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FOR PRIVATE CIRCULATION

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Weekly Technical Update

Equities

The week past and expected

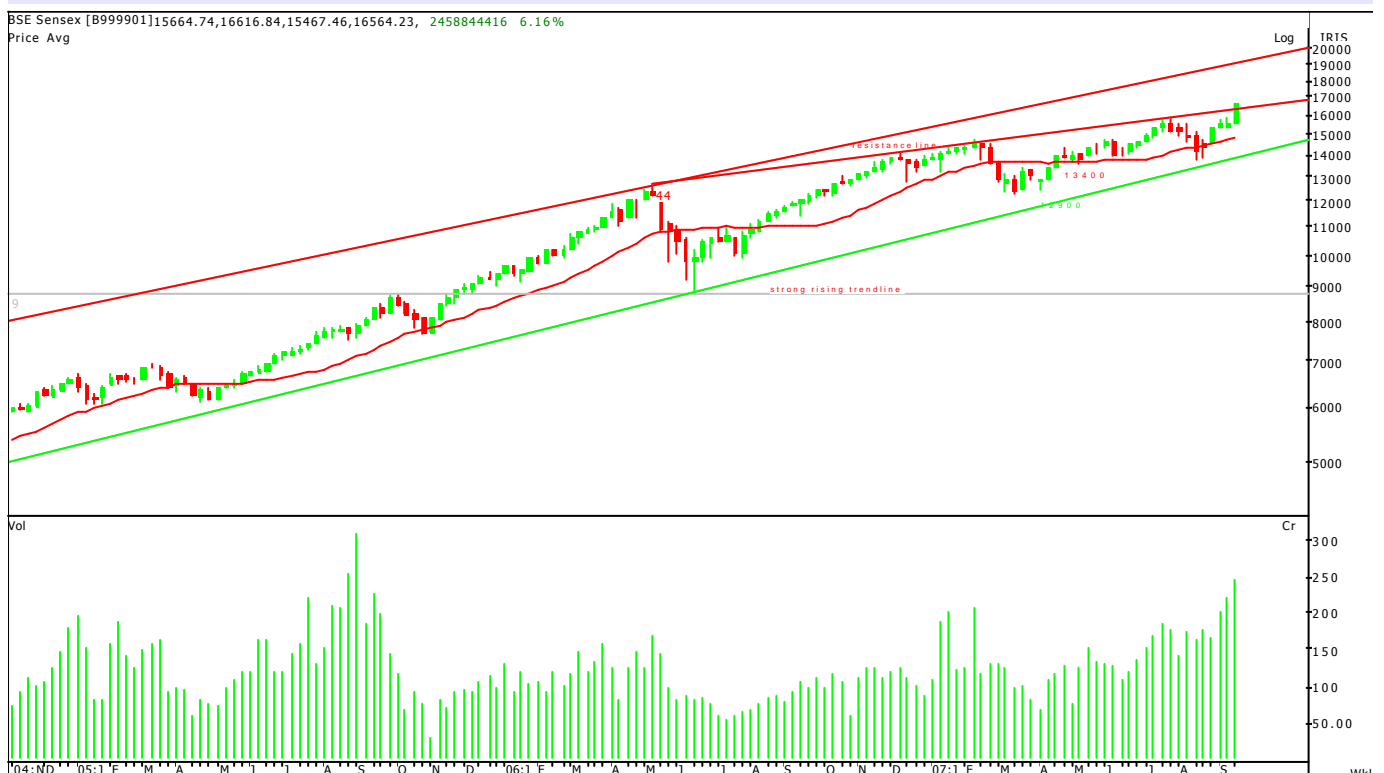
The market performance surpassed our expectations in the previous week after the announcement of the interest rate cut in the Fed's meet. The event was so keenly followed that after the announcement a lot of pending buying orders got triggered on Wednesday morning. They helped the indices to breach the important resistance of all-time highest level of 15869 and 4648. The huge gap up opening put paid to the bear's strategy. It forced them to compulsorily cover the short position above the mark of 16000.

This does not mean there are no more short selling positions in the system. However, we may conclude that preliminary short positions are covered. Now, gradual short selling will start at each highs.

