

# Weekly Nifty Observer

Issue - 152

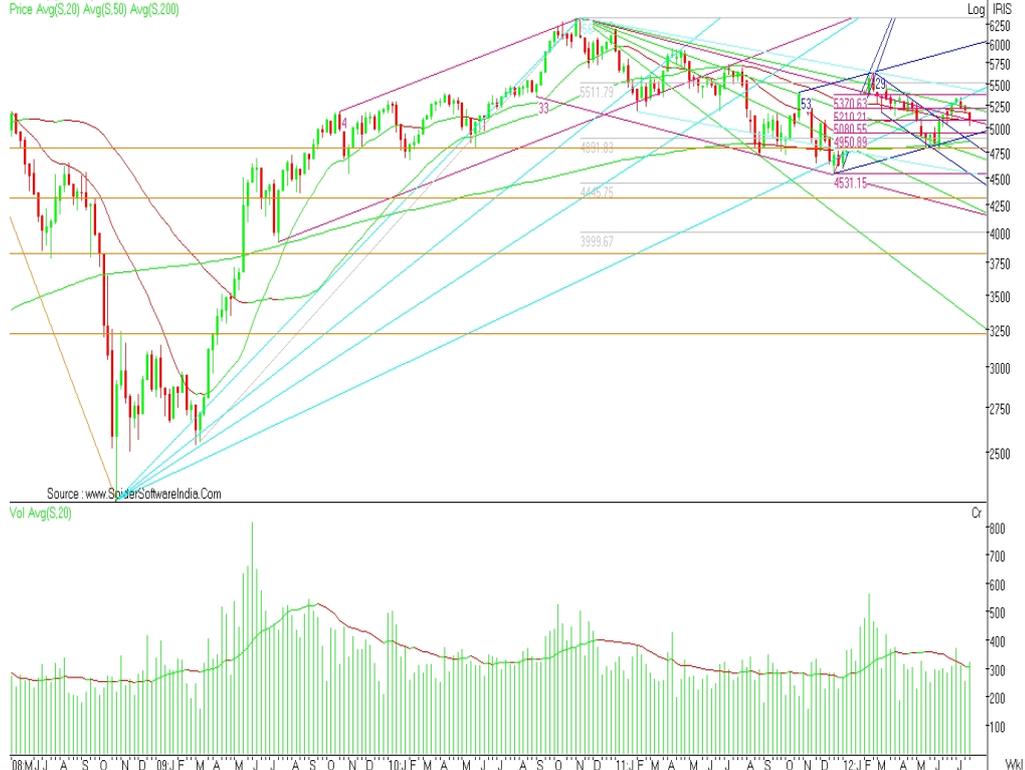
30 July to 03 August 2012

## Nifty Outlook

....Nifty manages to trade above 5137 levels in days to come will only increase probability towards 5370 levels in weeks to come with 5080 levels as strong weekly support.....

### Spot Nifty Weekly Chart

NSE Nifty [NSE9901] 5163.25, 5164.20, 5032.40, 5099.85, 3240712448 -2.02%  
Price Avg(3.20) Avg(3.50) Avg(3.200)



### Technical Comments

Weekly Nifty closed 2.02 % down at 5099.85 levels after making high of 5164.20 and low of 5032.40 levels. It must be noted that last week also Nifty failed to sustain above 5100 levels and closed below it on W-o-W basis. Since sixty one 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 5th 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 for 3rd week. Twenty four 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 forty one 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 5153.63 levels, above its 50 weeks SMA around 5086.55 levels and above its 200 weeks SMA at 4859.40 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 twenty ten weeks it manages to close above it.

**LONG TERM TREND IS EXPECTED TO REMAIN BULLISH ON W-O-W BASIS TILL NIFTY HOLDS 4860 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 7th consecutive week for Nifty to close above its 50 period SMA. After 4th weekly closing above its 20 period SMA, last week Nifty closed below it. For next week 5210 levels will act as important resistance levels sustaining above which will only force Nifty towards 5370 levels or above. Nifty will find 5080 levels as weekly support. Next week if Nifty manages to sustain above 5137 levels only then probability to test 5370 levels or above will increase. Above 5137 levels 5180/5210 levels zone will provide stiff resistance zone to Nifty in weeks to come.*

### Support

5080/5020 (4950 remote support)

### Resistance

5150/5220 (5280 remote resistance)

### Market Strength Indicators (Weekly)

14 period RSI - Down by 4.38 points from 52.18 levels previous week

14 period StochRSI - Down by 23.89 points from 73.48 levels previous week

Stochastic - Down by 30.13 points from 76.62 levels previous week

### Market Intensity Indicator (Weekly)

NFP - At premium of 23.7 points from premium of 11.5 points previous week

Volatility - Up by 0.02 points at 0.33 levels

*The Data:* On weekly basis, Nifty closed 2.02 % down along with 25.56 % rise in volume and rise in open position by 5.83 %.

