caution is still advised because there are a number of important news events/announcements taking place this week that will affect prices (we are currently still in a very news-driven market).

- The short-term Stochastic Oscillator (on top) is overbought, which adds to the reason of needing caution on short-term longs.

Strategy Details: Hold from recent breakout. If not in, buy on a reversal day/candle up (see Glossary) from current levels or lower (e.g. 12 970, at line 4). No large positions are advised because the market is skittish at the moment (and has been for the past two months).

Target: There is still an upside target of 13 300 based on the height of an inverse head and shoulders in May/June. That level coincides with line 2 resistance.

Stop-loss: Short-term traders keep a tight stop as an intraday break below 12 885 (or a close below there if preferred). Narrow the stop as it nears line 2 to a breaking of its prior one-day low.

JSE ALL SHARE INDEX – Testing critical resistance again

Broad Recommendation: TRADERS BUY AGAIN AFTER A PULLBACK

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

Strategy: Traders re-enter long on a reversal up from lines 5 (34 400-34 290).

Chart 2 (Daily)



Chart Setup: The index breakout above line 5 of the ascending triangle shown last week and reached its 35 000 profit target yesterday. It then gave a classic reversal day/candle down yesterday (Tuesday) off line 2 resistance. Today it's back up again, but there's a reasonably good chance of more of a pullback before it can break line 2, which the odds are greatly starting to favour.

- The short-term Stochastic Oscillator (on top) is overbought, which does make buying at current levels more risky. Larger time frames still favour more upside.

Strategy Details: Buy the index (also future)/Satrix40/or large-cap index stocks that are currently closely correlated to the index, on a reversal day/candle (see Glossary) up from a support zone at lines 5 (34 400-34 290). To the upside, a close above 35 050 will be very bullish to confirm a med-term breakout for more rallying thereafter.

Target: It needs to close above 35 050 to set up further upside to 35 400 initially (to take partial profits), and then a med-term target of 36 600-3700, based on the height of the broadening formation (lines 1-2) projected up.

Stop-loss: Initial stop is a close below 34 200 or below the low of the reversal day up from lines 5 (whichever is lower). From 35 000 raise a trailing stop to a breaking of its prior two day low. But if it closes above 35 050, then widen your stop again to give it more room (e.g. to a close below 34 400).

GOLD PRICE (\$) – Upside breakout

Broad Recommendation: BUY ON A PULLBACK

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

Strategy: Buy on a minor pullback closer to \$1600.

Chart 3. (Daily)



Chart Setup: The gold price broke above line 3 resistance last week triggering the buy signal given in the gold update in last week's report. It has now broken out of a channel formed by lines 4 and 3, as well as a broadening formation (lines 2 and 3). As a result, there are two higher targets.

- The short-term Stochastic (on top) is overbought, which implies the probability of a minor pullback. The *weekly* Stochastic is not overbought, so there is still good upside potential over the med-term.

Strategy Details: Buy it ideally on a pullback closer to \$1600 and a reversal day/candle up from there (or add to the new long positions then). Note, if it reverses up from current levels (because it has pulled back slightly in recent days) one can also buy then.

Target: Target 1 is \$1662 based on the height of channel 4-3 projected up. Target 2 is \$1700 based on the height of the broadening formation (lines 2-3) projected up. Therefore, traders take some profits at Target 1 and re-enter that portion on a pullback from there, for a move to Target 2.

Stop-loss: Initial stop is a close below \$1590 (spot price). From Target 1 (\$1662), take partial profits and use a breaking of its prior two day low as the trailing stop. Once that stop is triggered, look to re-enter after a pullback, for a move to \$1700.

JSE BANKS INDEX – Still bullish

Broad Recommendation: HOLD/BUY PULLBACKS

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

Strategy: Hold current bank recommendations/or, buy on 2-3 day pullbacks.

Chart 4. (Daily)



Chart Setup: The banks index has most likely formed a “failed” head and shoulders pattern (as labelled). Note, it never actually ‘failed’ by breaking its neckline, but that’s still what I call it. This is a very bullish pattern. Yesterday however, it gave a sharp reversal day down, which is a slight concern.

- The daily Stochastic Oscillator (on top) is approaching its overbought zone, but can still rise further before being overbought. Bottom line though, pullbacks are still buyable

Strategy Details: Hold current (large-cap) banking recommendations given in the newsletter but if not in (or if you’d like to add to current positions), buy on minor pullbacks for the foreseeable future, as long as the index holds above line 1 (47 025). Focus on the leading bank stocks, which are Firststrand and Nedbank. So, right now, buy on the next reversal day/candle up.

Target: There is a target to 53 300 (current level of the index is 49 200). A move above yesterday’s (Tuesday’s) high would greatly favour the index moving swiftly to that target. Support levels here are first line 2 (47 675) and then line 1 (47 025).

Stop-loss: For short-term traders, place the stop as a close below line 2 (47 675) (as an indication for bank stocks in general). But the main stop level (for med-term players) is a close below line 1 i.e. below 47 000.

MTN-GROUP (MTN) – Important breakout

Broad Recommendation: HOLD/BUY

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

Strategy: Hold from recent breakout/it can still be bought. Add to if pulls back to R146 level.

