

Welcome to TheMarket.co.za Weekly Analysis Report

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Classic Trading Rule:

"One cannot do anything about yesterday. When one door closes, another door opens. The greater opportunity always lies through the open door."

A MARKET BOTTOM IN SIGHT

Introduction:

As per a general market update sent out on Monday the JSE is heading sharply lower again after a two-day bounce. This is what we we're looking for and, as I see it, this is the final drop before a big rally. Any significant reversal day up from here will be a very bullish sign, but a reversal "week" up will confirm the bottom, and the end of this overall correction, in my view. Therefore shorting is not advised anymore, and one should be on the looking for buying opportunities. Again, don't try blindly picking a bottom, wait for the reversal up for confirmation. Med-term the market is setting up for a massive rally to new all-time highs.

The **Dow** is testing md-term support and is very oversold. Note, the S&P 500 is pointing to a significant turning point on either Thursday or Friday this week, which should be a bottom. The **JSE All Share index** has reached our two downside targets and today reached the 46 600-46 300 level target zone. Look for a reversal up soon. We then show a chart of the **JSE findi 30 index** which is reaching its downside target today. And the **JSE Resi 10 index** shown next, although very much a laggard, reached its minimum target last week and is very oversold. So, look for a rally there very soon as well. The stock charts looked at are **Remgro, Mr-Price** and **Steinhoff**. All are in the same boat as they are setting up nicely for new buy signals, which should trigger soon.

The small-cap chart is **Digicor**, which has a higher target after a new med-term upside breakout.

Overall, there is panic on the market today and this may well be the capitulation that typically occurs at market bottoms. I'm expecting a market bottom any day now so look out for the reversals mentioned herein, which will provide excellent buying opportunities. If this isn't the final bottom, we should still get a good rally, but depending on the nature of the reversal up, it may well be "the" bottom. We will update.

Executive Summary:

- **Dow (chart 1):** Buy on a reversal week up from here or lower. Aggressive traders only, to sell short
 - **All Share Inx (chart 2):** All to buy a reversal *week* up.
 - **Findi 30 Inx (chart 3):** Buy a reversal week up, or on a daily close above 60 800 – first to happen.
 - **Resi 10 Inx (chart 4):** Sell short reversal down. Med-term start nibbling on a retest of the lows.
 - **Remgro (chart 5):** Buy on a close above line 3.
 - **Mr-Price (chart 6):** Buy on a close above line 3 for a renewal of its short and med-term uptrend
 - **Steinhof (chart 7):** Hold current long position. Add to it on a close above line 3.
 - **Digicor (chart 8):** Buy on a minor (two day) pullback more upside to come.
 - **Leading Stocks (3-mths): Top 40** – Aspen, MTN-Group, Mr-Price, Sanlam, Medclin, Tigbrands, Vodacom
- Resources 10** - Gfields, Exxaro, Sasol, Anglo, Amplats.
- **Shortable stocks/instruments: 10**

1. MARKET CHARTS

DOW JONES – Oversold, look for a reversal

Broad Recommendation: WAIT FOR REVERSAL WEEK UP TO BUY

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

Strategy: Buy on a reversal week up from here or lower. Aggressive traders only, to sell short.

Chart 1. (Daily)



Chart Setup: The Dow gave a reversal day up off line 1 last week (where we were looking to buy) but it immediately reversed down the next day. (Note, the high of that reversal day wasn't taken out for an entry – which is always important). The index then dropped to line 3 support where it is currently holding (fractionally below it). However, lines 1 and 2 form a large rising wedge, and this does have further downside implications. I'm not convinced it will reach its target though.

- The short-term Stochastic (on top) is oversold. The *weekly* Stochastic (not shown) is becoming oversold.

Strategy Details: Very short-term traders can still sell short if it bounces for another day and then reverses down, but I think it's very risky now. The safer strategy is it wait for a reversal *week* up to buy, which will be an entry for both the short and med-term.