*Interpretation of Data:* Nifty fall with rise in volume and OI suggesting that 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 2.02 % in Nifty was mainly due to fresh short builds up in August 12 future contracts.

*Implication of the Interpretation:* Last week both fresh long build up and fresh short builds up was observed in two trading sessions respectively. In remaining one trading session long liquidation was observed. However, on W-o-W basis fresh short build up was recorded. Continuation of fresh long builds up along with initiation of short covering will allow Nifty to trade above 5100 levels with 5080 levels as strong weekly support. If however, fresh short builds up continued with initiation of long liquidation will force Nifty to trade below 5280/5320 levels and probability to breach 5080 levels will grow stronger in days to come.

## Global Cues

Source: Yahoo Finance

*Market Outlook* - Stocks took off at the end of the week, drawn by the allure of a helping hand from the world's two most powerful central banks. Traders are unlikely to resist those charms again next week.

*Fed and ECB Meet* - The U.S. Fed and the ECB both meet next week amid expectations of action to stimulate economic growth and, in the case of the ECB, tackle the spreading euro zone debt crisis. The drumbeat of weak economic data and disappointing U.S. corporate profits and outlooks mean central banks can be stocks' best friends.

*Earnings So-far* - Among the 290 companies in the S&P 500 index that have reported earnings for the second quarter, about 67 % have beaten analysts' estimates, slightly higher than the long-term average of about 62 %. But just 40 % have beaten on revenues, the worst record since the first quarter of 2009.

*Earning Expectations* - More worrisome is the market's outlook. Third-quarter earnings are now expected to decline 0.4 % from a year ago, compared with an expected rise of 1.4 % last week, according to Thomson Reuters data.

*Results* - The focus on central bank meetings will get in the way of a heavy week of earnings for S&P 500 companies at a time when the outlook continues to worsen. Major companies due to report include AIG, Kellogg, Procter & Gamble, Kraft Foods, Pfizer, MasterCard and General Motors.

*Apple & Samsung Battle* - Also on radar next week is another legal battle in California over patents between Apple and South Korea's Samsung. The trial's outcome could reshape the smartphone and tablet wars between the iPhone's maker and its rivals.

*Economic Move* - Next week's calendar has a double-whammy. The Fed's monetary policy statement will come one day before an ECB meeting packed with intrigue. ECB President Mario Draghi said earlier this week the bank was ready to do whatever was necessary, within its mandate, to save the euro. Reports of meetings with the head of Germany's Bundesbank fueled a Friday rally that outpaced Thursday's gains.

## National Cues

Source: Capital Market

*Market Outlook* - Next batch of first quarter corporate earnings, the RBI monetary policy review, progress of the monsoon and monetary policy review by US Fed will dictate near term trend. Automobile and cement stocks will be focus as companies from these two sector start unveil monthly sales volume data for July 2012 from Wednesday, 1 August 2012.

*Results* - Focus will be currently on Q1 June 2012 earnings. Bank of Baroda and GAIL (India) unveil Q1 results on Monday, 30 July 2012. Jaiprakash Associates and Cipla unveil Q1 results on Tuesday, 31 July 2012.

*RBI Policy Meet* - The RBI is unlikely to cut its key policy rate viz. the repo rate at first quarter review of the Monetary Policy 2012-13 on Tuesday, 31 July 2012, to guard against higher inflation as the country faces the possibility of a drought. The RBI unexpectedly left its key lending rate unchanged at its last meeting in June 2012, citing inflationary concerns.

*Monsoon* - The volume of monsoon rain in India in the week ended July 25 was 20% below the long-term average, as rainfall remained deficient in northern and western parts of the country, the IMD said on Thursday, 26 July 2012. Total rainfall so far this season is 22% below the long-period average. The monsoon's slow progress across the country has heightened concerns that output of summer-sown crops such as oilseeds, sugar and pulses may fall. A ministerial panel may soon review the drought-like situation in the country, Farm Minister Sharad Pawar said on Thursday, 26 July 2012, after a meeting with the country's food minister.

*Growth in Investment* - Slowing growth in investment remains a cause for concern for India. Investment makes up 35% of India's economic activity.

*Manufacturing Purchasing Managers' Index* - The manufacturing Managers' Index (PMI) for July 2012 will be out 1 August 2012. The HSBC manufacturing Purchasing Managers' Index (PMI) rose to 55 in June, a four-month high, from 54.8 in May. It has kept above the 50 mark that divides growth and contraction for more than three years.

*Services Purchasing Managers' Index* - The services purchasing managers' index for July 2012 is expected to be released in early August 2012. HSBC's services purchasing managers' index, which gauges the activity of around 400 firms in India, dropped to 54.3 in June from 54.7 in May. However, it has kept above the 50 mark that signifies growth since November.

*FOMC Meeting* - There is two-day policy meeting of the Federal Open Market Committee (FOMC) on US interest rates on 31 July and 1 August 2012.

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