Chart 5. (Weekly)



Chart Setup: MTN finally gave the important upside breakout of a multi-month sideways channel. Yesterday it pulled back to retest its breakout point (line 2), but is moving up again today so far.

- The weekly Stochastic (on top) is overbought, which is the only immediate concern. However any pullback/correction should be temporary.

Strategy Details: Hold if you bought on the breakout, as advised. If not in, buy some now, and add to it if it pulls back to the R146 level or lower (on a clear reversal day up). This is a med-term trade.

Target: Minimum target is R169 i.e. the height of the channel projected up. But, because this channel is so large, expect that target to be comfortably exceeded. R198 is a further target I have.

Stop-loss: Initial stop is a weekly i.e. Friday close below R141 (or two consecutive daily closes below there). Once it nears the R167-169, level use a breaking of its prior two day low as your trailing stop.

RICHEMONT (CFR) – Higher target

Broad Recommendation: BUY

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

Strategy: Hold from recent signal/Buy some now and the rest on a pullback to R45.40.

Chart 6. (Daily)

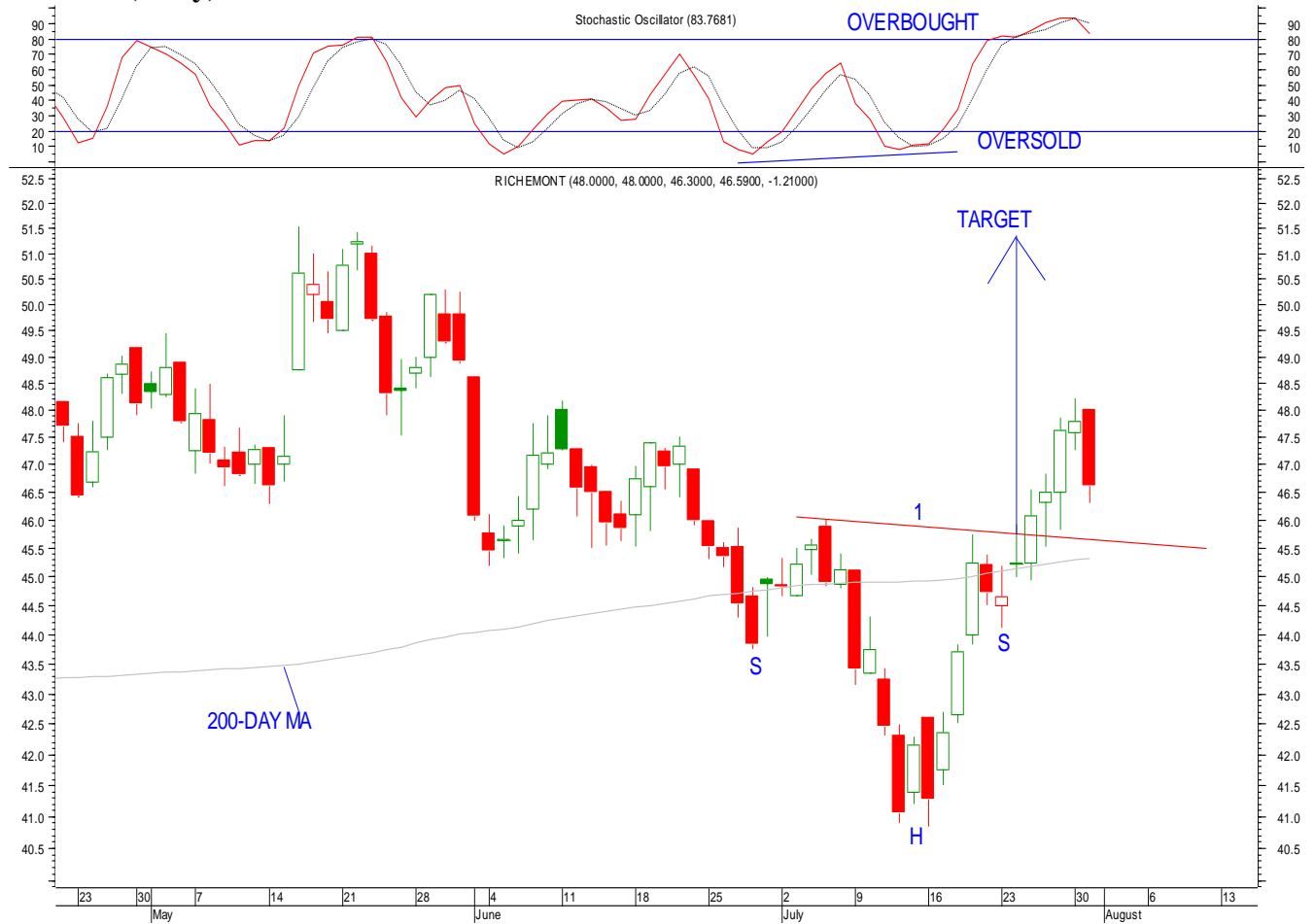


Chart Setup: Richeмонт has formed an inverse head and shoulders (labelled S-H-S). It broke out last week to trigger the buy signal given in the Notes & Updates section. My only concern with this one is that the right shoulder is a bit weak (not well formed). But I'm giving it the benefit of the doubt because I have seen these work. There is a higher target in place.

