LOOKING GLASS
Technical view for the week ahead

IDBI Paisabuilder.in
WEALTH IS WAITING

Volume 1

Nov 5, 2007

Index Review:

CURRENT TECHNICAL SETUP

Intermediate support trend line:	Starts this week at 17925 .
200 dma level:	14882
Key swing levels :	19255/17171 for support
Pitchfork levels :	Upper parallel channel at 18991 and higher parallel resistance at 20240.
Sensex Stocks above 200dma:	20 out of 30 (dn 5).
Gains/Loss for the week:	6187 advances 7464 declines.

In the last week letter we had mentioned, "*For now, set your stops on long positions and enjoy the ride*" . One is happy to find that the market has not seriously threatened the stoploss levels at all during the week and has closed Friday on a strong note. Granted that there were some palpitations during the week but this was nothing compared to the rather gut-wrenching declines that one saw in the earlier weeks. Moreover, the indices twice touched the magical levels above 20000/6000 and once such kind of events happen, it does get the sentiment into a much better situation. The strong recovery after a weak start of Friday has convinced enough fence sitters to jump into the fray. This enabled the market to show substantial volumes and with the F&O market also picking up after a rather decent expiry session in the earlier week, the market seems full of cheer.

On the face of it, therefore, it does appear that we should be seeing much better levels in the coming week. Indeed, that is the chorus among the trading populace over the weekend. It has gotten so that it has become difficult to find someone who will sing a bearish tune. Cause enough for us to get worried? Perhaps. We have been hinting in earlier issues that the charts

Source : Advanced Get

Inside this issue:

Special points of interest:

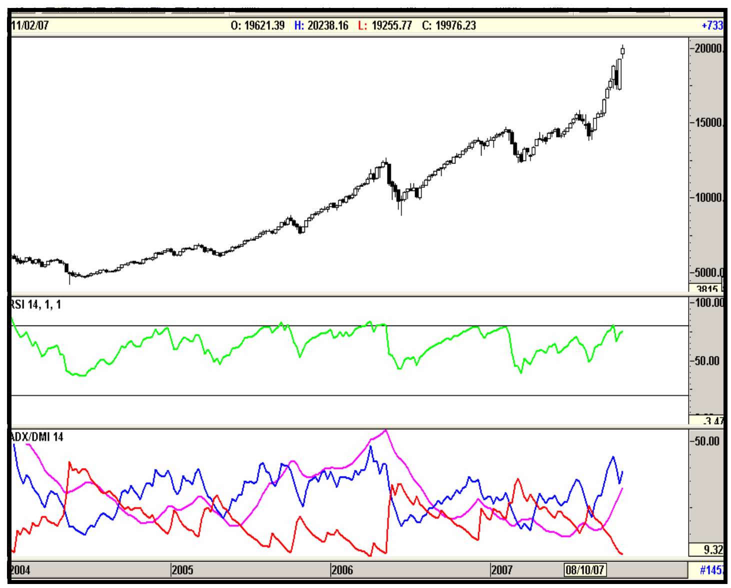
- *Though price action is expected to remain positive for the week, fresh evidence continues to emerge suggesting topping action.*
- *Great momentum on last week rise could lead to some further gains in prices this week.*

Index review continued

are beginning to throw up some bearish looking patterns. However, lack of follow thru action among leader stocks as well as the index itself is preventing this from turning into anything more serious.

It was the same in the last week as the prices sped upward but owing to the alternating sequence of up and down days all thru the week, the candle pattern for the week is a spinning top. Given the fact that the volumes are pretty high, this takes on some added significance as a spinning top pattern at the top is typically a bearish one. But once again we are faced with the additional requirement of seeing some bearish action. The last week saw the week begin with a bang, a nice gap up. However, Friday's price action ensured that the gap would be filled even though the close was much higher. But the very fact that the gap closed so quickly is also a matter of concern. Usually, the market does not close bullish gaps so swiftly.

