

## Welcome to TheMarket.co.za Weekly Analysis Report

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By Colin Abrams

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**Classic Trading Rule:**

**"Good traders manage the downside; they don't worry about the upside."**

## JSE BECOMING OVERSOLD

**Introduction:**

After a sell-off over the past week, which was admittedly, more than I was expecting, the JSE All Share index and main resources stocks are becoming oversold again. As a result, the market can head back up again at any time. The only concern is that weekly charts are still looking vulnerable, but short-term there is a good chance of a new rally to start soon. Many industrial and financial stocks are actually oversold on their weekly charts, which is positive. We start with the **Dow** update, showing it still holding above short-term support, despite last night's sell-off. As long as support holds, it remains bullish. The **JSE All Share index** chart shows it becoming oversold short-term. It will probably drop a bit more today and tomorrow before reversing up. We also show an interesting chart of the **JSE industrial 25 index** (indi 25). I believe its building up for a breakout to the upside. We show the **JSE gold index** chart, which is due for a minor pullback after its sharp rally over the past week. Expect another leg up after that. The stock charts shown are **Naspers-N** (similar to the index 25 index, it's building up for a good rally), **Implats** (holding up very well at the moment and bullish), and **BHPBilliton** (has pulled back to support and is showing early bullish signs).

The small-cap chart is **Brimstn-N**, which has given an upside breakout, with a higher target to come.

Overall, I expect the weakness of the past week to be temporary, and the uptrend to resume soon. I believe there is still underlying strength in this market, despite the pullback of the past week. I would not buy aggressively though on the buy signals, because, big picture the market is high, but likely to still go higher.

**Executive Summary:**

- **Dow (chart 1):** Hold current longs with your stop a close below lines 2 and 3
- **All Share Inx (chart 2):** Hold current longs. Buy/add to on a close above line 4
- **Indi 25 Inx (chart 3):** Buy large-cap Indi stocks/SatrixInd on a close above line 2.
- **JSE Gold Inx (chart 4):** Re-enter on a pullback to the 2730 level.
- **Naspers-N (chart 5):** Hold current longs/Buy on a close above line 3.
- **Implats (chart 6):** Buy/add to current longs on a close above line 2.
- **BHPBilliton (chart 7):** Buy/re-enter on a close above line 2.
- **Brimstn-N (chart 8):** Buy at current levels, and buy more if it pulls back to R5.30.
- **Leading Stocks (3-mths): Top 40** – ArcMittal, Exxaro, MondiPlc, Sasol, Anglo, Kumba-IO, ARM.
- **Resources 20** - Wesizwe, Metorex, Exxaro, Sasol, Anglo.
- **Shortable stocks/indices:** 16 stocks, 0 indexes, 0 commodities, 0 currencies.

