

Welcome to TheMarket.co.za Weekly Analysis Report

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Classic Trading Rule:

"Be patient. Once a trade is put on, allow it time to develop and give it time to create the profits you expected."

ALL SHARE INDEX BECOMING OVERSOLD

Introduction:

The short-term (temporary) pullback on the JSE that we've been expecting in recent weeks has finally occurred with some selling off over the past week. Subscribers were advised to tighten stops on short-term longs for this. I still view this as a temporary sell-off before the market continues higher. In fact, the index is becoming oversold right now, and a renewal of its uptrend (to new all time highs) can begin at any time. My only concern in the short-term is that September is typically a bearish month overseas, which means an extended rally to new highs, might be delayed a bit. But the only way to play this is to follow the signals (mentioned inside) once they trigger. If they don't trigger just yet, then we'll wait for them to trigger from lower levels. There are still higher targets for the All Share index. Starting with the **Dow** chart, it has also getting oversold after a recent pullback. One should be looking to re-enter long soon. The **JSE All Share index** chart shows what's been stated above. We then focus on the gold sector with a chart of the **gold price (\$)**, having now reached its minimum short-term targets, but is still very bullish overall. The **JSE gold index** as usual, does its own thing and it's retested critical support levels, but is oversold. The stock charts shown are **Naspers-N** (temporary pullback in uptrend), **Tigbrands** (oversold after a correction), and **Assore** (look for new entry signal). The small-cap stock is **Santova**, a penny stock in a good uptrend.

Overall, while the All Share index is building up for another rally, it should not change the focus and strategy we've had here for many months, of sticking to the strong findi stocks, and buying them on minor pullbacks. Indeed, med-term traders who've simply held throughout (as advised) have made a lot of profits. This strategy remains unchanged for now. Resources are still to be essentially ignored.

Executive Summary:

- **Dow (chart 1):** Buy/re-enter on a close above line 5 (13 160).
- **All Share Inx (chart 2):** Re-enter on a close above line 5, with caution.
- **Gold (\$)** (chart 3): Traders buy pullbacks on an ongoing basis. Very short-term traders tighten stops.
- **JSE Gold Inx (chart 4):** Traders buy gold shares at current levels or lower, but not aggressively.
- **Naspers-N (chart 5):** Hold for the med-term, and buy/add to on a close above line 4.
- **Tigbrands (chart 6):** Buy (re-enter) on a close above line 2.
- **Assore (chart 7):** Buy some at R300 and more at line 1 (R291) if reached.
- **Santova (chart 8):** Buy, ideally below 80c.
- **Leading Stocks (3-mths):** **Top 40 – Growpnt**, Woolies, Imperial, Aspen, SABMiller, Old Mutual, MTN.
- **Resources 10 - BHPBilliton**, Sasol, Implats, Anglo, Anggold.
- **Shortable stocks/indices:** 14 stocks, 0 indexes, 0 commodities, 0 currencies.

1. MARKET CHARTS

DOW JONES – Short-term oversold again

Broad Recommendation: WAIT FOR NEW BUY SIGNAL

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

Strategy: Buy/re-enter on a close above line 5 (13 160).

Chart 1. (Daily)

