

Nifty Futures (Front month series):(2948.7)

Concerns on corporate governance standards of Indian firms as Satyam computer Services attempted to buy two related companies which would have wiped of its 1.2 billion cash pile was announced after trading hours on Dec 16 and was later called off on investor pressure, saw the price of the share fall substantially. It has also raised issues on transparency and governance practices of Indian firms. There was a 15% fall in Excise duty collection in November attributed to sharp decline in manufacturing sector. Despite strong global cues and the rate cut by Fed which raised hopes of fresh rate cut in the domestic front also and more relief package to be announced to shield the economy from the world wide recession, our markets tumbled after a strong open. In line with expectations, Nifty futures opened gap up at 3097.25 which was also the high of the day. Profit taking set in at the onset and it declined sharply in the first half hour of trade to 2989 where the bulls came to give support and market rebounded on thin volumes, failed to hold on to higher levels above 3040 as selling emerged at those levels, finally broke the intraday support of 2989 in the latter half of the day, tumbled to close the day on a weak note with a loss of 99.7 points near the day's low. Capital goods, Metals, Oil & gas and Realty faced the major brunt of selling but almost all the sectors closed in the negative. As per the provisional data, FII and DII were sellers on the bourses. Oil dropped to below \$40 for the first time since 2004 despite cut in production by OPEC. US markets have closed in the negative despite the aggressive rate cut by Fed on the earlier day on further signs of economic deterioration. Europe closed mixed and Asia has opened mixed this morning. Technically, nifty future has signaled a bearish pattern on the last day and chances are that we may see some more downside from these levels. It was resisted in the region of the 50 day moving average posited at 3078 and must now sustain above this level decisively for fresh bullish signal. 2920 and 2900 are strong immediate supports and a breach of these levels could take it down to 2860, 2800-2790. On the higher side, its immediate resistance is in the 2960 level above which it may move up to 2990-3000. It must now sustain decisively above 3040 to signal that the corrective downswing is over and above 3080 for fresh momentum. The bullish pattern of higher highs and higher low is intact as of now but will be in jeopardy if it closes below 2900 and negated below 2790. Markets are likely to open flat on mixed global cues and may then chart their own course as the day progresses. High volatility may be expected so make the best of it.

Resistance: 2960, 2990-3000, 3025, 3040, 3080, 3100

Support: 2920, 2900-2890, 2860, 2800-2790

Kotak Bank (364.7): Short position may be taken in this counter on if it is unable to move above 372-375 on rallies with a stop if prices move decisively above 386 for a target of 355-350. The downside will gain fresh momentum below 350 and it may then move down to 340-335.

Resistance: 372-375, 385, 396-400

Support: 355-350, 340, 335, 325

Note: All prices relate to NSE spot prices unless otherwise stated. Stop loss is a risk control mechanism and should always be there since it is a level which breached signals that the call has gone wrong and steps must be taken to put a stop to further loss. It also quantifies the risk.

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