



## Time for optimism

The Indian equity market has been in a time-wise correction mode where the Sensex has slipped slowly over the last one year from 21108 to 15765. The Sensex has been in a range for the last one month, forming an ending diagonal pattern, which has broken on the upside. The trend has been bearish and the bulls have had a tough time as the overall correction took a lot of time to complete. So further from here the Sensex is expected to retrace 50% ie to 18400 (of the entire correction from 21108 to 15765). On the way up the Sensex will face crucial resistance around the 20 weighted moving average (WMA) and the 40 WMA ie 17401 and 17735 respectively; a key support for the index would be around 15745.

The Sensex has been stuck in a range for the last several weeks. It is witnessing a time-wise correction with a double top formation around the all-time high of 21108. As per the Elliott wave principle, the Sensex was correcting in a W-X-Y-X-Z form and has completed wave C of wave Z, which was the last leg of the entire fall. Overall the Sensex has retraced

38.2% ie to 15765 of the rally from 7697 to 21108, which is a very crucial support going forward in the medium term.

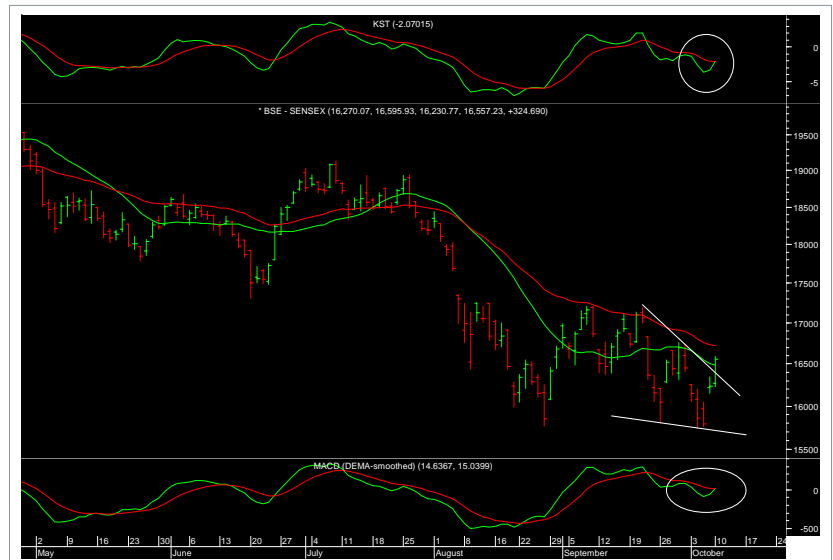
When considering a lower time frame, it is apparent that the daily lower Bollinger Band checked the fall in the Sensex. From there the Sensex has started moving up. The daily momentum indicator has given a bullish crossover. The weekly momentum indicator has also turned its trajectory up and is likely to enter into a buy mode at the end of this week.

### Strategy:

The overall analysis shows that the bulls are having an upper hand in the market. In order to benefit from the expected rally, we recommend getting into long positions on dips ie near the 20 day moving average (DMA) of 16500 for the Sensex. This would make the risk reward lucrative with a downside risk of 15745. On the other hand the targets for the Sensex are 17735 and 18400, where profits can be booked progressively.

### Daily Chart

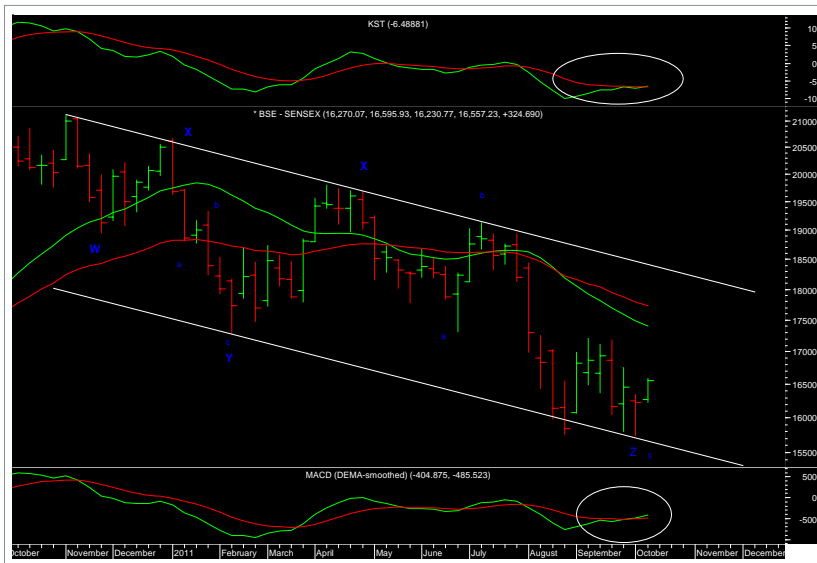
- ♦ The Sensex has formed an ending diagonal pattern in the last leg of the correction.
- ♦ The momentum indicators have given a positive crossover.
- ♦ The Sensex has formed a double bottom around 15745, which will act as a very crucial support in the medium term.
- ♦ The 20 DMA is placed at 16500, which remains a key support area in the short term.



