



TECHNICAL TUESDAYS

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1. SOUTH AFRICA 40 INDEX



SOUTH AFRICA 40 INDEX

- South Africa 40 index continues to trade within the rising wedge formation in the medium-term, and the trading range within the short-term
- Although there was an intraday break of support of our range at 42800, the price managed to close above the level before proceeding to rebound within the range
- The intraday break of support is now marked with a horizontal support line at 42600
- The dotted red lines of the range mark the support (42800) and resistance (43640) from the bodies of the candles
- The solid red lines of the range mark the support (42600) and resistance (43820) from the highs and lows of the candles
- Short-term range traders would continue to look to accumulate near support (42800) and distribute near resistance (43820) with a break above or below the intraday levels (42600 or 43820) as a signal to exit
- The trading range remains prevalent for short-term traders and would be assumed relevant until a breakout does occur
- Should the price close below intraday support (42600), a downside breakout would be considered, with the next level of support at 41600 favoured as the initial target
- Should the price close above intraday resistance (43820) an upside breakout would be considered, with trend line resistance at 44430 favoured as the initial target
- The long-term trend remains up (price firmly above 200MA), although the price activity over the last 4 months (rising wedge) warns of a possible retracement
- It is with this reason that long or short trades are considered relative to the breakout and range trade opportunities alluded to above

2. US 500 INDEX



US 500 INDEX (Daily chart)

- The US 500 cash index has rebounded off the lower channel support since breaking out of a rising wedge formation (coloured red)
- A rising wedge formation, in an upward trend, warns that the trend has lost momentum and could undergo a correction in the near-term
- In a strong uptrend the price would gravitate towards channel resistance while deviating from support
- Currently the price is instead deviating away from the channel resistance (coloured grey) whilst gravitating towards support
- Although the long-term trend remains up, the above considerations suggest that the price action currently is weaker on a relative basis when compared to that of 2013
- A further consideration would be that it has taken the last six days of gains to erase the two days of losses that preceded
- Trend followers would be cautious to use these signals to trade against the long-term trend, but rather use a correction (if it occurs) as an opportunity for long entry
- Traders that contrary opinion or counter trend may look for short entry nearer the 1900 level with an initial support target back to 1800 being favoured, while a move towards channel resistance (1960) would indicate failure of the bearish signals as well as a resumption of healthy uptrend

*Please note: The US 500 index can only be traded on an international account



3. HIGHS & LOWS

SHARES | 52 WEEK HIGHS

Pick n Pay
Investec Ltd
Investec PLC
Phumelela Gaming
RMI Holdings
RMB Holdings

SHARES | 52 WEEK LOWS

Aquarius Platinum

4. TECHNICAL PAIR TO WATCH

SHOPRITE HOLDINGS LTD VS PICK N PAY STORES LTD (Daily chart)

The chart considered is that of Shoprite (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 (Shoprite) has been underperforming security 2 (Pick n Pay). 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 Shoprite, short Pick n Pay. 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. Shoprite rising and Pick n Pay falling
- 2. Shoprite rising faster than Pick n Pay rising
- 3. Shoprite falling slower than Pick n Pay falling.

Should one of these scenarios play out successfully the expectation would be for a net gain of 7.4%. A stop-loss would be considered equal to the anticipated gain of 7.4%.



4. TECHNICAL PAIR TO WATCH CONTINUED...

FOSCHINI GROUP LTD VS TRUWORTHS INTERNATIONAL LTD (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 3.3%. A stop-loss would be considered equal to the anticipated gain of 3.3%.





5. MARKET OVERVIEW

Key Indicators

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

Banks

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

Financial

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

Food Retailers

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

Retailers

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

Construction

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



5. MARKET OVERVIEW CONTINUED...

Telecomms

	Near trend	Intermediate trend	Primary trend	Volatility	OB/OS
MTN	Up	Up	Up	Flat	Neutral
Vodacom	Sideways	Up	Up	Decreasing	Oversold
Telkom	Up	Up	Up	Flat	Neutral

Gold

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

Platinum

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

Resources

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

Industrials

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