Target: Technically it's pointing down to 15 820, based on the rising wedge. My gut feeling is down to 16 080/16 050 and then a large rally.

Stop-loss: For aggressive shorts, the stop will be above the high of a reversal day down. But for new longs on a reversal week up, the stop will be a daily close below the low of that reversal week.

Broad Recommendation: PREPARE FOR NEW BUY SIGNAL

Trend: Short and med-term down, but oversold. Long-term up.

Strategy: All to buy a reversal *week* up.

Chart 2. (Daily)



Chart Setup: The index continued down sharply last week reaching the second target of 47 100. It’s given a bounce over the past two days from there, but needs to give at least a reversal week up for new buying to be done (going long). My feeling is another quick (one or two day) drop to retest recent lows and then a sharp rally back. (Note how far the price is below its 50-day MA – expect a rally to come soon).

- Its daily Stochastic (on top) is giving a positive divergence (see Glossary) from its oversold level, which is warning of a rally to come. The *weekly* Stochastic (now shown) is also oversold.

Strategy Details: The general strategy is to wait for a clear reversal *week* up (see Glossary) to buy on (for short and med-term players). E.g. if the index closes at the 48 200 level this week (on Friday) that would constitute a reversal week. But for now, very short-term traders sell short if we get a reversal day/candle down in the next day or two, for a quick drop to new lows. [LATE FLASH: Drop has occurred today].

Target: A reversal day down will lead to a drop to test 46 800, with support being at the 48 600-48 300 zone. (Note, a reversal day up after that drop will be an aggressive long i.e. buy signal). To the upside once the reversal *week* comes in, I’m looking for a rally to new highs over the next few months.

Stop-loss: For a short signal, the stop will be an intraday break of the high of a reversal day down from here. If the reversal week up forms, the stop will be a daily close below the low of that reversal week.

JSE FINDI 30 INDEX – Target being reached

Broad Recommendation: WAIT FOR BUY SIGNAL

Trend: Short and med-term down, but oversold. Long-term up.

Strategy: Buy on a reversal week up, or on a daily close above 60 800 – whichever happens first.

Chart 3. (Daily)

