

Techcheck Daily

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Emkay Global Financial Services Ltd.

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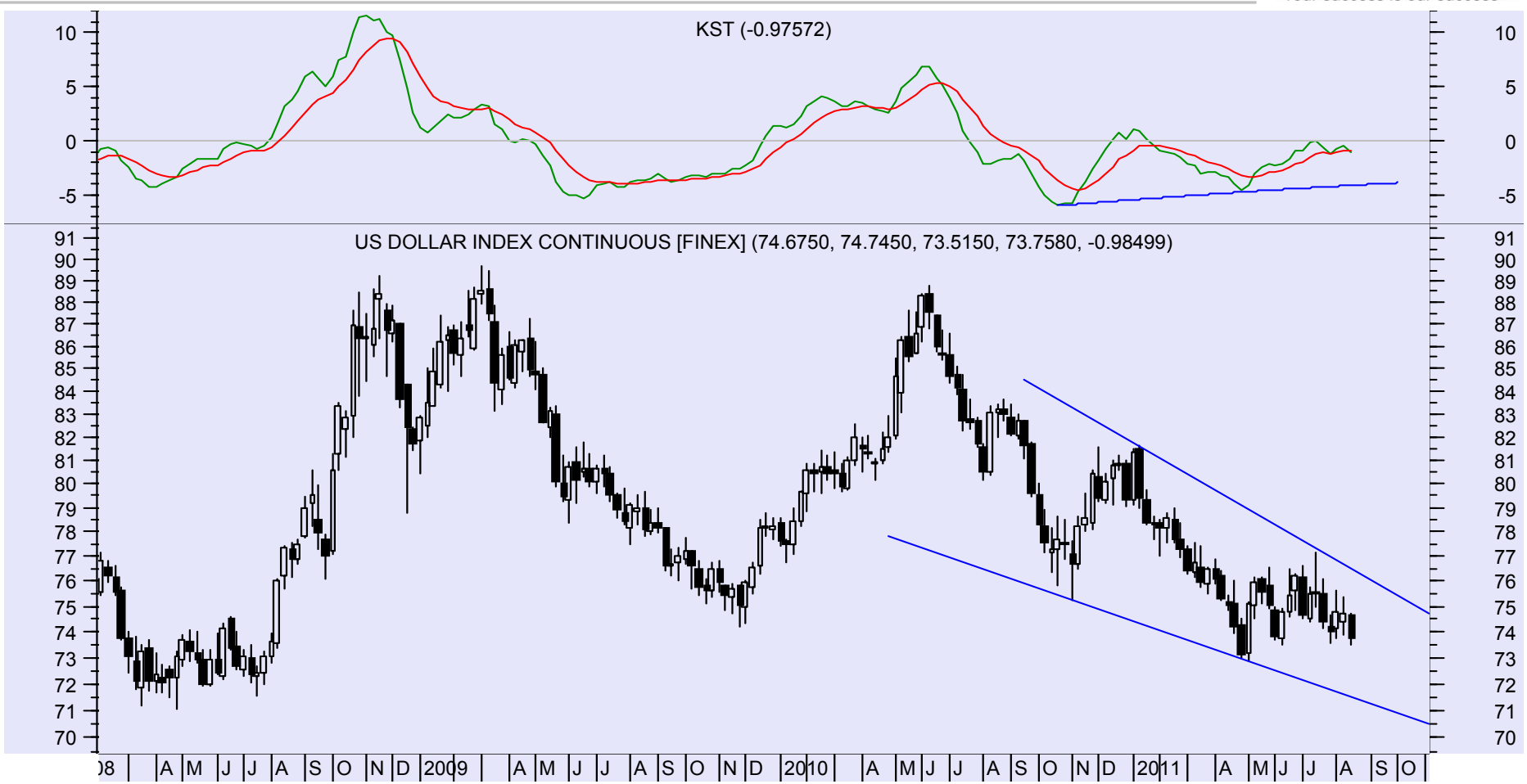
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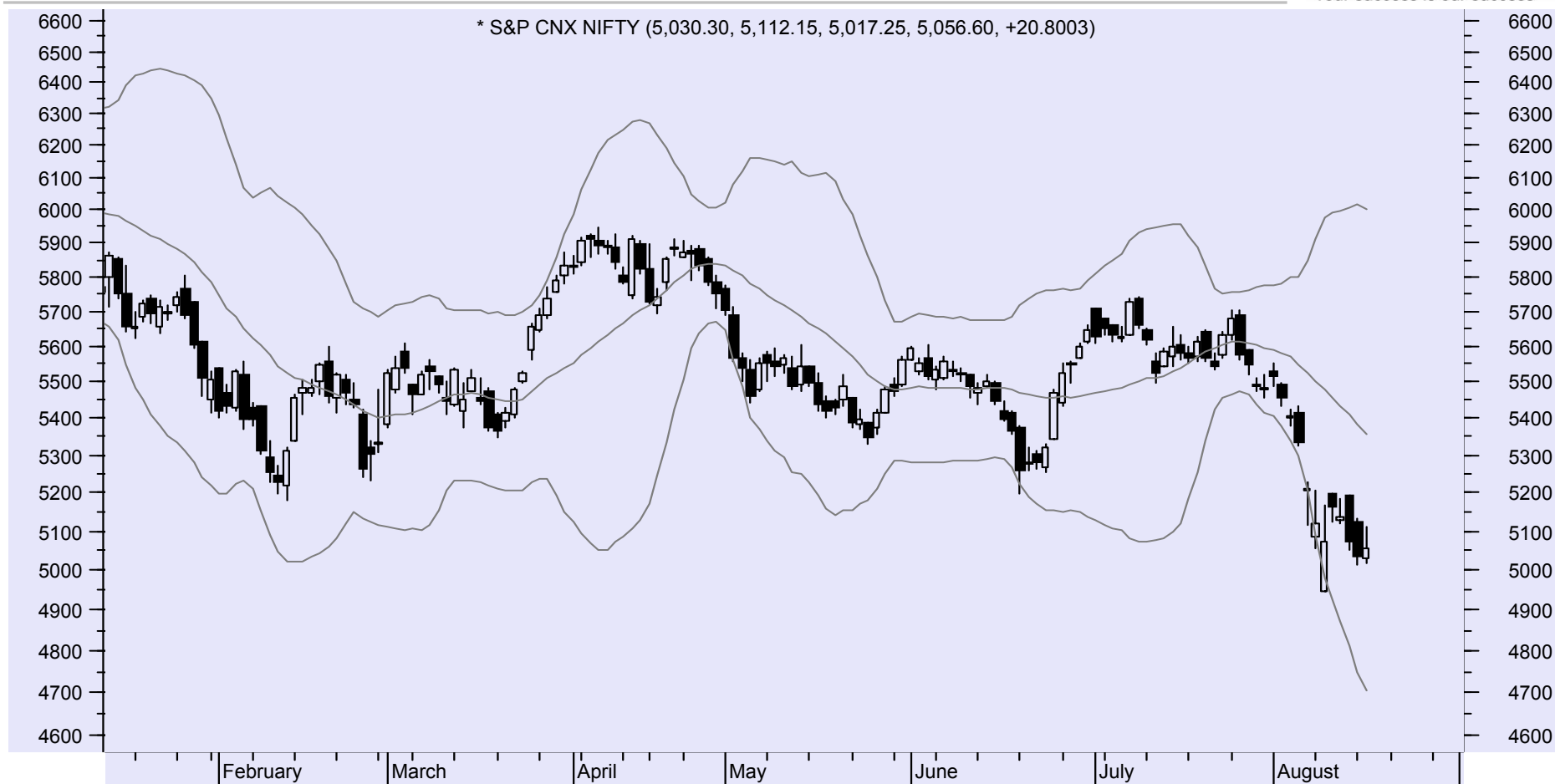
- Chart in Focus: DXY short term setups look weak, should target 71.7-72 were it should complete a bullish wedge, the pattern remains a very important medium term trend decider. We believe that this weakness should support equity prices for some time
- Nifty medium term and long term setups hint at 4700-4800 being very important supports, moreover short term setups hint at a bounce till 5250-5350
- 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
- 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), ITC

DXY: short term correction...



