



TECHNICAL TUESDAYS

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SHAUN MURISON

Shaun has worked in financial markets for over seven years, and previously ran IG's KZN branch before moving to Johannesburg.

As market analyst he presents our CFD trading seminars around the country. In addition, Shaun is a regular commentator on the local financial markets, making contributions to various media (such as CNBC Africa and Business Day) and writing daily and weekly market reports. He is a registered person as well as Certified Market Technician (CFTE).



You can follow Shaun on Twitter at [@ShaunMurison_IG](#) for regular market updates and insight.

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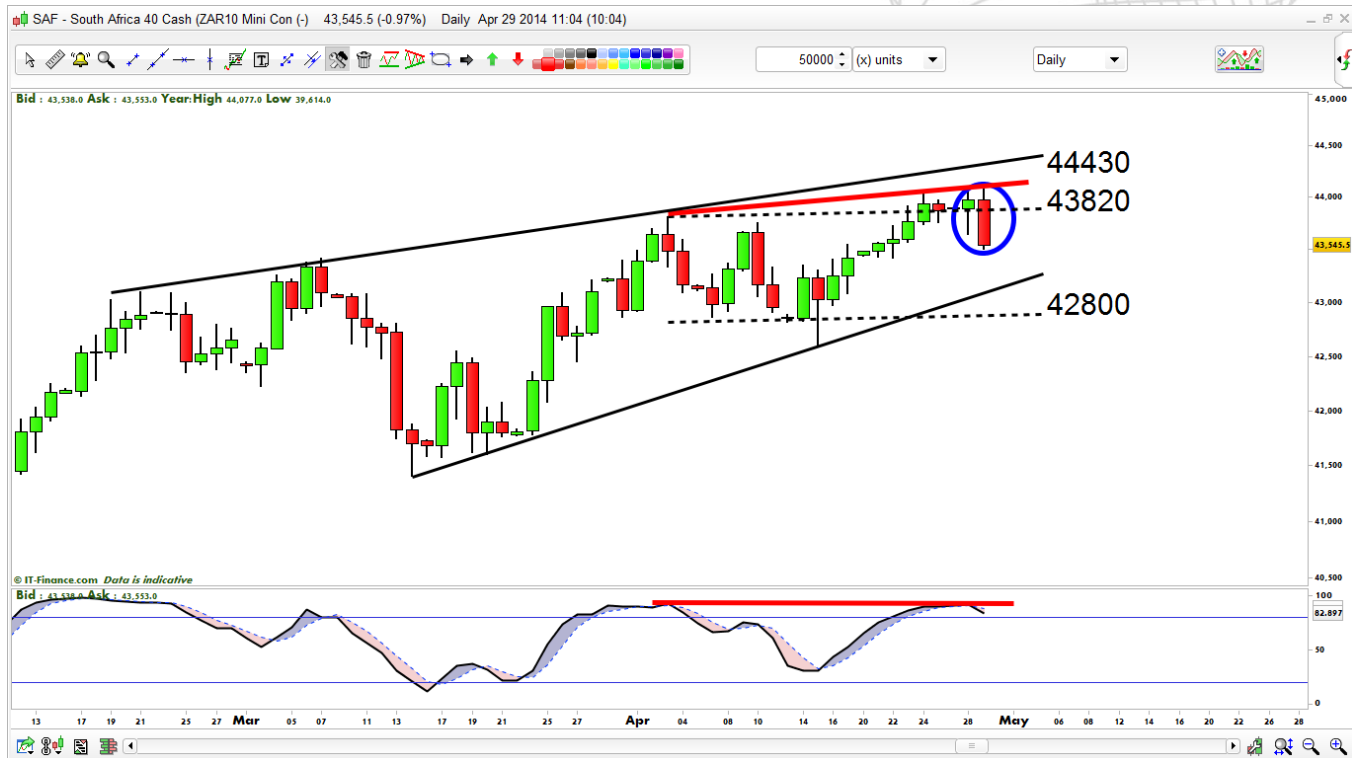
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1. SOUTH AFRICA 40 INDEX



SOUTH AFRICA 40 INDEX

- South Africa 40 index appears to have had a false breakout of the resistance from last week's range as the price returned back below the 43820 level
- Circled in blue is a bearish engulfing candle pattern indicating a short-term change in direction alluding to further near term weakness
- The Stochastic oscillator is in overbought territory and showing a negative divergence with the price (red trendline on indicator and price)
- Bearish or negative divergence occurs when the price activity continues to make new highs, while the highs on the indicator fails to do so
- The above indications are negative in the short-term and favour a move back towards support at 42800
- It should be noted that today's intraday candle can change before the close of trade today and if the close is back above resistance at 43820, further upside would once again be favoured with trendline resistance at 44430 the initial target



