



TECHNICAL TUESDAYS

Table of contents

1	South Africa 40 index Technical analysis of the local index	2
2	Highs and lows Shares making new highs or lows over 52 weeks	3
3	Technical pair to watch Assore Ltd vs African Rainbow Minerals Ltd	3
4	Consolidation patterns to watch	4
5	Market overview Technical analysis of the local market by sector	5

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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 followed through with last week's breakout to exceed the forecasted 44700 target
- With the strong bullish bias we have witnessed in the near-term to support the longer term uptrend, we give the upward trend more precedence than the rising wedge's caution from previous weeks
- The price has experienced its first pullback since last week's breakout and looks set to retest the recent high at 44840
- Should this level be breached, the short-term channel provides a further resistance target at 45150



2. HIGHS & LOWS

SHARES | 52 WEEK HIGHS

Netcare
Reinet
Bidvest
Sibanye Gold
Sanlam
Peregrine Holdings
MTN Group
Mr Price
Remgro
British American Tobacco
Allied Electronic
Merafe Resources

SHARES | 52 WEEK LOWS

DRD Gold

3. TECHNICAL PAIR TO WATCH

ASSORE LTD VS AFRICAN RAINBOW MINERALS LTD (Daily chart)

The chart considered is that of Assore (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 (Assore) has been underperforming security 2 (African Rainbow Minerals). 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 Assore, short African Rainbow Minerals. 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. Assore rising and African Rainbow Minerals falling
2. Assore rising faster than African Rainbow Minerals rising
3. Assore falling slower than African Rainbow Minerals falling

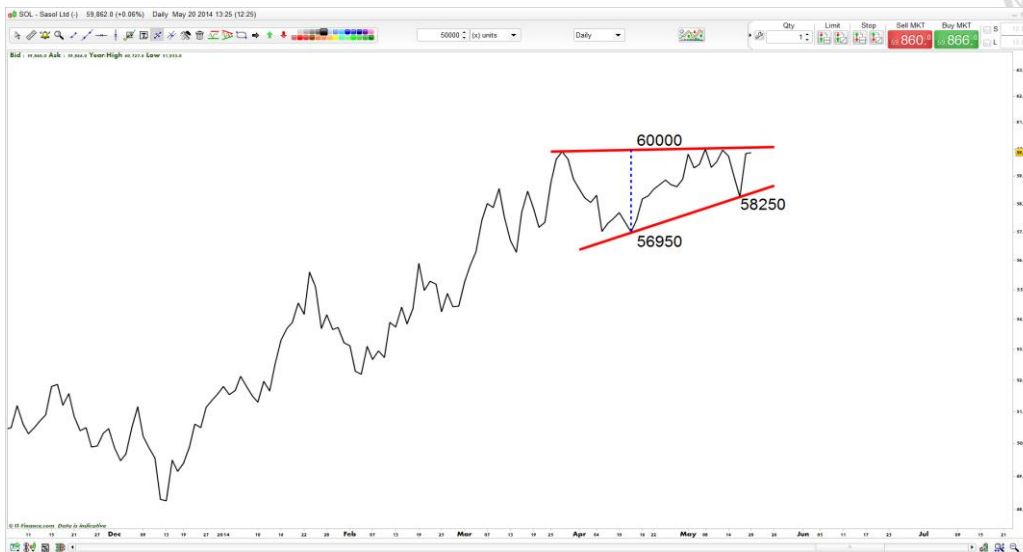
Should one of these scenarios play out successfully the expectation would be for a net gain of 5.8%. A stop-loss would be considered equal to the anticipated gain of 5.8%.



4. CONSOLIDATION PATTERNS TO WATCH

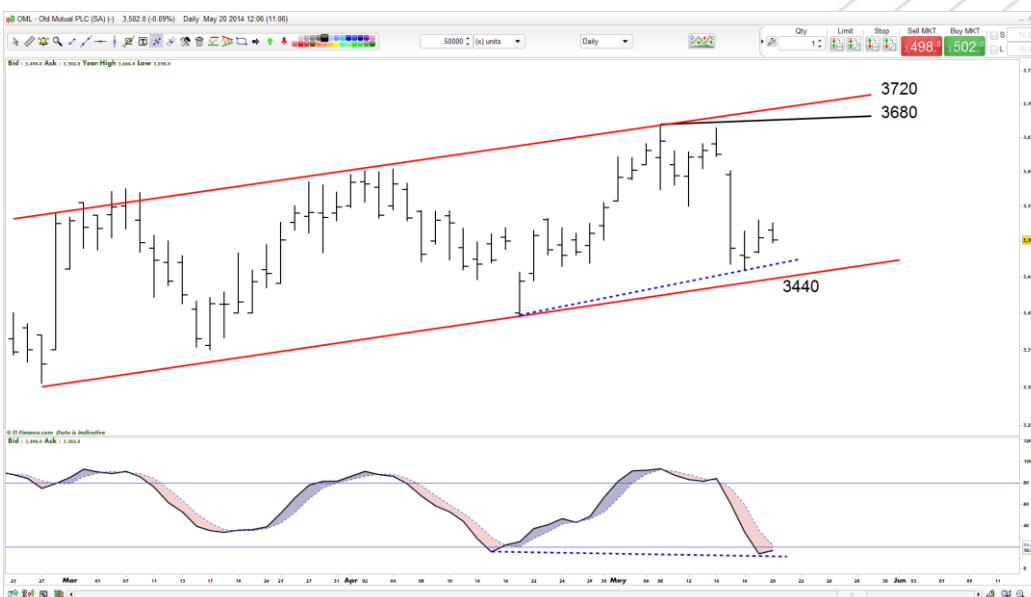
SASOL LTD (Daily chart)

The price of Sasol is trading within a flat top triangle formation (red lines). This type of formation is said to have a high probability of breaking to the upside, although it is wise to wait for the breakout to occur in either direction rather than preempting the move. The level at 60000 marks the resistance, while level 58250 marks the support of the up and downside breakout levels respectively. Should a breakout occur, the height of the pattern ($60000 - 56950 = 3050$) predicts a proportionate move in the same direction as the breakout.



OLD MUTUAL PLC (Daily chart)

The price of Old Mutual looks to have reversed from the short-term weakness near the channel support (parallel red lines). The price is also showing a positive divergence with the stochastic oscillator, whilst in oversold territory. Bullish divergence occurs when the price is making higher lows while the indicator is making lower lows and is perceived as bullish for the share price. The recent high at 3680 is the favoured target, which if exceeded further favours a move towards channel resistance at 3720. Should the price close below channel support at 3440 the bullish indications would be deemed to have failed.





5. MARKET OVERVIEW

Key Indicators

	Near trend	Intermediate trend	Primary trend	Volatility	OB/OS
S&P 500	Sideways	Up	Up	Flat	Neutral
South Africa 40	Up	Up	Up	Increasing	Neutral
USD/ZAR	Down	Down	Up	Decreasing	Neutral
Spot Gold	Sideways	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	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	Up	Decreasing	Neutral
Investec (intl)	Up	Up	Up	Decreasing	Neutral
Investec (inp)	Up	Up	Up	Decreasing	Neutral
Liberty Holdings	Up	Up	Up	Flat	Neutral
Old Mutual	Sideways	Up	Up	Decreasing	Oversold

Food Retailers

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

Retailers

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

Construction

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



5. MARKET OVERVIEW CONTINUED...

Telecomms

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

Gold

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

Platinum

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

Resources

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

Industrials

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