

Welcome to TheMarket.co.za Weekly Analysis Report

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Classic Trading Rule:

"Take regular breaks from trading to recharge your emotional batteries."

JSE BECOMING VULNERABLE

Introduction:

This is the final newsletter of 2010, as per yesterdays email. The JSE All Share index has stalled after an excellent rally from the beginning of December. The question is whether this is a stalling before another good short-term rally, or in fact, whether this rally is now coming to an end. Right now I can see technical arguments both way, but my gut fell is that markets are extremely high at the moment, and both traders and investors need to be aware of a strong possibility of a very large correction, that frankly can start at any time. The general strategy therefore is to manage current open positions very closely and raise trailing stops. If the large drop doesn't start now, it's not far off, according to my assessment. We start with a look at the **S&P 500 index**, which is more important than the Dow in terms of market professionals. It is now reaching its minimum upside target. The **JSE All Share index** chart is high and flagging danger signs. We also look at an important chart of the **copper price**, which is coming to the end of a large rally, and this is also an important warning for the stock market. Finally we show a chart of the **USD/Rand**, which is testing an important level right now, but further rand strength is still favoured. The stock charts show are **Lewis** (lining up another buying signal), **Harmony** (lining up a short signal), and **PPC** (which has a bullish chart).

The small-cap chart is **Infrasors**, a penny stock in the construction sector, which looks bullish. Overall, big picture, the local and overseas markets are very high as discussed in recent weeks. We are in the final up leg of the large bull trend from 2008, as I make it. Therefore, great caution is advised for med and longer-term players. The market is vulnerable to a 25% drop and all participants need to cognisant of that, and take defensive action when required, as advised herein.

Executive Summary:

- **S&P500 (chart 1):** Hold currently longs, but tighten stops a lot.
- **All Share Inx (chart 2):** Raise trailing stops to part below 31 300, and part below line 1.
- **Copper (\$)** (chart 3): Exit current longs. Prepare to sell short.
- **USD/ZAR (chart 4):** Hold current rand longs. Go long (buy) the rand again on a close below 6.79.
- **Lewis (chart 5):** Buy on a close above line 3.
- **Harmony (chart 6):** Traders sell short on a reversal day/candle down from line 3 (R88.80).
- **PPC (chart 7):** Buy on a close above line 4 or off line 3 (more aggressive).
- **Infrasors (chart 8):** Buy it on a pullback to the 50c level.

Leading Stocks (3-mths): Top 40 – Steinhof, Naspers-N, Richemont, ARM, BHPBilliton, Implats, KIO

Resources 20 - Metorex, Wesizwe, ARM, BHPBilliton. Implats.

- **Shortable stocks/indices:** 15 stocks, 0 indexes, 0 commodities, 6 currencies.

1. MARKET CHARTS

S&P 500 INDEX – Reaching its target

Broad Recommendation: HOLD/TIGHTEN TRAILING STOPS

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

Strategy: Hold currently longs, but tighten stop to a breaking of prior 3-day low or a close below 1225.

Chart 1. (Daily)

