



TECHNICAL TUESDAYS

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1. SOUTH AFRICA 40 INDEX



SOUTH AFRICA 40 INDEX

- The South Africa 40 cash index looks to be breaking out of the small triangle/pennant formation on our chart from last week.
- The breakout alludes to a short term reversal of the move up rather than a continuation thereof.
- Trend followers might consider accumulating long into the current weakness from around support at 46600.
- Should the weakness extend to close below 45950 a failure of the recent bullish momentum is considered.

2. HIGHS & LOWS

SHARES | 52 WEEK HIGHS

Arrowhead Properties
 Intu Properties
 Iliad Africa Ltd
 British American Tabaco Ltd
 Satrix INDI Ltd
 Discovery Ltd
 Bidvest Group Ltd
 SacOil Holding Ltd

SHARES | 52 WEEK LOWS

Murray & Roberts Holdings Ltd
 Adcorp Holdings Ltd

3. EQUITIES IN FOCUS

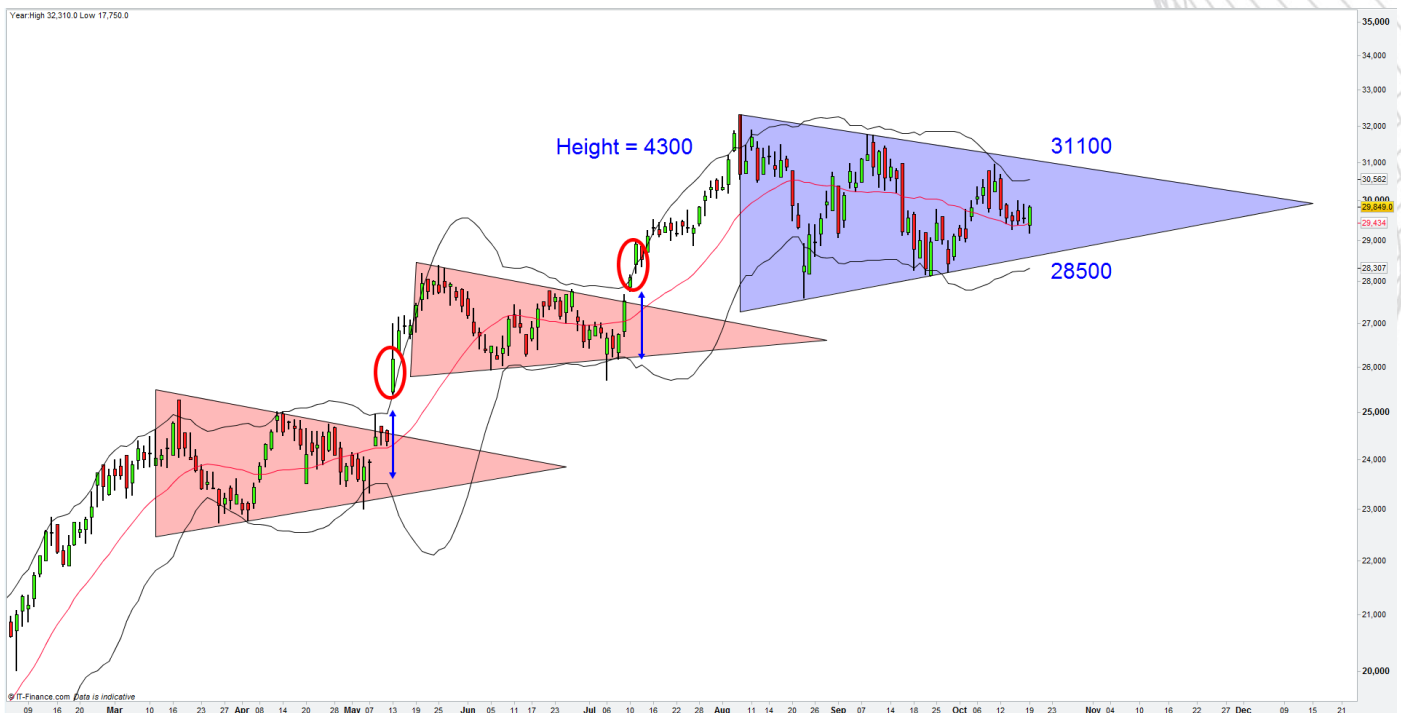
MONDI LTD (Daily chart)