The declines in the last week also saw some erosion in the breadth structure. The week ended with a slight negative breadth and even among the sensex stocks we saw a decrease in the number of stocks that are above the long term 200 dma. Thus, the market is unable to carry the bulk of the stocks with it during the rise. Despite this we are finding the retail segment in a rather ebullient mood and this could well be owing to the rather stupendous rise in the high priced counters. The game seems to be shifting to these stocks (unlike in earlier bull markets where it would typically shift towards the penny stocks). Well, every bull phase would be different. What we need to spot is the formation of excess at any stage. We believe that some excesses are now getting built into the high priced counters. When is the last time you can ever recall when a stock went up 3/4/6 times in a couple of months? Answer is : Never.



Source : Advanced Get

Indices are approaching the major targets that had been cited a few weeks ago at 20400. We find some additional evidences suggesting that even though the sentiment is so gung ho, the progress of the index may not be as smooth as is being talked about. People are now quite a bit more focused on the stocks than the indices and that is also a topping phenomenon.

Last week lows at 19250 should be kept as the immediate support and stop loss on recent holdings. Any decisive, volume and leadership led decline below these levels would be a signal for some change in trend status.

Index View: Conclusion and Strategy

There is very high consensus among traders that the only direction for the trends is up and nothing else. When this kind of situation prevails, it is a dangerous one and the top is very much around the corner. The index chart shows a steady pile up of bearish patterns over recent weeks and the momentum readings are still showing divergences. However, without some bearish price action in the short-term one cannot call for a top formation. Hence all the signals have to be taken as warnings about a potential top under formation.

This calls for a more prudent approach in terms of investments and trades. First, one can take profits on stocks that have over delivered (like those that have gone up 5-10 times in the last 3 months). Next, one can take some partial profits in counters that have given substantial returns (like 1-3 times in the last 3-6 months). Fresh investments should be on a very selective basis. Trading can continue from a bullish perspective but care should be taken to lock in profits as and when they are seen and to keep stop losses on all trades taken.

Sector Index analysis: Banks & Oil Gas Index to gain ground

As seen from the table below, **Capital Goods, Banking & PSU** sectors continued to rule the top position in the last week too. **Capital Goods** seems to have hit some near-term resistances and may witness profit booking at the higher levels. So be alert. **Banking** moved up strongly fueled by hike in the interest rates. Readers in the last week's issue were already hinted about this rise and therefore might have been benefited by the move. Leaders and along with most of the **PSU stocks** were in the great from. Some more ground left to be covered here before the sector runs into resistance. Continue to focus on this sector in the coming week too.

One sector which busted suddenly as a surprise was **Oil & Gas.** This was backed by strong action displayed from **ONGC, IOC** and also from side items such as **MRPL , Petronet, Essar Oil** etc. With the rise being supported by good momentum readings and huge volumes , it could be the gainers for the coming week too. Most of the stocks from the **Reliance** pack were in major action and produced razor sharp moves except for the **Reliance Industries**. Friday's rise have shown promising signs spurring upward. This will add on further boost to the bullish sentiment in this pack as well as to the Oil & Gas sector.

Realty, Small and Mid cap sector was consolidating after the sharp run seen in the earlier week. Given the upside momentum being quite high here, one maintain a bullish bias here and trade longs. It was nice to see some fresh life returning to the **Healthcare**. Stocks showing signs of bullishness are **Glenmark, Biocon, Ranbaxy etc.**

Metals have hit important resistances and it appears that this sector may remain in pressure days ahead. **Tech, Auto & FMCG** are depressed and under selling pressure. These sectors should be avoided for time being.

