



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 has traded back to the initial support target at 45850 over the last week, but failed to extend the weakness and arrive at the lower support target from the wedge formation at 45050
- Following the bullish reversal (circled blue) which has brought the price back above the 45850 level, the wedge pattern is no longer deemed relevant and has therefore been removed from the chart
- The 20 and 50 day simple moving averages (20MA and 50MA) highlight the current churning nature of the SA40 index as the price whipsaws back and forth through these indicators
- This confirms the short and medium-term consolidation the SA40 index is currently in
- With the lack of commitment to a direction, especially in the near-term, while the price trades more or less in the centre of the broader consolidation between 45050 and 47160, we await a confirmation for a new directional bias
- Aggressive traders may look to trade within the horizontal levels of support and resistance, much like a pivot point trading methodology i.e. using a break of 46500 to target a move towards 47160 or waiting for a downside break of 45850 to target a move towards 45050
- However the lack of directional intent in the near-term would find favour with using the ultimate levels of support and resistance of the broader range (45050 and 47160) instead for either a breakout and new directional commitment or reversals off these levels for a range trading opportunity



2. HIGHS & LOWS

SHARES | 52 WEEK HIGHS

Tongaat Hullet
Clicks Group
EOH Holdings
MMI Holdings
PPC Ltd
Hyprop Investments

SHARES | 52 WEEK LOWS

Impala Platinum

3. PAIRS TO WATCH

DISCOVERY LTD VS MMI HOLDINGS LTD (Daily chart)

The chart considered is that of Discovery with a Relative Strength Comparison (RSC) indicator added. The RSC 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 (Discovery) has been underperforming security 2 (MMI Holdings). 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 Discovery, short MMI Holdings. 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. Discovery rising and MMI Holdings falling
2. Discovery rising faster than MMI Holdings rising
3. Discovery falling slower than MMI Holdings falling.

Should one of these scenarios play out successfully the expectation would be for a net gain of 3%. A stop-loss would be considered equal to the anticipated gain of 3%.