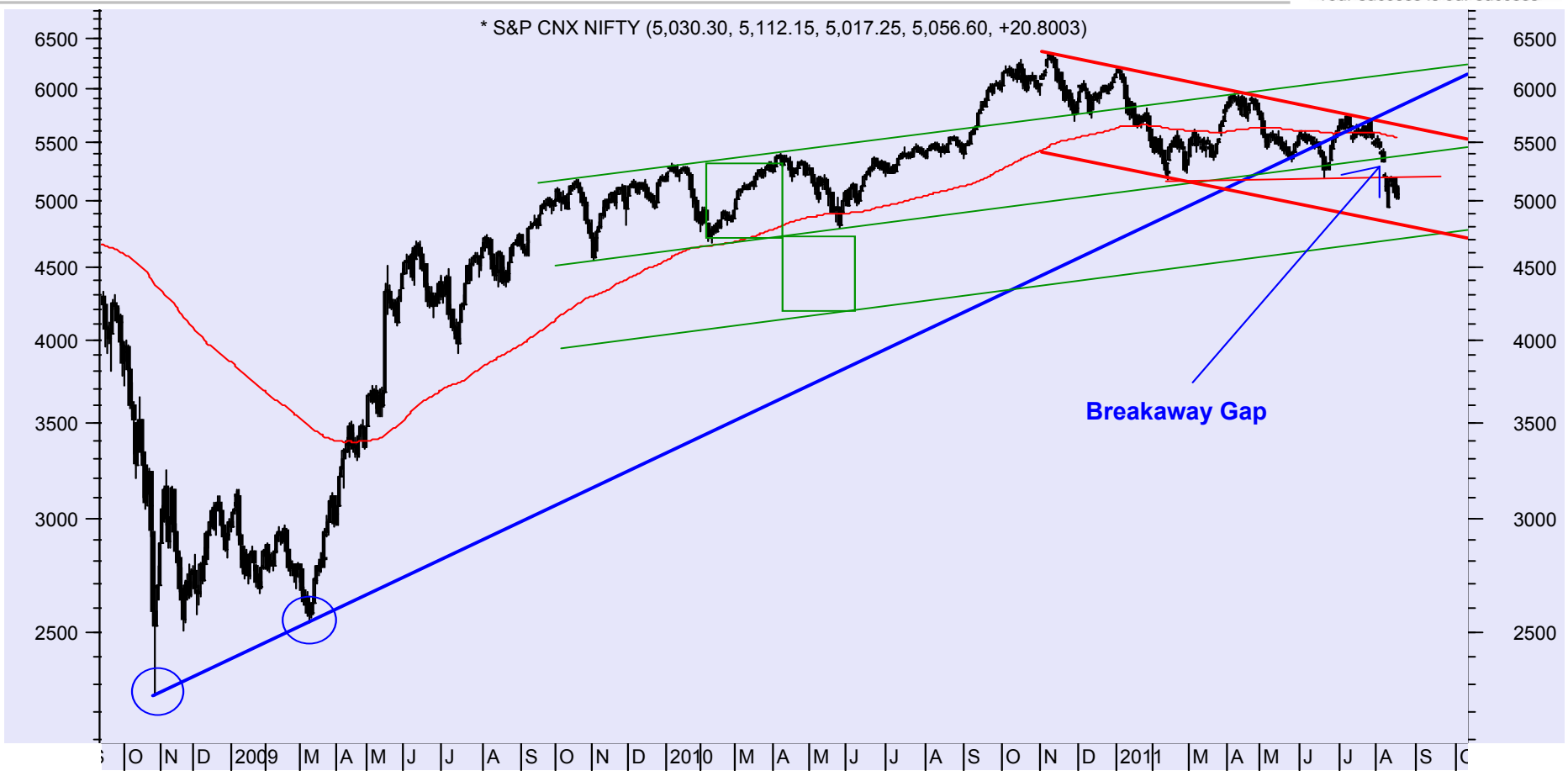
We have shown this weekly setup earlier and would like to reiterate it once again. The daily and weekly momentum has started to rollover and we believe that time is ripe for DXY to complete its bullish wedge (blue). Once 73.5 is broken on a closing basis we expect the DXY to target 72-71.7 levels.

