

TECHNICAL ANALYSIS:

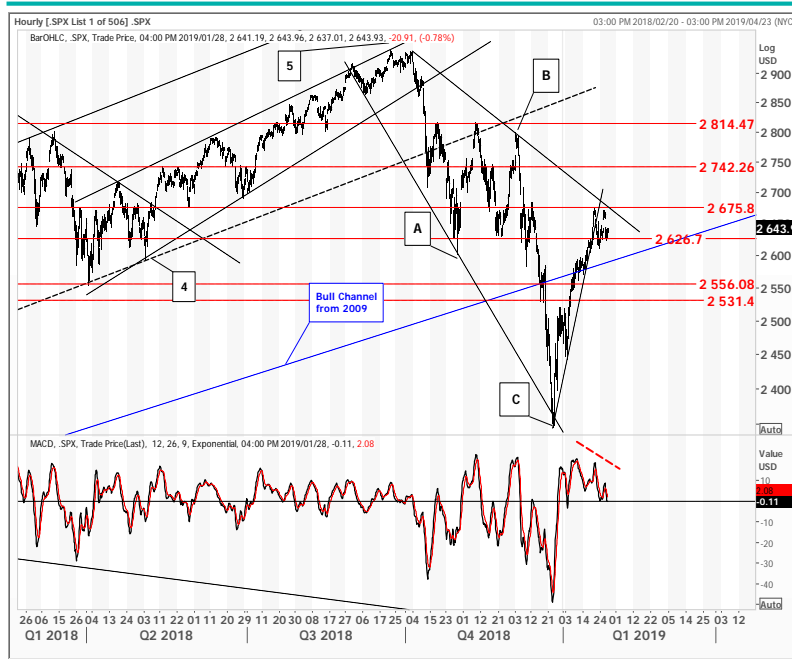
EQUITY MARKETS ARE TESTING RESISTANCE LEVELS

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S&P 500: TESTING RESISTANCE LINE



Source: Reuters, Nedbank CIB

- The S&P 500 is losing momentum against a trendline through the tops. As we wrote last week, the latest dovish statements arrived at the same time that the Fed traditionally arrives with a bailout.
- For this rally off the December low to be sustainable and to break through this resistance line, a liquidity boost will be required, not just promises.
- The two important levels to monitor are 2,626 and 2,665.
- The MACD lost momentum and is busy breaking below the zero line, which is a sell signal. If the markets do not receive further good news, a correction is on the cards, targeting 2,594, with an extended correction to 2,447.

JSE ALL SHARE: TESTING AN IMPORTANT RESISTANCE NECKLINE



Source: Reuters, Nedbank CIB

- The JSE All Share Index rallied from a strong support trendline at 50,885 to test a neckline through the 2015-17 highs at 54,456.
- This level is also the 38.2% Fibonacci retracement of the bear move that started in 1Q18.
- The short-term charts are, however, indicating a loss of bullish momentum, and a correction from this resistance line is highly likely, especially if the Fed disappoints the markets tonight.



JSE TOP-40 IN USD: MUST MAINTAIN BULLISH MOMENTUM TO CONFIRM A REVERSAL



Source: Reuters, Nedbank CIB

- During the risk-off phase of 2018, the JSE Top-40 in USD terms corrected in a well-defined channel to test the bull support line from 2009.
- The index has broken out of this bear trend, but the two waves up since October 2018 are still equal in length and it could, therefore, still be a corrective rally. The moment the market starts to form extended waves, we can classify the move as a bull trend, and that would confirm a trend reversal.
- The relative of the JSE (USD) vs the MSCI EM remains in the well-established bear channel that has been in place since 2014.
- If the spot price in USD terms starts to accelerate and confirms a trend reversal, there is a good chance this relative will also break out of the bear channel.
- It is important to look at the SA asset classes in USD terms, as global capital flows are becoming the biggest driver of asset performance and currencies.

JSE GENERAL RETAILERS: A BEARISH PATTERN IS UNFOLDING



Source: Reuters, Nedbank CIB

- The SA credit impulse is rolling over, indicating that demand for credit is slowing; this does not bode well for the retail index.
- During 2018, this index corrected to an important neckline and has been in a consolidation since.
- The concern here is that the bear move in late 2018 was a clear five-wave Elliott wave pattern, indicating a bear trend. The consolidation is an overlapping corrective pattern. On completion of the corrective pattern between 6,450 and 7,487, another major bear wave is likely to unfold.
- A break below 6,450 would confirm that the next major wave down is unfolding. The next wave down should be at least of the same magnitude as the 2018 bear wave (2,800 points).