SECTOR INDEX	CLOSE	WKLY CHG	PIVOT	SUPPORT	RESISTANCE
BSE CAP.GOODS INDEX	20386.41	9.96	20055.00	19182.47	21258.94
BSE BANKEX INDEX	11241.53	9.42	10994.42	10657.39	11578.56
NSE BANK NIFTY	9560.70	9.27	9334.63	9058.57	9836.77
BSE PSUS INDEX	9930.27	7.62	9762.55	9573.66	10119.17
BSE OIL & GAS INDEX	11736.43	5.70	11654.33	11369.71	12021.06
BSE METAL INDEX	17693.66	5.67	17739.72	16931.99	18501.39
BSE REALITY INDEX	10327.90	3.07	10321.34	9881.38	10767.85
BSE SMALL-CAP INDEX	9742.43	2.00	9746.96	9526.14	9963.26
BSE MID-CAP INDEX	8021.80	1.28	8037.93	7801.82	8257.91
BSE HEALTHCARE INDEX	3934.15	1.24	3925.08	3869.32	3989.90
BSE I.T. SECTOR INDX	4634.64	-0.02	4637.28	4562.10	4709.82
BSE CONS.DURABL INDX	5180.68	-1.02	5229.14	5021.55	5388.26
CNX IT INDEX	4745.05	-1.65	4767.08	4633.27	4878.87
BSE TECK INDEX	3902.39	-1.97	3939.33	3819.58	4022.14
BSE FMCG SECTOR INDX	2062.04	-3.13	2078.25	1981.87	2158.43
BSE AUTO INDEX	5423.10	-3.45	5493.44	5209.10	5707.44

Sector Watch: Pharma– Time for a speedier moves !

Most of the stocks from the **Pharma** space on the charts have picked up well on volumes. This indicated the return of demand even in here. The only stocks which did not show the positive moves was **Cipla & Lupin.** So trade carefully there.

Best action was seen in **Glenmark,** which has always maintained the status of out performer. It was further accompanied by the strong moves seen in the stocks like **Biocon, Divi, Sun Pharma** etc. Most of them are showing good signals of bullishness on the charts and can be invested into. Trends in the stocks like **Nicholas & Ipca** labs seen picking up. With further strength, readers are recommended to buy as a short-term pick.

