



TECHNICAL TUESDAY

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1. SOUTH AFRICA 40 INDEX



SOUTH AFRICA 40 INDEX

- The South Africa 40 index broke out of the consolidation (red rectangle) highlighted last week and traded through the initial resistance target
- The price has since found resistance on the upper trend line
- A shooting star and bearish engulfing candle pattern (circled red) marked the end of the short-term rally whilst warning of a possible retracement to follow
- The retracement is currently underway and support is being tested at 44460
- The short-term momentum is still considered bullish as we are experiencing the first pullback from the range breakout
- Breakout traders might look for a bullish reversal before the trend line support at 43800 targeting a move back to resistance at 46500
- A close below support at 42900 would consider the failure of a move up and suggest renewed downside momentum



2. HIGHS & LOWS

SHARES | 52 WEEK HIGHS

No new highs this week

SHARES | 52 WEEK LOWS

Massmart Holdings Ltd
Nampak Ltd
Sun International Ltd
Trencor Ltd
Aveng Ltd
Allied Electronics Corp Ltd
Lonmin Plc (SA)
Assore Ltd

3. EQUITIES IN FOCUS

FOSCHINI GROUP LTD (Daily chart)

The price of the Foschini Group has broken out of a rising wedge formation. The pattern in the current context is considered a bearish continuation pattern in that it warns of the preceding downtrend resuming. The initial downside target favoured is 13970, a break of which further favours 13220. A close above resistance at 15475 would consider the failure of the bearish indication.





4. PAIRS IN FOCUS

NEW GOLD PLATINUM ETF VS NEWGOLD ISSUER LTD (Daily chart)

The chart considered is that of NewGold Issuer Ltd (candlestick) with a Relative Strength Comparison (RSC) indicator added. The RSC (blue line) compares the price of one security with that of another in ratio format. The RSC has experienced a decline in value recently which highlights that security 1 (New Gold Platinum ETF) has been underperforming security 2 (NewGold Issuer). 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 New Gold Platinum ETF, short New Gold ETF. 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. New Gold Platinum ETF rising and NewGold Issuer falling
2. New Gold Platinum ETF rising faster than NewGold Issuer rising
3. New Gold Platinum ETF falling slower than NewGold Issuer falling

Should one of these scenarios play out successfully the expectation would be for a net gain of 3.8%. A stop-loss would be considered equal to the anticipated gain of 3.8%.





4. EQUITIES IN FOCUS CONTINUED...

ANGLO AMERICAN PLATINUM PLC VS BHP BILLITON PLC (SA) (Daily chart)

The chart considered is that of **Anglo American Plc** (candlestick) with a Relative Strength Comparison (RSC) indicator added. The RSC (blue line) compares the price of one security with that of another in ratio format. The RSC has experienced a decline in value recently which highlights that security 1 (**Anglo American Plc**) has been underperforming security 2 (Billiton). 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 to normality favouring a possible pair trade opportunity i.e. long **Anglo American Plc**, short Billiton. 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. Anglo American Plc rising and Billiton falling
2. Anglo American Plc rising faster than Billiton rising
3. Anglo American Plc falling slower than Billiton falling.

Should one of these scenarios play out successfully the expectation would be for a net gain of 5%. A stop-loss would be considered equal to the anticipated gain of 5%.





5. MARKET OVERVIEW

Key Indicators

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

Banks

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

Financial

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

Food Retailers

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

Retailers

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

Construction

	Near trend	Intermediate trend	Primary trend	Volatility	OB/OS
Aveng	Sideways	Sideways	Down	Increasing	Oversold
Group Five	Sideways	Down	Down	Increasing	Oversold
M & R	Sideways	Sideways	Down	Increasing	Overbought
WBHO	Up	Sideways	Sideways	Increasing	Overbought



5. MARKET OVERVIEW CONTINUED...

Telecomms

	Near trend	Intermediate trend	Primary trend	Volatility	OB/OS
MTN	Sideways	Down	Down	Flat	Neutral
Vodacom	Sideways	Sideways	Sideways	Flat	Neutral
Telkom	Sideways	Sideways	Down	Flat	Overbought

Gold

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

Platinum

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

Resources

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

Industrials

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