MSCI WORLD REAL ESTATE INDEX: A GOODBYE KISS?



Source: Reuters, Nedbank CIB

- The MSCI World Real Estate Index has been losing momentum since the Fed's taper statement in 2013 and has been trading sideways since the start of 2015.
- The Index broke below a major support line during 2H18 and is currently testing this support line from below for the second time.
- As mentioned already, it is necessary that the central banks reverse the tighter financial conditions of 2018 for this Index to break back into the original bull channel.
- Although we can envisage a break above 210, we are sceptical whether the Index can break above 216 on a sustainable basis.

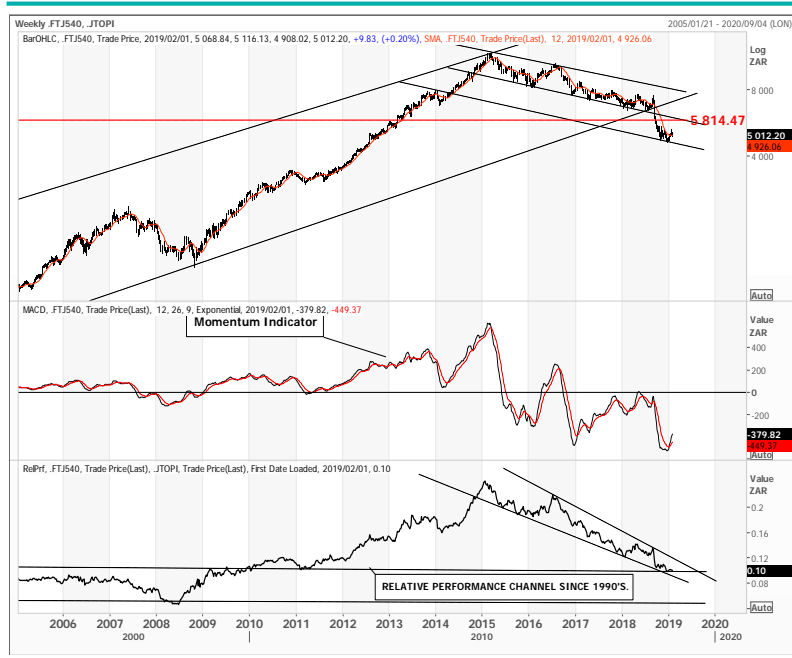
JSE PROPERTY (SAPY): A CORRECTIVE RALLY IS UNFOLDING



Source: Reuters, Nedbank CIB

- A rally in SA property stocks is also unfolding, targeting 532, with an extended target at 594.
- If global financial conditions improve, for example, if central banks turn dovish both on policy rates and their balance sheets, the carry trade would improve, helping the rand and local bonds.
- This should fuel the property stocks to reach the neckline at 594.
- It appears that the relative of the SAPY to the All Share (bottom panel) is forming a bottom against the support line of a well-established channel, and we expect the property stocks to outperform over the next several months.

JSE HEALTH CARE: A TACTICAL RALLY LIKELY



Source: Reuters, Nedbank CIB

- Bottom panel: In 2010, the Health Care/Top-40 relative started to break above a channel that has been in place since the mid-1990s. The relative has now retraced to test the upper line of this band, and we expect support at current levels.
- The MACD (middle panel) has also turned up, confirming the loss of bearish momentum and that a corrective rally is on the cards.
- We expect the index to rally to 5,814, to test the previous support line from below. There is not enough evidence for us to call a major reversal; hence our view that it is only a tactical rally.

NASPERS: THE CORRECTIVE RALLY IS RUNNING INTO RESISTANCE



Source: Reuters, Nedbank CIB

- When drawing trendlines, it is not always necessary to use the ultimate tops or bottoms; using a line with the most points on is usually more reliable. Naspers is currently testing such a line.
- The price action from the low in 4Q18 is too overlapping to be a full-blown bull phase. This price action is a corrective rally similar to the price action in early to mid-2018.
- A break above 3,162 targets a move to 3,275, but we believe it will be a blow-off similar to the two previous tops. A break below 2,869 would confirm a major reversal for a move to 2,089.