

Techcheck Daily

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- Chart in Focus: DJIA short term pullbacks underway, just as daily momentum picks up, 11900-12000 now remains the acid test, a failure to go past the same could result in further 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 setups, expect a likely bounce till 5250-5350
- 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
- USDINR continues its advance without any hue or cry, should add to the negativity once reality sets in, expect initial targets around 47-47.5 mark
- Gold \$1800 done with, we revisit the current setup and upgrade targets to 1830-1870 levels, stop profits though should be trailed to 1714 levels
- Stocks with positive short term view
 - Maruti, Reliance, SBI, Infosys, TCS, HCL Tech
- Stocks with negative short term view
 - Hero Honda, Aurobindo Pharma (stop 161), BOB, ITC

DJIA: mean reversion...



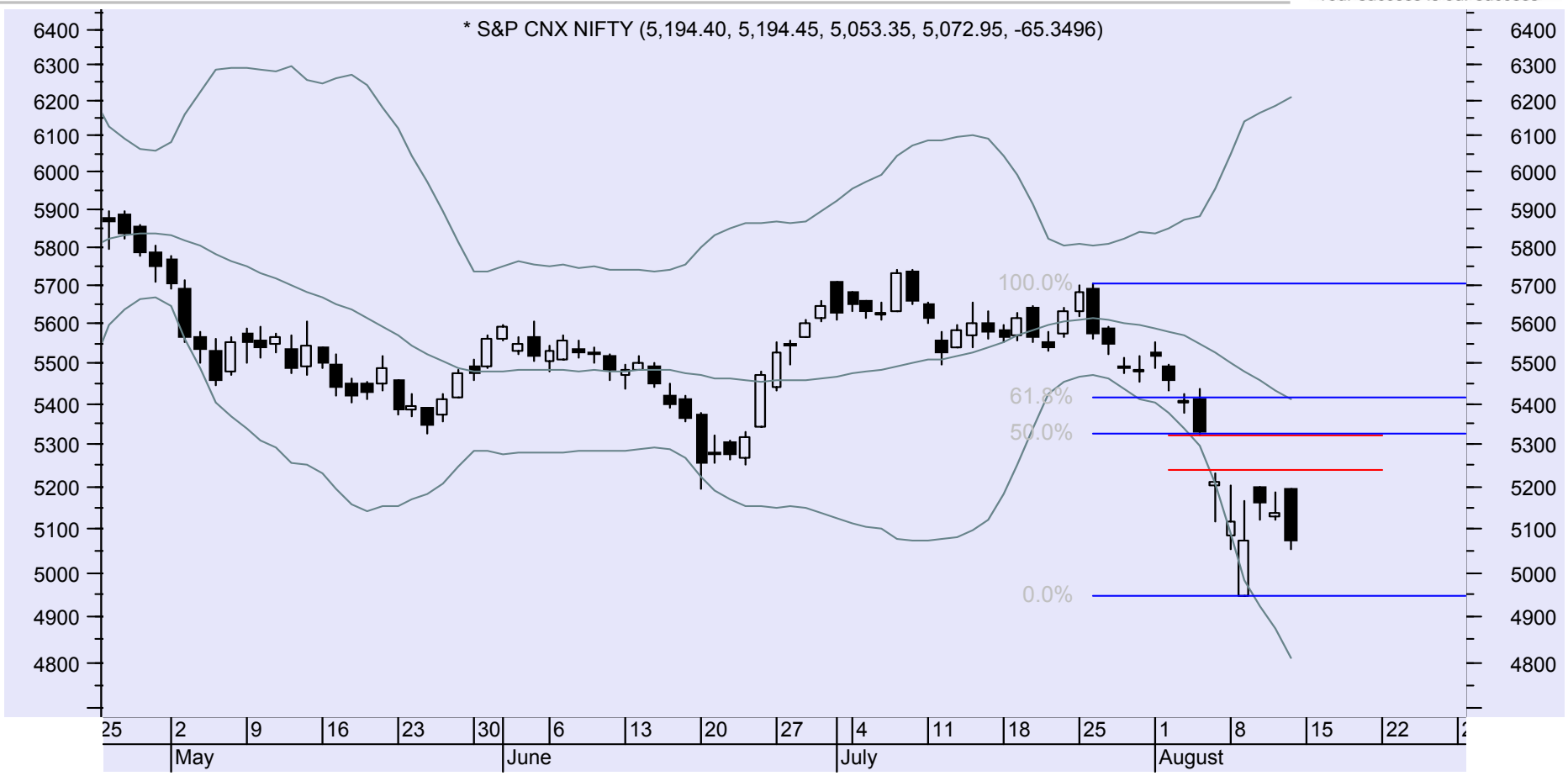
The DJIA 3 sigma Bollinger setup along with daily momentum readings, tells us that there are high chances of a mean reversion. Since world markets earlier hit mega-oversold readings, we are not reading much in to the bounce and think that it would be contained by the middle band around 11900 or the 200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

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 Banknifty. 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...



