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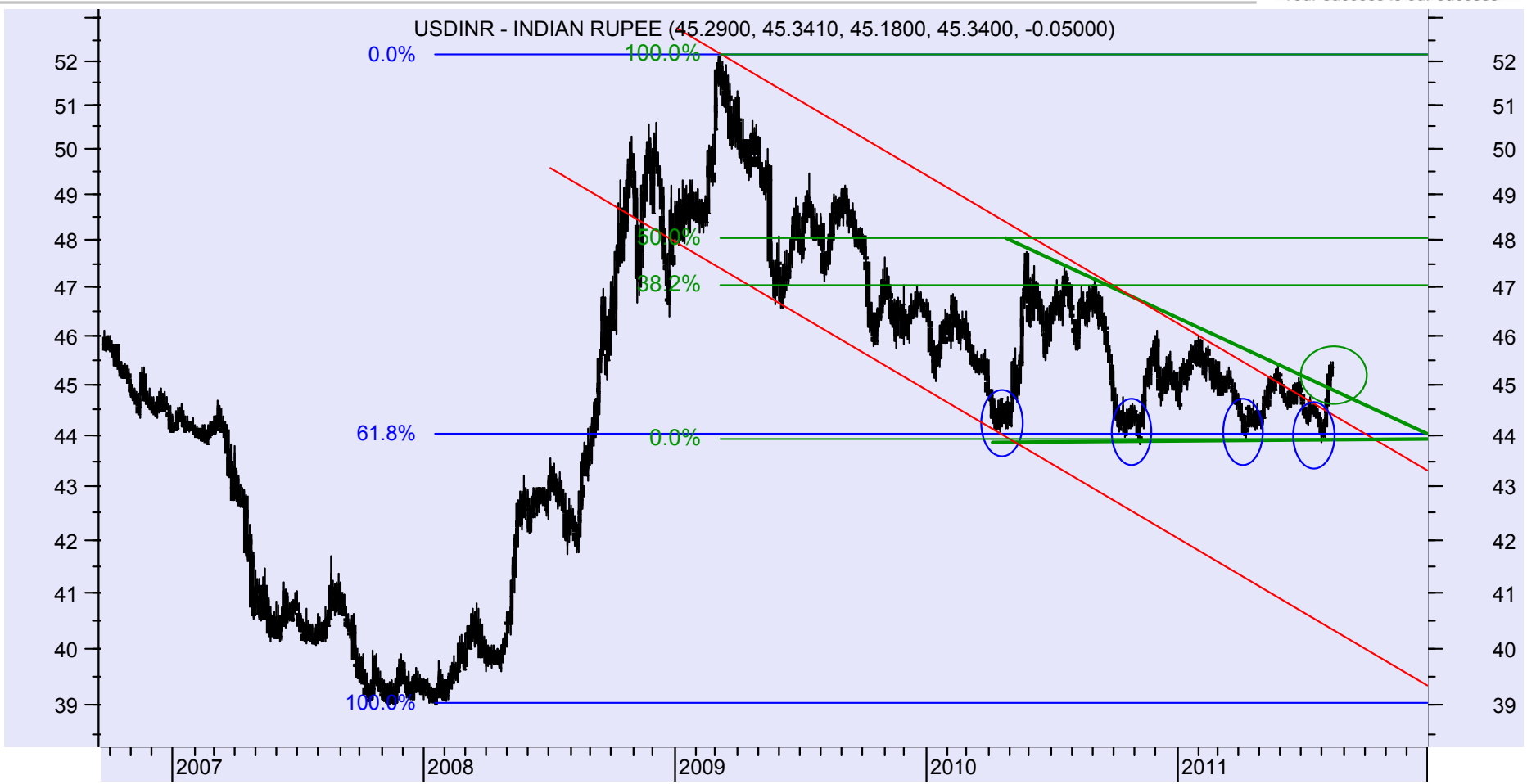
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- Chart in Focus: USDINR breakout holds for the second week running, we maintain initial targets at 47-47.5, similar setups on the S. Korean Won (1100 remains the breakout level)
- Nifty the monthly Bollinger setup now remains a cause of concern, lower band starts to fall for the first time in the past 52 weeks, thus hinting at longer term weakness
- Bank Nifty initial targets met prices take support. 9920 remains a good short term support/pivot point, expect a bounce till 10700-10850 (61.8% pullback)
- Nifty similar short term setups, expect a likely bounce till 5250-5350, sell side risk rewards would than become compelling
- US 10yr prices have broken out (despite the downgrade); 125-127 remains a good support area and a launch pad for targets in the region of 135-136
- Stocks with positive short term view
 - Reliance, SBI, Infosys, TCS, HCL Tech
- Stocks with negative short term view
 - LIC Housing, Hero Honda, Aurobindo Pharma (stop 161), BOB, ITC