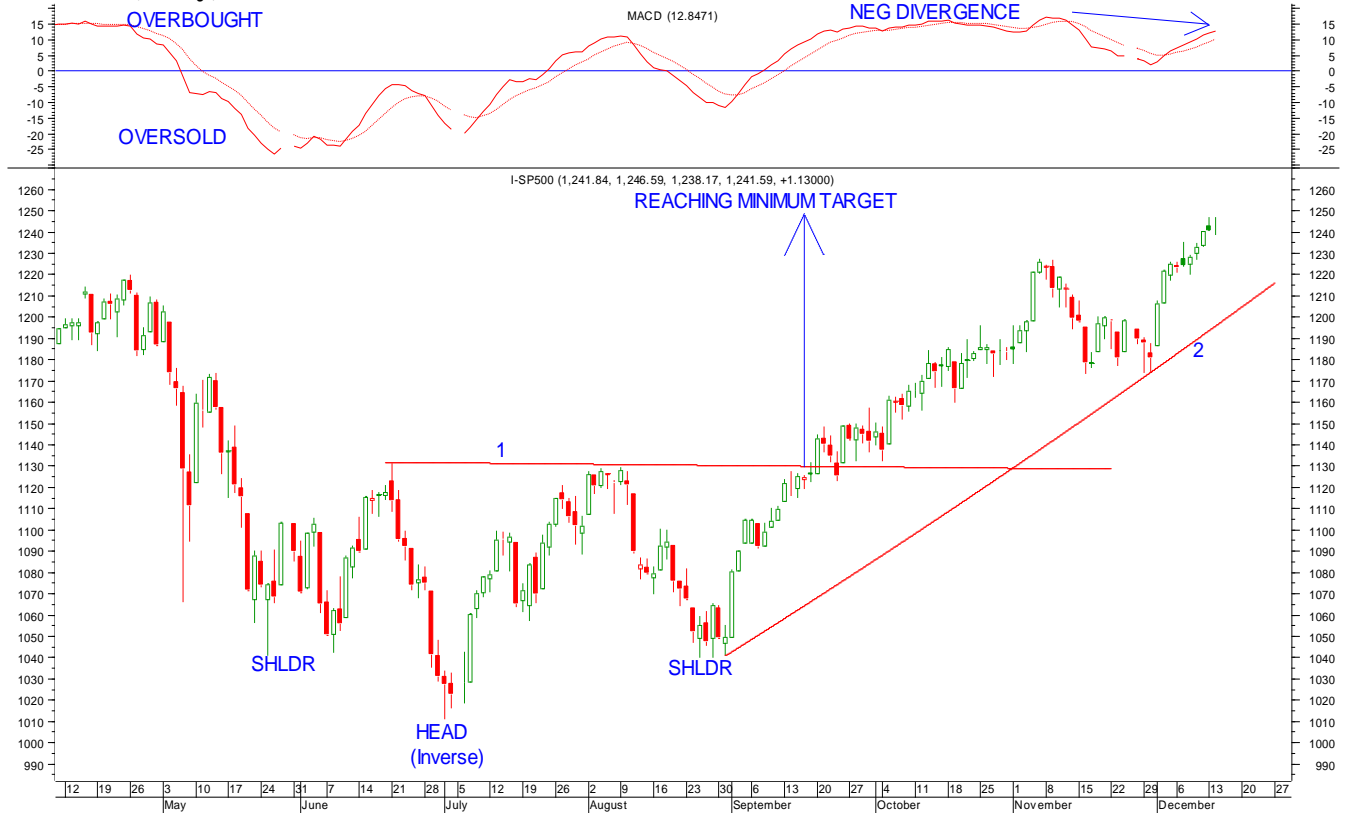


Chart Setup: The S&P is the main stock market index in the world, which is why we decided to end the year with a look at it. The exact same strategy applies to the Dow Jones. The S&P is now reaching its minimum upside target from an inverse head and shoulders pattern (as labelled) which formed during mid-2010. Prices are getting dangerously high.

- The MACD (on top) is giving a negative divergence (see Glossary) from its overbought region, which is warning of a correction to come. **TIP:** MACD divergences are very reliable.

Strategy Details: Hold, but tighten your stops to an intraday breaking of its prior 3-day low. (This obviously applies to the Dow as well). Or, use a close below 1225 as your stop if preferred. My preference here is the former. Note, I'm not averse to taking partial profits now. But short and medium-term players to exit completely once the trailing stop is triggered. Investors to reduce holdings.

- Traders sell short on a close below line 2. (Line 2 is at 1198 on Weds 15th and is rising at an angle of 2 full points per trading day thereafter e.g. to 1200 etc).

Target: The minimum upside target is 1250 but I've refined that to 1247, which it has basically reached. If it does continue higher, there is resistance at 1265-1300. To the downside, for a break below line 2, look for an initial drop to 1140 for some short covering. Potential thereafter to 960.

Stop-loss: Current stop for longs as discussed above. For shorting on a breakdown below line 2, the stop will be a close above 1240. (Note, all prices given here are spot prices, not futures prices).

JSE ALL SHARE INDEX – Danger signs

Broad Recommendation: HOLD BUT TIGHTEN STOPS

Trend: Up, but short-term getting overbought. Med-term overbought.

Strategy: Raise trailing stops to part below 31 300, and part below line 1.

Chart 2. (Daily)