2. HIGHS & LOWS

SHARES | 52 WEEK HIGHS

SABMiller
Santam
JSE Ltd
Investec Plc
Investec Ltd
British American Tobacco

SHARES | 52 WEEK LOWS

Bell Equipment

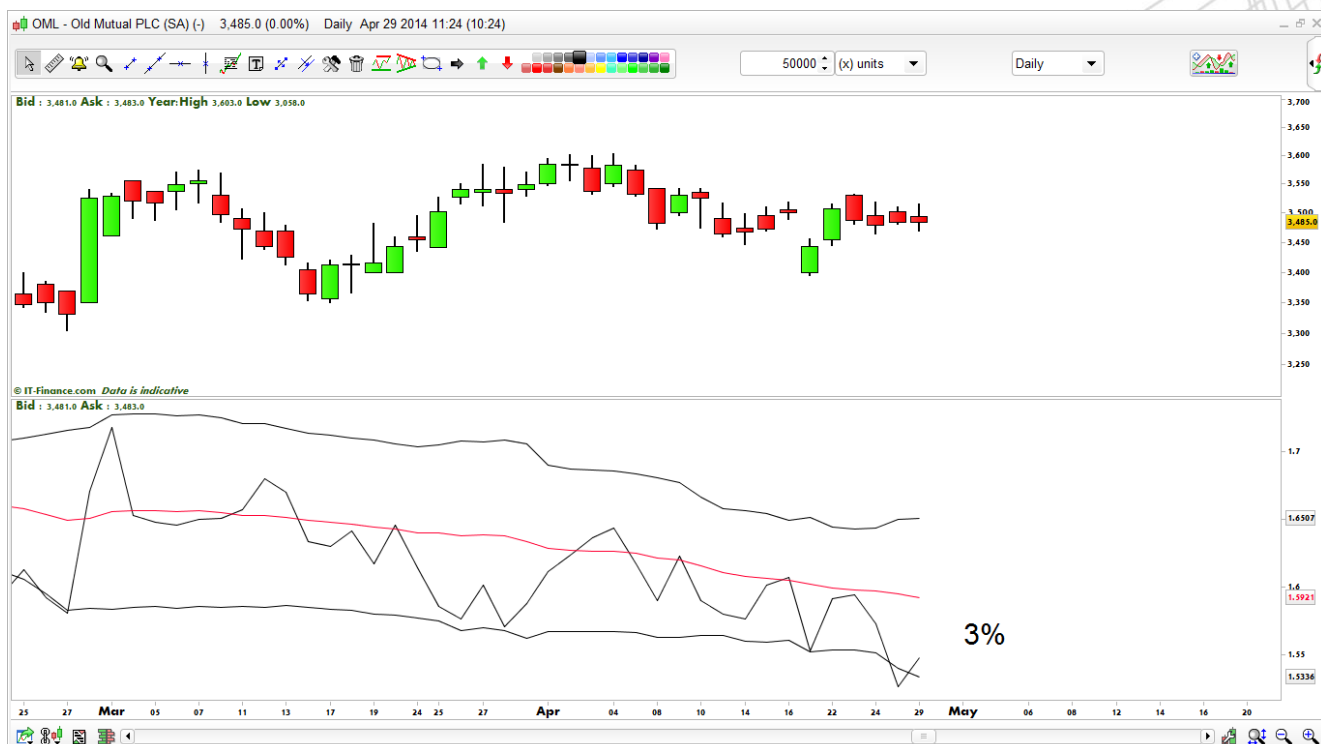
3. TECHNICAL PAIR TO WATCH

OLD MUTUAL VS NEDBANK (Daily chart)

The chart considered is that of Old Mutual (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 (Old Mutual) has been underperforming security 2 (Nedbank). Bollinger Bands have been added to the RSC and highlights 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 Old Mutual Short Nedbank. 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. Old Mutual rising and Nedbank falling
2. Old Mutual rising faster than Nedbank rising
3. Old Mutual falling slower than Nedbank's falling.

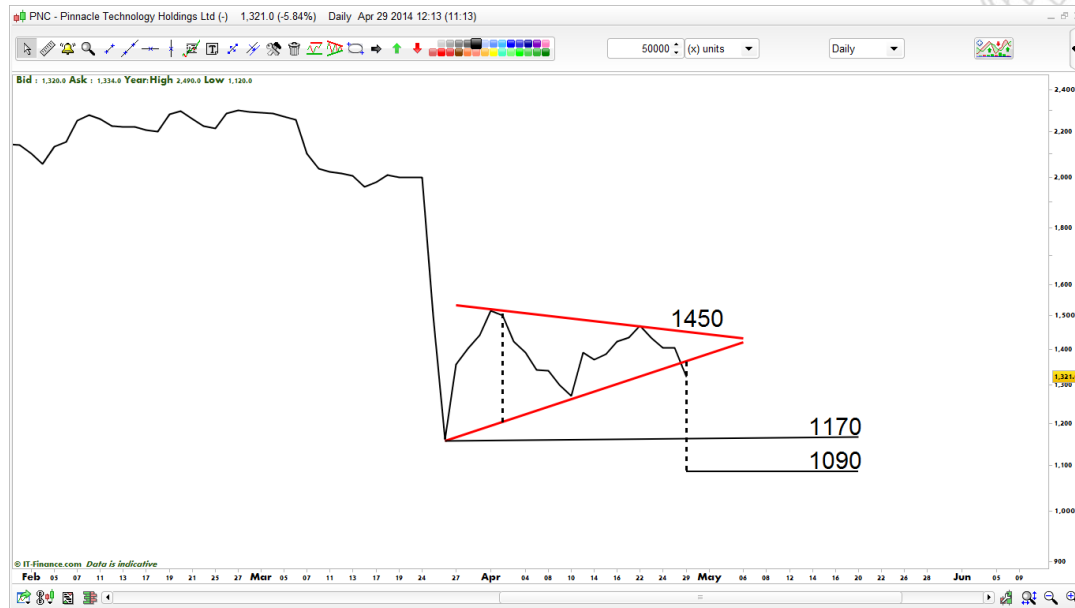
Should one of these scenarios play out successfully the expectation would be a net gain of 3%. A stop-loss would be considered equal to the anticipated gain of 3%.