# 1. MARKET CHARTS

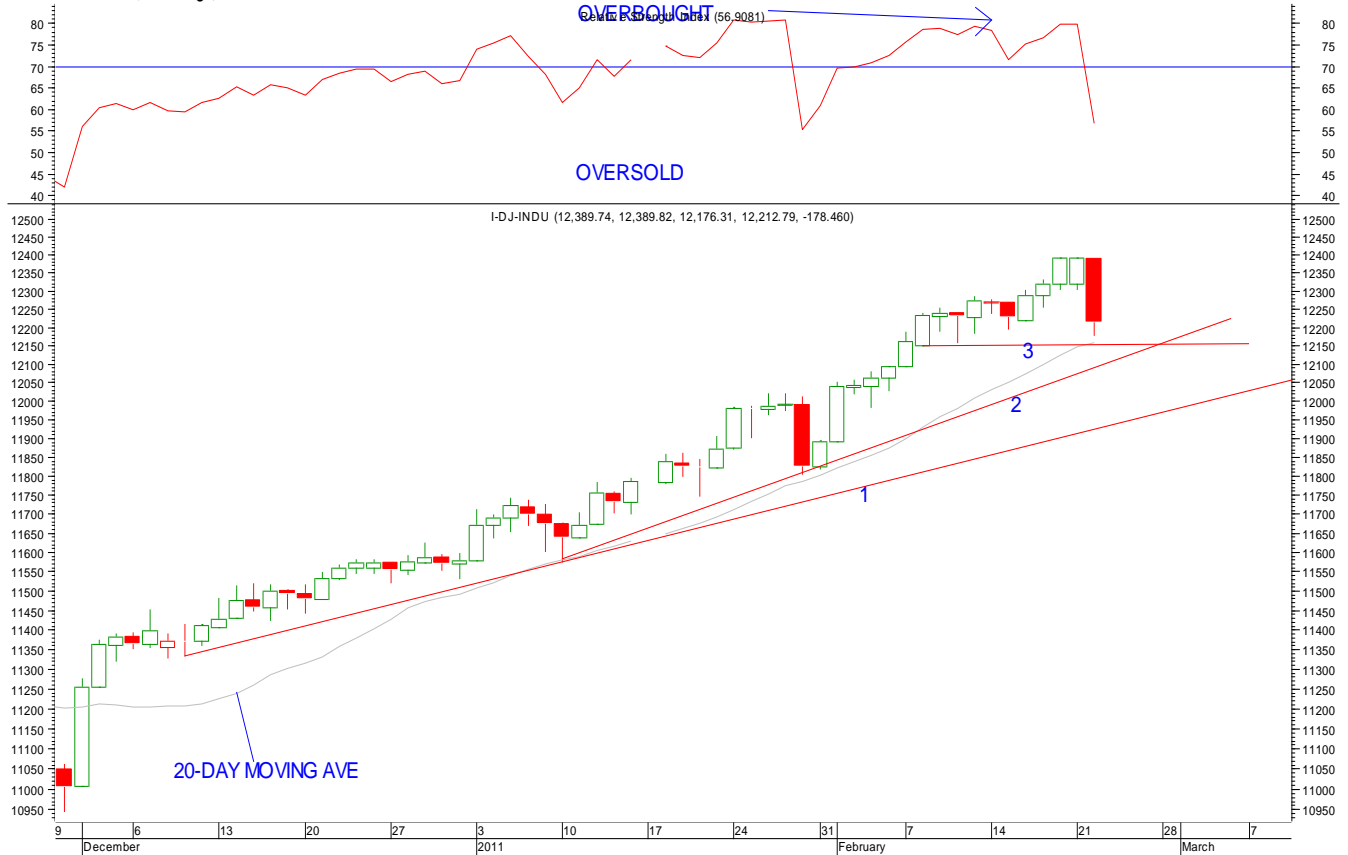
## DOW JONES – Pulls back to support

**Broad Recommendation: TIGHTEN STOPS/BUY PULLBACKS**

**Trend: Up.**

**Strategy:** Hold current longs with your stop a close below lines 2 and 3.

**Chart 1. (Daily)**



**Chart Setup:** The Dow gave a sharp pullback last night, but so far is still holding above short support at line 3 (12 150). This level coincides with its rising 20-day moving ave, which provides further short-term support there.

- The daily RSI (on top) has pulled back from an overbought level but can still pull back a bit more.

**Strategy Details:** Hold current longs, but keep your stop as a close below both lines 2 and 3. (Line 2 is at 12 090 for Weds night 23<sup>rd</sup>, and its rising at an angle of 15 points per day thereafter). Line 3 is at 12 150.

- A clear reversal day/candle (see Glossary) up off line 3 will be another buy signal/add. I'd like to see such a day rallying to close above 12 270.

**Target:** There is still an upside target of 12 550. Note, if the price does break lines 2 and 3 support, the next support level is line 1, which is med-term support. It's currently at 11 950 (and rising by 10 points per day). A reversal day up from the (if reached) will also be buyable.

**Stop-loss:** As discussed above i.e. a close below both lines 2 and 3. If buying a reversal day up off line 3, the stop will be either an intraday break below the reversal day's low or a close below lines 2 or 3 – whichever is lower.

## JSE ALL SHARE INDEX – Reaching oversold region today

### Broad Recommendation: TRADERS BUY PULLBACKS

Trend: Up.

Strategy: Hold current longs. Buy/add to on a close above line 4.

#### Chart 2. (Daily)



**Chart Setup:** The index has pulled back over the past week from a short-term overbought level, which is a consolidation after its recent very sharp run-up (in early-Feb). The uptrend can resume at any time, with a retest of its new all time high.

- The short-term Stochastic Oscillator (on top) is now reaching its oversold region, so a reversal back up can occur at any time.

**Strategy Details:** Traders wait for a close above line 4 to buy/add to current long positions. (Line 4 is at 32 715 on Weds 23<sup>rd</sup> and it declining at an angle of 100 pts per day thereafter). I would not buy aggressively though because the weekly chart is still overbought.

**Target:** Look for a retest of its recent all time high 33 335. Line 2 offers further resistance there. But once it can close above there, expect it to continue up to 34 000 initially, then 35 000 and 36 500. To the downside, if the breakout above line 4 doesn't occur just yet, it can still continue down to 31 980. Note, line 1 is med-term support at 31 550.

**Stop-loss:** Once the price closes above line 4, place your stop as a close below 32 130. But until that happens, keep your stop for current longs as a close below 31 830.