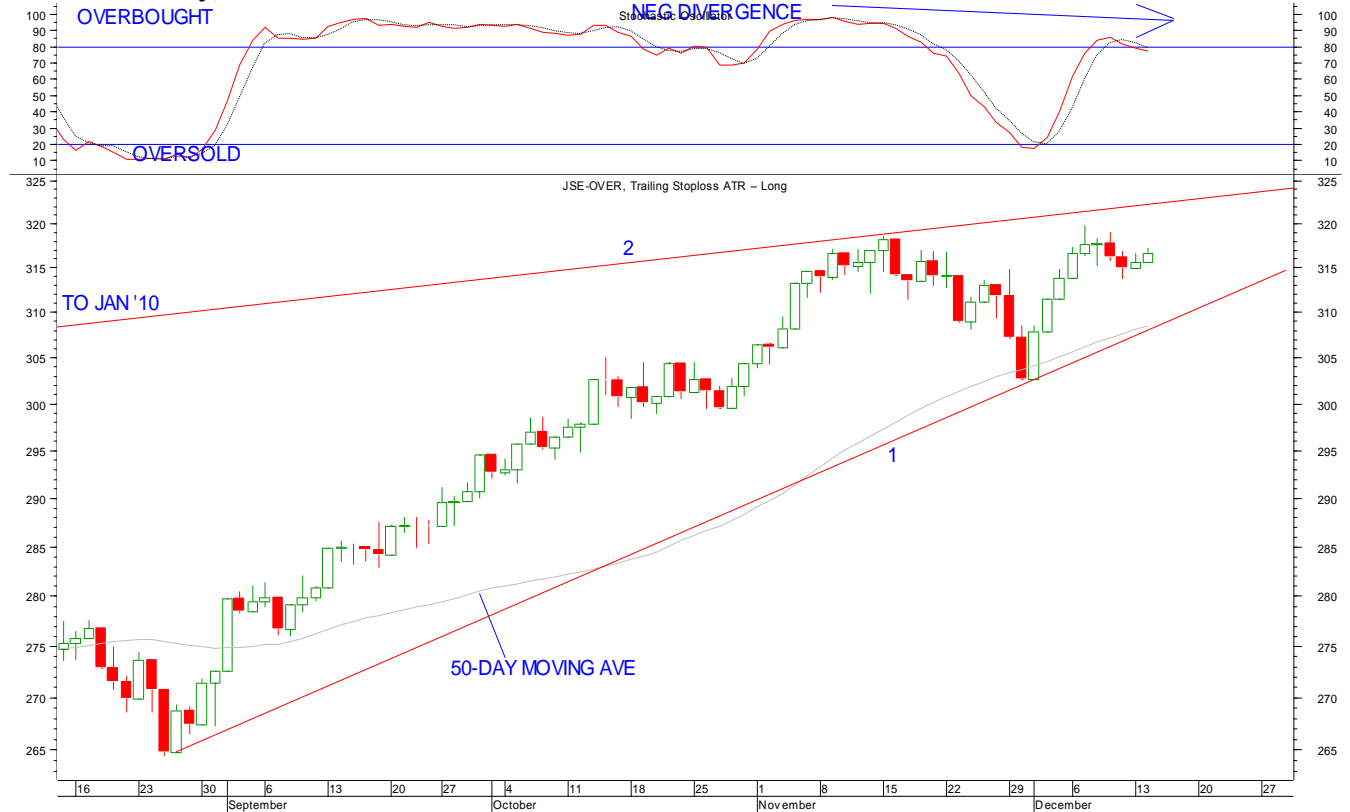


Chart Setup: The index has pulled back a bit in recent days but is still generally holding up well. The big question is whether it will continue up significantly from here in the short-term. As time goes on, I'm getting more and more doubtful of much more upside here.

- The daily Stochastic Oscillator (on top) is getting overbought again and is giving a large negative divergence (see Glossary) from its overbought level i.e. warning of a large correction building up.

Strategy Details: Keep holding current longs but more caution is now advised. I don't advise buying on this pullback. The strategy should shift towards protecting current profits (as opposed to buying more). Therefore, raise the stop on part of your position to a close below 31 300. But exit all longs on a close below line 1. (That applies to short and med-term players. Investors to sell a further part of your holdings then). (Line 1 is at 30 870 on Weds 15th and rising at an angle of 60 pts per day thereafter).

- Traders to sell short on a close below line 1.

Target: To the upside, it can still get to line 2 resistance, which is at the 32 250 level. I'm becoming doubtful of it reaching its all time high of 33 310, and in fact I don't think it will happen. A close below line 1 will lead to a drop to 29 000 initially for short covering. Bigger picture thereafter, expect a drop to 25 000-23 000.

Stop-loss: Current stop for longs as discussed above. For shorting on a close below line 1, the initial stop will be a close above 31 660.

COPPER (\$) – Rally coming to an end

Broad Recommendation: TAKE PROFIT/PREPARE TO SELL SHORT

Trend: Up on all main time frames, but overbought.

Strategy: Exit current longs. Sell short on a close below line 3, and again below line 1.

Chart3. (Daily)



Chart Setup: Copper is coming to the end of an excellent rally since mid-2010. It is also setting up for a large correction (like the S&P 500/Dow). It is still in a large megaphone (lines 1 and 2). Line 3 is closest support.

- The RSI (on top) is overbought again, and is giving a series of negative divergences from its overbought level. This is surely warning of a very large correction to come.

Strategy Details: Exit current longs i.e. take profits. Then traders sell short on a close below line 3. (Line 3 is at 88.00 on Weds 15th, and is rising at an angle of 0.45 per day thereafter e.g. to 88.45, 88.90 etc.). Based on spot prices, not futures.

- Note, once it closes below line 1, sell short more. (Line 1 is at 83.30 on Weds 15th and line 1 is rising at an angle of 0.20 per day thereafter e.g. to 83.50 etc).

Target: While it a turn down at any time, a close below line 1 will set up a minimum target of 75.00. We'll re-asses from there, but the odds favour further downside thereafter e.g. to 64.

Stop-loss: For the first short signal below line 3, the initial stop will be an intraday breaking of the highest point reached on the current rally. When shorting again below line 1, the stop for that portion will be a close above 88.82.

USD/RAND - Testing important dollar support

Broad Recommendation: LONG RAND BIAS

Trend: Short-term sideways. Med and long-term rand strength.

Strategy: Hold current rand longs. Go long (buy) the rand again on a close below 6.79.

Chart 4. (Daily)

