

Uptrend Intact As Nifty Makes New Highs

After sliding lower in the initial part of the week and threatening to move below the trend reversal levels of 16600/4920, the main indices pulled back sharply on Wednesday to bring the bulls back in control. The upmove continued on Thursday as the Nifty managed to touch new 2009 highs.

W-o-W, the Nifty ended 3.82% higher and closed at its highest ever-weekly close for the year 2009. The Sensex gained 3.83% W-o-W.

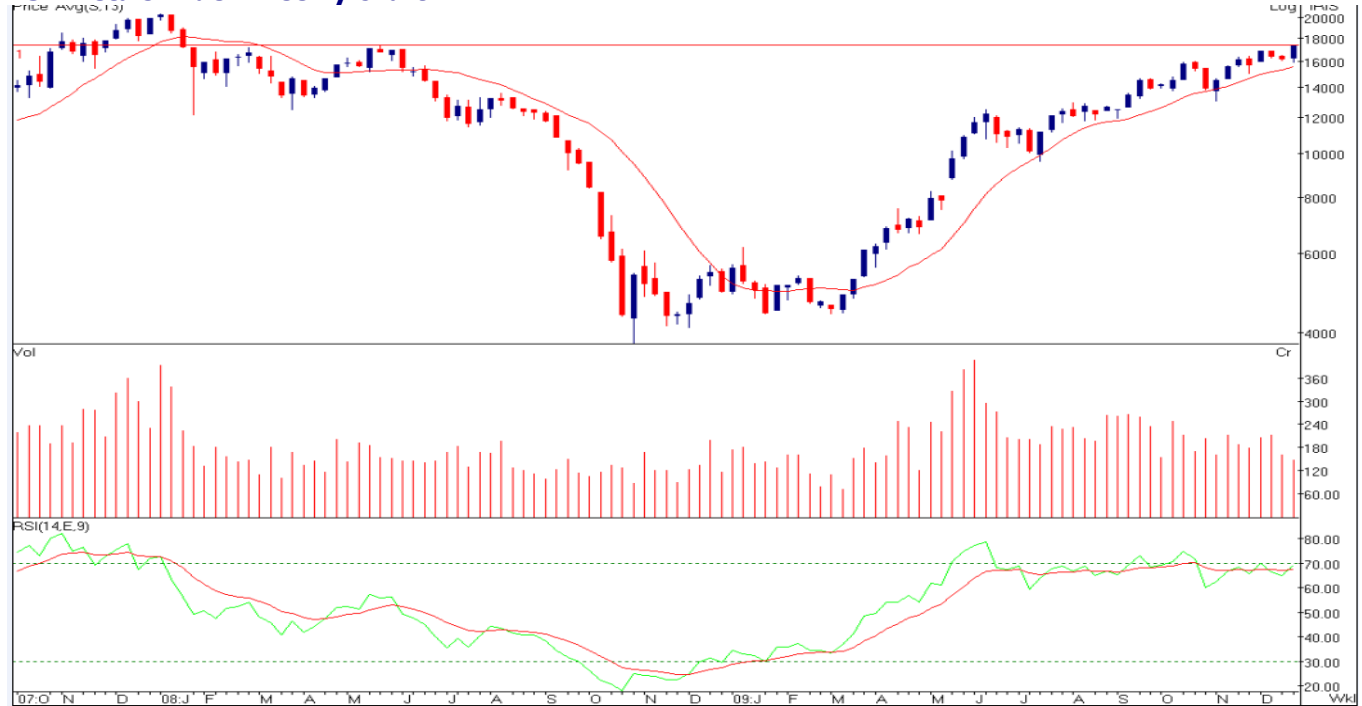
W-o-W volumes were lower on both the exchanges. This is mainly due to the fact that the current week had only four trading sessions. While BSE volumes declined by 8.5% W-o-W, NSE volumes dipped by 20.1% over the same period. **Market breadth was positive in three out of the four trading sessions of the week.**

Sectorally speaking

Barring the BSE Healthcare index, the week saw all the sectoral indices ending higher. The top gainers were the BSE Metal, Oil and Gas and Power indices. The indices that gained the least were the BSE Auto, Capital Goods and FMCG indices. **Broad market indices under performed** as they gained less compared to the main indices. While the BSE 500 ended 3.4% higher W-o-W, the BSE MidCap and Small Cap indices were up by 2.6% and 3.0% respectively over the same period.

