

Market Outlook

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Nifty Futures (Front month series):(3998.15)

The \$700 billion bailout package to rescue the ailing finance industry has been agreed upon by the Congress and the law makers will share the spending controls with the Bush administration. It is the biggest bailout in history and has the tentative support of both the presidential candidate. The bill will go for vote on Monday and is likely to be passed by October 1. Though the plan is unpopular but it seem to be the only way out of the financial crisis brought about by the bad loans and will be executed in three phases. It seems currently the only way to stave off deep and painful recession. There was a need to reach an agreement before the Asian markets opened on Monday to reassure the investors and save markets from plunging further. The whole world has eyes set on this rescue package. It was needed to revive the lending process and restore flow of credit. The banks had tightened the lending process and were not lending to each other too after the few major collapses. Back home the banks are under pressure on resource management. They have decided to restrict the flow of loans and focus on sanctioned limits instead. Cost of deposits has shot up in this quarter. Some banks have decided not to roll over short- term loans and do it at higher interest if at all. The cost of carry for October contracts have moved up to as high as 36% from 10-15% and the roll over has been 76% since positions had to be liquidated as the margins were high. Volumes were low on Friday despite being the first day of the front month series. Nifty futures opened the day on a weak note and slipped to a low of 3980 closing the day with a loss of 117.2 points in a choppy session. It has closed below the 4000 mark for the first time after recovery began from 16 July. Most of the sectors barring FMCG closed in the red. As per the provisional data, FII were sellers on the bourses and DII were buyers. Technically, Nifty futures now has a strong support in the 3955 region and if this is broken decisively then the slide is likely to take it to below the 3761 low tested earlier in July this year and may move down to 3700 with some support at 3900, 3820, 3790 and 3761. The weekly charts are weak signaling a possibility of test of lower levels. If however, 3955 holds on declines and market rebound from that region, it may again move up to test the 4100 levels which is now a strong resistance and needs to be decisively crossed to signal an end to the current downswing. Its immediate resistance is now around 4000 and above that at 4070-4085. Another positive for Indian markets is the passage of the nuclear deal through the US house of representative and now it needs to be passed by the Senate. Markets are likely to open in the green on positive global cues and then chart its own course as the day progresses. Volatility may remain high so make the best of it.

Resistance: 4000, 4085-4070, 4100, 4135-4140, 4200

Support: 3955, 3900, 3820, 3800, 3790, 3760, 3700

Rolta (264.35): Long position may be taken on dips with a stop below a decisive breach of 256 for a target of 275, 280. It is likely to gain fresh momentum above 280 and may then move up to test the 200 ema posited at 295. The downswing is likely to gain momentum below 256.

Resistance: 265, 270, 275, 281, 290, 295, 300

Support: 260, 256, 250, 240

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

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