

Welcome to TheMarket.co.za Weekly Analysis Report

Date of Issue: 17 November 2010

By Colin Abrams

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Classic Trading Rule:

"Do not try to judge trading success by how close you can come to picking major tops and bottoms."

JSE SHOWS RELATIVE STRENGTH

Introduction:

A sharp drop in the gold price has seen the US stock indices sell off sharply in recent days. The JSE All Share index by comparison, however, has held up very well. It is showing good relative strength against other stock markets which is a sign of underlying strength here, and more upside the most likely scenario. Nevertheless, caution is advised in the very short-term, as the index is testing important short/med-term support today. If it holds, look for another rally very soon. If it breaks, the sell-off will be temporary. We start with a chart of the **Dow Jones**, which has stopped at a level of support so far, but is still vulnerable in the short-term only. Med-term the picture is positive. The **JSE All Share index** chart shows critical support that is being tested right now. We show two currency charts. The first is the **GBP/Rand**, which has seen the rand weaken to an important level, which will determine its next move. The other is the **USD/Yen**, which is trying to rally off a very long-term support level. A successful bounce in the dollar from here will point to more correcting in gold. The stock charts shown are **BHPBilliton** (pausing before rallying again), **Barworld** (bullish, but it seems to have bolted already today), and **MrPrice** (lining up for another rally).

The small-cap (mid-cap) chart is **Raubex**, which has a higher target after a recent breakout.

Overall, while markets are still vulnerable in the short-term, the JSE is showing that it wants to rally again. There is still more upside to come, and any drop below support will present a good buying opportunity for the short and med-term only. But not long-term. The next week will be crucial to see if support will hold.

Executive Summary:

- **Dow (chart 1):** Buy/re-enter on a pullback to the 10 700 level or on a close above line 3.
- **All Sharee Inx (chart 2):** Sell short on a close below 31 200. Go long (buy) after a correction.
- **GBP/ZAR (chart 3):** Sell short the rand on a close above line 2.
- **\$/Yen (chart 4):** Exit USD/Yen shorts. Go long on Friday at a close near 82.80.
- **BHPBilliton (chart 5):** Buy either a reversal up from line 1 or a close above line 2 – first to happen.
- **Barworld (chart 6):** Buy on either a close above line 1 or as close to line 2 as possible.
- **MrPrice (chart 7):** Buy either a reversal up off line 2 or a close above line 4 – first to happen.
- **Raubex (chart 8):** Buy at current levels for more upside.

Leading Stocks (3-mths): Top 40 – Richemont, Truwths, Kumba-IO, BHPBilliton, Shoprit, ARM,

Resources 20 - Metorex, Kumba-IO, BHPBilliton, Petmin, ARM.

- **Shortable stocks/indices:** 9 stocks, 0 indexes, 0 commodities, 0 currencies.

1. MARKET CHARTS

DOW JONES – Short-term vulnerable

Broad Recommendation: BUY LOWER DOWN

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

Strategy: Buy/re-enter on a pullback to the 10 700 level or on a close above line 3 – first to happen.

Chart 1. (Daily)

