

Index Review:

CURRENT TECHNICAL SETUP

Intermediate support trend line: 17531

200 dma level: 17065

Key swing levels : 18869 for resistance and for support 17465

Sensex Stocks above 200dma: 19 out of 30 (Unchanged)

Gains/Loss for the week: 8016 Advances and 6999 Declines

Market went thru some gyrations in the last week as it began poorly but managed to make amends with a decent rally towards the end of the week. But bulls were disappointed with that rally as the index was unable to hold on to the higher level and could only eke out a mild gain for the week. Nevertheless, it was a good week for retail traders it appears, as the mid and small cap indices delivered a much better return (> 2.5%) for the week compared to the main indices (+1.3%). FII selling, that had emerged a bit in the week earlier, was nowhere in evidence in the last week and they seem to have added more (about 11600 cr in August). Domestic, as has been their recent wont, continued to remain sellers. News flow was in plenty (DTC, GDP numbers, Auto sales, Cement

numbers etc) and most of it was positive. So, altogether, not a bad week of outing for traders and investors alike.

The US markets too went thru similar palpitations as ours except that Friday seems to have ended pretty well for them. On Wednesday, the US markets posted a strong rise that managed to reverse the trends in most other markets. Prior to that we had been declining for about 6 successive sessions starting Aug 23. While the US has built on that gain, our index has not fared as well. Despite the good news flow, one wonders as to why this should be so. The sell



Source : ASA

Inside this issue:

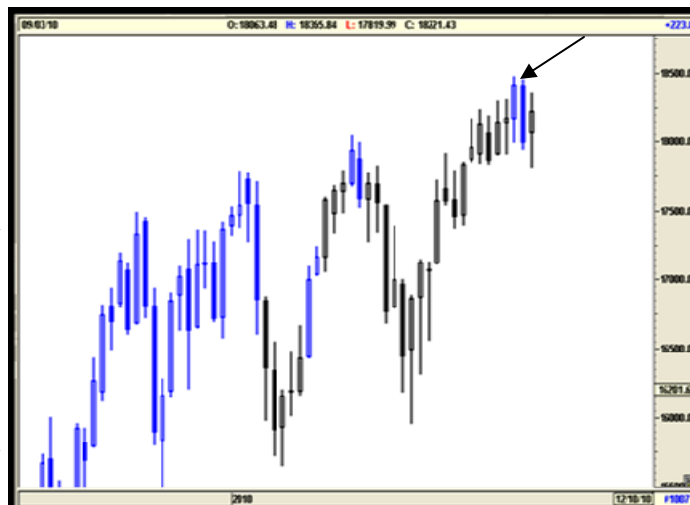
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Special points of interest:

- *Fortunately, volume and momentum indicators are quite neutral as of now, not having really hit the skids during the decline.*
- *September has always been a month where the index has witnessed a rise*

Index review continued

off at higher levels is evident from the presence of tall upper shadow candles for both Thursday as well as Friday. This clipped the weekly candle pattern from turning into anything significant. In addition, we find that the decline from the top made on Aug 23, has broken two support trendlines (marked 1 and 2 on the chart). The line 2 is a true trendline (intermediate term) for the current rise and its break is not a happy augury for the market. In the week ended Aug 27, the index had shown a bearish engulfing pattern on the weekly chart. (see arrow on chart alongside) and last week's inability to reverse this bearish signal is also a sign of worry. No doubt, attempts have been made and if the news flow remains positive and overseas trends remain sanguine, then we can see another attempt to overcome this bearish comeback. But that is something we have to await in the coming week. Hence the pathway for analysis in the week ahead is pretty well cut out for us. We need to see the market exhibit strength and do so as early in the week as possible. If that does happen, then we could have yet another stab at the higher levels. But any failure to do so would lead to some slippage and that would make it even more difficult for the market to come back from.



Top : Weekly chart showed a bearish pattern last time. Not yet recovered from it yet.

Bottom: The stochastic indicator has revived from lower levels after showing strength bands above. This can be considered a positive signal for the short term.

Fortunately, volume and momentum indicators are quite neutral as of now, not having really hit the skids during the decline. Hence some recovery in the buying volumes coupled with some improvement in the oscillator charts would also be a signal that can set the index on an upward path. This is yet another area to watch in the coming week. At the same time, we need to remember that any weakening of these two indicators would tip the scales in favor of more declines ahead. One can take solace from the fact that, historically, September has never been a favored month for declines (exception being 2001). So there is also a distinct possibility that we may just range between the lows set last week (around 5350) and the high made in end Aug (5550) for the rest of the month. The volumes appear to have moved to the small and mid cap stocks and if they continue to attract the traders, the ranging action may well prevail.



