

Technical Analysis

Cautious Stance Vindicated

India Outlook

Equity indices: The market's movement in the last week has entirely justified our guarded stance. As we had mentioned in our last weeks report, the index continues to vacillate with no clear directional thrust. We expect the market to continue with this characteristic and send confusing signals for some more time. But the weak closing on Friday below 5460 means that the short term trend may remain weak / neutral. However, we find signs of life in the Mid cap index. A clear case of technical positive divergence has begun to emerge in this index indicating few odds for a negative tren. We close the week on this possible positive note.

Key Indices

Index	Close	WoW change	Short-term outlook	Key support	Key resistance
BSE Sensex	18174	-1.68%	Neutral	17900	18700
NIFTY	5445	-1.67%	Neutral	5400	5800
CNX Defty	4170	-2.20%	Neutral	4050	4400
BSE PSU	8515	-0.64%	Neutral	8300	8990
BSE Bankex	12192	-2.02%	Neutral	12000	12850

Global Outlook

Commodities: Base metals exhibited varying degree of weakness for the major part of last week. While Aluminium remained subdued, Copper and Zinc saw much sharper cut and declined considerably making its short term technical structure bearish. In bullion, Gold and Silver may remain weak in the coming week post which its uptrend is likely to continue. Crude is likely to decline near its supports this week post which its uptrend may also resume.

Currencies: Dollar/Rupee may move sideways in a trading range. Euro/Dollar may remain subdued and then drift higher closer to the 1.40 level. Dollar/Yen is likely to face resistance closer to 84.00-84.50 level. The DXY may continue with its pull back rally which will help it scale higher close to 78.50 level.

Global equity indices: Trends of key indices are given below.

Country	Index	Closing	Key comments
USA	S&P500	1295	Negative
China	Shanghai	2933	Subdued movement
Hong Kong	Hang Seng	23249	Wait and Watch
Japan	Nikkei	10254	Negative
MS Emerging Mkt	MSCI	1115	Negative

Index Watch

NIFTY (5445)

Gain/Loss over the week: down 93 points (-1.67%)

Outlook for next week: Neutral

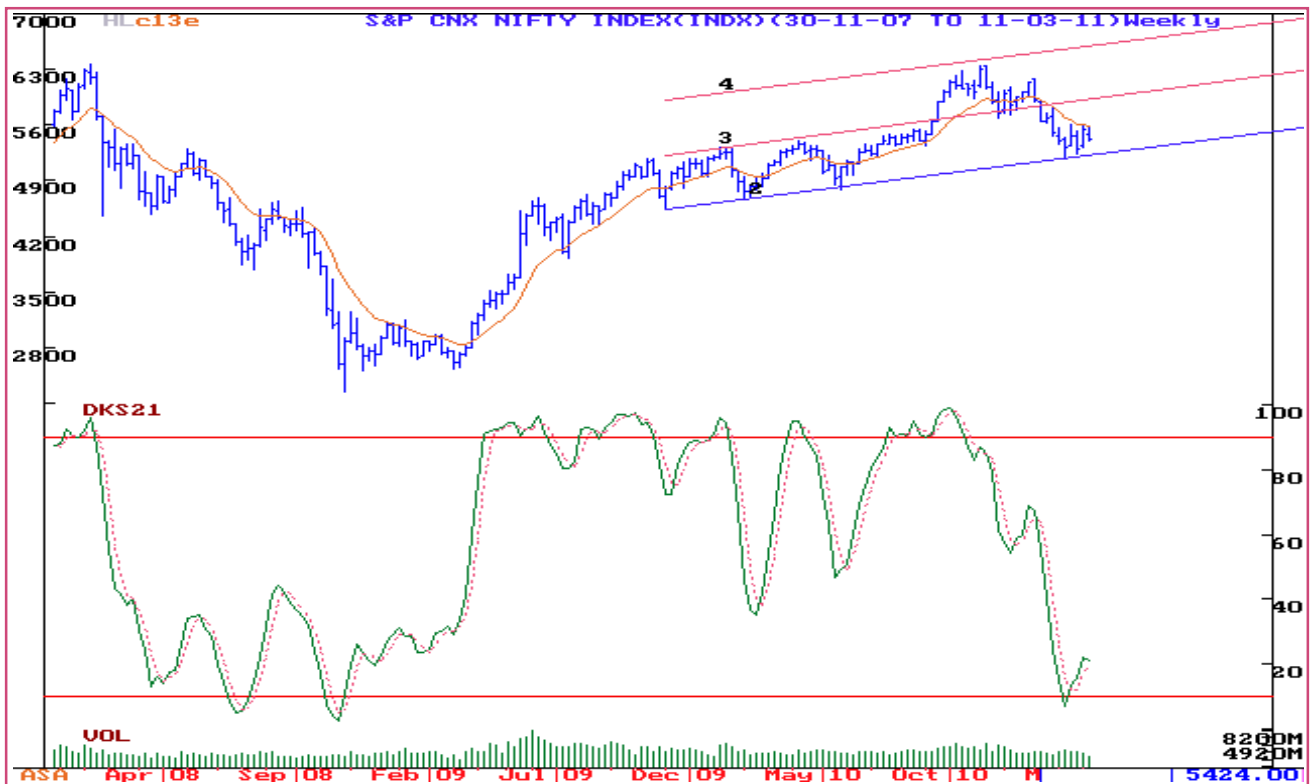
Our tools: We have used a weekly bar chart along with momentum

