



## TECHNICAL TUESDAYS

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# 1. SOUTH AFRICA 40 INDEX



## SOUTH AFRICA 40 INDEX

- The South Africa 40 cash index closed below the downside breakout level at 44880, before proceeding to crash through the initial downside target at 43830 and realising a short term low at support level, 40730.
- Since then the index has formed a bullish engulfing candle pattern circled red whilst the Stochastic has ticked out of oversold territory.
- These indications suggest the end of the short term move down and possible rebound to follow. However, at this stage, the trend bias remains to the downside and further gains are needed to restore faith in an uptrend.
- A bearish price reversal before 43830 would favour further downside with the initial target considered at 41700.
- Traders might consider intraday timeframes to identify such a move. A close above 43830 would suggest the downside momentum has weakened and consider a neutral bias.



## 2. HIGHS & LOWS

### SHARES | 52 WEEK HIGHS

Imperial Holdings Ltd  
Petmin Ltd  
Tiger Brands Ltd  
Sanlam Ltd  
Tsogo Sun Holdings Ltd  
Sun International Ltd  
Tongaat Hulett Ltd  
Massmart Holdings Ltd  
Coronation Fund Managers Ltd  
Alexander Forbes Group Holdings  
Trencor Ltd  
Barloworld Ltd  
Exxaro Resources Ltd  
Allied Electronics Corp Ltd  
Anglo American Plc  
African Rainbow Minerals Ltd  
Kumba Iron Ore Ltd  
MTN Group Ltd  
Aveng Ltd  
Invicta Holdings Ltd  
Assore Ltd  
Merafe Resources Ltd  
Keaton Energy Holdings Ltd

### SHARES | 52 WEEK LOWS

NewGold Issuer Ltd

## 3. EQUITIES IN FOCUS

### MONDI LTD (Daily chart)

The price of Mondi Ltd looks to have reversed the short term decline from its recent high.

Supporting the price action we see the Stochastic crossing its trigger line in oversold territory whilst displaying a positive divergence with the price (blue lines on indicator and price). Supporting the price action we see the Stochastic crossing its trigger line in oversold territory whilst displaying a positive divergence with the price (blue lines on indicator and price). These are considered bullish indications in Technical Analysis terms, favouring a retest of the recent high at 31785.

A price close below support at 27989 would consider the failure of the bullish indications.







### ANGLO AMERICAN PLC VS AFRICAN RAINBOW MINERALS LIMITED (Daily chart)

The chart considered is that of Anglo American Plc (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 (Anglo American Plc) has been underperforming security 2 (African Rainbow Minerals).

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 Anglo American Plc Short African Rainbow Minerals. 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. Anglo American Plc rising and African Rainbow Minerals falling
2. Anglo American Plc rising faster than African Rainbow Minerals rising
3. Anglo American Plc falling slower than African Rainbow Minerals falling.

Should one of these scenarios play out successfully the expectation would be for a net gain of 3.5%. A stop-loss would be considered equal to the anticipated gain of 3.5%.





## THE FOSCHINI GROUP LIMITED VS TRUWORTHS INTERNATIONAL LIMITED (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 back 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:

4. Foschini rising and Truworths falling
5. Foschini rising faster than Truworths rising
6. Foschini falling slower than Truworths falling.

Should one of these scenarios play out successfully the expectation would be for a net gain of 6.5%. A stop-loss would be considered equal to the anticipated gain of 6.5%.





## 4. MARKET OVERVIEW

### Key Indicators

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

### Banks

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

### Financial

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

### Food Retailers

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

### Retailers

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

### Construction

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





## 4. MARKET OVERVIEW CONTINUED...

### Telecomms

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

### Gold

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

### Platinum

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

### Resources

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

### Industrials

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