

Index Review:

CURRENT TECHNICAL SETUP

Intermediate support trend line: 17531

200 dma level: 17138

Key swing levels : 19000 for resistance and for support 17709

Sensex Stocks above 200dma: 21 out of 30 (Up 2)

Gains/Loss for the week: 6995 Advances and 5066 Declines

In the last week's letter we wrote that the signals were a bit mixed and that ideally we should allow the market to make up its mind about where it wants to head. Right off the bat, the market made its intention very clear from Monday of the last week and continued to maintain that stance all thru the week. This should have led readers to jump in with some long positions, particularly in the small and mid cap area— which was had highlighted as the key area of action. It so happened that the large caps too were in good form and therefore we wound up the week with a gain of 3.17%. In comparison the small cap indices clocked 3.4% gain so it is clear that the retail segment was getting into action.

The mid cap index returned about 2.44% as it met with some profit taking at higher levels. It appears therefore that the retail segment is a lot more confident about the market trends than the HNI or institutional players.

At the end of the week we find the Bank sector stocks revving up once again and the big 3 of the Bank index (i.e. SBI, Icici and HDFC) are all up and raring to go. So it seems more than probable that the charge upward this week should continue to



Source : ASA

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Special points of interest:

- Markets seems well poised to continue higher as the skepticism and continued higher prices both suggest that the smaller player is running scared while the professional is still confident.

Index review continued

be led by the banking sector. This would be the area to concentrate for our readers too. Many of the smaller banks too are very well poised, having either staged a breakout upward or being on the verge of doing so. The other sector which led the upward charge of the last few months— Auto— is also in continued good form. Here the large 4 wheeler stocks seem to be taking the lead and now the auto ancillary stocks are all charging up too. So that is another area for our readers to focus on.

The expected ranging action seems to have been cast aside and the market has decided to trend. The sentiment which has been cautiously bullish for quite a while may undergo a change therefore. Most good moves end with some bullish spurt towards the end and the same seems to be on the cards in the index. Froth usually gets built with the active entry of the retail sector. This seems to have begun. The next signal would be when the open interest in the futures (particularly stock futures) starts climbing at a faster pace and the cost of carry also expands. So these are two things to track in the coming week. It will tell us if the retail trading is increasing. Third, we need to read in the press about analysts raising their price multiples for large caps. Since the market is not giving up, we believe it is the analysts who will give up. The strong IIP numbers may help this decision. Once all these elements are in, one can begin looking for a top. But this is still some time away. Until then we can look for some more upward traction to happen gradually.

Momentum indicators have improved smartly with last week's upward thrust. This should help the index surge higher. Over the long weekend, the news flow has not seen anything adverse. Hence we can look for a rise towards 19000/5700 levels in the coming weeks. Once those round numbers are reached we can reassess.



Top : Bank Index chart looks like there is some further room upside before it comes into any resistance. Can lead the market higher.

Bottom: The oscillator readings on the daily charts have improved nicely with the last week's thrust upward. This enables the market to continue with its upward traction this week also.



Index View: Conclusion and Strategy

Market seems all set to continue further higher. There are some time count clusters on Monday and that could perhaps provide some localized volatility for a day but it is unlikely that there are too many pending long positions brought forward from the last week to impede the progress of the trends too much. Whatever selling that may emerge (barring some event) would be of a profit taking nature only and hence cannot be deep. Ideally, one should be looking for lower levels of the last week as the depth of any trough that the market may make this week. Anything beyond that only should make us look deeper.

Sector action, as discussed above, should be led by banks and autos with other sectors throwing in their bit for the upward trend cause. We expect small cap stocks to perform well and readers can engage in momentum investing which is quite a bit of fun in addition to being profitable!!

Sector Index analysis: Sectors shows bullish intent

After few weeks of range bound and choppy moves, the markets finally confirmed the bullish intent with a sharp surge last week. The indices Sensex and Nifty hit new highs and ended the week on a high note. Sensex gained a solid 3%, i.e a whopping gain of 578 points hitting 18800 whereas the Nifty scored 160 points to end at 5640. All the sectors ended on a positive note with the Metal sector showing the maximum gains of over 5%. Interesting chart formation on the sector index. Read Sector Highlight section for more. Banking witnessed some fantastic bullish action last week, with the sector index moving to new life time highs. This one has been moving up consistently in the last several weeks. Continue to spot bullish opportunities here.

IT, Teck, were much better performers last week after witnessing some pressured moves in recent sessions. The affirmative close has now given hope to see a fresh trend emerging here and a breakout from the broad range bound phase. PSU sector after a gradual rally attempt has accelerated the rise with last weeks advance. Cap Goods after having held support above the prior broad congestion zone, has finally lifted up afresh after few weeks of range bound action. Two sectors to keep track of for follow thru. Oil & Gas continues to be under pressure. Realty, Healthcare is making progress. Con Durable though up is in mega overbought and hence maintain caution here.