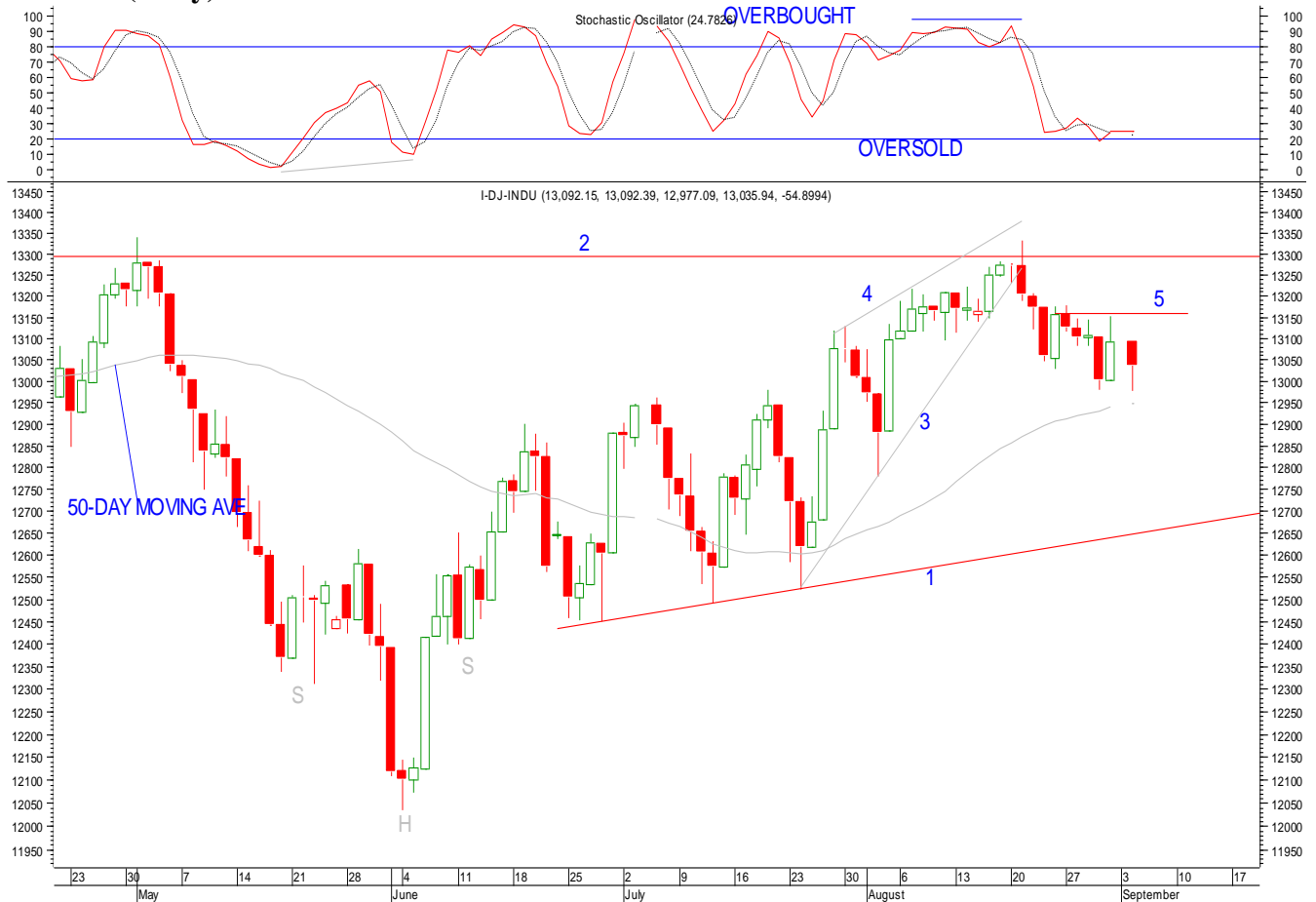


Chart Setup: The Dow has pulled back over the past week and has just reached its downside target from a short-term rising wedge (lines 3 and 4). The rising 50-day moving average is nearby, to provide support. I'm looking for a new rally to begin at any time.

- The short-term Stochastic Oscillator (on top) is oversold, and is therefore setup for a rally.

Strategy Details: Traders buy/re-enter long on a close above line 5 (13 160).

Target: Once the buy signal triggers, look for some initial resistance at line 2 resistance 13 300/13 330, but I expect that level to break, with a new short-term target to 13 420, and eventually on to 13 680 over the coming months.

Stop-loss: Once the buy signal triggers, place your initial stop as a close below 13 000. As it nears 13 400, traders raise a trailing stop as a breaking of its prior two-day low to protect profits.

JSE ALL SHARE INDEX – Oversold at a support level

Broad Recommendation: WAIT FOR RE-ENTRY (BUY) SIGNAL

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

Strategy: Re-enter on a close above line 5, with caution.

Chart 2. (Daily)

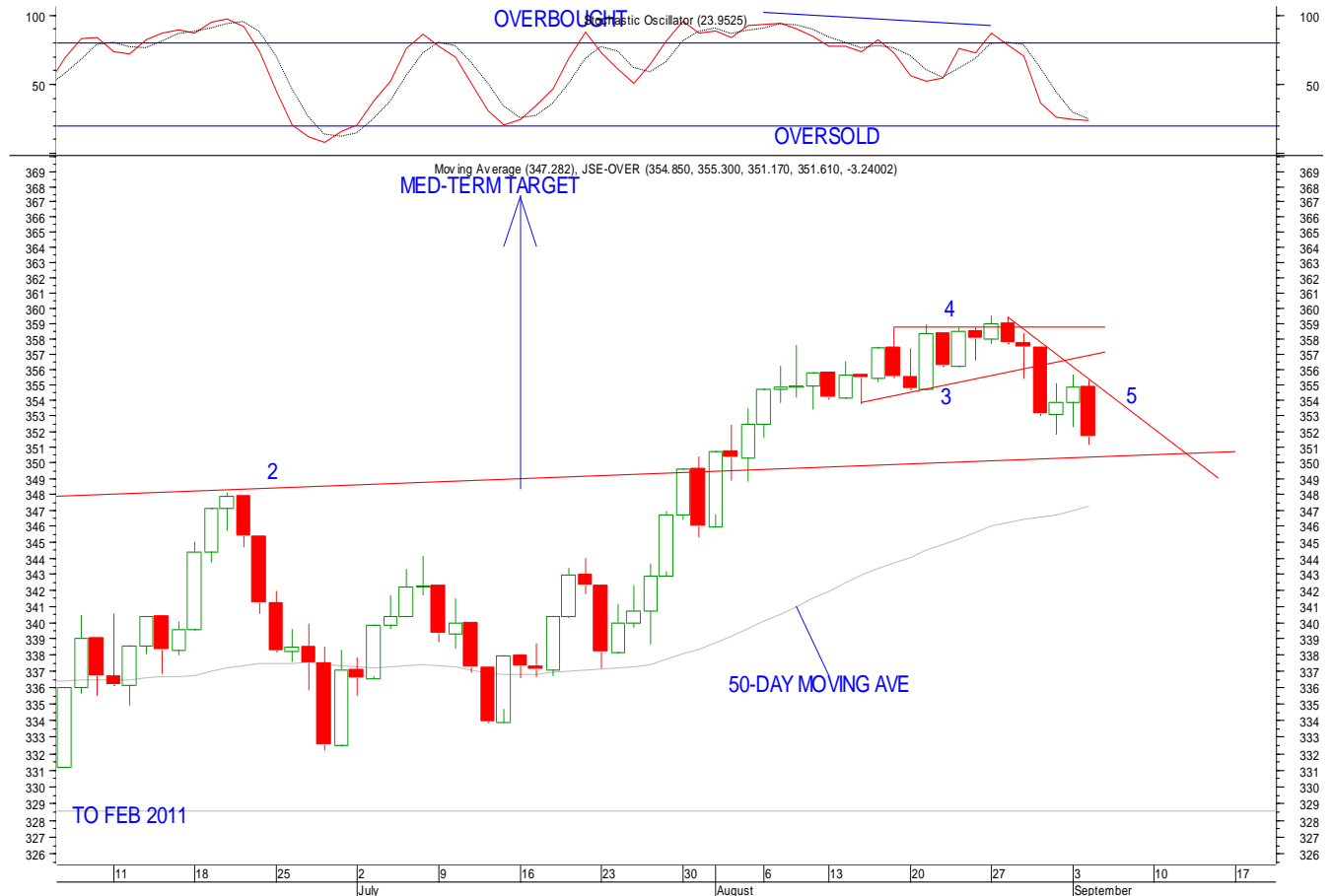


Chart Setup: The All Share index moved below line 3, triggering the mentioned trailing stop that was raised to protect profits from the prior long trade. The price has dropped near to line 2 support (old resistance acts as new support). (It's now reached it this morning). There is still a higher target from the large breakout in late-July.

