

NEWSLETTER (598) 03/11/2018

Good morning,

One of our readers is an older well-known stockbroker. This week we shared the lessons we've learned. He mentioned that in their office there was a saying that "greed kills". Investors always want to buy the share at the best price and want to sell the share at its top. When they didn't sell the share at the top they are disappointed about the result despite the profit in the bank. The probability that you will buy the share at its bottom and sell it at its top is almost impossible. Make peace with the fact that there are uncertainties and as the wise man shared: "Those who are not greedy stay in the game. Some walk away from shares, not because they are not successful but because they are greedy and are not satisfied with what they could bank as profit."

Reminders:

Training videos – Login to our website with your email address and password to access them.

Training school – Click <https://fransdeklerk.teachable.com/> to access our training school.

Market updates – Radio Namakwaland (93.4fm or online) between 8:45 – 9:00 every morning and a market report on our site at <https://fransdeklerk.com/talking-technical/> every day.

Trading platforms – Email Christelle at admin@fransdeklerk.com for trading platforms comparisons.

For Beginners – Visit our website <https://www.chris-tell.com/> to learn how to build a portfolio.

TOP 40 index – Weekly graph

- We asked the same question last week, does indicators work? They do!
- A beautiful rally of about 5000 points in one week surprised everyone.
- The kick in the index brought us back to line A (48520). This line was tested and retraced from it and kept it a resistance which is seen as very negative despite the beautiful rally.
- Line A has to change into a support in order to fuel the bull market again maybe back to the 40 week moving average (50425).
- The beautiful bull engulfing candle (positive) is giving everyone new hope but maybe the kick was just too strong for one week.
- The key is line A. If this line changes into a resistance, it might be the last kick that we have seen before the bear market.
- The psychological level of 45000 and the 40 week moving average (50425) is still a resistance.
- Strategy = "negative".

- Note – We are unsure of what the market will do next but after the massive rally of the past week it would be wise to give the graphs an opportunity to first show themselves and then we will know.



DOW JONES index – Weekly graph



- The possible ugly double top (negative) is still with us.
- Line A (25140) changed into a support which implies that the investors won't be too concerned about the possible double top at this stage.
- The harami candle (uncertain) implies that investors want to protect line A and the 40 week moving average.

- The double top will be confirmed below line B (23344) which can take the share to 21600 should the formation play out.
- The 40 week moving average (25071) is still a resistance.
- The stochastic indicator turned around from the oversold situation and the Dow managed to remain above 25000. This is seen as technically positive.
- Strategy = Positive.

International Share, ETF or Index – Weekly graph

Barclays PLC (BCS – NYSE) – Is listed as an American Depositary Receipt on the NYSE. Barclays is a British multinational investment bank that has been in the banking industry for more than 325 years already. They operate in more than 50 countries and have approximately 140 000 people working for them. Their latest results for the third quarter of 2018 reported a 23% rise in profit before tax while they managed to decrease their operating expenses by 3%.

