

Index Review:

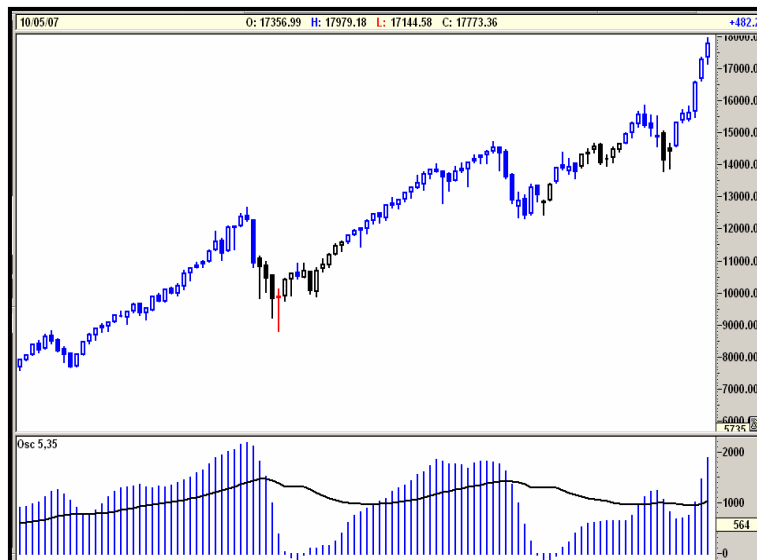
CURRENT TECHNICAL SETUP

Intermediate support trend line: Starts this week at 16215 .
200 dma level: 14373
Key swing levels : 17144/15980 for support 19243 for resistance.
Pitchfork levels : Upper pitchfork channel support at 17263, Higher parallel resistance at 18440
Sensex Stocks above 200dma: 25 out of 30 (up 3).
Gains/Loss for the week: 4705 advances 6301 declines.

A terrific week or a terrible week— it really depends on how you fared. The market had opportunity galore for a trader— provided you had the mental wherewithal to ride the huge waves of volatility that presented last week. Now, this is a big if. Not too many are equipped to handle volatility of the order we have seen over the last week. Chances are pretty bright too that one may have got hit from both ends— i.e. selling when the market went down and buying when the market went up! That is why we mentioned at the start that the week may have been very different for different traders.

Nevertheless, the week ended just reaffirmed what has been in progress— the uptrend. The

indices hit new all time highs, moving on to levels that seemed less probable at the end of the previous week. We were looking for some more quiet action and so were certainly taken aback by the extent of the swings that we got. It has to be understood that all analysis is designed for “normal” market situations and what we had last week was anything but normal market situation. When such volatility sets in, the best thing to do would be to play just one of the sides i.e. either trade long or short. Cant do both. Had one adopted such a posture, say buy during the dips, then the week may have turned quite profitable.



Source : Advanced Get

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Special points of interest:

- Volatility may persist for the initial part of the week before easing off ahead of some result flows.
- Stick to one direction only i.e. either buy the dips or take profits on sharp rallies.
- Since volatility is a sign of distribution, look to take some profits on existing holdings.

Index review continued

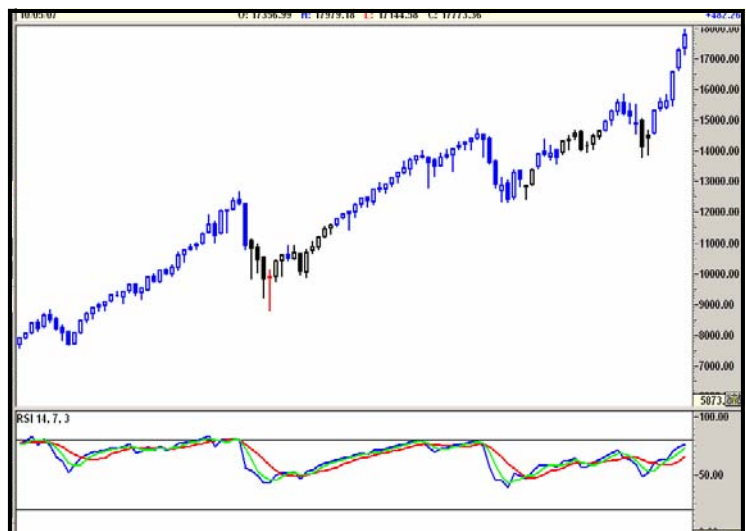
But that is afterthought now. Lets see what signals the market is sending out amidst all that volatility. One of the first teachings in technical analysis is that volatility at a high price area is a sign of distribution. And so currently, even though we are making new high prices everyday, the extent of the volatility tells us that distribution forces are at work. This means that we are going to make a high very soon. Whether this expected high is of a short-term nature or is going to be more long-term would really depend on the signals as they emerge at that point of time. It is easy to see how volatility induces fear in minds of the participants while at the same time keeps them chained to the market as the extent of action also holds out the promise of substantial gains. This is how distribution happens– thru the fear and hope alternations. When emotions are dominant, rationality takes a back seat.