- The short-term Stochastic Oscillator (on top) is reaching its oversold region, and a new rally can start at any time.

Strategy Details: Traders re-enter on a close above line 5, but do so with caution initially (until a new short-term uptrend can prove itself). Also, there's a chance this short-term correction is not yet over, even if it does break out above line 5. Nevertheless, if the signal occurs, take it but not aggressively yet. (Line 5 is at 35 460 on Weds 5th and it has declined at an angle of 80 points per day thereafter). (Note, the breakout day must not close near the day's low, because then it will be a reversal day down).

- If stopped out on that trade, re-enter long from 34 900 on a reversal day/candle up.

Target: The upside target is still 36 700-37 000, based on a large broadening formation projected up. The price can still correct to 34 900 in the interim.

Stop-loss: For a new buy signal above line 5, the stop will be an intraday breaking of the low of the current short-term correction.

GOLD (\$) – Significant level breaking

Broad Recommendation: BUY PULLBACKS

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

Strategy: Traders buy pullbacks on an ongoing basis. Very short-term traders tighten stops.

Chart 3. (Daily)



Chart Setup: Having reached Target 1 recently, the gold price reached Target 2 (\$1700) last night. It's pulled back slightly since then. But more importantly, the move of the past week has caused a breakout out above line 4, of a large 12-month triangle with line 1. This 'officially' ends its 12-month correction, and points to a far higher target to come.

- The short-term Stochastic (on top) is overbought, is a minor pullback is likely at anytime. Pullbacks are to be bought.

Strategy Details: Subscribers were advised to buy on the breakout above line 3 in July. With its \$1700 target now reached, raise your stop to a close below \$1665 on any remaining short-term longs. Pullbacks remain buyable, e.g. if it pulls back to \$1650 (on a reversal day/candle up).

- Med-term + players should keep holding through short-term pullbacks.

Target: Short-term pullback potential to \$1650, but expect it to generally make its way up to line 5 over the med-term, if not sooner (\$1775). Its larger target (Target 3) is \$1940, based on the height of triangle 1-4 projected up. That will be a new all time high.

Stop-loss: Current short-term stop for the remainder of the current trading long position is a close below \$1665. If it does pull back to \$1650 for buying again, the stop will be a close below \$1620.

JSE GOLD INDEX – Critical support level holding

Broad Recommendation: BUY (WITH CAUTION)/TRADE THE BOUNDARIES

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

Strategy: Traders buy gold shares at current levels or lower, but not aggressively.

Chart 4. (Daily)



Chart Stop: The gold index has formed a med-term descending triangle (line 2 and part of line 1). It bounced off line 1 support (2160) a few days ago, and has a good chance of reversing back up towards line 2.

- The short-term Stochastic (on top) is oversold, and together with the index being at/near support, makes for a bullish setup.

Strategy Details: Start buying ANG or GFI but not aggressively, and add to on a retest of line 1 support (2160) on a reversal day/candle up (see Glossary) from there. If the index breaks down and closes below 2150, the strategy will change to selling short the bounces.

- For now, if it rallies back to line 2 (2460) one should sell short a reversal down.

Target: Between line 1 support (2160) and line 2 resistance (2460). If it breaks down and closes below 2150 and can stay there for at least two days, it will be very bearish and point to a minimum downside target of 1800. Conversely, a breakout above line 2 (2460) will be bullish, for a rally to the January 2012 highs of 2980.

Stop-loss: For buying at current levels or near line 1, the stop is a close below 2150 on this index (to be looked at in conjunction with a breaking of support on the individual gold stock you're buying).

NASPERS-N (NPN) – Oversold, with a higher target

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

Trend: Up on all main timeframes, despite current pullback.

Strategy: Hold for the med-term, and buy/add to on a close above line 4.

Chart 5. (Daily)