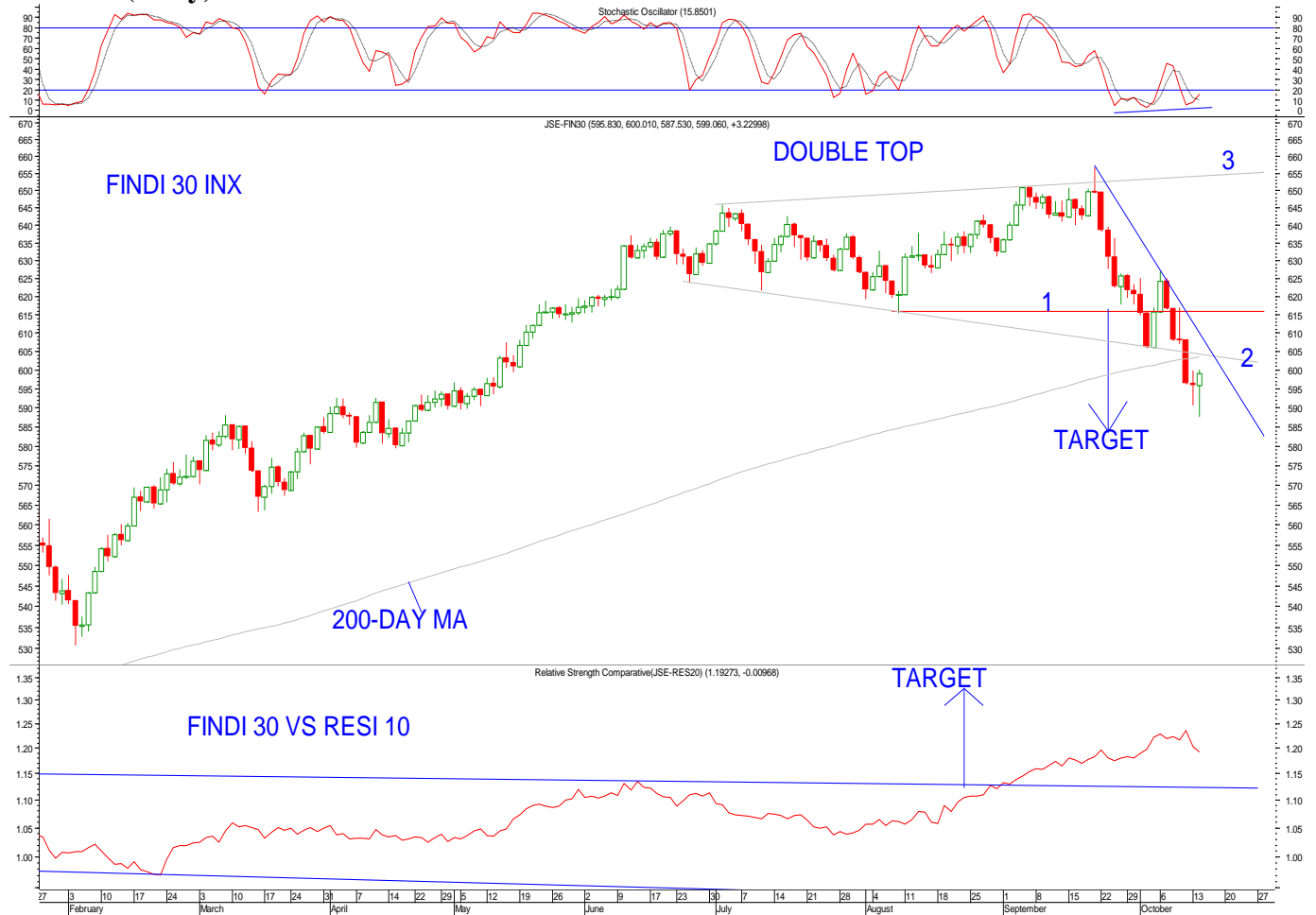


Chart Setup: The findi (financial and industrial) 30 broke down below line 1 and line 2 support, and is currently trying to hold onto its 200-day moving ave (loose support). The breakdown confirmed a double top (as labelled) but it is not classically formed. Lines 2 and 3 form a broadening formation. There is a lower target in place which it almost reached yesterday (Weds) before reversing up.

- Its short-term Stochastic is going a positive divergence from its oversold region, which is an early warning of a rally to come. Its *weekly* Stochastic (not shown) is also oversold.

Strategy Details: Wait for a reversal *week* up (see Glossary) to buy. Or, if it gives a daily close above 60 800 buy then. This will be for both the short and med-term term. (Current level of this index is 59 850). In the immediate short-term, there is a reasonably good chance of one more drop to retest yesterday's low but shorting now is risky because it's so oversold.

- Note, the bottom window shows the findi 30 index outperforming the resi 10 on a relative basis (ratio), and this should continue at least until the ratio's target (shown there) is reached.

Target: There is a target down to 58 370, based on the height of the double top projected down. I'm not sure it will get there. (A reversal week up will indicate not). To the upside, once buying is signalled, look for a med-term rally back to new all-time highs.

Stop-loss: A daily close below the low of the reversal *week* up.

JSE RESOURCES 10 INDEX – Bullish signs coming in

Broad Recommendation: SELL SHORT AFTER THIS BOUNCE (WITH GREAT CAUTION)

Trend: Short and med-term down, but oversold. Long-term sideways.

Strategy: Sell short a reversal down from here or higher. Med-term start nibbling on a retest of the lows.

Chart 4. (Daily)



Chart Setup: Last Friday the resi 10 reached its minimum downside target from a large channel breakdown (lines 1 and 2). It's given a two-day bounce relief rally, but the odds of another leg down are good. Overall though, notice how far the index is from its 200-day moving ave, which means price is not far from a good rally.