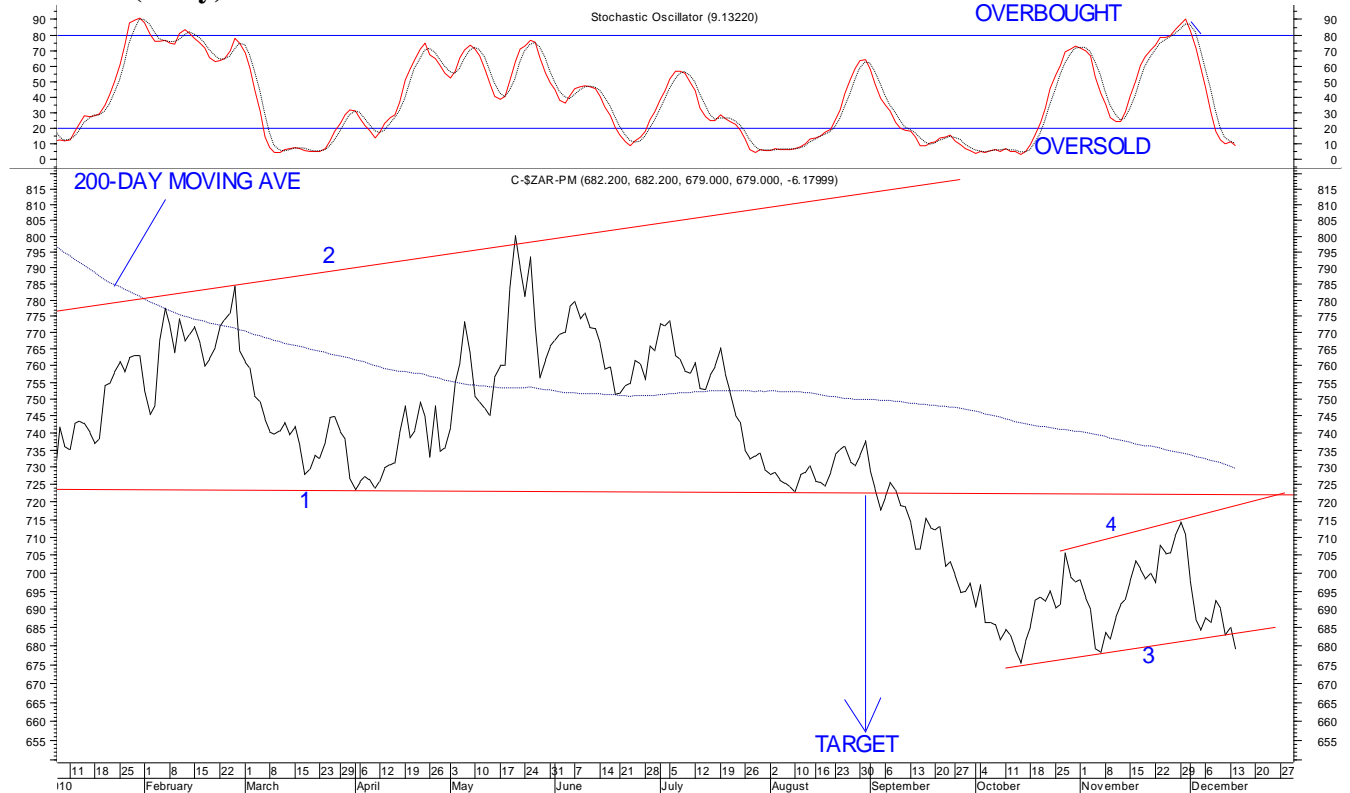


Chart Setup: The rand has strengthened again as expected from the previous time we looked at this chart (a few weeks ago). It is now broken below line 3 of a broadening formation with line 4. However the breakdown isn't convincing as yet, and it has weakened today so far.

- There is still a stronger target for the rand from a large broadening formation (lines 1 and 2), which broke in September.
- The daily Stochastic Oscillator (on top) is in the oversold region for the USD, but can remain there for a while as seen in Sep-Oct. That will happen if we get a clear breakdown below (above) line 3.

Strategy Details: Hold rand logs from the prior recommendation. If it closes below 6.79 then go long (buy) more rands. Note however, if the currency weakens to close above 7.00 (i.e. without breaking down and closing below 6.79) then exit current longs.

Target: The med-term target from pattern 1-2 is still 6.57. Take profits there if the price does break down below 6.79 to trigger the new buy signal.

Stop-loss: Current trailing stop is a close above 7.00. If the price does close below 6.79 then lower the stop on all positions to a close above 6.93. As it gets below 6.60, use a breaking of its prior 2-day high as the stop, while taking profits at 6.57.

LEWIS (LEW) – Another buy signal lining up

Broad Recommendation: TRADERS PREPARE TO BUY

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

Strategy: Buy on a close above line 3.

Chart 5. (Daily)



Chart Setup: Lewis is pulling back in a controlled fashion to its 50-day MA and line 1 support. In late-Oct we recommended buying a breakout above line 2, for a nice profitable trade. It appears to be lining up for another one.

- The Stochastic (on top) is entering its oversold region, which is typically a bullish sign.

Strategy Details: Traders buy on a close above line 3. Line 3 is at R78.25 on Weds 15th and declining at an angle of 60c per day thereafter).

Target: Lock in half trading profits at R82.50 and continue thereafter with a trailing stop as a breaking of its prior 1 day low. If it reaches R84 then take all profits.

Stop-loss: Initial stop is a close below line 4 (R76.00). This represents a good risk-reward trade (see Glossary) i.e. we're risking about just over R1 per share to make about R5 per share. Note, if the price breaks down below line 4 without giving the buy signal first, then don't take the trade.

HARMONY (HAR) – Approaching important resistance level

Broad Recommendation: PREPARE TO SELL SHORT

Trend: Up but getting short-term overbought.

Strategy: Traders sell short on a reversal day/candle down from line 3 (R88.80).

Chart 6. (Daily)



Chart Setup: Harmony is rallying towards a longer-term resistance level at line 3 of R88.80/R89.

There is a good chance of a reversal down from there. Lines 1 and 2 form a clear rising channel.

- The short-term Stochastic (on top) is overbought, with some negative divergences– all of which strengthens the case for a reversal down from/near line 3.

Strategy Details: Sell it short on a reversal day/candle (see Glossary) down off/near line 3 (R88.80).

The closer to line 3 the better, from a risk-reward point of view.

Target: Lock in half profits at R83.40, and the rest at R81.70. Line 1 support is at R79.70.

Stop-loss: Initial stop is a closing price above R89.10.

PPC (PPC) – Bullish chart patterns

Broad Recommendation: PREPARE TO BUY

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

Strategy: Buy on a close above line 4 or off line 3 (more aggressive).

Chart 7. (Daily)



Chart Setup: PPC broke out of a large broadening formation (lines 1 and 2) in Oct. That pattern still has a higher target. It is currently in a smaller falling wedge (lines 3 and 4), which is typically a bullish pattern i.e. breaking out to the upside. Lines 3 and 2 are now coinciding to provide good support at the R32.05 level.

