



TECHNICAL TUESDAY

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1. SOUTH AFRICA 40 INDEX



SOUTH AFRICA 40 INDEX

- The SA40 cash index continued to find resistance at the guided gap level (46860), following which another downside gap and breakout was confirmed
- The price has traded aggressively through the support targets and in so doing has put the larger head and shoulders pattern (labelled L, H & R) into play
- The pattern warns of a possible change in the longer-term directional trend
- The next support level considered is at 43800, which if broken considers the next level of support significantly lower at 41700
- Breakout traders who have missed the initial breakout might consider waiting for a pullback towards resistance at 45180 for short entry favouring further downside
- The index would need to produce significant gains for renewed upside to become favoured i.e. a close above gap resistance at 46215



2. HIGHS & LOWS

SHARES | 52 WEEK HIGHS

Mpact Ltd
Peregrine Holdings Ltd

SHARES | 52 WEEK LOWS

Harmony Gold Mining Ltd
Aquarius Platinum Ltd
Impala Platinum Holdings Ltd
Sappi Ltd
African Rainbow Minerals Ltd
Anglo American Platinum Ltd
Anglo American PLC (SA)
Coronation Fund Managers Ltd
SacOil Holdings Ltd (SA)
Assore Ltd

3. EQUITIES IN FOCUS

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 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 4.5%. A stop-loss would be considered equal to the anticipated gain of 4.5%.





3. EQUITIES IN FOCUS CONTINUED...

DISCOVERY LTD (Daily chart)

Discovery looks to be forming an inverse head and shoulders formation, although the pattern is not yet complete. The pattern alludes to the possibility of the recent downtrend reversing into an uptrend. A break above 12950 is needed to put the pattern in play. Should this occur, the height of the pattern projected predicts an upside target at 14385. A close below the right shoulder at 12200 would suggest the failure of the reversal pattern and possibly further downside to the recent low at 11600.



LIFE HEALTHCARE GROUP HOLDINGS LTD (Daily chart)

Life Healthcare looks to be breaking out (to the downside) of a short-term consolidation after finding resistance on the 50 day simple moving average (blue line on chart). The Stochastic has also just crossed out of overbought territory supporting the price action. These indications are considered short term bearish and the height of the consolidation projected from the breakout level suggests a downside target of 3550, which if broken further favours a move towards support at 3460. A close above the 50 day moving average at 3770 would consider the failure of the bearish indications.





4. MARKET OVERVIEW

Key Indicators

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

Banks

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

Financial

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

Food Retailers

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

Retailers

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

Construction

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



4. MARKET OVERVIEW CONTINUED...

Telecomms

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

Gold

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

Platinum

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

Resources

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

Industrials

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