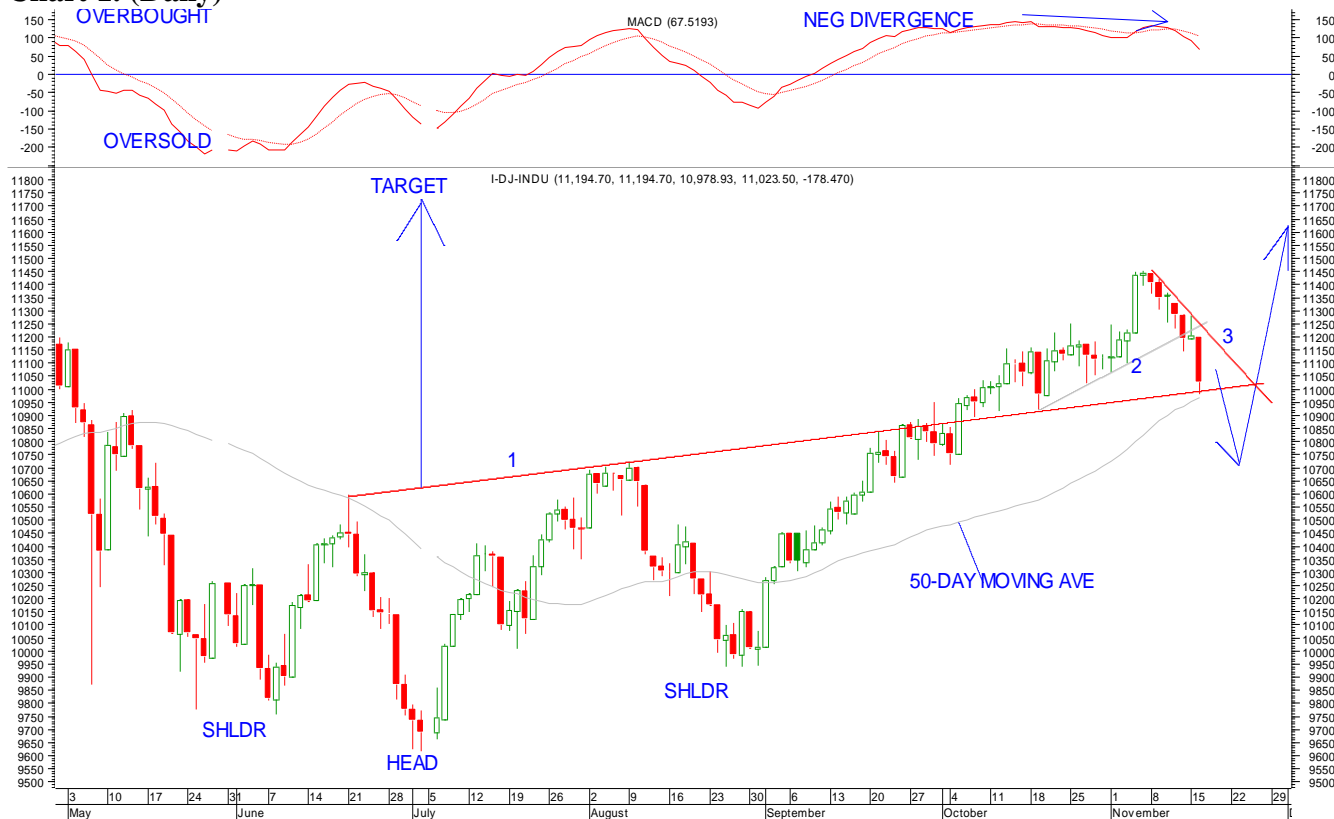


Chart Setup: The Dow is correcting, having falling below line 2. It is currently finding support at line 1 extended, which coincides with its 50-day moving ave (10 990). Expect a quick bounce from here, with more short-term downside the most likely scenario.

- Med-term, there is still an inverse head and shoulders in place (as labelled), with a higher target.
- The MACD (on top) is still relatively overbought and has a negative divergence, as discussed last week. Therefore more downside is to be expected.

Strategy Details: Aggressive traders will have sold short on last week’s advice, but keep a tight stop as a close above line 3. All another traders (short and med-term) to wait for more downside, to buy on a clear reversal day/candle (see Glossary) up from the 10 850-10 700 zone. If however the price goes straight up from here, and closes above line 3, buy then. (Line 3 is at 11 215 on Weds night 17th, and declining at an angle of 30 points per day thereafter).

- Investors keep holding current (albeit reduced) holdings.

Target: A close below line 4 (10 990) will set up further downside to 10 850 and more likely to 10 700. Upside targets are 11 725 (i.e. the height for the inverse head shoulders projected up), and then 12 300.

Stop-loss: For current shorts (aggressive), the stop is a close above line 3 (see level above). If/when buying on a pullback to the 10 700 level, the stop will be a close below 10 500.

JSE ALL SHARE INDEX – Hits resistance, testing support now

Broad Recommendation: TRADERS PREPARE TO SELL SHORT (WITH CAUTION)

Trend: Up, but short and med-term overbought.

Strategy: Sell short on a close below 31 200. Go long (buy) after a correction.

Chart 2. (Daily)

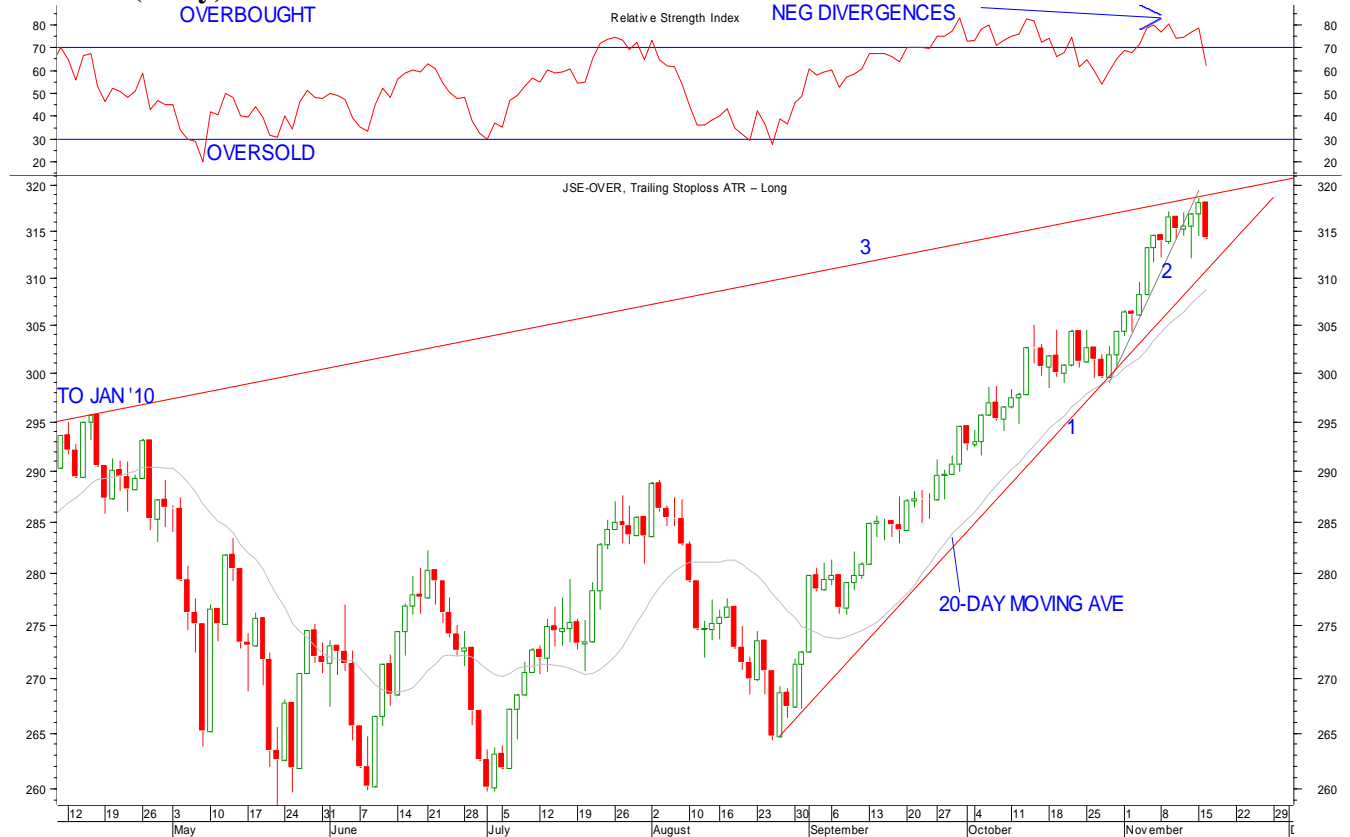


Chart Setup: The index reached line 3 before falling heavily yesterday. It did close below line 2 to exit the remaining trading long positions as advised last week. (The price has however gone sideways in recent days, and I prefer to exit on a ‘breakdown’ day, as opposed to within a sideways move. Yesterday was the first really clear selling day). The index is still holding above short and med-term support line 1 (31 180 today). A breakdown of that level and line 1 can occur at any time.

