



TECHNICAL TUESDAYS

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1. SOUTH AFRICA 40 INDEX



SOUTH AFRICA 40 INDEX

- The South Africa 40 index has formed what appears to be a double bottom reversal pattern (blue "W" below 42550 level)
- Should the price confirm a close above 42550, the pattern would be said to have triggered
- A double bottom is considered a reversal pattern as it has a habit of reversing the preceding downtrend, which in this scenario was the short-term move from the recent all-time high
- The recent high at 43400 is favoured as the initial resistance target should the pattern complete, while the double bottom favours a further upside target at 43550
- Should the price fail to complete the breakout, the trading range between levels 41400/41600 and 42550 is considered to have resumed



2. HIGHS & LOWS

SHARES | 52 WEEK HIGHS

Standard Bank
Investec Ltd
Investec Plc
Consolidated Infrastructure Group
Bidvest

SHARES | 52 WEEK LOWS

Tongaat Hulett
Evraz Highveld Steel and Vanadium
Sentula Mining

3. TECHNICAL PAIR TO WATCH

AFRICAN RAINBOW MINERALS VS ANGLO AMERICAN PLC (Daily chart)

The chart considered is that of African Rainbow Minerals with a Relative Strength Comparison (RSC) indicator added. The RSC compares the price of one security with that of another in a ratio format. The RSC has experienced a decline in value recently which highlights that security 1 (African Rainbow) has been underperforming security 2 (Anglo American Plc). Bollinger Bands have been added to the RSC and highlight the underperformance of security 1 reaching abnormality relative to the usual relationship of the two securities. It is expected that the relationship between the two securities will revert back to normality favouring a possible pair trade opportunity i.e. long African Rainbow, short Anglo American Plc. The target from the technical indications would be for the RSC to move back towards the 20MA (red line) which is regarded as the mean. This could occur with the price movements of the securities in a number of ways:

1. African Rainbow rising and Anglo American Plc falling
2. African Rainbow rising faster than Anglo American Plc rising
3. African Rainbow falling slower than Anglo American Plc falling.

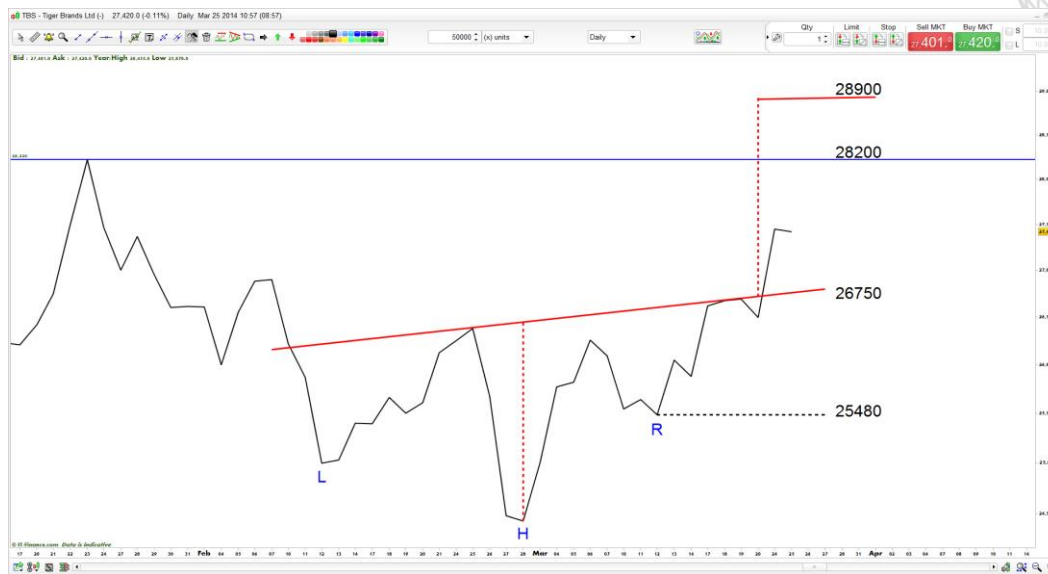
Should one of these scenarios play out successfully the expectation would be for a net gain of 4.2%. A stop-loss would be considered equal to the anticipated gain of 4.2%.



4. CONSOLIDATION PATTERNS TO WATCH

TIGER BRANDS LTD (Daily chart)

The price of Tiger Brands has broken out of an inverse head and shoulders formation. This formation is considered a reversal pattern as it warns of the preceding downtrend reversing into a new uptrend. Aggressive breakout traders would have found entry as the price traded above the neckline at 26750, while more conservative breakout traders would wait for a retracement towards this level as an opportunity for entry. Previous resistance at 28200 would provide the initial favoured target. The height from the head (H) to the neckline line, projected from the neckline, arrives at a further target of 28900. The price closing below the right shoulder (R) at 25480 would render the above indications to have failed.



