



TECHNICAL TUESDAYS

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1. SOUTH AFRICA 40 INDEX



SOUTH AFRICA 40 INDEX

- The South Africa 40 cash index has corrected from the short term high (49117) in to what appears to be a bullish flag formation (marked with blue parallel lines).
- This pattern marks a slow correction after a strong gain alluding to the momentum as remaining bullish.
- Short term gains have resumed in line with the long term uptrend and the recent high at 49117 is the initial target favoured, a break of which further favours a test of channel resistance at 49780.
- A close below the short term low at 47600 would consider the failure of the flag formation, while a close below 47100 would see the uptrend in place reassessed.



2. HIGHS & LOWS

SHARES | 52 WEEK HIGHS

Clicks Group Ltd
Wilson Bayly Holmes-Ovcon Ltd
Brait SE (SA) Ltd
KAP Industrial Holdings
Reinet Investments SC
Sappi Ltd
SAB Miller Plc (SA)
Mondi Ltd (SA)
PSG Group Ltd

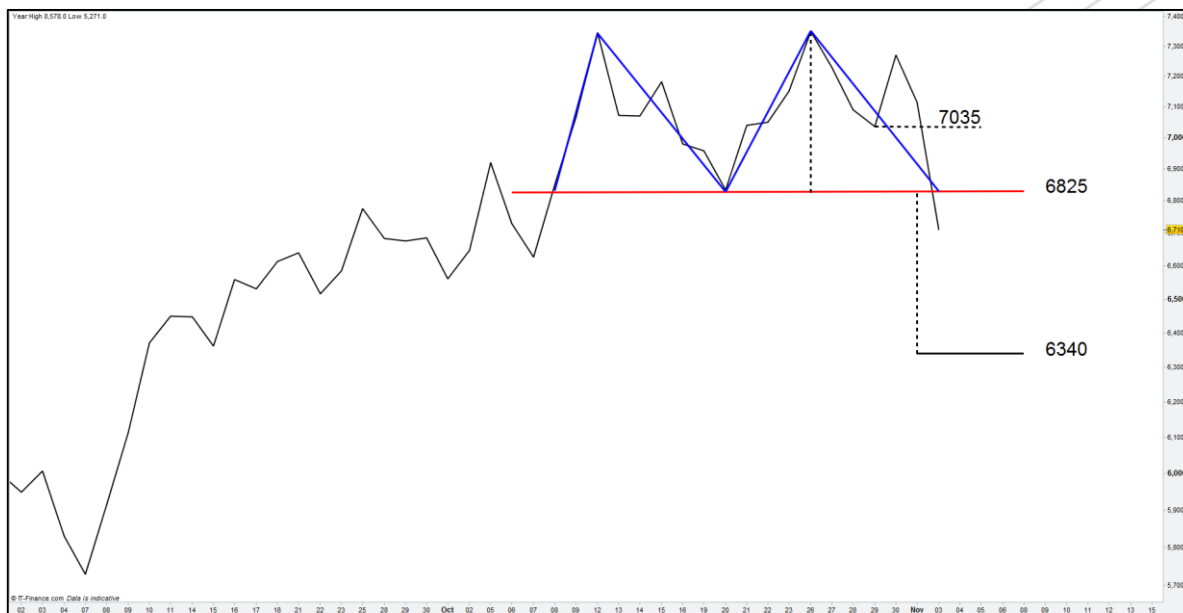
SHARES | 52 WEEK LOWS

Nampak Ltd
Shoprite Holdings Ltd
PPC Ltd
ArcelorMittal South Africa
MTN Group Ltd

3. EQUITIES IN FOCUS

TELKOM (Daily chart)

The share price of Telkom has formed a double top reversal pattern marked with the blue "M" shape. This pattern warns of a reversal in the price trend from up to down. The height of the pattern projected from the breakout level (6825) arrives at a proportionate downside target of 6340. Should the price rebound and close above the resistance level at 7035, the bearish indication would be deemed to have failed



TRUWORTHS INTERNATIONAL LIMITED (Daily chart)

After failing to reach range high resistance at 9730, Truworths International has formed a bearish price reversal circled blue (shooting star & bearish engulfing). The stochastic is currently moving out of overbought territory whilst showing a bearish divergence with the price (red lines on indicator and price). These are considered bearish indications in technical analysis and favour a short term decline in the share price of Truworths International. The initial support target is considered at 8575, a break of which further favours a move to the next level of support at 8270. However, should the price renew gains and close above the short term high at 9600, the aforementioned bearish indications would be deemed to have failed.



BHP BILLITON PLC (SA) VS SASOL LTD (Daily chart)

The chart considered is that of Billiton (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 (Billiton) has been underperforming security 2 (Sasol). 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 Billiton Short Sasol. 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. Billiton rising and Sasol falling
2. Billiton rising faster than Sasol rising
3. Billiton falling slower than Sasol 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. MARKET OVERVIEW

Key Indicators

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

Banks

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

Financial

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

Food Retailers

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

Retailers

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

Construction

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



4. MARKET OVERVIEW CONTINUED...

Telecomms

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

Gold

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

Platinum

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

Resources

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

Industrials

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