

Indices	Last Close	% chg over previous week	Short-term view (up to 1 week)	Comments (stocks in line with short term view)
BSE Sensex	17135	2.65	Mildly Bearish	
NSE NIFTY	5083	2.50	Mildly Bearish	
BSE Midcap	6302	1.20	Mildly Bearish	
BSE Smallcap	7587	1.84	Mildly Bearish	
BSE 500	6556	2.13	Mildly Bearish	
BSE Auto	6603	1.18	Mildly Bearish	Short Maruti Suzuki
BSE Bankex	9932	5.28	Mildly Bearish	
BSE Capital Goods	13731	1.88	Mildly Bearish	
BSE Consumer Durables	3476	0.20	Neutral	
BSE FMCG	2592	0.47	Sideways	
BSE Health care	4347	0.86	Bearish	Short Dr.Reddys
BSE IT	4611	4.49	Sideways	
BSE Metals	14203	1.79	Mildly Bearish	
BSE Oil and Gas	10388	1.45	Mildly Bearish	Short Indian Oil
BSE Power	3063	1.16	Sideways	
BSE PSU	8932	1.57	Neutral	
BSE Realty	4508	0.74	Sideways	
BSE Teck	3308	4.12	Sideways	

Summary

- For the Sensex, 17,252 is a crucial level. The Elliot count for wave 'B' totally depends on whether the Sensex can cross 17,252 or not.
- As the Sensex has almost reached 70% level of its previous upward move, the NeoWave theory suggests that a correction is expected. Presently the Sensex is not showing any signs of weakness. However, as the major global indices are in a corrective mode, the Sensex cannot remain isolated for much time.
- Any of the below indicators will suggest the bearish sentiments of the Sensex:
 - Formation of bearish patterns like 'Evening Star' or 'Dark Cloud Cover'
 - Faster Retracement
 - Breaching of the trendline shown on the chart
- The value for the trendline for the Sensex and NIFTY is at 16,313 and 4,848 respectively.
- S&P 500 index has been moving downwards for the last 7 trading sessions and has closed just above the trendline at 1,025. (Value for the trendline – 1,016)

Week Ahead

Will the Sensex cross 17,252?