- The Stochastic (on top) is giving a positive divergence from its oversold level, which is an early warning sign of a rally to come.

Strategy Details: Short/med med-term players buy it on a close above line 4. (Line 4 is at R33.35 on Weds 15th and it is declining at an angle of 5c per day thereafter). More aggressive traders however should buy it closer to line 3 e.g. at R32.20 or lower (before the upside breakout).

Target: Once it breaks out and closes above line 4, look for minimum target of R35.00 i.e. the height of pattern 3-4 projected up. Take partial profits there. There is a higher target to R35.90 based on pattern 1-2. That level coincides with line 5, its long-term resistance line (for remaining profit taking).

Stop-loss: For buying on a close above line 4, the stop is a close below R32.50. For buying off line 3 (more aggressive) the stop is a close below R32.00. Once it gets to the first target for R35 take partial profits, and raise your stop to a close below R33.30

SMALL-CAP. CHART

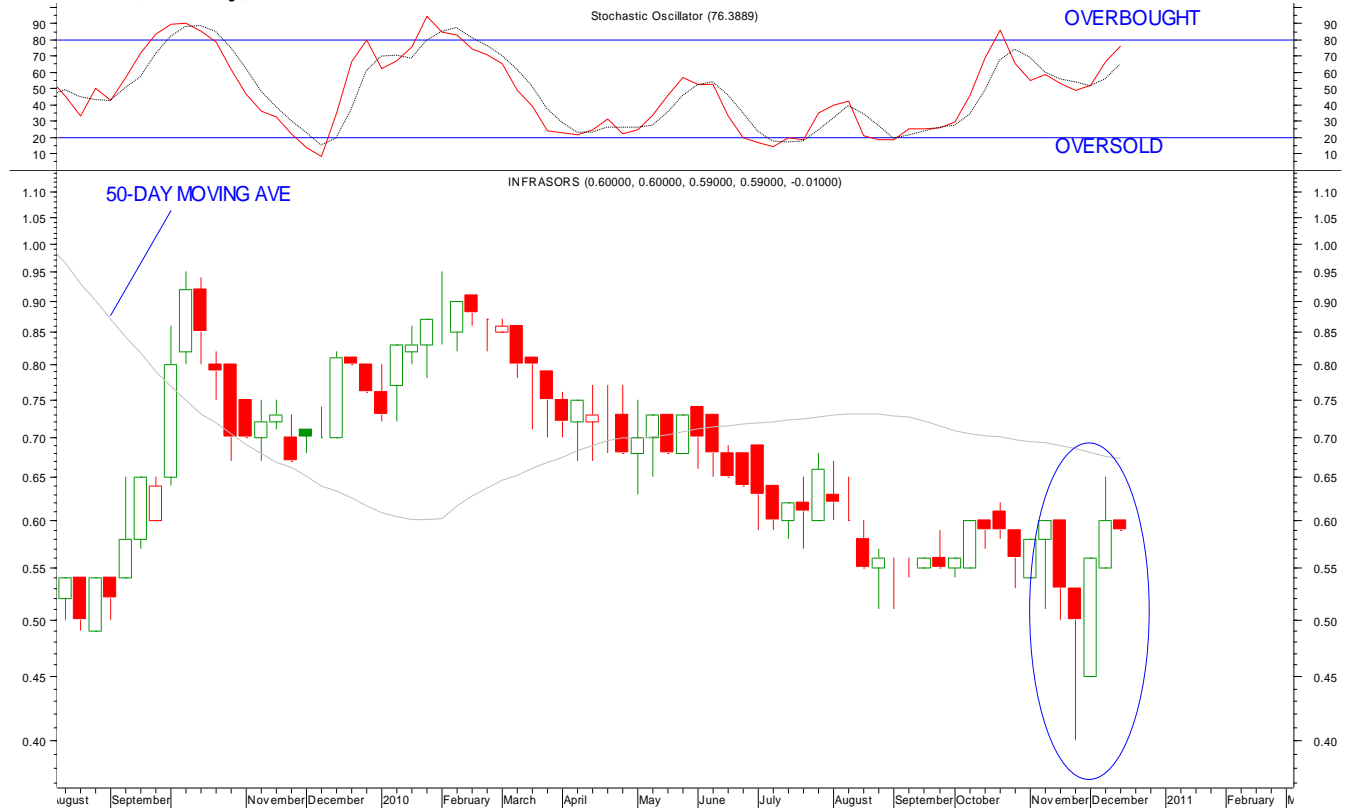
INFRASORS (IRA) – A sharp rebound

Broad Recommendation: BUY ON A PULLBACK

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

Strategy: Buy it on a pullback to the 50c level.

Chart 8. (Weekly)



Sector: Building & Construction

Current Price: 59c.

Chart Setup: Infrasors has given some bullish price action on its weekly chart recently (see circled region). It's also rallied to reach and exceed its October high, but is due for a pullback before more upside.

- The weekly Stochastic (on top) is becoming overbought again, also pointing to a pullback to come.

Strategy Details: Buy it on a pullback to the 50c level. It don't think its worth chasing at current levels.

Target: 91c on a 6-12 month view.

Stop-loss: Initial stop is a weekly close below 45c. Lock in a bit of profit at 73/74c to reduce your overall risk. Then move your stop up to a weekly close below 53c.

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

- **Long:** Simmers, Supgrgp.

