



## TECHNICAL TUESDAYS

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# 1. SOUTH AFRICA 40 INDEX



## SOUTH AFRICA 40 INDEX

- Over the last week, the South Africa 40 cash index closed above the high at 46400, and proceeded to rally past our resistance target at 46900
- The blue circles highlight how the channel utilised in previous weeks (dotted parallel red lines) has been breached at both the support and resistance levels
- The channel has now been widened to include these significant turning points (solid parallel red lines)
- Currently, the price is pulling back from the recent all-time high
- The pullback has not yet given signs of ending as the price continues to make lower highs and lower lows over the last two days
- Horizontal support at 46400 is favoured, while the short-term retracement is underway, a break of which favours a move towards channel support at 45700
- The long-term trend remains up and short-term weakness is still not an indication of a trend reversal
- Trend followers would look to the short-term retracement as an opportunity to join the long-term uptrend at the respective support levels indicated, rather than an opportunity to trade counter trend
- The recent low at 45160 needs to be broken for a trend reversal to be considered



## 2. HIGHS & LOWS

### SHARES | 52 WEEK HIGHS

Merefe  
Sappi  
Astral  
Mr Price  
Netcare  
Telkom  
Investec Ltd  
Investec Plc  
Old Mutual  
Pioneer Foods  
British American Tobacco

### SHARES | 52 WEEK LOWS

None

## 3. TECHNICAL PAIRS TO WATCH

### ILLOVO SUGAR LTD VS TONGAAT HULETT LTD (Daily chart)

The chart considered is that of Illovo (candle chart) 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 (Illovo) has been underperforming security 2 (Tongaat Hullets). 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 Illovo, short Tongaat Hullets. 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. Illovo rising and Tongaat Hullet falling
2. Illovo rising faster than Tongaat Hullet rising
3. Illovo falling slower than Tongaat Hullet falling.

Should one of these scenarios play out successfully the expectation would be for a net gain of 6%. A stop-loss would be considered equal to the anticipated gain of 6%.







### MONDI LTD VS SAPPI LTD (Daily chart)

The chart considered is that of Mondi (candle chart) 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 (Mondi) has been underperforming security 2 (Sappi). 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 Mondi, short Sappi. 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. Mondi rising and Sappi falling
- 2. Mondi rising faster than Sappi rising
- 3. Mondi falling slower than Sappi falling.

Should one of these scenarios play out successfully the expectation would be for a net gain of 7.75%. A stop-loss would be considered equal to the anticipated gain of 7.75%.





### GROUP FIVE LTD VS AVENG LTD (Weekly chart)

The chart considered is that of Group Five (candle chart) 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 (Group Five) has been underperforming security 2 (Aveng). 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 Group Five, short Aveng. 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. Group Five rising and Aveng falling
- 2. Group Five rising faster than Aveng rising
- 3. Group Five falling slower than Aveng falling.

Should one of these scenarios play out successfully the expectation would be for a net gain of 7%. A stop-loss would be considered equal to the anticipated gain of 7%.





## 4. MARKET OVERVIEW

### Key Indicators

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

### Banks

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

### Financial

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

### Food Retailers

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

### Retailers

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

### Construction

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



## 4. MARKET OVERVIEW CONTINUED...

### Telecomms

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

### Gold

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

### Platinum

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

### Resources

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

### Industrials

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