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FOR PRIVATE CIRCULATION

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Weekly Technical Update

Equities

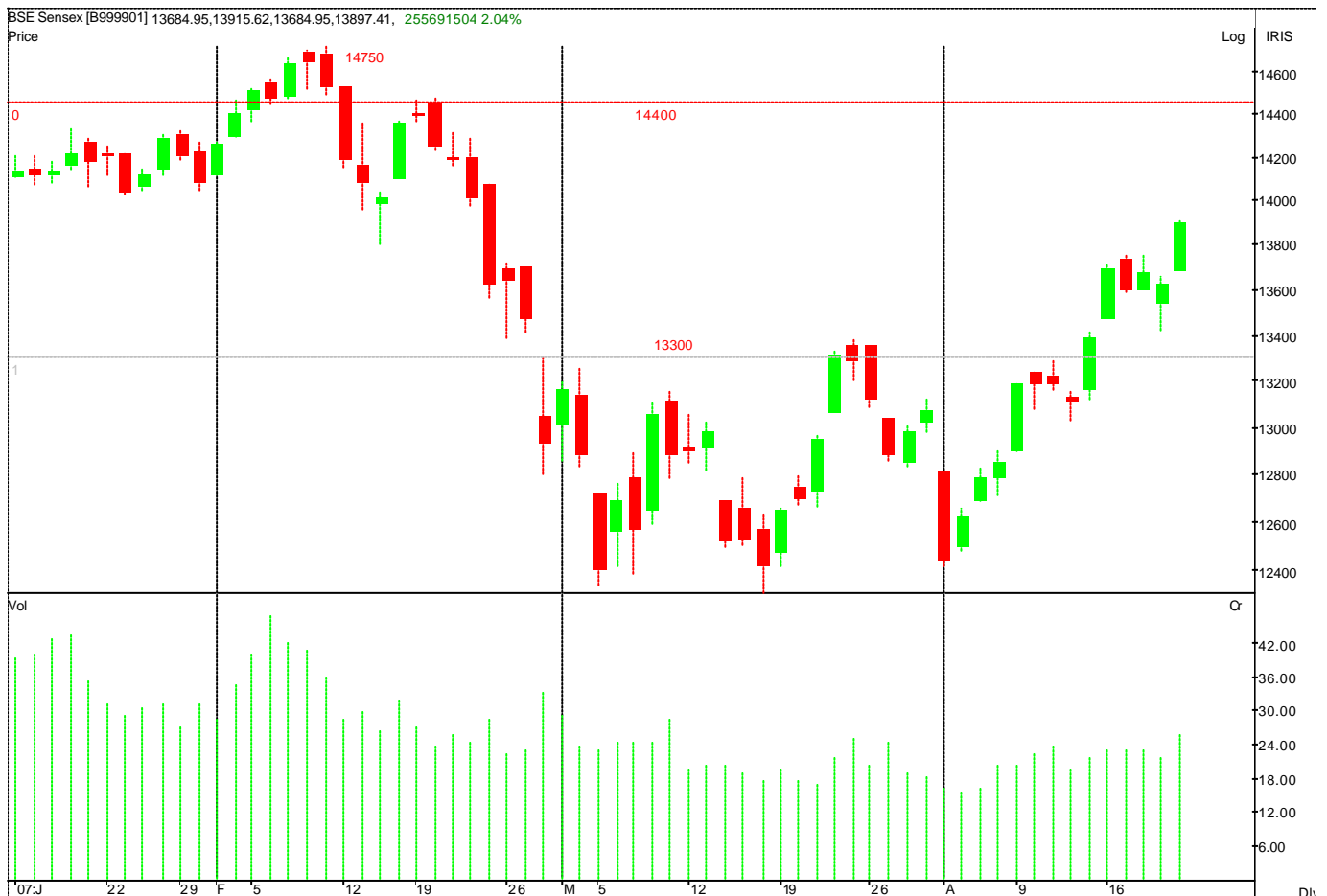
The week past and expected

According to the weekly and daily charts, the market set up is bullish and it is in a comfort zone. The volumes were above average and outstanding positions were in control. Long traders are making money on a regular basis and they are not as greedy as they were at 14500/700 levels. Up to now, traders are following stop losses and keeping targets on trading positions below their estimates.

Short sellers are still convinced the market is moving artificially and one day will come down sharply so that they can make money out of holding short positions. We always observe such a scenario on the resumption of a new rally. It may continue till indices remains below lifetime highs (14750/4250).

Once the indices start trading above their all-time highest levels, the additional confidence that comes into the system may lead to errors from long traders on their trading positions. This can happen by not following stop losses or by building excessive positions in several stocks. Short sellers start losing their confidence due to the 'expectations' of positive outcomes, which compel them to come out of short positions at extreme levels. Finally, such imbalances lead to critical/unsustainable top for the market.

BSE SENSEX - DAILY CHART



In brief, we are still far away from lifetime highs of 14700/4250. Thus, we are still in balanced markets and every decline from current levels would be an opportunity to accumulate selective stocks with the medium-term horizon in mind. Till now, capital goods, metals, pharmaceuticals and banks (PSU as well as private) are in a positive trend. Creating positions in these sectors will certainly bring decent returns on investments.

(Our top pick to accumulate at current levels and on declines are Bhel, ABB, Siemens, Sterlite, Tata Steel, JSWSL, Hindustan Zinc, SBI, Bank Of India, ICICI Bank and J&K Bank). Midcap stocks are participating actively and we need to focus on them as they may outperform the indices in the coming few weeks.

The levels for the week of 14400/4180 seem to be a major hurdle. Any pause in activity around these levels is not ruled out. Traders must be cautious around these levels and must avoid entering those stocks, which are far away from their recent bottoms. The market has strong support in the range of 13300/13400 (3850/3900). Till it remains unbreakable, the market may remain in a bullish grip.

The world markets are doing well mainly due to firmness in the US and European markets but the most worrying part is that historically these markets have shown the trend of terrible weaknesses in May and June. If history gets repeated in the coming months then it may lead to weaknesses in all major world markets.

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