INR: breakout...



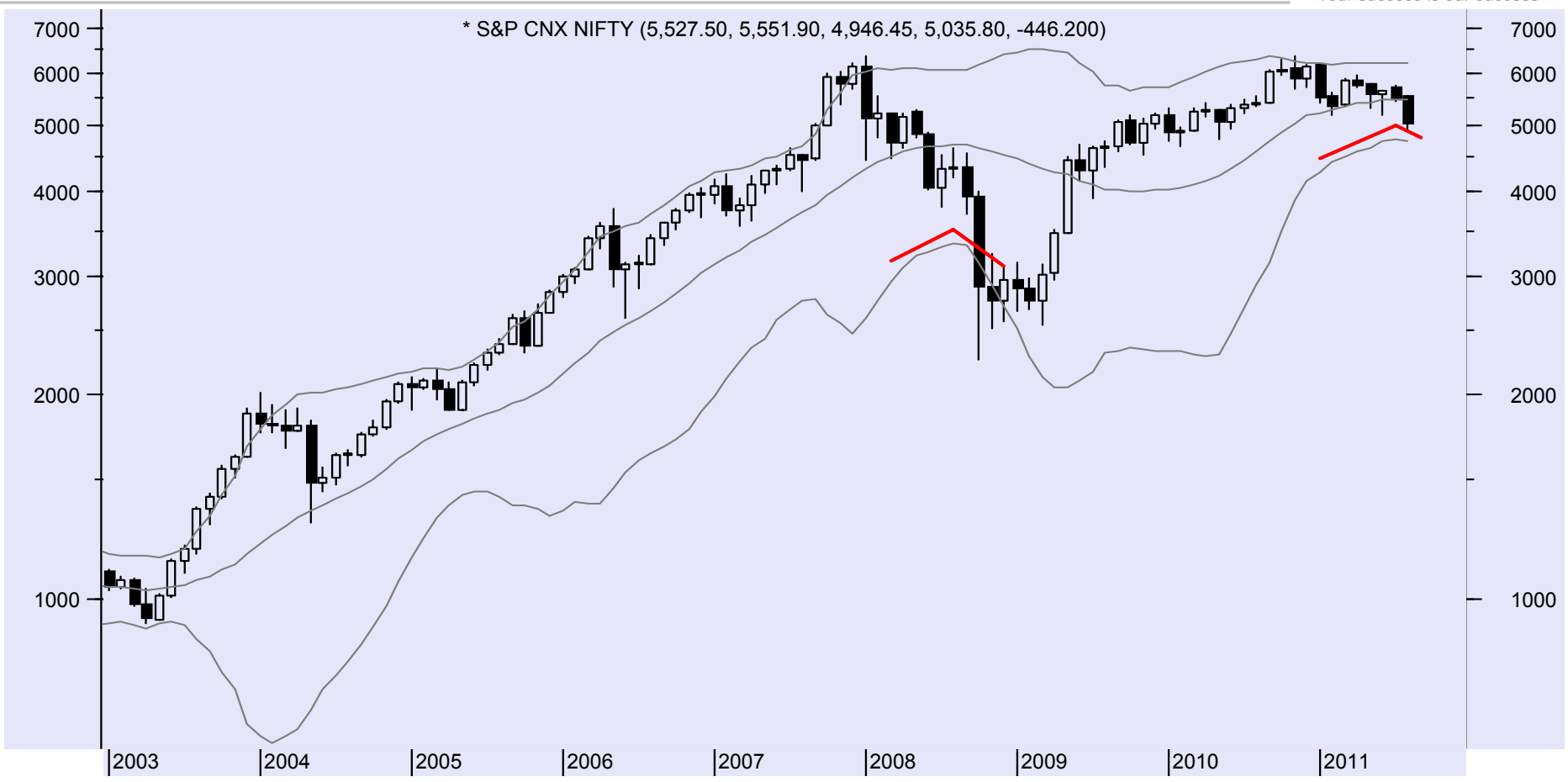
We have been glued on to this one for quite some time, believing right from 44 levels that an upside break would happen (Techcheck 01082011). The INR has since silently broken out of and held on for the second week running. The fact that fresh positive momentum cycles have started on the daily, weekly and monthly KST simultaneously makes the setup look solid and odds can be pegged at 95% in favour of upsides; initial targets can be pegged around 47-47.5 levels, though more could be in store. 44.85 (closing basis) remains a crucial support.