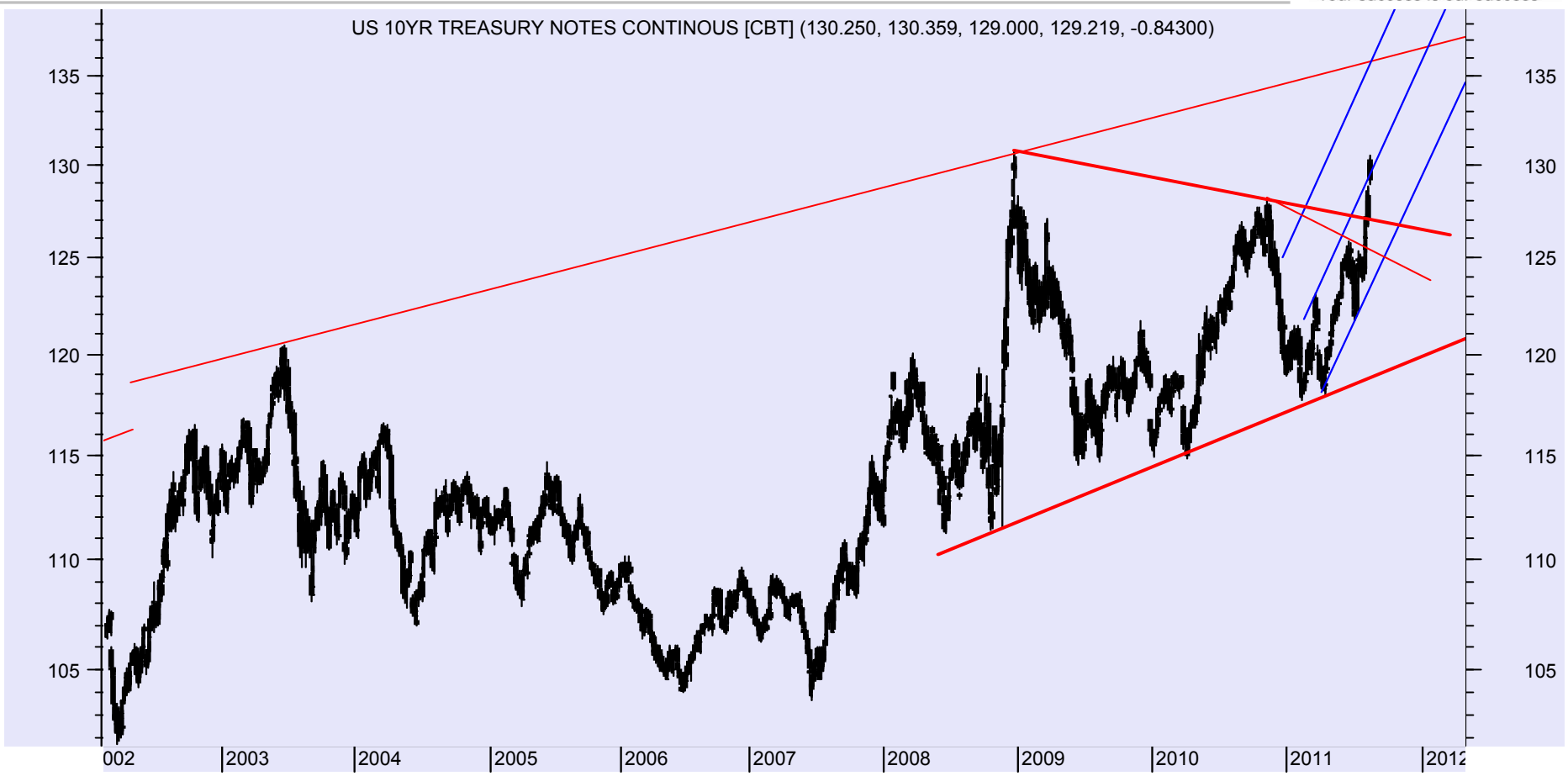
This daily distribution of prices on the Bollinger bands (3 sigma) show how prices trade close to the lower bands. Some daily momentum indicators remain historically oversold and we hence believe that a likely mean reversion trade should take prices higher. We expect a bounce till 5250-5350, where risk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

MSCI World: mega-oversold...



This is a daily for the MSCI world. The indicator plotted in the lower half is the 14 day RSI, the solid green horizontal band signifies the 25-75 area and can be classified as oversold and overbought, such readings are usual and remain part of the normal oscillation for the indicator, for this security. What is more important is the other dashed green band encapsulating the 15-90 area for the indicator, this remains the mega-oversold and mega-overbought readings for the indicator, these readings indicate the trend is a severe one and would continue further. This means that the current downtrend is a strong one and should head for newer lows (previous occasions marked with red vertical lines). Nevertheless such readings are usually also associated with a bounce.

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.

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 expected has now happened and the best part is that fresh positive momentum cycles have started on the daily, weekly and monthly KST simultaneously. This means 95% odds favour upsides and initial targets can be pegged around 47-47.5 levels, though more could be in store. 44.85 (closing basis) remains a crucial support.

Gold: upgrade targets...



The yellow metal is on a boil and is gate crashing into un chartered territory and breakneck speed, though its not uncharacteristic technically (breakout of large trend channels (bold blue) are usually like this). Though we keep the maxim handy that what goes up fast comes down faster (recent example from peer group was Silver), but that does not keep us from making hay when the sun shines. We are hence upgrading targets on the upper end of the green channel to 1830-1870, stops profits are also trailed to 1914 (hourly closing basis).

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	817.95	4.39%	
04.08.11	ITC	Sell	200.5	211.6	190/181	199.50	0.50%	
10.08.11	Hero Motocorp	Sell	1882.6	1971.6	1740/1611	1909.25	-1.42%	

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