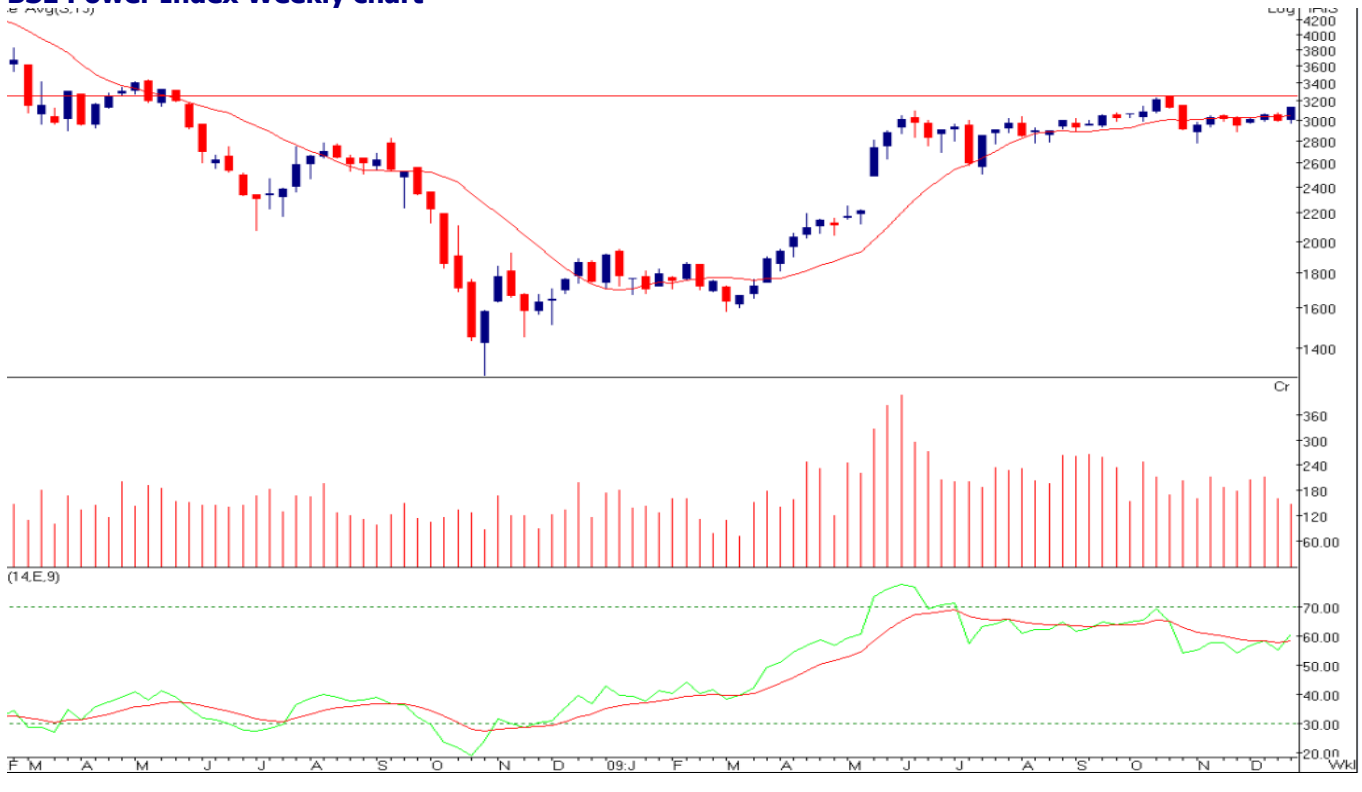
The week saw the BSE Metals index closing at its highest ever-weekly close for the year 2009. While the index remains in a healthy uptrend on all time frames, it could face some selling pressure in the short term as it is trading near its previous highs of 17409. These levels correspond to the previous intermediate tops of 2008 (See the red horizontal line in the chart on the next page). The short-term uptrend of the BSE Metals index would reverse with a close under 15935. CMP is 17334.