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: Steinhof, Naspers-N, Richemont, ARM, BHPBilliton, Implats, Kumba-IO.

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

Strongest five Resi 20 stocks: Metorex, Wesizwe, ARM, BHPBilliton. Implats.

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

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

- **Telkom:** hasn't had any upside follow through as yet after its breakout. It's still a hold but I don't recommend a large position here. A close above 36.30 will be a bullish sign. The stop is a close below 35. Targets still as per last week's newsletter.
- **Lonmin:** gave the pullback to the buying level. It's basically been moving sideways over the past week. It's still a hold. A close above 204 will see it rallying sharply. Take half profits at 210. The 235 target is looking unlikely to be reached. Stop is a close above 192. But once it closes above 204 move the stop up to below 196.
- **Tigbrands:** has had a very good run reaching and exceeding the first target for half profit taking as advised. Exit the rest near 197. Keep your stop in the meantime as a breaking of its prior 2 day low. It is reversing off its high today so far which may turn out to be a classic reversal day down.

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):

- Stanbank, Naspers-N.

- **Abil:** if it closes above 37.80 then traders buy but with caution and not a large position because the price is high. Take a quick profit at 39.50. Stop is a close below 36.95.
- **Absa:** reached the first profit target of 136 for partial profit taking before falling shortly on Friday. Take more profits on a bounce back to 135.
- **Anggold:** stop triggered the exit the second part of this trade. It has reversed up subsequently. It looks like it might still get to 350 but I don't think much more than that. No clear trade here at the moment.
- **Anglo:** this trade is showing a good profit but the price has been going sideways in recent days. Hold, but lock in partial profits near 335 to reduce your overall risk. Raise your stop to a close below 325 for traders. To the upside take more profits at 338-340. It does still have a med-term upside target to 358 but given that markets are high it probably won't reach that target (unless there's a final late-dec/early Jan blow-off top). Keep some on nevertheless in case that does happen.
- **Angloplat:** has pulled back after the previous profitable trade. There has been no reversal day/candle up to buy on as yet. Support is at 663. If it gives a clear reversal day up from there then buy it, but not with a large position at all. Stop will be a close below 660. Target to 710.
- **ArcMittal:** has moved up towards resistance at 80.75. There is further resistance at 81.40. A close above the latter level will be a good buy signal for a rally to 88.50. But as mentioned last week, I think it's going to have a final pullback first before rallying. So look for a pullback to 76, perhaps 75. Aggressive traders to buy a clear reversal day up from there. Take partial profits at 80 then, but re-enter on the close above 81.40.
- **ARM:** this trade has been exited for a good profit. It can still go to 220 but be pleased with your profit. It is high and it's the final up leg as I see it. Med-term players also to be taking profit. Aggressive traders only to sell short (with great caution) on a close below 212 (small position) for a drop to 210. It is counter trend, so it's risky. Stop will be a close above 216.80.
- **Aspen:** came and triggered the trailing stop on the second part of this trade. It's still holding up though. If it closes above 95.95 then re-enter with a small position for a move to 99.50. Stop a close below 92.30.
- **Aveng:** triggered the aggressive buy signal only, from last week. Hold but keep a tight stop as a close below 40.30. The more conservative and safer entry is a close above 42.50. That will setup a move to 45. Stop then a close below 41. No large position advised here.
- **Barworld:** has so far come very close to the target of 66. Take partial profits and raise your stop to a close below 64 on the remainder. If the price keeps running then use a breaking of prior 2 day low as your stop on the remainder.
- **BATS:** bounced to the mentioned shorting level for entering a short trade. I'm looking for at least one more drop here. Lock in partial profits at 252.80 and then use a breaking of its prior 2 day high as the stop. It can drop as far as 247. Take all profits there if reached.
- **BHPBilliton:** pulled back to allow for re-entering the part sold last week in partial profit taking. It's been moving sideways for a week now and is building up for a move, it may well be to the upside. So keep holding but caution is advised because prices are high I believe. Keep your stop as a close below 264.50 for traders. Lock in more profits at 282 if reached and continue with a breaking of prior 2 day low from there. Potential to 288-290. But I do think, like the overall market, it's in its final up leg for while so one should be in profit taking mode on any further strength.
- **Bidvest:** a reversal day up from 151.70 to be bought by traders, with caution. Target to 160. Stop is a close below 151.50 for traders. Med-term players to exit if that level is broken as well.
- **Discovery.** It reversed up from our 38.70 level to buy. It can be bought still on a retest of that level. Short and med-term stop is a close below 38.50. Take half profits at 41.50. And the rest at 42-42.50.
- **Exxaro:** moving sideways over the past week. Keep holding. A close above 136 should see it rallying further. Lock in half profits at 138.50 and continue with a breaking of prior 2 day low from there as your stop. No harm in locking in partial profits at current levels though to reduce your

overall risk. Current stop is a close below 132.20. (**Tip:** taking partial profits into strength is a good habit for traders to get into).