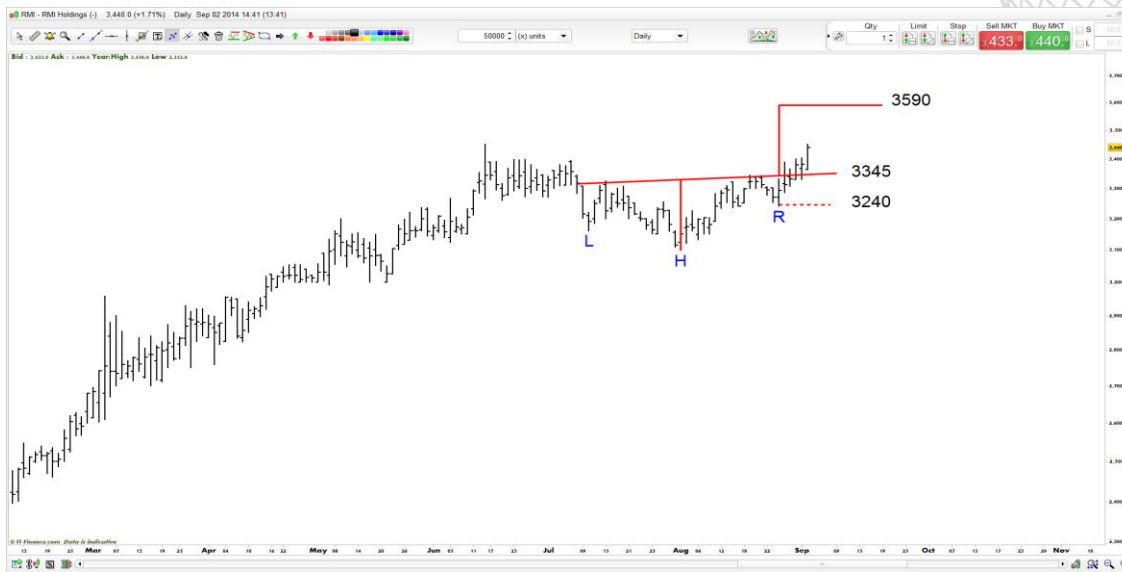




4. BREAKOUTS TO WATCH

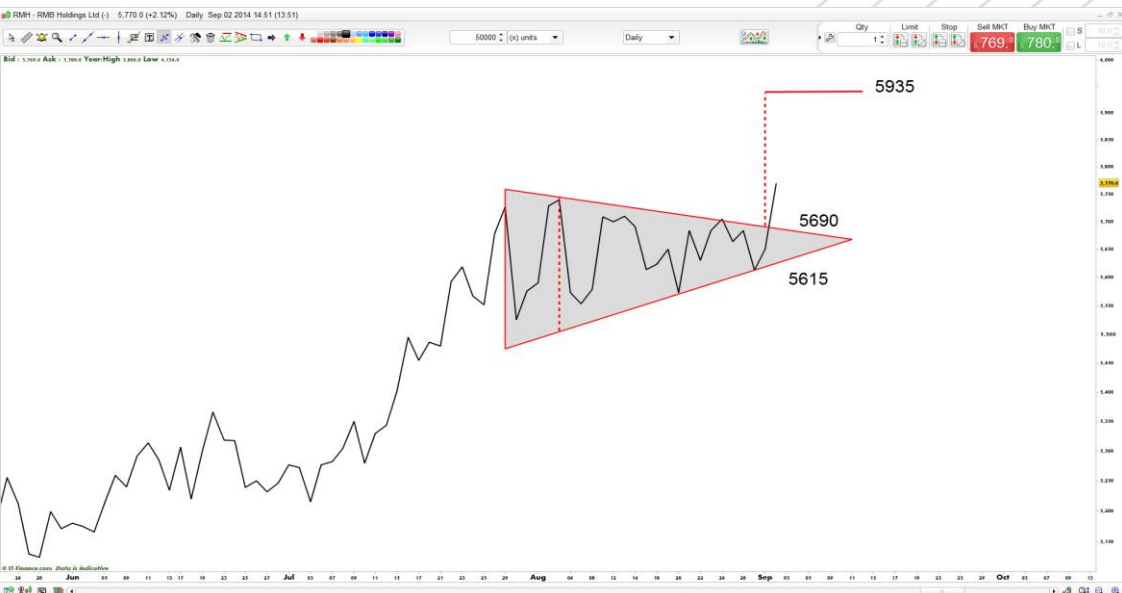
RMI HOLDINGS (Daily chart)

RMI Holdings is currently breaking out of an inverse head and shoulders formation (labelled L, H & R). The pattern marks a bullish reversal of the short-term downtrend from July 2014 to August 2014. The height of the pattern projected from the breakout level (vertical red lines) arrives at a proportionate upside target of 3590. Breakout traders who missed the initial breakout entry would be hoping for a pullback towards support at 3345 for long entry. The price trading below the right shoulder (labelled R) at 3240 would consider the failure of the pattern.



RMB HOLDINGS LTD (Daily chart)

The price of RMB Holdings is currently breaking out of a triangle consolidation. The price looks to be continuing the preceding uptrend and an upside target is projected from the pattern at 5935. A triangle target is derived by measuring the height of the pattern and projecting an equal distance from the breakout level. Conservative traders of these patterns might wait for a pullback towards the breakout level at 5690 for a second chance at long entry. The price closing below the support of the triangle at 5615 would indicate the failure of the aforementioned bullish indication.





5. MARKET OVERVIEW

Key Indicators

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

Banks

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

Financial

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

Food Retailers

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

Retailers

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

Construction

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



5. MARKET OVERVIEW CONTINUED...

Telecomms

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

Gold

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

Platinum

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

Resources

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

Industrials

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