



TECHNICAL TUESDAYS

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1. SOUTH AFRICA 40 INDEX



SOUTH AFRICA 40 INDEX

- South Africa 40 index looks to have broken to the upside of the range between levels 43500 and 44100
- Breakout traders who have already committed to the move would look to trendline resistance at 44500 as the initial target favoured, with a stop loss considered in the middle of the range at 43800
- Should the trendline resistance target be broken, the height of the range projected from the breakout level predicts a further proportional upside target at 44700
- Today's price activity witnesses the price testing the breakout level
- Should the price fail to close above the 44100, those not committed to the breakout may question its validity
- If this situation does occur the breakout could be considered as a false breakout, with the 43500 level being the favoured support target
- This would present a contrarian view as the favoured target is contrary to the long-term uptrend
- A stop loss for a short bias would be considered above the high of today's price activity



2. HIGHS & LOWS

SHARES | 52 WEEK HIGHS

Anglo American Investments
Hulamin
Trencor
Omnia Holdings
Nedbank Group
Reinet Investments

SHARES | 52 WEEK LOWS

African Bank Investments

3. TECHNICAL PAIR TO WATCH

ANGLO AMERICAN PLATINUM VS IMPALA PLATINUM (Daily chart)

The chart considered is that of Anglo American Platinum (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 (Anglo American Platinum) has been underperforming security 2 (Impala Platinum). 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 Anglo American Platinum, Short Impala Platinum. 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. Anglo American Platinum rising and Impala Platinum falling
2. Anglo American Platinum rising faster than Impala Platinum rising
3. Anglo American Platinum falling slower than Impala Platinum falling

Should one of these scenarios play out successfully the expectation would be for a net gain of 3.1%. A stop-loss would be considered equal to the anticipated gain of 3.1%.





4. CONSOLIDATION PATTERNS TO WATCH

MONDI LTD (Daily chart)

The price of Mondi Ltd has formed a double bottom formation, marked with the blue "W". The pattern is considered a reversal pattern as it warns of the short-term downtrend reversing into a near-term uptrend. The Short-term trend looks to be aligning with the long-term trend which is considered up, while the price trades firmly above the 200 day simple moving average (200MA). The height of the pattern (dotted vertical line) projected from the breakout level (18200) arrives at a proportionate target of 19400. Should the price trade below the 17600 level, the bullish indications would be deemed to have failed. The 17600 level is used in this scenario as it represents half the distance of the expected reward thereby creating a risk reward ratio of 1:2 for the technical setup.



AFRICAN RAINBOW MINERALS LTD (Daily chart)

The price of African Rainbow Minerals has formed a falling wedge formation which, in the current scenario, is considered short-term bullish. The price activity is supported by the oscillator (stochastic) moving out of oversold territory, as well as forming a bullish divergence with the price (dotted trend lines on indicator and price). A bullish divergence occurs when the securities price is making lower lows while the indicator is making higher lows. The initial resistance target at 20980 is favoured, while the price trading below the support line of the wedge at 19000 would consider failure of the aforementioned bullish indications.





5. MARKET OVERVIEW

Key Indicators

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

Banks

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

Financial

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

Food Retailers

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

Retailers

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

Construction

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



5. MARKET OVERVIEW CONTINUED...

Telecomms

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

Gold

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

Platinum

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

Resources

	Near trend	Intermediate trend	Primary trend	Volatility	OB/OS
African Rainbow	Sideways	Down	Up	Flat	Oversold
Anglo American Plc	Up	Up	Up	Increasing	Neutral
BHP Billiton	Sideways	Down	Up	Flat	Neutral
Exxaro	Sideways	Sideways	Down	Decreasing	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	Neutral
Barloworld	Sideways	Sideways	Up	Increasing	Oversold
Bidvest	Up	Up	Up	Flat	Neutral
Imperial	Up	Up	Down	Decreasing	Neutral
Naspers	Sideways	Down	Up	Flat	Neutral
Remgro	Up	Up	Up	Increasing	Overbought
Reunert	Sideways	Up	Down	Decreasing	Oversold
SABMiller	Up	Up	Up	Decreasing	Neutral
Tigerbrands	Sideways	Up	Down	Decreasing	Neutral