- The other concern is that its Stochastic (on top) is overbought in the short-term. Therefore, there's a reasonably good chance of more pullback before it continues higher.

Strategy Details: Hold if you bought the breakout. If not, buy some now and buy the remainder of the position on a pullback if we get one (e.g. to R45.40 or lower). Wait for a reversal day/candle then (see Glossary) to buy on.

Target: Minimum upside target is R51.20 i.e. the height of the inverse head and shoulders projected up. Lock in partial profits at R50 to reduce your overall risk

Stop-loss: Initial stop is a close below R43.50. Once it closes above R48, move your stop up to a close below R45. From R50 take partial profits and use a breaking of its prior two day low as the stop from there (while taking remaining profits at the target if/when reached).

MMI-HLDGS (MMI) – A breakout looks imminent

Broad Recommendation: TRADERS BUY

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

Strategy: Traders buy at current levels for a short-term trade.

Chart 7. (Daily)

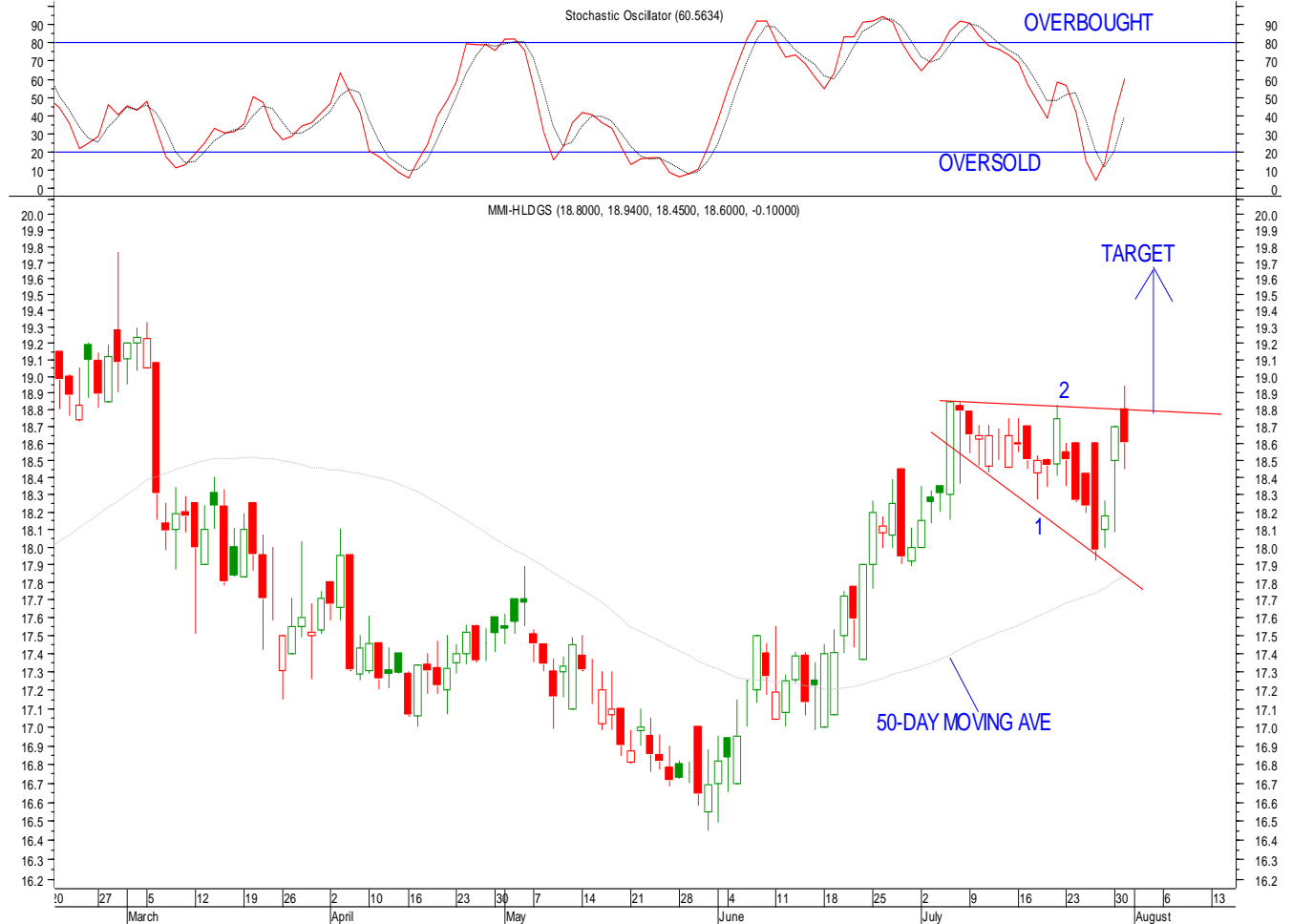


Chart Setup: MMI, which is a top 50 market-cap stock, is currently testing line 2 resistance of a small broadening formation (lines 1 and 2). The odds favour an upside breakout at any time. I'm looking for one more rally here of about 5% before a correction.