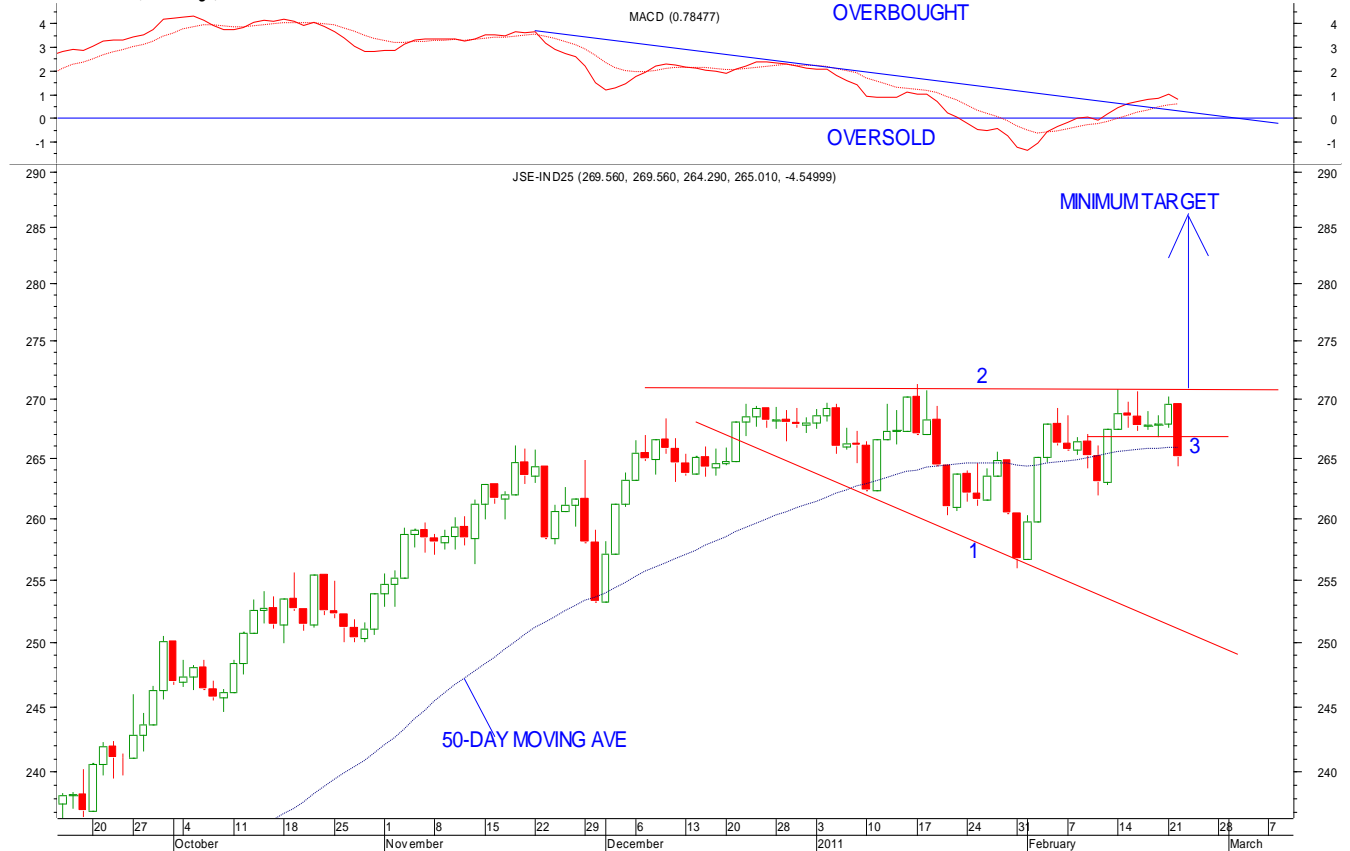
## JSE INDUSTRIAL 25 INDEX – Breakout potential

### Broad Recommendation: **PREPARE TO BUY**

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

**Strategy:** Buy large-cap Indi stocks/SatrixInd on a close above line 2.

**Chart 3. (Daily)**



**Chart Setup:** The index 25 has been moving sideways over the past two months in a broadening formation (lines 1 and 2). After testing line 2 resistance last week, it slipped below line 3 (immediate support) yesterday. It is however building up for a breakout to the upside I believe.

- The MACD (on top) has moved back above its zero line as well as its own resistance line, both bullish signs.

**Strategy Details:** Buy large-cap indi component stocks/or SatrixInd (or industrial stocks that are moving in tandem with this index) on a close above line 2 (27 060). (The current level of this index is 26 500). If however it gives a clear reversal/candle up from 26 100, aggressive traders to start buying then.

**Target:** A close above line 2 will lead to a minimum upside target of 28 600 i.e. the height of pattern 1-2 projected up. But right now it can still dip to the 26 100 level before moving up again.

**Stop-loss:** Once the breakout and close above line 2 occurs, keep your initial stop as a close below 26 200 on this index and as a general indication (short-term) for large-cap industrial stocks. Once the index continues further and closes above 28 000, move your stop up to below 27 000.

- For aggressive traders buying a reversal up from 26 100, place your stop as an intraday break of that reversal days low (to be looked at in conjunction with the same on the individual indi stock you're buying).

