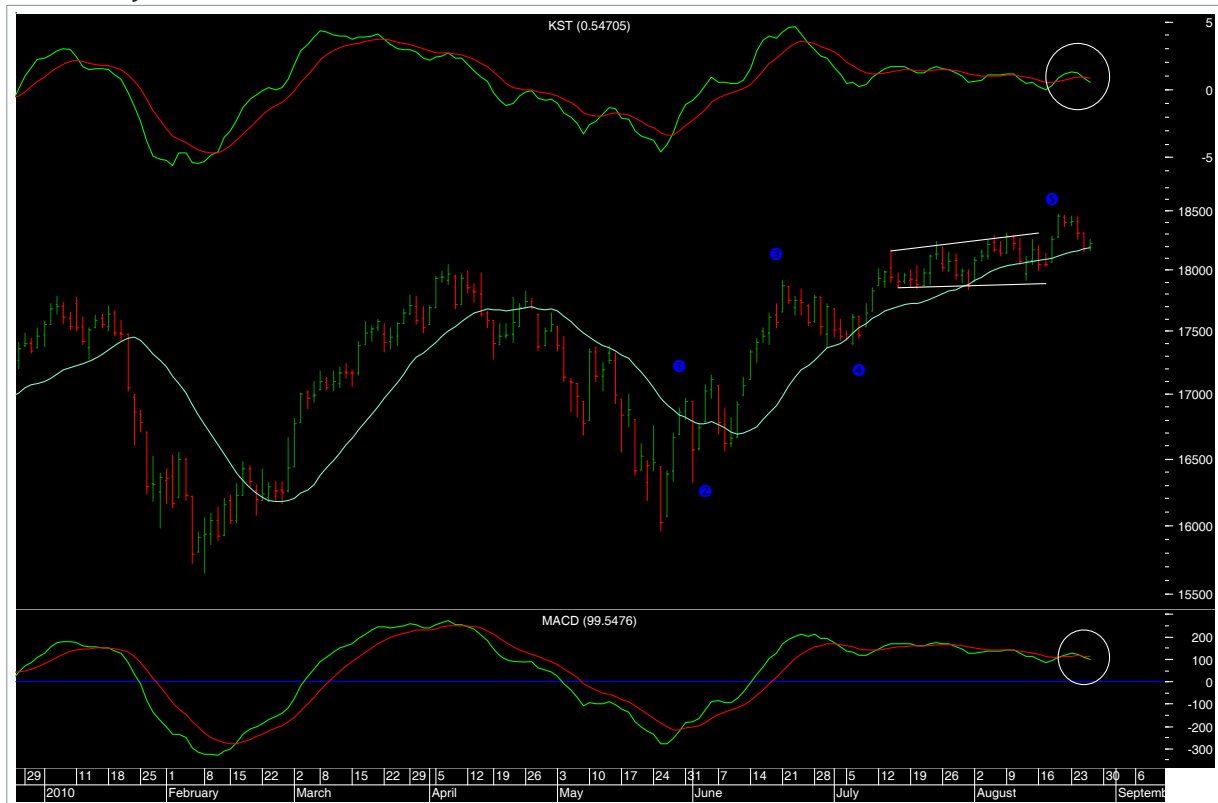




Time out

Sensex daily chart



The rally witnessed in the past 14 weeks will come to an end with this week's negative close. The chart above shows our wave count view on the benchmark index that the current rally is over and it is time to book some profits in the short term. The Sensex has given a negative close after consolidating in the same range for the past five weeks. This completes a five-wave rally from 15960 to 18475 and

the index is expected to retrace the rally by 61.8%. Simply put, now it is time to book some profits and go in cash. On the daily chart, the momentum indicators KST and MACD both have given a negative crossover, forming a negative divergence in the past couple of weeks. This is a bearish sign. The index has turned lower, indicating that the trend has reversed in the short term.

