



TECHNICAL TUESDAYS

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1. SOUTH AFRICA 40 INDEX



SOUTH AFRICA 40 INDEX

- South Africa 40 index has moved into a short-term trading range between levels 44750 and 45050
- The range is considered as the price is failing to make new highs or new lows in the near-term
- The long-term trend remains up
- Range traders would look for a long entry near support at 44750, for a move towards resistance at 45050
- Breakout traders would look for a close above 45050 for long entry anticipating a move towards channel resistance at 45300
- Trend followers would look for long entry: off support at 44750, a break above 45050, or alternatively, if a downside breakout was to occur, use channel support at 44350
- With all scenario's an upward bias is preferred due to the upward nature of the long-term trend



2. HIGHS & LOWS

SHARES | 52 WEEK HIGHS

Allied Electronics Corp
RMI Holdings
Netcare
Remgro
Sanlam

SHARES | 52 WEEK LOWS

DRD Gold

3. TECHNICAL PAIR TO WATCH

MMI HOLDINGS LTD VS RMI HOLDINGS (Daily chart)

The chart considered is that of MMI Holdings (candlestick) with a Relative Strength Comparison (RSC) indicator added. The RSC (blue line) 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 (MMI Holdings) has been underperforming security 2 (RMI Holdings). 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 MMI Holdings, short RMI Holdings. 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. MMI Holdings rising and RMI Holdings falling
2. MMI Holdings rising faster than RMI Holdings rising
3. MMI Holdings falling slower than RMI Holdings falling

Should one of these scenarios play out successfully the expectation would be for a net gain of 4%. A stop-loss would be considered equal to the anticipated gain of 4%



4. CONSOLIDATION PATTERNS TO WATCH

AFRICAN BANK INVESTMENTS LTD (Daily chart)

The price of African Bank looks to have broken out of a bearish flag formation. The pattern alludes to a weak move up after a strong move down, suggesting that the price momentum remains negative. The recent low at 765 provides the initial downside target favoured. Should the price find renewed strength and close above resistance at 970, the aforementioned indications would be deemed to have changed.



SHOPRITE HOLDINGS LTD (Daily chart)

Since rallying above the 200 day simple moving average (200MA), the price of Shoprite has experienced its first significant retracement. The retracement has taken the form of a falling wedge. In the current context this pattern highlights a strong move up followed by a cumbersome move down, alluding to the momentum remaining bullish. The stochastic oscillator is now starting to move out of oversold territory which suggests a possible rebound in price. The falling wedge and stochastic indications are considered bullish and are in line with the long-term trend which is now considered up. A move towards initial resistance is favoured, while the price closing below the 200MA at 16290 would deem the bullish indications to have failed.





5. MARKET OVERVIEW

Key Indicators

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

Banks

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

Financial

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

Food Retailers

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

Retailers

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

Construction

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



5. MARKET OVERVIEW CONTINUED...

Telecomms

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

Gold

	Near trend	Intermediate trend	Primary trend	Volatility	OB/OS
Anglogold	Sideways	Down	Up	Increasing	Oversold
Goldfields	Down	Sideways	Down	Increasing	Oversold
Harmony	Down	Down	Up	Increasing	Oversold

Platinum

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

Resources

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

Industrials

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