



TECHNICAL TUESDAYS

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1. SOUTH AFRICA 40 INDEX



SOUTH AFRICA 40 INDEX

- The South Africa 40 cash index produced a false downside breakout (circled blue) from the pennant formation before resuming the uptrend which preceded the consolidation.
- The false breakout reinforces the guidance that short term weakness is viewed as an opportunity to join the underlying bullish momentum, rather than trade against it.
- The price has since traded through the upside targets and has now found resistance at the 49300 high.
- The Stochastic has moved out of overbought territory and is showing a bearish divergence with the price (red lines on price and indicator).
- These indications support the view of short term weakness. Again, using weakness to accumulate rather than trade against the longer term bullish momentum is the preferred swing trading methodology employed in this analysis.
- The current retracement might offer an opportunity for long entry, although should the retracement deepen to close below 47100 the bullish momentum would be reassessed.
- Should gains resume before weakness extends (below 47100) the high at 49300 once again becomes the favoured upside target.



2. HIGHS & LOWS

SHARES | 52 WEEK HIGHS

Sappi Ltd
Pioneer Food Ltd
Reinet Investments SCA
Discover Ltd
Naspers Ltd
Wilson Bayly Holmes-Ovcon Ltd
NewGold Issuer Ltd
Woolworths Holdings Ltd
Intu Properties Plc
PSG Group Ltd
Redefine International Plc
British American Tabaco Plc
Cie Financiere Richemont (SA)
Resilient Property Income Fund Ltd
Clicks Group Ltd
Capitec Bank Holdings Ltd

SHARES | 52 WEEK LOWS

Keaton Energy Holdings Ltd
Adcorp Holdings Ltd
Kumba Iron Ore Ltd

3. EQUITIES IN FOCUS

SHOPRITE HOLDINGS (Daily chart)

The price of Shoprite looks to be reversing of trend line resistance (red line). Circled blue is a bearish engulfing candle pattern marking the price reversal. The parallel black lines mark a bear flag price formation. This pattern considers a weak move up after a strong move down, suggesting that the price momentum remains bearish.

The initial downside target favoured is located at support of the short term low at 14300. Should this level be broken, the bear flag projects a further downside target at 13820. A close above the high at 15450 would consider the failure of the bearish indications.



CORONATION FUND MANAGERS LIMITED (Daily chart)

The share price of Coronation Fund Managers has broken out of an inverse head and shoulders formation (labelled L, H & R). The pattern suggests a short term bullish reversal of the recent downtrend. The height of the pattern, projected from the breakout level, finds a proportionate upside target at 7980. A close below the right shoulder at 6720 would consider the failure of the bullish indication.



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;

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 4.5%. A stop-loss would be considered equal to the anticipated gain of 4.5%.





4. MARKET OVERVIEW

Key Indicators

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

Banks

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

Financial

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

Food Retailers

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

Retailers

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

Construction

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



4. MARKET OVERVIEW CONTINUED...

Telecomms

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

Gold

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

Platinum

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

Resources

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

Industrials

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