

Weekly Nifty Observer

Issue - 150

16 to 20 July 2012

Nifty Outlook

.....probability to move towards 5400 levels will weaken with Nifty trading below 5257 levels & 5280/5320 levels may continue to resist nifty in weeks to come.....

Support

5210/5150 (5080 remote support)

Resistance

5280/5320 (5370 remote resistance)

Market Strength Indicators (Weekly)

14 period RSI - Down by 3.91 points from 57.04 levels previous week

14 period StochRSI - Down by 21.33 points from 100.00 levels previous week

Stochastic - Down by 5.74 points from 95.45 levels previous week

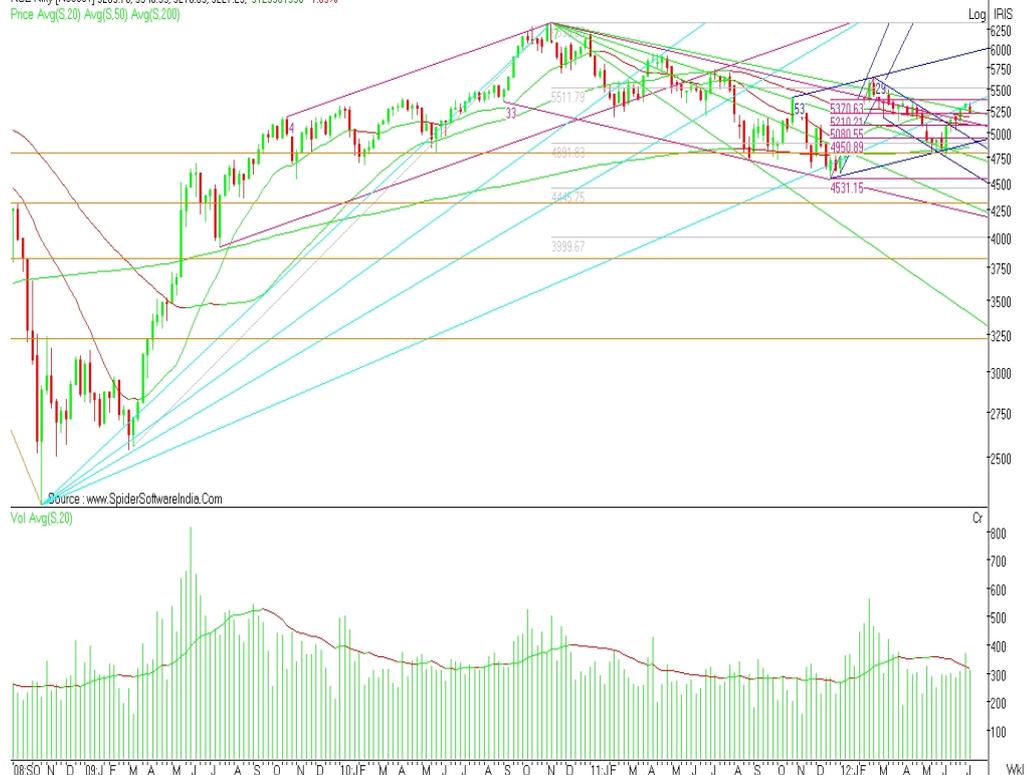
Market Intensity Indicator (Weekly)

NFP - At premium of 13.2 points from premium of 10.25 points previous week

Volatility - Down by 0.01 points at 0.36 levels

Spot Nifty Weekly Chart

NSE Nifty [NSE9001] 5283.70, 5348.55, 5216.85, 5227.25, 3123361536 -1.69%
Price Avg(S,20) Avg(S,50) Avg(S,200)



Technical Comments

Weekly Nifty closed 1.69 % down at 5227.25 levels after making high of 5348.55 and low of 5216.85 levels. It must be noted that last week Nifty failed to sustain above 5300 levels and closed below it on W-o-W basis. Since fifty 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 is 3rd consecutive week of closing above the upper part of the channel (5150/5220 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 manages to move inside this channel, then only it will move towards the lower part of the channel (around 4250 levels).

On historical weekly chart, nifty failed to sustain 4th speed line and close below it. Twenty two 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 nine 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 5173.03 levels, above its 50 weeks SMA around 5086.14 levels and above its 200 weeks SMA at 4849.02 levels along with fall 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 eight weeks it manages to close above it.

LONG TERM TREND IS EXPECTED TO REMAIN BULLISH ON W-O-W BASIS TILL NIFTY HOLDS 4840 LEVELS. ONLY SUSTAINING ABOVE ITS 200 PERIOD SMA ON W-O-W BASIS WILL ENSURE FOR BULL PHASE TO CONTINUE IN WEEKS TO COME.

Last week was 5th consecutive week for Nifty to close above its 50 period SMA and 3rd weekly closing above its 20 period SMA on W-o-W basis. For next week 5210/5170 levels will act as immediate support levels below which Nifty will find 5150/5080 levels as weekly support. Next week if Nifty manages to sustain above 5257 levels only then probability to test 5370 levels or above will increase. Above 5257 levels 5280/5320 levels zone will provide stiff resistance zone to Nifty in weeks to come.

The Data: On weekly basis, Nifty closed 1.69 % down along with 16.19 % fall in volume and fall in open position by 8.01 %.

Interpretation of Data: Nifty fall with fall in volume and OI suggesting that the market is making its bottom and the higher probability is that the price will rise at some point forward.

Fall in Nifty with fall in open position on W-o-W basis suggests that the current fall of 1.69 % in Nifty was mainly due to long liquidation in July 12 future contracts.

