



## TECHNICAL TUESDAYS

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You can follow Shaun on Twitter at [@ShaunMurison\\_IG](#) for regular market updates and insight.

### TRADING STRATEGY AND MARKET UPDATE

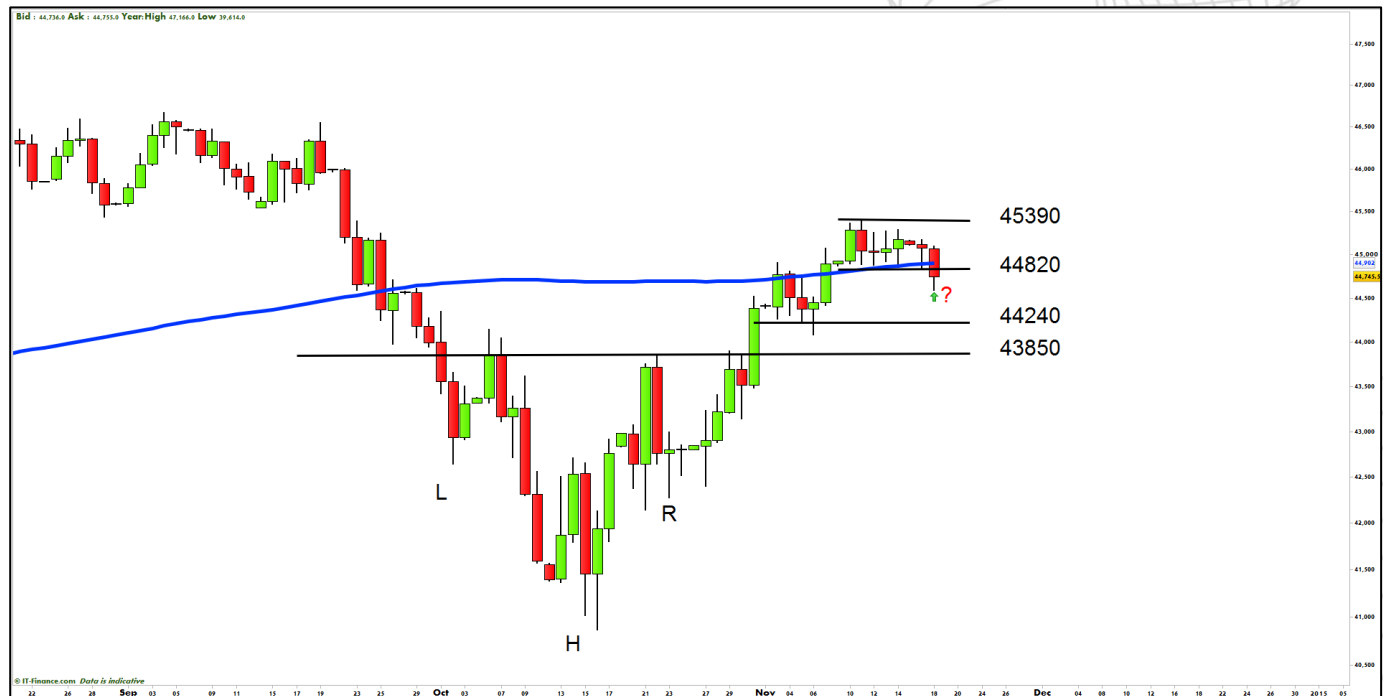
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# 1. SOUTH AFRICA 40 INDEX



## SOUTH AFRICA 40 INDEX

- South Africa 40 cash index has formed a new short-term trading range between levels 44820 and 45390
- At the time of writing, there is an intraday downside breakout of this range (labelled with arrow and ?) which is only confirmed should the price close below 44820
- Should the breakout confirm, the next level of support is favoured at 44240, which if broken, further favours a move to 43850
- Should the intraday breakout fail with the price closing back above 44820 a move back towards short-term resistance is favoured at 45390
- As the longer- head and shoulders formation (L,H and R) remains valid, all the above scenarios alluded to find preference with a term inverse bullish bias
- i.e. Should weakness occur, it may afford long entry from support rather than short entry against the recent bullish momentum
- Only if the current intraday retrace evolves from shallow to deep, i.e. below 43850, would a renewed bearish bias be considered