WILSON BAYLY HOLMES-OVCON LTD (Daily chart)

The price of WBHO is currently in a sideways consolidation. The sideways movement has taken the form of a triangle pattern. The 13200 level marks the resistance which would need to be broken before a new uptrend is considered, while the 12790 level marks the support which would need to be broken before a new downtrend is considered. Should one of the aforementioned breakouts occur, a target from the pattern is derived from measuring the height of the pattern ($13700 - 12630 = 1070$) and projecting that distance from the breakout level.





5. MARKET OVERVIEW

Key Indicators

	Near trend	Intermediate trend	Primary trend	Volatility	OB/OS
S&P 500	Sideways	Up	Up	Flat	Neutral
South Africa 40	Sideways	Up	Up	Flat	Neutral
USD/ZAR	Sideways	Down	Up	Flat	Neutral
Spot Gold	Down	Up	Up	Flat	Oversold

Banks

	Near trend	Intermediate trend	Primary trend	Volatility	OB/OS
Barclays Africa	Up	Up	Down	Flat	Overbought
FirstRand	Sideways	Up	Up	Decreasing	Neutral
Nedbank	Up	Up	Up	Decreasing	Neutral
Standard Bank	Up	Up	Up	Decreasing	Neutral

Financial

	Near trend	Intermediate trend	Primary trend	Volatility	OB/OS
Discovery	Sideways	Sideways	Down	Flat	Neutral
Investec (inl)	Sideways	Up	Up	Increasing	Overbought
Investec (inp)	Sideways	Up	Up	Increasing	Overbought
Liberty Holdings	Sideways	Up	Sideways	Increasing	Neutral
Old Mutual	Sideways	Up	Up	Decreasing	Neutral

Food Retailers

	Near trend	Intermediate trend	Primary trend	Volatility	OB/OS
Pick 'n Pay	Up	Down	Up	Decreasing	Neutral
Shoprite	Up	Down	Down	Increasing	Neutral
Spar	Up	Down	Down	Flat	Neutral

Retailers

	Near trend	Intermediate trend	Primary trend	Volatility	OB/OS
Compagnie Richemont	Down	Down	Up	Flat	Oversold
Foschini	Up	Up	Down	Increasing	Overbought
JD Group	Sideways	Sideways	Down	Increasing	Neutral
Mr Price	Sideways	Down	Up	Decreasing	Oversold
Steinhoff	Up	Up	Up	Decreasing	Neutral
Truworths	Up	Down	Down	Increasing	Neutral
Woolworths	Up	Sideways	Sideways	Increasing	Overbought

Construction

	Near trend	Intermediate trend	Primary trend	Volatility	OB/OS
Aveng	Sideways	Down	Down	Flat	Neutral
Group Five	Sideways	Up	Up	Decreasing	Neutral
M & R	Down	Down	Down	Flat	Neutral
WBHO	Down	Down	Down	Decreasing	Neutral



5. MARKET OVERVIEW CONTINUED...

Telecomms

	Near trend	Intermediate trend	Primary trend	Volatility	OB/OS
MTN	Up	Sideways	Up	Flat	Overbought
Vodacom	Up	Sideways	Up	Increasing	Overbought
Telkom	Sideways	Sideways	Up	Flat	Neutral

Gold

	Near trend	Intermediate trend	Primary trend	Volatility	OB/OS
Anglogold	Sideways	Up	Up	Flat	Neutral
Goldfields	Up	Up	Down	Flat	Neutral
Harmony	Up	Up	Up	Flat	Neutral

Platinum

	Near trend	Intermediate trend	Primary trend	Volatility	OB/OS
Angloplat	Sideways	Up	Up	Increasing	Neutral
Impala	Sideways	Sideways	Up	Decreasing	Neutral
Lonmin	Down	Down	Up	Decreasing	Oversold
Northam	Down	Down	Up	Decreasing	Neutral

Resources

	Near trend	Intermediate trend	Primary trend	Volatility	OB/OS
African Rainbow	Down	Sideways	Up	Decreasing	Oversold
Anglo American Plc	Down	Up	Up	Decreasing	Neutral
BHP Billiton	Down	Down	Up	Decreasing	Oversold
Exxaro	Down	Down	Down	Decreasing	Oversold
Kumba	Down	Down	Down	Flat	Oversold
Sasol	Up	Up	Up	Flat	Neutral

Industrials

	Near trend	Intermediate trend	Primary trend	Volatility	OB/OS
Aspen	Up	Up	Up	Decreasing	Neutral
Barloworld	Sideways	Up	Up	Increasing	Neutral
Bidvest	Up	Up	Up	Decreasing	Overbought
Imperial	Up	Down	Down	Decreasing	Neutral
Naspers	Down	Up	Up	Increasing	Oversold
Remgro	Up	Down	Down	Decreasing	Neutral
Reunert	Down	Down	Down	Decreasing	Neutral
SABMiller	Sideways	Down	Sideways	Flat	Neutral
Tigerbrands	Up	Sideways	Down	Increasing	Overbought