The most noticeable signal that one gets from the data of the last week is the thrust of the oscillators to new high readings for the current upmove. This shows that the new highs recorded last week are well accompanied by momentum and therefore we are not yet done with the rise. The RSI, for example, has moved to a reading of 76 on the weekly charts while it hit 86 levels on the daily. While these levels may be high from a scale perspective, they do show that the rise is in good shape. The ADX line on the daily charts shows an excellent situation– of high trend strength. On the weekly charts too this shows a good movement and holds out promise of more to come.

The intra day charts of the last week shows a possible ascending triangle formation too. This may imply some upward price action yet after we have a breakout to new highs.

Time cycle readings are proving to be a bit of a bother. The week just ended is 34 days from the Aug low and is almost 144 days from the major low in March07. The 34 week cycle has nailed several of the last tops and bottoms and Friday was also bang on the 34 week cycle. In addition there are some longer term weekly and monthly cycles also showing up around the current levels. With so many cycles panning out now, chances are pretty bright that we may get a change in trend around here.

So we have a situation that is slightly at odds with one another in terms of the indicative signals. This requires us to do a bit of jugglery with the evidence. We have put together a possible scenario for the week ahead in the conclusion paragraph below.



Source : Advanced Get

Index View: Conclusion and Strategy

The market is hitting the highs on high volumes (normal for a top) and witnessing some long range bars (typical of some end-of-trend action) and the appearance of volatility here shows that distribution could be in progress. However, the ascending triangle type pattern (intraday charts) coupled with the oscillators readings at new highs would indicate a further upward thrust. Possibly towards our earlier mentioned targets near 18400. This might lead to a set up where you could see a 3-5 period divergence getting set up in the RSI charts. Since speed is currently high, this entire process could continue at the same pace and perhaps the price reversal could be in place by Oct 9-12 where we have some time culminations.

Sector Index analysis: Capital Goods were the star performers

In the last week, we saw lot of sector rotation happening in the market and that is possibly owing to action being of trading in nature where one tries to buy on declines and sell on rallies. This churning has therefore kept the breadth readings negative despite of market hitting newer highs. All this is clearly evident from the sector table attached below. What we notice that a gainer of the last week not get any follow thru on the next week. Earlier week's loser Realty was now one of the gainer.

Capital goods was among the major gainer of the week. Along with the front liners, stocks like **BEML, Usha Martin, KEC Inter, Greaves etc.** were among the out performers. Continue to keep track of them as they have good upside potential. **Oil & Gas** hit a new highs with strong gains seen in **Reliance** followed by **IOC, Chennai Pet, HP & BP.**

Another sector which was in play was **IT**. In **Technology**, we saw second rung stocks performing much better than the leaders. Now with the **Infosys** coming out with results in the coming week, we expect this sector to be in play in the current week too. Among other sectors which are pushing up on great momentum are **Power, Telecom, Glass & Glass products etc.** Most of the components from this sector are seen great push to newer highs and therefore should be looked at as an invest able candidates at current and on dips if any.

Metals and Auto were mixed. Both **Mid and small cap** indices seems to have some important resistances and also felt the heat of profit booking at the higher levels. So be alert here. **FMCG & Banks** has met important resistances on the chart and with weak closing they seems to be set of for more declines.

