



### An intermediate uptrend resumes

After trading in a range in a volatile manner last week, markets began on a positive note this week. The momentum carried on as four out of the five trading sessions of the week ended in positive closes. The main indices in the process took out the previous intermediate highs of 17389/5213. While the Sensex ended with W-o-W gains of 2.96%, the Nifty ended with a gain of 2.80% over the same period.

Market breadth was positive in four out of the five trading sessions of the week. W-o-W volumes were higher on both the exchanges, which is encouraging. While BSE volumes increased by 37.1% W-o-W, NSE volumes rose by 26.4% over the same period.

### Market perspective

While the market has been in a short-term uptrend since the last week of May 2010, this week's upmove has led to the main indices entering into an intermediate uptrend.

This is because the main indices have closed above their previous intermediate highs of 17389/5213 made during the week ended 14<sup>th</sup> May 2010. The medium term technical indicators too are looking encouraging. Both the main indices trade above their 13-week simple moving averages and the 50-day simple moving average. The 14-week RSI is moving up and has cut its 9-week EMA from below (See the chart above).

The 14-week RSI is currently at 57.40, which indicates that the markets are not overbought from an intermediate perspective. This also implies that our targets of 18300/5500 that correspond with the upper end of the upward sloping blue channel that the Sensex/Nifty are currently trading within are firmly in place (See the chart above).

On a short-term perspective too, the markets seem to be in a healthy uptrend. Both the main indices trade above the 13-day simple moving average and the momentum readings are not overbought. The pattern of higher bottoms and higher tops that has been seen since the last week of May 2010 is also intact (See the chart on the next page).

However, given that the markets have rallied strongly in the last eight trading sessions, it does seem that the main indices are due for some correction. The 20 day Bollinger Bands could provide the trigger for the correction as the Sensex/Nifty are currently trading near the upper band (See the chart below).

Any corrections could find support at the 17249-17150/5171-5147 levels. These levels correspond to the previous highs of the current upmove (See the chart below).

### NSE Nifty Daily chart



### Outlook and Strategy

With the markets in an uptrend on all time frames (short, intermediate and long term), we recommend having a long bias on the market. While intermediate and long-term investors could enter at current levels, it would be preferable to buy on any corrections. Levels to watch for buying are the previously mentioned support levels of 17249-17150/5171-5147.

It is important that any correction does not lead to the 16896-16560/5071-4961 levels being broken, as they are our short-term trend reversal levels.

We retain our view that the main indices are headed towards the 18048-18300/5400-5500 levels in the weeks to come. These levels coincide with the upper end of the upward sloping blue channel that the Sensex/Nifty are currently trading within (See the chart on the first page). Traders however need to be prepared for some correction in the short term.