- Its short-term Stochastic (on top) still has more upside to go before becoming overbought, and is therefore still bullish.

Strategy Details: Traders buy at current levels, for a short-term trade.

Target: Minimum upside target is R19.60, based on the height of the broadening formation projected up.

Stop-loss: Initial stop is a close below R18.10. Once it gets to R19.50 use a breaking of its prior one day low as your stop (and takes profit at the target).

2. SMALL-CAP. CHART

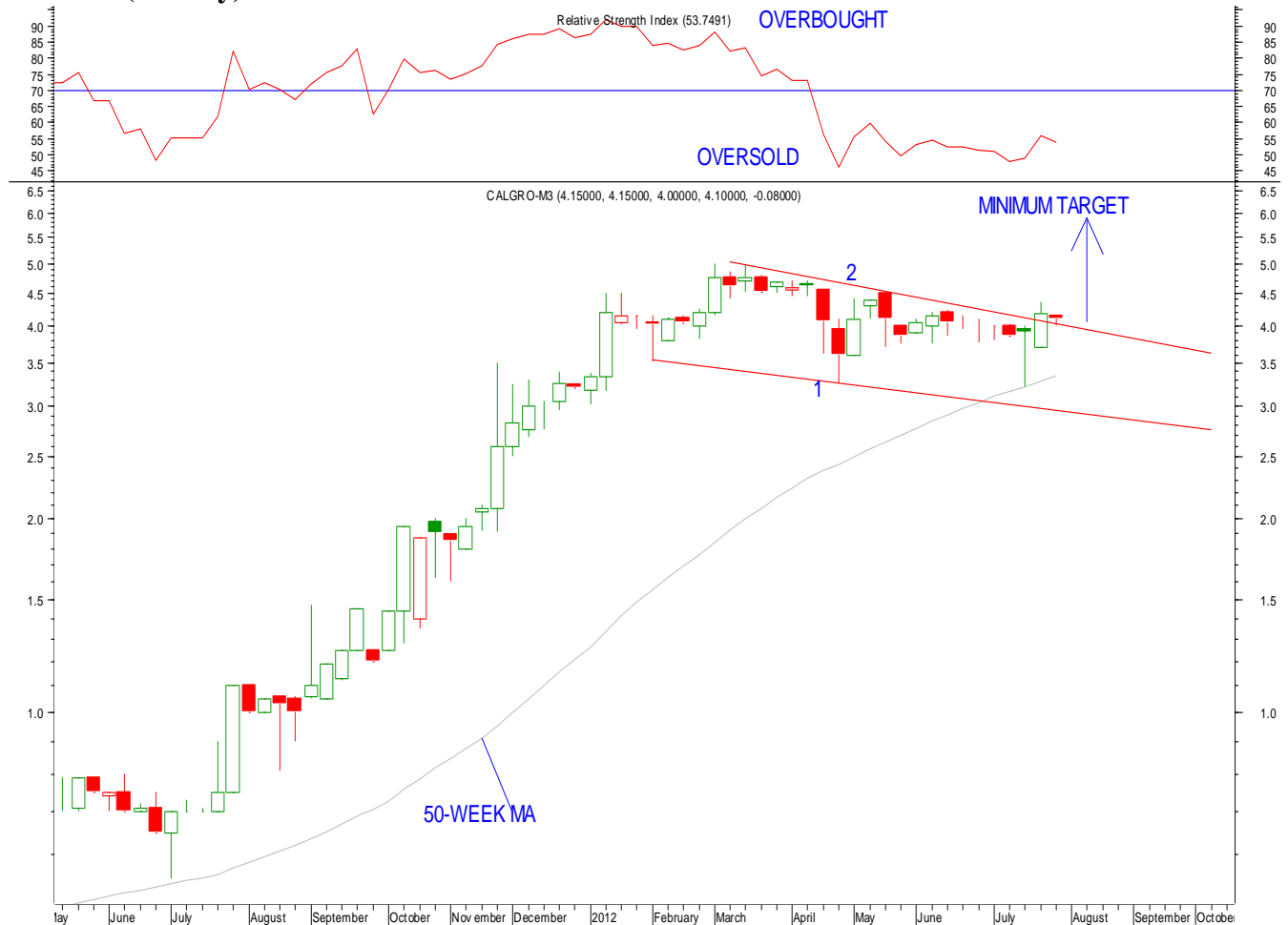
CALGRO-M3 (CGR) – New bullish breakout

Broad Recommendation: BUY

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

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

Chart 8. (Weekly)



Sector: AltX

Price: R4.10

Chart Setup: This stock has been consolidating during 2012 in a falling wedge (lines 1 and 2). It is now breaking out of this wedge after giving two bullish reversal candles in a row, on its weekly chart.

- In addition, the weekly RSI (on top) is oversold (bullish).

Strategy Details: Buy at current levels or better for a med-term rally.

Target: Minimum upside target is R5.88 i.e. the height of the wedge projected up.

