



TECHNICAL TUESDAY

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	Equities in focus Telkom SA SOC Ltd Firststrand Ltd vs Nedbank Group Ltd Brait SE (SA)	3
4	Market overview Technical analysis of the local market by sector	5

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, contributing 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](#) for regular market updates and insight.

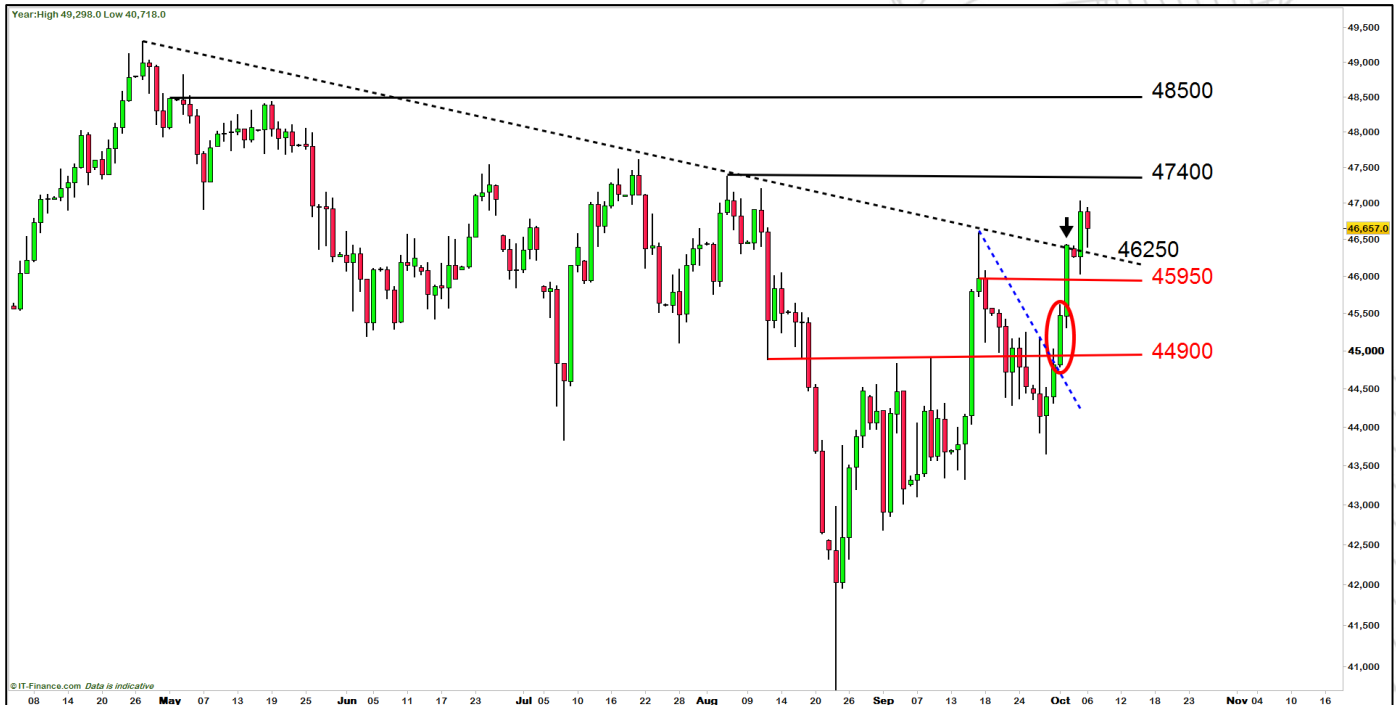
TRADING STRATEGY AND MARKET UPDATE

Attend one of our free seminars to refine your trading strategy, with the help of our market experts

20 OCTOBER | Stellenbosch | [Register](#)

21 OCTOBER | Cape Town | [Register](#)

1. SOUTH AFRICA 40 INDEX



SOUTH AFRICA 40 INDEX

- The South Africa 40 cash index triggered the upside breakout (circled red) from the short-term decline (blue line) and traded to our trend line resistance target at 46400 (black arrow)
- A break of the black dotted trend confirms the short-term upward momentum and the next upside resistance target is now considered (and favoured) at 47400
- A break of 47400 further favours a move to 48500
- The dotted trend line now anticipates a support level at 46250
- A close below 45950 would imply a failure of the short-term bullish momentum and possible retest of support at 44900



2. HIGHS & LOWS

SHARES | 52 WEEK HIGHS

Cie Financiere Richemont (SA)
 Capital Property Fund
 PSG Group
 Bidvest Group Ltd
 Steinhoff International Holdings Ltd
 Resilient Property Income Fund Ltd
 Famous Brands Ltd
 Intu Properties Plc (SA)
 Reinet Investments SCA

SHARES | 52 WEEK LOWS

Aeci Ltd

3. EQUITIES IN FOCUS

FIRSTRAND LTD VS NEDBANK GROUP LTD (Daily chart)

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



3. EQUITIES IN FOCUS CONTINUED

TELKOM SA SOC LTD (Daily chart)

The price of Telkom has formed a bearish reversal candle pattern (circled red) off the resistance of the upward channel (parallel black lines). The slow upward nature of the channel suggests a consolidation rather than a committed upward trend and presents a possible range trading opportunity. Horizontal support at 6420 is the initial downside target favoured, a break of which further favours a move to support at 5895. Should the reversal not translate into further declines and the price rally to close above channel resistance at 7100, the bearish indications would be deemed to have failed.



BRAIT SE (SA) (Daily chart)

The price of Brait SE has broken out of a triangle shaped consolidation and looks to be renewing gains in line with the longer-term uptrend. The recent closing and intraday highs provide the favoured upside targets at 15915 and 16330 respectively. Conservative breakout traders might hope for a retest of triangle support at around 14000 for long entry. A close below support at 13300 would consider the failure of the upside breakout.





4. MARKET OVERVIEW

Key Indicators

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

Banks

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

Financial

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

Food Retailers

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

Retailers

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

Construction

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



4. 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	Up	Sideways	Sideways	Decreasing	Neutral

Gold

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

Platinum

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

Resources

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

Industrials

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