S. Korean Won: almost similar...



The setup on the Won looks similar with minor variations, the 2008-2009 rally has been retraced about 76.4%(61.8 for INR). The almost 2 year positive divergence on weekly KST though remains same, so does the triangular/wedge consolidation. The setup places odds in favour of a breakout, expect upside momentum to pick up once 1100 is broken out of on a closing basis.

Nifty: Monthly Bollinger starts falling...



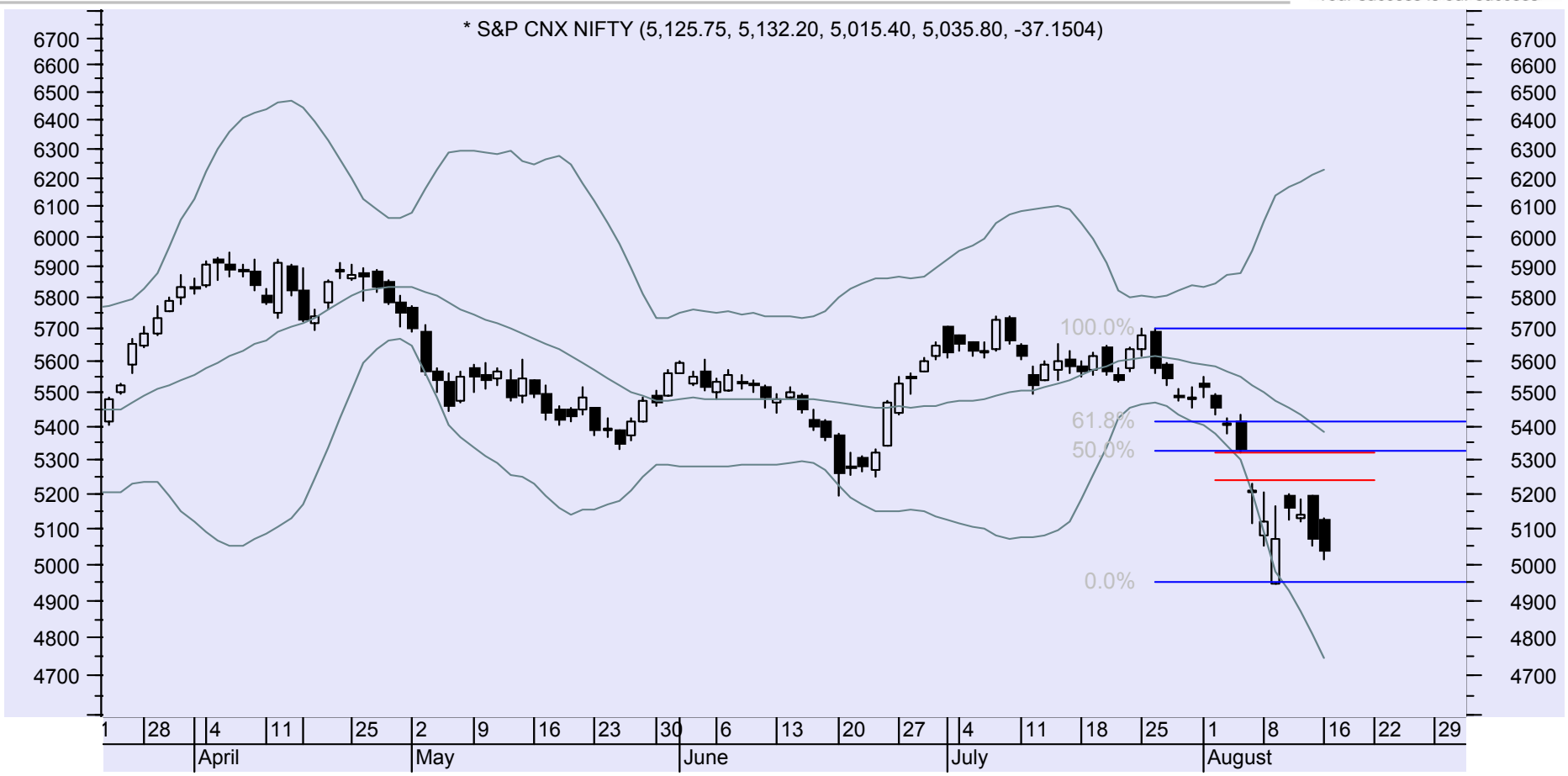
We are showing the monthly Bollinger setup once again but with a different angle. We have earlier highlighted that the monthly Bollinger mean/middle band was violated last month and expected weakness to follow. The band was than placed around 4800 (our targets than). Now for the first time in 52 weeks the bands have started to expand i.e. started to fall down (currently at 4770), this means that from hereon targets will have to be revised down, thus hinting at the first signs of longer term weakness.