4. CONSOLIDATION PATTERNS TO WATCH

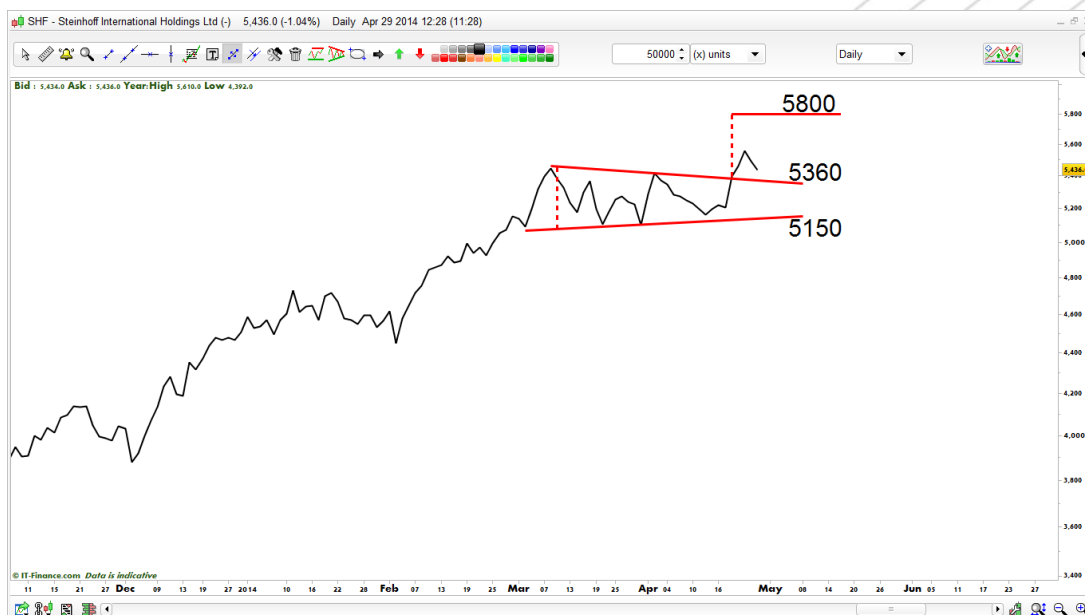
PINNACLE TECHNOLOGIES (Daily chart)

Pinnacle has broken out of a triangle consolidation pattern and is looking to continue the preceding downtrend. The recent low at 1170 was the recent support and becomes the initial target favoured from the pattern breakout. Should this support level be broken a further downside target is derived by measuring the height of the pattern and projecting a proportionate distance from the breakout area to arrive at 1090. Should the price rebound and close above 1450 the bearish indications would be deemed to have failed.



STEINHOFF (Daily chart)

Steinhoff has broken out of a triangle consolidation pattern and is looking to continue the preceding uptrend. The price is currently pulling back towards the breakout level at 5360 which could afford entry for those breakout traders who missed the initial breakout entry. The height of the pattern projected from the breakout level arrives at a target of 5800c a share. Should the price retrace to close below support at 5150 the bullish indication would be deemed to have failed.





5. MARKET OVERVIEW

Key Indicators

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

Banks

	Near trend	Intermediate trend	Primary trend	Volatility	OB/OS
Barclays Africa	Up	Up	Up	Flat	Neutral
FirstRand	Up	Up	Up	Increasing	Overbought
Nedbank	Up	Up	Up	Increasing	Overbought
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	Flat	Overbought
Investec (inp)	Up	Up	Up	Increasing	Overbought
Liberty Holdings	Up	Up	Up	Decreasing	Neutral
Old Mutual	Sideways	Up	Up	Flat	Neutral

Food Retailers

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

Retailers

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

Construction

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



5. MARKET OVERVIEW CONTINUED...

Telecomms

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

Gold

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

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	Flat	Overbought

Resources

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

Industrials

	Near trend	Intermediate trend	Primary trend	Volatility	OB/OS
Aspen	Sideways	Up	Up	Flat	Overbought
Barloworld	Up	Up	Up	Decreasing	Neutral
Bidvest	Up	Up	Up	Decreasing	Overbought
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	Increasing	Overbought
Tigerbrands	Sideways	Up	Down	Decreasing	Neutral