



TECHNICAL TUESDAYS

Table of contents

1	South Africa 40 index Technical analysis of the local index	2
2	Highs and lows Shares making new highs or lows over 52 weeks	3
3	Pairs to watch MTN Group Ltd vs Vodacom Group Ltd	3
4	Equities to watch	4
5	Market overview Technical analysis of the local market by sector	5

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

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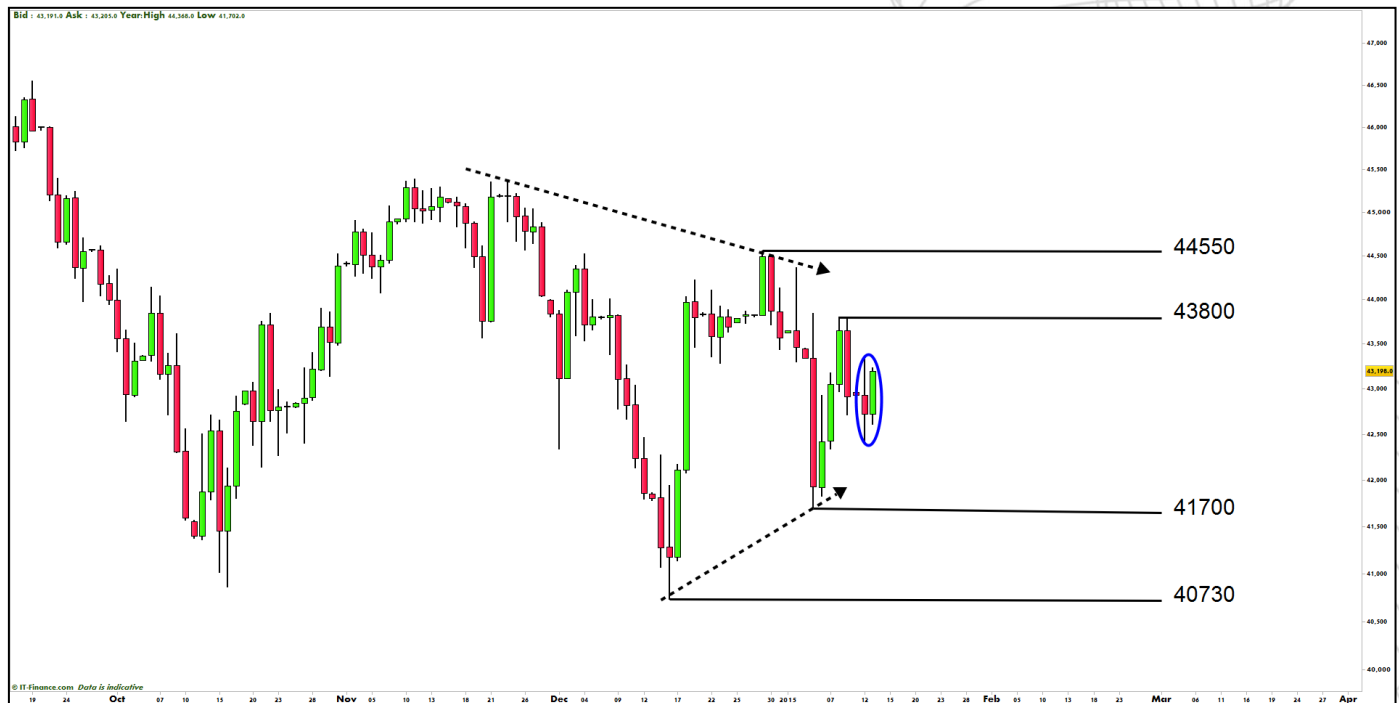
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1. SOUTH AFRICA 40 INDEX



SOUTH AFRICA 40 INDEX

- The South Africa 40 Cash Index remains in limbo in the medium to long-term, having not yet shown a real commitment to a direction
- The arrows on the chart highlight falling highs as well as rising lows, supporting the view that we currently have no clear directional bias at present
- With this in mind, traders would do well to exercise patience by waiting for the market to reveal its hand further before getting involved (medium to long-term)
- The price is currently trading more or less in the center of the range between support at 41700 and resistance at 43800 (the most recent turning points for the price)
- Circled blue we have a bullish engulfing pattern forming, although not yet confirmed with a close
- If completed, the pattern alludes to the short-term bias as being bullish, favouring a move towards resistance at 43800
- Should this level be exceeded the next level of resistance is anticipated at 44550



2. HIGHS & LOWS

SHARES | 52 WEEK HIGHS

Gold Fields Ltd
Pioneer Foods Ltd
PSG Group Ltd
Lewis Group Ltd

SHARES | 52 WEEK LOWS

Anglo American PLC
Sasol Ltd
Grindrod Ltd
PPC Ltd
Keaton Energy Holdings Ltd

3. PAIRS TO WATCH

MTN GROUP LTD VS VODACOM LTD (Daily chart)

The chart considered is that of MTN 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 (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 falling
2. MTN rising faster than Vodacom rising
3. MTN falling slower than Vodacom falling.

