

BSE Capital Goods Index

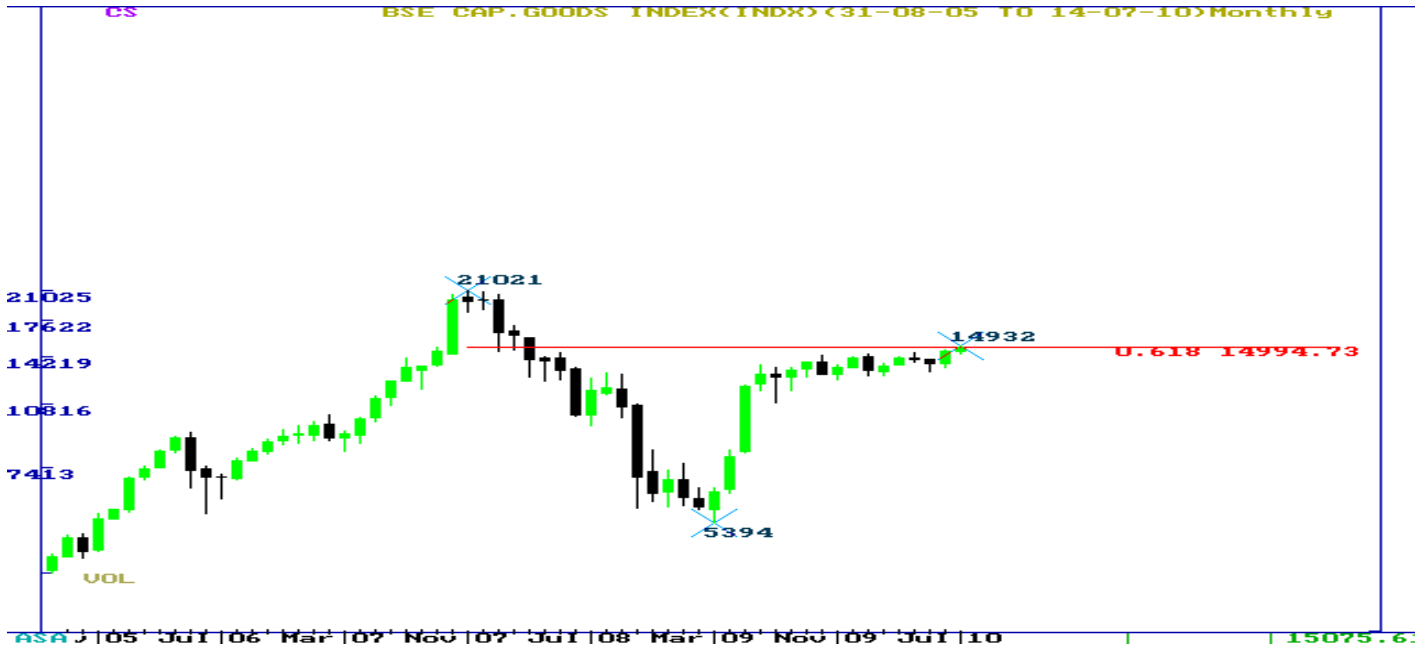

The BSE Capital Goods index has been consistently making higher tops and higher bottoms on the daily chart (as can be seen in the graph above), which is a Bullish Dow signal. The 14,350 – 14,450 band was acting as a stiff resistance and was tested a number of times as seen above.

As per W.D. Gann, when a stock rises to the same level the fourth time, it breaks the top and continues to rise. This according to him is one of the most important rules determining the trend.

Once this level was breached the index moved higher for 2-3 sessions before correcting lower to test this again. It came down to 14,435 where this band of 14350-14450 once again came into picture and acted as a support. Thus the “Change of Polarity” principle came into effect i.e. the previous resistance is now acting as a support.



The down move from 14,843 to 14,436 took 12 trading sessions (Fibonacci time 13 less 1) while this down move got completely retraced in just 4 trading days (Fibonacci time 5 – 1) i.e. in 1/3rd of the time period of the fall. This is called “Faster Retracement” and is a bullish indication.



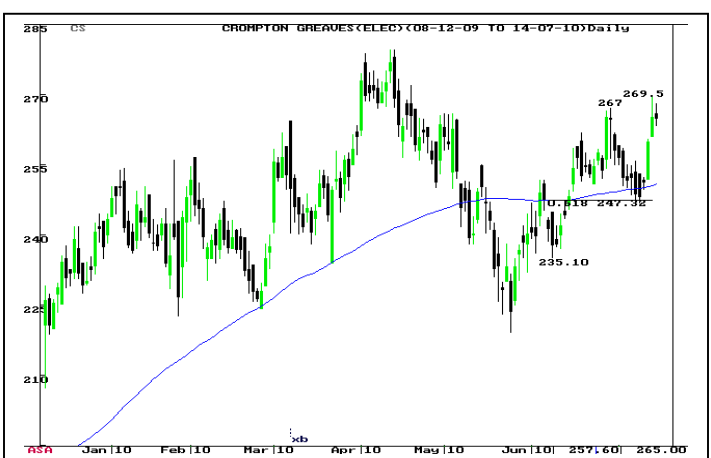
The BSE Capital Goods index made an all time high in the month of November 2007 at 21,021 as marked on the chart above and after making this high it corrected for 16 months before finally forming a bottom in the month of March 2009 at 5,394. The present upmove has also taken 16 months (we are in the 16th month now in July) but the entire fall has so far not been retraced. Also, currently it is at 61.8% of the entire fall from 21,021. Once this level of 14,995 is surpassed, we could see a sharper rise in BSE Capital Goods index in the weeks to come.

Stocks that could be potential buys in the BSE Capital goods index are given in the table below:

No.	Name	CMP	Action	Entry Range	Target	Stop loss	Time Horizon
1	L&T	1883.85	Buy on dips	1820-1843	1940	1805	1-2 weeks
2	Crompton Greaves	265.10	Buy on dips	260-250	281	246	1-2 weeks
3	Siemens	739.10	Buy	740-728	775	720	1-2 weeks
4	Bharat Bijlee	1189	Buy	1189-1170	1284	1160	1-2 weeks



L&T surpassed the resistance band of Rs.1719-1730 and formed a western upgap from 1737-1770. It then made a new high at Rs.1844. In the subsequent correction, it found support at the western gap up and started rising. It then surpassed this high of 1844 and made a new high at Rs.1850 and is likely to make new highs in the days to come.



Crompton Greaves has been making higher tops and higher bottoms on the daily chart. The 100-days simple moving average has been acting as a support for the stock. The stock found exact support at 61.8% retracement level of the upmove from Rs.235 to Rs.267. The stock has witnessed faster retracement of the downmove from Rs.267 to Rs.247 in just 2 days, which is a bullish sign.



The Rs.1175 level has acted very crucial for Bharat Bijlee in the past. As can be seen in the chart above, the prior top of Rs.1170 has been surpassed by Bharat Bijlee making a new 52-week high at Rs.1284. The stock corrected from there and has found support around the same level at Rs.1175. We expect the stock to move higher from the current levels in the next 1-2 weeks.



The upward sloping trendline joining the significant bottoms has been acting as a support for Siemens. The stock is making higher tops and higher bottoms. The last downmove from Rs.745 to Rs.714 took 12 days, which got completely retraced in 2 days. This is called faster retracement and is a bullish indication. The Rs.763 level has acted as a resistance on three occasions in the past and the stock could most likely cross this level this time (being the fourth time) as per W.D. Gann.

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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 stoploss or not give the call at all. Clients could get in touch with the analyst through mail or with their designated dealers to check about this.

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