



TECHNICAL TUESDAY

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1. SOUTH AFRICA 40 INDEX



SOUTH AFRICA 40 INDEX

- The South Africa 40 Cash Index has traded to the resistance target at 47150 with only an intraday pullback to note within the last week
- The move has taken the price into new high territory and should the price manage to close above the 47150 mark, channel resistance is the new target favoured at 48300 (revised from 47950 last week)
- The Stochastic oscillator in overbought territory for a prolonged period (highlighted red) cautions of a possible consolidation or pullback to follow
- However as this signal is against the prevailing trend it holds less relevance than the price action
- Should weakness occur in the short-term (instead of continued gains) trend followers would look to accumulate long, near levels of support, rather than trade against the prevailing uptrend



2. HIGHS & LOWS

SHARES | 52 WEEK HIGHS

Mondi Ltd
Capitec Bank Holdings Ltd
EOH Holdings Ltd
Steinhoff International Ltd
Old Mutual PLC (SA)
MMI Holdings Ltd
Investec PLC (SA)
Truworths International Ltd
Woolworths Holdings Ltd
Telkom SA

SHARES | 52 WEEK LOWS

Phumelema Gaming & Leisure Ltd
Stefanutti Stocks Holdings Ltd

3. EQUITIES IN FOCUS

FOSCHINI GROUP LTD VS TRUWORTHS INTERNATIONAL LTD (Daily chart)

The chart considered is that of Foschini (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 (Foschini) 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 to normality favouring a possible pair trade opportunity i.e. long Foschini, 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. Foschini rising and Truworths falling
2. Foschini rising faster than Truworths rising
3. Foschini falling slower than Truworths falling

Should one of these scenarios play out successfully the expectation would be for a net gain of 9.5%. A stop-loss would be considered equal to the anticipated gain of 9.5%.





3. EQUITIES IN FOCUS CONTINUED...

TIGER BRANDS (Daily chart)

The price of Tiger Brands has experienced what appears to be a false downside breakout of support at 34570. The price has now formed a bullish candle formation (circled in red) and has since attempted a price rebound. The Stochastic is now starting to move out of oversold territory in-line with the price rebound. These indications are short-term bullish and a move towards resistance at 37850 is now favoured. Should the price close below the recent low at 34150, the bullish reversal signals will be deemed to have failed.



PSG GROUP LTD (Daily chart)

The price of the PSG Group looks to be reversing of previous resistance (current support) at 13610. The price rally, which took the share price to the recent high, was supported by increased volume while the pullback from this high occurred on relatively low volume. This alludes to enthusiasm on the buy side and a lack thereof on the sell side, alluding to the momentum remaining bullish for the share. The Stochastic trading in oversold territory suggests the short-term weakness is perhaps overdone. These are bullish indications and a move back to the recent high at 14690 is favoured. A price close below support at 13070 would consider the failure of these bullish indications.





4. MARKET OVERVIEW

Key Indicators

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

Banks

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

Financial

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

Food Retailers

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

Retailers

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

Construction

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



4. MARKET OVERVIEW CONTINUED...

Telecomms

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

Gold

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

Platinum

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

Resources

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

Industrials

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