



## TECHNICAL TUESDAYS

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# 1. SOUTH AFRICA 40 INDEX



## SOUTH AFRICA 40 INDEX

- South Africa 40 cash index has continued to weaken and now trades below the 200 day simple moving average (blue line)
- The long-term trend is no longer considered up using this metric
- It is however premature to consider the long-term trend as down at this stage
- Previously we have seen downside breaks of the 200MA (circled red), promptly followed by accumulation of the index
- However, we have seen no clear sign that the short-term weakness is reversing and with this reason, the projected downside target from the preceding week's range remains favoured at 43065



## 2. HIGHS & LOWS

### SHARES | 52 WEEK HIGHS

Emira Property Fund

### SHARES | 52 WEEK LOWS

Impala Platinum  
Lonmin  
Richemont  
Grindrod  
Aquarius Platinum  
Northam Platinum  
African Rainbow Minerals  
Evraz Highveld Steel

## 3. PAIRS TO WATCH

### MTN GROUP LTD VS VODACOM GROUP LTD (Daily chart)

The chart considered is that of MTN (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 (MTN) has been underperforming security 2 (Vodacom). 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 MTN, short Vodacom. 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. MTN rising and Vodacom
2. MTN rising faster than Vodacom
3. MTN falling slower than Vodacom

Should one of these scenarios play out successfully the expectation would be for a net gain of 4.5%. A stop-loss would be considered equal to the anticipated gain of 4.5%.





## 4. TRENDS TO WATCH

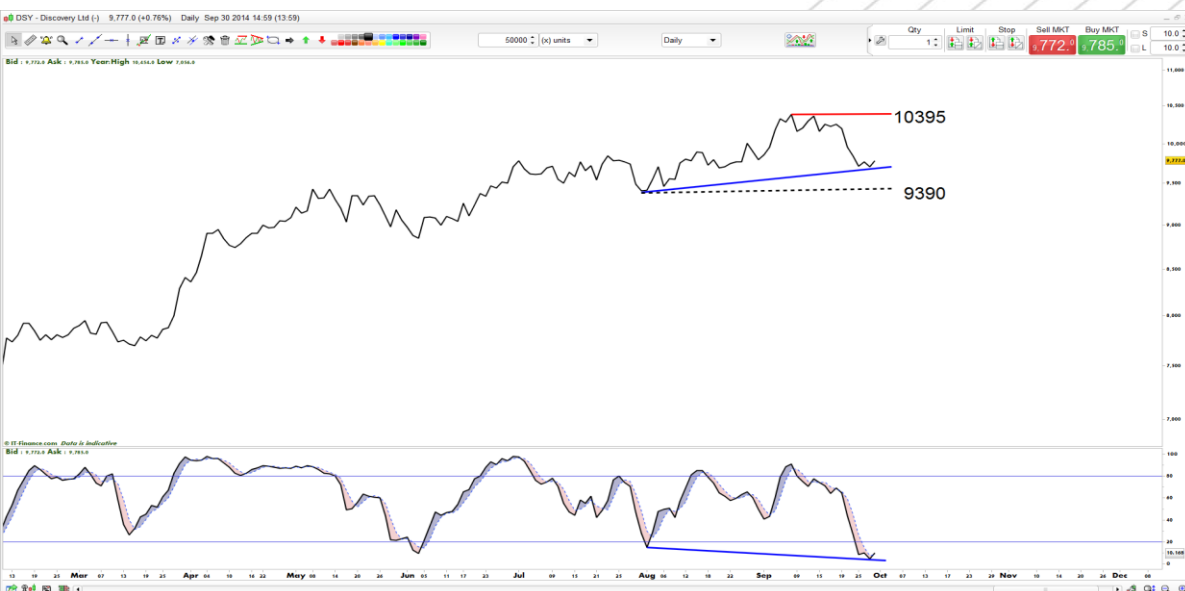
### SAPPI LTD (Daily chart)

Sappi has formed a bullish engulfing price reversal (circled black), which alludes to the end of the price pullback from the new high. The Stochastic has crossed its trigger line in oversold territory whilst displaying a positive divergence with the price. Positive divergence is considered when the price is making higher lows while the indicator has made lower lows. All these indications are considered short-term bullish, and a move towards recent all-time high resistance is favoured. The price closing below the trend-line support at 4110 would consider the failure of the bullish indications.



### DISCOVERY LTD (Daily chart)

The price of Discovery looks to be reversing back up, after the recent pullback experienced from all-time closing high. The Stochastic has crossed its trigger line in oversold territory, whilst displaying a positive divergence with the price. Positive divergence is considered when the price is making higher lows while the indicator has made lower lows. These indications are considered short-term bullish and a move towards recent all-time high resistance at 10395 is favoured. The price closing below horizontal support at 9390 would consider the failure of the bullish indications.





## 5. MARKET OVERVIEW

### Key Indicators

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

### Banks

	Near trend	Intermediate trend	Primary trend	Volatility	OB/OS
Barclays Africa	Down	Down	Up	Increasing	Oversold
FirstRand	Down	Sideways	Up	Increasing	Neutral
Nedbank	Down	Down	Up	Increasing	Oversold
Standard Bank	Sideways	Down	Up	Increasing	Oversold

### Financial

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

### Food Retailers

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

### Retailers

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

### Construction

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



## 5. 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	Down	Sideways	Up	Increasing	Neutral

### Gold

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

### Platinum

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

### Resources

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

### Industrials

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