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FOR PRIVATE CIRCULATION

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Weekly Technical Update

Equities

The week past and expected

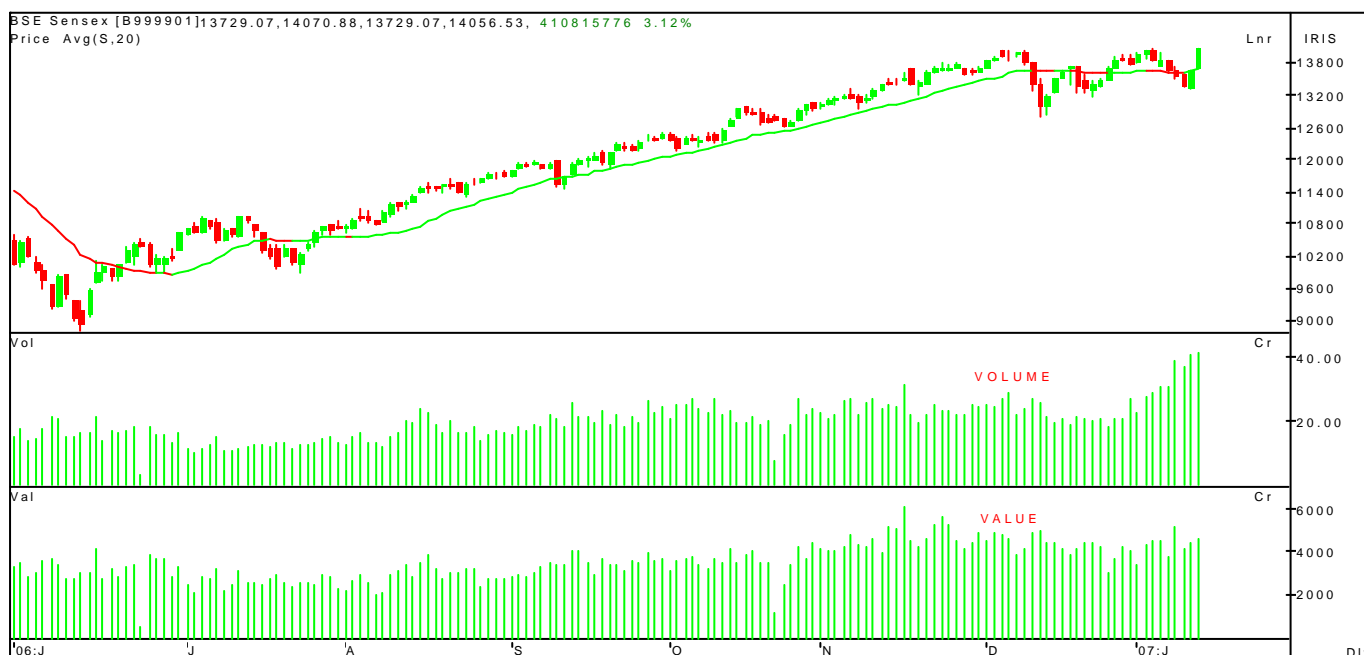
The market opened weak on Monday and continued the short-term bearish trend. Till Wednesday, it remained in the red with a loss of nearly 500 points on the Sensex and 150 points on the Nifty. The closing on Wednesday was a cause for concern. However, it was just above the major level of 13350/3850. It was a cause for concern because Infosys' results were expected on the next day (Thursday). Nobody was psychologically prepared to take overleveraged position on an overnight basis.

On Thursday, the market opened lower as Infosys results failed to beat inflated market expectations. It came out with in line quarterly result. As usual, the market opened lower but in the later part of the day it recovered sharply from the major levels of 13350/3850 and closed in a positive territory with hefty gains of 350 points on the Sensex.

On Friday, the market continued the trend and has displayed a spectacular rally of 400 points on a daily basis. The major contributor was Reliance Industries and ICICI Bank. In brief, the market displayed huge volatility. Bears completely failed to encash on major weaknesses in the markets as it closed in a positive territory above the previous high of 14050/4045 and that too on weekly closing basis.