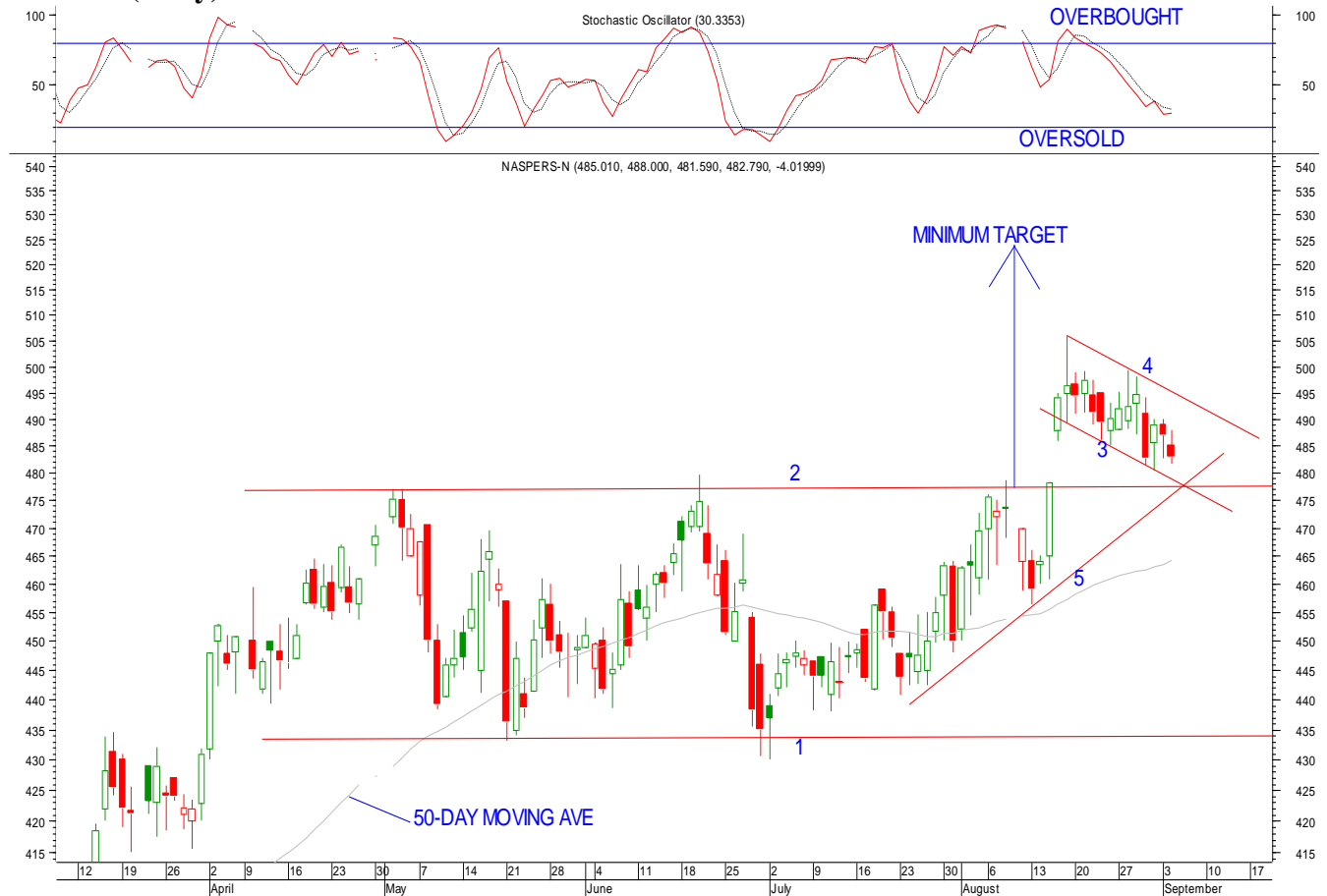


Chart Setup: After breaking out of a multi-month channel (lines 1 and 2) in mid-August, the price has been drifting down in a small channel (lines 3 and 4). This is a pause to relieve its overbought condition after the breakout, before it heads higher again.

- The short-term Stochastic (on top) is nearing its oversold region but is not quite there yet.
- The price is currently also filling a price gap formed on the breakout above line 2. In addition, there is a 'triple' area of support slightly lower, formed by lines 2, 3, and 5 (at R478.20).

Strategy Details: Hold as a med-term trade. Short-term traders who bought on the breakout to also hold. All traders to buy (or add to, if already in) on a close above line 4. (Line 4 is at R494.05 on Weds 5th, and its declining at an angle of 70c per day thereafter).

- More aggressive players can buy on a clear reversal day/candle up off the triple support level at/near R478.20. (This does carry more risk, buy gives a better risk-reward ratio – see Glossary).

Target: Minimum upside target is R524.30 i.e. the height of channel 1-2 projected up. There is further potential to R540 thereafter, but it will need to be confirmed closer to the time, once the R524 target is reached. In the immediate short-term, it can still pull back a bit further, to R478.20.

Stop-loss: For now, the stop is still a close below R470. (If buying off line 2, R478.20 level, place your stop as a breaking of the low of a reversal day up from there). Once it closes above line 4 (see level

above), move the stop up to a close below R475. We'll look to narrow the stop again once the price nears R520.

TIGBRANDS (TBS) – Building up for a new rally

Broad Recommendation: WAIT FOR NEW BUY SIGNAL

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

Strategy: Buy (re-enter) on a close above line 2.

Chart 6. (Daily)