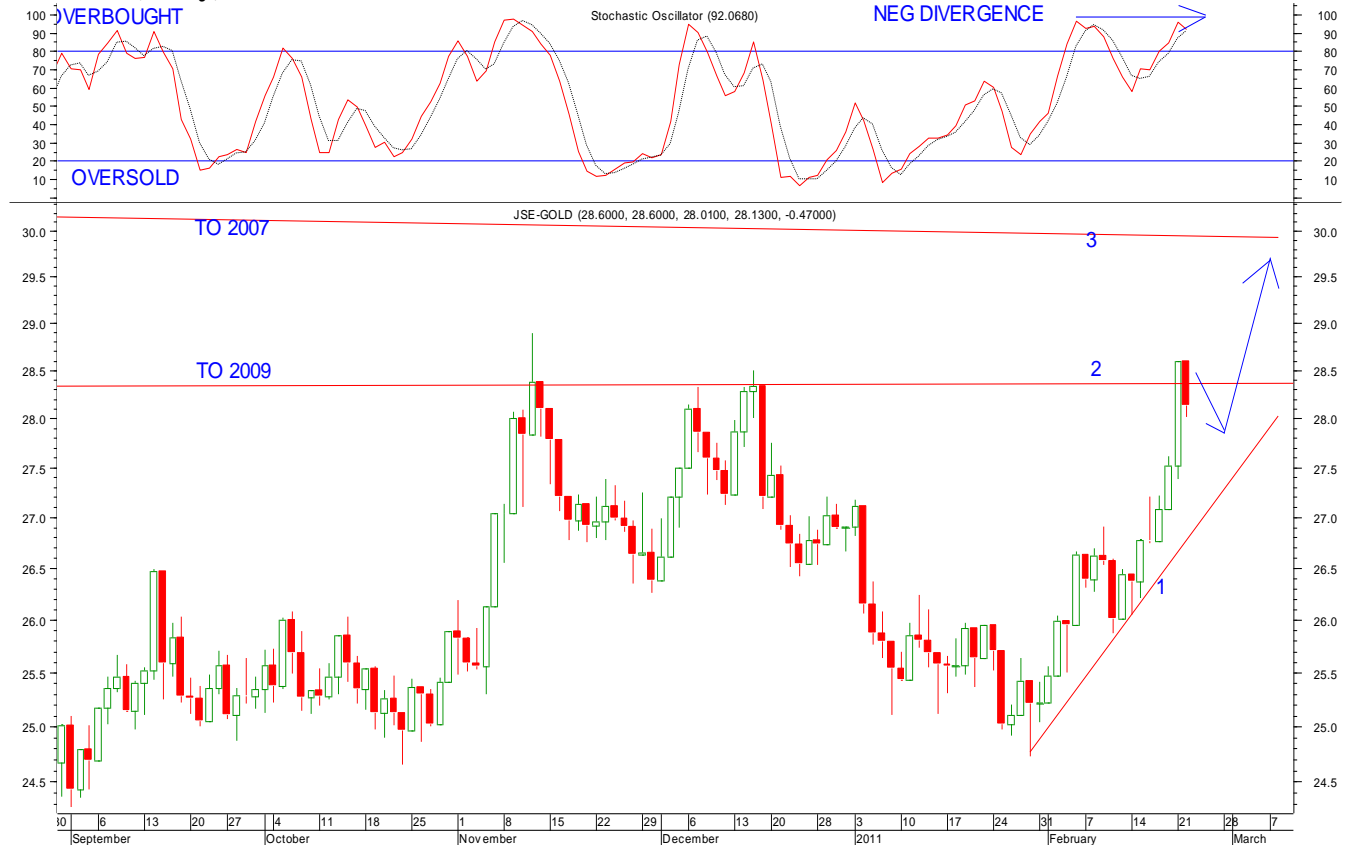
## JSE GOLD INDEX – Overstretched, but still positive

### Broad Recommendation: BUY AGAIN ON A PULLBACK

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

**Strategy:** Re-enter on a pullback to the 2730 level.

**Chart 4. (Daily)**



**Chart Setup:** The gold index has had a good run, as expected, and has reached line 2 resistance, which is the approximate topping points of rallies in November and December last year. Expect a temporary pullback and then more upside.

- The short-term Stochastic (on top) is giving a negative divergence from its overbought level, which is warning of a pullback.

**Strategy Details:** Traders buy gold stocks (the big three) on a pullback to the 2730 level. Look for a reversal day/candle in that area as your signal to enter.

**Target:** After a pullback towards line 1 (2700-2730), expect another leg up, with a target eventually to 2950-2990 (line 3), for profit taking.

**Stop-loss:** Initial stop is a close below 2760 (once the buy entry has triggered). Once the price exceeds Monday's high, move your stop up as a close below line 1. (Line 1 is at 2690 on Weds 23<sup>rd</sup> and its rising at an angle of 10 pts per day thereafter). Once the index gets above 2900, use a breaking of its prior 2 day low as the stop for your gold shares (to be confirmed with the same on the individual stock/s you're holding).

## NASPERS-N (NPN) – Consolidation phase

### Broad Recommendation: BUYING BIAS

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

**Strategy:** Hold current longs/Buy on a close above line 3.

Chart 5. (Daily)



**Chart Setup:** Naspers has been moving sideways in recent months in a “diamond” formation (red lines). The odds favour a breakout to the upside. In the short-term it has formed a symmetrical triangle (line 2 and part of line 3). Line 3 is the crucial breakout level to monitor.

- The MACD (on top) is still moving up from its oversold region, and still has good upside potential before becoming overbought. The MACD is a short/med-term indicator.

**Strategy Details:** Hold current longs. Buy if not in/add to current longs on a close above line 3. (Line 3 is at R405.10 on Weds 23<sup>rd</sup> and its declining at an angle of 5c pr day thereafter).

- Aggressive traders buy a reversal day/candle up from line 2 (R391) with a tight stop as a close below R390. Then buy again on the close above line 3.

