

June 19, 2006

FOR PRIVATE CIRCULATION
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Weekly Technical Update

Equities

The week past and expected

It was the most volatile market of last four weeks. It opened higher on Monday but failed to close above the falling trend line that has firmed the grip of bears. But bears failed to breach (downward) the strongest level of 8800 (level of October 2005) even in weakest sentiment of the year that has uplifted the bullish sentiment. On Thursday the positive announcement Bank of Japan (unchanged interest rate hike) has compelled bears to come out short positions and again the game turned in favor of Bulls.

Technical Perspective

The market able to close in positive on weekly basis after consecutive five negative closings that might offer relief rally for bull operators. Second, we can not ignore that the market has broken strong falling trend at 9380/2770 with the rise in volumes (better than average volumes of last ten days) which was our top most requirement to stabilize the market. Third, the market has tested the 20 days simple moving average with the closing above 200 days simple moving average that might lift the psychological sentiment of the market participants.

BSE SENSEX DAILY CHART



As per above findings it seems that the market has entered into short term bullish trend. As it has not overlap the top of 8800 we are treating the level of 8800 as the major support for the market in the future whereas on the higher side the level of 10680 (gap down level) might prove to be major hurdle. On 31st May the market opened gap down to 10679 from 10723 levels and closed in red (negative). It was the first gap down opening in the entire fall (since 12671). According to technical parameters it turned as a breakaway gap as the market failed completely fills it in next three days. Based on these technical parameters the trading range for the market should be 10680 and 8800 (3150 and 2595 for the Nifty). In case if the market able to fill the gap area in the current up move (relief rally) then the downside of the market might get protected and it will enter into medium term bullish trend (likely range 11300 and 8800 for the Sensex, 3300-2595 for the Nifty).

Weekly Strategy for positional Traders

Any two positive closings (not consecutive) above 20 days simple moving average may allow the positional traders to enter in few long positions with the target of 10700. We will provide you the level of 20 days SMA in the next week on daily basis (currently 20 DSMA is at 10095/2975).

Weekly Strategy for Aggressive traders

Enter in long positions if the market falls between the range of 9650 and 9600 (2830-2800 for the Nifty) with the protective stop loss below 9300/2720 on closing basis. Another option is to trade short between 10550 and 10650 (3125 and 3150 for the Nifty) with the final stop loss above 10750/3200.

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