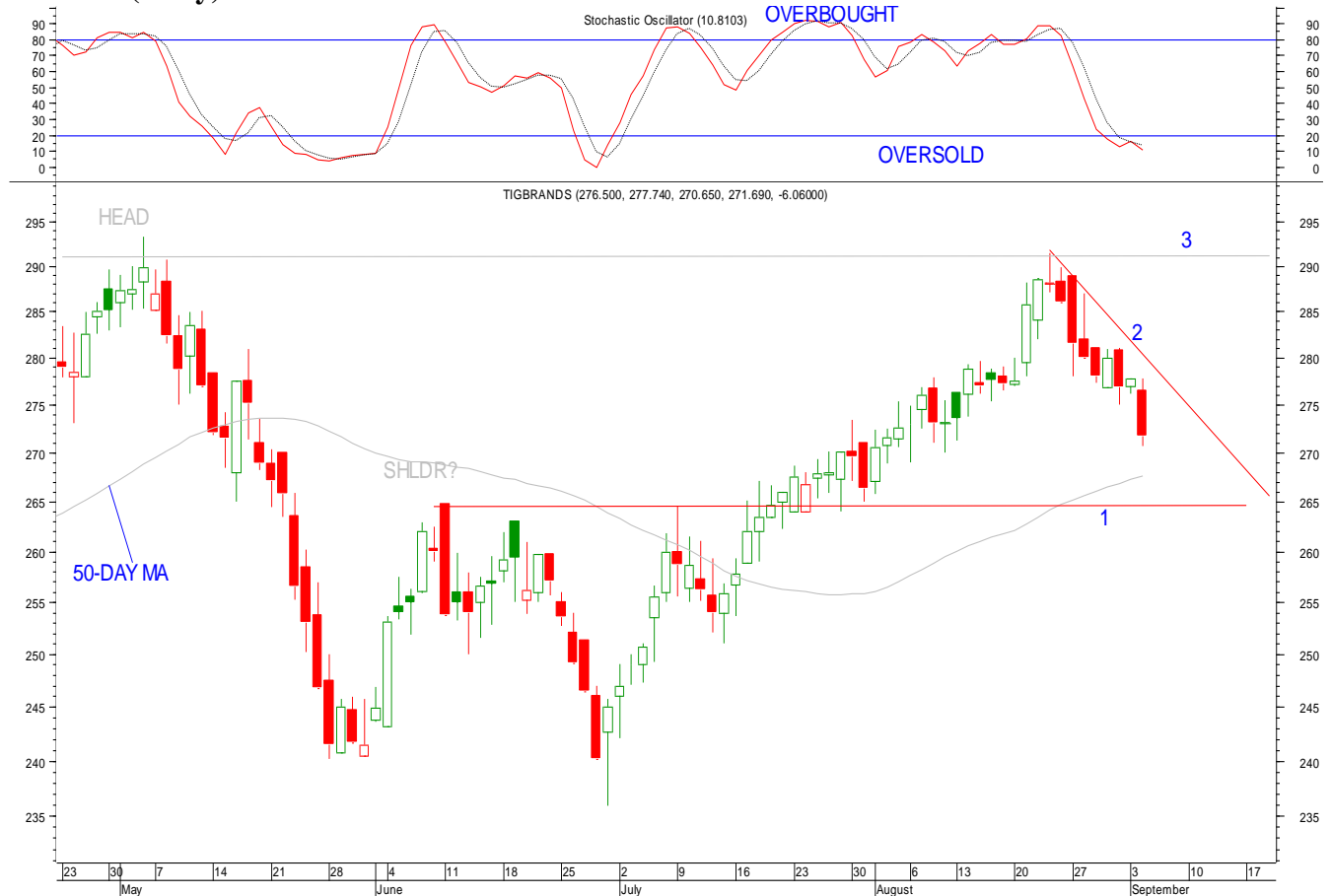


Chart Setup: Tigbrands is still pulling back in the short-term after finding resistance at its May high (line 3). It's now approaching its rising 50-day moving ave which is likely to provide support if reached.

- The short-term Stochastic Oscillator (on top) is in its oversold zone, so a renewal of the prior uptrend can begin at any time.

Strategy Details: Buy/re-enter on a close above line 2. (Line 2 is at R279.15 on Weds 5th, and it's declining at an angle of R1.30 per business day thereafter).

Target: Look for a retest of line 3 (R291-R291.50). Take profits there. There is potential thereafter to over R300 but we'll reassess the odds of that closer to the time. Right now, to the downside there is support a R268 and then line 1 at R264.50 if required.

Stop-loss: Once the buy signal triggers, the stop will be a close below the low of the current correction. From R288, narrow the stop to a breaking of its prior two-day low, and take profits at the target.

ASSORE (ASR) – Back to buying levels

Broad Recommendation: WAIT FOR NEW BUY SIGNAL

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

Strategy: Buy some at R300 and more at line 1 (R291) if reached.

Chart 7. (Daily)



Chart Setup: After a good run-up, Assore is pulling back in the short-term and is getting near support at line 2 (R298/R300). Larger support is at line 1 (R291).

- The short-term Stochastic (on top) is in its oversold region, so a renewal of its uptrend can begin soon. (Personally I think it will continue sideways a bit longer before the rally resumes).

Strategy Details: Buy part of your position at R300, and then if it drops closer to line 1 at R291/R292 add (buy) the second part of your position. The price needs to close above line 3 (R320) to get going.

Target: Once it closes above line 3, look for a move to retest it has prior high at R338-342 to take profit.

Stop-loss: A closing price below R290.

2. SMALL-CAP. CHART

SANTOVA (SNV) – Temporary pause in an uptrend

Broad Recommendation: BUY

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

Strategy: Buy, ideally below 80c.

Chart 8. (Weekly)



Sector: Business Support Services

Price: 82c

Chart Setup: Santova is making a long-term recovery, and has formed a rounding (or saucer) bottom (as labelled). This year so far it's formed an ascending triangle (lines 1 and 2). It needs to break out and close above line 2 (93c) to really get going again.

- The weekly Stochastic (on top) is overbought, so a pullback is very likely to occur soon. That pullback is buyable.

Strategy Details: Buy it ideally below 80c. (You can buy now as long as you're prepared to hold through any pullback if/when it occurs). Buy more once it breaks out and closes above line 2 (93c).

Target: A close above line 2, will set up a minimum target to R1.35 i.e. the height of the triangle projected up. Some profits are to be taken there. But if you're prepared to hold it longer-term, then keep the remainder on for an eventual move all the way to line 3 at R1.60.

Stop-loss: Initial stop is a close below line 1(74c). (Note, larger support is at line 4, currently 60c). From the R1.35 target, take half profits and continue with a breaking of its prior two-week low as your trailing stop, to protect profits. Long-term players keep some on for the move to line 3 eventually.

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

Long: Cenrand, Chrometco, FortressA, Morvest.

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: Growpnt, Woolies, Imperial, Aspen, SABMiller, Old Mutual, MTN.

Weakest seven Top 40 stocks: Exxaro, Lonmin, Implats, Harmony, ARM, Anggold, Anglo.

Strongest five Resi 10 stocks: BHPBilliton, Sasol, Implats, Anglo, Anggold.

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

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

- **BATS:** after an initial breakout the price has pulled back sharply over the past two days. Important support here is 428.50. Place your stop as a close below that level. If it gives a decisive breakdown and close below there it will confirm the original head and shoulders shown last week and point to a target to 404. I would not short initially on that breakdown. The upside target for now is still 460.
- **Stanbank:** it reversed up off line 1 last week for buying. It's also forming a 'potential' small inverse head and shoulders. If it closes above 112.80 that will confirm it. Target then to 115.80, and further potential is still to 118. So for now it's still a hold. Stop is a close below 109.
- **Remgro:** it's reversed up off the support levels shown last week. Hold. Today it is selling off, and is in danger of triggering its short-term stop (a close below 142.50). If it does close below that level but will off its low for today (141.05 so far) then keep holding because it will be a reversal day up. For now, targets are still 147 and 148.50.

Other recommendations and index stocks of interest (alphabetical order):

Important Notice: When buying after a pullback or selling short after a bounce, always look for a sign of a reversal e.g. reversal day or reversal candle before entering (otherwise one is simply picking a top/bottom, which does not work). A reversal day/candle at the top is typically when the price rallies that day but then sells off to close near the bottom of the day's range. Conversely, a reversal day/candle at the bottom is when the price initially drops that day, but then rallies back to close near the top of the day's range. Waiting for the reversal day will put the odds back in your favour. (I usually like to see the high/low of the reversal day taken out the next day before finally entering i.e. the entry 'trigger').

- Regarding taking profits, I suggest locking in profits in thirds as the price moves in your favour i.e. 1/3 of your position, then another third then the final third.