- The short-term RSI (on top) is giving a positive divergence from its oversold region, which is warning of a rally to come. The *weekly stochastic* (not shown) is also oversold.

Strategy Details: I'm not convinced of another leg down but do think the odds favour it. Therefore, short-term traders sell short large-cap resi stocks on a reversal down from current levels or a bit higher (e.g. from the 51 100 level). Med-term players though should start 'nibbling' (buying) on a retest of its recent lows (48 280). This is a low risk time to start accumulating for a med-term (2-6 month) move.

- But if it gives a clear reversal week up from current levels, then all to start buying (long).

Target: After this bounce, it can still drop to the 47 200-46 800 zone. But it needs to get above line 4 (54 200) to break its current downtrend. (Current level of this index is around 50 000).

Stop-loss: If shorting after a bounce, the stop will be a close above 51 250 on this index.

REMGRO (REM) – Good support levels, oversold

Broad Recommendation: WAIT FOR BUY SIGNAL

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

Strategy: Buy on a close above line 3.

Chart 5. (Daily)



Chart Setup: Remgro has dropped to an important longer-term support level (line 1) and rallied off it on Monday. It has also formed a head and shoulders pattern (labelled S-H-S), but because line 1 is so near the neckline (line 2), this is very likely going to be a head and shoulders continuation pattern (bullish).

- The short-term Stochastic (on top) is giving a positive divergence from its oversold level which is an early warning of a rally to come. Note, its *weekly* Stochastic (not shown) is also oversold.

Strategy Details: Buy it on a close above line 3 for both the short and med-term term. (Line 3 is at R233.75 on Weds 15th and it's declining at an angle of 90c per day thereafter).

- Note, if the price rallies sharply into this Friday's close, closing at the R231.20 level, that will also be a buy signal (reversal week up).

Target: Once the buy signal is triggered, look for a rally to R239.00 initially (short-term). But once it closes above R239 look for ongoing upside to R268 over the med-term (2-6 months).

Stop-loss: Initial stop will be a close below line 1 (R222.50). Once it closes above R239 move it up a close below R226.50. This will be a trade worth holding to the higher target (R268), but shorter-term players can start taking profits at R248/R250.

MR-PRICE (MPC) – Early bullish signs

Broad Recommendation: PREPARE FOR NEW BUY SIGNAL

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

Strategy: Buy on a close above line 3 for a renewal of its short and med-term uptrend.

Chart 6. (Daily)



Chart Setup: Mr-Price has drifted down in recent weeks in ‘sympathy’ with the rest of the market but overall is holding up very well. It still has a higher med-term target in place (R229) from a large channel breakout (of lines 1 and 2). Once the market turns look for a sharp rally here.

- Its short-term Stochastic (on top) is giving a positive divergence from its oversold level which is warning of a rally to come.

Strategy Details: Buy it on a close above line 3. (Line 3 is at R208.80 on Weds 15th and it’s declining at an angle of 60c per day thereafter).

Target: Once it closes above line 3 to renew its uptrend, look for a move to its med-term target which is R229, based on the height of channel 1-2 projected up. Line 4 resistance will also be there, at the R230.50 level. (Lock in partial profits at R222) to reduce your overall risk.

Stop-loss: Initial stop once the signal is triggered will be a close below the low of the current correction (which so far is R197.59). Once it closes above R215, bring your stop up to a close below R201.30. From R224 use a breaking of its prior two-day low as your trailing stop.

STEINHOF (SHF) – Preparation for next move up

Broad Recommendation: HOLD/BUY OR ADD TO ON A NEW BREAKOUT

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

Strategy: Hold current long position. Add to it on a close above line 3.

