

HEAD & SHOULDER

VOLUMES

PRICE PATTERN



Technical & Derivative ANALYSIS

MOMENTUM OSCILLATOR

BAR CHARTS

CANDLESTICK CHARTS

RELATIVE STRENGTH INDEX

STRANGLE

STRADDLE

CALL OPTION

PUT OPTION



Bears panic as Bulls gun for 6k

Sensex (18753) / Nifty (5691)

The previous week's strong closing above the **5550** mark (Nifty) led to an optimistic opening for the market on Monday. However, the bulls were seen a bit hesitant on the back of domestic political uncertainty during the first half of the week. As a result, the market witnessed a minor correction on Thursday. Despite the correction in prices, the market continued to observe a significant rise in the value of ADX (14) indicator mentioned in our earlier report. The impact of this indicator was seen on Friday as the Nifty surged sharply above **5700** and almost met our target of **5741 (19132)** on the Sensex). The rally was mainly led by realty, banking, capital goods and power stocks; whereas defensive sectors like healthcare and FMCG along with IT corrected sharply during the week. The Sensex ended the week with a decent gain of 1.56%, whereas the Nifty gained 2.03% over the previous week's closing.

Pattern Formation

- The '20-day EMA' and the '20-week EMA' are placed at **18000 / 5450** and **17500 / 5300** levels, respectively.
- The weekly chart depicts an "Upward Sloping Trend Line" breakout above **17973 / 5449** levels.
- The continuous rise in the daily ADX (14) indicator signals strength in the coming sessions. The ADX line has moved up from the 21 level (previous week's Friday) to 30 (this Friday). The ADX line moving above the 30 mark along with rising + DI is interpreted as a strong trend.

Future Outlook

Yesterday was the third consecutive Friday on which the Nifty posted a closing in excess of 100 points (i.e. nearly a 2% gain). Our benchmark indices have now rallied nearly 10% from the recent bottoms of **17250 / 5215** and show significant potential for a further up move. At this juncture, it would be a bit early to comment, but the monthly RSI oscillator is now moving upwards from the 50 mark. This indicator has been near 50 in the past 5 months. (RSI moving away from the 50 level towards 70 is a sign of upside momentum). Also, the monthly ADX (9) indicator is signaling a positive crossover. In addition, the daily ADX (14)

Exhibit 1: Nifty weekly chart



Source: Falcon

Exhibit 2: Nifty daily chart



Source: Falcon

indicator is at the 30 mark. The ADX line moving above 30 levels signifies strength in the current trend. Considering all the above technical evidences, we can infer that if indices sustain above **19132 / 5741**, then our benchmark indices are likely to rally towards the next possible target of **19542 - 19812 / 5850 - 5945** and even the possibility of testing **6000** (Nifty) cannot be ruled out. However, it would be very difficult to judge whether these targets would be achieved in the current leg of the rally or post a correction / consolidation before moving higher. The traders who have missed this rally should now ideally wait for a pull back (if any) towards the support levels of **18291 - 18000 / 5534 - 5450** and then initiate fresh long positions in the market.

We are of the opinion that traders should now adopt stock specific approach and trade with strict stop losses.

Weekly Pivot Levels For Nifty 50 Stocks

SCRIPS	R2	R1	PIVOT	S1	S2
SENSEX	19,212	18,982	18,637	18,408	18,062
NIFTY	5,834	5,762	5,649	5,577	5,464
BANKNIFTY	11,832	11,595	11,196	10,959	10,560
ACC	1,428	1,404	1,374	1,350	1,321
AMBUJACEM	204	200	194	190	184
ASIANPAINT	4,040	3,993	3,922	3,875	3,803
AXISBANK	1,200	1,162	1,092	1,055	984
BAJAJ-AUTO	1,871	1,836	1,775	1,740	1,679
BANKBARODA	849	815	750	716	651
BHARTIARTL	296	288	272	264	249
BHEL	250	241	225	216	199
BPCL	370	359	346	335	322
CAIRN	379	365	352	337	325
CIPLA	381	371	364	354	347
COALINDIA	398	385	374	361	349
DLF	252	243	231	223	211
DRREDDY	1,801	1,722	1,681	1,602	1,561
GAIL	400	393	382	374	363
GRASIM	3,387	3,311	3,189	3,113	2,990
HCLTECH	604	587	575	558	546
HDFC	806	793	773	760	739
HDFCBANK	646	636	618	608	590
HEROMOTOCO	1,993	1,958	1,908	1,873	1,823
HINDALCO	126	122	117	113	109
HINDUNILVR	565	547	536	519	508
ICICIBANK	1,124	1,095	1,057	1,028	990
IDFC	165	160	150	145	135
INFOSYSTCH	2,700	2,647	2,597	2,544	2,494
ITC	278	270	261	252	243
JINDALSTEL	467	447	412	392	358
JPASSOCIAT	91	87	81	77	72
KOTAKBANK	648	635	613	600	577
LT	1,657	1,621	1,561	1,525	1,465
M&M	850	829	803	783	757
MARUTI	1,369	1,341	1,296	1,267	1,222
NTPC	175	172	168	165	160
ONGC	308	301	290	284	273
PNB	923	880	799	756	674
POWERGRID	124	122	119	117	114
RANBAXY	560	545	533	518	506
RELIANCE	907	879	853	825	800
RELINFRA	598	571	524	498	451
SAIL	99	96	91	87	82
SBIN	2,390	2,302	2,154	2,065	1,917
SESAGOA	190	186	177	173	165
SIEMENS	713	703	686	676	659
STER	109	107	102	100	95
SUNPHARMA	695	682	672	659	648
TATAMOTORS	299	287	278	266	256
TATAPOWER	109	106	101	98	94
TATASTEEL	429	419	406	396	382
TCS	1,469	1,387	1,339	1,257	1,209
WIPRO	407	393	380	366	353