The share price of Mondi Ltd has consolidated into a triangle shaped pattern (blue triangle). These types of consolidations are generally considered continuation patterns as they have a habit of forming before the trend which preceded the pattern is renewed. It is however prudent to wait for a breakout to occur before pre-empting the breakout direction.

The red triangles on the chart show recent occurrences of the pattern before an uptrend on Mondi Ltd was renewed. Bollinger bands have been added to the chart as they are commonly used as a filter for these types of breakout scenarios.

Breakout traders might consider a close outside of the Bollinger band accompanied by a sharp widening of the distance between the upper and lower band for confirmation of the breakout. The blue arrows and red circles on the chart illustrate previous occurrences of these Bollinger breakouts. An upside breakout is considered should the price manage to close above resistance at 31100. The height of the pattern predicts a proportionate directional move in the region of 4300c when the breakout finally occurs.

A downside breakout is considered with a price close below 28500, although should this scenario manifest, trend followers might prefer to wait for weakness to play out rather than trade against the long term uptrend.





STEINHOFF INTERNATIONAL LIMITED (Daily chart)

Since pulling back from an all-time high, Steinhoff international looks to have formed a bullish price reversal. This is supported by the Stochastic crossing out of oversold territory, whilst displaying a positive divergence with the price (blue lines on chart). These indications are in line with the long term uptrend and are considered bullish in technical analysis terms. The resistance levels at 8630, 8740 and 8875 (in extension) are the favoured upside targets, while a close below the low at 8050 would consider the failure of the bullish indications.





RMI HOLDINGS LIMITED VS DISCOVERY LIMITED (Daily chart)

The chart considered is that of RMI Holdings (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 (RMI Holdings) has been underperforming security 2 (Discovery). 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 RMI Holdings Short Discovery. 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. RMI Holdings rising and Discovery falling
2. RMI Holdings rising faster than Discovery rising
3. RMI Holdings falling slower than Discovery falling.

Should one of these scenarios play out successfully the expectation would be for a net gain of 4.9%. A stop-loss would be considered equal to the anticipated gain of 4.9%.





4. MARKET OVERVIEW

| Key Indicators | Near trend | Intermediate trend | Primary trend | Volatility | OB/OS |
|-----------------|------------|--------------------|---------------|------------|------------|
| S&P 500 | Up | Sideways | Sideways | Increasing | Overbought |
| South Africa 40 | Up | Up | Sideways | Decreasing | Overbought |
| USD/ZAR | Sideways | Up | Up | Flat | Oversold |
| Spot Gold | Up | Up | Sideways | Increasing | Overbought |

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

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

| Food Retailers | Near trend | Intermediate trend | Primary trend | Volatility | OB/OS |
|----------------|------------|--------------------|---------------|------------|---------|
| Pick 'n Pay | Sideways | Sideways | Up | Decreasing | Neutral |
| Shoprite | Sideways | Sideways | Sideways | Increasing | Neutral |
| Spar | Sideways | Sideways | Sideways | Flat | Neutral |

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

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



4. MARKET OVERVIEW CONTINUED...

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

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

| Platinum | | | | | |
|-----------|------------|--------------------|---------------|------------|------------|
| | Near trend | Intermediate trend | Primary trend | Volatility | OB/OS |
| Angloplat | Sideways | Sideways | Down | Decreasing | Overbought |
| Impala | Sideways | Sideways | Down | Increasing | Overbought |
| Lonmin | Sideways | Sideways | Down | Flat | Neutral |
| Northam | Sideways | Sideways | Down | Flat | Neutral |

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

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