High probability trades (or charts), other than Charts 5, 6, and 7, that I particularly like (long or short) at the moment (in no particular order. See comments below):

- **Sasol, InvPlc, RMBH, Truwths.**
- **Abil:** reached the downside profit target to complete this short trade. It's likely to still retest 31.40 before having a relief rally. I wouldn't short it again for that though.
- **Absa:** its recent drop as due to going ex-div so it hasn't actually triggered the short trade because it was not a true move. I don't see any trade here right now.
- **Amplats:** the prior long trade was stopped out as it reversed down to form a 'failed' inverse head and shoulders pattern, which is bearish. Trading these platinum stocks to the upside is very risky because they're still in downtrends. Right now it can drop to 394-390 but is too oversold to short at current levels.
- **Anggold:** it dropped sharply last Friday to retest its main support level at the 253 level. It did reverse back up the same day. Its chart looks almost identical to that of the JSE gold index (Chart 4). It's a relatively low risk buy at current levels (on an intraday break above 269 only), but ideally still if it pulls back closer to support at 255/253. Stop will be a close below 252. Target to 283.
- **Anglo:** has continued sharply down as its downtrend remains well intact. The problem here is that it's confirmed a large head and shoulders pattern, pointing to a minimum target of 171 med-term. I can't say whether target will be reached or not, but that's what its showing. It's very oversold right now so look for a bounce to 246-250 to short it (on a reversal day down). Stop will be a close above 253.50. Target to the low 220s then.
- **Aspen:** its still drifting up slowly but surely. It's still a hold. Target is 148-150. Raise your short-term stop to a close below 140.
- **Assore:** see Chart 7.
- **Barworld:** remains in downtrend but is very oversold. If it closes below 71.25 then short it, but with caution. Target will be 67.90. Stop a close above the bounce of the past few days.
- **BATS:** see update above.
- **BHPBilliton:** its pulled back sharply over the past week. While it has still a med-term hold, it hasn't give a reversal day up yet to re-enter on (short-term traders) and has moved below the level I was look for one to occur at. It is oversold and my bias is still to look for a re-entry long signal here, but not aggressively at all, given its large sell-off over the past week. Aggressive traders only, to buy if it gives a clear reversal day/candle up from 137. Stop below that days low. Target to 256. But all other traders rather wait until it proves itself further in terms, of wanting to rally again. Med-term stop is a weekly (Friday) close below 235.
- **Bidvest:** it its in a sideways pattern over the past month and, most likely a pause before it continues higher. Take short-term profits at the 207.70 level. But a close above 208.50 will be a re-entry signal for a rally to 218.50. Stop is currently a close below 198. Raise it on that breakout to a close below 204.
- **Clicks:** Reached our short-term target of 62.40 to round off a nice trade. Med-term target is still 64.50.
- **Coronat:** no change. It's moved sideways in recent weeks. The second part of this trade is still in play. Target med-term is 32, but it needs to close above 30.50 to get going. Once that happens it will also be a new buying signal. Take half profits at 31.45 and the rest at 32. Stop is a close below 29.50.
- **Discovery:** it reversed up from our mentioned re-entry level around 56.50. Today's results have pushed it down; keep your stop for traders only, as a close below 56.50. Med-term hold. Large support is 54.50. Target for now is 61-62.

- **Exxaro:** continued sharply down, but a good profit was made on the short trade nevertheless. It's very oversold, I'm looking for a relief rally to about 160 to short it on a reversal day down (stop above the reversal days high). It should continue making it has way lower over time. Target potential is 125 med-term.
- **Firststrand:** keep holding. It's holding up well and posted good results recently. Stop is still a close below 27.30. A close above 28.25 will be bullish and should then get it going to its target for 29.50/30.00.
- **Gfields:** as it happened it did drop all the way back to major support at 96 (see last week's comments). It's chart is identical to the JSE gold index and ANG. The same comments/strategy applies here. It's a low risk buy, particularly at the 98/96 level. Stop a close below 96. One can start nibbling now though because it is oversold. Target to 112.
- **Harmony:** it fell below critical support, unlike ANG and GFI that managed to hold above theirs. It's technically pointing to a target of 62.50. I can't say if that target will be reached or not, but that's what it's showing. Given that the other two main gold shares are holding up quite well, it's possible that the downside target here won't be reached. If it bounces back to 74 short it on a reversal day down (stop above reversal days high), but for now there's no new trade here.
- **Imperial:** its reversed up from our exact buying level mentioned last week. Keep holding. Target is 218.50-220. Raise stop to an intraday break below 199.
- **Implats:** reversed down off the mentioned resistance level and broke short-term support soon thereafter to trigger a short signal (not mentioned). Today its close to the target range of 123.50-122. Do not short at current levels, do not go long either.
- **InvPlc:** pulled back again to our mentioned buying level. A close above 51.70 is needed to get it going again, which will also be an 'add to' signal for traders. Target then 53.30 short-term to take half trading profits. It has a target to 55.75, and med-term to 59. Stop is a close below 50.
- **Kumba-IO:** this stock collapsed over the past week and triggered our mentioned stop in the process. (We did say last week, it's not for the 'faint-hearted'). It's now broken some important support levels in the process and I expect it to continue working its way lower over time. It's very oversold right now, so look for a bounce to 500-503 to short it on a clear reversal day down. Stop above that reversal days high. Downside target is 440. Caution advised either way because it is hugely volatile.
- **Massmart:** no change. It's in a volatile in recent sideways short-term range. Hold. Stop is a close below 165. It needs to close above 177.30 to get moving/trigger a breakout buy signal, for a move to 188.
- **MrPrice:** Short-term support is 134.90 and short-term traders only to take profits on a close below there. For everyone else the best strategy is to just keep holding. No clear upside targets right now.
- **MTN-Group:** hold. It has is forming a rising wedge in the short-term which is typically a bearish pattern. Stop for traders is a close below 154.90. Take partial short-term profits at 159.20. Med-term its still a hold, with a target to 169.430. The general strategy here is to be buying pullbacks on an ongoing basis.
- **Naspers-N:** see Chart 5.
- **Nedbank:** its moved sideways over the past month. The short-term stop has not been triggered yet. Place that stop as a close below 179.30. It needs to close above 185.65 to get going again. Target then will be 193-195, which is the current med-term target as well.
- **Netcare:** reached the 18.10 target. Minor 2-4 day pullbacks remain buyable, and med-term target is to above 20. Stop a close below 17.30.
- **Newgold:** finally, finally its got going (refer to the Classic Trading Rule on page 1). It's reached our profit 138.50 target, exceeding it slightly today. It's overbought so look for a pullback to below 134 to buy it again on a clear reversal day up. Stop below the reversal days low. Med-term target here is still to 143.