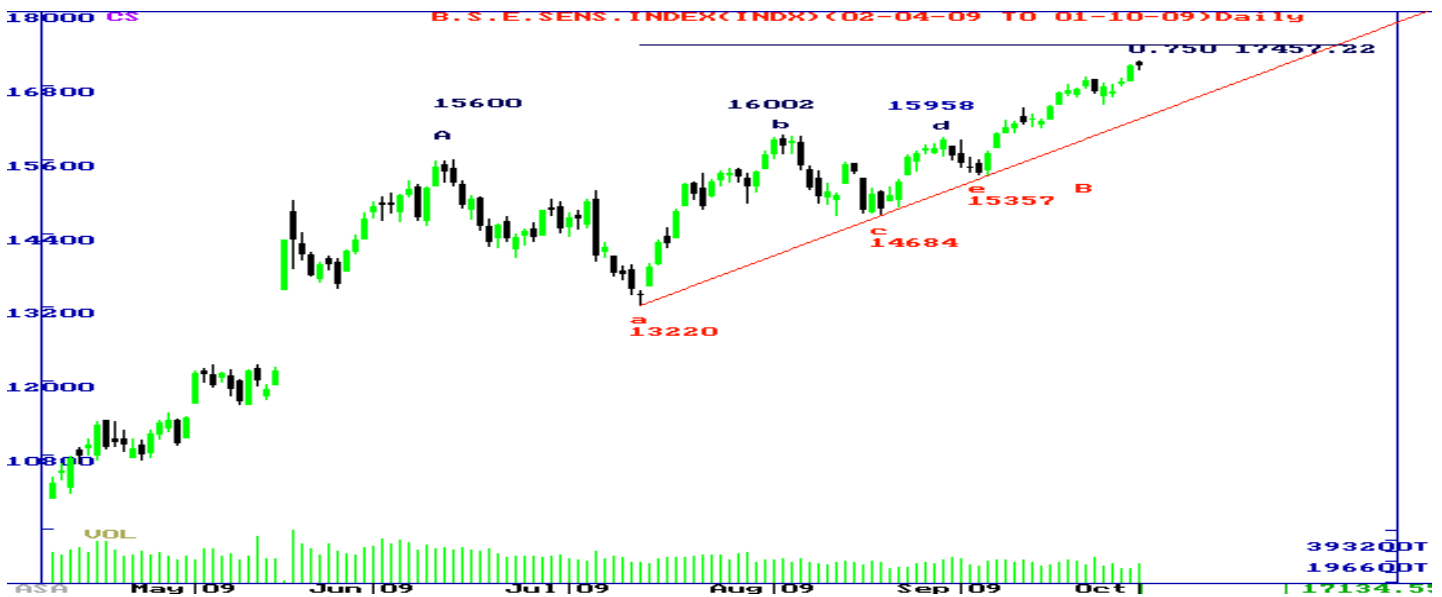


As mentioned earlier, the entire structure of the Sensex is of a contracting triangle. In this contracting triangle, the move from 21,207 to 8,047 is wave 'A' of the contracting triangle and the construction of this wave is a 'Triple Combination'. According to NeoWave method of Elliot Wave, in case of triple combinations, "the post pattern implications of a subsequent move imply at least 60% to 70% retracement of the previous move". This means that every subsequent move will retrace its previous move by at least 70% before it ends. If we apply this rule to the Sensex, we can put it as under:

- Wave 'A' (21,207 to 8,047) has retraced its previous move (2,904 to 21,207) by 72%.
- Wave 'B' (8,047 to 17,196) has retraced its previous move (21,207 to 8,047) by 70%.

The 70% retracement level of the wave 'A' comes at 17,252 and presently the Sensex has almost reached 70% retracement level. So if we go **ONLY** by post pattern implication of NeoWave theory, we can say that the wave 'B' will get over around 17,250 and the Sensex will move downwards to create wave 'C'.

What will help the Sensex to cross 17,252?



The post pattern implication of NeoWave theory suggests that the current upmove (wave 'B') will end around 17,250 and the Sensex will turn bearish. However, the internal structure of the wave 'B' can also play an important role.

If the Sensex starts trading above 17,252, the internal structure of wave 'B' is taken as a zigzag as no part of it has retraced more than 61.8% of wave A. Please refer to the special report dated September 08, 2009 for more details.

In the above chart, move from 8,047 to 15,600 is labeled as wave 'A'. Wave 'B' (15,600 to 17,196) consists of five legs a–b–c–d–e as under:

Label	Move from	Move To	Retracement in points	Time taken in days
Leg 'a'	15,600	13,220	2,380	21
Leg 'b'	13,220	16,002	2,782	16
Leg 'c'	16,002	14,684	1,318	11
Leg 'd'	14,684	15,958	1,274	7
Leg 'e'	15,958	15,357	591	4

In the above structure a–b–c–d–e, leg 'b' is the largest leg and if we project the length of leg 'b' (2,782 points – 16,002 to 13,220) from the end of leg 'e' (15,357), we get the first projection of 75%, which comes to 17,457. We have also marked the subsequent possible targets for the Sensex in the first chart above.

However, if the Sensex is not able to cross 17,252, then the Sensex will make a downward move and the first signals of the reversal of trend will be given by any of the below indicators:

- Formation of a bearish patterns like 'Evening Star' or 'Dark Cloud Cover'
- Faster Retracement
- Breaching of the trendline shown on the chart (value – 16313)

NIFTY trendline still intact:



As marked on the NIFTY chart above, in the current upward move the trendline joining 2,539 and 3,919 is acting as a strong support for the NIFTY. The current value for this trendline is at 4,848 and the NIFTY is trading well above this trendline. Until this trendline is intact, the NIFTY will continue to move upwards.

The trendline on the NIFTY is stronger as it has acted as a support for four occasions and is acting as a support since the last six months. The validity of the supportive trendline increases with the increase in number of such occurrences it acts as a support and increase with the time span over which it exists.