Chart 7. (Daily)



Chart Setup: Steinhof has pulled back (again in sympathy) with the overall market, but generally has held up well compared with most other stocks. It's pulled back in a channel (lines 2 and 3) and it will head sharply higher once the trend turns. It's also testing its 200-day moving ave (loose support) at the moment. Med-term there is still a higher target in place from a large failed head and shoulders pattern (partially shown).

- Its short-term Stochastic is oversold, and giving a slight divergence (bullish).

Strategy Details: Hold the current long trade which is still on. But add to it (or buy if not in) on a close above line 3. (Line 3 is at R54.25 on Weds 15th and it's declining at an angle of 15c per day thereafter).

Target: Once it gives the new breakout, the minimum target will be R56.50 (very short-term traders to lock in some profits there). But I expect it to continue higher to its med-term target of R64.50 over the coming months. One can either just hold it for that, or short-term traders continue to buy minor pullbacks until that target is reached.

Stop-loss: Current stop is wide as a close below R50. Buy once it closes above line 3 raise the stop to a close below the low of the current correction (which so far is R52.25). Once it trades up to R56.00 short-term traders only raise the stop to a breaking of its prior two-low day low. All others keep holding.

2. SMALL-CAP. CHART

DIGICOR (DGC) – Bullish breakout

Broad Recommendation: BUY

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

Strategy: Buy on a minor (two day) pullback more upside to come.

Chart 8. (Weekly)



Sector: Electronic Equipment

Price: R2.70

Chart Setup: Digicor has formed a large inverse head and shoulders, and breakout above the neckline (line 1) decisively recently. There is a lot of resistance to the left at line 2 (R3.50) and before there at R3.20, which will hold the price up temporarily before continuing higher through it.

- Its weekly MACD (on top) is turning up and giving a buy signal from its zero line, which confirms the bullish chart pattern,

Strategy Details: Buy on a minor (two day) pullback e.g. to R2.55 for the med-term. One can buy at current levels as long as you don't mind holding if it gives that pullback.

Target: Minimum target to R5.00 i.e. the height of the inverse H/Sh projected up. (As mentioned, expect the price to stall at R3.20 and R3.50 (line 2) before heading up to the target. (Those who don't want to wait for it to get to the R5.00 target can take profits just before line 2 (R3.50), which will still result in a decent profit).

Stop-loss: Initial stop is a weekly close below R2.00. From R3.40 bring your stop up to breakeven.

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

- CIL, Litha, ELBGroup, Huge, Onelogix, Phumelela, Torre.

3. RELATIVE STRENGTH

- These are the strongest index stocks on a *3-month* basis relative to the JSE All Share Index.
- Typically the leading stocks keep leading. Therefore, traders can buy these stocks on pullbacks, although always look at the chart first before making a decision. Medium and longer-term players should look to buy them when they first appear on this list.
- We've also included the *weakest* index stocks. These can either be shorted on bounces (if in a downtrend), or traded as a "pairs trade" against the strongest stocks i.e. go long a strong stock, and sell short a weak stock at the same time.

Strongest seven Top 40 stocks: Aspen, MTN-Group, Mr-Price, Sanlam, Medclin, Tigbrands, Vodacom.

Weakest seven Top 40 stocks: Anggold, Assore, Richemont, BHPBilliton, Amplats, Implats, Shoprit.

Strongest five Resi 10 stocks: Gfields, Exxaro, Sasol, Anglo, Amplats.

Resi 10 vs. Findi 30 over 3-months: Findi 30 is stronger.

