



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	Consolidated patterns to watch	3
4	Pairs to watch Vodacom Group Ltd vs MTN Group Ltd	4
5	Market overview Technical analysis of the local market by sector	6

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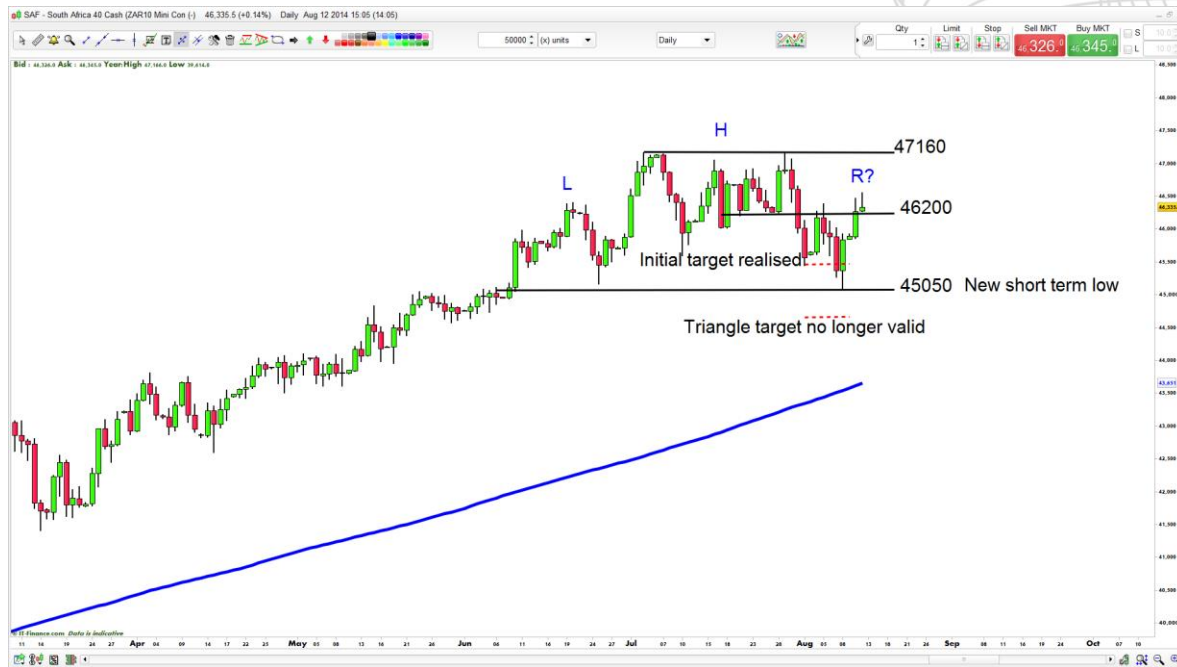
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1. SOUTH AFRICA 40 INDEX



SOUTH AFRICA 40 INDEX

- South Africa 40 cash index traded through the initial downside target last week (45440), but failed to reach the target projected from the triangle
- The price rebounding and closing above 46200 recognizes the failure of the initial move down and the triangle target is no longer deemed valid
- Although the downside move has been disrupted, faith in the resumption of the uptrend has not yet been renewed
- The price now trades in the middle of a medium-term consolidation between levels 45050 (recent low) and resistance 47160 (all-time high)
- "L, H and R?" label what could be a head and shoulders pattern forming
- To confirm this pattern, a price reversal would need to confirm before reaching the all-time high at 47160, followed by the price closing below the key support (recent low) at 45050
- The possibility of the head and shoulders formation serves as a warning
- With this in mind, awaiting a breakout to confirm a trend continuation (above 47160) or reversal thereof (below 45050) is preferred to range trading the current price consolidation environment



2. HIGHS & LOWS

SHARES | 52 WEEK HIGHS

Nampak
Netcare
Consolidated Infrastructure Group
Mediclinic
MTN Group

SHARES | 52 WEEK LOWS

Coal of Africa
Adcock Ingram Holdings
Basil Read Holdings

3. CONSOLIDATED PATTERNS TO WATCH

SABMILLER PLC (Daily chart)

The price of SABMiller has formed a falling wedge chart pattern (shaded area). The pattern suggests a weak move down after a strong move up alluding to the price momentum remaining positive. The Stochastic oscillator is in oversold territory and displaying a positive divergence (dotted blue lines on price and indicator) supporting the price action. The long-term uptrend remains up as the price trades firmly above the 200 day simple moving average (200MA). These considerations are bullish in the near-term and the resistance target at 59200 is favoured, which if broken further favours the wedge resistance target at 62000. The price closing below the 200MA at 54800 would consider the failure of the bullish considerations.





4. PAIRS TO WATCH

VODACOM GROUP LTD VS MTN GROUP LTD (Daily chart)

The chart considered is that of Vodacom (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 (Vodacom) has been underperforming security 2 (MTN). 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 Vodacom, short MTN. 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. Vodacom rising and MTN falling
2. Vodacom rising faster than MTN rising
3. Vodacom falling slower than MTN falling

Should one of these scenarios play out successfully the expectation would be for a net gain of 3.5%. A stop-loss would be considered equal to the anticipated gain of 3.5%.





OLD MUTUAL PLC VS SANLAM LTD (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 (Sanlam). 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 Old Mutual, short Sanlam. 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 Sanlam falling
2. Old Mutual rising faster than Sanlam rising
3. Old Mutual falling slower than Sanlam falling

Should one of these scenarios play out successfully the expectation would be for a net gain of 4%. A stop-loss would be considered equal to the anticipated gain of 4%.





4. MARKET OVERVIEW

Key Indicators

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

Banks

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

Financial

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

Food Retailers

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

Retailers

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

Construction

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



5. MARKET OVERVIEW CONTINUED...

Telecomms

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

Gold

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

Platinum

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

Resources

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

Industrials

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