Nifty: short term view...



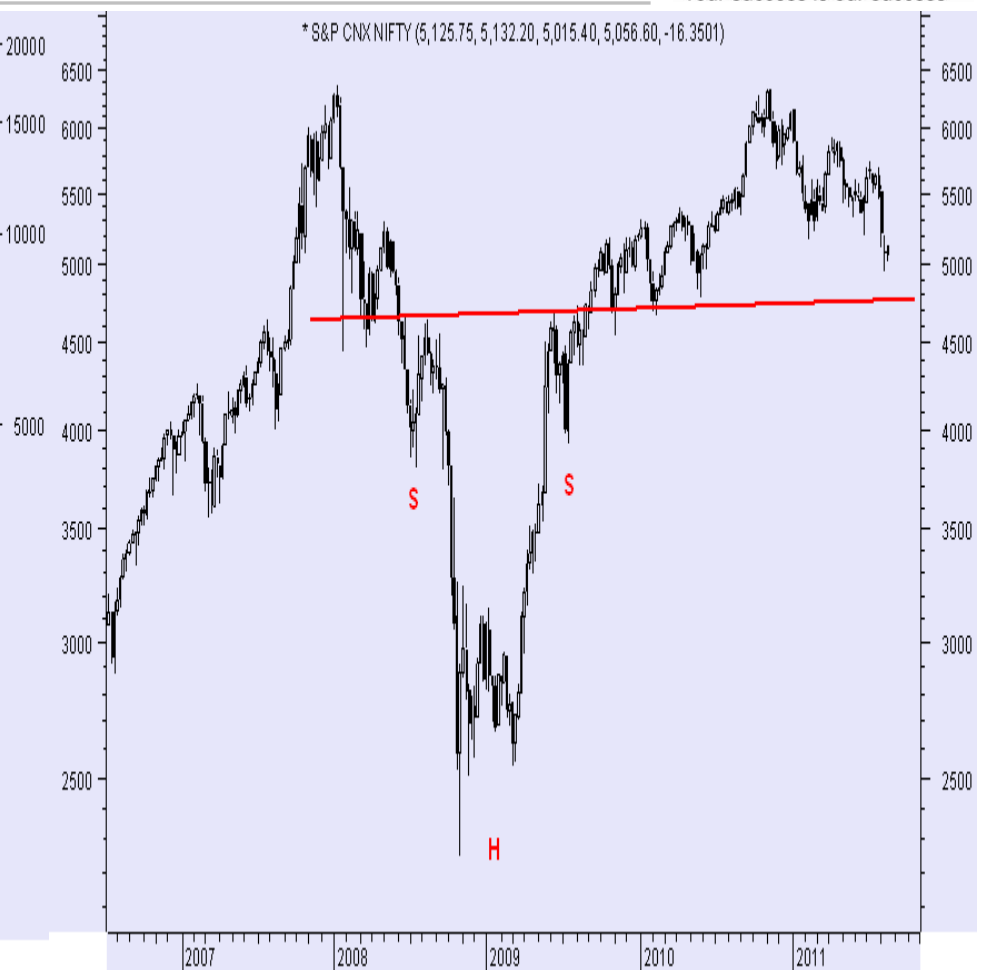
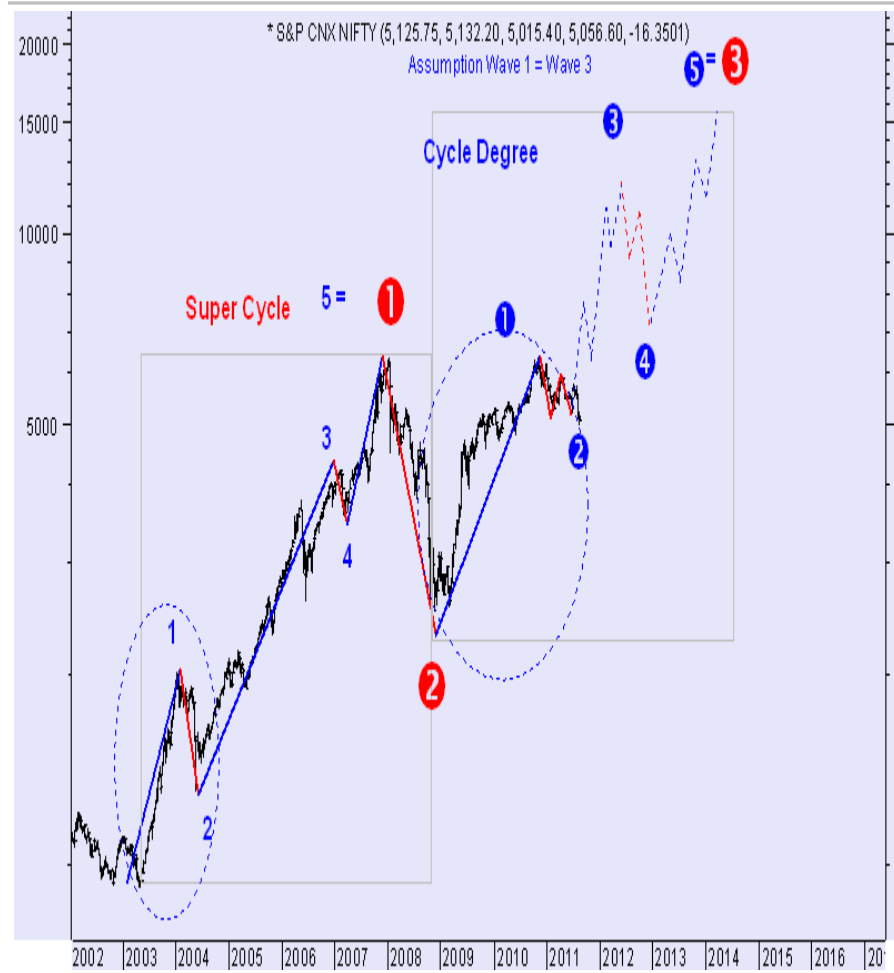
This daily distribution of prices on the Bollinger bands (3 sigma) show how prices trade close to the lower bands. Some daily momentum indicators remain historically oversold and we hence believe that a likely mean reversion trade should take prices higher. We expect a bounce till 5250-5350.