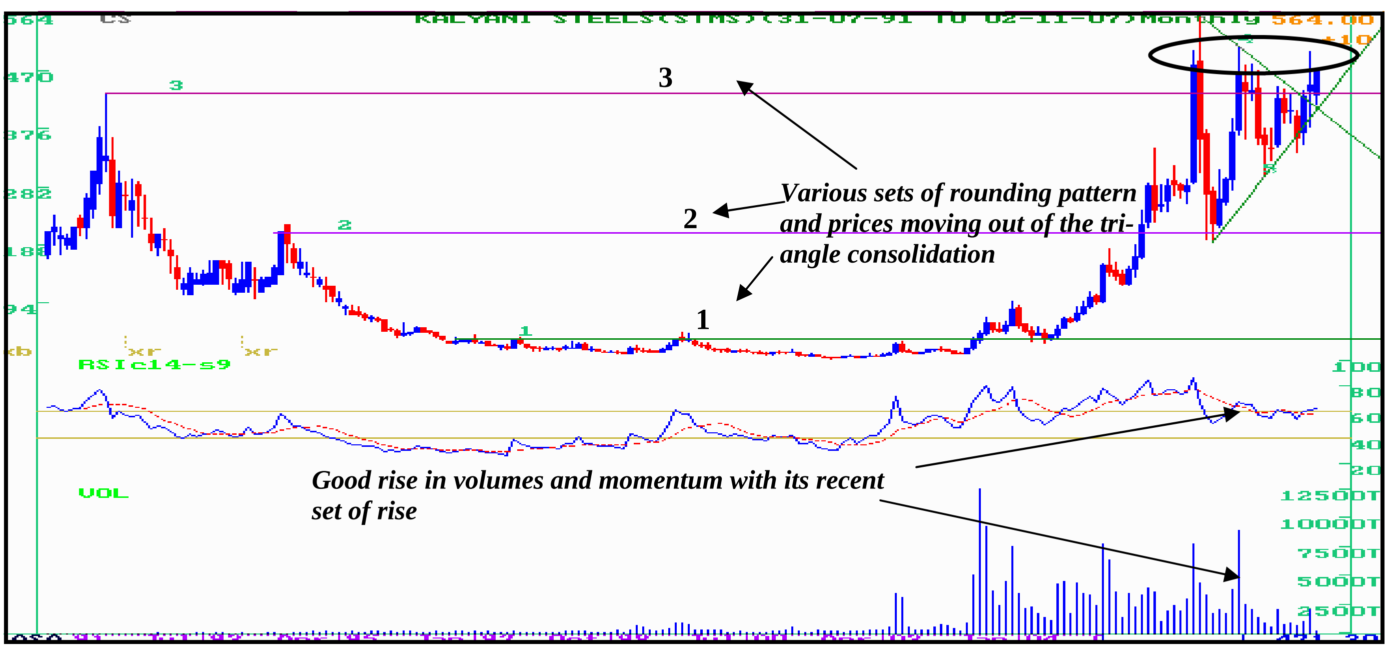
Source : ASA

Medium Term Investment: Kalyani Steels (471.30)

This is Pune based company promoted by Kalyani Group. It is one of the leading mini steel plants manufacturing quality carbon and alloy steels, engineering and alloy steel ingots, blooms and billets conforming to international standards. Reason behind covering this one under this section is the consistent build up of the pattern on the higher degree charts thru a long period. This pattern is termed as fractal rounding pattern and any stocks having such patterns are the best stocks for investments as the consistency of the pattern is a indirect way that the fundamentals of the stock are turning progressively. This is also reliable because, ultimately, technical analysis will only reflect the company is saying about itself.

The stock completed three sets of the rounding patterns and of them targets of two patterns has already met. Volumes were superb on its every major leg of advance. But the breakout from the third and major pattern turned to be a whipsaw as prices slammed down sharply from 560 all the way to 223 during May– July 06 debacle. No wonder this sharp drop affected the short to medium term trends. But having managed to hold the support of the breakout region of the second set of pattern indicated the fact that the primary trend was still up and the patterns targets are very much open. Prices were then seen moving in a wide range by forming higher bottoms which later on shaped it self to the Triangle type of pattern. In doing so, this stock was a laggard as compared to the rest of the steel sector stocks and an underperformer. Last few months of move seems to be quite strong and are showing great promise to resume its trended run. Volumes have also begun to pick up. Couple all this with a consistent improvement in the trended behavior gives up a clear picture of a stock building strength all the way upward.

In the last month prices gave a closing beyond the apex of the triangle pattern and has further given an confirmation of our positive view. The stock is now seen heading towards the overhead resistances of 500 levels marked by black ellipse on the monthly chart. A decisive move from here will pave the way for a rise towards 860 & 993 levels (rounding and triangle pattern targets). In the fast paced markets like the current one, such targets can be easily achieved once the speed picks up. The monthly RSI oscillator is also in a great from as it has once again poked above 60 and showed the renewed strength. So putting all together, this old favorite of ours present a decent picture of mending health after a brief period of consolidation. Fresh investments are also recommended at the current levels and also be alert for a possible breakout past 500, which would then make this is a fast moving vehicle.



Source : ASA

MEDIUM-TERM: BIOCON (563.55)

Pharma sector is one of the few sectors that refused to show the kind of upside growth we saw in most of the other sectors. However, there are still a few stocks that refused to let go of their bullish tendencies and were seen outperforming the sector. Biocon has turned into one such stock that has now started showing great promise after having started off on a wrong footing by crashing soon after its excellent debut.

Now viewing the monthly and weekly (appended below) charts we find that prices rocketed since its listing to a high of 730 during April 2004. Ending its run at this high prices slipped into a corrective mode. However the corrective phase took a rather serious turn as every rally from lower levels started attracting fresh selling activity. Breaking the listing low quite decisively during early June 2006, prices crashed further to form new low around 311. The charts indicate that this was the final low of the decline, as prices soon bottomed out and started climbing higher. After a hesitating start prices started advancing swiftly on consistent buying action.