- The RSI (on top) is still giving a high probability divergence as shown last week, pointing to a correction to come.

Strategy Details: Traders only, sell short on a close below 31 200. (Note if it closes below 31 180 today then sell, but it looks unlikely. Thereafter keep the level at 31 200). Med-term players should also take at least half profits then. However a reversal day up off 31 180 can be bought, but with caution.

- Investors will get one more rally to allow for exiting all positions.

Target: A close below 31 200 will setup a drop to 30 200-29 800 for short covering. We’ll look to time new long entries from there (to be updated as events unfold). Note, if 31 200 holds, the next a rally will be to over 32 000. Med-term expect a retesting of the all time high of 33 310.

Stop-loss: For shorting on a breakdown, the stop will be an intraday break above 31 820. Once the index gets to 30 800 move your stop to your breakeven i.e. entry point. When it gets to 30 200 the stop will be a breaking of its prior 3 day high.

GBP/ZAR – Reaching important level

Broad Recommendation: BIAS TO SHORT THE RAND

Trend: Short-term rand weakness against GBP. Med-term sideways. Long-term rand strength.

Strategy: Sell short the rand on a close above line 2.

Chart 3. (Daily)



Chart Setup: The rand has been strengthening against the pound over the past two years. Last month the currency dropped to retest its May GBP low (rand high) at line 3, and has bounced from there. It may be forming a double bottom, but it's too early to say.

- The currency has now broken above line 1, and is approaching line 2 (11.23). A breakout beyond line 2 will see the rand weaken further against the pound.
- The Stochastic Oscillator (on top) is getting overbought for the GBP, so there's a reasonable chance of a reversal down off line 2.

Strategy Details: Right now, one needs to wait and see what the GBP/ZAR does at line 2. A close above line 2 will be a signal to short the rand against the GBP. But a reversal down off line 2 will be a buy (long) signal for the rand. (Line 2 is at 11.2350 on Weds 17th and declining at an angle of 0.0050 per day thereafter e.g. to 11.2300, 11.2250 etc). The odds favour a breakout beyond line 2 I believe.

Target: If the price breaks out and closes above line 2, then expect more rand weakness to 11.72 medium-term. But a reversal down off line 2 will point to a move back to line 3 support at 10.87 (spot price).

Stop-loss: For shorting the rand on a close above line 2, the stop will be a close below 11.04. For going long the rand on a reversal down from line 2, the stop will be a close above 11.2750.

USD/YEN – Dollar to rally?

Board Recommendation: EXIT DOLLAR SHORTS

Trend: USD weaker, but showing early signs of a reversal.

Strategy: Exit USD/Yen shorts. Go long on Friday at a close near 82.80.

Chart 4. (Monthly)

