

March 20, 2006

India Technical Weekly

'Big Picture' Target of 10.9k Remains in Play

Stiff resistance at the 10.9k level – Last week's chart pattern suggests incremental gains beyond the 10.9k level have been unsustainable. The weekly RSI has inched closer to the 80 mark, suggesting a cool-off over the coming fortnight.

If 10.9k is pierced, 11.2k is the next stop – In our view, the 11.2k level corresponds to (1) twice the breadth of one of the three long-term channels on the Sensex's monthly chart (2,722 point channel between Trend 11 and Trend 12 in Exhibit 3); and (2) trend line resistance on the index's weekly chart (Trend 1 in Exhibit 2). 11.2k may well be the level from where the downturn begins.

We will review our 'Big Picture' thesis if... As mentioned last week, a sustained move above the 10.9k level would trigger a revision of our 'Big Picture' thesis. Any revision of index targets would continue to be based on a combination of Elliot Wave Theory and long term chart patterns.

In summary, a critical fortnight ahead – We expect the Sensex to exhibit volatility as it attempts to convert the 10.9k mark from a 'Resistance' level into a 'Support' level. The outcome is likely to determine if this 22-month rally will continue longer or not.

BSE Sensex

5-day period ending	Mar 17, 2006	Mar-05 *
Open	10,819	10,369
High	10,951	10,951
Low	10,761	10,344
Close	10,860	10,860
Net	97	490
% Chg	0.9%	4.7%

* Month to date; Source: ASA

Key Sensex Indicators

Daily		Week	
21 EMA	10,517	13 EMA	10,003
34 EMA	10,312	26 EMA	9,363
200 EMA	8,730	55 EMA	8,380
200 DMA	8,522	RSI	79.1
RSI	71.7		

Source: ASA

Sensex – Resistance at the 10.9k Level



Source: Bloomberg, Morgan Stanley Research

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Exhibit 1

Sensex Daily – If Trend 1 is Pierced, Index could Touch 11.2k



Source: ASA, Morgan Stanley Research.

Exhibit 2

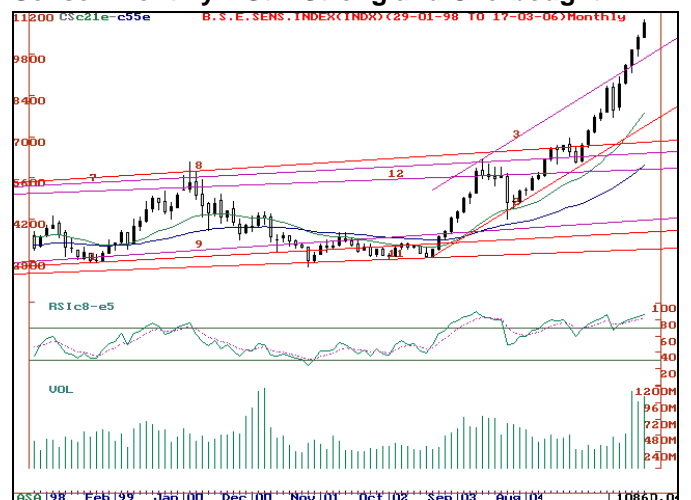
Sensex Weekly: Trend 1 Resistance at 11.2k



Source: ASA, Morgan Stanley Research.

Exhibit 3

Sensex Monthly – Still Strong and Overbought



Source: ASA, Morgan Stanley Research

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(as of February 28, 2006)

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The Americas

1585 Broadway
New York, NY 10036-8293

United States

Tel: +1 (1) 212 761 4000

Europe

25 Cabot Square, Canary Wharf
London E14 4QA

United Kingdom

Tel: +44 (0) 20 7 425 8000

Japan

20-3 Ebisu 4-chome
Shibuya-ku

Tokyo 150-6008, Japan

Tel: +81 (0) 3 5424 5000

Asia/Pacific

Three Exchange Square
Central

Hong Kong

Tel: +852 2848 5200