



Markets end lower for the second consecutive week

Carrying on from last week, the week gone by which had only three trading sessions saw the markets sliding down further. It was the second consecutive week of losses. W-o-W, the Nifty ended 2.18% lower. Reflecting the weak sentiments, market breadth was negative in all the three trading sessions of the week.

W-o-W volumes were lower by almost 44% on the NSE. This was expected as the week gone by had only 3 trading sessions.

Technical perspective

Zooming into the daily charts of the Nifty, we notice that the index has reacted from the 200 day Exponential moving average and moved lower during the week. In the process, it has also closed below the 13-day simple moving average. The index is now resting on a trend line that has held down the major highs of Sept and Mid-Oct 2011 (See the chart above).

Reflecting the weakness seen in the last two weeks, the short-term momentum readings have also dipped lower. As can be seen from the chart above, the 14-day RSI has cut its 9-day EMA from above.

On a longer perspective, the Nifty also remains below a downward sloping trend line that has held down the major highs of 2010 and 2011 (See the chart on the next page). The Nifty failed to move above this downward sloping trend line after registering a fresh intermediate uptrend by moving above the previous highs of 5169 during the week ended 28th Oct 2011. The current short-term uptrend would reverse with a closing under their immediate lows of 5011.

5169 and 5011 will be crucial levels to watch in the coming week

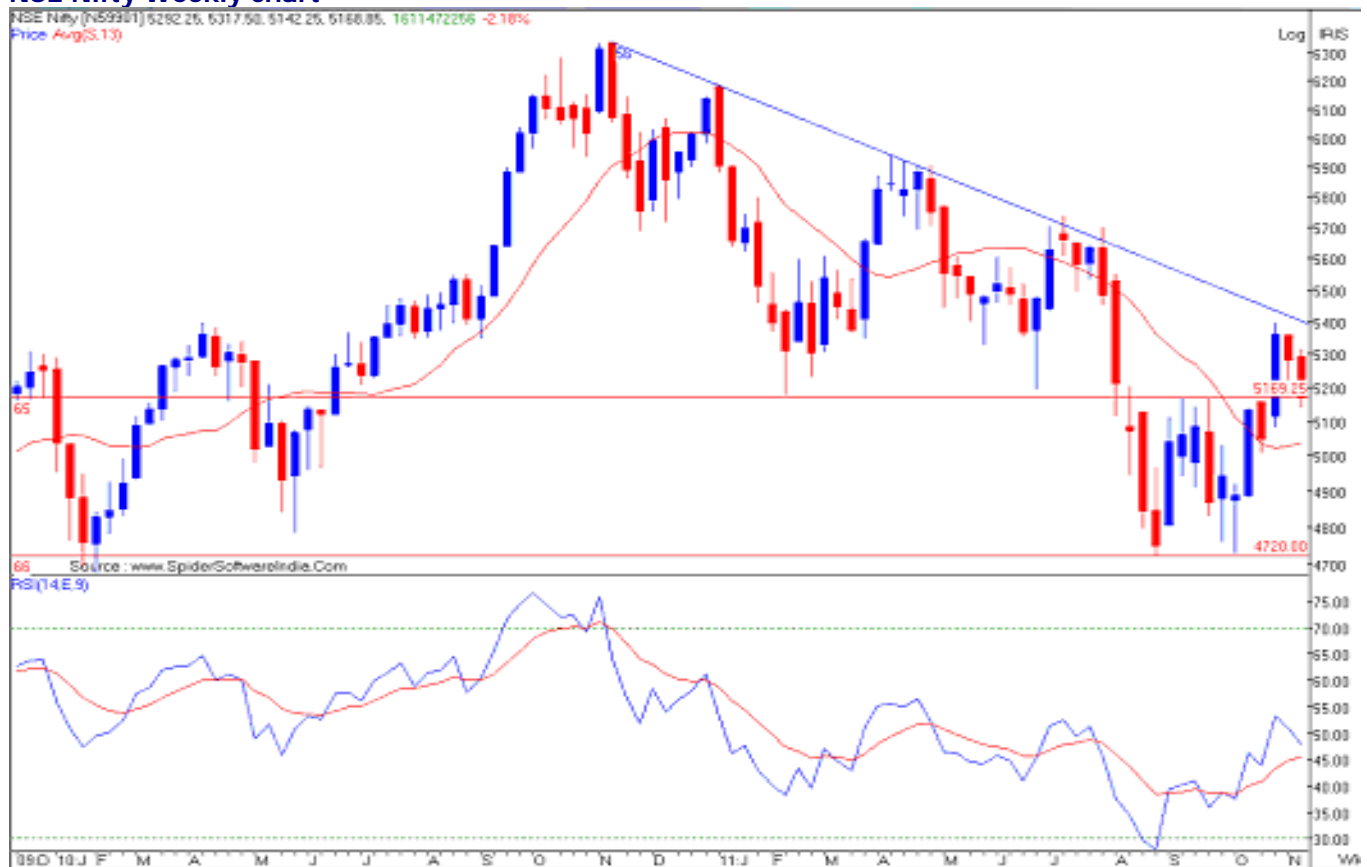
Given that the Nifty is currently resting on a trend line that has held down the major highs of Sept and Mid-Oct 2011, traders will need to watch if this trend line can continue to act as a support (5169) in the coming week (See the red horizontal trend line in the chart on the first page). A failure to act as a support could see the Nifty drifting down further towards the short-term trend reversal levels of 5011.