According to the daily chart, the market seems to be poised to move further upward. However, in the short-term, (intra-day basis) it seems it is far away from its recent bottom. For any big trader it may be extremely difficult to build up further fresh long position at such highs. According to Fibonacci ratios, the levels of 14150-14250 may act as major hurdles for the indices in the short-term. A temporary reversal is not ruled out. Any decline to the levels of 13900/3980 would be an opportunity for short-term traders to get into long positions with trading view.

BSE SENSEX DAILY CHART



According to weekly charts, the indices have given an excellent closing of 14056/4052 with the rise in volumes. It may even rally to the levels of 15000/4300 before the Budget but the technical signs are slightly disturbing. The candlestick graph indicates that some forces are deliberately lifting the market higher to keep the trend intact.

If it happens once in two months then we may call it a regular correction. However, if it happens on a regular basis it means the market is behaving abnormally and may correct heavily if the major support is removed. Also, the volume and value indicator is also displaying a disturbing picture as number trades are rising instead of value wise. This tells us that the number of participants is rising in the market, which may be an ideal opportunity for distribution.

Based on the above observation, we may design our strategy as follows for the coming days.

Do not rush for those stocks, which are far away from their bottoms.

Trade in few stocks with tight stop losses.

Trade with flexible views. Trade in one direction, either bullish or bearish with tight stop losses instead of trading on both sides. We are recommending the above strategy because we may see huge volatility in the coming days. This may make it difficult to trade on both sides of the trend.

Invest in few stocks on declines only if indices corrects before reaching the levels of 15000/4300.

Last, but not least, be a level-based trader instead of stock picker.

Cement, auto, private banking and select tech stocks may do well in the coming week.

Trading Tool

Stock	Extreme	Probable	Achievable	Closings	Achievable	Probable	Extreme	Final Stop Loss
NIFTY (JAN-F)	4006	4025	4037	4062	4087	4099	4118	3930
RELIANCE	1289	1305	1323	1340	1357	1375	1391	1264
SAIL	86.1	88.0	88.9	90.65	92.4	93.3	95.2	82.7
TISCO	450	456	462	468	474	480	486	452
HDFC	1519	1540	1559	1579	1599	1618	1639	1515
ONGC	889	900	913	924	935	948	959	885
HERO HONDA	715	724	734	743	752	762	771	725
BAJAJ AUTO	2662	2696	2734	2768	2802	2840	2874	2675
M&M	897	909	921	933	945	957	969	870
MARUTI	887	898	911	922	933	946	957	875
TELCO	905	916	929	941	953	966	977	894
REL CAPITAL	624	636	641	649	657	674	689	602
SRF	192	195	199	203	206	211	217	186
TITAN	859	869	881	895	906	929	958	835
VSNL	419	425	431	436	441	447	467	409
BAJAJ HIND	197	200	205	210	215	218	223	190
L&T	1375	1428	1448	1466	1484	1504	1557	1400
SBIN	1164	1193	1210	1225	1240	1257	1286	1125
PNB	470	490	501	516	531	542	562	480
HCL TECH	608	619	624	632	640	645	656	585
INFOSYS	2138	2179	2196	2223	2250	2267	2308	2100
SATYAM	478	487	491	497	503	507	516	455
TCS	1273	1298	1308	1324	1340	1350	1375	1205
WIPRO	602	613	618	626	634	639	650	565
ACC	1024	1044	1052	1065	1078	1086	1106	1010
GACL	132.5	134.1	137.7	141.2	144.7	146.6	149.9	135
GRASIM	2719	2770	2792	2827	2862	2884	2935	2730
BHEL	2162	2203	2220	2248	2276	2293	2334	2105
REL	505	515	519	525	531	536	545	500
NTPC	131.7	134.7	136.0	138.65	141.3	142.6	145.6	131
TATAPOWER	557	567	572	579	586	591	601	550

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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