

# Weekly Nifty Observer

Issue - 137

02 to 04 April 2012

## Nifty Outlook

.....5220/5170 levels will act as a short term support levels next week ....

## Support

5220/5170 (5090 remote support)

## Resistance

5350/5420 (5510 remote resistance)

## Market Strength Indicators (Weekly)

14 period RSI - Up by 0.53 points from 53.11 levels previous week

14 period StochRSI - Up by 2.32 points from 61.36 levels previous week

Stochastic - Up by 2.05 points from 30.19 levels previous week

## Market Intensity Indicator (Weekly)

NFP - At premium of 37.7 points from premium of 7.15 points previous week

Volatility - Down by 0.04 points at 0.30 levels

## Open Interest (Weekly)

Cummulative OI Future -

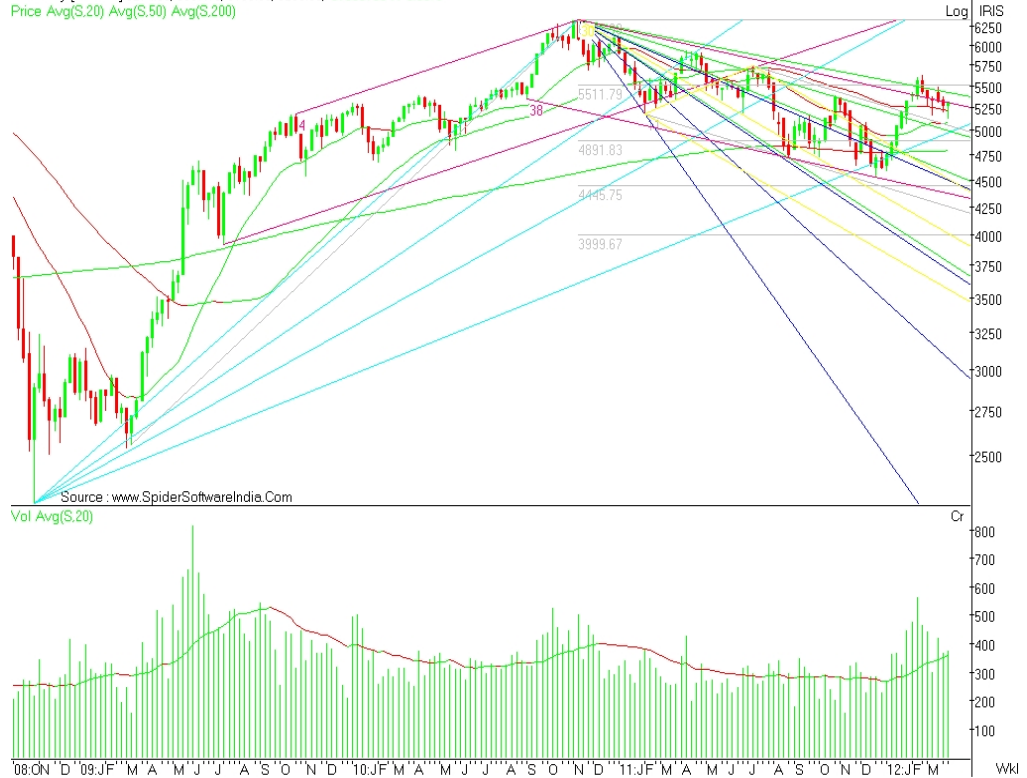
Cummulative OI Options -

OI Call -

OI Put -

## Spot Nifty Weekly Chart

NSE Nifty [N59901] 5274.35, 5307.10, 5135.95, 5295.55, 3790578944 0.33%  
Price Avg(S,20) Avg(S,50) Avg(S,200)



## Technical Comments

Weekly Nifty closed 0.33 % up at 5295.55 levels after making high of 5307.10 and low of 5135.95 levels. It must be noted that last week Nifty sustained above the psychological 5120 levels and closed around 5300 levels on W-o-W basis.

