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FOR PRIVATE CIRCULATION

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Weekly Technical Update

Equities

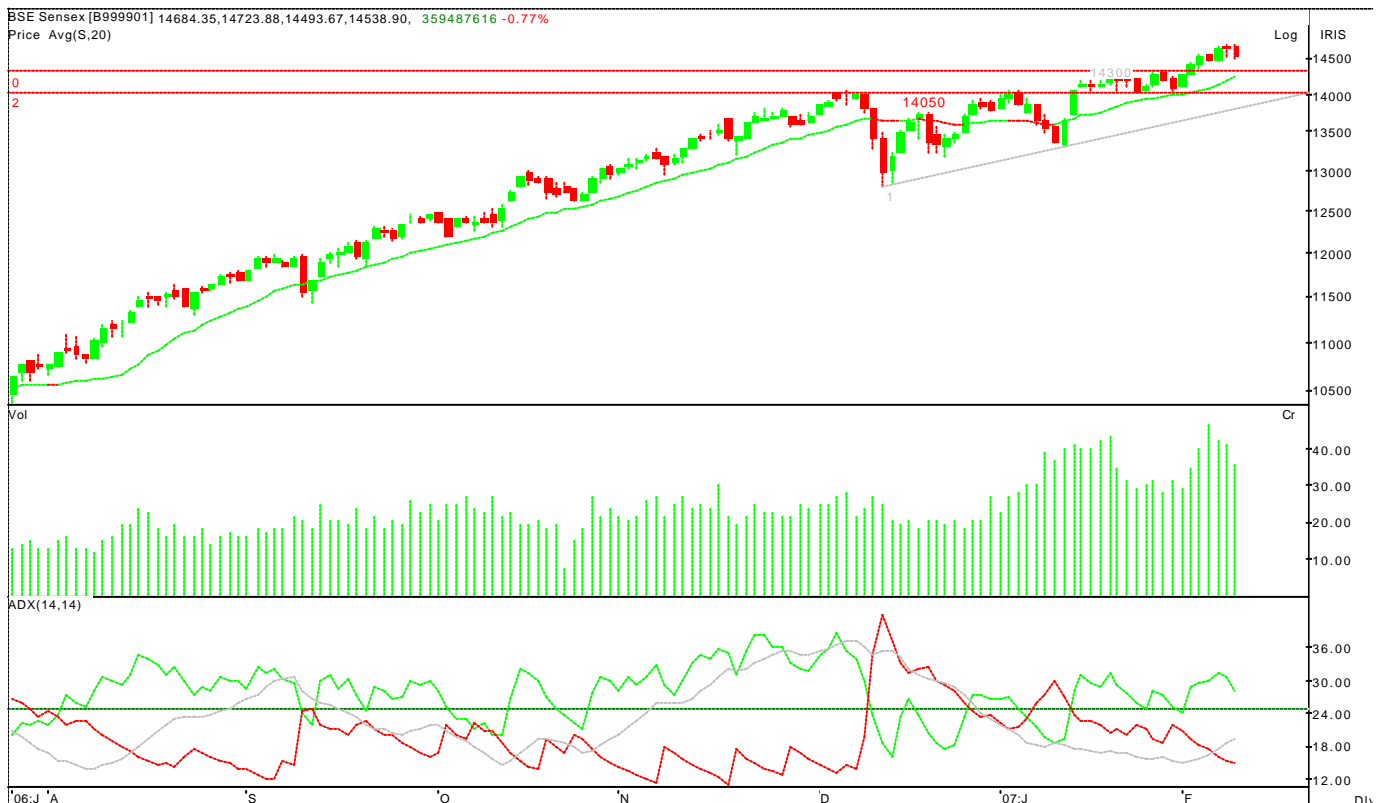
The week past and expected

According to daily charts, the market seems to be in an uptrend with regular corrections on a day-to-day basis. However, on the weekly charts, the market has turned weak internally as it failed to hold on to higher levels. The rejection at higher levels with the rise in volumes suggests that the market is facing profit booking from those players who have entered at lower levels (at the beginning of the rally).

Even though there is an upside on the daily and weekly charts, the percentage wise gains (upside) are not as attractive as they were when the market was at 14000/4000 levels. This may be the reason behind profit booking at higher levels. On a weekly basis, the market closed near intra-week lows. This may trigger further weaknesses in the short-term if it fails to hold on to weekly lows (14370/4170).

If we closely analyze index heavyweights individually on a weekly basis then we may see that many of them have completed their upward targets based on the wave theory as well as on Fibonacci ratios. The market has undoubtedly not formed any bearish reversal patterns yet on the weekly charts. This must be considered while commenting on the other side (bearish) of the market. However, such analysis prevents us from building huge long positions where the upside is little and surrounded with events.

BSE SENSEX DAILY CHART



In the short-term, the market may correct in the first half of the week. This correction may be up to 14300/14200 (4140/4110). If it settles here then we may see newer levels nearing 15000 and 4400 level. Between these ranges, it may be advisable to trade with tight stop losses and with short targets. Investment decisions with the long-term view are not advisable, as the risk reward ratio seems weak (based on technical analysis). However, this does not mean one should go for short selling at current levels.

As the bearish reversal is still pending it may not be advisable to go short on the market. As we are not seeing bigger upsides, the best strategy would be to go for purchasing "put options" of the next month if the market advances to the levels of 14900 or 15000 (4350 or 4400 for the Nifty).

Stock/sector specific perspective

Capital goods and infrastructure stocks are exhibiting better strength as compared to any other sector. The IIP data (about industrial/infrastructure/construction production) will also play an important role but overall patterns of the stocks are looking promising. Our top picks are Bhel, NTPC and Punj Lloyd for the coming few days.

Cement stocks have failed to retrace (upward side) the previous fall (due to removal/cut in excise duty) due to which they have turned weak with the higher beta on the negative side. A fall in prices is not ruled out in the coming days. The mixed participation of **auto and banking** stocks may keep sentiments volatile. It is advisable to trade in few stocks and our top pick for the coming week would be Maruti Udyog, Baja Auto, SBI and HDFC Bank.

Even though property stocks are falling on a day-to-day basis, our technical analysis tells us the stocks are approaching their major/long term support levels as they were in the oversold zone. The strategy should be to shop for few stocks (basket of three to four stocks) in tranches with the long-term view in mind.

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