Technical Research Team

Don't expect 5800 plus levels in September series

Nifty spot closed at **5691.15** this week, against a close of **5577.65** last week. The Put-Call Ratio increased from **1.10** to **1.25** levels and the annualized Cost of Carry is positive **17.00%**. The Open Interest of Nifty Futures increased by **18.17%**.

Put-Call Ratio Analysis

PCR OI has increased from 1.10 to 1.25 levels. The sharp increase in ratio was mainly due to significant amount of buildup seen in 5500-5800 put option and simultaneously 5300-5600 call option observed good amount of unwinding as it was mainly due to short covering. Support of the market has been continuously shifting upwards from 5300 in the last week, it has now shifted to 5500 as 5500 put option has highest buildup in open interest, while in call option the buildup is quite scattered between 5700&5800 strike price which has maximum open positions as of now. Off late 5700 call option has also seen some unwinding interest.

Open Interest Analysis

Total open interest of market has increased from ₹1,42,069/- crores to ₹1,62,223/- crores. Stock futures open interest has increased from ₹30,470/- crores to ₹34,667/- crores. Some of the big names which added open interest are TATAPOWER, NTPC, JPASSOCIAT, RANBAXY and ITC. Open interest was shed in large cap names like JINDALSTEL, HINDUNILVR, BHARTIARTL, SESAGOA and AXISBANK.

Implied Volatility Analysis

Implied Volatility (IV) for NIFTY has increased from 13.30% to 17.90%. Historical volatility (HV) is at 20.36% and that for BANKNIFTY is trading at 33.49%. Liquid counters having very high HV are NCC, PANTALONR, GMRINFRA, IFCI and GVKPIL. Stocks where HV are on lower side are SUNPHARMA, TATACOFFEE, ASIANPAINT, TATACHEM and HDFCBANK.

Cost-of-Carry Analysis

Nifty futures closed at a premium of 15.90 point against the premium of 7.25 points to its spot. Next month future is trading with premium of 37.70 points. Liquid counters where CoC is high are ALOKTEXT, HCC, ESSAROIL, SCI and RUCHISOYA. Stocks with negative CoC are JPASSOCIAT, JISLJALEQS, MCDOWELL N, GUJFLUORO and HEROMOTOCO.

Derivative Strategy

Scrip : BHARTIARTL		CMP : ₹278.80		Lot Size : 1000		Exercise Date (F & O) : 27th. Sep. 2012		
View: Mildly Bullish			Strategy: Bull Call Spread				Expected Payoff	
Buy/Sell	Qty	Scrip	Strike Price	Series	Option Type	Buy/Sell Rate (₹)	Closing Price (₹)	Expected Profit/Loss
BUY	1000	BHARTIARTL	280	SEP	CE	4.00	270	(₹2.50)
SELL	1000	BHARTIARTL	290	SEP	CE	1.50	275	(₹2.50)
BEP - ₹282.50							280	(₹2.50)
Max. Risk: ₹2,500/- If BHARTIARTL closes on or below ₹280 on expiry.							285	₹2.50
Max. Profit: ₹7,500/- If BHARTIARTL closes on or above ₹290 on expiry.							290	₹7.50
NOTE: Profit can be booked before expiry if BHARTIARTL moves in favorable direction.							295	₹7.50

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Ratings (Returns) :

Buy (> 15%)
Reduce (-5% to -15%)

Accumulate (5% to 15%)
Sell (< -15%)

Neutral (-5 to 5%)

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