For Private Circulation only

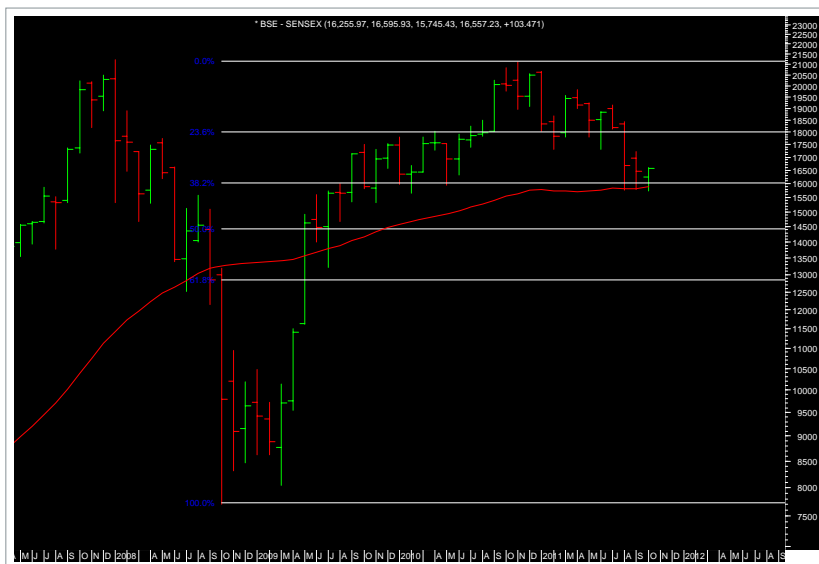
**Weekly Chart**

- ◆ The Sensex has support around the lower end of the parallel channel.
- ◆ The momentum indicators have given a positive crossover.
- ◆ The W-X-Y-X-Z corrective pattern is complete.
- ◆ The 20 WMA and the 40 WMA ie 17400 and 17734 respectively are crucial levels to watch for in the medium term.



**Monthly Chart**

- ◆ The Sensex has support around 15745, which is the 38.2% retracement level of the rally from 7697 to 21108.
- ◆ The triple bottom around 15745 is likely to favour the bulls in the medium term.
- ◆ The 40 month moving average (MMA) ie 15745 is a key support in the medium term as it is a multiple support pivot.



[Home](#)

**Disclaimer**

"This document has been prepared by Sharekhan Ltd.(SHAREKHAN) This Document is subject to changes without prior notice and is intended only for the person or entity to which it is addressed to and may contain confidential and/or privileged material and is not for any type of circulation. Any review, retransmission, or any other use is prohibited. Kindly note that this document does not constitute an offer or solicitation for the purchase or sale of any financial instrument or as an official confirmation of any transaction.

Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. SHAREKHAN will not treat recipients as customers by virtue of their receiving this report. The information contained herein is from publicly available data or other sources believed to be reliable. While we would endeavour to update the information herein on reasonable basis, SHAREKHAN, its subsidiaries and associated companies, their directors and employees ("SHAREKHAN and affiliates") are under no obligation to update or keep the information current. Also, there may be regulatory, compliance, or other reasons that may prevent SHAREKHAN and affiliates from doing so. We do not represent that information contained herein is accurate or complete and it should not be relied upon as such. This document is prepared for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The user assumes the entire risk of any use made of this information. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of the securities of companies referred to in this document (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors. We do not undertake to advise you as to any change of our views. Affiliates of Sharekhan may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject SHAREKHAN and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.

SHAREKHAN & affiliates may have used the information set forth herein before publication and may have positions in, may from time to time purchase or sell or may be materially interested in any of the securities mentioned or related securities. SHAREKHAN may from time to time solicit from, or perform investment banking, or other services for, any company mentioned herein. Without limiting any of the foregoing, in no event shall SHAREKHAN, any of its affiliates or any third party involved in, or related to, computing or compiling the information have any liability for any damages of any kind. Any comments or statements made herein are those of the analyst and do not necessarily reflect those of SHAREKHAN."