

Market Outlook

FOR PRIVATE CIRCULATION ONLY

16 October 2008



Nifty Futures (Front month series):(3342.8)

Nifty futures opened the day gap down on negative global cues. Initially it found support around the 3440 region and made an attempt to move above the 3500 region but was resisted at the 3490 region. Selling emerged at those levels and the downswing continued in a slow and steady move initially with minor spurts which gained momentum towards the close and it closed the day with a loss of 185 points. All the sectors closed in the negative, the worst hit being Capital goods, Consumer durables and FMCG. As per the provisional data, FII were seller and DII were buyers on the bourses. US and European markets have plunged 5-9% on recessionary fears, which loom large. Fed has reported that the country is deeper into the economic rut and even if confidence returns into the money market and it is normalized, it would take some time for economy to look up and there is more pain ahead. The survey released reflected that virtually every major sector has been hit by the financial shock. Asian markets have opened in the red in tandem with the US and European markets. Meanwhile ECB, Bank of England and Swiss National Bank have loaned \$254 billion to the financial institutes in combine to ease financial crunch. Back home there has been many more measures to bring in confidence and liquidity in the money markets. Another 100 basis point CRR has been cut bringing it down to 6.5% with a retrospective effect for the first time. Government will infuse capital into banks with CAR below 12%. Mutual funds may get relief from the credit crunch as banks are allowed to pledge another 50 bps of their SLR to lend to them. Interest ceiling on FCNR and NRE deposits have been raised to attract more NRI money. Technically, for the stock markets, the short corrective upswing is over and the downswing has resumed again. Nifty futures has immediate support in the 3290-3300 region. A decisive breach of 3290-3300 region will signal fresh weakness and the slide is likely to gain momentum and post a new low, below the low formed on 10 October at 3216. It may then move down to 3250, 3200, 3196, 3100, 3075, 3000 levels. Its immediate resistance is now around the 3352 region and above that 3420 is now an important level to contend with. We may expect range bound movement and some consolidation only once the decline is arrested. Markets are likely to open in the negative on dismal global cues and then chart its own course as the day progresses. Singapore nifty is trading below 3150 so a gap down opening is almost certain. Volatility may remain high so make the best of it.

Resistance: 3352, 3400, 3420, 3490, 3500

Support: 3300, 3230, 3200-3196, 3100, 3075, 3000

Axis Bank (618.8): Short positions may be taken with a stop if prices move decisively above 630 for a target of 600, 580 and 560.

Resistance: 624, 630, 640, 654

Support: 600, 580, 560, 534, 525, 510

Bharti Airtel (714.85): Short positions may be taken with a stop if prices move decisively above 727 for a target of 700, 695, 690, 682, 676 and 670.

Resistance: 719, 727, 730, 734, 755

Support: 700, 695, 690, 682, 676, 670, 650, 648, 642

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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