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

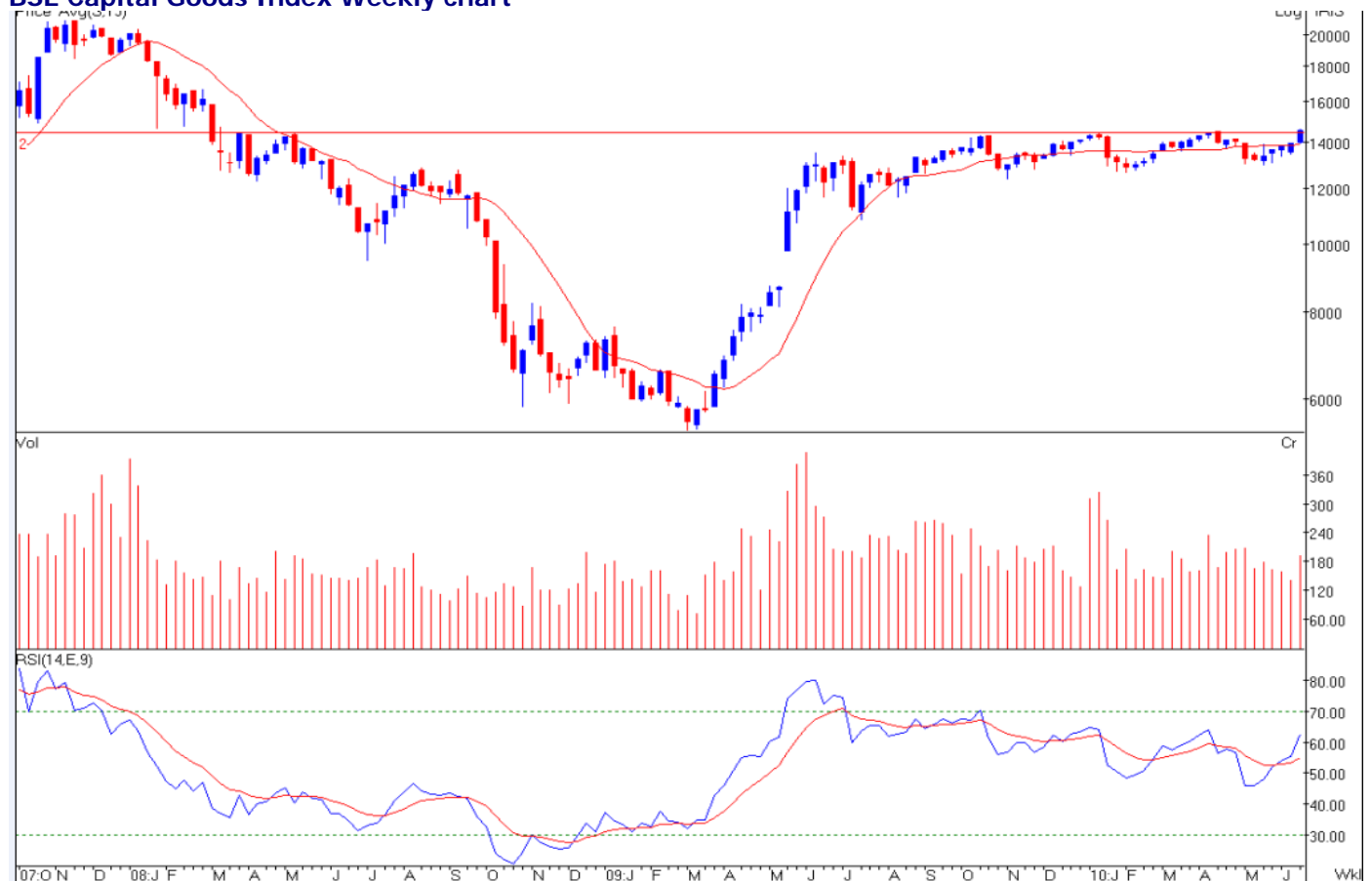
<b>Trading Strategy:</b> Adopt a selective buying approach. Buy aggressively on any declines			
Action Points	Sensex	Nifty	Action
Current Close	17571	5263	
Immediate Resistances	17722-17826	5302-5342	Close above would accelerate current intermediate uptrend
Immediate Supports	17249-17150	5171-5147	Close below could lead to further weakness
Further Downsides	16943-16560	5085-4960	Close below would reverse short term uptrend
Further Upside Targets	18048-18300	5400-5500	New 2010 highs

### Sectorally speaking

The week gone by saw all the sectoral indices ending higher. The top gainers were the BSE IT, Capital Goods, Realty and FMCG indices. The indices that gained the least were the BSE Healthcare, Consumer Durables and Oil and Gas indices. Broad market indices under performed as they gained less. While the BSE 500 was up by 2.24%, the BSE Mid Cap and Small Cap indices gained 1.32% and 2.41% respectively over the same period.