Stop-loss: Initial stop is a weekly i.e. Friday close below R3.50. Once it gets to the target, take at least half profits and use a breaking of its prior two week low as a trailing stop on the remainder, to allow for capturing further upside.

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

Long: Afrimat, Afro-C, Arrow-A, Litha, Vividend.

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: Truwths, Shoprit, Growpnt, Assore, Aspen, Harmony, SABMiller.

Weakest seven Top 40 stocks: Lonmin, Exxaro, Absa, Anglo, Amplats, ARM, Steinhof.

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

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

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

- **Newgold:** gave the pullback to 128.50 to allow for buying the second part of the position as advised. Hold. It is a bit overbought in the short-term so it's likely to consolidate a bit longer before moving. Keep your stop for traders as a close below 124.80. Once it closes above 131.50 move your stop up to a close below 127.40. Target 135.20.
- **MrPrice:** it gave the breakout, keep holding. Short-term target is 128.45. Stop is a close below 115.50.
- **Coronat:** triggered the breakout buy signal. Hold. Target as discussed last week i.e. 30.30 then 30.90. Move stop up to a close below 28.50 for traders.

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):

- **Tigbrands, Billiton, Gfields, Anggold, Harmony.**
- **Absa:** a close below 134.50 will be a short signal, with caution, for a drop to 129.50. Initial stop will be a close above 129.

- **Amplats:** it narrowly triggered the short-term stop for shorting but the strategy is still one of shorting the bounces until further notice. It needs to close below 415 to trigger a new short signal. Target then to 480. Stop will be above the high of the current bounce. No large positions advised here.
- **Anggold:** it gave a good reversal up for last week as well as last month (July). Gold stocks should therefore continue rallying for the coming months. It is overbought in the short-term, so a minor pullback is certainly a possibility, but the trend looks to be towards more rallying over the coming months. It reached the first target for those who bought near support as mentioned. All others buy on either a pullback to 277 or lower on a reversal day up. Or, buy on a close above 288.65 if that happens first. Med-term target is to 320.
- **Anglo:** a profit warning last Friday sent the stock sharply lower, thereby breaking some important support levels. It looks like it can still retest the 235 level. This is the problem with trying to pick bottoms, even though med-term (and now longer) it is very oversold. Players who bought near the 254 support level will therefore be down on this position. My preference generally is to take the loss and move on. AGL is going to need to do a lot of work to make it buyable again. It's main resistance level it needs to break is 266.
- **ARM:** bounces remain shortable as mentioned last week. Target is 150 which is not far from where it reached so far. A reversal day/candle down from 162 will be shortable. Stop above the reversal days high, or a close above 163. No large positions advised. Target to 150.
- **Aspen:** it's quite amazing how well a trailing stop, such as a breaking of its prior one-day low can work, as seen here over the past week. That stop has taken the stock up from the 127 level. Continue with that stop, as advised last week. This was probably the best performer in our model portfolio in The Big Picture for last month.
- **Assore:** keep holding, its triggered the mentioned buy signals. Target is still 312-315. Stop is currently a close below 283.
- **Barworld:** has continued bouncing over the past week, and giving a nice reversal week up last week. It's basically in a med-term sideways pattern. Buy only if it closes above resistance at 85.50. Target then will be 96.50. Stop a close below 80. But a clear reversal day down from 80.50 will be a short signal, with the stop a close above 85.50 and target down to 78.50. Do whichever happens first.
- **BATS:** didn't quite pull back to our mentioned 420 buying level, but did pull back fairly close (427.60) for a R400 stock. It's got to the 444 target level, with the exact target being 447 now. It's basically a stock to keep trading on short-term pullbacks until further notice. Support is 427/428 for the short-term.
- **BHPBilliton:** it gave the breakout buy signal on Monday of the symmetrical triangle discussed last week. It's pointing to a target of 255, with further potential to 265. Hold/Buy on a pullback to below 240 if not in. Keep the stop wide for now, as a close below 231.50.
- **Bidvest:** it continued up beautifully reaching both short and med-term targets. It's overbought in the short-term, but pullbacks are still buyable (with more caution now). Look for a pullback to the 194-193.50 level to buy again. Target 203-205. Stop will be a close below 189.
- **Clicks:** med-term target to 64.50. Keep holding.
- **Coronat:** see update above.
- **Discovery:** got to our first target mentioned last week, and the next one is 55.50. Keep holding part of the trading position. Med-term it remains a hold regardless. Move stop up to a close above 53 for the remainder of the short-term position.
- **Exxaro:** it gave a classic reversal day/candle down yesterday (Tues) from our mentioned shorting level. It can still be shorted, with a target to 151-150. Current stop is a close above 173.80.