- **Old Mutual:** triggered the new buy signal. Keep holding. First target is 23.20 to take half trading profits. Further target is 23.80-24, but its likely to pullback first before teaching this target. Stop is a close below 21.89.
- **PPC:** is reversing up again after a minor pullback since its upside breakout. Keep holding. Stop is still a close below 26, to give it wiggle room. Upside target is 31.15. (It's a more med-term target).
- **Reinet:** hasn't triggered the new buy signal yet. A close above 15.60 will be a buy signal. Target then to 16.40. Stop a close below 15.
- **Remgro:** see update above.
- **Richemont:** it reversed up beautifully from our mentioned buying level on Friday. Today its having a good run. Target is 54.30-55.30. Stop is a close below 51.20.
- **RMBH:** it unfortunately triggered our stop for a small loss. We did say last week though not to buy aggressively. Its oversold, but needs to close above 37.85 to trigger a new buy signal. Not aggressively either. Target then will be 39.20-39.60.
- **SABMiller:** it reached our 377 profit target to the cent before pulling back. (This target was given when it was trading in the 230s). It's overbought right now which concerns me about re-entering. But on the other hand, it does look like it will have another move up to 383.50. Therefore, aggressive traders only, buy on a reversal day up from current levels. Stop a close below 368.50. Target is 383.50. It needs to close above 376.80 to get going to that target (which will be the more conservative buy signal for traders).
- **Sanlam:** is moving up from our mentioned buying level from last week. Hold, with caution. Target is still 38.40. Stop is a close below 36.75.
- **Sasol:** this is an interesting chart and I'm seeing some signs here of a recovery. It's giving a bit of a pullback right now, which we said last week was to be bought (it gave the important upside breakout mentioned). A reversal day up from current levels (354.70) or lower e.g. 352.20 will be an initial buy signal (not aggressively at all). Stop will be a close below 350. It's pointing to a med-term target to 400, but take some profits at 379 and we'll re-assess from there. For now the strategy is to cautiously buy a pullback.
- **Shoprit:** we're still looking for a reversal day/candle up to re-enter long. It's been slowly drifting down in recent days. Next target here is 180. A reversal day up will be a re-entry signal. Look for it from the 165.50 level. The stop will be a closing price below the low of that reversal day up for traders, or a close below 160.50 if preferred.
- **Stanbank:** see update above.
- **Steinhof:** it pulled back to fractionally above our mentioned re-entry level (of 25.60). If you did buy then hold, if not, look to buy it near the 25.80 level. Target is 27.70. This is more a short/med-term target (than purely short-term). Stop is a close below 25.20. Gold results posted yesterday.
- **Tigbrands:** see Chart 6.
- **Truwths:** buy on a close above 98.50. Its pulled back a lot in recent weeks. Stop then will be close below 93.80. No aggressive buying advised on this one. Target then 106.40.
- **Vodacom:** its reached the second profit target of 106 for more potential profit taking as advised. It look lie its going to continue straight up to the 111 target without any significant pullback. Therefore hold the final part of this trade and take profits in the 110-111 range. Raise stop to a close below 106.
- **WBHO:** med-term target to 151 after it gave an important upside breakout two days ago on good results. Buy if it pulls back to the 137/136 level because it has overbought (unless your prepared to hold through a potential pullback if you do buy now). Stop then a close below 133.40.
- **Woolies:** med-term continue holding as has been the case for a long time. Traders continue to buy minor pullbacks e.g. to 58.90-58. Stop will be a close below 57.10. The target is 70 med-

term. In the immediate short-term its getting overextended so short-term traders (only) lock in partial profits.

GOLD UPDATE: please see Chart 4 for detailed comments on the JSE gold index

- **Dollar gold price:** see Chart 3 for detailed comments.

- **Rand gold price:** its now broken out above an important resistance level and is pointing to a target of 15 100, which will be a new all time high as well. It is overbought in the immediate short-term so I would expect a short-term pullback first, to 13 600 before it makes its way up to that target.

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 05 Sep. '12) Price (R) 20-Day MA: 40-Day MA:

ABIL	32.5500	33.6580	34.9268
ALTECH	42.1200	46.2860	46.5600
ANGLO	233.1100	249.6015	251.9093
ARCMITTAL	40.0500	44.0740	45.8990
ARM	147.0000	154.7185	157.4173
AVENG	30.3900	32.8880	33.6978
BARWORLD	72.9800	75.3485	77.3907
BASREAD	8.1200	10.4585	10.8083
HULAMIN	3.4000	3.9820	4.3758
JSE	70.5000	73.3115	74.4220
KUMBA-IO	484.9900	528.8630	532.4297
LONMIN	75.3800	85.1945	87.9555
M&R-HLD	21.7500	22.7145	23.1350
SAPPI	22.5000	23.1100	24.1565

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

None

OVERALL SUMMARY

Some of the top performing findi stocks have had short-term pullbacks over the past week or two, and many are setup again for new rallies. That is also the case with the JSE All Share index itself. But wait for the signals to actually trigger before re-entering (i.e. don't go in blindly).

While there may be some kind of bounce back in resources stocks that have been heavily beaten down over the past week, there's still no reason to be giving these stocks any attention. The only exceptions still being BIL and Assore. Resi stocks remain shortable on bounces.