## 2. HIGHS & LOWS

### SHARES | 52 WEEK HIGHS

Zedar Investments  
Netcare  
Tsogo Sun Holdings  
Bidvest  
Telkom SA  
Spar Group  
EOH Holdings  
JSE Ltd  
Lewis Group  
Mr Price

### SHARES | 52 WEEK LOWS

Evraz Highveld Steel  
Allied Electronics Corp  
African Rainbow Minerals  
Murray and Roberts  
Aveng  
Wilson Bayly Holmes  
Aquarius Platinum  
PPC Ltd  
Assore  
Coal of Africa  
Group Five Ltd

## 3. EQUITIES TO WATCH

### IMPALA PLATINUM VS ANGLO AMERICAN PLATINUM (Daily chart)

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

Should one of these scenarios play out successfully the expectation would be for a net gain of 4.5%. A stop-loss would be considered equal to the anticipated gain of 4.5%.





## 3. EQUITIES TO WATCH CONTINUED

### MEDICLINIC INTERNATIONAL LTD VS NETCARE LTD (Daily chart)

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

Should one of these scenarios play out successfully the expectation would be for a net gain of 5.4%. A stop-loss would be considered equal to the anticipated gain of 5.4%.





**CIE FINANCIERE RICHEMONT (SA) (Daily chart)**

The price of Richemont has consolidated into a falling wedge formation. This move shows a slow cumbersome move down after a strong forceful move up, alluding to the underlying momentum remaining bullish. The strong move up was accompanied high volume, while the downward consolidation has been accompanied by low volume. This volume pattern is considered bullish and supports the price formation. A move towards initial wedge resistance is favoured at 9740, a break of which further favours a move towards the short term high at 9900. The price closing below horizontal support at 9290 would consider the failure of the bullish indications.





## 4. MARKET OVERVIEW

### Key Indicators

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

### Banks

|                 | Near trend | Intermediate trend | Primary trend | Volatility | OB/OS      |
|-----------------|------------|--------------------|---------------|------------|------------|
| Barclays Africa | Up         | Up                 | Up            | Decreasing | Overbought |
| FirstRand       | Up         | Up                 | Up            | Decreasing | Overbought |
| Nedbank         | Up         | Up                 | Up            | Decreasing | Overbought |
| Standard Bank   | Up         | Up                 | Up            | Decreasing | Neutral    |

### 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 | Overbought |
| Liberty Holdings | Up         | Up                 | Up            | Decreasing | Overbought |
| Old Mutual       | Up         | Up                 | Up            | Decreasing | Neutral    |

### Food Retailers

|             | Near trend | Intermediate trend | Primary trend | Volatility | OB/OS      |
|-------------|------------|--------------------|---------------|------------|------------|
| Pick 'n Pay | Up         | Sideways           | Up            | Increasing | Overbought |
| Shoprite    | Up         | Up                 | Up            | Decreasing | Overbought |
| Spar        | Up         | Up                 | Up            | Increasing | Overbought |

### Retailers

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

### Construction

|            | Near trend | Intermediate trend | Primary trend | Volatility | OB/OS    |
|------------|------------|--------------------|---------------|------------|----------|
| Aveng      | Down       | Down               | Down          | Increasing | Oversold |
| Group Five | Down       | Down               | Down          | Increasing | Oversold |
| M & R      | Down       | Down               | Down          | Increasing | Oversold |
| WBHO       | Down       | Down               | Down          | Increasing | Oversold |



## 4. MARKET OVERVIEW CONTINUED...

### Telecomms

|         | Near trend | Intermediate trend | Primary trend | Volatility | OB/OS      |
|---------|------------|--------------------|---------------|------------|------------|
| MTN     | Down       | Down               | Up            | Flat       | Oversold   |
| Vodacom | Sideways   | Sideways           | Up            | Decreasing | Neutral    |
| Telkom  | Up         | Up                 | Up            | Decreasing | Overbought |

### Gold

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

### Platinum

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

### Resources

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

### Industrials

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