After a halt and a corrective phase between April 07 - Aug 07, prices once again shot up on some smart buying activity. This rise has completed and also broken out of a fine inverted Head & Shoulder pattern last week. A successful move ahead will see prices moving towards the pattern target around 736-40, which is also the all time high region. This would be the immediate target to watch out for.

We move to the daily chart where we see that the breakout from the H & S pattern on the higher time frame has also signaled a breakout from a nice accumulation pattern on the daily frame. This breakout has occurred on high volumes and signaled a fresh buying opportunity. With the momentum and volumes looking excellent, dips will be buying opportunities in this one. One may look to buy around current levels and on dips towards 530-22. Target 736-40 / 870 / 1015.

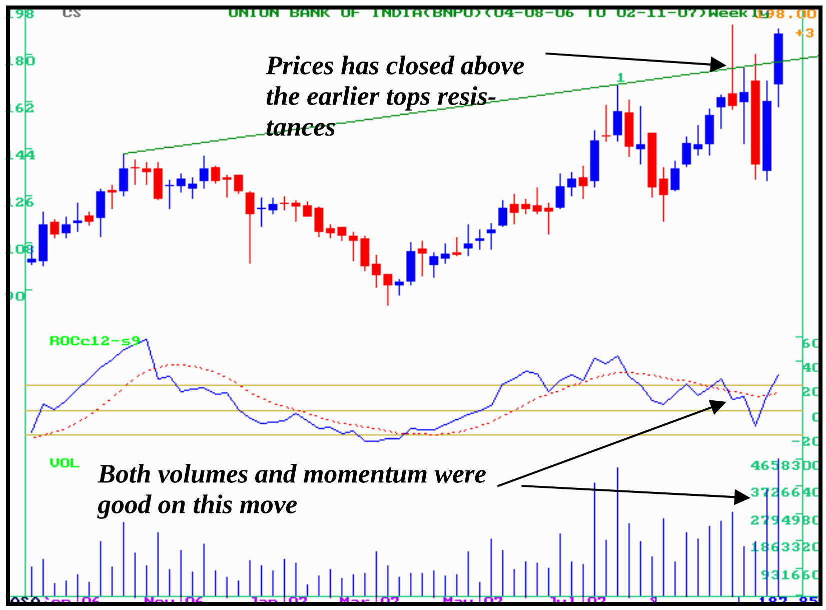
Source : ASA

SHORT-TERM INVESTMENTS

Union Bank Of India (187.85)

Banking was one of the sector which was in the limelight last whole week. This being one of the trader's favorite was in the limelight on good volumes. From the weekly chart attached aside, we note that the stock produced good trended moves and closed at an all time high. This push towards the newer orbits led prices to cross the trend line resistance and this is a significant development for the short to medium term trend. Volumes on this surge was quite good and also the weekly price ROC oscillator moved above zero region. This indicates a strong buying with good momentum backing the trend.

With the overall sentiment being in a bullish mode, we suggest buying at current and on dip down to 178 for target of 207/246. Stop 173



Source : ASA

MCNally Bharat Eng (241.60)

The attached chart shows that how prices were struggling to clear ascending trend line resistance and formed several highs near it. This was an indication of rejection of prices at the higher levels. With last week's rise, prices managed to hold on the gains at the higher levels and thus managed to give a full body candle closing above the trend line hurdles. This also led the stock to move out of the consolidation and ended at new highs. All this is a sign of fresh bullishness.

Volumes were good on this move indicating the presence of strong buying here. We can also the price ROC oscillator consistently holding support of zero region and showing strength. Thus we suggest buying at current and on dip down to 221 for the target of 292/345/372 with stop of 195.