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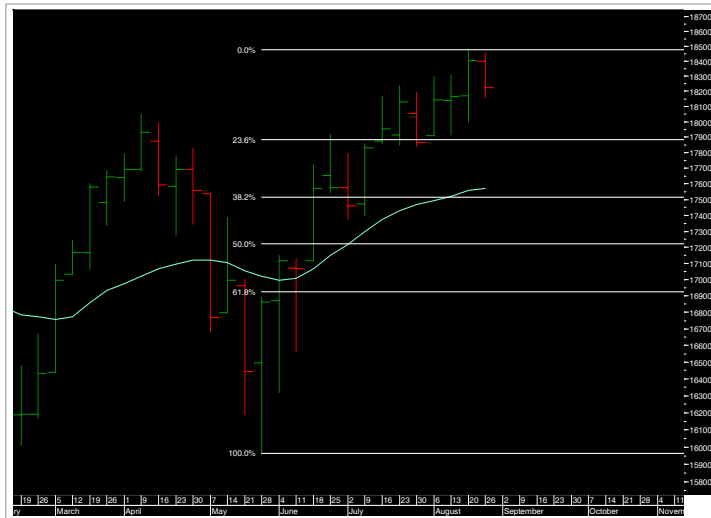
Counting waves

The chart shows that a five-wave rally has been completed from 15960 to 18475 and the index is expected to retrace 61.8% of the rally till 16924, which is also close to the 40-weekly exponential moving average. The Sensex has been trading in a very big range for the last 13 months, moving between 14684 and 18475, making higher highs and higher lows. It has been observed during this period that whenever the index has got close to the upper end of this range, bears have come into action.

Retracement to watch

The retracement levels for the rally from 15960 to 18475 would be 23.6% at 17770, 38.2% at 17420, 50% at 17150 and 61.8% at 16924. These are supports levels on the way down. The range between 18310 and 17820 is the last hope support zone for bulls in the short term. If these levels hold then there is hope that the Sensex may cross above 18475 and start a new rally upward. As the Sensex has been trading in a range for the past 13 months, the lower end remains a very crucial support in the medium term.

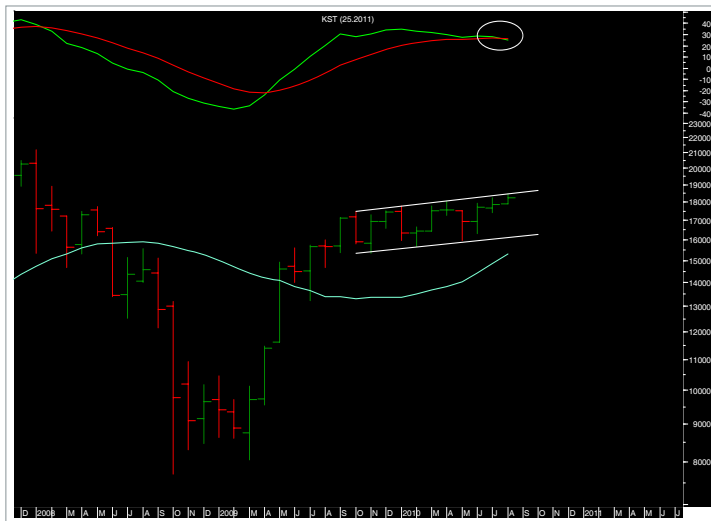
Weekly chart



Braveheart strategy

It's time to book some profits in long positions and go in cash. Go short in the short term as the index is expected to target 16924 and 16500 over this period. Be prepared to exit short positions at 61.8% and 78.6% retracement levels, ie 16865 and 16480, and to go long for new move upside, as the medium-term view remains positive. The key resistance and reversal would be pegged at 18475.

Monthly chart



Stock recommendation

Name	Bias	Targets	Resistance	CMP
Hero Honda	down	1684	1848/1860	1785
Infosys	down	2600	2730/2755	2709
Bharat Forge	down	331/315	363	352
Tech Mahindra	down	618	680	656
Bharti Airtel	down	300	324	316.5
Essar oil	down	120/117	130/132	126
Bajaj Hind	down	110/105	120/122	116
DCHL	down	116/110	130/132	125.5
JSW Steel	down	1070/1000	1145/1170	1117
Fortis Healthcare	down	147/142	158/160	153

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