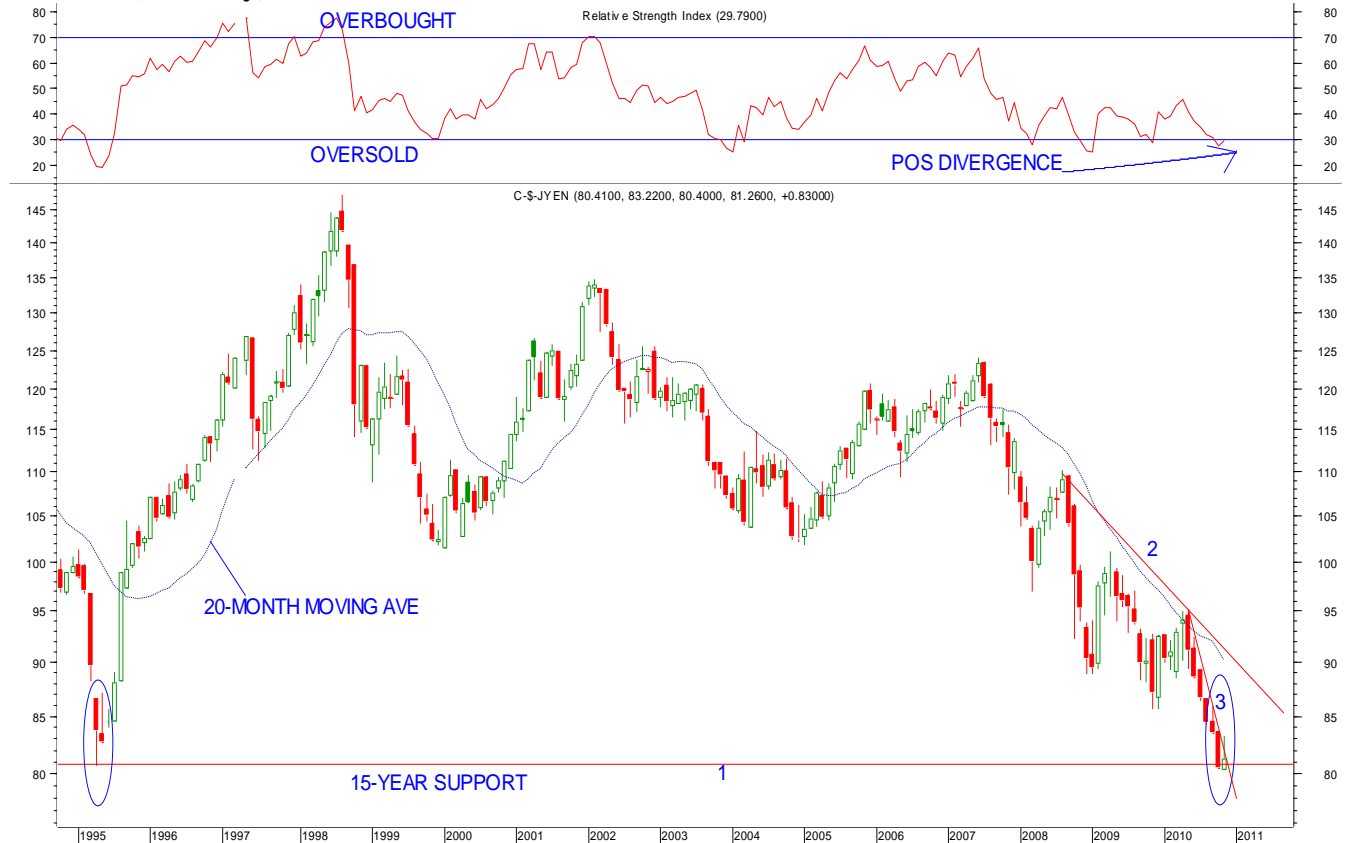


Chart Setup: This monthly charts goes back more than 15 years. It shows the \$/Yen retesting line 1, a 15-year support level (see circles). This month so far, the USD has reversed up off support. It is also testing line 3 resistance. A strong end to November will confirm a rally in the dollar for a few months at least.

- The monthly RSI (on top) is giving a large positive divergence (see Glossary) which is warning of a rally to come in the dollar.

Strategy Details: Even if you dont trade this currency, it's a good indication for the USD, and by implication gold and world stock markets. Exit current \$/Yen shorts if in. If the currency closes at the 82.80 level on Friday, then go long (buy) the \$/Yen, but with caution initially. A strong close at the end of November will be a further buy signal.

Target: A strong close at the and of this month will take the price to the 88.50 level in the next few months, and will put the gold rally on hold. Conversely, a breakdown below this month's low of 80.40 will see sharp falls in the dollar to the 78.00 level (and a rally in almost everything else, including gold)

Stop-loss: For buying on Friday, place your stop quite wide initially, as two consecutive daily closes below 80.40 (therefore take a smaller position size).

BHPBILLITON (BIL) – A temporary consolidation

Broad Recommendation: WAIT FOR NEXT BUY SIGNAL

Trend: Up, on all man time frames.

Strategy: Buy either a reversal up from line 1 or a close above line 2 – first to happen.

Chart 5. (Daily)

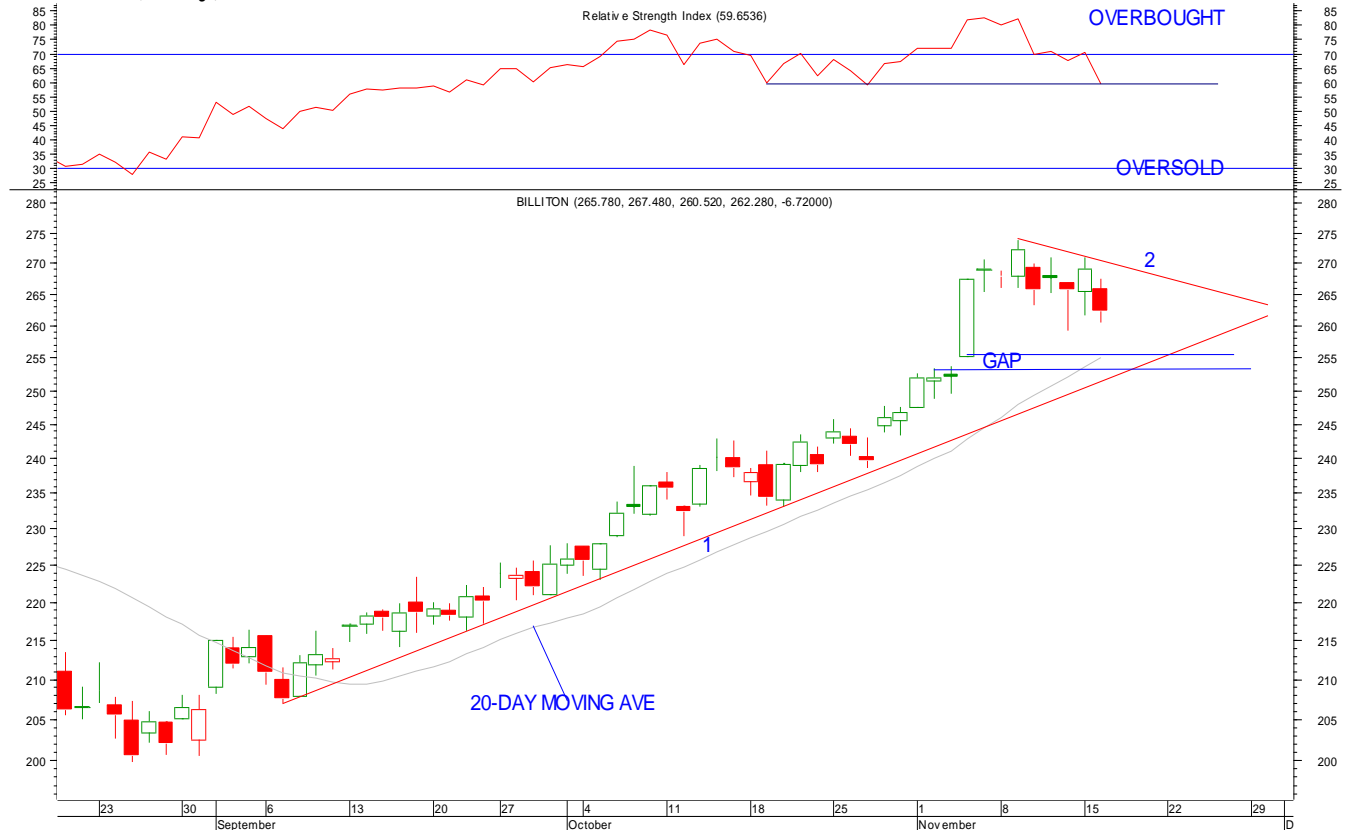


Chart Setup: Billiton is giving a uniform (and temporary) pullback in a strong trend. There is a price gap between R255.20 and R249.43 which it is very likely to fill, before moving up again.

