



## TECHNICAL TUESDAYS

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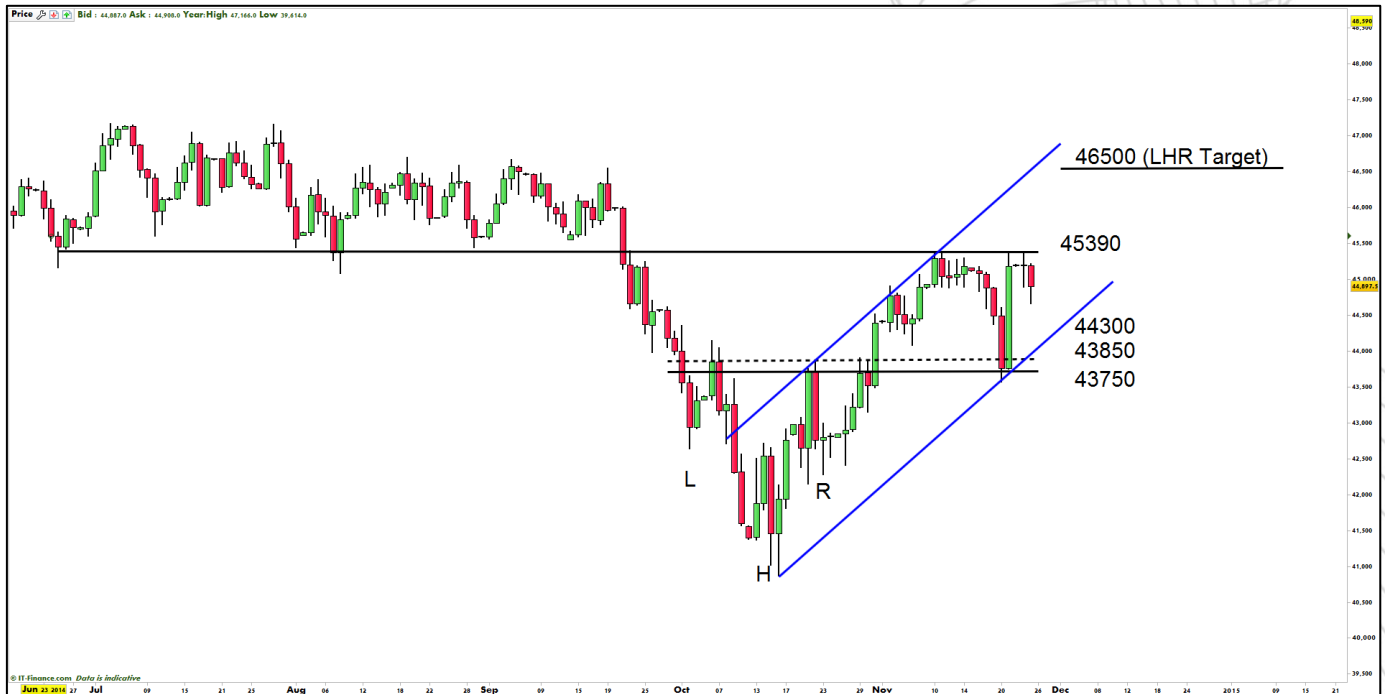
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# 1. SOUTH AFRICA 40 INDEX



## SOUTH AFRICA 40 INDEX

- South Africa 40 cash index confirmed the downside breakout alluded to last week, trading past the downside target of 43850 and finding support around the 43750 level before rebounding sharply once more
- The downside move represents the first significant pullback from the strong run we have had since mid-October 2014 as well as the first real pullback in price since the break of the inverse head and shoulders pattern (labelled L,H & R)
- As mentioned last week, with the strong run we have had and while the inverse head and shoulders (IHS) pattern remains in play, a long bias remains favoured in the current market conditions
- The price is testing resistance at 45390 and breakout traders may wait for a confirmed close above this level before committing to a move towards the IHS target projected at 46500
- Traders favouring an entry into weakness may look to accumulate near channel support (should a pullback occur) at 44300, targeting a move back to resistance at 45390, with a close below 43750 considering the failure of this move



## 2. HIGHS & LOWS

### SHARES | 52 WEEK HIGHS

Netcare  
Capitec Bank  
Pioneer Foods  
Aeci Ltd  
Mpact Ltd  
Times Media Group  
AVI Ltd  
Arrowhead Properties  
EOH Holdings  
Acucap Properties  
Discovery Ltd

### SHARES | 52 WEEK LOWS

Basil Read Holdings  
ArcelorMittal South Africa  
Allied Electronics  
Evraz Highveld Steel  
Omnia Holdings Ltd

## 3. PAIRS TO WATCH

### WOOLWORTHS HOLDINGS LTD VS FOSCHINI GROUP LTD (Daily chart)

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

Should one of these scenarios play out successfully the expectation would be for a net gain of 5.7%. A stop-loss would be considered equal to the anticipated gain of 5.7%.





## 3. PAIRS TO WATCH CONTINUED...

### SUPER GROUP LTD VS IMPERIAL HOLDINGS LTD (Daily chart)

The chart considered is that of Super Group (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 (Super Group) has been underperforming security 2 (Imperial 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 Super Group, short Imperial 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. Super Group rising and Imperial Holdings
2. Super Group rising faster than Imperial Holdings
3. Super Group falling slower than Imperial Holdings

Should one of these scenarios play out successfully the expectation would be for a net gain of 5.7%. A stop-loss would be considered equal to the anticipated gain of 5.7%.





## 4. EQUITIES TO WATCH

### ARCELORMITTAL LTD (Daily chart)

The price of ArcelorMittal has formed a falling wedge (grey wedge) in its recent downtrend, alluding to the last leg of the move down lacking impetus rather than being truly directional. The price has also found short-term support on a historical level of 3000. At this level we have also seen a sudden increase in volume suggesting accumulation at this level. The price is also displaying a positive divergence with the stochastic oscillator (dotted black lines). These indications are short-term bullish, and favour a rebound to wedge resistance at 3370. Should the price proceed to close below wedge support at 2850 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	Up	Up	Up	Flat	Overbought
South Africa 40	Sideways	Up	Sideways	Decreasing	Overbought
USD/ZAR	Sideways	Sideways	Up	Flat	Neutral
Spot Gold	Sideways	Down	Down	Increasing	Overbought

### Banks

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

### 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	Neutral
Liberty Holdings	Up	Up	Up	Decreasing	Neutral
Old Mutual	Up	Up	Up	Decreasing	Neutral

### Food Retailers

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

### Retailers

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

### Construction

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



## 5. MARKET OVERVIEW CONTINUED...

### Telecomms

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

### Gold

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

### Platinum

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

### Resources

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

### Industrials

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