Source : ASA

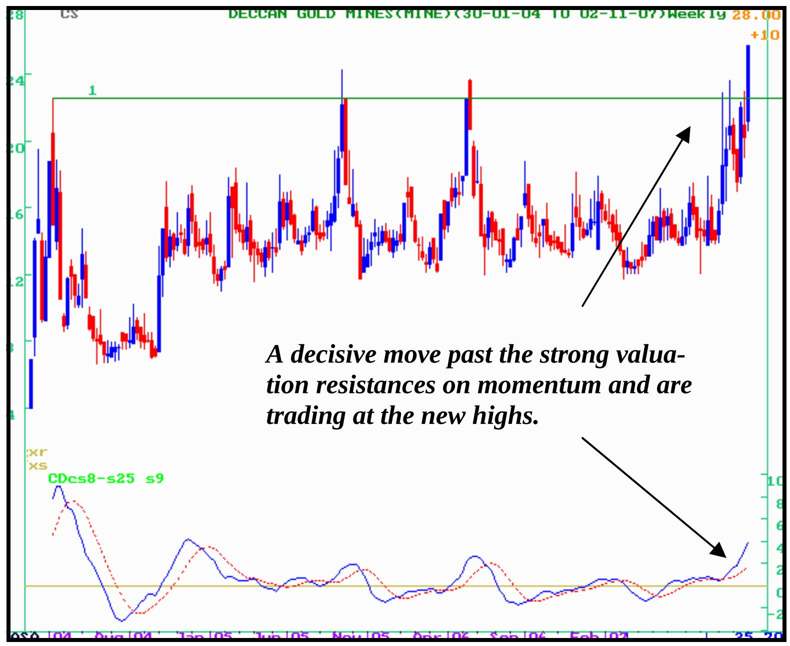
SHORT-TERM INVESTMENTS

Deccan Gold Mine (25.70)

Last week's strong rise led prices to give a decisive breakout from the valuation area resistance formed by several tops around 23. Prices over a period of time was struggling to clear this level and formed several tops near it. This is quite evident on the chart displayed aside marked with green line.

What is interesting is that the current jump is well supported by good strength in the momentum indicator. This is a healthy signal. Also there was a good improvement in the volumes and all this conclude the fact that the strength is coming here on good momentum backing.

With this kind of development on the weekly chart and with the sentiment on the small caps stocks, we suggest buying at current and on dip down to 23 for target of 33/47 with stop of 17.



Source : ASA

Hind Dorr Oliver (150.95)

Over past few weeks, we can see the stock being trapped in a sideways phase and oscillating within a range. In doing so, prices were struggling to clear the Gann line and trend line resistances and formed multiple upper shadows. Last week's sharp jump led prices to give a breakout from the said resistances and gave a strong closing with a full body candle.

Along with this fresh up move of prices, momentum also saw a good boost. We have highlighted here is the RSI oscillator , which turned up smoothly– positive signal.

As the lower degree chart also supportive of this move, we suggest to buy at current and on dip down to 140 for target of 168-175/212 with stop of 129.

Source : ASA

Disclaimer

This document has been sent by IDBI Capital Market Services Ltd (IDBI Capital) and is meant for the recipient for use as intended and not for circulation. This document should not be reported or copied or made available to others. The information contained herein is from the public domain or sources believed to be reliable. While reasonable care has been taken to ensure that information given is at the time believed to be fair and correct and opinions based thereupon are reasonable, due to the very nature of research it cannot be warranted or represented that it is accurate or complete and it should not be relied upon as such. IDBI Capital, its directors and employees, will not in any way be responsible for the contents of this report. This is not an offer to sell or a solicitation to buy any securities. The securities discussed in this report may not be suitable for all investors. Investors must make their own investment decision based on their own investment objectives, goals and financial position and based on their own analysis. IDBI Capital, its directors or employees, may from time to time, have positions in, or options on, and buy and sell securities referred to herein. IDBI Capital, during the normal course of business, from time to time, may solicit from or perform investment banking or other services for any company mentioned in this document.

IDBI Capital Market Services Ltd. (A wholly owned subsidiary of IDBI Ltd.)
Registered Office: 5th floor, Mafatlal Centre, Nariman Point, Mumbai - 400 021.
Phones (91-22) 6637 1212. Fax: (91-22) 2288 5850/60.