- The RSI (on top) is testing its own short-term support line, and is still relatively overbought, thereby pointing to a good chance of a more short-term correcting, before moving up again.

Strategy Details: Buy it ideally on a pullback to line 1 to fill the gap. Wait for a reversal day/candle up from there as your trigger to enter. (Line 1 is at R252.35 on Weds 17th and rising at an angle of R1.00 per day thereafter). If the price doesn't pull back as far as line 1, buy on a close above line 2 (or do both). (Line 2 is at R279.75 on Weds 17th and declining at an angle of 70 pts per day thereafter).

Target: R300 once the uptrend renews with a breakout above line 2.

Stop-loss: For buying off line 1, the stop will be a close below R252. For buying on a close above line 2, the stop is an intraday break of the lowest point of the current pullback (or a close below line 1 if preferred, see level above).

BARWORLD (BAW) – A bullish setup

Broad Recommendation: TRADERS PREPARE TO BUY

Trend: Short-term up despite recent pullback. Med-term up. Long-term sideways.

Strategy: Buy on either a close above line 1 or as close to line 2 as possible – first to happen.

Chart 6. (Daily)

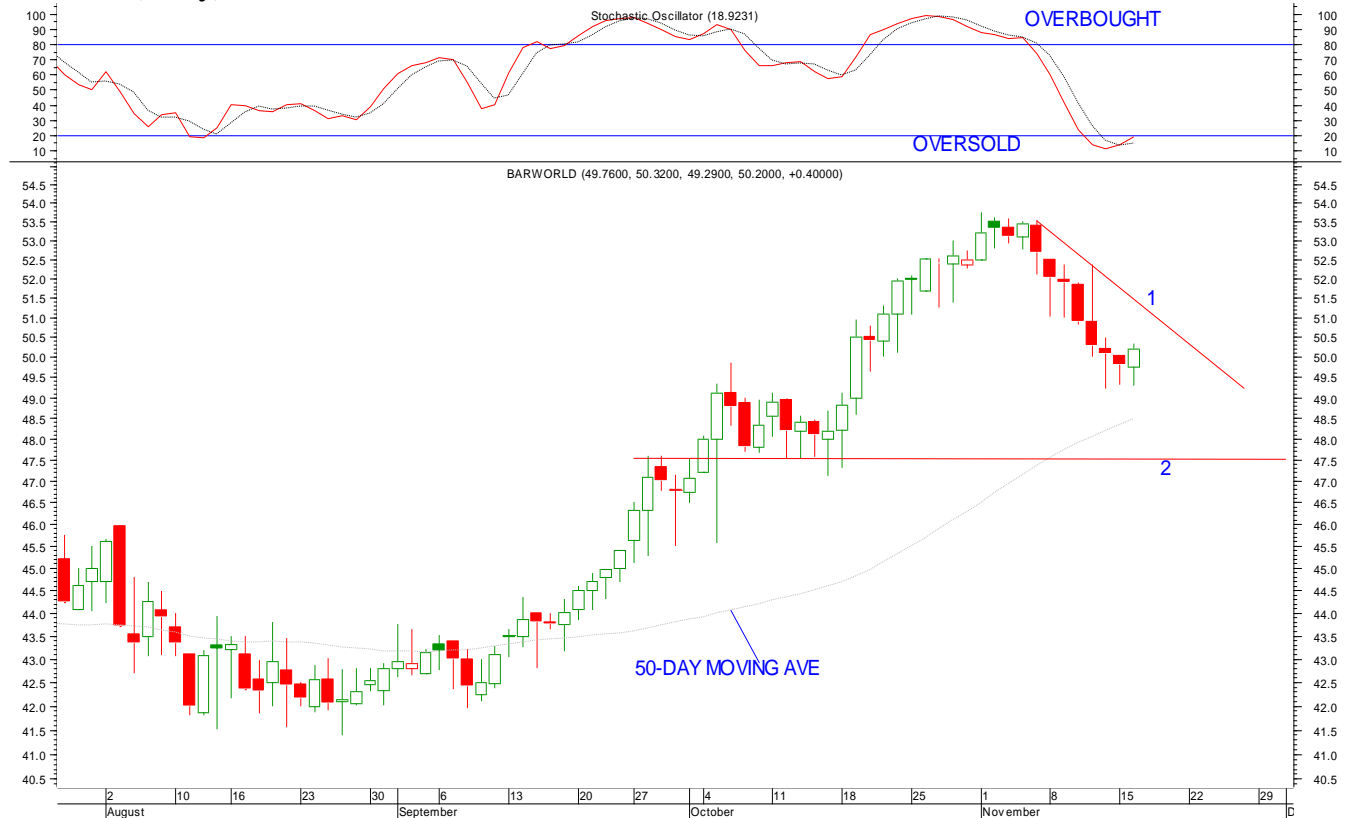


Chart Setup: After a good run-up in recent months, Barworld is currently taking a breather, and pulling back towards its rising 50-day moving average (which typically provides support).

- In addition, the short-term Stochastic Oscillator (on top) is clearly oversold, i.e. a bullish sign.

Strategy Details: Look for another up-leg to start at any time. Therefore, traders buy it either on a close above line 1, or as close to line 2 as possible (R47.50). (Line 1 is at R50.20 on Weds 17th and declining at an angle of 30c per day thereafter).

