



TECHNICAL TUESDAYS

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SHAUN MURISON

Shaun has worked in financial markets for over seven years, and previously ran IG's KZN branch before moving to Johannesburg.

As market analyst he presents our CFD trading seminars around the country. In addition, Shaun is a regular commentator on the local financial markets, making contributions to various media (such as CNBC Africa and Business Day) and writing daily and weekly market reports. He is a registered person as well as Certified Market Technician (CFTE).



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

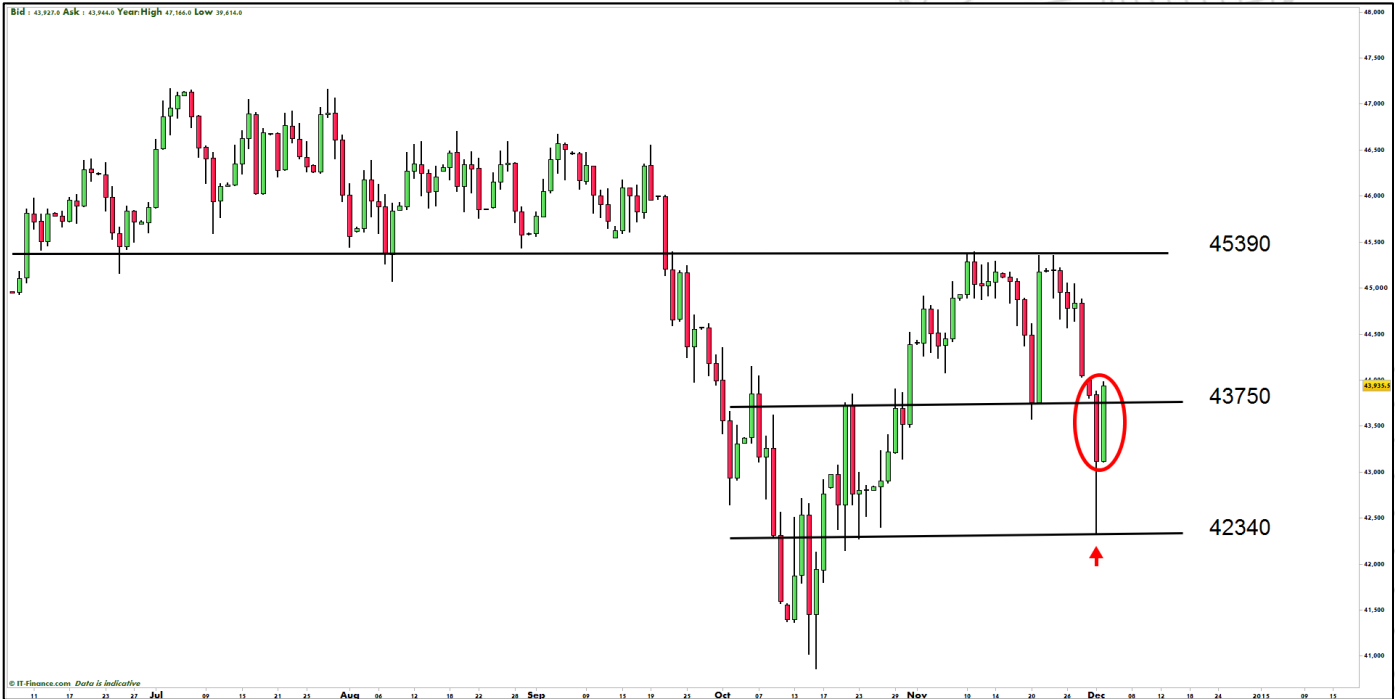
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1. SOUTH AFRICA 40 INDEX



SOUTH AFRICA 40 INDEX

- South Africa 40 cash index continued to pullback after finding resistance at the 45390 level, breaking below the trend line support guided at 44300 as well as horizontal support at 43750
- The trend line from last week has now been removed from the chart, as it is considered to be no longer valid
- The loss of momentum in the uptrend alludes to the inverse head and shoulders pattern no longer being relevant and it has therefore been removed from the chart as well
- The price experienced an intraday bullish reversal after reaching a short-term low at 42340
- Tuesday witnesses the intraday price reversal continuing and the two days combined (circled red) have formed a bullish engulfing candle pattern
- The horizontal level at 43750 is considered a pivotal point at present as we struggle to confirm clear trend direction
- The bullish engulfing, if confirmed with a close above 43750, considers a retest of resistance at 45390
- Should the price not manage to hold above the 43750 level a retest of the recent low at 42340 is considered



2. HIGHS & LOWS

SHARES | 52 WEEK HIGHS

Lewis Group
Telkom SA
Resilient Property

SHARES | 52 WEEK LOWS

Group Five
Lonmin Plc
Anglo American Plc
BHP Billiton
AngloGold Ashanti
Impala Platinum
Assore
Sentula Mining
Kumba Iron Ore
ArcelorMittal

3. PAIRS TO WATCH

MTN GROUP LTD VS VODACOM GROUP LTD (Daily chart)

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

Should one of these scenarios play out successfully the expectation would be for a net gain of 9%. A stop-loss would be considered equal to the anticipated gain of 9%.





4. EQUITIES TO WATCH

SAPPI LTD (Daily chart)

Sappi has been trading in a sideways medium-term range and looks to have found support at 4045, the lower end of this range. The price has also found support on the long-term gauge of trend the 200 day simple moving average (blue line). At this level of support, we see the stochastic oscillator crossing through its trigger line in oversold territory. These are considered bullish indications in technical analysis and a move towards resistance at 4350 is favoured, a break of which further favours the next level of resistance at 4500. A price close below the next level of support at 3920 would consider the failure of the bullish indications.



MEDICLINIC INTERNATIONAL LTD (Daily chart)

The price of Mediclinic has formed a falling wedge (shaded grey) which was preceded by an uptrend. The wedge suggests a weak move down after a strong move up in the current context, alluding to the momentum remaining bullish. The stochastic is moving out of oversold territory as the price finds support on the wedge formation. These indications are considered short-term bullish favouring a move towards resistance at 9680, a break of which further favours the next level of resistance at 10000. A price close below the short-term low at 9000 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	Up	Up	Up	Decreasing	Neutral
South Africa 40	Sideways	Up	Sideways	Increasing	Neutral
USD/ZAR	Sideways	Sideways	Up	Decreasing	Neutral
Spot Gold	Sideways	Down	Down	Flat	Neutral

Banks

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

Financial

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

Food Retailers

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

Retailers

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

Construction

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



5. MARKET OVERVIEW CONTINUED...

Telecomms

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

Gold

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

Platinum

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

Resources

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

Industrials

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