Nifty: medium term view...



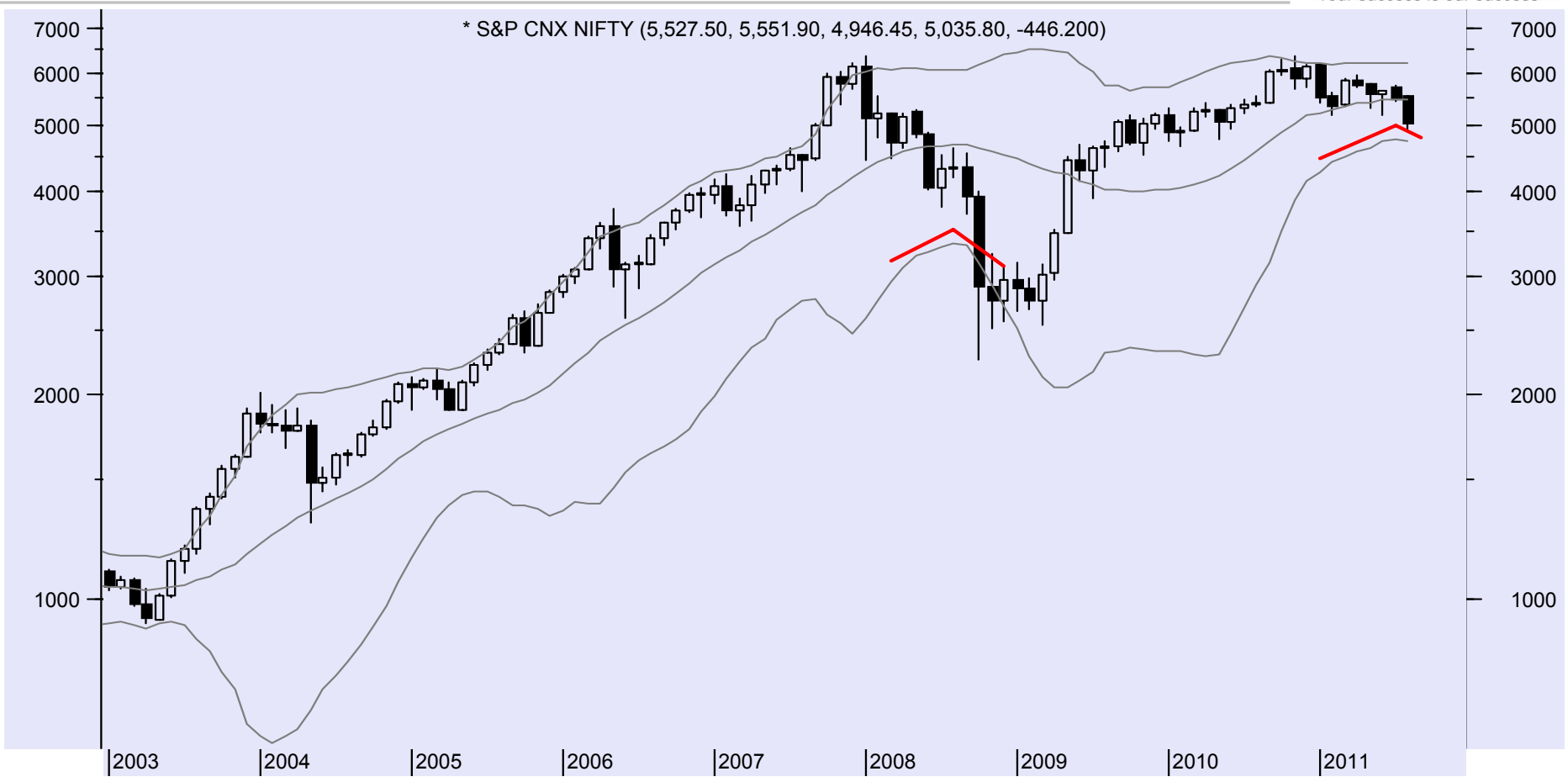
This daily shows the 2009 range/channel (green) projected forward. The lower end of the channel has been violated with a bearish breakaway gap. 1X targets are now marked on the lower dashed green trendline (currently 4700). Moreover the bold red falling channel also nearby at 4800. Expect 4700-4800 to get tested in coming weeks.

Nifty: long term view...



The first chart shows our long term view on the Nifty, we believe that the current weakness is a correction in an ongoing bull market since the lows of 2008. The 4700-4800 hence remains a crucial support and target range for the wave 2 correction. The second shows a bullish inverted H&S pattern with the neckline at around the 4800 thereby reinforcing the importance of 4800.

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.

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...