Should one of these scenarios play out successfully the expectation would be for a net gain of 8%. A stop-loss would be considered equal to the anticipated gain of 8%.



4. EQUITIES TO WATCH

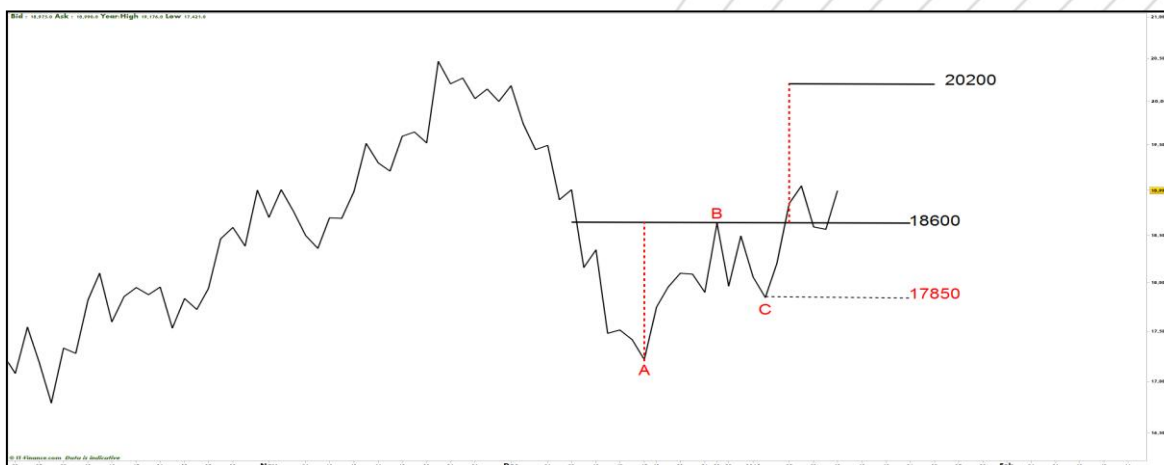
TELKOM SA LTD (Daily chart)

The price Telkom has formed an ascending triangle formation in a long-term uptrend. These patterns are often referred to as continuation patterns, as they have a habit of occurring before the preceding trend is continued. It is however prudent to wait for a breakout in either direction rather than preempting that direction. An upside breakout is considered should the price close above 7100, while a downside breakout is considered should the price close below 6340. A directional move proportional to the height of the pattern (850c) is expected with triangle formations when a breakout does occur. Breakout traders may prefer an upside breakout as an opportunity for long entry as it's in line with the long-term uptrend. A downside breakout is expected to carry a higher degree of risk for short entries, as it is against the uptrend and trend followers may wait for the weakness to play out before considering long entry into the share. The volume bars on the chart show a period of low trader/investor participation at this point, which is typical of short-term consolidations such as this one. Breakout traders may use a significant increase in volume to confirm a true breakout of the consolidation when it does occur. In an upside breakout scenario failure would be considered should the price close below 6340.



IMPERIAL HOLDINGS LTD (Daily chart)

After a short-term downtrend the price of Imperial has formed an ABC reversal pattern. Much like an inverse head and shoulders pattern, this formation alludes to the recent move down now being reversed into an uptrend. The height of the pattern (A to B) projected from the breakout level (18600) arrives at a proportional target at 20200. The price losing its upward momentum and closing below 17850 (C) would allude to the failure of this bullish reversal pattern.





5. MARKET OVERVIEW

Key Indicators

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

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	Flat	Neutral
Standard Bank	Sideways	Up	Up	Flat	Neutral

Financial

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

Food Retailers

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

Retailers

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

Construction

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



5. MARKET OVERVIEW CONTINUED...

Telecomms

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

Gold

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

Platinum

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

Resources

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

Industrials

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