Since forty nine weeks, Nifty is trading below the lower part of the channel which was drawn from high of 5181.95 (week ending 23/10/2010), high of 6335.90 (week ending 12/11/2010) and low of 3918.75 (week ending 17/07/09).

This was fifty weeks Nifty failed to sustain above the upper part of the channel (5350/5400 levels) and closed below it. The channel is drawn from the low of 5348.90 (week ending 03/09/2010), low of 4720.00 (week ending 26/11/2011) and high of 6335.90 (week ending 12/11/2010). In next few weeks if Nifty moves inside this channel then, it will move towards the lower part of the channel below 4500 levels.

On historical weekly chart, this is thirteen consecutive week of closing above the 4th speed line (around 4700/4650 levels). Continuation of trade above it then, 5000 levels will act as important mid to long term support levels in weeks to come. The speed line was drawn from the low of 2252.75 levels (week ending 31/10/08) and high of 6335 levels (week ending 12/11/10). Only, sustainability above 4th and last speed line will open path for Nifty to move towards 3rd speed line around 6000 levels with many psychological resistance levels. The probability to move towards 3rd speed line will grow stronger with continuation of trading above 4th speed line.

Over historical weekly chart twenty four weeks earlier, Nifty tested, but failed to sustain above the lower part of channel of Andrew's Pitchfork (around 5840 levels). The Andrew's Pitchfork is drawn from the low of 936.70 (week ending 17/04/03), high of 6357.10 (week ending 11/01/2008) and low of 2539.45 (week ending 06/03/2009).

On weekly basis Nifty was found trading above its 20 weeks SMA around 5083.73 levels, above its 50 weeks SMA around 5218.98 levels and above its 200 weeks SMA at 4788.34 levels along with rise in volume which was above its 20 weeks SMA. It must be noted that Nifty after four consecutive weeks of closing below its 200 days SMA on W-o-W basis, since last twelve week it managed to close above it. LONG TERM TREND TURNED OUT TO BE BULLISH FIRST TIME IN 2012 ON W-O-W BASIS. SUSTAINING ABOVE ITS 200 PERIOD SMA ON W-O-W BASIS WILL ENSURE FOR BULL PHASE IN WEEKS TO COME.

**On Weekly basis Nifty has very crucial support at 5220 levels and below it around 5090 levels. If Nifty Sustains above 5220 levels next week, it will force Nifty to move towards 5400 levels or above in weeks to come. Failing to do so will allow it to travel southwards towards 5000 levels.**

**The Data:** On weekly basis, Nifty closed 0.33 % up along with 2.69 % rise in volume and fall in open position by 5.98 %.

**Interpretation of Data:** Nifty rise with rise in volume and fall OI suggesting that the market has a lot of traders initiating from both sides but larger traders may be liquidating into the higher prices. The market may be vulnerable to larger price swings as shorter-timeframe traders attempt to trade from both sides of the market but liquidating before end-of-day. Often signals of a market turn near-term or continued volatility. This is more common at significant tops (or bottoms).

Rise in Nifty with fall in open position on W-o-W basis suggests that the current rise of 0.33 % in Nifty was mainly due to short covering in April 12 future contracts.

**Implication of the Interpretation:** Out of five trading sessions last week long liquidation was observed in two trading sessions. In one trading session fresh long build up, in one fresh short build up and in remaining one short covering was observed. However, on W-o-W basis short covering was observed. Continuation of short covering along with fresh long build up will allow Nifty to trade above 5300 levels to move towards 5500 levels. But if fresh short build up initiated with long liquidation, it will allow Nifty to trade below 5300 levels and may move towards 5000 levels in weeks to come.

## Global Cues

Source: Yahoo Finance

**Market Outlook** - After the best first quarter in 14 years, the S&P 500 may be poised for a pullback and market look to a slew of economic data for insight on the strength of the domestic economy. If equities do pull back and with more than 80 % of the benchmark S&P 500 above the 200-day moving average, the market would appear primed for one and it was more likely to be a healthy decline.