Friday's move was completely devoted to the Reliance group. We have once more observed that in the best leg (trend) of the market, the leading sector or stock is always able to delivery extraordinarily well. Currently, the market is in an overbought territory above the mark of 70, at 76, as major oscillator RSI. Now, one must be cautious at higher levels and avoid building large (in size) positions.

The only difference in the current up move and the move in July is that currently traders have missed the rally. They must have liquidated their pending long positions at highs. So any correction from current levels may persuade them to enter into long positions of running sectors or stocks.

BSE - DAILY CHART



In brief, the overbought status of the market, according to oscillators, may drag sentiments down if markets halt at higher levels. However, we cannot expect a major correction or corrections beyond expectations as a lot of fresh buying may curtail the downside. According to the technical theory, the market has left an 'exhaustion gap' between 15691 and 15940. According to the trading rule, the market has to fill the abovementioned gap fully or partially in the coming days.

We feel the level of 15700 and 15850 (4600/4650) may offer strong support to the market. Fresh buying is advisable around these levels with a positional view in mind. Any levels above 17200 (5100 for the Nifty) may be expensive in the near term according to the wave theory. One must be cautious around these levels as failure to hold these levels may invite significant correction.

Sector/stock specific

If we looked at the broader market then we may say that cement, mid size infrastructure, banks, frontline real estate, metals and few pharmaceuticals and pipes and tubes stocks may do well in the near term. Our top picks to accumulate on declines are ACC, Lanco Infra, Indian Bank, DLF, Tata Steel, Ranbaxy and GAIL.

Trading Tool

Stock	Extreme	Probable	Achievable	Closings	Achievable	Probable	Extreme	Final Stop Loss
NIFTY (Sep-F)	4807	4825	4839	4869	4899	4913	4936	4410
RELIANCE	2193	2220	2252	2280	2308	2340	2367	2179
SAIL	183.4	187.5	189.3	193	196.7	198.5	202.7	182
TISCO	712	721	731	740	749	759	768	707
HDFC	2279	2310	2340	2369	2398	2428	2459	2264
ONGC	891	902	915	926	937	950	961	885
BAJAJ AUTO	2405	2435	2469	2500	2531	2565	2596	2390
M&M	744	754	764	774	784	794	804	740
MARUTI	895	907	919	931	943	955	967	890
TELCO	713	722	732	741	750	760	769	708
INDIA INFOLINE	820	836	842	853	864	885	906	815
TITAN	1412	1429	1447	1471	1489	1527	1574	1403
REL CAPITAL	1484	1512	1524	1543	1562	1602	1638	1475
TECH MAHIND	1212	1234	1257	1283	1299	1332	1373	1205
GMR INFRA	768	777	787	800	810	831	856	763
VSNL	407	412	418	423	428	434	453	404
PUNJ LLOYD	294	297	305	313	321	325	332	292
L&T	2614	2713	2752	2786	2820	2859	2958	2598
SBIN	1717	1760	1785	1807	1829	1854	1897	1706
PNB	487	493	498	513	528	533	539	484
MPHASIS BFL	258	263	265	268	271	273	278	256
INFOSYS	1756	1789	1803	1826	1849	1863	1896	1745
SATYAM	403	411	414	419	424	427	435	401
TCS	979	998	1005	1018	1031	1038	1057	973
WIPRO	422	430	434	439	444	448	456	420
ACC	1090	1110	1119	1133	1147	1156	1176	1083
GACL	137.9	139.7	143.3	147	150.7	152.6	156.1	137
GRASIM	3313	3376	3402	3445	3488	3514	3577	3293
BHEL	1895	1931	1946	1970	1994	2009	2045	1883
REL	971	990	998	1010	1022	1030	1049	965
TATAPOWER	756	770	776	786	796	802	816	751

- Achievable** = which is achievable if the stock trades above or below the closing price. (Trade as per the trend of the market)
- Probable** = which is probably achievable if the stock trades above or below the closing price. (If the prevailing trend of the market is in force)
- Extreme** = Here traders can go short (higher side) or long (lower side) with minimal stop loss.

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