Support	5400	5350	5300
Resistance	5475	5570	5610

Nifty making a trend channel: The Nifty has made a trend channel since October 2009. After falling back into the channel, the Nifty reached its lower support level of 5200. This was as per our expectation. The Nifty has received support at the lower channel line and this can lead to a technical bounce back.

Short / medium term oscillator is oversold: The short/medium term oscillator (Stochastics) has moved up after it hit oversold levels. This diminishes the odds for the index to decline further at a quick pace. The index has moved sideways albeit with high volatility. This tendency is likely to carry into the next week.

Outlook: The medium term chart of the Nifty has taken support at a perfect technical level. With indicators reaching oversold levels odds for a further decline are very low. We expect the markets to trade sideways for some time with high volatility. It is a wait and watch situation as the index is not gaining any directional thrust as yet.



Index Watch

NSE Midcap (7605)

Gain/Loss over the week: down 49 points (-0.64%)

Outlook for next week: Neutral

Our tools: We have used a weekly bar chart along with momentum

Momentum gains upward bias: The medium / long term oscillator (ROC) has begun to show a positive divergence. The index has made lower bottoms and lower tops in its daily chart. However, the corresponding levels in the ROC chart are showing equal bottoms and higher tops. This is indicating bearish fatigue and suggesting that the index may have bottomed.

Outlook: Both the medium term and short term trend in the Midcap remains neutral. But the daily charts are showing a positive divergence suggesting that the trend may have bottomed. While it is still a wait and watch for some more time, the bias is shifting to the positive side. We expect positive developments in this chart over a period of time.

Support	7560	7480	7350
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Resistance	7720	7765	7925
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Sector Watch

CNX Defty (4158) down 93 points (-2.20%):

CNX Defty

CNX Defty		
Supports	4200	4050
Resistances	4350	4400

Medium term technicals suggest a neutral view at this stage but oversold technical indicators suggest that sharp declines may not be round the corner. Even if a decline is underway, it may not be sharp and lack any directional force and may at best be a drifting downward moment. It is a wait and watch as we await the trend change that can occur.

BSE PSU (8506) down 55 points (-0.64%):

BSE PSU

BSE PSU		
Supports	8400	8350
Resistances	8625	8750

BSE PSU remained sideways with a slight positive bias last week. This week can see the index declining to 8400 level or lower.

BSE Bankex (12187) down 252 points (-2.02%):

BSE Bankex

BSE Bankex		
Supports	12100	11900
Resistances	12350	12570

Since the level of 12850 could not be breached on the upside, BSE Bankex exhibited sideways bi directional movement last week. Currently, this index is trading very near its support of 12100 below which its downtrend may accelerate. Targets on the downside could then be 11900 or lower.

BSE IT (6149) down 107 points (-1.71%):

BSE IT

BSE IT		
Supports	6100	5900
Resistances	6350	6450

BSE IT Index moved in line with other sectoral indices and displayed sideways movement. Coming week may continue to witness sideways movement. Support on the downside is at 6100 and upside resistance will come at 6400.

BSE Cap Goods (12538) down 392 points (-3.02%):

BSE Cap Goods

BSE Cap Goods		
Supports	12350	12100
Resistances	12800	13000

Last week, the BSE Cap Goods index was amongst the worst performers amongst sectoral indices. Coming week can see it slide to levels closer to 12350 or lower.

BSE Auto (8712) down 190 points (-2.12%):

BSE Auto

BSE Auto		
Supports	8660	8500
Resistances	8890	9050

BSE Auto Index is currently standing near an important support level of 8650. Weakness may seep in below 8650.

Commodities

Aluminium (\$2586)

Aluminium		
Supports	2540	2500
Resistances	2630	2650

Aluminium took support near our projected level of \$2545 last week. In the coming week, the trend in Aluminium may remain sideways with a positive bias as long as the level of \$2500 holds.