Index View: Conclusion and Strategy

Market is caught in a bit of a bind this week. We have reached yet another time count but this month seems to be full of it. Hence we should probably expect some range action during the month. We have mixed set of signals that are alternately showing strength or weakness. Under such circumstances, it is better to allow the market to decide its course of action. Hence we recommend a bit of a laid back approach to trading the markets this week.

If the undertone is steady then we can look for good action in the small and mid cap area and hence momentum investing could probably be in the limelight. There are no sector biases that are apparent and hence market may take an entirely stock specific action in the coming week. This will require that readers should be a lot more proactive about their trading and investing action ahead. May not be the best of weeks for trading but for short term investors it should work out all right.

Sector Index analysis: Sectors shows renewed strength..!

It was a time for some heavy choppiness in the markets last week, as the indices were struggling to hold on to the psychological figures of 18k and 5400 respectively. A nice bounce back from the weekly lows led them to close above the same and on an affirmative note. Sector performance was largely on the positive side with all of them closing in the green after a good bounce back from the prior short corrective phase. The only exception was Oil & Gas sector that ended on a negative note.

Out of the sectors that gained, Realty, FMCG, Auto & Mid-Small Cap did quite well. FMCG in fact scored yet another new high. Out of the four, go slow on buys in Realty as they are still in recovery mode and will have to do a lot more to indicate fresh buys again. Banking, Consumer Dura, managed to move up once again but are still under the grip of possible profit booking action ahead. Healthcare formed its first minor higher bottom last week after a sustained sequence of lower tops and bottoms. Check for follow thru here. IT continues to be under pressure with rally attempts facing overhead resistances. The sector will have to do more to erase the same and move up afresh. Oil & Gas continues to be in the grip of bears and was trading negative yet again. PSU is gradually gaining upside ground. Keep track of stocks here.

Sector Index	Close	Wkly Chng	Pivot	Support	Resistance
BSE REALITY INDEX	3487.89	3.19	3427.76	3353.59	3562.05
BSE FMCG SECTOR INDX	3456.75	3.04	3414.84	3364.74	3506.84
BSE AUTO INDEX	8970.48	2.99	8857.56	8727.38	9100.66
BSE MID-CAP INDEX	7859.11	2.94	7752.21	7626.06	7985.27
BSE METAL INDEX	15346.56	2.92	15270.74	14920.13	15697.16
BSE SMALL-CAP INDEX	9912.64	2.82	9772.56	9614.18	10071.01
BSE BANKEX INDEX	12471.47	2.09	12360.06	12205.67	12625.86
BSE TECK INDEX	3445.05	1.92	3420.48	3367.23	3498.31
BSE HEALTHCARE INDEX	5630.46	1.7	5600.4	5549.13	5681.73
BSE PSUS INDEX	9808.82	1.17	9757.31	9649.86	9916.26
BSE CONS.DURABL INDX	5828.43	0.97	5786.3	5688.28	5926.44
BSE I.T. SECTOR INDX	5460.74	0.97	5433.33	5348.57	5545.5
BSE CAP.GOODS INDEX	14730.29	0.05	14701.61	14489.31	14942.58
BSE OIL & GAS INDEX	9981.75	-1.09	10023.55	9832.14	10173.16

MEDIUM TERM INVESTMENT: ARVIND LTD. (42.95)

The stocks recommended under this section has a maturity period of around 6 months.

The Arvind Mills Limited manufactures, sells, and exports textiles and garments in India. The company's product line consists of denim, shirting's, khakis, knitwear, and voiles. It offers denims in various shades, weaves, cotton and cotton-based blends. What we can see from this attached weekly chart of Textile counter, is nice accumulation pattern. We can also see that prices are making higher bottoms and they are sustaining above that levels. Even though this counter is caught with in the bands of 42.25(38.2% retracement) and 30.15 (23.6%retracement) they are smartly holding the support of 200 period EMA (black curvy line). We can also see a volume pattern for the last 15-16 months that the volume is getting expanded during every upside break out and the same is diminished during reactions, which hints that accumulation is happening here by the strong hands and they are not heavily participating in profit booking. These are the initial evidence of our bullish view here.

We have worked out some of W D. Gann's method here and we have observed following points. We have drawn a down 1x1 angle line (45degree) from the top of 143 (Sept'05) and from the slop of same line we have bounced it back from zero price, and we have seen that prices are moving up by nicely taking support of that line. we also have drawn angle lines (1x1,1x2,1x4 & 2x1,4x1) from the top of Jan & Apr'08 and from the bottom of March'09. We have seen price & time match happened during latter July'10 (where prices started to accelerate) and in early June'10 (prices rallied by forming base) and next match is in future dates around middle and latter part of Sept'10 and early-mid part of Oct'10. So we can expect some topping action/price acceleration around that period. Currently 28 period fixed cycle is in progress, lower tops of April and Oct'06 and higher tops of Nov'07and May'08, Jan'10 and minor top of June'09 are all the parts of this cycle. Next cycle will gets trigger around early part of Feb'11, where we may see another probable top around that period. Oscillators are maintaining with in bullish zone, DI line are already widened (positive line dominating here) with ADX too has turned up from lower levels, which is all indicating a strong trended move is happening here. These are all other evidences of our positive view in this counter. So with pattern, volume momentum and price & time, all coming together, one can look to accumulate this counter for a medium to long term perspective from here (42.95) to any reaction up to 40, for the target around 61-62 (61.8% retracement) and next target of 80-82. Across the time frame of next 8-12 months time.



