



TECHNICAL TUESDAY

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You can follow Shaun on Twitter at [@ShaunMurison](#) for regular market updates and insight.

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1. SOUTH AFRICA 40 INDEX



SOUTH AFRICA 40 INDEX

- The South Africa 40 cash index closed below the lower level of trend line support (red arrow) and continued its decline to the 45585 level guided
- The 45350 level provides a confluence of both horizontal support and the level of the 200 day simple moving average (200MA)
- The stochastic has moved deep into oversold territory, the lowest level the indicator has been this year
- This suggests that the move down may be capitulating and a short-term rebound is possible
- Should a rebound occur the upside resistance target considered in 46500
- Should the price not hold at current support and close below 45350 a relatively quick move back down to 44450 is favoured



2. HIGHS & LOWS

SHARES | 52 WEEK HIGHS

Lewis Group Ltd

SHARES | 52 WEEK LOWS

Tiger Brands Ltd
Aveng Ltd
ArcelorMittal South Africa Ltd
Nampak Ltd
Life Healthcare Group Holdings Ltd
Exxaro Resources Ltd
Ellies Holdings Ltd

3. EQUITIES IN FOCUS

MMI HOLDINGS LTD VS RMI HOLDINGS (Daily chart)

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

Should one of these scenarios play out successfully the expectation would be for a net gain of 4%. A stop-loss would be considered equal to the anticipated gain of 4%.





3. EQUITIES IN FOCUS CONTINUED...

FOSCHINI GROUP 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:

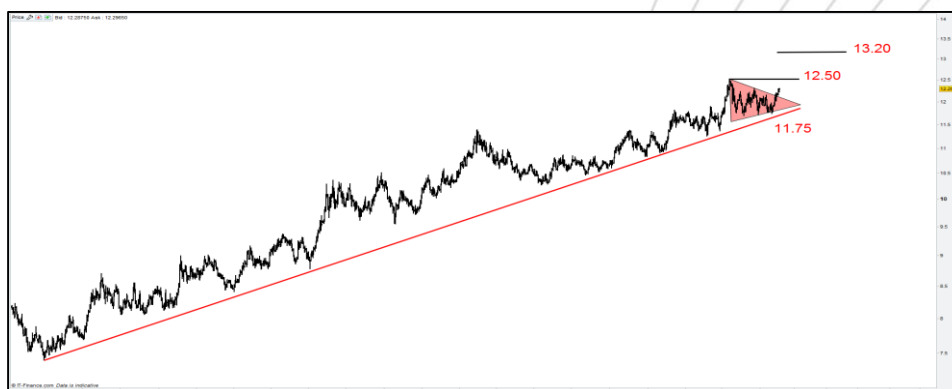
1. Foschini rising and Truworths falling
2. Foschini rising faster than Truworths rising
3. Foschini falling slower than Truworths falling

Should one of these scenarios play out successfully the expectation would be for a net gain of 4.4%. A stop-loss would be considered equal to the anticipated gain of 4.4%.



USD/ZAR (Daily chart)

The rand looks to have resumed its weakening trend against the dollar following a breakout from the triangle consolidation (shaded red). The short-term trend now aligns itself with the long-term. The recent high at R12.50/\$ is the initial upside target a break of which further favours a move to R13.20/\$. The latter target is derived from projecting the height of the triangle consolidation from the breakout level. Should the rand however start to strengthen and close below R11.75/\$, the short-term weakening implications would be deemed to have failed.





4. MARKET OVERVIEW

Key Indicators

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

Banks

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

Financial

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

Food Retailers

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

Retailers

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

Construction

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



4. MARKET OVERVIEW CONTINUED...

Telecomms

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

Gold

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

Platinum

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

Resources

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

Industrials

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