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

- **Exxaro:** after a sharp intraday bounce last week for entering short it fell sharply and reached our first profit target of 125 reaching 120. The remainder of the profits were locked in on the prior 1 dal low trailing stop given last week for an around profitable trade. Since then its bounced back sharply and might be forming an inverse head and shoulders. A decisive close above 134.80 will confirm that and be a buy signal for a rally to 146. Stop then a close below 127.
- **Imperial:** It closed below 169.30 last Weds to trigger the short signal but reversed sharply higher the next day. This proved to be a one day false breakdown. It contend up triggering the stop shortly thereafter. It goes like that sometimes. I still think this stock is vulnerable to one more sharp sell-off. A reversal week down from here or higher (or very decisive reversal day) will be a chance to re-enter short for a drop to 167.50-165. Stop intraday above that reversal week's high.
- **Naspers-N:** its pulled back over the past week and that's fine. We advised to start buying slowly to build up a med-term position here and to add to it around 1200 on a reversal day up. It's at that 1200 level at the moment and any clear reversal day up will be for adding to. Place your stop as a close below 1130. (Note, if it stops out but reverses up the next day, immediately re-enter). More conservative players wait for a close above 1270 to buy. Once it gets going again I'm looking for 1580-1600 as the target.

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):

- **RMBH, MTN-Group, Woolies, InvPlc, Richemont, Bidvest.**
- **AVI:** its pulled back over the past week with the market but I'm not concerned. This is a med-term trade with a target of 81-85. So it's still a hold. Stop a close below 62. (It won't be updated each week).
- **Anggold:** gave a nice one day bounce last Thurs and reversed down the same day, it then dropped sharply to reach our 122 downside profit target. It still has a further target to 116.50 which can be held for (it got very close to it today). Take more profits and use a prior 1 day high as the trailing stop.
- **Angloplat:** it gave a classic reversal candle down last Thurs for shorting on as advised here. Hold short and take profits at 359, 355, and 350. Stop a close above 386.70. Note, it might be forming a triangle and a clear close below 358 will actually point to a further drop to 328. More aggressive players can leave some on (short) if that happens for that target. Needs to give a clear reversal week up to start turning bullish.
- **Anglo:** is currently giving the reversal day down from our mentioned shorting level we were discussing her last week. A weak close today (Weds) will be a short signal but with caution, because its had a sharp rebound. Target 240-236. Stop a close above today's high.
- **Aspen:** moved nicely into our profit zone for taking profits, and the prior 2 day low locked in remaining profits for an all-round nice trade. (It pays to buy the leaders on pullbacks, as opposed to trying to pick bottoms). Med-term it's still a hold though. Traders to re-enter long on a 1-or 2 day pullback and then take of profits on a run to 355-360. Stop a close below 333.
- **BATS:** has moved below its support level and as such has confirmed a double top, I'm not convinced it's going to drop to the target from this pattern which is 564. It is very oversold. Continue to wait for a reversal week up to buy on. Or buy a daily close above 619. Target will be back to 665 and stop below the reversal weeks low.
- **BHPBilliton:** gave a sharp 2 day bounce and reversal candle down yesterday (Tues). Aggressive traders can short it now for a quick drop to 288-285. Stop intraday break above 203. It is oversold but waiting for a reversal week up to buy is still the best strategy now,
- **Bidvest:** closed narrowly below our stop last Friday and reversed up sharply over the past 2 days. Look to re-enter long on a retest of 276.50 level (a reversal day up from there). Stop a cl below that reversal days low. Target to 291 initially. Main resistance is 300.
- **Discovery:** continued moving down and has given a 2 day bounce but is still vulnerable in the immediate short-term. It bounced of its 200-day ma and one should wait for a reversal week up to buy on. Shoring not advised now. Med-term keep holding. Adjust your stop to a weekly close below 87.50.
- **Exxaro:** see update above
- **Firstrnd:** is holding up the best of the bank stocks and I expect it to take off once the market turns. Wait for a reversal week up to buy again. Or buy a daily close above 43.00 – whichever happens first. Stop will be below the low of the current correction and target up to 48.
- **Gfields:** a reversal day/candle down today is shortable for a drop to 41.50-40.80. Stop a close above 45.60.

