



TECHNICAL TUESDAYS

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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 has drifted lower over the last week finding support at 44 550
- The green arrows on our chart highlight the long wicks underneath the bodies of the last few daily candles
- These long wicks show that price weakness on the respective days has been rejected by market players, as the index has been bought back off the lows of each day to close nearer the high of each day
- This suggests that the short-term directional bias remains up as does the long-term trend
- With this in mind, trading with a long bias remains favoured over trading counter trend at this point
- The previous resistance level at 45 050 is the favoured as the near-term target, a break of which favours a further move to channel resistance at 45 700
- The price closing below support at 44 550 would consider the short-term bullish bias to have failed



2. HIGHS & LOWS

SHARES | 52 WEEK HIGHS

Reinet
Richemont
Omnia Holdings
British American Tobacco
Consolidated Infrastructure Group
Netcare

SHARES | 52 WEEK LOWS

Village Main Reef
DRDGold
Evraz Highveld Steel Vanadium

3. TECHNICAL PAIR TO WATCH

SHOPRITE HOLDINGS LTD VS SPAR GROUP 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 (Spar). 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 Spar. 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 Spar falling
2. Shoprite rising faster than Spar rising
3. Shoprite falling slower than Spar falling

Should one of these scenarios play out successfully the expectation would be for a net gain of 3.9%. A stop-loss would be considered equal to the anticipated gain of 3.9%.



4. CONSOLIDATION PATTERNS TO WATCH

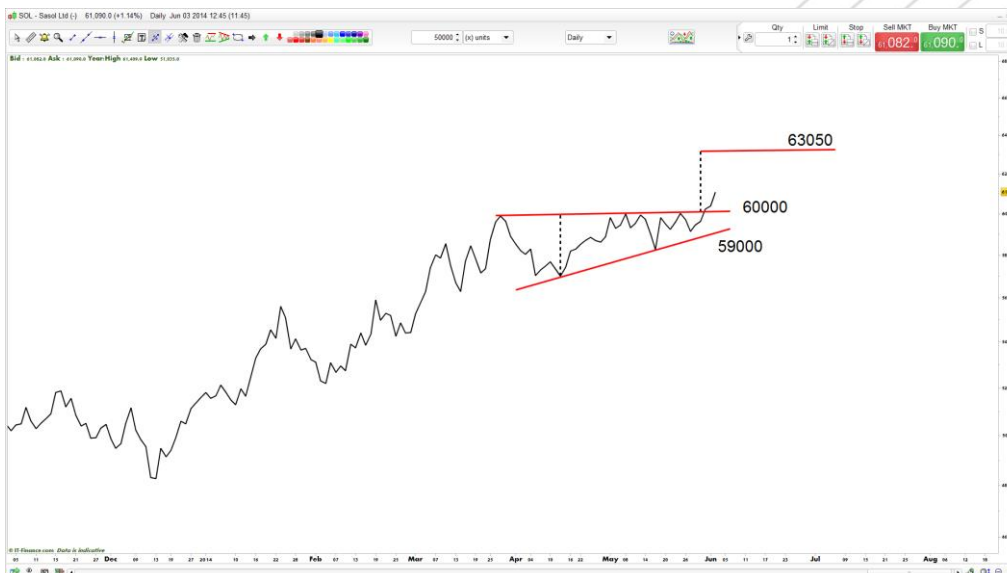
BARLOWORLD LTD (Daily chart)

The price of Barloworld has found support on the 200 day simple moving average (blue line) and looks to have formed a bullish price reversal. The price finding support is coupled with a strong increase in volume, which suggests strong accumulation at this level. The stochastic has crossed through its trigger line in oversold territory which is also considered bullish, further supporting the price and volume activity. Resistance at 10760 is the favoured near-term target, while the price closing below 10 000 would suggest failure of the bullish indications.



SASOL LTD (Daily chart)

The price of Sasol has confirmed an upside breakout from the flat top triangle formation (red lines) mentioned in the 20th May edition of the Technical Tuesday newsletter. The height of the pattern projected from the breakout level at 60 000 predicts an upside target at 63 050. Aggressive breakout traders would have entered on the initial breakout, while more conservative breakout out traders would be looking for a pullback towards the 60 000 level for a long entry opportunity. The price trading below the support of the triangle at 59 000 would consider the bullish indication mentioned to have failed.





5. MARKET OVERVIEW

Key Indicators

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

Banks

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

Financial

	Near trend	Intermediate trend	Primary trend	Volatility	OB/OS
Discovery	Down	Up	Up	Increasing	Neutral
Investec (inl)	Sideways	Up	Up	Flat	Neutral
Investec (inp)	Sideways	Up	Up	Flat	Neutral
Liberty Holdings	Sideways	Up	Up	Flat	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	Neutral
Shoprite	Down	Up	Up	Decreasing	Oversold
Spar	Sideways	Up	Sideways	Flat	Neutral

Retailers

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

Construction

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

Gold

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

Platinum

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

Resources

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

Industrials

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