Sector Index	Close	Wkly Chng	Pivot	Support	Resistance
BSE METAL INDEX	16131.46	5.11	15948.85	15680.89	16399.41
BSE BANKEX INDEX	12984.19	4.11	12838.38	12668.3	13154.28
BSE I.T. SECTOR INDX	5664.43	3.73	5616.44	5548.16	5732.71
BSE TECK INDEX	3563.32	3.43	3538.38	3493.66	3608.05
BSE SMALL-CAP INDEX	10249.25	3.4	10170.46	10025.48	10394.23
BSE PSUS INDEX	10053.16	2.49	9986.74	9904.04	10135.87
BSE CAP.GOODS INDEX	15094.78	2.47	15000.87	14892.29	15203.35
BSE MID-CAP INDEX	8050.73	2.44	8010.96	7937.78	8123.91
BSE OIL & GAS INDEX	10175.11	1.94	10141.78	10000.34	10316.54
BSE REALITY INDEX	3553.5	1.88	3542.44	3503.48	3592.45
BSE AUTO INDEX	9096.55	1.41	9105.46	8994.68	9207.34
BSE CONS.DURABL INDX	5909.5	1.39	5892.96	5852.16	5950.3
BSE HEALTHCARE INDEX	5679.04	0.86	5682.07	5644.2	5716.9
BSE FMCG SECTOR INDX	3467.6	0.31	3470.05	3444.24	3493.4

Sector Highlight: Metals...Making Noise...!

This sector was the top mover last week, gaining over 5%. In the attached weekly chart we can see that last weeks firm and long ranged upmove finally managed to breakout from a series of choppy moves in the last few weeks.

They also staged a breakout from 24-period EMA and 38.2% retracement of the last falling swing. DI lines have staged a positive crossover, thereby giving further impetus to the fresh uptrend. We need to see a follow thru here for the rise to sustain. Look at the actively traded counters for bullish opportunities.



MEDIUM TERM INVESTMENT: MEGASOFT LTD. (39.45)

The stocks recommended under this section has a maturity period of around 6 months.

Megasoft is a trans-national Intellectual Property driven, product-based technology company, established in 1994 in Virginia USA. Megasoft Limited provides information technology (IT) services and solutions to telecom and IT sectors in India and internationally.

What made this IT counter to move out of the radar of most investors, is a long accumulation pattern happened for almost 15-16 months period. Though, they could not be able to surpass the resistance of 35 (green horizontal line), but prices have formed consistent higher bottoms each time. Last week witnessed they successfully surpassed the cluster of resistances in the form of aforesaid hurdle of 35 and also ascending Gann angle line (purple line) after forming a strong base of one year. By looking at attached weekly chart we can see that prices have not even retraced up to 25% of the last declining leg of the major top (which means that this counter has not much participated in the last rally). Looking at the volume pattern we can observe that it is breaking out during every attempt of price rise and finally expanded during last breakout. Which is signaling knowledge players are in accumulation here. So these are the initial evidences of our positive outlook in this counter here.

We applied some of W D. Gann's method here, We have taken a swing top of 85.90 (22.08.08) and the bottom of 9.00 (20.03.09), we have witnessed a square of price & time triggered during early/mid of Sept'10 (during recent breakout from cluster). Currently 37 period fixed cycle is in progress, which is taken from the major top of May'06 and consequent lower tops (higher tops, lower tops and minor tops were all the hits of these cycles). Next trigger of these cycle is poised around Oct'10, Jan'11 and Apr'11 means, we are going to see continues higher tops around that periods. Look at the RSI, which has taken dip of 60 level in recent price pullback (this has happened after 4 years) signaling momentum is gathering steam here. DI lines have widened further with positive line dominance is continued. ADX started to rise from lower levels (bigger moves always occur from lower ADX) signaling strong trend is emerging here. Bollinger bands have widened afresh after moving in to squeeze for a long time, and prices are not only tagging but also moving out of upper band. So with everything coming together here (pattern, volume, price counts and momentum). One can look to accumulate this counter for a medium to long term perspective, from here (38.80) to any reaction up to 35-34. Hold it for the target of 60-62 and next 78-80 (61.8% retracement) across the next time frame of 8-12 months time.



MEDIUM TERM INVESTMENT: BALLARPUR INDUSTRIES (36.05) (REVIEW)

The stocks recommended under this section has a maturity period of around 6 months.