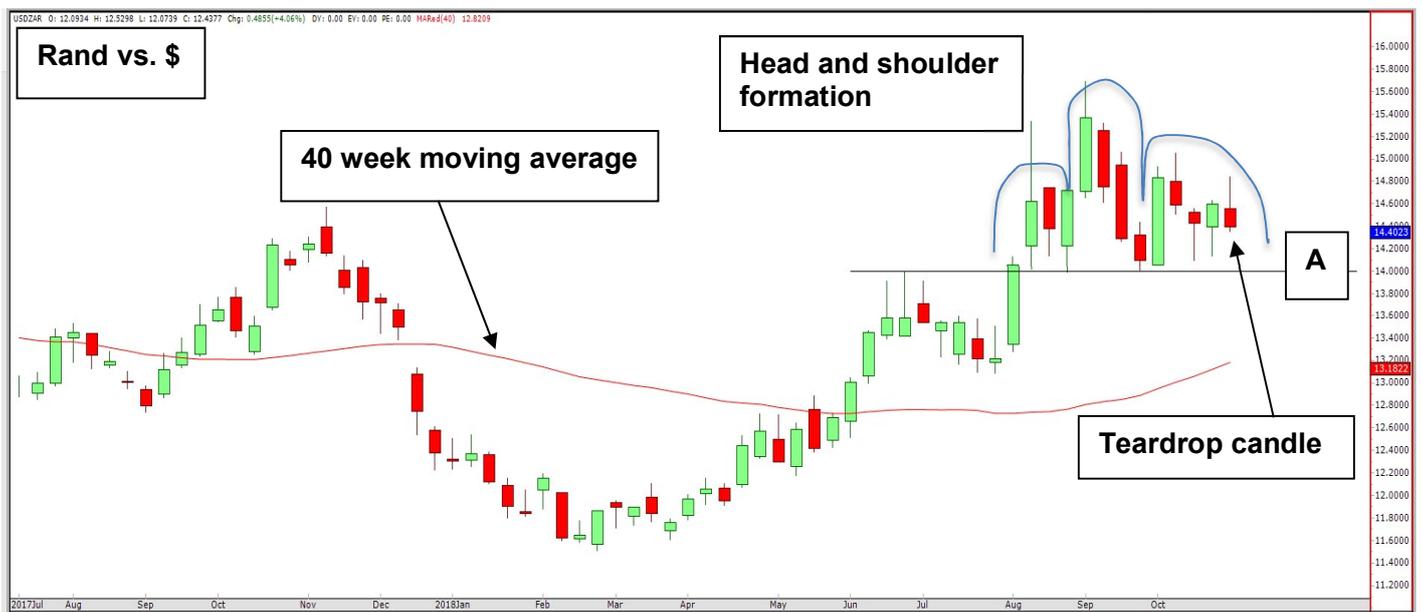
The weekly graph implies:



- The share has confirmed the descending channel (positive) above line A (\$8-78). The target of the formation is \$9-90 should the formation play out completely.
- First sign of weakness will be visible below \$8-48 again.
- The 10 week moving average (red line) which has kept the momentum to the bottom in place since April 2018 has changed into a support which is seen as positive.
- The spike in volume can also not be ignored, which implies that this might be a true rally.
- The share is nicely oversold on the stochastic indicator which makes the probability of a bounce to higher levels more likely.
- For traders – Buy above \$9-14 but use \$8-48 as stop loss to protect capital. The possible targets towards the top are: \$9-22, \$9-34, \$9-45, \$9-51, \$9-64, \$9-75, \$9-81 and \$9-90.
- For medium to long term investors – Do the same as the traders above.

Rand vs. the American dollar – Weekly graph

- The 40 week moving average (R13-18) is still a support which supports the negative sentiment towards the Rand for the medium to long term.
- The teardrop candle (uncertain) confirms that investors have identified the head and shoulder formation. The tweezer bottom (positive) is also helping the strength of the American dollar. Above R14-60 we can see R15.
- The head and shoulder formation (negative for the Rand) is still on the table. We can assume that the Rand is building on the right shoulder of the possible head and shoulder formation.
- The neckline is waiting at line A (R14) which can take the Rand to R13-48 as the conservative target or the full target of the formation is R12-60 should the formation play out.
- Long term technical view – “Rather expect a weaker Rand”.



Technical Analysis Training Section

What is Heikin-Ashi Candles?

Heikin-Ashi, means average bar in Japanese. This is a type of candlestick chart. They use average ranges to calculate the points of the candle, which smooths out the chart and in turn provides a clearer view of the trend of the market. Heikin-Ashi are also different from traditional candlestick charts, in that they take the prior session open and close into account for the open, which in turn removes any gaps between bars on the chart.

How does the candles get calculated:

- $Open = (Open\ of\ previous\ candle + close\ of\ previous\ candle)/2$
- $High = Maximum\ of\ High,\ Open,\ or\ Close\ (whichever\ is\ highest)$
- $Low = Minimum\ of\ Low,\ Open,\ or\ Close\ (whichever\ is\ lowest)$
- $Close = (Open+High+Low+Close)/4$

To be continued next week...