**Target:** A close above line 3 (see level above) will lead to a first target (Target 1) of R426 i.e. the height of the triangle projected up. Further upside thereafter (more med-term) will be to Target 2 at R446. Note, if however, the price closes below line 2 i.e. below R390, it will point to a drop to line 1 support at R376. I would not advise shorting on such a breakdown. A reversal up from line 1 (if it drops to here) will be buyable.

**Stop-loss:** The stop for current longs is a close below line 1 (R375). But once the price closes above line 3, raise your stop to a close below R390. Also if buying off line 2 (aggressive), the stop is a close below R390. Once Target 1 is reached, take partial profits and continue to buy minor pullbacks, until it eventually reaches Target 2.

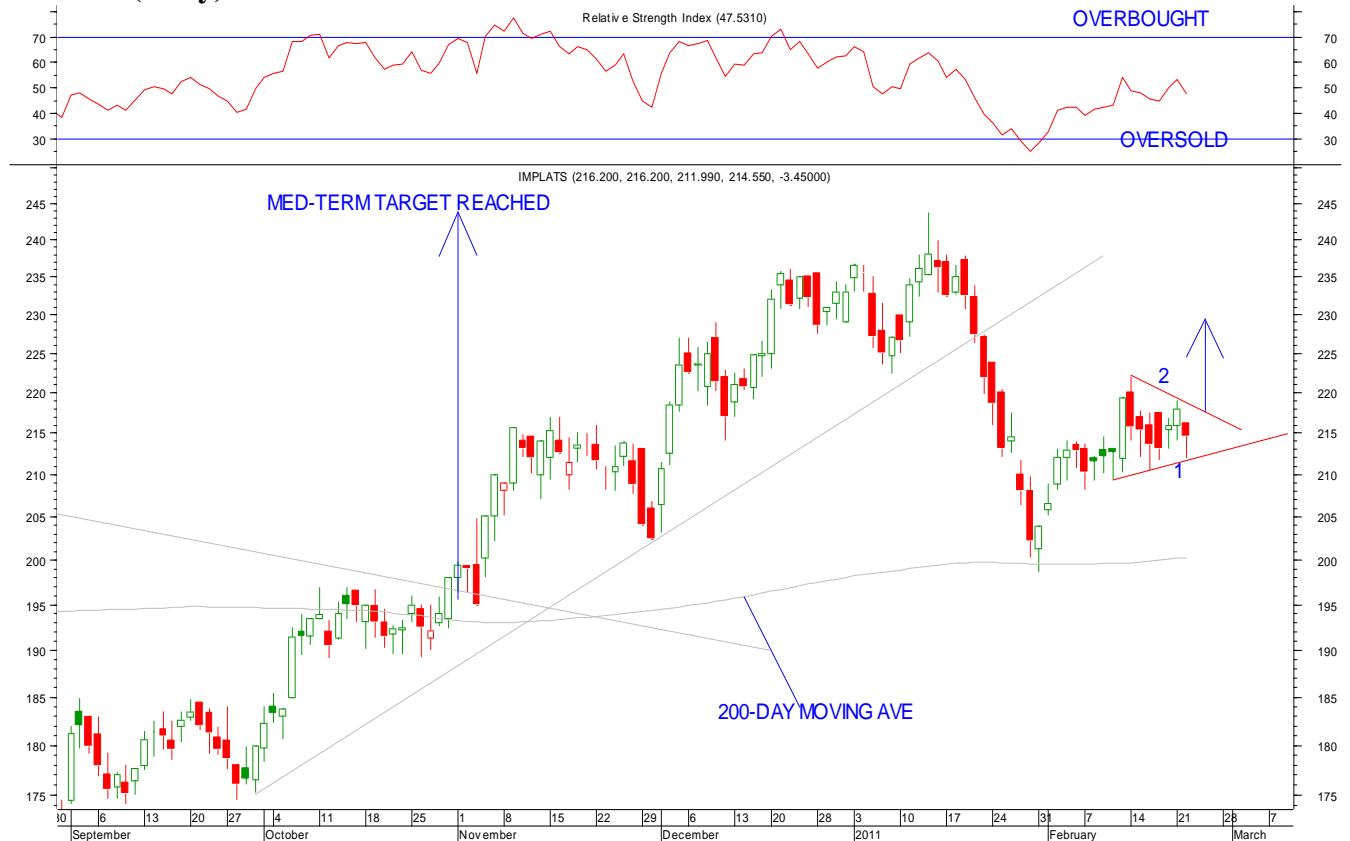
## IMPLATS (IMP) – Good relative strength

### Broad Recommendation: HOLD/PREPARE TO BUY

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

**Strategy:** Buy/add to current longs on a close above line 2.

**Chart 6. (Daily)**



**Chart Setup:** Once can't help being impressed by the way Implats has held up over the past week, while other large-cap resi stocks have fallen. The price has formed a small triangle or pennant (lines 1 and 2), which is a consolidation before a breakout. It will most likely be to the upside.

- The RSI (on top) is neutral but rising, and has plenty of room before becoming overbought.