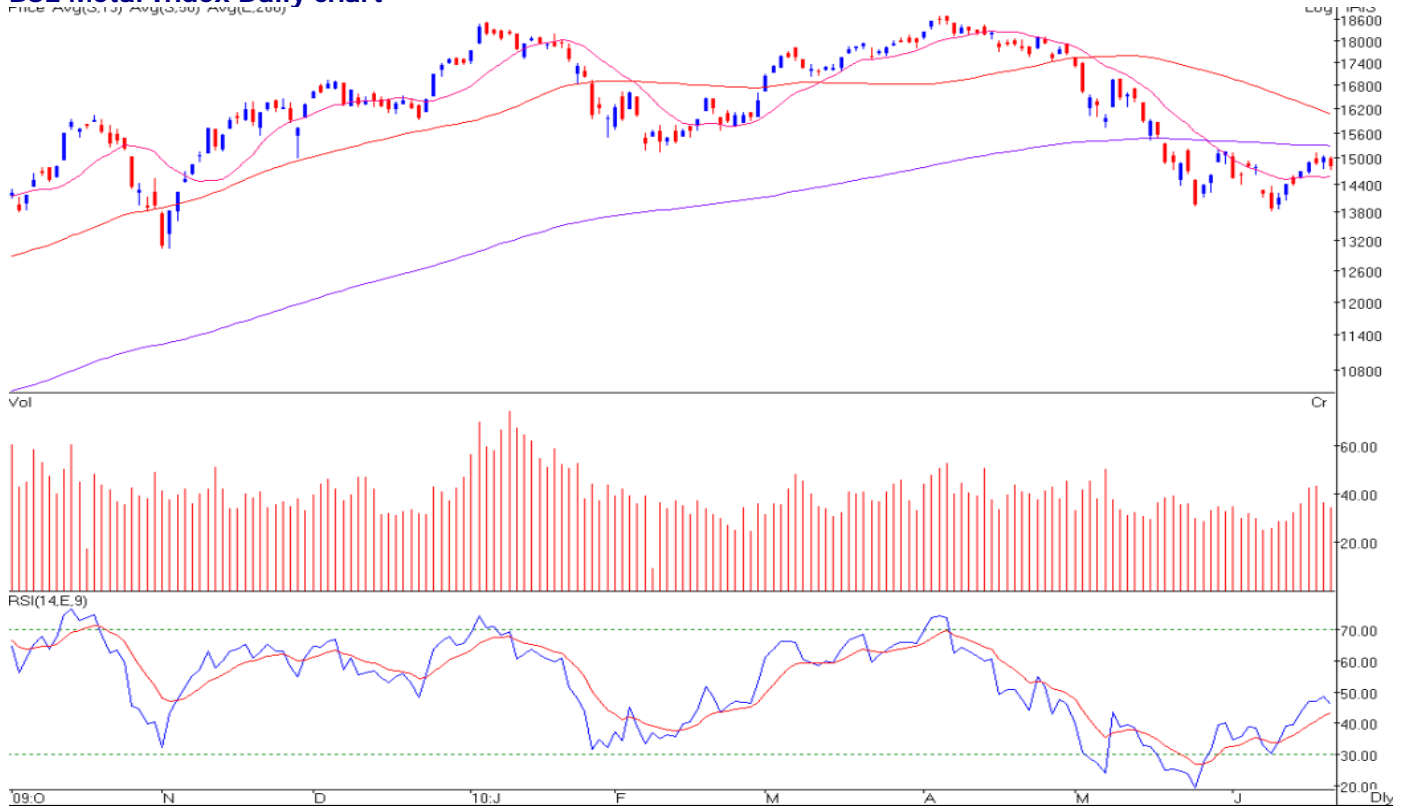
We had mentioned last week that the BSE Capital goods index was giving encouraging technical signals. This week sees the index moving above our targets of 14200 mentioned last week. The index also managed to close at a new 2010 high on a weekly closing basis. With the index trading above the 13-week simple moving averages and the intermediate and long-term momentum readings not overbought, we remain bullish on this sector. CMP is 14,551.

### BSE Capital Goods Index Weekly chart



The BSE Metal index Daily chart is giving interesting signals. While the index made a lower bottom at 13827 on the 8<sup>th</sup> of June 2010, the 14-day RSI made a higher bottom and is moving higher. This is a divergence signal and technical analysts usually take it as a bullish signal. We can therefore expect the Metal index to bottom out soon and embark on a fresh uptrend as it makes a higher bottom in the coming sessions. CMP is 14,822.

### BSE Metal Index Daily chart



**(Our stock pick is on the next page)**

## Stock Pick – Buy GE Shipping



GE Shipping has been consolidating between the Rs.287-Rs.307 levels for the past several weeks. The 200-day EMA has acted as a strong support as the stock has been consolidating just above this average (See the light purple line in the chart above).

This week's volume was the highest in the last eight weeks indicating that some serious accumulation has happened in this counter.

Technical indicators are also suggesting further upsides. The stock trades above the 13-day SMA and momentum readings are picking up.

We recommend buying GE Shipping between the Rs.297-299 levels with a stop loss at Rs.288. Upside targets are at Rs.325 which we expect the stock to touch in 2-3 weeks. CMP is Rs.298.45

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