Sector Index	Close	Wkly Chng	Pivot	Support	Resistance
BSE CAP.GOODS INDEX	15742.59	7.24	15428.68	14743.81	16427.45
BSE OIL & GAS INDEX	10109.8	5.73	9944.49	9672.88	10381.42
BSE REALITY INDEX	9631.36	4.93	9602.05	9140.4	10093
BSE TECK INDEX	3900.88	3.58	3856	3773.85	3983.03
BSE I.T. SECTOR INDX	4740.27	2.43	4695.3	4583.2	4852.36
BSE PSUS INDEX	8341.18	1.7	8410.09	8129.89	8621.39
CNX IT INDEX	4868.45	1.34	4836.03	4728.42	4976.07
BSE METAL INDEX	14122.36	1.27	14142.96	13692.22	14573.1
BSE HEALTHCARE INDEX	3826.21	1.11	3818.78	3751.89	3893.09
BSE MID-CAP INDEX	7485.51	0.85	7503.09	7327.47	7661.12
BSE AUTO INDEX	5365.56	0.62	5348.49	5258.63	5455.43
BSE CONS.DURABL INDX	4741.55	-1.3	4784.79	4634.52	4891.83
NSE BANK NIFTY	7845.25	-2.45	7956.92	7678.03	8124.13
BSE FMCG SECTOR INDX	2107.02	-2.51	2132.49	2075.24	2164.28
BSE BANKEX INDEX	9224.52	-2.58	9370.07	9013.95	9580.64

Sector Watch: Technology – Is the worst over ??

Examining the list of active sectors, we find lot sudden action seems to have emerged in the software counters. This was despite of the fact that rupee continue to rise to its strongest level against dollar. Now does it means that a bottom being put in place. One of the arguments by the market players are the **Infosys** results which is due in the current week. However if one look at the index chart, we note a nice bounce from the intermediate trend line support. This supported by momentum is a positive sign for some turnaround here. Any positive news from the results will act as a strong trigger here. With leaders meeting some demand, we have already started to see the fire works from mid cap counters. Among the top of the heap are **HCL Infosys, Igate etc.**



Source : ASA

REVIEW OF THE NON-PERFORMERS

MTNL (154.15)

In MTNL, we had suggested buying around 153 and on dips. Prices after our recommendation went to hit a high of 171. Topping out from here dragged prices down to 129 in August 07. Presence of good trend line support on the monthly chart led the prices to halt its declines. So, as long as this support is held, the stock continue to remain positive. Last month's rise has one again brought near the crucial resistance of 161-171. As mentioned earlier, prices needs to give a decisive move above this region for higher targets of 215/345 to be achieved. However failing to do so will lead prices again in a down to sideways mode. Immediate support comes to around 145. Hence if prices gives away this level then look to exit your longs and ignore this one. If any buying opportunity emerges then we shall cover this again.



Source : ASA

VSNL (451.45)

This telecom stock was suggested as a good trading opportunities as prices were struggling to clear crucial hurdle of 495. Fresh investments were recommended only if prices moves past 495 levels. We can see that prices failed to hold above 495 region and thus slipped lower down back to the retracement and the Gann line support. Last two months rise from the lows has again brought prices near the upper end of the range. However the trended moves in this scrip will begin only above 495. Hence if prices holds above it only investors must think to pool money here. Or else it will be wise enough to stay away and look it purely from trading perspective only.



Source : ASA

Saregama India (292.35)

This media stock had shown good movement as prices rallied well towards 344, near to the first target of 370. Topping out around this region, prices slipped lower and this decline brought the stock down to important retracement supports. With good demand coming in from here, we saw a nice rally in the last month. The overall long-term trend continues to be bright and positive and momentum indicators also in a bullish mode only and therefore our higher targets continue to remain intact. As the sector as a whole doing pretty well, it may be worth to hold on investments here.



Source : ASA

REVIEW OF THE NON-PERFORMERS

Crest Animation (108)

Given as a buy around 122.15, we had asked to keep a track for adding more if the signal fructify on good volumes. Unfortunately, prices failed to show much promise and eventually slipped into a down to sideways mode. Prices on the down side are nicely seen holding good support of the trend line. However on the higher side, 131 level is an important hurdle for the speedier moves to begin. Last month rise once again came near the said crucial hurdle and then slipped lower back near the trend line support. As long as this is held, trend continue to be intact here. Any bounce will again lead prices to launch fresh uptrend here. Alternatively, if prices gives away this support then one may look to exit their longs.



Source : ASA

Vakrangee Software (181.85)

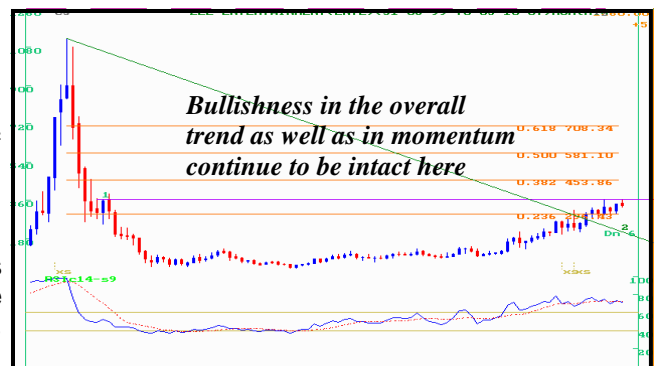
We had asked readers to buy this technology stock around 178 and on dips down to 150. Prices after our recommendation slipped lower and came down to 133, where it has met strong support of the retracements. Smart buying which emerged around this level has led prices to launch a nice rally here.



