



TECHNICAL TUESDAY

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You can follow Shaun on Twitter at [@ShaunMurison](#) for regular market updates and insight.



1. SOUTH AFRICA 40 INDEX



SOUTH AFRICA 40 INDEX

- The South Africa 40 cash index has continued the consolidation alluded to last week
- An intraday break of the 46200 level failed to confirm with a close and in turn, a new short-term low extends the support of the range to 46090
- Range traders might be tempted to accumulate at current levels using a downside breakout as a possible failure indication
- A close below 46090 would consider a downside breakout, in which case 45250 becomes the initial downside target and if broken 44200 is favoured further
- This week finds a data heavy economic calendar and with that the potential for increased volatility
- As always, caution should be considered as the nature of economic data being released is expected to produce pronounced moves in financial markets this week



2. HIGHS & LOWS

SHARES | 52 WEEK HIGHS

New Europe Property Investments Plc
Mondi Ltd (SA)
KAP Industrial Holdings Ltd
Capital & Counties Properties Plc
Super Group Ltd (SA)
British American Tobacco Plc (SA)

SHARES | 52 WEEK LOWS

Satrix Resi
BHP Billiton Plc (SA)
Netcare Ltd
Exxaro Resources Ltd
Imperial Holdings Ltd
Attacq Ltd
Adcorp Holdings Ltd
Barclays Africa Group Ltd
Standard Bank Group Ltd
Notham Platinum Ltd
Astral Foods Ltd
Coronation Fund Managers Ltd
Trencor Ltd
Allied Electronics Corp Ltd
Keaton Energy Holdings Ltd
Alexander Forbes Group Holdings Ltd

3. EQUITIES IN FOCUS

STANDARD BANK GROUP LTD VS NEDBANK GROUP LTD (Daily chart)

The chart considered is that of Standard Bank (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 (Standard Bank) 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 back to normality favouring a possible pair trade opportunity i.e. long Standard Bank, 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. Standard Bank rising and Nedbank falling
2. Standard Bank rising faster than Nedbank rising
3. Standard Bank falling slower than Nedbank falling.

Should one of these scenarios play out successfully the expectation would be for a net gain of 3.6%. A stop-loss would be considered equal to the anticipated gain of 3.6%.





3. EQUITIES IN FOCUS CONTINUED

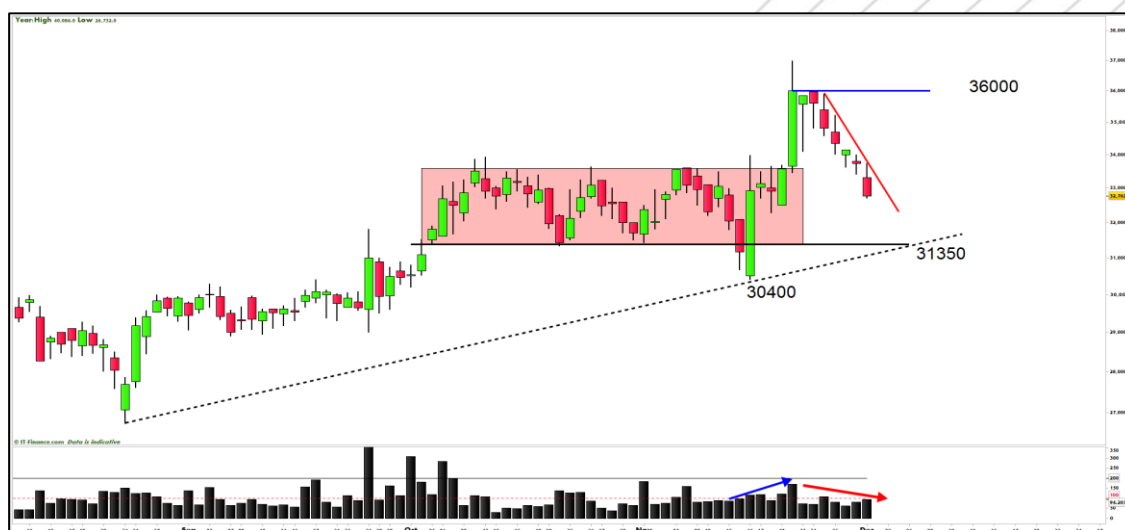
SPAR CORP LTD (Daily chart)

In last week's newsletter the small triangle or pennant consolidation (highlighted red) was noted and we awaited a breakout in either direction. While an upside breakout was considered a possible opportunity for renewed gains, a downside breakout considered a move to channel support as a possible opportunity to accumulate into weakness. The downside breakout did occur and the price looks to be reversing off the channel support line from oversold territory. A move to initial resistance at 19200 is now favoured, while a close below the low at 17800 would consider the failure of the anticipated rebound.



TIGER BRANDS LTD (Daily chart)

After breaking out of a short-term consolidation the price of Tiger Brands is pulling back towards trend line support. The volume pattern shows rising volume on the breakout and last move up and declining volume on the price pullback. This shows a higher level of enthusiasm by market participants on the move up than on the move down, suggesting that the momentum for the share remains bullish even through the current short-term decline. Trend followers might consider a move back to a confluence of horizontal and trend line support at 31350 an opportunity to accumulate in line with the long-term uptrend. Alternatively, should the price reverse and close above the red trend line on the chart it could suggest a breakout and renewed gains to follow. In both situations the short-term high at 36000 becomes the favoured upside target, while a close below the low at 30400 would suggest the failure of the bullish indications.





4. MARKET OVERVIEW

Key Indicators

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

Banks

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

Financial

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

Food Retailers

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

Retailers

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

Construction

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



4. MARKET OVERVIEW CONTINUED...

Telecomms

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

Gold

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

Platinum

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

Resources

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

Industrials

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