- **Growpnt:** remains vulnerable. It's still a hold for now with the stop a close below 23.85. Med-term I'm still looking for a move to 29.
- **Harmony:** moved sideways over the past week, we need a bounce for new shorting. In the meantime a close below 21.80 will also be a short signal but more aggressive, for a drop to 20.10. Stop a close above 23.60. I also have a target of 16.50 for it.
- **Imperial:** see update above.
- **Implats:** gave two reversal candles down late last week which was for shorting as per last week's comments here. It dropped sharply thereafter to reach the downside profit target. Monday's low will probably be retested but we are very oversold. I would still want to see a clear reversal week up for any new buying e.g. a Friday close at 90 or better.
- **InvPlc:** its near its 200-day MA and med-term support at 87. Look to buy a very clear reversal day up from 88.50-87. Stop a close below 87. Or more conservative players wait for a reversal week up to buy. I'm looking for a rally back to 100+ when that happens.
- **Kumba-IO:** this short trade worked out nicely as it dropped to our shorting target, and then reversed sharply higher. Aggressive traders only, sell short on a reversal ay down today for a drop to 266-261 but its becoming far more risky. Stop intraday above 292.60.
- **Medclin:** triggered the stop last Weds, which would have protected you from further downside. Overall it's still a strong stock. There is support at 87.50-87. A reversal week yup will be for buying again. Stop below that weeks low and target to new highs.
- **MondiPlc:** gave a reversal candle up last Fri from our mentioned buying level. If you bought, hold with a stop a close below 166.40. Target 177-180. If not in wait for a reversal week up to buy rather
- **Mr-Price:** see Chart 6.
- **MTN-Group:** still looking for a buy here. A close above 23650 will be a buy signal (stop a close below 232). Or a reversal day up off 226 – whichever happens first. I like the look of its chart overall. More conservative players wait for a reversal week up. Short-term target will be 246. But once it closes above 247.10 re-enter for a larger rally to 263+.
- **Naspers-N:** see update above.
- **Newgold:** Range bound between 128.30 and 133. No new trade yet. Aggressive traders can trade once it closes outside this range in the breakout direction. Target then will be a R4 per share move. Bias to the downside.
- **Old Mutual:** gave a bounce last Weds but stopped slightly below our given shorting level. It then dropped to our 30.70 target. It has support around these levels but wait for a reversal week up now to buy. Stop below that week's low and target to 33.50 initially.
- **Reinet:** closed below the support level given last week which we said was for shorting. Its dropped further but exit that short-term now if you took it. Wait for a reversal week up to buy on. Or buy on a close above 24.70. Stop below the low of the current correction, Target to 26.50.
- **Remgro:** see Chart 5.
- **Richemont:** gave a bounce for shorting (to just below our given/ideal shorting level and dropped nicely from there stopping slightly above our 86.70 target. That target can still be reached but shorts to be exited now if you did short it. I think it's becoming low risk now from a buying profit of view but still I want to see a reversal week up for buying. Large upside thereafter.
- **RMBH:** it stooped out narrowly then reversed back up, but I like the way its holding up in general and one should be looking to get long again very soon i.e. on the next reversal day up or a close above 55.60 – whichever happens first. Target will be 57.60 but once it closes above there look for more upside to 63 of re-entering. Initial stop below the low of the current correction.
- **SABMiller:** continued drifting down and has support at 561.30-555. I think its getting near a bottom but still, wait for that reversal week up to buy on. Stop will be a breaking of the low of that week and good upside potential e.g. to 660 but we'll update targets once it gets moving up.

