

Market Outlook

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6 November 2008



Nifty Futures (Front month series):(2991.65)

Following the dictum 'Buy on rumours sell on News' profit booking emerged in a big ways on the bourses from the beginning of the session. The news that Barack Obama had been elected the 44th president of the US, becoming the first African American to win the office and thus creating history was flashed before the markets opened. Nifty futures opened the day with a huge gap on strong global cues and the fact that rest of Asia was up by 1.5 to 6%, spiked to a high of 3298.9, almost testing the strong resistance at 3300 and then plunged down as selling and profit taking set in. The selling was temporarily halted in the 3050 region where it took respite and moved range bound in the 3050-3120 region but in the last one and a half hour of the session the 3050 support was broken and the slide gained fresh momentum as it closed the day with a loss of 170.25 points, breaking the 6 day winning streak on enhanced volumes. The bears seemed to be back with a vengeance after lying low for the past week. Though most of the sectors barring health care closed in the negative, the worst to be hit was the Oil and Gas sector followed by Capital goods and Banks. As per the provisional data FII were buyers and DII pressed sales on bourses on the last day. US markets tumbled by 5+ %, ending the day at session low on recession worries and discouraging data which held the centre stage after the presidential elections. Europe has also closed in the red and Asia opened this morning with a loss of 1-5.5%. Euro has weakened further on the expected rate cut today in a coordinated reduction by Central banks to bring down cost of borrowing and infuse liquidity. Britain's pound also weakened on speculation that it will reduce interest rates in the meeting today. Commodities have weakened and oil too has eased on slowdown worries. President elect Barack Obama has advocated a second fiscal package to boost the ailing economy. Given this scenario our markets are likely to open weak and a gap down opening could well take place. Technically, Nifty future had come up against a strong resistance around the 3300 region and the bulls were unable to absorb the supply pressure here. Moreover the rise had been almost vertical, without any consolidation signaling it to be a bear market rally which is fast, sharp and swift. Its immediate resistance is now in the 2990-3000 region and above that 3050, 3100 will be the strong supply zones. It must now close above 3300 to signal fresh bullish momentum which seems less probable now. On the lower side its immediate support is in the 2945 and a breach of this level may give fresh momentum to the slide and it may then move down to 2900, 2820, 2800 and 2770. The critical level for this upswing from the low of 2228 to 3298.9 is now around 2770 and a breach of this level will usher in fresh bearishness and maybe a retest of the earlier yearly lows and would be a cause of concern for the bulls. We may expect range bound movement and some consolidation once the sharp swings are arrested and fresh lows are no longer posted on downswings. Markets are likely to open weak on dismal global cues and then chart their own course as the day progresses. Volatility may remain high so make the best of it.

Resistance: 3000, 3100, 3150, 3200- 3220, 3300

Support: 2990-3000, 2945, 2900, 2820, 2800, 2770, 2700

Bhel (1378): Short position may be taken in this counter with a stop if prices move decisively above 1400 for a target of 1330, 1300.

Resistance: 1385, 1400, 1440, 1465

Support: 1350, 1330, 1300, 1290

Note: All prices relate to NSE spot prices unless otherwise stated. Stop loss is a risk control mechanism and should always be there since it is a level which breached signals that the call has gone wrong and steps must be taken to put a stop to further loss. It also quantifies the risk.

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