We had recommended this Paper stock as a buy during our issue dated 3rd May this year at 32 levels and on dip towards 30-29. The attached weekly chart of the same shows us that prices had been struggling to exceed the descending Gann line resistance around 33 levels. This led prices to dip towards our above mentioned levels, thereby triggering the buy on dips. A nice turnaround in July, with a follow thru last month, managed to breach the resistance and even attempted to breach couple more resistances around 36-37. However the long higher shadow during last months move is an indication that though prices attempted to get past them, they did not find enough buying strength to take them across. The 50% retracement at 37 has been proving to be quite a strong resistance, with prices forming multiple tops around that region.

However, despite this move, we do have enough favourable pointers that indicate of a breakout above this region. We have volumes rising consistently, indicating active buying participation. Healthy momentum readings on all time frames. The company reported a whopping 86% increase in consolidated net for Q4 and was also in news for acquiring Bangalore-based Premier Tissues for an enterprise value of Rs 75 crore that will boost its existing tissue paper business. With this counter continuing to look good both on the technical as well as fundamental front, we advise holding on to existing longs for our targets 55 / 70.



Source: ASA

SHORT-TERM INVESTMENTS

The stocks recommended under this section has a maturity period of around 1-3 months.

Voltas Ltd.: (226.95)

This Construction & Engineering counter offered a nice breakout last week forming a long bullish candle. Weekly chart reveals that prices were nicely taking support of a value area around 201 from past many sessions. Prices breached the support during week previous to last, but bounced back smartly discovering support of an ascending trend line and 20 DMA suggesting buy on dips attitude of longs.

On back of positive momentum and buying activity counter offered a strong rally last week that led prices to overcome significant resistance of an ascending trend line. RSI took support of 60 and turned up reaffirming bullish bias in this counter. Volumes too have seen a pick-up since past two weeks. As bulls are now gripping this counter one can look to buy at current level of 227 for a target of 248 / 257. Keeping stop below 211.

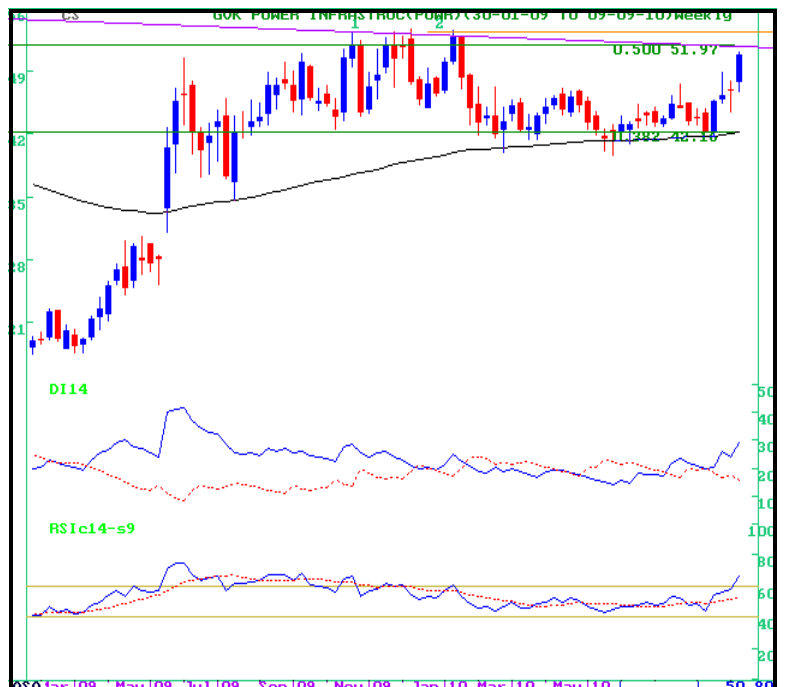


Source : ASA

GVK Power (50.80)

GVK Power & Infrastructure is the holding company of the power businesses of GVK and is engaged in the business of owning, operating, and maintaining power plants by itself and through its subsidiary/ associate companies.

In the attached weekly chart we see some interesting formations. Prices almost the whole of this year have been in the process of forming an accumulation pattern. The base of this pattern had been holding excellent support above 100-period EMA and 38.2% retracement 42 of the falling leg Dec 07—Oct 08. Having witnessed some active buying around this support, prices last week managed an excellent rally, breaking out from the base and moving up afresh. Prices currently have moved close to resistance around 52 (50% retracement) and 54 (pattern completion region and descending trendline). A firm breakout from the above hurdles will indicate a further rally in prices. Momentum has seen a sharp surge and have reached new levels of bullishness. Buy now or dips to 48-47 with stop of 5 points for target 62-63 / 70.



Source : ASA

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