



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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1. SOUTH AFRICA 40 INDEX



SOUTH AFRICA 40 INDEX

- South Africa 40 index has once again entered into a short term trading range between levels 43500 (support) and 44100 (resistance)
- Range traders would look to accumulate near support and distribute near resistance with a close above or below these levels as a possible exit
- Breakout traders would look for a close above or below the aforementioned range for entry in the same direction as the breakout, with a target considered equal to the height of the range ($44100 - 43500 = 600$ points)
- The long term trend remains up as the price trades above the 200 day simple moving average (blue line labelled 200MA)
- The red trend lines continue to highlight a rising wedge which warns of a possible price correction
- It is with this reason that long or short trades are considered relative to the breakout and range trade opportunities alluded to above



2. HIGHS & LOWS

SHARES | 52 WEEK HIGHS

Sibanye Gold
Brait
Kap
Trencor
Coronation Fund Managers
Old Mutual Plc
Jse Ltd
Phumelela Gaming
RMI Holdings
MMI Holdings
Investec PLC
Investec Ltd
Remgro
RMB Holdings

SHARES | 52 WEEK LOWS

None

3. TECHNICAL PAIRS TO WATCH

BARCLAYS AFRICA GROUP VS NEDBANK (Daily chart)

The chart considered is that of Barclays Africa (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 (Barclays Africa) has been underperforming security 2 (Nedbank). 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 Barclays Africa, 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. Barclays Africa rising and Nedbank falling
2. Barclays Africa rising faster than Nedbank rising
3. Barclays Africa falling slower than Nedbank falling

Should one of these scenarios play out successfully the expectation would be for a net gain of 3.75%. A stop-loss would be considered equal to the anticipated gain of 3.75%.



WILSON BAYLY HOLMES-OVCON (WBHO) VS MURRAY & ROBERTS (Daily chart)

The chart considered is that of WBHO (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 (WBHO) has been underperforming security 2 (Murray & Roberts). 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 WBHO, Short Murray & Roberts. 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. WBHO rising and Murray & Roberts falling
2. WBHO rising faster than Murray & Roberts rising
3. WBHO falling slower than Murray & Roberts falling.

Should one of these scenarios play out successfully the expectation would be for a net gain of 5%. A stop-loss would be considered equal to the anticipated gain of 5%.





4. CONSOLIDATION PATTERNS TO WATCH

HARMONY GOLD MINING (Daily chart)

The price of Harmony has formed a double bottom formation which is marked with the blue "W". The pattern is considered a reversal pattern as it warns of the preceding downtrend reversing into a near term uptrend. The height of the pattern (dotted vertical line) projected from the breakout level (3525) arrives at a proportionate target of 3940. Should the price pull back towards the breakout level it could afford a long entry opportunity for breakout traders who missed the initial entry opportunity. Should the price retrace significantly below the 3525 level i.e. 3450, the bullish indications would be considered 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