- **Firststrand:** has given some clear reversal candles up in recent days for traders to nibble as advised last week. Lock in some profits at 19.25 and more at 19.50. Stop is a close below 18.25.
- **Gfields:** it's had a good run giving a profitable trade from last week as discussed there. I don't see any new trade right now other than aggressive traders only, to sell short on a close below 123.20. It is counter trend so great caution advised. Take profits at 114.50 and use a breaking of prior 1 day high there on part of your position for shorts. Stop will be an intraday breaking of the highest point made on the current rally.
- **Grindrod:** keep holding. It's basically in a short-term sideways consolidation after a good rally in early November. A close above 19 will take it up to 20 for partial profit taking. Take more profits at 20.50 if reached. Stop is a close below 18.
- **Harmony:** see Chart 6.
- **Imperial:** gave the reversal up from our mentioned buying level. Hold but keep in mind this stock is high. No large positions advised at these levels. Lock in half profits at 132.40 and raise stop to prior one day low. More profits to be taken at 135 if reached. (Short and med-term). Current stop is a close below 126. Main support level is 121.70. A close below there is a signal for med-term players to exit and investors to sell half.
- **ImpIats:** it gave the pullback to our buying level for re-entering. Hold and start locking in partial profits at 226.50. Target is 239 but it remains to be seen if it will get there. Use a breaking of prior 3 day low from there as your trailing stop on the remainder. Or keep your stop as a close below 216.90.
- **InvPle:** it broke down below support and is pointing to a minimum upside target of 52.40. It is oversold so shorting at these levels carries a lot more risk. If it bounces to 55.50 and gives a clear reversal day down from there then short it, still with caution, for a drop to 52.40 or a retest of the lowest point of the current drop so far. Stop will be a close above 56.30.
- **Kumba-IO:** got within a few cents of the first profit target on Thursday and gave a reversal candle on that same day. That is the signal to take profit (don't forget it won't always reach the target to the cent, but if it gets close and gives a reversal day or candle down then take the profit). Hold for now. It has gone sideways over the past week like most resi stocks. Keep your stop as a close below 417. Lock in more profits at 433 if reached and continue from there with a breaking of prior 2 day low as the trailing stop. Med-term players also to be taking profit into strength. Main support level here is 409.
- **Lewis:** see Chart 5.
- **Lib-Hold:** got close to the target but exit at 74. Stop is still a close below 70.50.
- **Lonmin:** see update above.
- **M&R-Hld:** is still in a med-term downtrend, and has moved sideways over the past 10 days. A close below 38.50 will see it heading down again, but it's the final leg down as I see it. Main and solid support is 37.20. If it drops to there and gives a classic reversal candle up the start nibbling. In the meantime, a close above 39.50 will also be a buying signal, for a move to 40.80 but no large positions here until it starts showing signs of having formed a bottom.
- **MrPrice:** traders re-enter on a reversal day up from 65.50. Target to 70 and 70.50 for profit taking at each level. Stop is a close below 64.30. Investors keep holding.
- **MTN-Group:** got to the first profit target (within 11c of it to be exact, which for a R130 share is close enough). It then dropped in recent days to trigger the trailing stop on the remainder. Support is 121. A reversal day/candle up off there to be bought, with caution. Stop is a close below 120.70. Target to 126.50 and 128 for profit taking. But caution will be advised/no large positions. A close below 120.50 to be sold short, with caution, for a drop to 110., this is a real possibility. Stop then will be a close above 123.70.

- **Naspers-N:** is still looking very good. It's moved sideways over the past week. Keep holding. Raise short-term stops to a close below 181. A close above 194 should see it going to its target at 412-415 for profit taking. Main larger support level is 364. If it breaks that without rallying first to the target the med-term players to exit.
- **Nedbank:** triggered the short-term aggressive buying signal mentioned last week. No large positions advised. Take off at 133 if reached. Stop is a close below 127.50. There's a good chance it has one more (final) leg down thereafter.
- **Netcare:** exit part of this trade at 15.70 and then raise stop to a close below 15.25 on the remainder. Take all profits at 16 if reached. It is high on a bigger picture view.
- **Newgold:** it triggered the mentioned short signal, but is still holding up. If it close above 95.20 then exit the short. But an intraday break below 92.75 will be bearish for more downside. It is pointing to a target to 90.70 but it's been in a strong trend so caution definitely advised if short. A close above 95.50 to be bought with caution for a rally to 98.
- **Old Mutual:** has moved sideways over the past week, getting ever more oversold on the weekly chart. It has support at 12.55 and is likely to still drop there before reversing up, I do think that will be the final drop here. A close above 13.70 will be the official buy signal. But med-term players to be nibbling.
- **PPC:** see Chart 7.
- **Reinet:** it's getting oversold on the weekly chart, but is still vulnerable short-term to one more drop e.g. to 11. Buy some at 11.34 if it drops to there and if it continues down to 11 then buy some more. Stop then is a close below 10.85. Upside to 12.40.
- **Remgro:** moving sideways in a short and med-term pattern. It's a med-term hold but no short-term trade here at the moment. Med-term support is 104.50.
- **Richemont:** profit locked in as per trailing stop given last week. It's still holding up but is dangerously high. A close below 38.75 will be a signal to exit med-term positions here. In the meantime med-term players lock in profits at 40.50-41.
- **RMBH:** hold, its moving sideways right now but rallying today so far. A close below 35.20 is the stop for traders. In the meantime take profits at 37.10 and 37.50 for the rest.
- **SABMiller:** reached the first profit target for partial profits to be taken. Raise your stop for traders as a close below 233. More profits to be taken at 237.80. All short and med-term profits to be taken at 242 if reached.
- **Sanlam:** hold. It's testing important resistance at 27.35. A close above 27.40 will be a signal to add more (no large position though) for more upside to 28.50. Current stop is a close below 26.75 for short-term traders and below 25.70 for med-term players.
- **Sasol:** consolidating over the past week. Keep holding. A close above 332.40 will be a breakout for more upside to 339 for profit taking. Current stop is a close below 324.80 for traders. Lock in partial profits towards 339 to reduce your risk.
- **Shoprite:** reached the mentioned target for half profit taking as advised. It has pulled back since then. Hold the remaining part of your trade with the stop a close below 96.50. Take remaining profits at 103.50 for traders. Investors hold.
- **Stanbank:** is starting to look better on the large time frames. It can bounce to 105 in the immediate short-term but I think its going to have one final leg down thereafter to below 100. Reversal day up from 99.20 will be the first buying signal. Med-term it needs to breakout above 106.50 to get going for a good rally to 120.
- **Steinhof:** reached and exceeded all three of our upside targets for a nice trade, helped no doubt by news of it potentially acquiring a French business.
- **Telkom:** see update above.
- **Tigbrands:** see update above.