Target: Once the new up-leg gets underway with a close above line 1, look for a target of R56.40-R57.50 to take trading profits. Thereafter, expect a pullback to below R50 again.

Stop-loss: Place your initial stop-loss when buying on a pullback, as a close below R47.50. If buying on a close above line 1, the stop will be an intraday breaking of the low of the current pullback.

LATE FLASH: Barworld is rallying very sharply today already. Do not chase it.

MRPRICE (MPC) – Another rally coming

Broad Recommendation: TRADERS PREPARE TO BUY. INVESTORS HOLD

Trend: Up on all main timeframes.

Strategy: Buy either a reversal up off line 2 or a close above line 4 – first to happen.

Chart 7. (Daily)



Chart Setup: Top stock MrPrice is giving a temporary pullback before another rally. It has broken out of a channel (lines 1 and 2), and is pulling back to retest line 2 (R61.75). It's currently at its 20-day MA which typically provides short-term support.

- The Stochastic (on top) is clearly oversold – a bullish sign.

Strategy Details: Buy it on either a reversal day/candle up off line 2 (R71.75), or off line 3 if it occurs there (R59.60-R60). A close above line 4 will also be a buy signal (either if that occurs first, or, as a chance to buy more after the pullback to lines 2 or 3). (Line 4 is at R65.25 on Weds 17th and it is declining at an angle of 25c per day thereafter).

- Investors hold regardless of pullbacks.

Target: The next rally should take it to R72. Lock in partial profits as it trades above R70 and then raise your trailing stop to a breaking of its prior 3 day low, while taking trading profits at the target.

Stop-loss: Initial stop is a close below line 3 i.e. below R59.60. Once the price closes above line 4, raise your stop to an intraday broke of the lowest point of the current pullback.

SMALL-CAP. CHART

RAUBEX (RBX) – Upside breakout

Road Recommendation: BUY

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

Strategy: Buy at current levels for more upside.

Chart 8. (Daily)



Sector: Other Construction.

Current Price: R24.20

Chart Setup: Raubex has broken out of a large broadening formation/megaphone (lines 1 and 2). Last week it fell to retest its breakout point (and its 50-day MA), and reversed back up on Friday. This is bullish price action.

- The short-term Stochastic (on top) has dropped to an oversold level (bullish).

Strategy Details: Buy at current levels for the med-term+.

Target: Minimum upside target is R31.70 i.e. the height of pattern 1-2 projected up.

Stop-loss: Initial stop is a close below line 3 (R22). Once the price trades above R26, move your stop up to a close below R22.80. Short-term pullbacks will be buyable for (short-term) traders all the way up until the target is reached.

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

- **Long:** Blue, GB-Gold, Simmers, Supgrp.

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: Richemont, Truwths, Kumba-IO, BHPBilliton, Shoprit, ARM, Massmart.

Weakest seven Top 40 stocks: ArcMittal, Nedbank, Stanbank, Reinet, Old Mutual, Anggold, MondiPlc.

Strongest five Resi 20 stocks: Metorex, Kumba-IO, BHPBilliton, Petmin, ARM.

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

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

- **Anglo:** an extended run in Anglo saw it race through out trading target, which is why its always a good idea to leave some on with a trailing stop. It has support right now at 327.50 which it has been trading below today so far. Look for a pullback to 317 (lien 3 in last weeks report) to buy again. Upside target still to 360.
- **Implats:** gave somewhat of a pullback on Friday but not as far as support to allow for a low risk entry. It is still overbought and I would still like to buy it closer to 205, with the stop a close below 203. Trading target the not above 220. Upside med-term still to 239.50.
- **Bidvest:** technically closed below the support level but it was in the context of a sideways move, not a breakdown, which to me is not an event to sell short on (I want to see a breakdown price bar). If you shorted keep your stop as a close above 152.90. If not in only sell short now on a close below 149.60. Target to 141.60. If it doesn't trigger the new breakdown, the upside to 155.80 short-term.

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).

- 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 the three stock charts, I particularly like (long or short) at the moment (in no particular order. See comments below):

- Exxaro, Grindrod, Old Mutual, PPC, ARM, Shoprit.

- **Abil:** got within a few cents of the target but didn't quite make it. Keep your stop as close below 35.65 and exit short-term trades at 37.
- **Absa:** gave the pullback to support as expected but didn't give a reversal day up off support to buy. It fell through support. It's pointing to a target of 129.60 but it is getting oversold, so shorting it is risky. Furthermore, other bank stocks are looking ok, e.g. fsr, and sbk improving. So now shorting advised right now. If it does fall to the 130 level then look to buy on a reversal day up.
- **Anggold:** got to the upside target for a good profit, and then reversed down last Thursday. I'm looking for one more short-term leg up here. Traders buy on a reversal day/candle up from the 335 level, with caution. Target to 360-365. Stop a close below 327.50.
- **Anglo:** see update above.
- **Angloplat:** remaining trading profits locked in as advised. Look to buy again from the 688/690 are (on a clear reversal day up). Stop a close below 675. Or, buy on a close above 720 – whichever happens first. The latter event will setup a target to 770.
- **ArcMittal:** broke down yesterday below short-term support. If it closes below 77.50 then exit. A reversal day up from 77.50 is an aggressive buy signal. Stop a breaking of the low of a reversal day from there. Target to 82. It needs to get above 82 to get going again. I think it will happen, but a bit more patience is required here.
- **ARM:** remains a med-term hold. Traders buy either on a close above 196.50 or on a pullback to 188.50 – whichever happens first. For the former, the stop is a close below 192, for the latter, a close below 183. Target to 210.
- **Aspen:** has got close other 99.50 target but not quite there yet. Hold. Stop is a close below 93 for traders. A reversal up off 93 is another buy signal if it gets there. Med-term support is 90.
- **Aveng:** Med-term hold. Traders move your top to a close below 42.80. A close above 44.35 will be a new buy signal/add to for the short-term. Target then 46.50-47.
- **Barworld:** see Chart 6.
- **BATS:** moving sideways and holding short-term support. A close below 267.40 will be a sell short signal for a drop to 259.50. Stop a close above 271.50 then. If support holds look for it to make its way to 276.50.
- **BHPBilliton:** see Chart 5.
- **Bidvest:** see update above.
- **Discovery:** reached the trading target for partial profit taking as advised. It has moved sideways since then. Hold and add to at 39.80. Trading stop is a close below 39.50. Target up to 41.50. Med-term target is 44.50.
- **DRDGold:** Only buy on a close above 3.85, on good volume, for a med-term for a move to 5.10.
- **Exxaro:** is giving the expected pullback from last weeks comments. Traders buy a reversal day up off 133.20 (more aggressive) or a close above 138.60 today (declining by 50c per day – more conservative entry). Target will be 145-150 for profit taking for traders. Stop for an aggressive entry is a close below 132.50/for conservative entry below 133.50.
- **Firststrand:** is holding up very well. Didn't quite pullback to 21.20. Look to buy it near 21.50. Stop a close below 21. Target to 23.60. Med-term target to 25.
- **Gfields:** look to buy a reversal day up from 116 or lower. Target to 127 short-term. Stop a close below 112.50. It has a higher target of 148 as mentioned last week, but I'd like to see breakouts in ANG and HAR to be more confident of that level being eventually reached. Right now the latter two stocks haven't broken major resistance levels.
- **Grindrod:** consolidating sideways over the past week and most likely building up for another rally. It is still relatively overbought in the short-term which is a caution. Nevertheless, a close above 18.80 will be a new buy signal (with caution at these levels) for a move to 19.60 for half profits to be taken on the prior short/med-term trade. Med-term of 20 is not far away now. Note, if it breaks down first then look to buy from 17.85.

