



TECHNICAL TUESDAYS

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1. SOUTH AFRICA 40 INDEX



SOUTH AFRICA 40 INDEX

- The South Africa 40 index double bottom (blue "W") from last week's newsletter confirmed, and we have seen the price trade towards our initial all-time high target at 43400
- The projected target from the double bottom formation 43550 remains favoured, with a further upside target now considered at 44100, should we move into new high territory
- The new target is derived from the trend line which tracks the closing highs (black trend line)
- The price trading below support at 42550 would indicate the current short-term run to have faltered, in which case we would reassess the near-term expectations



2. HIGHS & LOWS

SHARES | 52 WEEK HIGHS

Standard Bank
Investec Ltd
Investec Plc
Coronation Fund Managers
JSE Ltd
Supergroup
Lliad Africa
Firstrand
Petmin

SHARES | 52 WEEK LOWS

City Lodge Hotels
Sentula Mining

3. TECHNICAL PAIR TO WATCH

MONDI LTD VS SAPPI LTD (Daily chart)

The chart considered is that of Mondi with a Relative Strength Comparison (RSC) indicator added. The RSC 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 (Mondi) has been underperforming security 2 (Sappi). 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 Mondi, short Sappi. 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. Mondi Ltd rising and Sappi falling
2. Mondi Ltd rising faster than Sappi rising
3. Mondi Ltd falling slower than Sappi falling.

Should one of these scenarios play out successfully the expectation would be for a net gain of 5.1%. A stop-loss would be considered equal to the anticipated gain of 5.1%.





4. CONSOLIDATION PATTERNS TO WATCH

NASPERS LTD (Daily chart)

The price of Naspers has broken out of a falling wedge formation (marked with red trend lines). In the current context the wedge formation alludes to a cumbersome move down after a strong move up, suggesting that the momentum remains to the upside. The price continues to trade above the 200 day simple moving average (200MA) indicating that the long-term trend remains up. The stochastic is moving out of oversold territory which is bullish, supporting the price action and in line with the long-term trend. Gap resistance between levels R1225 and R1275 provides the favoured initial resistance targets, which if broken favours further gains to the all-time high at R1350. The price closing back into the wedge below support at R1130 would deem the bullish expectations to have failed.



ARCELORMITTAL LTD (Daily chart)

The price of ArcelorMittal currently appears to be reversing off historical support at 3220. The price is also making lower lows, while our oscillator (Stochastic) is making higher lows (dotted blue lines). This phenomenon is known as positive divergence and supports our oscillator crossing through its trigger line and out of oversold territory. These indications are considered short-term bullish, and a test of historical resistance at 3740 is favoured. Should the price close below support at 3220, the price reversal and positive divergence signals would be considered to have failed.





5. MARKET OVERVIEW

Key Indicators

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

Banks

	Near trend	Intermediate trend	Primary trend	Volatility	OB/OS
Barclays Africa	Up	Up	Sideways	Flat	Overbought
FirstRand	Up	Up	Up	Increasing	Overbought
Nedbank	Up	Up	Up	Increasing	Overbought
Standard Bank	Up	Up	Up	Increasing	Overbought

Financial

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

Food Retailers

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

Retailers

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

Construction

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



5. MARKET OVERVIEW CONTINUED...

Telecomms

	Near trend	Intermediate trend	Primary trend	Volatility	OB/OS
MTN	Up	Up	Up	Flat	Overbought
Vodacom	Up	Up	Up	Decreasing	Overbought
Telkom	Up	Up	Up	Flat	Overbought

Gold

	Near trend	Intermediate trend	Primary trend	Volatility	OB/OS
Anglogold	Sideways	Up	Up	Increasing	Oversold
Goldfields	Sideways	Up	Down	Flat	Oversold
Harmony	Down	Sideways	Up	Increasing	Oversold

Platinum

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

Resources

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

Industrials

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