

# Weekly Nifty Observer

Issue - 145

04 to 08 June 2012

## Nifty Outlook

.....next week nifty will strongly resist 4950 levels with 4810/4777 as long term trend reversal zone.....

### Support

4810/4777 (4640 remote support)

### Resistance

4880/4950 (5020 remote resistance)

### Market Strength Indicators (Weekly)

14 period RSI - Down by 2.43 points from 41.15 levels previous week

14 period StochRSI - Down by 7.17 points from 7.17 levels previous week

Stochastic - Up by 1.32 points from 16.98 levels previous week

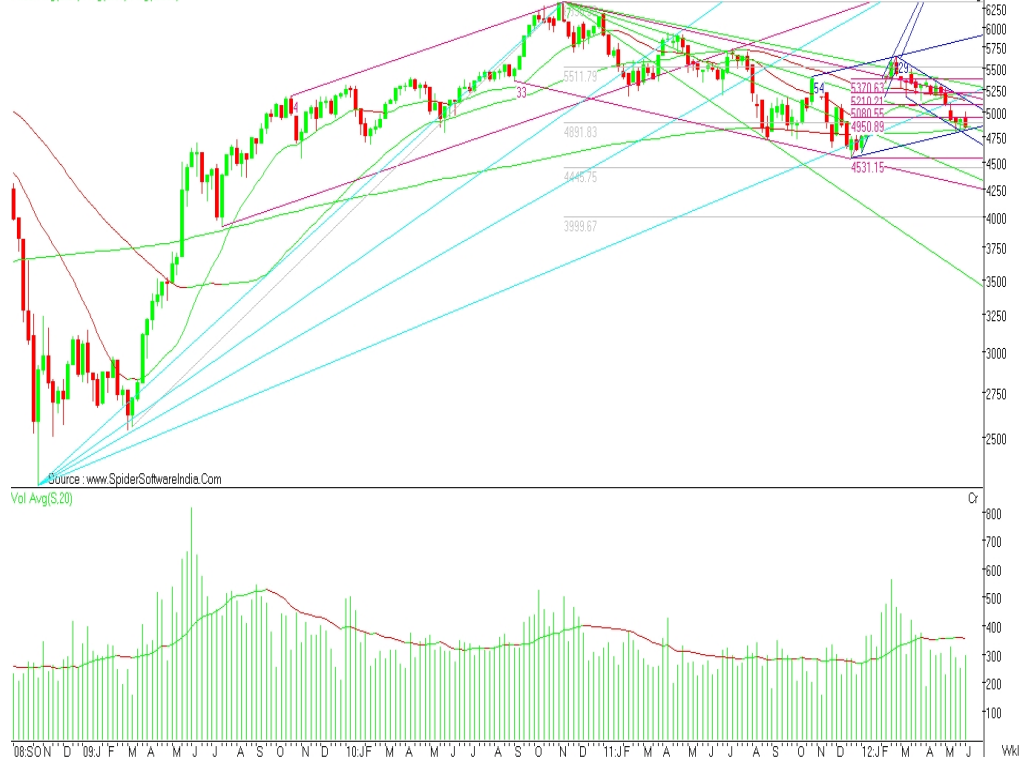
### Market Intensity Indicator (Weekly)

NFP - At discount of 17.05 points from discount of 1.55 points previous week

Volatility - Up by 0.01 points at 0.25 levels

## Spot Nifty Weekly Chart

NSE Nifty [NSE9901] 4931.70, 5020.15, 4831.75, 4841.60, 2974465280 -1.60%  
Price Avg(S.20) Avg(S.50) Avg(S.200)



## Technical Comments

Weekly Nifty closed 1.60 % down at 4841.60 levels after making high of 5020.15 and low of 4831.75 levels. It must be noted that since last four week Nifty is closing below 4950 levels, an important levels on weekly basis. Since fifty three 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).

Since last six weeks Nifty manages to give closing below the upper part of the channel (5270/5250 levels). 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 (around 4250 levels).

On historical weekly chart, this was 4th consecutive week for Nifty to trade below its 4th speed line. Twenty consecutive week earlier it tested 4th speed line (around 4700/4650 levels). 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 consolidation only above and around 4th speed line.

Over historical weekly chart thirty three 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 below its 20 weeks SMA around 5211.92 levels, below its 50 weeks SMA around 5131.73 levels and above its 200 weeks SMA at 4824.28 levels along with rise in volume which was below 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 twenty two weeks it managed to close above it.

**LONG TERM TREND WILL REMAIN BULLISH ON W-O-W BASIS TILL NIFTY HOLDS 4824 LEVELS. ONLY SUSTAINING ABOVE ITS 200 PERIOD SMA ON W-O-W BASIS WILL ENSURE FOR BULL PHASE IN WEEKS TO COME.**

*Since last three weeks Nifty is finding support at its 200 days SMA on W-o-W basis. Continuation of sustainability above its 200 days SMA on W-o-W basis will keep on increasing the probability to move towards and above 5000 levels in weeks to come. Below 4900 levels Nifty has major support at 4810/4777 levels. Breach of which will only confirm movement towards 4500 levels. 4950 levels are providing short to mid term strong immediate resistance to Nifty.*

*The Data:* On weekly basis, Nifty closed 1.60% down along with 16.46 % fall in volume and fall in open position by 3.67 %.

*Interpretation of Data:* Nifty fall with rise in volume and OI suggesting the downtrend is secure and that the trend may continue for a period of time.

