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FOR PRIVATE CIRCULATION

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Weekly Technical Update

Equities

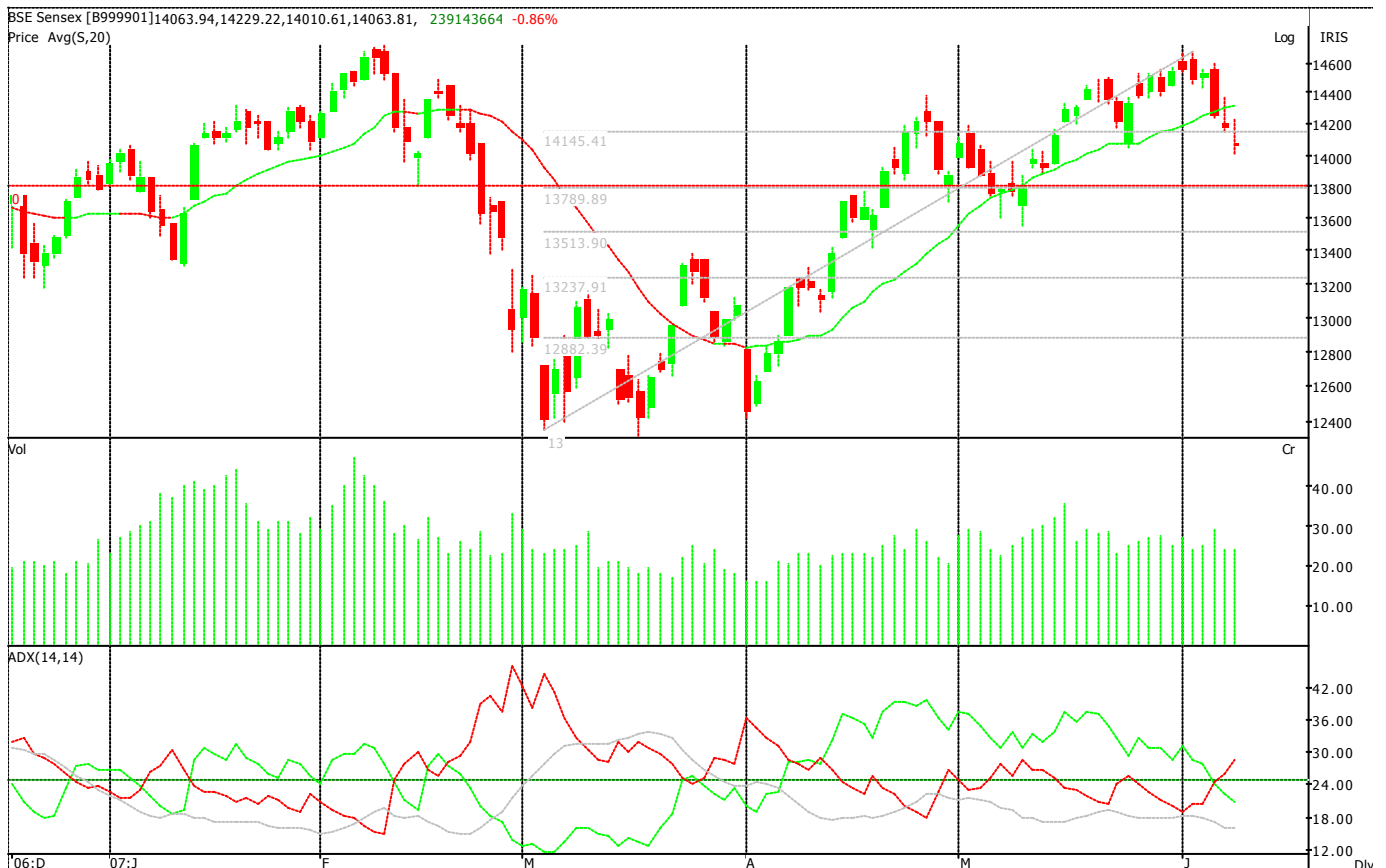
The week past and expected

The market remained bearish throughout the week. It formed newer lows on a day-on-day basis. We will term it a bearish pattern, as it was a slow and steady fall in which a lot of big market participants failed to exit long positions. It broke the major support of 14000/4140 on an intra-day basis and closed just above it.

Due to the gradual fall, market wide open long positions remained almost the same as it was the beginning of the week. According to the put-call ratio, sellers must have covered their selling positions (or positions created with bearish views) as the ratio came down sharply from 1.8 at the beginning of the month to 1.3 on Friday. If our above findings are true, then the market cannot go up smoothly and will require a lot of external support to hold at current levels. Here external support means positive global cues and ample liquidity (money inflow).

As far as global cues are concerned, the situation is not in our control. However, it seems they must have corrected well. A temporary reversal from current levels is almost certain. In terms of liquidity (money inflows) it depends on how FIIs take a call on the rupee. If they feel the rupee will depreciate in the near future then they will delay their investments in the short-term, which indirectly help bears keep the market down.

BSE SENSEX - DAILY CHART



According to technical analysis, for the next few days the markets may remain range bound between 13800 and 14400 (4050 and 4240 for the Nifty). Buying at the lower band will certainly help long/medium term investors, as the broader trend seems intact. Major bullish implications are possible only if the indices remain above 14400/4250 for a few days. Around 13800/4050 levels, buy into those stocks in which growth is clearly visible and uninterrupted like Reliance Industries, SBI, ICICI Bank, Siemens, L&T, Reliance Communications, Sterlite, Tata Steel, Hindalco and Satyam Computers.

To go with the global trend we must look at quality mid cap stocks at current levels as a lot of mergers and acquisitions may change the future of companies and, thereby, their investors' futures heavily. Even due to lot of under ownership they may out perform the Sensex in the near future. Look for buying opportunities in India Infoline, Elecon Engg, Dena Bank, Aurobindo Pharma and Tiplate.

The worst performing sectors like auto and cement seem to be in the final falling corrective wave. There are higher chances that they may break their past lows (lows of the month of April 2007) in the coming few weeks. Avoid contrarian views of buying against the tide at current levels.

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