Local Share or Index – Weekly Graph

We use Pioneer Foods's products every day. Many investors are concerned about this company but if Mr Ramaphosa's stimulus plans work and the economy starts to grow, this food producer will benefit.

The weekly graph implies.



- The momentum to the bottom is still in place.
- A falling wedge (positive) has developed but the consolidation close to line A (R73) implies that line A is acting as a support.
- Above line B (R85-53), the consolidation will be confirmed which can take the share to line C (R95-70).
- If line C changes into a support we can see the share at R129-70 if the full formation play out.
- For traders – Nibble above line B, increase exposure above line C but use R73 as stop loss to protect capital. The possible targets towards the top are: R98-32, R100, R104-76, R108-20, R111-63, R115-72, R118-67, R122-40, R125-82 and R129-70.
- For medium to long term investors – The share is still a concern on the weekly graph. The first sign of strength will be visible above line B. If you want to accumulate then use the same stop loss as given to traders above.

Opportunities and Warnings on the JSE

Medium to long term opportunities: Below is a list of shares based on weekly graphs for medium to long term investors. Under the BUY header, possible opportunities are highlighted with the stop loss levels in brackets. If the share mentions a "hold onto", it means that the entry price was triggered and a new protection level to protect profits are given. Under the SELL header possible warnings are highlighted with a discontinue accumulation and if the share has a value in brackets it means below this level on a weekly close, the share signals a technical sell.

BUY – Hold onto HCI above R128-20, hold onto DRDGold above R3-50, Quilter above R22-59 (R21-15), Metair above R16 (R14-70), Anheuser-Busch above R1092-46 (R1076-59), Bidvest above R187-12 (R179-13), Datatec above R23-99 (R22-18), EOH above R37-47 (R31-40), Barloworld above R126-55 (R113-60), Astral Foods above R211-95 (R200-10), RCL above R16-50 (R15-99), Tongaat Hulett above R62-40 (R53-20), Life Healthcare above R25-99 (R23-90), PSG above R229-40 (R210-80), Rand Merchant Investment Holdings above R36-73 (R33-80), MMI Holdings above R18-25 (R16-70), Old Mutual above R23-73 (22-31), Assore above R306-50 (R298-61), Kumba above R305-53 (R274-70), Grandparade above R2-40 (R2-17), Zeder above R4-80 (R4-60), Aspen above R167-16 (R137-30), Implats above R28-45 (R23-08), Nepi-Rockcastle above R130-77 (R125-40), Redefine International above R9-75 (R9-58), hold onto Resilient above R62-71, hold onto Famous Brands above R103, Cashbuild above R283-98 (R259-80), ArcelorMittal above R3-92 (R3-30), Vodacom above R127 (R117-80), MTN above R85-50 (R83-12), hold onto Finbond above R3-95, Sasol above R486-57 (R475),

SELL – Nuworld (discontinue accumulation), Astoria (discontinue accumulation), Sirius (R10-65), Pan-Africa (discontinue accumulation), Kruger Rands (discontinue accumulation), Montauk (R81-50), Huge (R8-96).

Speculative Opportunities: *Below is a list of speculative opportunities (CFD's or SSF) based on weekly graphs. The stop loss levels are given in brackets and remember not to be too greedy to lock in profits. If a "hold onto" is mentioned it means the call was mentioned in the prior week's Newsletter and a new protection level to protect profits are given.*

LONG – Hold onto JSE above R162-02, hold onto RMIH above R36-50, hold onto Absa above R153-10, hold onto FirstRand above R66-12, hold onto RMBH above R74-34, hold onto Shoprite above R187-06, hold onto The Spar Group above R176-89, hold onto Tsogo Sun above R20.

SHORT – Capitec below R1020 (R1053).

Final thought

The technical graphs of the top 40 index changed from shocking graphs to uncertain graphs. We've had several opportunities the past two weeks that treated as very well. Write this level on the top 40 index down: **48520**. If the market doesn't start to consolidate above this level and especially above 50000 it might ring the bell of the bull market that has been in place since 2008.

Kind Regards

Frans & Christelle

"Does the bull push or is the bear growling?" Anonymous

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