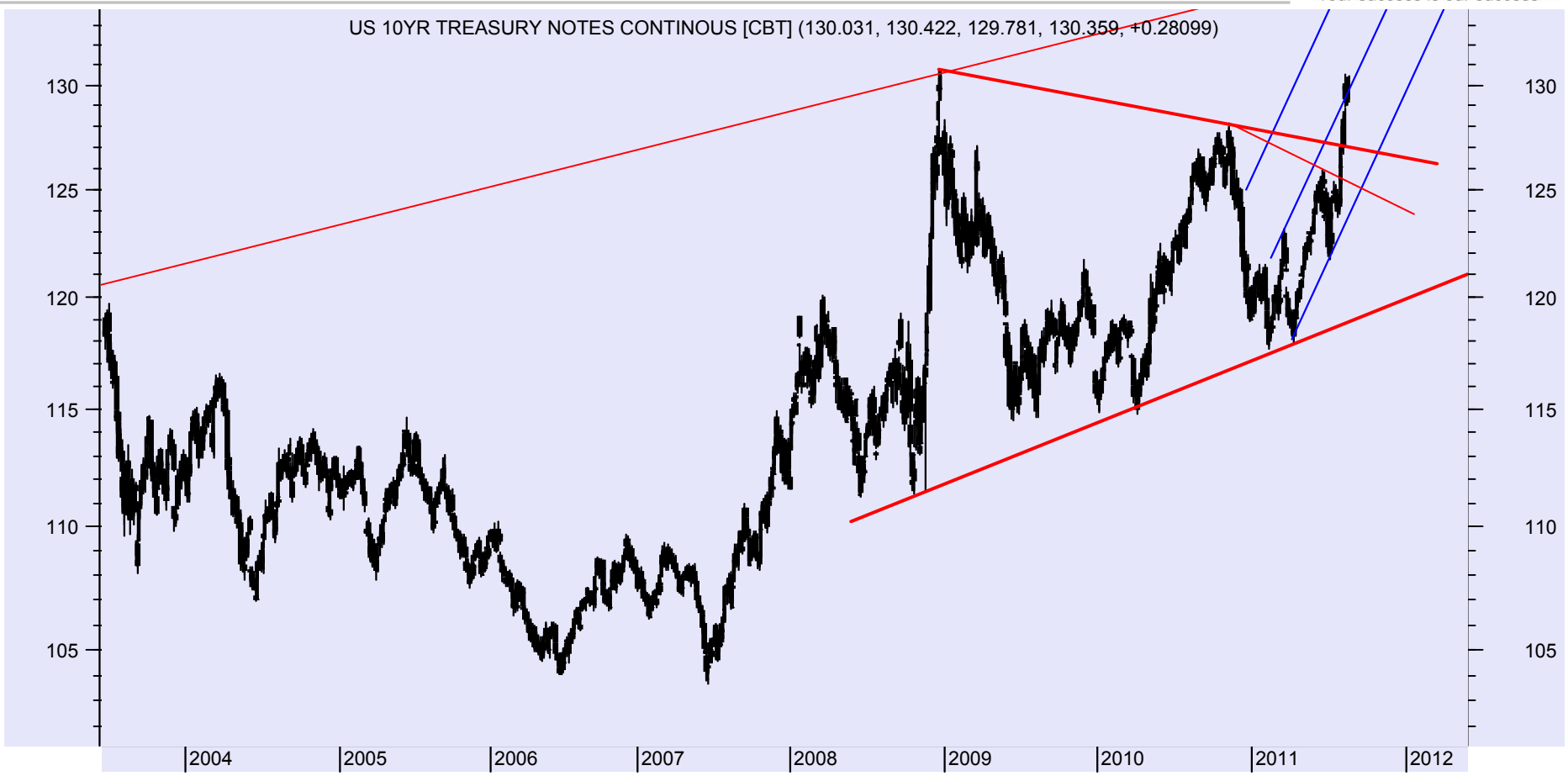
The setup on the Won looks similar with minor variations, the 2008-2009 rally has been retraced about 76.4%(61.8 for INR). The almost 2 year positive divergence on weekly KST though remains same, so does the triangular/wedge consolidation. The setup places odds in favour of a breakout, expect upside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

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	801.6	801/751	790.00	7.66%	Profit booked
04.08.11	ITC	Sell	200.5	211.6	190/181	204.25	-1.87%	
10.08.11	Hero Motocorp	Sell	1882.6	1971.6	1740/1611	1939.55	-3.03%	

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