Our subscribers have caught this rally in the gold price nicely (as well as Silver), and this is an exciting area building up for a much larger rally – to new all time highs eventually (with pullbacks along the way). But do not make the mistake of thinking SA gold shares are the same as the gold price. We've seen so many times over the years how they do not move in tandem. Gold shares do need to be played differently. Having said that, they have retested critical support levels over the past week, making them relatively low risk buys.

World stocks, overall should remain bullsih into the November US elections.

Sincerely,

Colin Abrams
TheMarket.co.za

PS: Remember: Protective stops on all positions!

NEXT COURSE DATES:

JOHANNESBURG:

Course 1: Technical Analysis - 14th October 2012 (Sunday)

Course 2: Advanced Technical Analysis and Money Management - 28th October 2012 (Sunday)

Course 3: Developing Trader Discipline (Trading Psychology) - 26th October 2012 (Friday)

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

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

- **Bearish/Bullish Engulfing Pattern:** A candlestick whose entire body 'engulfs' the body of the prior candlestick. Is bearish if found after a rally; or bullish if found after a drop.
- **Bottoming tail:** A price candle where the price falls sharply from the open, but then recovers to rally strongly into the close. A bullish sign.
- **(Japanese) Candlesticks:** Price bars (called 'candles') which accentuate the open-close relationship. Is an alternative to the Western bar-chart.
- **CFDs:** (Contract-for-difference) is a leveraged instrument, like a futures contract except there is no expiry date, and one trades the underlying itself, not a derivative of it.

- **Closing price (or the 'close')**: the last price of the specific time period chart e.g. last price of the day for a daily chart. If trading on the close, either execute your trade just before 5pm (if the specific signal is triggering), or first thing the next morning.
- **Countertrend**: 'going' (trading) counter to the main trend. E.g. if the main trend is up, then a countertrend trade will be to sell short. (Note it is always risky to take a countertrend trade, and generally not recommended. Remember, 'the trend is your friend').
- **Doji candle**: A price bar (candle) where the opening price is equal to the closing price. Denotes indecision. Typically precedes a trend change.
- **Double top**: Refers to the rise of a stock's price, a drop, and then a rise back to the same level as the original rise – all occurring after a significant rally. Bearish.
- **Elliot Wave Theory**: Each trend is made up of five waves in the direction of the main trend. (It can be further subdivided into the same sequence of waves on a smaller time frame).
- **Fibonacci retracement level**: A point where prices typically find resistance/support when retracing a prior move - the most significant is 61.8% (others are 38.2%, 50%, 78.6%).
- **Fibonacci extensions**: Using Fibonacci numbers (e.g. 61.8%, 161.8%, 261.8%) to project future price targets (or reversal areas) based on the length of prior price swings in a particular stock
- **Gravestone Doji**: A candlestick that rallies sharply after the open, but then reverses down and closes at same level as the open (which is at the low of the bar). Looks like a gravestone. Bearish.
- **Head-and-Shoulders price target**: the minimum target is the height of the pattern to the “neckline” projected downwards from the breakdown point.
- **Long position**: Opposite of selling short i.e. buying because one expects the price to rise
- **MACD**: stands for Moving Average Convergence/Divergence. Is the difference between a 12-day and 26-day exponential moving average, plotted as a single line. Shows price extremes.
- **Negative Divergence**: Is typically a bearish sign occurring when an indicator (e.g. RSI) fails to make a high, but the price itself does i.e. setting up a divergence between the indicator and the price.
- **Overbought**: an area on an oscillator that typically indicates when more buying than selling (which has pushed prices up) is reaching an extreme level. A fall or correction is then due.
- **Oversold**: an area on an oscillator which typically indicates when more selling than buying (which has forced prices down) is reaching an extreme level. A rally is then due.
- **Pivot high**: A high, with a lower high on either side of it.
- **Pivot low**: A low, with a higher low on either side of it.
- **Positive Divergence**: Occurs when the price makes a new low, but the indicator does not i.e. setting up a divergence between the price and the indicator. Bullish.
- **Relative Strength (or 'Ratio') Analysis**: comparing one market or stock to another to see which is outperforming on a relative basis. Not to be confused with Relative Strength Index (RSI).
- **Resistance**: A level *above* the market where selling is greater than buying (i.e. supply).
- **Reversal Bar (Day)**: Occurs when the price makes a new low relative to the previous price bar's low, but then reverses and rallies to close above the previous bar's close (bullish). And vice versa for a bearish reversal day. It typically signals a change in trend. Note, the larger the range of the reversal day, the better.
- **Reversal candlestick**: Typically bullish when the price opens low, then weakens, but rallies strongly into the close, to close near the day's high e.g. hammer, bullish engulfing pattern, piercing pattern. Vice versa for bearish signals e.g. shooting star, bearish engulfing pattern, dark cloud cover. Note, the larger the range of the reversal candle, the better.
- **Risk-Reward ratio (good)**: A trade where the potential profit is at least 3x the potential loss.
- **Selling short (or 'shorting')**: Expecting prices to drop, so selling first and buying-back later.
- **Short position**: A trade where one has sold short (as above)
- **Shooting Star (candlestick)** – A candle that suggests a minor (at least) reversal. The body of the candle is near the low, and the line has a long upper 'tail'.

- **Spot Price:** the price of the underlying instrument itself i.e. not the futures price.
- **Support:** A level *below* the market where buying is greater than selling (i.e. demand).
- **SSF's:** Single Stock Futures.
- **Stop-loss:** point where you close the trade if it moves against you - to protect yourself.
- **Time frames:** (approximately) Short-term: 0-6 weeks; Medium-term: 2-5 months; Long-term: 1yr + (for purposes of TheMarket.co.za analysis report). For **The Big Picture newsletter**, long-term is defined as 2-5 years.
- **Trailing stop-loss (or 'trailing a stop')**: moving the stop in the direction of the market to lock-in profit e.g. a breaking of prior day's high/low, or a percentage retracement of the current move (e.g. 50%), or the breaking of a moving average e.g. 10-day MA for the short-term, or 50-day MA for medium-term.
- **Weekly close:** the closing price on Friday afternoon.

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