



## TECHNICAL TUESDAY

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## 1. SOUTH AFRICA 40 INDEX



- Last week we acknowledged the rebound underway on the index although still considered the trend bias to be down
- As such we were looking for a bearish reversal before looking for short entries into the market
- The rebound has taken the shape of a bearish flag formation (highlighted by parallel red lines)
- The index also looks to be forming a bearish engulfing (circled blue) off of what was our key level at 50239
- It should be noted that the bearish engulfing has not yet completed and we would need to assess the pattern at the close of the session
- Should this candlestick reversal confirm, preferably with a break of the lower trend line of the flag, we favour a move to the next level of support considered at 47730
- In this scenario we would use a close above 50950 as our failure level



## 2. HIGHS & LOWS

### SHARES | 52 WEEK HIGHS

Lewis Group  
Adbee RF

### SHARES | 52 WEEK LOWS

Grand Parade Investments  
Tongaat Hulett  
Steinhoff International Holdings  
Lonmin Plc  
Northam Platinum  
Choppies Enterprises  
Impala Platinum  
Sibanye Gold Ltd  
Basil Read Holdings  
Wesizwe  
DRDGold Ltd

## 3. EQUITIES IN FOCUS

### Truworths International

Has formed a bullish price reversal off horizontal support at 9740. The price reversal is supported by the Stochastic crossing out of oversold territory. These indications favour a range trading opportunity with the initial resistance target considered at 11040. Should the share price instead move to close below horizontal support at 9740, the bullish indications would be deemed to have failed.





## BHP Billiton

The share price of Billiton looks to be reversing the short to medium term downtrend previously in place. The break of the downward trend line and the double bottom price pattern (blue "W" on chart) are evidence of this. The share is however also in overbought territory according to the Stochastic indicator. With the aforementioned indications in mind, we are hoping for a pullback from overbought territory towards the 24270 level for long entry. In this scenario we are looking for renewed gains targeting the 26245 resistance level. Should the price instead move to close below gap support at 23670, the bullish indications would be deemed to have failed.







## The Foschini Group vs Woolworths Holdings

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 (Woolworths). 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 Woolworths. 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 Woolworths falling
2. Foschini rising faster than Woolworths rising
3. Foschini falling slower than Woolworths falling

Should one of these scenarios play out successfully the expectation would be for a net gain of 8.7%. A stop-loss would be considered equal to the anticipated gain of 8.7%.