**Economic Indicators** - Economic indicators next week include data on manufacturing and services from the Institute for Supply Management, construction spending, factory orders and domestic car sales as well as several reports on the labor market, culminating in Friday's payrolls number. Market will also have to grapple with Tuesday's release of the minutes from the most recent Federal Open Market Committee meeting and an interest-rate decision on Wednesday by the European Central Bank after its meeting. Also on tap are same-store sales from retailers on Thursday, which could give further insight on consumer habits on the heels of Friday's consumer sentiment and personal income and spending data.

**Indices Performance** - The Dow and the S&P 500 closed out their best first quarter since 1998 and the Nasdaq had its best first-quarter performance since 1991, largely on the back of improving domestic economic data. The benchmark S&P 500 index could be vulnerable to a retreat if the data shows a softening of the economy, a possibility many investors have been cautiously eyeing with the index up nearly 30 % from its October low.

Short Week Ahead - Equity markets will be closed at the end of the week for the Good Friday holiday, which could create lighter volume and increase volatility.

**Payroll Report** - The release of the March payrolls report could leave market reticent to make big bets in front of the data. Economists polled by Reuters are looking for an addition of 201,000 jobs in March, compared with February's 227,000. They expect the U.S. unemployment rate to remain steady at 8.3 %.

**ECB Rate Decision** - The ECB is expected to keep interest rates unchanged with no major announcements on other policy decisions while the Fed minutes will not be followed up with a press briefing by U.S. Federal Reserve Chairman Ben Bernanke.

**Signal from Bernanke** - Comments from Bernanke signaling a supportive monetary policy on Monday lifted stocks more than 1 % and helped boost the index higher for the week despite three consecutive sessions of declines. Investors will look to the FOMC minutes for any change in language.

**Results** - Monsanto Co and Constellation Brands Inc the only S&P 500 companies due to release results. Investors will be gearing up for the unofficial start of earnings season the following week, when Alcoa Inc reports on April 10.

## National Cues

Source: Capital Market

**Market Outlook** - The market may remain volatile in a truncated week ahead. The stock market remains closed on Thursday, 5 April 2012, on account of Mahavir Jayanti and again on Friday, 6 April 2012, on account of Good Friday.

**Sector Movement** - Automobile and cement shares will be in focus as companies from these two sectors start unveiling monthly sales volume data for March 2012 from 1 April 2012.

**HSBC PMI** - HSBC's monthly purchasing managers' index, which indicates the health of the manufacturing sector, is likely to be released on Monday, 2 April 2012. The manufacturing PMI declined to 56.6 in February 2012 from 57.5 in January 2012. HSBC's monthly Business Activity Index, which indicates the health of the services sector, is also due next week. The services PMI fell to 56.5 in February from 58 in January. A reading above 50 denotes expansion, while one below it shows contraction.

**Q4 Earnings** - The next major trigger for the market is Q4 March 2012 earnings. Investors will focus on the guidance provided by the management for the year ending March 2013 (FY 2013) to gauge the earnings outlook. IT bellwether Infosys announces Q4 March 2012 results on 13 April 2012.

**Taxation of P-notes** - Market will closely watch clarification from the government on General Anti-Avoidance Rules (GAAR). Finance Minister Pranab Mukherjee said on Friday, 30 March 2012, that the government doesn't intend to levy any tax on the holders of Participatory Notes (P-Notes). He also said that a clarification on the matter would be issued by the Government in due course and that the Centre has no intention of harassing genuine overseas investors. A lack of clarity on taxation of P-notes has contributed to the recent volatility in the domestic share market.

**GAAR** - Mukherjee on 16 March 2012, while presenting the Union Budget 2012-13, proposed to introduce the General Anti-Avoidance Rule, or GAAR, which would give the tax body the right to examine the motivation for transactions by foreign investors. Mr. Mukherjee said at the time that GAAR is aimed "to counter aggressive tax avoidance schemes." Under GAAR, a transaction would be presumed to be for obtaining tax benefit unless the taxpayer proves that obtaining benefit wasn't the main objective. India's tax treaty with Mauritius exempts capital gains from being doubly taxed, but GAAR could override such tax treaties.

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