Given that the short-term technical indicators are giving weak signals and the above mentioned trend line support is not very strong, the odds do seem high that the markets could drift down further towards the short term trend reversal levels of 5011.

It is important that the short-term trend reversal levels of 5011 act as a support; else the current uptrend would reverse. In this scenario, the Nifty could then head towards its previous lows of 4720.

If the Nifty is able to hold above the 5011 short-term trend reversal levels, then expect this index to make another attempt to move towards the 5326-5400 levels.

NSE Nifty Weekly chart



Strategy

Given that weakness is expected in the short term, we recommend traders to avoid going long till there are signs of strength emerging.

Short term traders must be prepared to go either long or short depending on which direction the markets move early next week. Longs can be built if there is evidence that the trend line supports of 5169 are holding. Else, shorts can be built for downside targets of 5011.

Being short-term trend reversal levels, the 5011 levels on the Nifty are the next best level to enter into long positions. This is because they provide excellent risk reward trades to the short term and positional trader/investor. This is of course provided that there is evidence of buying emerging at these levels.

Here are the key levels to watch for the coming week;

Trading Strategy: Markets could remain weak in the short term. We recommend traders to avoid going long till there are signs of strength emerging.

Action Points	Nifty	Action
Current Close	5169	
Immediate Resistances	5199-5326	200 day EMA resides here
Immediate Supports	5085-5011	5011 are the short term trend reversal levels of the Nifty
Further Downsides	4882-4720	Recent lows of the Nifty
Further Upside Targets	5400-5470	5470 levels correspond to major trend line resistances

Stock Pick – Short 3iInfotech



3iInfotech closed at a new 31 month low on Friday as it closed below the previous lows of ₹25 touched during the week ended 13th March 2009. The sell-off seen this week was accompanied with above average volumes and the stock also trades below the 13-day and 50 day simple moving average.

Short-term momentum readings too are in decline mode. As can be seen from the chart above, the 14-day RSI has dipped lower and cut its 9-day EMA from above.

We believe the stock is ready to move lower and therefore recommend a short. Our entry levels are between ₹23.5-24.0. Stop loss is at ₹24.7, while downside targets are at ₹21.0. CMP is ₹23.5. Holding period is 3-7 trading sessions.

Note: Once the market opens for trade, the analyst will review it and decide to give the call through an internal mail/SMS at the same or different levels of entry, target and stop loss or not give the call at all. Clients could get in touch with the analyst through their designated dealers to check about this.

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