BSE Metals Index Weekly chart



The BSE Power index, which was another top gainer of the week, too looks interesting. The index, which was trading within the 2891-3083 ranges for the last six weeks, finally broke out of this range. Further upside targets for the index are now seen at 3250 (See the red horizontal line in the chart below). These levels correspond to the current 2009 highs of the index. Stocks that could take this index to our targets are NTPC, Powergrid and Neyvelli Lignite. CMP of the BSE Power index is 3133.

BSE Power Index Weekly chart



With the indices rebounding sharply this week, other sectoral indices like the BSE Oil and Gas, Bankex, Consumer Durables, Capital Goods, Auto and FMCG indices too remain in uptrends.

Broad market indices like the BSE 500 closed at its highest ever-weekly close for the year 2009. With the index trading above its 13 week averages and momentum readings not overbought, we expect further upsides. Our immediate targets for the BSE 500 are at 6911-7067. These levels correspond to the index's previous intermediate tops of 2008. CMP is 6798.

Market perspective

Our call last week that the Nifty has not made any confirmed double top formation turned out right this week. The week gone by saw the markets bouncing back sharply after threatening to move below the trend reversal levels of 16600/4920 early in the week.

Wednesday's session was a thriller as it brought the bulls back in control. The main indices moved up sharply and closed above the key resistances of 16980/5065. The upmove was so sharp that it erased the losses of the previous week in just one session. The upmove continued on Thursday as the Nifty managed to touch new 2009 highs. The Nifty in fact closed at its highest level on a weekly closing basis for the year 2009. The Sensex is however yet to take out its 2009 highs of 17493 made on 17th Oct 2009.

The technical indicators, which were showing weakness last week, are now once again showing bullish indications after this week's rally. While both the main indices trade above the 13 day and 50 day simple moving averages, the 14 day RSI has shot up after Wednesday's rally and cut its 9 day EMA from below. The 14-day RSI is also not in over bought territory indicating further upside potential for the markets.

Santa Claus rally

With the uptrend intact and the Nifty touching new 2009 highs, Santa Claus seems to be in a generous mood with the equity markets. We expect the recent strength to continue as the main indices attempt to test the 17736/5300 levels in the coming weeks. These levels correspond to the previous intermediate tops of 2008, which make it a high probability area where the current intermediate uptrend could halt (See the red horizontal line on the chart in the first page).

Strategy

Although the trend remains up on all time frames (Short term, Intermediate Term, Long-term), we recommend buying aggressively only for the short term (especially on declines or on breakouts) at the current juncture. Traders could look at stocks showing relative strength and making fresh break outs on higher than average volumes.

Intermediate and long-term investors can continue accumulating quality stocks on a selective basis. We however do not recommend using all the available cash to enter the market, as intermediate upsides are limited. We feel it would be better to keep some cash reserves to take advantage of corrections that could come in the future.

Here are the key levels to watch for the coming week;

Trading Strategy: Traders with a short-term perspective can buy aggressively as the Santa Claus rally looks set to continue. Investors with an intermediate/long term perspective can buy selectively.

Action Points	Sensex	Nifty	Action
Current Close	17361	5178	
Immediate Resistances	17415-17493	5198-5255	Close above could accelerate current uptrend
Immediate Supports	17252-17198	5150-5129	Close below could lead to some short term weakness
Further Downsides	16980-16725	5065-4990	Close below could lead to a testing of the 16600/4920 short term trend reversal levels
Further Upside Targets	17736	5300	New 2009 highs

Stock Pick – Century Textiles

CENTURY TEXTILES [NSE] 509.90, 510.00, 496.55, 507.70, 685816 0.35%
 Price Avg2(S,13,E,200) Avg(S,50)



After bouncing from the 200 day EMA (Rs.410 levels) in early Nov 09, Century Textiles has been moving up smoothly and making higher bottoms and tops in the process. On Wednesday, the stock moved up sharply and erased the weakness seen in the last week.

The strong upmove was accompanied with above average volumes. This augurs well for the stock's current uptrend to continue.

Technical indicators are also giving encouraging signals as Wednesday's surge saw the stock closing above its 13 day and 50 day simple moving average. The 14-day RSI too has jumped higher and cut its 9-day EMA from below.

With the weekly technical set up too looking encouraging, we recommend buying the stock with a perspective of 4-10 days. Our entry levels are between Rs.500 and Rs.510, while our upside targets are at Rs.535. Stop loss is at Rs.495, which is just below Thursday's intra day lows. CMP is Rs.507.70.

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