

Market Outlook

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12 January 2009



Nifty Futures (Front month series):(2863)

Nifty futures tested the 2927 high soon after open. Selling pressure sent it reeling sharply down to 2806 where the bulls gave buying support. Markets movement was then limited to 2900 on the higher side and 2830 on the lower side for the latter part of the day, confining to a narrower band between 2850 and 2865 in the last half an hour of trade. Satyam slid to a fresh low of 6.3 before closing at 23. High volatility was witnessed in the realty stocks which fell sharply and a few of them like IVRCL and DLF recovered equally sharply. The result season was flagged off by Axis bank which was dumped by investors despite good results as the other income component was high. Nifty futures closed the day with a loss of 60 points in a highly choppy trading session. Inflation was at 5.8% against 6.38 in the previous week. Interest rate sensitive sectors like banks and auto recovered from the lows of the day after it was flashed. Though most of the sectors barring FMCG, IT and Auto closed in the negative, they were off the low of the day. Metals sector was the biggest losers. As per the provisional data FII and DII were sellers on the bourses. The US markets closed with 1.64% - 2.81% losses on the last day as the unemployment rates surged to a 16 year high and the other economic data was mostly negative and several major companies issued earnings warning. Europe also closed in the red and Asia has opened this new week on a mixed note. Technically Nifty future has a strong support in the 2790-2800 region and it held on to that level last week on sharp decline after the Satyam debacle. If this level is decisively breached, the downswing will gain fresh momentum and it may then seek lower levels of 2765, 2740, 2700. The weekly charts have also turned weak as the last week was wide ranging that encompassed the total range of the previous week, showing a higher high and a lower low, giving up all the gains and closing with a loss of 190.6 points. Discount in the nifty future prices to the spot nifty signals built up of short positions in the derivative segment On the higher side, 2900 and 2930 are the immediate resistance levels and it must sustain decisively above 2930 to signal that the correction is over for now. Markets are likely to open weak on negative domestic and global cues and then chart their own course as the day progresses. Volatility may remain high so make the best of it.

Resistance: 2900, 2930, 2960, 3000, 3025,

Support: 2830, 2800-2790, 2765, 2740, 2715-2700, 2685

ONGC (669.1): Short positions may be taken in this counter if it fails to move above 685-695 on rallies with a stop if prices move decisively above 722 for a target of above 655, 640 and 630.

Resistance: 682, 695, 700, 715, 722

Support: 655, 640, 630, 600

Hero Honda (802.35): This counter has exhibited strength on the last day and moved up after a weak opening to close the day with gains. Long position may be taken around 791 on dips if it continues to hold with a stop below a decisive breach 784 for a target of 810, 818. If however, it is resisted in the 810 region, the counter may move down instead of moving up.

Resistance: 800, 810, 818, 824-826, 840

Support: 790, 784, 778, 760-755, 740

Note: All prices relate to NSE spot prices unless otherwise stated. Stop loss is a risk control mechanism and should always be there since it is a level which breached signals that the call has gone wrong and steps must be taken to put a stop to further loss. It also quantifies the risk.

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