Aluminium

Zinc (\$2286)

Zinc		
Supports	2200	2100
Resistances	2400	2500

Zinc declined considerably for the major part of last week. \$2200 remains a good support on the downside which is also a 200DMA. Acceleration of this downtrend will only occur below \$2200. A pull back rally in the coming week may take it closer to \$2400.

Zinc

Copper (\$9191)

Copper		
Supports	9000	8850
Resistances	9300	9650

Copper had a technical breakdown below the level of 9300 last week. Its short term trend is weak and we can see further declines closer to \$9000 or lower.

Copper

Gold (\$1417)

Gold		
Supports	1390	1360
Resistances	1420	1445

Price movement of Gold for last week has been in line with our projected view. The coming week may see it slide further near \$1390 level. Further weakness may only set in below \$1390.

Gold

Silver (\$34.46)

Silver		
Supports	35.00	34.00
Resistances	35.65	36.75

After the last few weeks of relentless upmove, Silver finally exhibited weakness and remained subdued for last week. However, this weakness has not dented its overall uptrend. The short term trend may however, exhibit some weakness.

Silver

Crude Oil (\$102.31)

Crude oil		
Supports	100.00	97.00
Resistances	105.00	107.00

Last week, Crude oil made a high surpassing our projected price of \$105. It has been on a downtrend since. The coming week can see it remain subdued. A move below \$100 might weaken it further.

Crude oil

Currencies

Dollar/Rupee (45.19)

Dollar/Rupee		
Supports	44.90	44.65
Resistances	45.50	45.75

Dollar/ Rupee depreciated slightly last week and continues to trade in a small range of 44.90-45.50. Technically, in the short term, the downtrend still remains intact. Only an upside technical breakout above 45.50 will confirm a reversal of the trend beyond which it can target 46.00 level.

Dollar/Rupee

Euro/Dollar (1.3818)

Euro/Dollar		
Supports	1.3750	1.3700
Resistances	1.3940	1.4035

Contrary to our view, the EUR/USD fell and its downward momentum sustained for the major part of last week. The coming week can see it move sideways and retest its recent high of 1.40 level.

Euro/Dollar

Dollar/Yen (82.71)

Dollar/Yen		
Supports	82.50	81.00
Resistances	84.00	84.50

Dollar/ Yen continues to trade in a trading band of 81.00 - 84.50. The coming week can see it advance closer to the higher trading range of 84.00 where it is likely to face some resistance. It is a wait and watch in the short term as long as it stays within this trading range.

Dollar/Yen

Dollar Index DXY (77.20)

Dollar Index - DXY		
Supports	77.00	76.00
Resistances	78.30	79.00

Last week, the DXY exhibited strength and had a good recovery after testing the support level of 76.00. Technically the downtrend still remains intact as long as the level of 79.00 is not breached on the upside.

Dollar Index - DXY

Global Equities

S&P 500 (1295)

S & P 500

S&P 500

Supports	1290	1260
Resistances	1330	1350

S&P500 slipped last week and is in a short term downtrend at current levels. The coming week may see this index coming close to its support of 1270.

Brazil (66040)

BOVESPA

Brazil

Supports	65000	64000
Resistances	67350	68230

We had mentioned last week that BOVESPA will show an upward momentum above 68100. Such a move did not happen last week. On the contrary, it has weakened below 66200 thereby making the short term trend weak.

China (2933)

Shanghai SE Composite

China

Supports	2940	2925
Resistances	3010	3050

SSE successfully conquered the level of 2950 in last weeks trade. By doing so the short term trend remains up as long as it stays above the level of 2925. The subdued trend in the SSE is likely to continue.

Hong Kong (23249)

Hang Seng

Hong Kong

Supports	23400	22750
Resistances	24000	24400

Last week, the HSI attempted a high of 23934 before facing resistance around 24000. Till the level of 2400 is breached on the upside, the index may continue to trade in a trading range of 24000 and 22700. It is a wait and watch for the coming week.

Japan (10254)

Nikkei

Japan

Supports	10200	9900
Resistances	10500	10750

Nikkei slipped last week and is currently trading below the important support level of 10450. Further weakness can be expected.

United Kingdom (5845)

FTSE

United Kingdom

Supports	5800	5700
Resistances	6000	6100

FTSE fell last week after failing to sustain above our referred level of 6000. The technical structure has further deteriorated below the level of 5975 which can result in this index declining further closer to 5800.

MS Emerging Markets (1115)

MSCI - EMI

MS Emerging Markets

Supports	1100	1080
Resistances	1130	1140

MSCI EMI met our upside target of 1140 and has been on a downward spiral since. If the support of 1100 is held in the coming week, there is a good chance for this index to reattempt last weeks high closer to 1140.

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