Fall in Nifty with rise in open position on W-o-W basis suggests that the current fall of 1.60 % in Nifty was mainly due to fresh short build up in June 12 future contracts.

*Implication of the Interpretation:* The week started with short covering which was followed by fresh long build up and in remaining two trading sessions of May 12 future series. The first day of June 12 future series, which was also the last trading session of the week, saw long liquidation. However, on W-o-W basis fresh short build up was observed. Continuation of fresh short build up along with long liquidation in June 12 future series will keep Nifty trading below 4950 levels in days to come. If however, short covering initiates and along with it fresh long build up come out, it will only increase the probability to move above 4950 levels towards 5020 levels or above. Below 4900 levels, 4790 levels is very crucial support, breach of which will confirm for 4500 levels in days to come.

## Global Cues

Source: Yahoo Finance

*Market Outlook* - Things are shaping up for another hot summer on Wall Street, and there is a long, long way to go yet. DJI is now negative for the year. Employment appears to be slowing to a snail's pace and Europe remains mired in crisis. However, stock market rallies in each of the past 3 years were fueled by combinations of massive central bank and government stimulus spending. That maybe the only hope for equities this year, too.

*Fed Chairman Testimony* - Federal Reserve Chairman Ben Bernanke will be back on Capitol Hill on Thursday to testify before a congressional committee about the state of the U.S. economy. He's not going to get an easy ride.

*Fed Policy Meet* - The Fed's next policy meeting occurs on June 19-20. A Reuters poll of 15 dealers gives a 35 % chance of the Fed extending its stimulative operating twist at that meeting. The poll showed that dealers expecting further quantitative easing, or QE3, rose to 50 % from 33 % in May.

*Euro-Zone Debt Crisis* - Fears the euro-zone debt crisis is spilling over to the US sparked fresh buying of U.S., German, Japanese, Swiss and Nordic government debt, which are perceived as safe havens in times of market turbulence. Yields on the benchmark 10-year Treasury note hit 1.442 %, the lowest level in records going back to the early 1800s.

*World's Economic Outlook* - The world's economic outlook darkened on Friday as reports showed as well as slowing U.S. employment growth, Chinese factory output barely grew and European manufacturing fell deeper into malaise.

*Bear Markets* - Nothing tells the story of the global economy at the moment better than the world's equity markets. Bear markets are raging in Spain, Italy, Brazil and Russia. Asian stocks have been weak. Most of Europe's other markets are negative for the year, and that is where U.S. stocks are going and fast.

*S&P 500* - On Friday the S&P 500 fell 2.5 %, edging below its 200-day moving average for the first time since December. The level is closely watched, and a significant breach there could open the way for steeper losses. That looks like a distinct possibility at the moment.

*Consequences of Greece Over World Economy* - Greece will face new elections in two weeks. A victory for parties that oppose the bailout led by the European Union and IMF could start the ball rolling on the country's withdrawal from the euro zone. Such an event would have unforeseen consequences for the global economy and financial markets. Part of the 6.3 % drop in the S&P 500 in May, its worst month since September was about pricing that in. But it is anyone's guess how far stocks will fall if a Greek exit sparks the Lehman-type event that some investors fear.

*Funding Options for Companies* - Funding options are narrowing for companies across the globe as issuers are shut out of markets due to risk aversion for weaker credits and demand for spread that is sending costs soaring.

*U.S. Investment-Grade Market* - Volume in the robust U.S. investment-grade market has dwindled from \$284.8 billion in the first quarter to just \$118.7 billion in the first two months of the second quarter, according to data from IFR, a unit of Thomson Reuters. That number is expected to fall even more in the summer.

## National Cues

Source: Capital Market

*Market Outlook* - News flow from euro-zone will continue to dictate near term trend on the domestic market. BSE Sensex, lost 6.35% in May 2012 on euro-zone debt worries.

*Greece Concern* - Concerns about Greece's possible exit from the European Union rattled global equity markets after the splintered results of a parliamentary election on 6 May 2012 left no party able to put together a government. That led the country to call another election on 17 June 2012.

*Automobile and Hotel Stocks* - Automobile and hotel stocks may slide after the government announced a series of austerity measures in the context of the current fiscal situation where there is a tremendous pressure on government's resources. The finance ministry has banned purchase of new vehicles until further orders, including against condemned vehicles. The finance ministry also announced a ban on holding meeting and conferences at five-star hotels.

*Export Related Stocks* - Shares of exporters will be in focus as Commerce Minister unveils the foreign trade policy for 2012-13 on Tuesday, 5 June 2012. The economic crisis in the US and Europe is hitting India's exports. Both these markets account for about one-third of country's total shipments. The expansion in the country's merchandise exports, which grew by as much as 82% in July 2011, came down to 3.2% in April 2012 due to the demand slowdown in western markets.

*Infrastructure and Cement Sector* - Infrastructure and cement stocks will be in focus after Prime Minister, approved the setting up of a mechanism that will track the progress of all major infrastructure projects to avoid delays in their completion. The government will periodically review the progress of projects under the Investment Tracking System to ensure that issues are quickly identified and resolved. All public-sector projects with an investment of Rs 1000 crore or more will be monitored by the National Manufacturing Competitive Council. The Department of Financial Services will monitor similar-sized projects of private companies, and the two bodies will report the progress of projects to the prime minister every quarter.

*Monsoon* - The progress of the monsoon rains will be closely watched which could have impact on inflation and rural consumption. Around 60% of summer crops are rain-fed, and if monsoon rainfall is more or less on schedule and in sufficient amounts, crops that benefit from the rains account for around half of India's total agricultural output.

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