Source: ASA

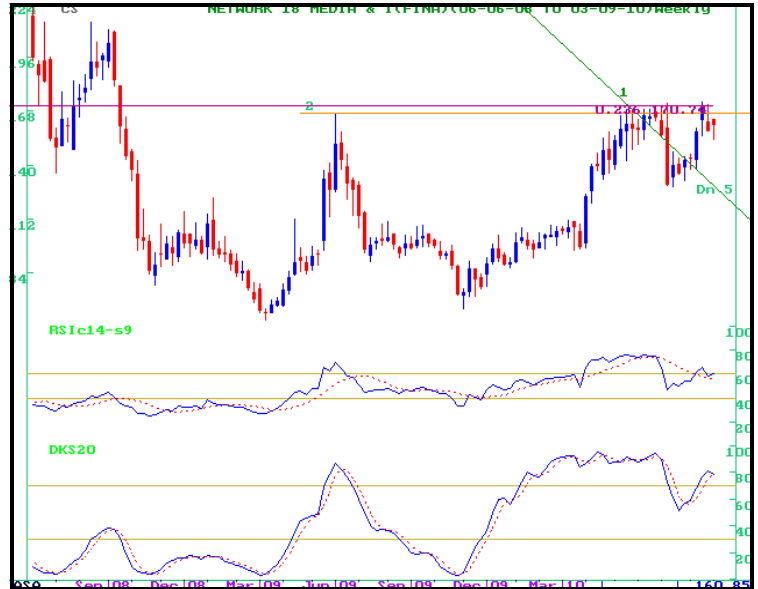
MEDIUM TERM INVESTMENT: REVIEW

The stocks recommended under this section has a maturity period of around 1-3 months.

NETWORK 18 (160.85)

We had recommended this counter as a buy in our issue dated 17th May 10 at 158 levels and on dip towards 140-30.

From the attached chart we can make out that prices since our recommendation was seen struggling to breakout from couple of overhead resistances around 167 (accumulation pattern region) and 170-71 (23.6% retracement of the swing Dec 07—March 09). Being unable to move up prices collapsed during the start of July 10. Two weeks of sharp correction led prices to finally halt at support around 130-31, right at our mentioned dip region and thereby triggering our buy on dips call as well. Prices as expected have turnaround well from that low, though still unsuccessful in giving a breakout yet. However the momentum readings show that the trend continues to be bullish. One can therefore maintain hopes of a breakout anytime soon. Hence hold for revised targets of 230 / 292 / 338.



Source : ASA

SHORT-TERM INVESTMENTS

The stocks recommended under this section has a maturity period of around 1-3 months.

Himatsingka Seide Ltd : (44.55)

The upward climb towards end of previous week has bought positive bias in this textile counter, which is evident from long bullish candle. Looking at weekly chart we found that prices have been moving in a range bound manner from past many weeks, taking support of 37.50 level. With previous week's breakout stock surpassed resistance of 41.80 confirming bullishness.

The rise also led stock to overcome resistance of 40 week SMA and hurdle of descending trend line signaling that bulls are now very much active in this counter. Volumes activity are on rise from past couple of sessions reaffirming bullish play. With RSI closing above 60 levels one can expect some renewed buying participation in this week also. As bulls are now gripping this counter one can look to buy at current level of 44.50 for a target of 48.50 / 50. Keeping stop below 41.40.



Usha Martin Ltd. : (88.50)

This Iron & steel counter offered a nice breakout last week forming a long bullish candle. Weekly chart reveals that prices were nicely taking support of an ascending trend line which was restricting the stock from falling since Oct'09. Still the stock was facing resistance around 87.14 level and was unable to surpass the same from past many sessions.

With previous week's successive breakout, stock overcome the hurdle signaling that bulls have regained control over this counter. 40 week SMA that was acting as resistance was also surpassed suggesting bullish bias. The momentum is gathering steam and turning up afresh, with spurt in volumes also signals that aggressive buying is fuelling the up move. With overall set-up being conducive we recommend a buy around 88.50 with a stop loss below 82.40, keeping targets for 96.50 / 100.



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