



TECHNICAL TUESDAYS

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1. SOUTH AFRICA 40 INDEX



SOUTH AFRICA 40 INDEX

- Over the last week, the South Africa 40 cash index rallied from the flag breakout (flag = blue parallel lines) to reach the initial resistance target at 49117, although failed to extend gains and reach the channel resistance target.
- The price is currently below the 47600 failure level and testing a confluence of trend line and horizontal support at 47100. The 47100 level appears critical and a close below could suggest a short term reversal of the uptrend.
- The next level of support is considered at 45900 which if broken considers 44200 as a lower level of support.
- Traders with a bullish bias might prefer to wait for weakness to play out to at least the first level of support (if downside breakout manifests) before committing to further upside.
- Should support at 47100 not be broken, trend followers might prefer a price close above 47600 to confirm the renewal of short term gains.



2. HIGHS & LOWS

SHARES | 52 WEEK HIGHS

Capital Property Fund
Iliad Africa Ltd
Naspers Ltd
Sappi Ltd
Reunert Ltd

SHARES | 52 WEEK LOWS

Growthpoint Properties Allied
BHP Billiton PLC (SA)
Attacq Ltd
Impala Platinum Holdings Ltd
Satrux RESI
Adcorp Holdings Ltd
Allied Electronics Corporation
Shoprite Holdings Ltd
Aveng Ltd
Anglo American PLC (SA)
Murray & Roberts Holdings Ltd
Grand Parade Investments Ltd
PPC Ltd
Anglo American Platinum Ltd
ArcelorMittal South Africa
Kumba Iron Ore Ltd
Lonmin PLC (SA)

3. EQUITIES IN FOCUS

CORONATION FUND MANAGERS LTD (Daily chart)

The share price of Coronation Fund Managers has pulled back to the breakout area (diagonal blue line) of the inverse head and shoulders pattern labelled L, H and R on the chart. The pullback is also the first of its sort since the bullish crossover of the 20 and 50 day simple moving averages (marked with arrow). Both the moving average crossover and inverse head and shoulders suggest a change in directional trend from down to up. The short term high at 7860 is the initial target favoured, a break of which further favours a move to the patterns projected target at 8080. Should weakness resume and the price close below support at 6720, the bullish indications would be deemed to have failed.



**WILSON BAYLY HOLMES-OVCON LIMITED (Daily chart)**

Wilson Bayly Holmes-Ovcon has seen its share price correcting for the first time from the rally which commenced late in August 2015. The price has now formed a single candlestick reversal (circled blue) off support at 11545. The 20 day moving average trades firmly above the 50 day simple moving average suggesting that the short to medium term trends remain firmly up. The stochastic is in oversold territory, suggesting that the correction maybe overdone. These are considered bullish indications in technical analysis and a move back towards resistance at 13510 is favoured. However, should the price resume a short term decline and close below support at 11545, the bullish indications would be deemed to have failed.





CAPITEC BANK HOLDINGS VS THE PSG GROUP LTD (Daily chart)

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

Should one of these scenarios play out successfully the expectation would be for a net gain of 4.4%. A stop-loss would be considered equal to the anticipated gain of 4.4%.





4. MARKET OVERVIEW

Key Indicators

	Near trend	Intermediate trend	Primary trend	Volatility	OB/OS
S&P 500	Up	Up	Up	Decreasing	Neutral
South Africa 40	Sideways	Up	Up	Flat	Oversold
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	Sideways	Sideways	Down	Flat	Neutral
FirstRand	Sideways	Sideways	Down	Decreasing	Neutral
Nedbank	Sideways	Sideways	Down	Increasing	Oversold
Standard Bank	Sideways	Sideways	Down	Increasing	Oversold

Financial

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

Food Retailers

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

Retailers

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



4. MARKET OVERVIEW CONTINUED...

Telecomms

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

Gold

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

Resources

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

Industrials

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