Trendlines on the Sensex chart:

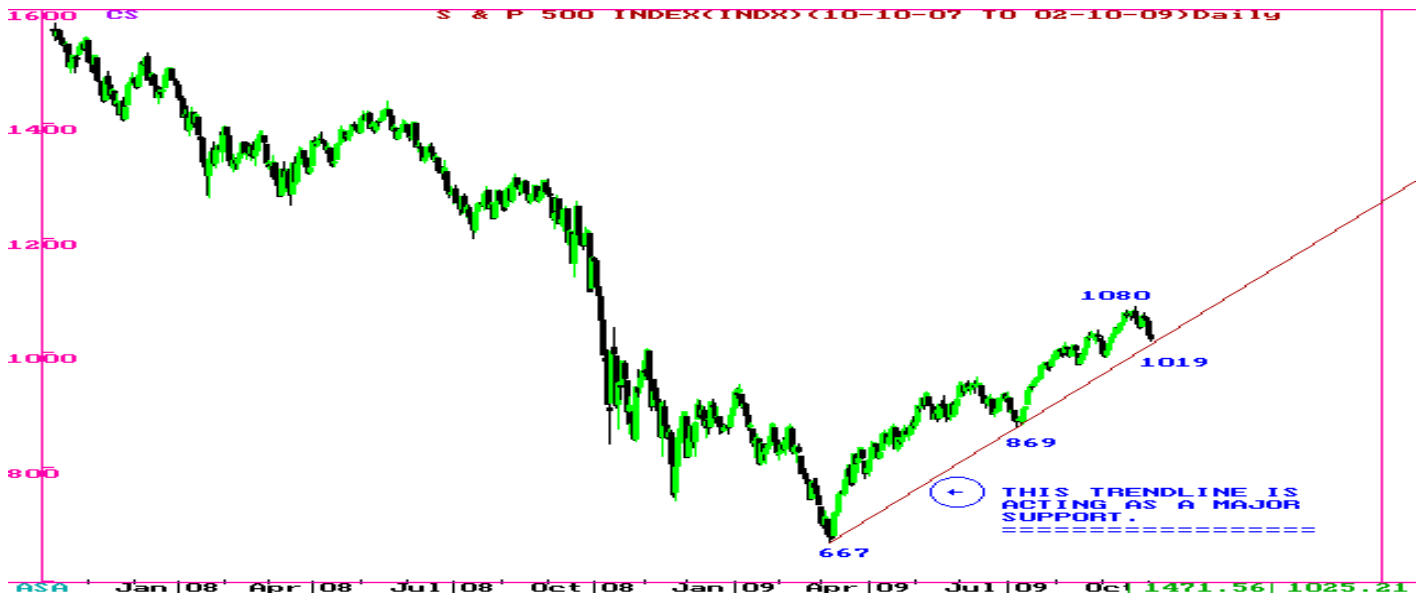


Using the trendline technique, we can predict the possible areas where the Sensex can take support in case it turns bearish as suggested by the NeoWave theory. Trendline is a very basic, simple but effective technique in technical analysis.

On the above chart, we have marked a red trendline joining the significant previous tops of 15600 and 16002. The value for this trendline for Monday is at 16,443.

We have also marked another trendline in blue which is formed by joining the significant previous bottoms of 13220 and 14684. The value for this trendline for Monday is at 16,313.