Source : ASA

Zee Enterprises (334.35)

This media major was a buy around 330 and on dips if any. We had further asked readers to add on more if prices sustains above 356-358 for the medium term target of 700. What we note is that prices after our recommendations slipped lower and went down all the way to 273. Presence of good buying at the lower levels led prices to recover all its losses and has went to hit a high of 361 in the last month. Now those brought on declines might be of great advantage here. A look at the chart clearly indicates that the bullishness continue to be intact here and also momentum indicators are in a bullish mode. Hence we conclude that the higher targets are intact. However for short-term investors we now revise target to 380/416.



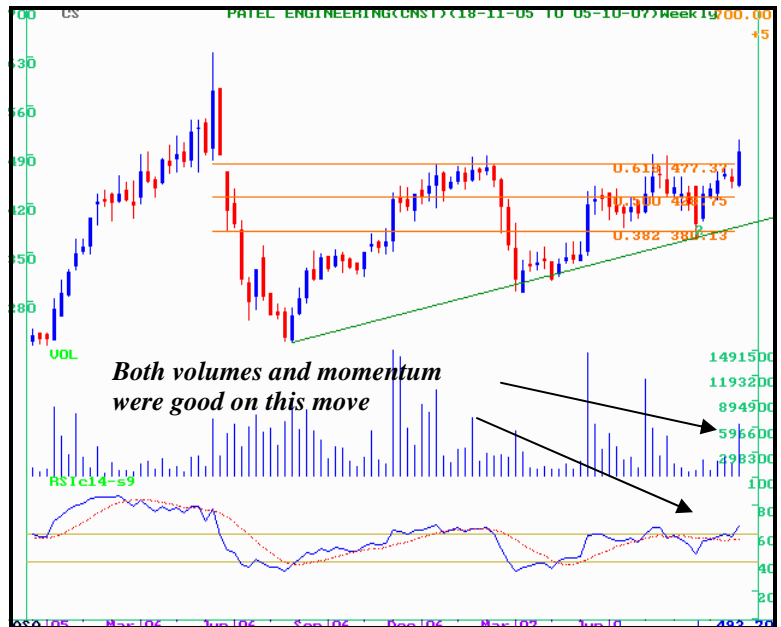
Source : ASA

SHORT-TERM INVESTMENTS

Patel Engineering (493.70)

This stock from construction segment was in the limelight in the last week. The rise here was also backed by positive news of bagging order from National Power Corporation for Tapovan Vishnugad Hydro Electric Project.

The attached weekly chart shows that prices were struggling to clear the 61.8% retracement hurdle and also gap region around 477. However the formation of higher bottoms and prices holding support of the trend line clearly suggested the fact that the uptrend is building here. Last week's rise has led prices to overcome 477 region and ended well. This is a bullish signal and also makes us to expect some speedier moves here. An increase in volumes accompany the current move and also the RSI has shown renewed strength. All this is healthy for the trend. Hence we recommend buying at current and on dip down to 477 for rise to 535/557 with stop of 460.