**Strategy Details:** Hold current longs from our recent buying recommendation. If not in, buy on a close above line 2 (or add to current longs). (Line 2 is at R217.77 on Weds 23<sup>rd</sup> and its declining at an angle of 70c per day thereafter). Note: I like to see a decent-sized day/bar on a breakout day. If the close above line 2 occurs in the context of the current sideways move (pattern 1-2), then it's not a breakout. To be safe, wait for a close above R218 to buy.

- A close below line 1 i.e. below R210.50 will be short-term bearish, and point to a drop to 201.70.

**Target:** While a prior med-term target was reached in January, from a pattern formed during 2010 (not shown), there is still good upside potential once the price closes above line 2. That will set up an initial target of R229.10. Take partial profits there e.g. a third. Take more profits at R232; and continue with a breaking of its prior 2 day low as your trailing stop.

**Stop-loss:** A close below R210.50. Once it gets above R225 move the stop to a close below R218. When it gets to the R229 target, take partial profits and use a breaking of its prior 3 day low as the trailing stop, and then prior 2 day low once it gets to R232 etc as explained above).

## BHPBILLITON (BIL) – Testing support level, oversold

**Broad Recommendation: PREPARE TO BUY**

**Trend:** Up, despite current pullback.

**Strategy:** Buy/re-enter on a close above line 2.

**Chart 7. (Daily)**



**Chart Setup:** Billiton has had a sharp pullback over the past week. Yesterday it gave a reversal candle up (see circle) from line 1 support, and its 50-day moving average. This is the first bullish sign in this sell-off. It needs to break out above line 2 to trigger the buy signal.

- The short-term Stochastic (on top) is clearly oversold. The weekly Stochastic still looks vulnerable, but if the price breaks out above line 2, it will be a buy.

**Strategy Details:** Buy/re-enter on a close above line 2. Line 2 is at R279.30 on Weds 23<sup>rd</sup>, and its declining at an angle of R3.00 per day thereafter.

**Target:** R310 over the short/med-term.

**Stop-loss:** Initial stop is a close below line 1 i.e. below R270. Once the price gets to R297 intraday, move your stop up to a close below R285. Once it closes above R300, raise your trailing stop again, to a breaking of its prior 3 day low.



## SMALL-CAP. CHART

### BRIMSTN-N (BRN) – Upside breakout

#### Broad Recommendation: BUY

**Trend:** Short and med-term up. Long-term technically down.

**Strategy:** Buy at current levels, and buy more if it pulls back to R5.30.

Chart 8. (Daily)



**Sector:** Investment Companies

**Current Price:** R5.90

**Chart Setup:** This stock has been forming a base for many months, and recently broke out above line 2. Lines 1 and 2 form a broadening formation.

- The daily Stochastic (on top) is reaching its overbought level, but any pullback should be temporary.

**Strategy Details:** Buy at current levels. If it pulls back to R5.30 then buy more. This is a med-term+ position.

**Target:** Minimum upside target is R7.05 i.e. the height of pattern 1-2 projected up. (Note, that will be at/near the declining 200-day moving ave, which will provide some resistance). Lock in partial profits there. But I do expect it to eventually continue higher. Further targets will be R8, and potentially R9.30.

**Stop-loss:** Initial stop is a close below R5.00. Once it moves above R6.50, move your stop up to below R5.30. Then, as it nears R7, move the stop up again to below R5.90.

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

- **Long:** BSI-Steel, Sacoil, Topfix.

### 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:** ArcMittal, Exxaro, MondiPlc, Sasol, Anglo, Kumba-IO, ARM.

**Weakest seven Top 40 stocks:** Truwths, Aspen, Firstrand, InvPlc, Stanbank, Shoprit, Pick n Pay.

**Strongest five Resi 20 stocks:** Wesizwe, Metorex, Exxaro, Sasol, Anglo.

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

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

- **MrPrice:** hold. It is holding up well, but can pull back a bit e.g. to 58 because it's overbought in the immediate short-term. But the short/med-term picture looks good. Refer to last week's newsletter for targets.
- **Imperial:** triggered the buying signal. Keep holding. I like the look of its chart for a rally back. Targets and stop as per last week's newsletter.
- **Lonmin:** has given the pullback to the mentioned buying level. Hold. It is still overbought in the immediate short-term so might need to go sideways a bit before heading up. Follow strategy as discussed last week.

### 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):

- **Gfields, Anglo, Firstrand, SABMiller, Kumba, Arm, Reinet.**

- **Abil:** wait for a close above 37.50 to buy. Target then will be 39.50 to 40.40. Take partial profits at each level. The stop will be an intraday broke of the low of its current correction.

