



TECHNICAL TUESDAYS

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1. SOUTH AFRICA 40 INDEX



SOUTH AFRICA 40 INDEX

- South Africa 40 cash index has corrected more than 12% from the all-time high and trades firmly below the 200 day simple moving average (blue line)
- With this in mind, the long-term trend is now considered as down
- In the short-term we are seeing a bullish price reversal (circled red) from severely oversold levels
- Oversold signals in a downtrend are generally considered less reliable than oversold signals in an uptrend
- Should the bullish price reversal equate to further short-term gains, technical trend followers would look for short entry from resistance between levels 42650 and 42900, favouring further downside with the support target anticipated at 41350
- A break of this support would further favour a move towards the next level of support anticipated at 40000
- A price close above resistance at 44150 would indicate the failure of the aforementioned bearish setup, and a renewed short term uptrend would start to be considered



2. HIGHS & LOWS

SHARES | 52 WEEK HIGHS

Capitec Bank
Resilient Property Income Fund
Arrowhead Properties

SHARES | 52 WEEK LOWS

PPC
Impala Platinum
Northam Platinum
Shoprite Holdings
Grindrod Ltd
Harmony Gold
Old Mutual
Richemont
Allied Electronics
Evraz Highveld
Ellies Holdings
Stefanutti Stocks

3. PAIRS TO WATCH

BHP BILLITON PLC VS ANGLO AMERICAN PLC (Daily chart)

The chart considered is that of Billiton (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 (Billiton) has been underperforming security 2 (Anglo American). 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 Billiton, 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. Billiton rising and Anglo American Plc
2. Billiton rising faster than Anglo American Plc
3. Billiton falling slower than Anglo American Plc

Should one of these scenarios play out successfully the expectation would be for a net gain of 3.8%. A stop-loss would be considered equal to the anticipated gain of 3.8%.





3. PAIRS TO WATCH CONTINUED

EXXARO RESOURCES LTD VS KUMBA IRON ORE LTD (Daily chart)

The chart considered is that of Exxaro (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 (Exxaro) has been underperforming security 2 (Kumba Iron Ore). 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 Exxaro, short Kumba Iron Ore. 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. Exxaro rising and Kumba Iron Ore
2. Exxaro rising faster than Kumba Iron Ore
3. Exxaro falling slower than Kumba Iron Ore

Should one of these scenarios play out successfully the expectation would be for a net gain of 7.1%. A stop-loss would be considered equal to the anticipated gain of 7.1%.





4. COMMODITIES TO WATCH

SPOT GOLD (Daily chart)

A weekly chart provides a relatively clear picture of spot gold in that the price has been trading in a broad range since July 2013. The price has now formed a bullish engulfing price reversal (circled blue) off the key support of this range at \$1,180/oz. The price reversal is further supported by the stochastic oscillator crossing back out of oversold territory. These considerations are technically bullish, favouring a retest of resistance at \$1,280/oz, a break of which further favours a move towards \$1,340/oz. A confirmed close below \$1,180 (on a weekly chart) would consider the failure of the aforementioned bullish indications.





5. MARKET OVERVIEW

Key Indicators

	Near trend	Intermediate trend	Primary trend	Volatility	OB/OS
S&P 500	Down	Down	Up	Increasing	Oversold
South Africa 40	Down	Down	Down	Decreasing	Oversold
USD/ZAR	Down	Up	Up	Flat	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	Increasing	Oversold
Nedbank	Down	Down	Up	Decreasing	Oversold
Standard Bank	Down	Down	Up	Increasing	Oversold

Financial

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

Food Retailers

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

Retailers

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

Construction

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



5. MARKET OVERVIEW CONTINUED...

Telecomms

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

Gold

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

Platinum

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

Resources

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

Industrials

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