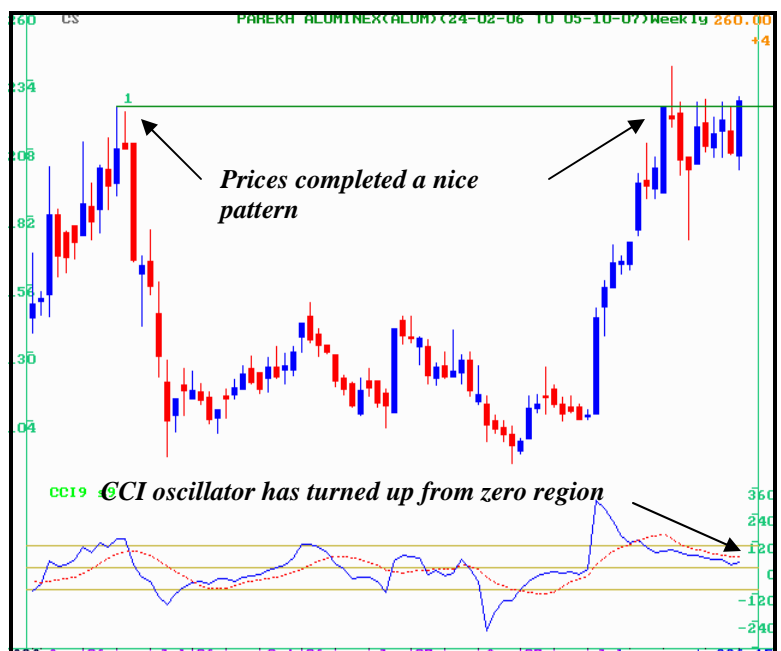


Source : ASA

Parekh Aluminex (226.15)

Prices launched a steady uptrend after hitting a double bottom around 86 in March 2007. This rise led the stock to around 240. What a phenomenal rise!!!! Near this region, it completed an accumulation pattern and got stuck in a sideways phase. This was possibly owing to the presence of profit booking after such a brilliant move. Lack of price damage in this phase indicated that the trend here was intact. Last week's closing was quite strong as compare to the earlier ones in this range bound phase. It has given a nice weekly closing near its prior shadow region with a strong up thrust. Further rise will trigger breakout from the said pattern and lead to higher targets. The weekly CCI oscillator has turned up afresh from zero region, thereby showing renewed strength. All this positive developments points out that the trend is again getting back into trended mode.

Thus we suggest buying above 230 for rise to 249/260 with stop of 200.



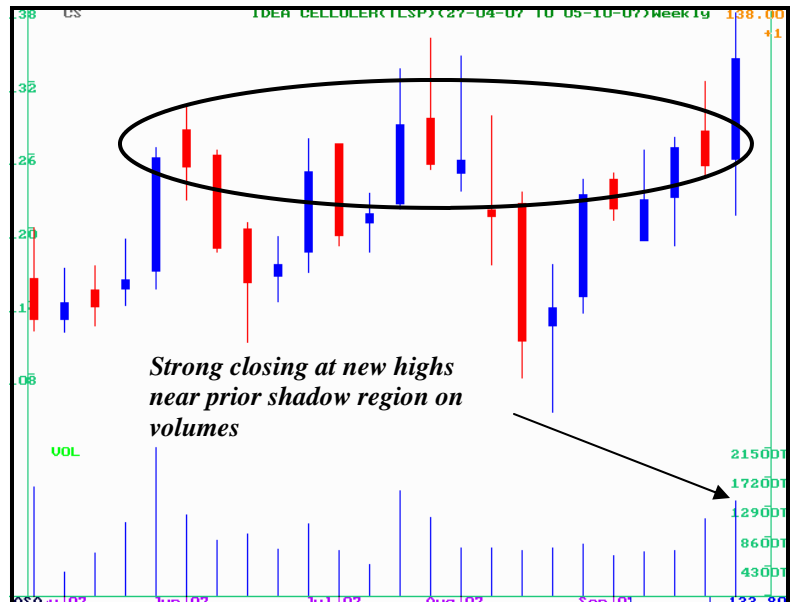
Source : ASA

SHORT-TERM INVESTMENTS

Idea Cellular (133.80)

This stock from the Telecom space has been trapped in a range bound phase with wild swings on either side. On the higher side of the range, we note the stock struggling to clear the top registered in first week of June 07 around 130. Formation of upper shadow near this area clearly suggested the presence of selling pressure near the resistance area. Last week's rise was quite powerful and led prices to clear the crucial hurdle of 130 and ended at a new high. Both volumes and momentum were in full support of the move and that is an encouraging sign. Now we need to see the proper follow thru here on the higher side for the trend to maintain higher.

Hence look to buy either above 135 and also on dip down to 130 for rise to 150-53/165 with stop of 125.



Source : ASA

Jyoti Structure (243.35)

The attached weekly chart shows that prices have been struggling to clear the trend line resistance for a while now. Formation of higher tops and bottoms in this period indicated the fact that despite of the resistances the uptrend here was maintained.

Last week's smart rise saw nice trended moves here which pushed prices into newer orbit by decisively clearing the trend line resistance. Along with this move in prices, momentum saw a good boost here. We have highlighted here is the weekly RSI oscillator, which has turned up afresh from 60- positive signal.

As the lower degree chart being supportive of the current move here, we suggest to buy in this stock above 245 for an upside target of 268/280 with stop of 233.



Source : ASA

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