- **Truwths:** is testing support at 72. A clear reversal day/candle up from 72 is a buy signal .Stop then is a close below 71.80. Target is 77-78 for traders. But a close below 71.80 will be a med-term bearish signal for a drop to 67.50.
- **Vodacom:** has moved sideways over the past week. It is overbought. Aggressive traders to buy though on a close above 73.50 for a rally to 76.40-78. Stop will be a close below 71.30.
- **WBHO:** is holding up well and still moving sideways since Oct. This is more than likely a consolidation before another breakout to the upside. . Support is 130 short-term. Keep holding as a med-term play to 151.50. A close above 139 is needed to get it going to the target.
- **Woolies:** as mentioned last week it was due for a pullback which is what we're getting. It's now testing support at 26. Traders buy only if it gives a clear reversal day/candle up from 26/25.95. Stop will be a close below 25.60. Target to 27.40 to take half profits. Raise stop then to a breaking of prior 2 day low. If it does continue higher exit remaining portion at 29.

GOLD UPDATE: There is a chance the JSE gold index goes a bit higher e.g. closer to 2880 but I dont think it's a proposition at the moment (gold shares), and rather see some shorting opportunities lining up here as per the individual comments above. A close below 2745 will be short-term bearish for gold stocks.

Dollar gold price: med-term support is \$1355. As long as it remains above there there's still a good chance of another good rally. \$1423 is important resistance. A close above there will be a new short-term buying signal for a rally to 1490. So it's a hold for now and an 'add to' on a close above 1423. Short/med-term stop is a close below 1355. That would setup a drop to 1250. It still a hold for investors even on such a breakdown.

Rand gold price: broke the short/med-term support mentioned here last week. A close above 9650 will be a re-entry signal for a rally to 9900-10 000 but heath caution.

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 15 Dec. '10) Price (R) 20-Day MA: 40-Day MA:

ABSA	132.9500	133.5545	134.7780
BATS	257.6400	261.7515	265.1932
GROUP-5	36.6000	37.3020	38.1745
INVPLC	54.0000	55.3825	55.7940
LIB-HOLD	71.2500	72.4995	73.8040
M&R-HLD	38.5900	39.4055	41.3975

MONDILTD	53.4100	53.7825	55.9125
MONDIPLC	53.5000	53.9955	55.9502
MTN-GROUP	125.5000	126.9720	126.9798
NORTHAM	46.1100	47.6035	48.1507
PERGRIN	11.7500	11.8235	12.3025
RAUBEX	22.5300	23.6145	24.1597
RMBH	35.6000	35.9030	36.2780
STANBANK	102.5000	103.5380	104.1872
TRNSHEX	2.3500	2.3910	2.6983

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

M-PLATZAR	11549.7900	11641.7383	11744.1426
C-EUR-\$	132.3000	133.3500	136.0923
C-EUR-GBP	84.2000	84.5685	85.7715
C-EUR-YEN	110.9000	111.3250	112.0100
C-EUR-ZAR	915.3800	930.1590	945.9083
C-GBP-\$	156.9000	157.6450	158.5950
C-GBP-ZAR	1073.3600	1097.0455	1101.2603

SUMMARY

World stock markets are getting to extremely high positions and are vulnerable to a large correction. The only question, to my mind, is when. Therefore, now is the time to be scaling done on long positions, and looking to take profits into any further strength that occurs from here. At the same time, important support levels are to be monitored in case there is limited or no further upside from here.

Commodity prices are high as well, particularly metals and oil. These are closely correlated to world stock prices in recent months.

The bottom line is caution. If we do get the break downs I'm expecting there will be some incredible shorting opportunities. But right now one does need to give the uptrend the benefit of the doubt until such time as support levels (shown herein) break. That may well be sooner rather than later.

Finally, wishing you all a wonderful, and relaxing holiday season.

Sincerely,

Colin Abrams
TheMarket.co.za

PS: Remember: Protective stops on all positions!

HOLIDAY BREAK:

Please note, this is the final newsletter for 2010. We'll be taking a 3-week break, and as a result all subscribers with subscriptions running in January will automatically be given 21 extra days free on their subscriptions (or pro rata thereof), to compensate. The first newsletter of 2011 will be on Wednesday 12th January. We wish you a restful and safe holiday season, and prosperous 2011.

NEXT COURSE DATES:

JOHANNESBURG

Course 1: Technical Analysis - 27th February '11 (Sunday).

Course 2: Advanced Technical Analysis and Money Management - 13th March '11 (Sunday).

Course 3: Developing Trader Discipline (Trading Psychology) - 11th March '11 (Friday).

CAPE TOWN

Course 1: Technical Analysis - 12th June '11 (Sunday).

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