Implication of the Interpretation: Long liquidation was observed on three trading sessions while fresh long build up in one and fresh short build up in the remaining one trading session was observed. On W-o-W basis however long liquidation was observed. Continuation of long liquidation will keep nifty trading below 5300 levels. Along with long liquidation, fresh positions build up, either in long side or in short side will give further trend to nifty. Fresh long build up will force nifty towards 5370 levels or above while fresh short build up will drag it towards 5080 levels or below in weeks to come.

Global Cues

Source: Yahoo Finance

Market Outlook - Market are looking at an onslaught next week. If it's not corporate earnings, it's Ben Bernanke talking about economic issues before Congress. Data showing slower growth in Europe, China and the US has weighed on the stock market, while U.S. companies have warned about overseas weakness and a stronger dollar hurting profits on exports.

Earnings - Negative to positive earnings guidance for the second quarter is 3.3 to 1, the worst since 2008, Thomson Reuters data showed. With a slew of companies set to report results next week, the hope is that the bad news has been factored in, but the broader picture remains lackluster. Earnings estimates have already fallen sharply. S&P 500 earnings for the second quarter now are expected to rise just 5 % from a year ago, down from an estimate of 9.2 % at the beginning of April, according to Thomson Reuters data.

Expectations of Downside Surprises - There could be some downside surprises in high-end consumer companies, industrials and financials. For example, Bank of America Inc is expected to report earnings of 15 cents a share on Wednesday, but Thomson Reuters StarMine's SmartEstimates put expectations at 13.5 cents per share, or a miss of about 9 %. Besides Advanced Micro Devices, a weak forecast was issued by fellow chipmaker Applied Materials this week, while engine maker Cummins Inc warned on sales. AMD reports results on Thursday.

Sector Estimates - Nearly all sectors have seen estimates fall due in part to weak demand in Europe. Energy and utilities are expected to be the weakest performers this quarter after big declines in energy prices in the second quarter. The fall in estimates could be enough so that the majority of companies end up beating expectations, as they typically do, inspiring a relief rally. The technology sector is expected to end up being a mixed bag. On one hand a good trends is seen on the software side but there may be some disappointments among some of the hardware manufacturers.

Results - Next week dozens of Standard & Poor's 500 companies are to report. They run from top technology names, including Intel and Microsoft to General Electric and Coca-Cola Co. Among other S&P companies scheduled to report are Goldman Sachs, Citigroup and Johnson & Johnson.

Spanish Bank Bailout - The final details of a Spanish bank bailout are expected next week among developments in the 2 1/2-year old euro zone debt crisis.

Fed Minutes - The minutes from the Federal Reserve's June meeting suggested it is not ready to inject more monetary stimulus into the economy, but traders will be hanging on Federal Reserve Chairman every word for mention of such a possibility and how he views the slowing economy.

Fed Monetary Policy Report - Bernanke is due to deliver his semiannual monetary policy report to Senate and House committees on Tuesday and Wednesday, though analysts said he is not likely to divulge plans of further economic stimulus. Bernanke is more apt to urge Congress to act on fiscal policy and tackle the issues of huge budget deficits and the impact on the economy of approaching sharp cuts in government spending known as "the "fiscal cliff."

National Cues

Source: Capital Market

Market Outlook - The next batch of Q1 June 2012 corporate earnings, monthly inflation data and progress of the monsoon rains will dictate near term trend on the bourses.

Q1 Results Expectations - The first quarter June 2012 earnings season has just begun. In the next one month, investors and analysts will closely watch the management commentary that would accompany the result to see if there is any revision in their future earnings forecast of the company for the current year or the next year. A deceleration in top line growth of India Inc amid economic slowdown and slowdown in investment cycle will weigh on bottom line growth in Q1 June 2012 as the core operating profit margin could be negatively impacted by deceleration in top line growth.

Results - Axis Bank announces Q1 results on Tuesday, 17 July 2012. Bajaj Auto reports Q1 results on Wednesday, 18 July 2012. Kotak Mahindra Bank, Hero MotoCorp and Dr Reddy's Laboratories unveil Q1 results on Thursday, 19 July 2012. Reliance Industries and Asian Paints unveil Q1 results on Friday, 20 July 2012.

Diesel Pricing - Shares of PSU OMCs and automobile and logistics firms will be in focus on speculation the government will raise fuel prices after presidential election on July 19 or after the appointment of new vice president on August 7.

Inflation Data - CSO will announce data on inflation based on the WPI for June 2012 at 11:30 IST on Monday, 16 July 2012. WPI inflation is seen rising further to 7.62% in June 2012 from 7.55% in May 2012, as per the median estimate of a poll of economists carried out by Capital Market.

CPI Data - The CSO will also announce data on consumer price index (rural)/consumer price index (urban)/consumer price index (combined) for June 2012 on Wednesday, 18 July 2012. On Friday, 20 July 2012, CSO will announce data on consumer price index (agricultural labourers/rural labourers) for June 2012.

RBI Monetary Policy - RBI announces first quarter review of the Monetary Policy 2012-13 on 31 July 2012. The RBI unexpectedly left its key lending rate unchanged at its last meeting in June 2012, citing inflationary concerns.

Monsoon - Concerns on the monsoon front remain after IMD on 11 July 2012 said there is a strong chance of an El Nino weather event this season and it will likely emerge in August 2012. El Ninos are usually associated with lower rainfall. Lower rainfall this year is intensifying concerns that output of summer-sown crops such as oilseeds, sugar and pulses will fall compared with record-high levels in the last couple of years, hitting farm income. Poor rainfall in cane and pulses growing Maharashtra and Karnataka is cause for concern. Agriculture Minister Sharad Pawar said on 11 July 2012. Maharashtra is the top sugar producer and second-biggest producer of soybeans, while Karnataka is the No. 1 coffee producer.

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