- **Firststrand:** it's had a good move in recent days, apart from a sharp selloff on Tuesday. The target is still 29.20. Lock in partial profits from 28.50 and continue from there with a prior one day low as the stop. Current trading stop is a close below 26.60.
- **Gfields:** like ANG, it has continued up further confirming the July low as the bottom, and giving weekly and a monthly bullish reversal candles. First target is 112.80. Minor pullbacks are buyable, ideally 2-4 day pullbacks followed by a reversal day up. Further potential to 120 over the med-term if not sooner.
- **Harmony:** triggered the mentioned long signal, and has so far reached two out of the three targets given. It's also given a bullish reversal month up for July. I'm expecting ongoing rallying here, of course with minor pullbacks along the way. So, pullbacks are still buyable, just keep in mind that its overbought in the very short-term. But, like we saw in May, gold stocks can keep rallying without giving much pullback opportunities along the way. For now, a pullback to 80 or lower will be another buy signal. Target to 89.50. For now, stop is as close below 76.50.
- **Imperial:** has reached and exceeded the target given here two weeks ago. This has been another good winning trade in the findi stocks arena. This (findi stocks) is where the money has and is being made this year so far, and continues to still be the case. Next target in IPL is 192.50. It is overbought in the immediate short-term but if it gives a 2-3 day pullback can still be bought for that move. Stop below the reversal days low after a pullback. Further potential to 194.40.
- **Implats:** this short trade bounced to trigger our stop by just a few cents before falling sharply yesterday, which is very frustrating. It is developing some support at 125. A bounce to 134 will be shortable on a reversal day down, for a drop to 125. If it closes below 124.50 it will be a re-entry short signal, with caution, for a drop to 117. Use a breaking of its prior 2 day high as the stop. A close above 135 will be bullish and point to a rally to 144 but its counter-trend and there risky, and not a trade I would take.
- **InvPlc:** gave a nice reversal candle up last Thurs to buy on as advised. No large positions here. Keep your stop tight as a close below 47.50. Target potential still to 58 med-term but it needs to close above 51.30 to get going, for that. Lock in partial profits, in the meantime at 51.
- **Kumba-IO:** dropped to our mentioned buying level, bounced, and then fell sharply yesterday. The stop hasn't been triggered yet i.e. a close below 515. So, it's a hold but with caution. This stock is extremely volatile, and can be move sharply on relatively little volume. Take profits at 543-548.
- **Lonmin:** final profits taken on the mentioned trailing stop.
- **Massmart:** has given a new breakout and had a good run in recent days. Is pulling back today is far. Keep holding if you bought recently as advised. Take half profits at 179 and continue with a breaking of its prior one day low as the stop from there. Keep stop fairly wide for now as a close below 166.
- **MMI-Hldgs:** see Chart 7.
- **MrPrice:** see update above.
- **MTN-Group:** see Chart 5.
- **Naspers-N:** it reached the short-term target mentioned for some short-term profit taking. It's still in its med-term sideways pattern, between 434 and 477.50. Continue to trade these boundaries for now (buy at support/short at resistance). But the bias is to be buying the pullbacks for very short-term traders, and take profits after a sharp 3-4 day run.
- **Nedbank:** continues to zigzag higher, and has reached our med-term target given in January. Buy it at the 176 level. Target to 195. Stop a close below 174.
- **Netcare:** pullbacks are buying on an ongoing basis for the med-term. Med-term target is 17.80.
- **Newgold:** see update above.
- **Old Mutual:** pulled back to within a few cents of or mentioned buying level from last week (it won't always get to the exact level), and reversed up from there. The short-term profit target is

21. So it's a hold. Med-term target is still 21.80. Pullbacks remain buyable. Short-term stop is a close below 20. Lock in partial profits from 20.90.
- **Remgro:** has had a good week breaking above two resistance levels and this trade is doing well so far. Target is still 144-145. Keep holding. Stop for traders is a close below 137.30. From 143 use a breaking of it prior 2 day low as the trailing stop to protect profits.
 - **Richemont:** see Chart 6.
 - **RMBH:** it still has a target of 39 despite a sharp day down yesterday. Hold. A reversal day up from 36.20 is still buyable. From 38.30 take partial profits and continue with a breaking of its prior 2 day low as the stop, until it gets to the target. Current stop is a close below 35.35.
 - **SABMiller:** pulled back to our short-term buy /re-entry signal and blasted off from there. It's reached and exceeded short and med-term targets now. It's been a great performer (people will never stop drinking beer remember). It's too overbought to buy again now, but if it drop to 350 that will be buyable. The Big Picture subscribers were given a target of 375 last year for SAB, which is not far away now.
 - **Sanlam:** it continues to pull back in the short-term, and has support at 35.10. A close above 36.65 will be a new buying signal, for a rally to 38.20. Stop will be a close below 35.
 - **Sasol:** has come very close to its 332 target so far, but it's basically moving in a sideways range over the past 6 weeks. My bias is to short the bounces until further notice. A reversal day down from 352 will be shortable, with stop above the reversal day down's high. Target 338-334.
 - **Shoprite:** has reached two of our three upside targets over the past week for another great trade in this stock. It continues to give profits when buying on pullbacks. Take more profits at 170 if reached. Trailing stop is a breaking of prior 2 day low on the final part of this trade. Med-term + keep holding regardless. Support is 159.75.
 - **Stanbank:** reached the mentioned upside targets to take profit on this trade. It's in a sideways range med-term between 118.50 and 109.80. Trade the boundaries of this range in both directions until we get a clear breakout. Stop will be a close outside the relevant boundary.
 - **Steinhof:** triggered the mentioned buy signal for aggressive traders only, and reached the target a few days later. It's still in a downtrend and needs to prove itself more before it becomes buyable. I do think its low risk on a med-term view though, to accumulate on weakness, but keep a stop as a close below 23.40. Remember, these types of trades are always lower odds.
 - **Tigbrands:** is holding up relatively well in the short-term, despite being overbought. Target med-term is still 294. Hold if you bought the breakout two weeks ago. A close above 271 will be a buy signal if not in. Stop then a close below 264.
 - **Vodacom:** has continued moving up over the past week and is testing resistance at 96.30 level today. As things stand its still in a downtrend. I still want to see more evidence of a turnaround before buying again. For now, a close below 94 will be a short signal, but with great caution, and stop above the high of the current bounce. Target to 89.
 - **Woolies:** has had a good run over the past week, and hit our 55 target today for another good trade in this stock. As mentioned here numerous times this year, retail stocks are where the action (read money) is. It can still get to 56 but is to be bought on pullbacks only. Main support here is 51.30.

