



## TECHNICAL TUESDAYS

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# 1. SOUTH AFRICA 40 INDEX



## SOUTH AFRICA 40 INDEX

- South Africa 40 cash index has reached and exceeded the downside target (target 43065 low 42640) from the large breakout discussed in previous weeks
- The price is now trading below the 200MA and the long term uptrend appears broken, although a new long term downtrend has yet to be confirmed
- The price is now rebounding from oversold levels and the question remains whether we are experiencing the proverbial "Dead Cat Bounce" (before a continuation lower) or the beginning of a renewed uptrend
- With this in mind the move down has been measured and the 33%, 50% and 66% (Dow Theory) levels show how much of the recent weakness has been erased
- Currently the price has erased 33% of the short term downtrend
- Should the price manage to trade above 50% at 44600, more than half the short term decline would have been recouped and the expectation for further downside would be diminished
- Further confirmation that the long term uptrend may be resuming would be for the price to confirm a close above the 200MA at 44700



## 2. HIGHS & LOWS

### SHARES | 52 WEEK HIGHS

Aspen Pharmacare  
AVI LTD

### SHARES | 52 WEEK LOWS

Lonmin Plc  
Grindrod Ltd  
Harmony Gold  
Aquarius Platinum  
Ellies Holdings

## 3. PAIRS TO WATCH

### Mr Price vs Truworths

The chart considered is that of Mr Price (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 (Mr Price) has been underperforming security 2 (Truworths). 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 Mr Price Short Truworths. 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. Mr Price rising and Truworths falling
2. Mr Price rising faster than Truworths rising
3. Mr Price falling slower than Truworths 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%.



## 4. TRENDS TO WATCH

### SABMiller PLC (Daily chart)

The price of SABMiller 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 previous resistance at 63300 is favoured as the initial short term target. The price closing below horizontal support at 58000 would consider the failure of the bullish indications.



### PPC (Daily chart)

Short term weakness has brought the price of PPC towards historical support (2810) of the long term range between levels 2810 and 3315. The price drifting periodically above and below the 200 day simple moving average (200MA) confirms the non-directional intent long term, confirming the broader consolidation/range. The Stochastic trading in oversold territory suggests that near term selling has reached a point of capitulation. A short term rebound in price is favoured with the initial resistance target considered at 3075. The Average True Range indicator shows price volatility to be in the vicinity of 83c on a normal day. This distance is projected below the current price to arrive at 2770. Should the price close below this level failure of the bullish intent is considered.





## 5. MARKET OVERVIEW

### Key Indicators

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

### Banks

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

### Financial

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

### Food Retailers

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

### Retailers

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

### Construction

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



## 5. MARKET OVERVIEW CONTINUED...

### Telecomms

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

### Gold

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

### Platinum

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

### Industrials

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