- **Harmony:** pulled back to our mentioned buying level (82) yesterday and reversed up off its lows. One can start buying and buy more on a pullback to 81.50. No large positions advised. I'm looking for one more short-term rally here. Target is 87-88. Big picture it has a lot of resistance at 89 and it needs to breakout and close above there convincingly to really get going. That will setup a longer-term target to 115 if it breaks out.
- **Imperial:** is holding up well but is still overbought. Look to buy at 120. Stop a close below 118. Target to 128.50. Med-term target to 135.
- **Implats:** see update above.
- **InvPlc:** pulled back to the mentioned buying area. Hold. If it pulls back again to 56 it can be bought again. Stop is a close below 55.50. Target is 58-58.20. Med-term it is still in a large sideways pattern.
- **Kumba-IO:** the trailing stop locked in the remaining profits as advised. It is now pulling back to buying levels at 410. A reversal day up from there is a buy signal. If it reverses up a bit lower e.g. 403 that will also be a buy signal. Stop is a close below 400. Upside target is 475
- **Lewis:** trailing stop triggered the exit the remaining part of this profitable trade.
- **Lib-Hold:** got nicely up to the first target for half profit taking and the remaining profits locked in on the mentioned trailing stop. Looks vulnerable to a drop to 72.50, where buying is to be done again.
- **Lonmin:** pulled back to our mentioned buying level. Hold/buy on a pullback to below 198 if not in. A close above 208 will get it going again. Lock in partial profits at 212. And continue thereafter with a breaking of prior 3 day low for traders. Med-term target to 230 still. Stop is a close below 192.
- **M&R-Hld:** the head and shoulders confirm with a breakdown triggering short-term stops. It is now pointing to a minimum target of 38.90. It is getting oversold so no shorting advised. It is buying a long-term base, so sell offs lie this should be used to accumulate, especially for the med/longer-term. In the meantime it needs to close above 42 to get going again – to 48.
- **MrPrice:** see Chart 7.
- **MTN-Group:** is showing good relative strength as is got to the 131 short-term target for some profit taking. It can be bought at 130 still, for a move to 135 for trading profits to be taken. Pullbacks will remain buyable. I have a longer-term target now of 175. Med-term support is 124.50. Any pullback to there is certainly buyable with your stop a close below that level.
- **Naspers-N:** is consolidating before another leg to the upside. It has support at 344/345. It is a buy anywhere near there. Stop is a close below 342. To the upside, a close above 369 will also be a buy signal. Target up to 415.
- **Nedbank:** moving sideways at the moment. A close below 129.75 will setup a target to 125.80. From there it will be overbought and we'll consider the prospect of buying it.
- **Netcare:** reached all upside targets on a great run last week and on Monday this week, for good profits to be taken. Buy again at the 15.20-15 level. Upside then to 16.50. Stop is a close below 14.95.
- **Newgold:** target to 98. Pullbacks are buyable e.g. to 92.50 level. Stop is a close below 91.50
- **Old Mutual:** is moving sideways and looking more and more attractive on a med-term view. A close below 14.40 (assuming it's not at/near the high of the day) will point to more temporary downside to 14, where I think it is a bargain, to buy more. To the upside it needs to close above 14.75 to get going, which will be a buy signal as well. Target then to 16.30.
- **Pick 'n Pay:** one has to be wary of buying after such a steep rally. Look for a pullback to 47 to buy, but with caution. Target then to 51. Stop a close below 45.
- **PPC:** buy on either a close above 34 or a pullback to 32.50 or both. One it closes above 34 look for a move to 35.70 for partial profit taking. It has a med-term target to 37.20.
- **Reinet:** triggered the stop by 2c yesterday. Buy/re-enter on a close above 11.72. That would setup a move to 12.60-12.80. It does look to have formed a head and shoulders over the past two months,

but I think this one will fail, and therefore be bullish. If it does continue to drift down, it can go all the way to 10.90.