- **Sanlam:** broke below an important support level, but I'm not too concerned. The strategy is still to wait for a reversal week up to buy on. Target then will be back to new highs at 70 with a med-term target of 80 still in place. Stop below the reversal weeks low. However, a close above 64.50 (daily) will also be a buy signal, for the same targets and stop a close below the low of the current correction.
- **Sasol:** gave the bounce for shorting on last Thurs and then fell beautifully to reach both downside profit targets. After a 2 day bounce its down sharply today again but is nearing a bottom I believe. No more shorting advised; wait for a reversal week up to buy on.
- **Shoprit.** Buy on either a clear reversal week up for a good med-term move, or on a close above 140.75 – whichever happens first, stop below the low of the current correction. Target to 154 initially.
- **Stanbank:** has moved sideways over the past week but is heading down again today and is nearing our 123 target. Further potential to 121.70. While is technically still a short rather wait for a reversal week up to buy if not in.
- **Steinhof:** see Chart 7.
- **Telkom:** after the prior profitable trade its dropped dramatically in recent days. Med-term I still like it and it's a hold, but short-term step aside for now. It right be forming a triangle for a move up to 75 med-term but it's too early to say. We will update.
- **Tigbrands:** is still holding up well relatively speaking. It needs to give a breakout and close above 328.50 to get going to a med-term target of 350+ for aggressive buying. Right now it's best to wait for that breakout.
- **Vodacom:** this trade didn't work out and its continued down to trigger the stop. Wait for a close above 128.70 now to re-term long. That will setup a more to 135-136. Stop will be a close blow 124.50.
- **Woolies:** the second shorting attempt worked to nicely and it dropped to reach the shorting profit target. Don't do any more shorting now, wait for a reversal week up to buy on or a close above 71 – whichever happens first. Stop below the low of the current correction and target to 77-80 then.

GOLD UPDATE: After a minor pause the JSE gold index is heading down again. Minor rallies are shortable as advised here for some time and no going long advised at all. Downside potential to 850 med-term.

- **Dollar gold price:** it's given the expected bounce and gave a reversal candle down last Thurs. That candle was ignored, so if you did short on it, it will have been stopped out or a small loss. Overall nothing has changed though, gold should start falling again in the not too distant future. The USD is in a new larger bull trend and this is negative for gold going forward (there will obviously be counter trend rallies). A reversal week down will be a new short signal now. Target to new lows at 1180 level but med-term the target is \$1050. Stop above the reversal weeks high.

USD/ZAR: has given the pullback (rand rally) and needs to close above 11.15 for rand shorting again. That will lead to a move to 11.40-11.50. Stop a close below 10.95 then.

5. SHORTABLE (DOWN-TRENDING):

Please note:

- We list the stocks and indices (local and overseas) that are in well-established 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 30-day moving average. The moving average tends to act as loose 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.

Down-trending Stocks: 30-Day MA:

ARM	154.6407
ASSORE	248.0667
AVENG	22.4347
BARWORLD	95.8427
EXXARO	136.149
GRINDROD	23.233
IMPLATS	88.7407
KUMBA-IO	281.9647
LONMIN	35.301
RICHEMONT	96.4937

Int'l Instruments: 30-Day MA:

M-BRENT	95.8327
M-SILVER\$	1807.3
C-EUR-\$	128.18
C-EUR-GBP	79.0503

OVERALL SUMMARY

The S&P 500 index is pointing to a significant bottom to come on Thurs or Fri this week. That may well turn out to be the final bottom of this correction. Either way, expect a good rally. We'll assess as the move unfolds if the final bottom is in, but right now one should be taking profits on shorts and looking for buying (long) opportunities to set up.

This correction I believe will prove healthy for the market as we head to significant new all-time highs over the coming months. But let's not get too ahead of ourselves. (Look for the reversals up which can occur at any time).

Focus on the strong stocks for going long (the ones that have hold up relatively well during this correction). Resources stocks should also have a good relief rally.

Therefore, today's sell-off is potential capitulation coming in across the board. Right now it's important not to get carried away with fear/panic; these are moments that can lead to big profits if one remains calm and thinks ahead.

Sincerely,

Colin Abrams
TheMarket.co.za

PS: Remember: Protective stops on all positions!

NEXT COURSE DATES:

JOHANNESBURG:

Course 1: Technical Analysis - 26th October 2014.

Course 2: Advanced Technical Analysis and Money Management - 9th November 2014

Course 3: Developing Trader Discipline (Trading Psychology) - 7th November 2014.

If you'd like to attend please let us know: courses@themarket.co.za

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