- **Absa:** it's oversold on the weekly chart and I think bank stocks are gearing up for a rally. Buy it on a close above 132.50. Stop then will be a close below 129.80. Targets then are 137.20 and 140 for taking profits at each level.
- **Anggold:** it got up to our 350 target for some very good profits on this trade. Use the current pullback to line up another buying opportunity. Buy a reversal day/candle up from the 335 level or lower. Target then up to 360-365. Keep your stop as a close below 322.50 initially, but move it up to breakeven as the price moves back above 346 (after the pullback).
- **Anglo:** it pulled back sharply on Friday triggering the trailing stop. (note, as a general rule, if a stock has a good run, like it did, to over 400, one should always be looking to take some profits off the table, for traders e.g. a breaking of prior 2 day low). Yesterday it gave a reversal candle up off a support level. It is also oversold in the short-term. Some buying to have been done based on yesterday's candle as advised. But the main re-entry signal now is a close above 373.50 today (weds) and this entry level is declining by R3.50 per day hereafter. Target then to 420. Keep your stop wide ideally as a close below 350. But once it gets above 388, raise your stop to a close below 365.
- **Angloplat:** it has pulled back over the past week. The stop is a close below 698.75. If stopped out and it comes back to close above 718 then re-enter. Target then to 760.
- **ArcMittal:** keep holding. It is overbought in the short-term so a temporary pullback is possible but this stock is holding up very well relative to the overall market. Stop is a close below 83.50. And any pullback to near there is still buyable. Targets are 93.50 for taking partial profits and then 100 more med-term.
- **ARM:** after getting to our first target it fell sharply over the past week. It is oversold and can continue up again at any time. There has been no reversal candle up in this pullback to buy on yet. Traders buy if it gives a very clear reversal day/candle up from current levels or lower (but with caution initially). Stop below that reversal days low. Expect a retest of recent highs but right now we wait signs of a reversal back up.
- **Aspen:** has moved sideways over the past week and looks to be building up for another leg to the downside. A close below 82.50 will be a short signal. Target to 78. Stop a close above 84.60. To the upside, a close above 86.30 will be a long signal.
- **Barworld:** hold. It's doing very well and getting closer to its profit taking level of 75.50-78. Stop is a close below 71.
- **BATS:** it's looking much better from a med-term point of view. Wait for a pullback to 274 or lower to buy. Target is to 300 med-term. The stop for a new trade will be a close below 269.
- **BHPBilliton:** see Chart 7.
- **Bidvest:** keep holding, it's moving sideways. Target is 160.40 for traders, which it's got close to. Stop is a close below 152.70. It is holding up well relative to other industrial stocks. Buy it if it pulls back to 153 in the interim – with the same target and stop. Also, a firm breakout and close above 161 will be a new buying/re-entry signal for a move to 171 at least.
- **Exxaro:** after reaching our second profit target the remaining profits were taken on the trailing stop. It is pulling back and has support at 150.20. Re-enter on a reversal candle up from there or higher. Stop a close below 149. Target to 165-170.
- **Firstrand:** the aggressive buying signal will be a reversal day up from 19.50. But the more conservative one will be a close above 20.25. That will be very positive and setup a minimum target to 21.85. Stop for the aggressive entry will be a close below 18.80, and for the conservative one below 19.30.
- **Gfields:** it stopped within a few cents of our second profit target of 129. When its that close always take partial if not all profits. It is overbought in the immediate short-term. Expect a bit of consolidation but look to re-enter long ideally on a pullback to 121.50, but if it occurs from the 123 level that's also fine. Target then will be 131.50 -134. Stop a close below 117.70.

- **Harmony:** it hit our 84,50 target exactly on Monday before pulling back. Look to re-term long at the 81.50 level or lower. Target then 87-88. Stop a close below 79.50.
- **Imperial:** see update above.
- **Implats:** see Chart 6.
- **InvPlc:** continue to trade it in the 54.60 to 57.80 range. It's testing the bottom of that range at the moment. Stops are a close below 54 (for longs) or a close above 58 (for shorting).
- **Kumba-IO:** has had steep sell-off over the past week. Yesterday it closed at 462. Our stop for traders was a close below 462. Yesterday it also formed large 'bottoming tail' i.e. reversal candle up. Based on that, keep holding if it closed below 462 today. Give it more space and use a close below 450 as your stop. If it retests the 450 level then buy more on a reversal day up from there. Target still 492.
- **Lonmin:** see update above.
- **MrPrice:** see update above.
- **MTN-Group:** continue to accumulate it med-term in the 123.75 to 121 range, where it's in right now. Stop a close below 120.90. Once it closes above 133 eventually, look for a move to 144 med-term.
- **Naspers-N:** see Chart 5.
- **Nedbank:** is moving sideways and it may well be forming a med-term base. Buy it, with caution ideally near 128. Stop is a close below 126. Or, on a breakout and close above 133. That will setup a minimum target to 139.20, and potentially to 147 med-term.
- **Newgold:** it's still overbought right now. Look to buy it again on a pullback to 96 or lower. I think it will continue higher over the med-term, to the 104 level.
- **Old Mutual:** is finally giving a decent pullback after having got within cents of our 16 target. I'd like to see it sell off a bit more e.g. to 14.60 to buy again. Buy if it gets near there. Target to 16.
- **Pick 'n Pay:** its reached the first target of 47 so far for partial profit taking as advised last week. It is a bit overbought so expect a pullback to 45.20. A reversal day up from there will be a sign to buy back the part you sold. Second profit target is 49.
- **Reinet:** Keep holding. I think its building up for a good rally. It will probably go sideways for a bit longer before breaking out to the upside, but I like the look of its chart. Stop is a close below 11.30. A close above 11.80 will be a new buying signal if not in. The target then will be 12.60.
- **Remgro:** Keep holding. Its biding its time until the market gets going again, and is holding up well. Minimum target is still 117.50. Stop is a close below 110.20.
- **Richemont:** keep holding. Its been kind enough to have pulled back over the past week to thereby allow for getting more stock or for getting in if not already in. A clear reversal day up from 40.60 is another buy signal. A close above 41.50 will also be another buy/add to signal. Targets are 44, then 44.50. Med-term I have a target of 47. Stop is a close below 39.70.
- **RMBH:** there's a profit to be made here as follows: sell short at current levels. But keep a tight stop. Target to 36.60. Stop is an intraday break above 38.26. If it closes above 38.40 you must then go long (buy). Target will be to 40.40. Stop then a close below 37.70.
- **SABMiller:** eventually got to our profit target and has pulled back sharply from there. Look to buy again on a clear reversal day up from the 236.80-235.40 level. Stop is a close below 234.80. Take profits at 247 and again at 251.
- **Sanlam:** it's heading back up again slowly but now trade here at the moment, a close above 28.35 will be a buying signal. Target then to 29.40 and stop a close below 27.
- **Sasol:** buy on either a pullback to 362 level an reversal day up or on an intraday break above 381.70 – do whichever happens first. Target will be 405-410. Stop a close below 359. Long-term I think this is a R600-700 stock, and should be in all long-term portfolios.
- **Shoprite:** hold current long position. A minor pullback will also be buyable if not in e.g. 93 or lower. Upside target then will be 105. Stop is a close below 90.50.