GOLD UPDATE: Like the big 3 gold stocks, the JSE gold index gave a classic reversal week up last week, and a reversal month up for July. Right now its overbought after a sharp run-up but is to be bought on a correction, but still with caution. It's giving a sell-off today is far, a reversal day up from 2300-2270 will be buyable. A retest of the recent low is also possible. But over the med-term there's a good chance it will continue up to retest its June high of 2685. There's solid support at recent lows (2150).

Dollar gold price: see Chart 3 for details.

Rand gold price: is relatively overbought in the short-term. It has the following targets: short-term to 13 700, but med-term target is still 14 350.

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 01 Aug. '12) Price (R) 20-Day MA: 40-Day MA:

ABSA	134.9000	137.1825	143.4048
ANGLO	246.2400	259.1675	266.1827
ARCMITTAL	44.7000	49.0310	51.3307
ARM	155.7600	163.1975	167.6480
ASTRAL	102.6000	108.5115	113.0878
EXXARO	168.6300	175.9510	187.5655
GRINDROD	12.9300	13.3195	13.5110
HULAMIN	4.6000	4.9760	5.4282
KUMBA-IO	515.1000	544.0155	551.4250
LONMIN	90.4300	90.8450	94.4070
M&R-HLD	23.5500	23.8845	25.0448
PICKNPAY	42.3200	43.1530	43.4535
SAPPI	24.8500	25.6245	26.6908
SUNINT	79.4000	83.0765	85.5717
TELKOM	17.9600	18.0560	18.9360

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

C-\$-JYEN	78.1800	78.9055	79.1850
C-EUR-\$	120.2000	122.2900	123.8425
C-EUR-GBP	77.8100	78.6355	79.6383

OVERALL SUMMARY

Market participants around the world are watching a US Fed meeting closely, as to whether a new round of stimulus (QE 3) will be announced or not. Then there's the US jobs data (non-farm payrolls)

this coming Friday, as well as an ECB meeting coming up soon. So, all in all, there's likely to be volatility for the rest of this week/early next week.

Concerning the JSE, the All Share index made a new all time high yesterday and has found itself up again its 6-month resistance level. Will we get the breakout any time soon? I believe we will. I've been saying for all of this year that the breakout, when it comes, will be to the upside, and I still believe that. For now, continue to focus on the winning strategy of buying large-cap findi stocks on pullbacks, and either avoiding resi stocks altogether, or shorting the weakest ones.

It's still two different markets (findi vs. resi) on the JSE and one (still) needs to play each one differently right now.

An area that I haven't discussed much, is small-caps. While our small-cap recommendations have been doing very well overall, this is an area that is relatively unaffected by the day to day news overseas, and some of these companies (the relatively few good ones) are doing exceptionally well. So, this is an area to look at as well, but keep in mind, small-caps can turn on a tickey, and I believe one should not plough a large proportion of one's funds into them, even at the best of times.

Sincerely,

Colin Abrams
TheMarket.co.za

PS: Remember: Protective stops on all positions!

VELOCITY TRADE WEBINAR

This Thursday 2nd August, Dan Carter of Velocity Trade Pty (Ltd) will be giving a live webinar (free) to subscribers of TheMarket.co.za. He will be demo-ing their international-quality trading platform (called Terminal Velocity) and its features.

One can trade local and overseas instruments on this platform (shares, CFDs, indices, commodities, currencies) and fund the account in rands.

Time: 5.30pm-6.30pm. Thursday 2nd August

Venue: Live webinar on your PC.

If you would like to attend this webinar (free) please send us an email (info@themarket.co.za), and login instructions will be sent to you. Note, the webinar will also be recorded.

