



## 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 cash index guidance from last week remains the same, in that the price is within a large trading range between levels 45050 and 47160 and we recognise the possible (not completed) head and shoulders formation (labelled L, H, R)
- The short-term rebound from support has formed a rising wedge formation (red lines)
- Circled blue, we have a bearish engulfing candle pattern (not yet confirmed with a close)
- The wedge and bearish engulfing are bearish indications and would favour short-term weakness
- The initial support target from the wedge is 45850, which if broken further favour a test of the recent low at 45050
- A close above wedge resistance at 46750 would consider the wedge's bearish indications to have failed



## 2. HIGHS & LOWS

### SHARES | 52 WEEK HIGHS

Nampak  
Sanlam  
Remgro  
MTN  
Mediclinic  
PPC  
Sun International

### SHARES | 52 WEEK LOWS

Adcock Ingram

## 3. PAIRS TO WATCH

### STANDARD BANK GROUP VS BARCLAYS AFRICA GROUP

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

Should one of these scenarios play out successfully the expectation would be for a net gain of 3.3%. A stop-loss would be considered equal to the anticipated gain of 3.3%.



## 4. CONSOLIDATED PATTERNS TO WATCH

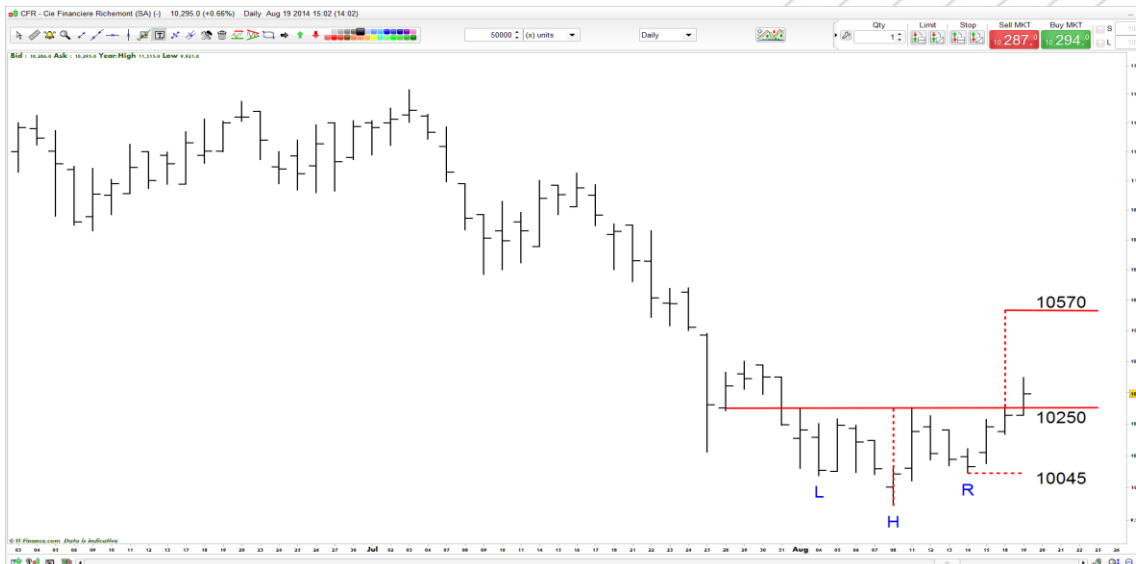
### BHP BILLITON PLC SA (Daily chart)

BHP Billiton is currently breaking out of a head and shoulders formation (labelled L, H & R). The pattern would need to close below the breakout level of 35500 for the pattern to be considered relevant. The height of the pattern projected from the breakout level (dotted red lines) arrives at a proportionate downside target of 33400, while the price trading above the right shoulder (labelled R) at 37000 would consider the failure of the pattern. The long-term trend remains up, as the price remains firmly above the 200 day simple moving average (blue line). With this in mind, trading short would be against the long-term trend and considered a contrarian trade. Trend followers may wait for short-term weakness to play out before finding entry in line with the long-term trend.



### CIE FINANCIERE RICHEMONT SA (Daily chart)

Richemont is currently breaking out of an inverse head and shoulders formation (labelled L, H & R). The pattern would need to close above the breakout level of 10250 for the pattern to be considered relevant. The height of the pattern projected from the breakout level (vertical dotted red lines) arrives at a proportionate upside target of 10570, while the price trading below the right shoulder (labelled R) at 10045 would consider the failure of the pattern.





## 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	Sideways	Sideways	Up	Flat	Overbought
USD/ZAR	Sideways	Sideways	Sideways	Decreasing	Neutral
Spot Gold	Sideways	Sideways	Sideways	Flat	Neutral

### Banks

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

### Financial

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

### Food Retailers

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

### Retailers

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

### Construction

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



## 5. MARKET OVERVIEW CONTINUED...

### Telecomms

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

### Gold

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

### Platinum

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

### Resources

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

### Industrials

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