- **Stanbank:** it's very near major support at the moment at 100. Hold if in/buy at current levels. Stop is a close below 99. This represents a very good risk-reward trade (see Glossary). Target to 105.70 initially, thereafter to 110.
- **Steinhof:** it's pulling back as excited. Look to buy ideally as close to 23.40 as possible. Stop will be a close below 23.20. Target to 26.50.
- **Tigbrands:** its oversold and probably low risk at current levels but I don't have any buy signal as yet. If it closes above 184.50 then buy. Target will be 193. Stop a close below 179.50.
- **Truwths:** it's forming a potential inverse head and shoulders and needs to close above 66.80 to confirm it. That will setup a minimum target to 76. Keep holding, with a stop below 60. If that stop gets triggered it will be very bearish, and we'll look at shorting the bounces. But for now it's looking positive overall.
- **Vodacom:** has moved sideways over the past week. If it pulls back to 71 or lower and gives a reversal day up then traders re-enter for a rally to 77.80. Stop will be a close below 70. If it gives a further breakout and close above 78. then re-enter long for another rally to 88.50.

**GOLD UPDATE:** refer to Chart 4 for the JSE gold index. Expect it to go higher after a pullback.

**Dollar gold price:** has continued up through the \$1385 target and will probably retest its all time high now. This is despite the fact that it's overbought in the immediate short-term. A close above \$1421 that can remain there for at least 2 consecutive days will be bullish for further upside to \$1525 (and a re-entry buy signal). Longer-term target is \$1800.

**Rand gold price:** it made a new all time high above 10 000. Expect a pullback to the 9700 level to buy again. Once it can stay above 10 000 for a few days, it will setup a med-term target of 10 700.

## 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 23 Feb. '11) Price (R) 20-Day MA: 40-Day MA:

AFROX	18.5000	19.8120	20.1735
ASPEN	83.0000	84.3585	86.9485
AVENG	36.5500	37.8235	40.3787
BLUETEL	5.5000	5.9840	6.4325
CITYLDG	68.4700	70.2050	74.6970
GRINDROD	15.7300	16.3405	17.3560
GROUP-5	30.3100	31.3175	33.9015
INVPLC	54.6100	55.6295	55.8397

JSE	76.0000	78.4485	80.3940
M&R-HLD	28.0100	30.8565	35.4202
PPC	27.8000	30.0485	31.7655
RAUBEX	20.2000	20.9825	22.3215
REUNERT	58.9000	62.1350	64.8057
RMBH	37.8300	37.9315	38.4912
SUNINT	100.0000	103.1425	103.4478
TONGAAT	105.3400	106.8185	107.1110

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

None.

## **SUMMARY**

The All Share index has formed a small head and shoulders over the past 10 days but its not classical formed, so it may well turn out to be another failed head and shoulders pattern i.e. bullish (as we've seen a few times in the bull trend of recent months). While the index will probably drop a bit more in the next day or so, expect a reversal back up to occur very soon. The emphasis, as a result, should be on buying the current pullback. But not aggressively so – because the weekly charts do not look healthy.

The probabilities, as I see it, favour at least one more good rally, with industrial, retail and financial stocks joining in this time.

Sincerely,

Colin Abrams  
TheMarket.co.za

PS: Remember: Protective stops on all positions!

## **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 2011 (Sunday).

Please email us if you'd like to attend ([courses@themarket.co.za](mailto:courses@themarket.co.za)). Seating is limited.

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**Tel: 011 440-7880**

**Fax: 086 510 9988**

**info@themarket.co.za**