NEXT COURSE DATES:

DURBAN

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

Please email us soon if you'd like to attend – courses@themarket.co.za

GLOSSARY OF TERMS USED IN *TheMarket.co.za* NEWSLETTER:

- **Bearish/Bullish Engulfing Pattern:** A candlestick whose entire body ‘engulfs’ the body of the prior candlestick. Is bearish if found after a rally; or bullish if found after a drop.
- **Bottoming tail:** A price candle where the price falls sharply from the open, but then recovers to rally strongly into the close. A bullish sign.
- **(Japanese) Candlesticks:** Price bars (called ‘candles’) which accentuate the open-close relationship. Is an alternative to the Western bar-chart.
- **CFDs:** (Contract-for-difference) is a leveraged instrument, like a futures contract except there is no expiry date, and one trades the underlying itself, not a derivative of it.
- **Closing price (or the 'close'):** the last price of the specific time period chart e.g. last price of the day for a daily chart. If trading on the close, either execute your trade just before 5pm (if the specific signal is triggering), or first thing the next morning.
- **Countertrend:** 'going' (trading) counter to the main trend. E.g. if the main trend is up, then a countertrend trade will be to sell short. (Note it is always risky to take a countertrend trade, and generally not recommended. Remember, 'the trend is your friend').
- **Doji candle:** A price bar (candle) where the opening price is equal to the closing price. Denotes indecision. Typically precedes a trend change.
- **Double top:** Refers to the rise of a stock's price, a drop, and then a rise back to the same level as the original rise – all occurring after a significant rally. Bearish.
- **Elliot Wave Theory:** Each trend is made up of five waves in the direction of the main trend. (It can be further subdivided into the same sequence of waves on a smaller time frame).
- **Fibonacci retracement level:** A point where prices typically find resistance/support when retracing a prior move - the most significant is 61.8% (others are 38.2%, 50%, 78.6%).
- **Fibonacci extensions:** Using Fibonacci numbers (e.g. 61.8%, 161.8%, 261.8%) to project future price targets (or reversal areas) based on the length of prior price swings in a particular stock
- **Gravestone Doji:** A candlestick that rallies sharply after the open, but then reverses down and closes at same level as the open (which is at the low of the bar). Looks like a gravestone. Bearish.
- **Head-and-Shoulders price target:** the minimum target is the height of the pattern to the “neckline” projected downwards from the breakdown point.
- **Long position:** Opposite of selling short i.e. buying because one expects the price to rise
- **MACD:** stands for Moving Average Convergence/Divergence. Is the difference between a 12-day and 26-day exponential moving average, plotted as a single line. Shows price extremes.
- **Negative Divergence:** Is typically a bearish sign occurring when an indicator (e.g. RSI) fails to make a high, but the price itself does i.e. setting up a divergence between the indicator and the price.
- **Overbought:** an area on an oscillator that typically indicates when more buying than selling (which has pushed prices up) is reaching an extreme level. A fall or correction is then due.
- **Oversold:** an area on an oscillator which typically indicates when more selling than buying (which has forced prices down) is reaching an extreme level. A rally is then due.
- **Pivot high:** A high, with a lower high on either side of it.
- **Pivot low:** A low, with a higher low on either side of it.
- **Positive Divergence:** Occurs when the price makes a new low, but the indicator does not i.e. setting up a divergence between the price and the indicator. Bullish.
- **Relative Strength (or 'Ratio') Analysis:** comparing one market or stock to another to see which is outperforming on a relative basis. Not to be confused with Relative Strength Index (RSI).
- **Resistance:** A level *above* the market where selling is greater than buying (i.e. supply).
- **Reversal Bar (Day):** Occurs when the price makes a new low relative to the previous price bar's low, but then reverses and rallies to close above the previous bar's close (bullish). And vice versa for a bearish reversal day. It typically signals a change in trend. Note, the larger the range of the reversal day, the better.

- **Reversal candlestick:** Typically bullish when the price opens low, then weakens, but rallies strongly into the close, to close near the day's high e.g. hammer, bullish engulfing pattern, piercing pattern. Vice versa for bearish signals e.g. shooting star, bearish engulfing pattern, dark cloud cover. Note, the larger the range of the reversal candle, the better.
- **Risk-Reward ratio (good):** A trade where the potential profit is at least 3x the potential loss.
- **Selling short (or 'shorting'):** Expecting prices to drop, so selling first and buying-back later.
- **Short position:** A trade where one has sold short (as above)
- **Shooting Star (candlestick)** – A candle that suggests a minor (at least) reversal. The body of the candle is near the low, and the line has a long upper 'tail'.
- **Spot Price:** the price of the underlying instrument itself i.e. not the futures price.
- **Support:** A level *below* the market where buying is greater than selling (i.e. demand).
- **SSF's:** Single Stock Futures.
- **Stop-loss:** point where you close the trade if it moves against you - to protect yourself.
- **Time frames:** (approximately) Short-term: 0-6 weeks; Medium-term: 2-5 months; Long-term: 1yr + (for purposes of TheMarket.co.za analysis report). For **The Big Picture newsletter**, long-term is defined as 2-5 years.
- **Trailing stop-loss (or 'trailing a stop'):** moving the stop in the direction of the market to lock-in profit e.g. a breaking of prior day's high/low, or a percentage retracement of the current move (e.g. 50%), or the breaking of a moving average e.g. 10-day MA for the short-term, or 50-day MA for medium-term.
- **Weekly close:** the closing price on Friday afternoon.

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