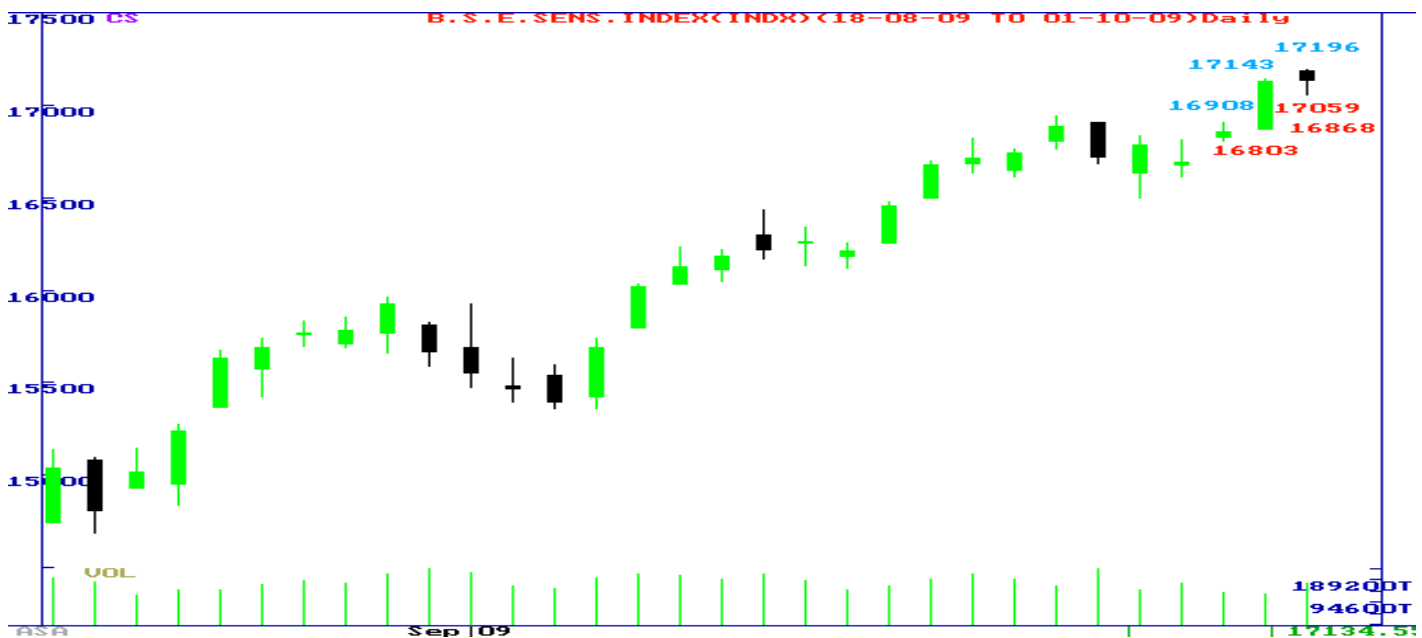
S&P 500 index in bearish mode:



As mentioned in the first chart above, if we go **ONLY** by post pattern implications of NeoWave theory, we can say that wave 'B' is over and the Sensex will now move downwards. The early indications of this can be seen in the global market. The S&P500 index has stopped its upward movements and for the last 7 trading sessions it has come down by 61 points making bearish "Lower Top Lower Bottom" pattern. However, the Sensex has not at all reacted to these movements and has continued to move up towards 70% (17,252) mark.

However, it will be also interesting to see how the trendline (marked above) on the S&P 500 index acts as on Friday the S&P has closed just above this trendline. The value for this trendline for Monday is at 1,016.

• The Week Gone By



During the week gone by, the market made "Higher Highs and Higher Lows" pattern. However, the market ended the week with a bear candle.

On Tuesday, the Sensex opened at 16,829. It made an intraday high and low of 16,908 and 16,803 respectively and finally closed at 16,853. The Sensex formed a "High Wave" pattern which indicates the indecisiveness in the market.

On Wednesday, the bulls continued to take the market upwards. The Sensex opened at 16,868 and the high of the day was the same. This phenomenon is called "shaven bottom" pattern in Japanese candle stick theory. It made a high of 17,143 and finally closed near the high of the day at 17,127. The Sensex formed a bullish "Belt Hold line" pattern.

On Thursday, the bears came back in the play but were not strong enough. The Sensex opened at 17,186. It made an intraday high and low of 17,196 and 17,059 respectively. The market finally closed at 17,135 - just 8 points above Wednesday's close.

At this juncture, the Sensex is not showing any signs of weakness, so it is difficult to predict if it will turn bearish and in which form it will manifest itself. However, using different theories, we can derive some early signals, which are as follows:

- 1) As per Japanese Candlestick Theory, a bearish formation like 'Evening Star' or 'Dark Cloud Cover' pattern may be formed.
- 2) As per Elliott Wave Theory, Faster Retracement of previous upward move may take place. In our case move from 16,494 to 17,196 took 5 trading sessions and if it gets retraced faster then the Sensex will turn bearish.
- 3) The existing trendline will be breached violently. In our case the value of this trendline is at 16,370 and value of the corresponding trendline for NIFTY is at 4,848.

• Sectoral Study

BSE Metal Index:



BSE Metals index created a western gap down of 90 points (14,408 – 14,318) on 24 September 2009. This gap is not filled after four trading sessions. For the last four trading sessions, this gap is acting as a resistance for this index, which is a bearish signal. Unless this gap is filled the metal index will not move up further.

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