

## THE WEEKLY JSE PULSE

The Weekly JSE Pulse lists everything you need to know about the health and expected returns of the JSE at this point in time, together with various market timing signals. Catch the start of every Bull Run, see how much oomph is left in the market and never be caught in a JSE crash again!

### 1. The PowerStocks SUPERModel Market Timing System

Our flagship JSE market timing model. A combination of the Repo Rate Model, the Trendex Momentum Model and the SA Reserve Bank Leading Economic Indicator Model. Delivered a whopping 113,863% growth (25.6% CAGR) since 1978, no losing trades and never got caught in a single bear market.



**PROGNOSIS:** We are waiting for the Reserve Bank Model to fire a signal which will boost the SUPERModel score from 1 to 2. Another repo-rate drop will also add an additional point.

#### 1.1 PowerStocks Repo Rate Monetary Policy Timing Indicator (MPI)



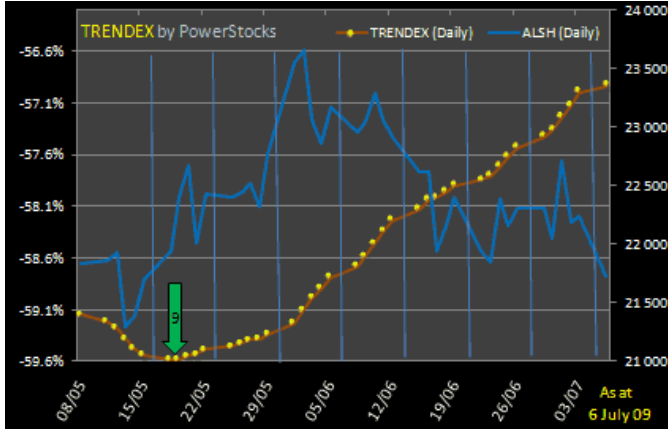
Next update : Monday 13th July 2009, 08H00

Next MPI points expiration : 9th August 2009, 1 point to be deducted.

Growth since last BUY signal: 2.6%

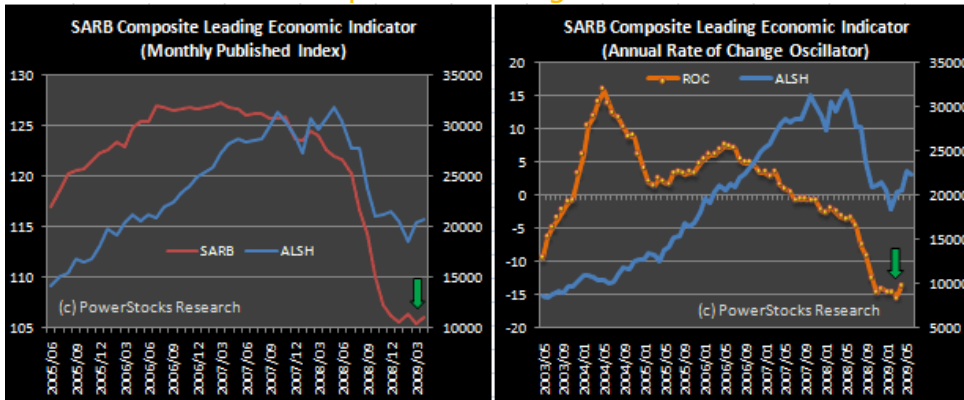
**PROGNOSIS: MEDIUM TO LONG TERM BUY!**

## 1.2 PowerStocks TRENDX Bull Market Indicator for the JSE



PROGNOSIS: VERY RARE SIGNAL = STRONG MEDIUM/LONG TERM BUY!  
CURRENT MARKET WEAKNESS IDEAL OPPORTUNITY TO GET INTO MARKET.

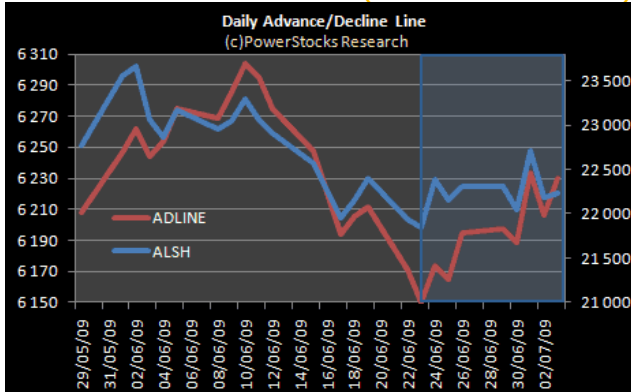
## 1.3 Reserve Bank Composite Leading Economic Indicator for the JSE



PROGNOSIS: EVERYTHING SET FOR MEDIUM-TO-LONG TERM GAINS ON THE JSE. SA Reserve Bank Composite index looks like it is finally turning upward, indicating we are at the bottom of the current economic cycle. When the SARB oscillator reaches and passes through -10 we have a BUY signal triggered for the SARB timing model, which will boost the score for the SuperModel by +1.

