



## TECHNICAL TUESDAY

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### SHAUN MURISON

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Shaun has worked in financial markets for over ten 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 at the JSE as well as Certified Financial Technician (CFTE).

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



### TRADING STRATEGY AND MARKET UPDATE

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## 1. SOUTH AFRICA 40 INDEX



- The SA40 Cash Index is finding resistance currently at the 46550 level
- Labelled L, H & R we now see what looks to be an inverse head and shoulders formation
- The pattern is considered a bullish reversal pattern in technical analysis terms, suggestive of a short term change in trend direction from down to up
- The reversal pattern is however not yet complete
- To complete, we would like to see the price closing above the 46550 level (neckline)
- Should this scenario manifest, 48930 becomes the initial target favoured from the reversal pattern
- Should the price instead move to close below the right shoulder (labeled R) at 44500, the bullish reversal pattern would be deemed to have failed



## 2. HIGHS & LOWS

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### SHARES | 52 WEEK HIGHS

Telkom SA SOC

Grand Parade Investments

Stefanutti Stocks

### SHARES | 52 WEEK LOWS

Oceana Group

Stadio Holdings

Omnia Holdings

Intu Properties

## 3. EQUITIES IN FOCUS

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### Exxaro Resources vs Anglo American Plc (Anglos)

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

Should one of these scenarios play out successfully the expectation would be for a net gain of 3.9%. A stop-loss would be considered equal to the anticipated gain of 3.9%.



### Sasol Ltd

The share price of Sasol has formed a short term bullish reversal pattern known as a double bottom formation. The pattern is marked with the blue “W” and alludes to a change in the direction of the short term trend from down to up. A move towards gap resistance at 46000 is considered from the reversal. Should the share price instead move to close below the low at 40850, the bullish indications would be deemed to have failed.

