



## TECHNICAL TUESDAYS

### Table of contents

1	<a href="#">South Africa 40 index</a> Technical analysis of the local index	2
2	<a href="#">Highs and lows</a> Shares making new highs or lows over 52 weeks	3
3	<a href="#">Pairs to watch</a> Sanlam Ltd vs RMI Holdings	3
4	<a href="#">Shares to watch</a>	4
5	<a href="#">Market overview</a> Technical analysis of the local market by sector	5

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# 1. SOUTH AFRICA 40 INDEX



## SOUTH AFRICA 40 INDEX

- South Africa 40 cash index has been increasingly difficult to predict as the short and medium-term consolidations persist and we await for directional confirmation
- Last weeks proposed bullish flag formation failed to confirm with a breakout before realizing the failure level suggested
- The blue arrows highlight failed breakouts of the short-term range between levels 45850 and 46500
- The lower horizontal level at 45550 has proven to be more relevant than the 45850 level as the price has experienced a short-term reversal off this level
- With this in mind, the lower support level at 45550 has been added and the 45850 level is removed moving forward
- The short-term weakness witnesses a gravitation towards support at 45550 and a break of this level favours a move towards the outskirts of the broader range at 45050
- In previous weeks, it has been guided that the price activity "churn" in the short-term carries a higher degree of risk in near-term trading and a true commitment to the continuation or reversal of the longer-term uptrend remains with the 45050 and 47160 levels
- It is with this reason waiting for renewed directional confirmation is preferred while the broader consolidation persists



## 2. HIGHS & LOWS

### SHARES | 52 WEEK HIGHS

SABMiller  
Intu Properties

### SHARES | 52 WEEK LOWS

Ellies  
African Rainbow Minerals  
Aquarius Platinum  
Lonmin

## 3. PAIRS TO WATCH

### SAMLAN LTD VS RMI HOLDINGS (Daily chart)

The chart considered is that of Sanlam (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 (Sanlam) has been underperforming security 2 (RMI 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 RMI Holdings and 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. Sanlam rising and RMI Holdings falling
2. Sanlam rising faster than RMI Holdings rising
3. Sanlam falling slower than RMI Holdings 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. SHARES TO WATCH

### ADCOCK INGRAM HOLDINGS LTD (Daily chart)

The price of Adcock looks to be forming a Bullish Harami (circled blue) candlestick reversal. The Stochastic Oscillator is crossing through its signal line in oversold territory, whilst showing a positive divergence with the price. Positive divergence occurs when the lows in the price and the lows on the indicator are not conforming to the same directional bias (dotted red lines). These are considered bullish indications and favour a short-term rebound in price with resistance anticipated at 5200. The price closing below support at 4620 would consider the failure of these bullish indications.



### MTN GROUP LTD (Daily chart)

The price of MTN looks to be forming a bullish Engulfing (circled blue) candlestick reversal. The bullish reversal is finding support on previous closing resistance at 24680, a phenomenon referred to as reverse polarity in Technical Analysis i.e. support becomes resistance and vice versa. The initial breakout of the 24680 level was supported by a strong increase in volume alluding to the sustainability of the initial move. A retest of resistance at 26335 provides the favoured target, while a price close below support at 24170 would consider the failure of the bullish indications.







## 5. MARKET OVERVIEW

### Key Indicators

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

### Banks

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

### Financial

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

### Food Retailers

	Near trend	Intermediate trend	Primary trend	Volatility	OB/OS
Pick 'n Pay	Sideways	Sideways	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	Decreasing	Neutral
JD Group	Sideways	Sideways	Down	Increasing	Overbought
Mr Price	Up	Up	Up	Decreasing	Neutral
Steinhoff	Sideways	Sideways	Up	Increasing	Overbought
Truworths	Up	Sideways	Down	Decreasing	Oversold
Woolworths	Down	Sideways	Up	Increasing	Oversold

### Construction

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



## 5. MARKET OVERVIEW CONTINUED...

### Telecomms

	Near trend	Intermediate trend	Primary trend	Volatility	OB/OS
MTN	Sideways	Up	Up	Decreasing	Neutral
Vodacom	Sideways	Sideways	Up	Decreasing	Oversold
Telkom	Sideways	Up	Up	Decreasing	Neutral

### Gold

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

### Platinum

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

### Resources

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

### Industrials

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