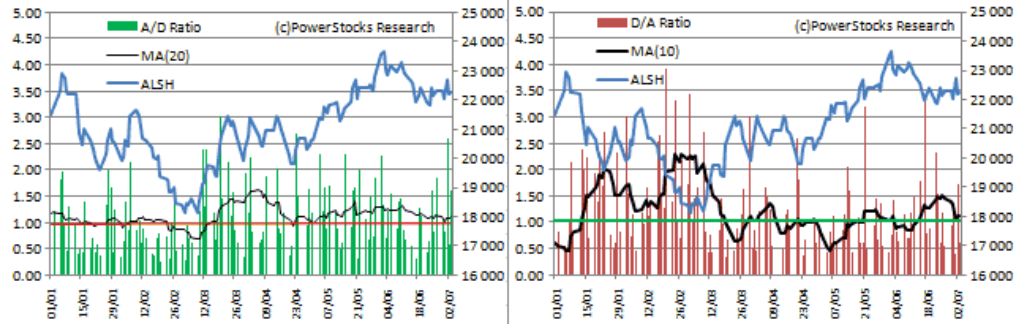
## 2. JSE ALSH MARKET BREADTH

### 2.1 Advance Decline Line (Summation Index)



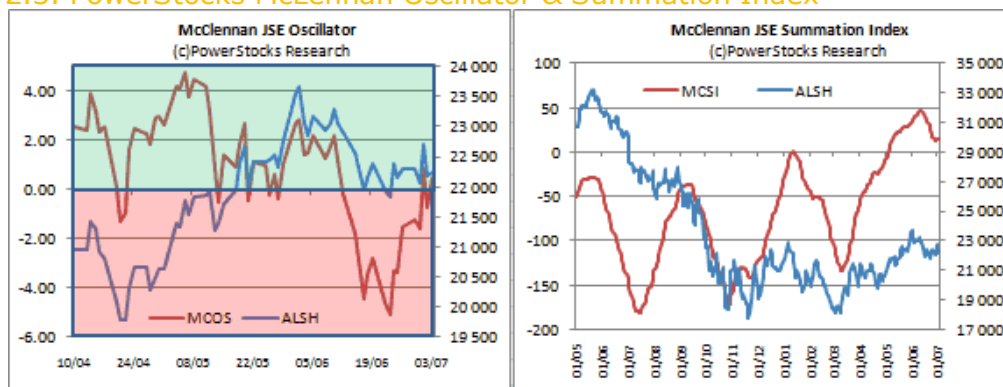
OBSERVATION : Advancing AD-Line hints at strength building in the market despite sideways appearance of the JSE. We expect this sideways phase to end in an upside breakout within 5-10 days.

## 2.2 Advance/Decline Ratios



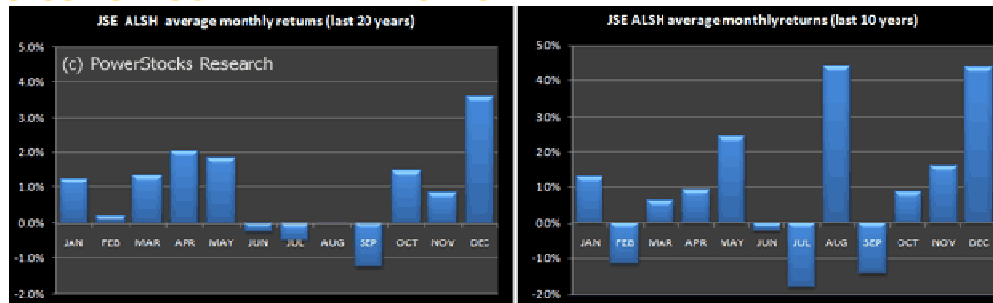
OBSERVATION: High Decline/Advance ratio of 3.4 on 18th June could signal localized bottom. A/D moving average still in positive territory but market directionless at the moment.

## 2.3. PowerStocks McLennan Oscillator & Summation Index



OBSERVATIONS: Oscillator fluctuating about zero meaning directionless market. Summation Index still in positive territory but hit resistance at 50. Needs to pass through +50 to confirm ongoing market rise. Higher MCSI peaks and lower troughs hint at strengthening market.  
 PROGNOSIS : Proceed with caution in SHORT TERM. Buy into weakness.

## 3. JSE SEASONALITY INDICATOR



Seasonality present: JULY is traditionally poor month for ALSH returns  
 PROGNOSIS: Caution, but unlikely to play a role this year due to crash.

#### 4. CHART PATTERNS INDICATOR FOR STX40 ETF (Proxy for ALSH)

2009 Jun 08	MACD	Short-Term Bearish	2,080.00	n/a
2009 Jun 04	Commodity Channel Index	Other	2,075.00	n/a
2009 Jun 03	Double Moving Average Crossover (50-day 200-day)	Intermediate-Term Bullish	2,100.00	n/a
2009 Jun 01	Double Bottom	Long-Term Bullish	2,140.00	2,548.00 – 2,648.00
2009 May 29	Gap Up	Other	2,076.00	n/a
2009 May 29	Price Crosses Moving Average (50-week) <sup>W</sup>	Long-Term Bullish	2,076.00	n/a
2009 May 22	Commodity Channel Index <sup>W</sup>	Short-Term Bullish	2,045.00	n/a

PROGNOSIS : Rare double-bottom classic pattern points to medium term BULLISH move.

#### 5. POWERSTOCKS ECONOMIC ENVIRONMENT MONITORS

	Above Average Performance	Under Average Performance	
Interest Rates	Declining	Increasing	✓
Inflation	Declining	Increasing	✓
Economy	Below Average	Above Average	✓
Exchange Rates	Strengthening	Weakening	✓
Historic Valuations	Higher Yields	Lower Yields	✓
PE Trend	Expansion	Compression	✓
Foreign Int Rates	Declining	Increasing	✓
		SCORE = 717	

#### 6. SPECIAL SITUATIONS:

These are rare events that have proven statistically to yield good short term returns if immediately acted upon. About 4-5 arise per year. An example is when certain thresholds are exceeded with the advance/decline and decline/advance ratios (see our "[Profiting from the Advance/Decline Ratio](#)" research) When these events occur they are posted here and our subscribers emailed immediately.

The Decline/Advance ratio reached 6.89 on Monday 6 July 2009 selloff. This is a very rare occurrence (8 times in last 10 years) and indicates a broad sell-off indicative of capitulation/panic. It is likely this flushed many sellers out the system and we could be at a localized medium term bottom/trough.