- **Remgro:** still basically moving sideways in the short-term. Take trading profits at/near 114. Raise your stop to a close below 107.50 for traders only. If that stop triggers look for a drop to 104.50, which will be a chance to buy again.
- **Richemont:** got close to our buying level on a pullback and then reversed up. It is the strongest top 40 stock right now. Traders who bought use a breaking of prior 2 day low to lock in at least partial short-term profits. Use a pullback to 36.20 or lower to buy again. Target up to 41.50.
- **RMBH:** got close to the short-term target and then drifted down of the trailing stop to kick in. No clear trade here at the moment.
- **SABMiller:** has got back to 229 for trading profits to be taken. Med-term hold. Two consecutive closes above 229.50 will be a new breakout buy signal (target to 250). In the meantime a pullback to 223.50 is buyable for traders again, for a move back to 229 (we'll continue to play this range until it breaks out). Stop will be a close below 222.50.
- **Sanlam:** Med-term target is 28.90. Hold/buy pullbacks. A pullback to 26.50 will be buyable. Short-term stop is a close below 26.40 (that will large a drop to 25.90 to buy again). Med-term stop is a close below 25.70.
- **Sappi:** went straight up to the first target for some profit taking. Next target is 40.40. Buy a reversal day up form 37 for that rally. Stop a close below 36.30.
- **Sasol:** got to 340 last week to take all short-term profits as advised. A reversal day/candle up from 328 to be bought again. Stop below the reversal days low. Target to 342. It has a larger target o360 med-term.
- **Shoprit:** moving sideways and building up for another short-term rally. Traders buy on a close above 103.75. Target then to 106.6.0 short-term. Stop is a close below 100.80. A pullback to there in the interim can be bought. Investors hold regardless.
- **Stanbank:** triggered the stop but as mentioned last week, this is not a trade I would take because FSR is preferred. I do however now see some signs of improvement here and would buy on a close above 105.50. Target to 108.20. Stop is an intraday break below 102. Med-term players to nibble on weakness for a move to 112.
- **Steinhoff:** hold. Keep your short-term stop as a close below 21.50. That will see it drop to 20.20. In the meantime a close above 22.20 will be another buy signal for a rally to 23.10 for all trading profits to be taken.
- **Telkom:** Hold with a stop a close below 35.55. A close above 37.25 will be a further buy signal. Target to 39.50.
- **Tigbrands:** it's still moving sideways in the short-term., and has formed a triangle. Hold/buy on a close above 186.40 for a move to 195. Stop is a close below 181.40. If it breaks out to the upside it will also set up a med-term target to 205. A close below 181.40 on the downside will setup a target o 173 and can be shorted only by aggressive traders.
- **Truwths:** is setting up for another rally. Buy o a close above 74.50. Target to 79. Stop then a close below 72.25.
- **Vodacom:** reached and exceeded the upside target for a nice profit. It has pulled back in recent days and looks likely to have anther bounce to 71.50to 72. I wouldn't buy for that though.
- **WBHO:** Keep holding as a med-term play to 151.50. Pullbacks will remain buyable e.g. to 130.
- **Woolies:** hold. Current trailing atop is an intraday break below 28.10. Target to 29.50 then 29.90.

GOLD UPDATE: I'm expecting one more short-term up leg on the JSE gold index. Look for it to pull back towards 2650 first. A reversal day/candle up form current levels or lower is buyable for gold shares short-term. Thereafter, pullbacks will remain buyable. It has a med-term target for 3065.

Dollar gold price: traders advised to be locking in partial profits last week which worked well last it's dropped sharply. Support is \$1320. Traders look to buying again on a reversal day up from there/near there. Stop is a close below 1320. Target to 1440 (it stopped at 1424 so far). A close below 1320 will see it drop further to 1230 for a larger correction, and great buying opportunity. Investors hold regardless. If it does drop to 1230 then look to buy more.

Rand gold price: is overbought but look for another run to 9700, and then most likely a correction to 9200. Eventually to make its all time high at the 10 000 level again.

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 17 Nov. '10) Price (R) 20-Day MA: 40-Day MA:

AFROX	19.4500	20.6650	20.7095	AFX	C:\Equis\WATCH LIST
COAL	8.6000	8.9490	9.2648	CZA	C:\Equis\WATCH LIST
DATATEC	33.5000	34.8765	35.0798	DTC	C:\Equis\WATCH LIST
GIJIMA	0.7300	0.7570	0.7800	GIJ	C:\Equis\WATCH LIST
JUBILEE	3.3100	3.4110	3.5165	JBL	C:\Equis\WATCH LIST
M&R-HLD	40.9500	43.3895	43.5903	MUR	C:\Equis\WATCH LIST
REINET	11.5300	11.9030	11.9738	REI	C:\Equis\WATCH LIST
RMBH	36.3800	36.6530	36.8505	RMH	C:\Equis\WATCH LIST
TRNSHEX	2.4200	3.0055	3.2078	TSX	C:\Equis\WATCH LIST

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

None.

SUMMARY

We're finally getting some sort of correction in world markets, triggered by a drop in the gold price and euro/\$. Frankly, this is very welcome, and will allow for another round of buying for the short/med-term. There are still higher med-term targets on indices and main stocks, and a sell-off is to be used to buy.

As of today, the JSE All Share index testing important support. I have spoken about the possibility of a 2000 point sell-off (particularly in the intraweek updates), but another way of consolidating is by

actually moving sideways. That also alleviates overbought conditions. Therefore, if we don't break down below the support level shown therein, a sideways move for a while longer is also a possibility (and a sign of relative underlying strength). Either way, one should be focusing more on buying the dips, which is typically more prudent than selling short any temporary drop.

Sincerely,

Colin Abrams
TheMarket.co.za

PS: Remember: Protective stops on all positions!

NEXT COURSE DATES:

CAPE TOWN

Course 3: Developing Trader Disciple – 21st November '10 (Sunday).

Please email courses@themarket.co.za if you'd like to attend. Seating is limited.

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Tel: 011 440-7880
Fax: 086 510 9988
info@themarket.co.za