Bank Nifty: once gain critically poised...



We once again fall back to this slide for reinforcing our current stance (of a mean reversion bounce). We had earlier projected and maintained targets of 9800-10000 on the Bank Nifty. The fall last week has met our target range, the low was bang on the dashed blue trendline. This means that the low of 9920 remains a crucial support from hereon, the fall has resulted in extreme oversold readings on daily indicators. This means that a bounce till 10700-10800 could be on the cards, this would give medium/longer term players a good risk reward to reinitiate shorts. Incase we fall below 9920, than downsides till 8800-9000 would open up immediately. So either cases we are finally headed down.

Nifty: 3 sigma Bollinger...



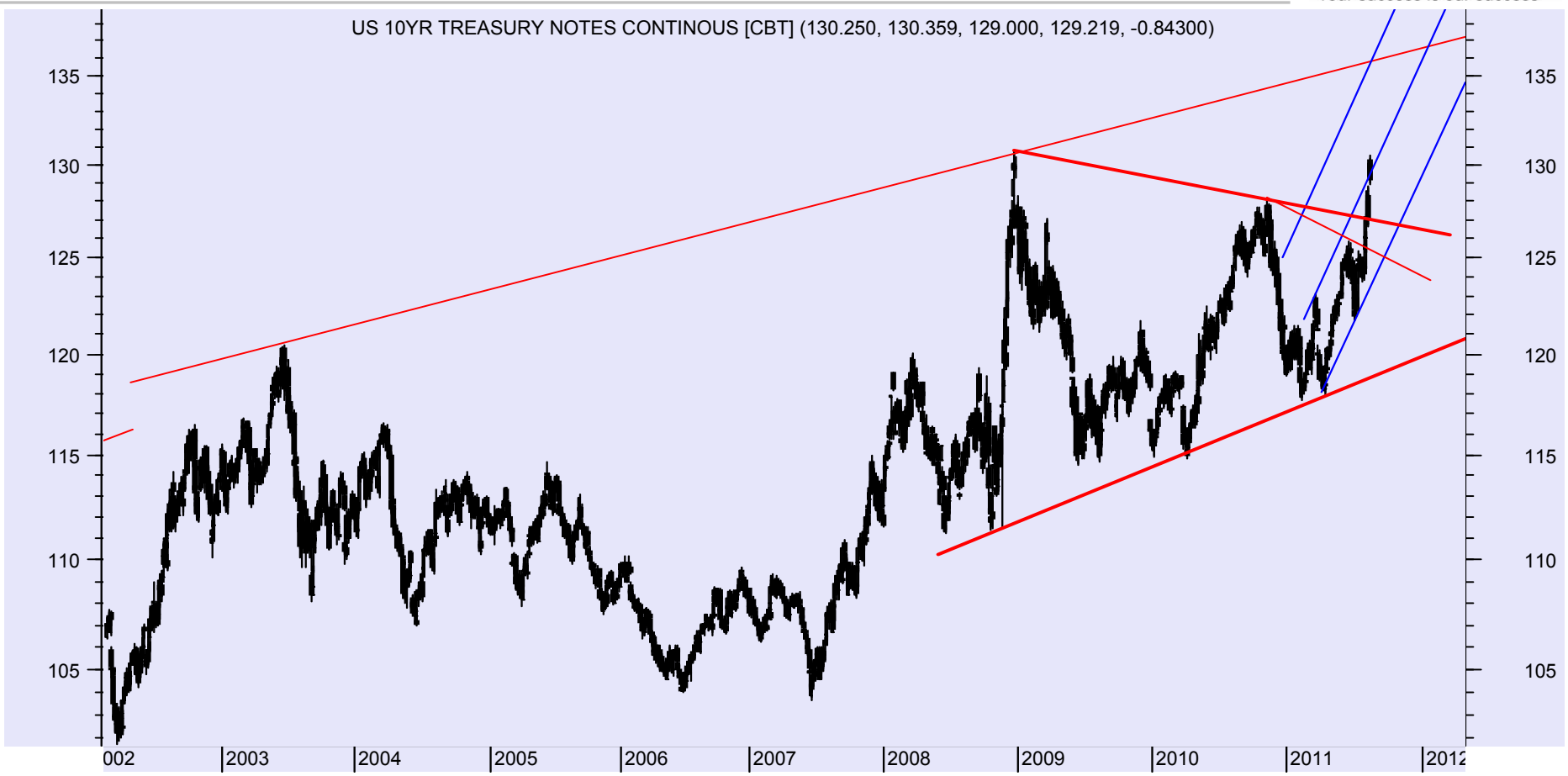
This daily distribution of prices on the Bollinger bands (3 sigma) show how prices trade close to the lower bands. Some daily momentum indicators remain historically oversold and we hence believe that a likely mean reversion trade should take prices higher. We expect a bounce till 5250-5350, where risk rewards would once again favour shorts.

DJIA: mean reversion...



The DJIA 3 sigma Bollinger setup along with daily momentum readings, tells us that there are high chances of a mean reversion. Since world markets earlier hit mega-oversold readings, we are not reading much in to the bounce and think that it would be contained by the middle band around 11900 or the 200 DEMA around 12000. Expect the prices too reverse and hit new lows once this pullback is complete.

US 10yr: breakout...



The US 10yr prices have broken out of a likely running triangle (bold red) and smaller trendline resistances. The setups look encouraging and we believe that prices are headed for the 135-136 levels over the next few weeks.

Recommendations:

Open Calls

Date	Stocks	Action	Reco. Price	Stop-loss	Target	Current price	% change	Comment
03.08.11	Bank of Baroda	Sell	855.5	906.6	801/751	787.00	8.01%	
04.08.11	ITC	Sell	200.5	211.6	190/181	203.60	-1.55%	
10.08.11	Hero Motocorp	Sell	1882.6	1971.6	1740/1611	1912.00	-1.56%	

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