

# Weekly Nifty Observer

Issue - 136

19 to 23 March 2012

## Nifty Outlook

.....5350 levels will act as a short term reversal level next week ....

## Support

5250/5170 (5070 remote support)

## Resistance

5370/5450 (5510 remote resistance)

## Market Strength Indicators (Weekly)

14 period RSI - Down by 0.05 points from 54.94 levels previous week

14 period StochRSI - Down by 2.19 points from 69.36 levels previous week

Stochastic - Down by 12.42 points from 40.21 levels previous week

## Market Intensity Indicator (Weekly)

NFP - At premium of 24.8 points from premium of 30.6 points previous week

Volatility - Unchanged at 0.34 levels

## Open Interest (Weekly)

Cummulative OI Future -

Cummulative OI Options -

OI Call -

OI Put -

## Spot Nifty Weekly Chart

NSE Nifty [N59901] 5420.10, 5499.40, 5305.00, 5317.90, 4217070848 -0.29%  
Price Avg(S,20) Avg(S,50) Avg(S,200)



## Technical Comments

Weekly Nifty closed 0.29 % down at 5317.90 levels after making high of 5499.40 and low of 5305.00 levels. It must be noted that last week Nifty failed to sustain above the psychological 5400 levels and closed below it on W-o-W basis.

Since forty seven 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 third 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 eleven 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 two 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 5077.69 levels, above its 50 weeks SMA around 5240.84 levels and above its 200 weeks SMA at 4784.56 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 ten 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 THIS LEVEL WILL ENSURE FOR BULL PHASE IN WEEKS TO COME.

**On Weekly basis 5350 levels will act as short term reversal levels for Nifty. Sustaining below it will force Nifty to move towards 5170 levels or below it. Sustaining above it will allow Nifty again to move up towards 5600 levels. However, probability to move towards 5170 levels is stronger in weeks to come.**

**The Data:** On weekly basis, Nifty closed 0.29 % down along with 38.94 % rise in volume and rise in open position by 29.73 %.

**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 0.29 % in Nifty was mainly due to fresh short build up in March 12 future contracts.

**Implication of the Interpretation:** Last week started with short covering note which was then followed by two consecutive day of fresh long build up in Nifty future. On fourth trading session long liquidation was observed while on last trading session of the week heavy fresh short build up was there. However, on W-o-W basis fresh short build up was observed. Continuation of fresh short build up in Nifty along with long liquidation will keep Nifty trading below 5510 levels in weeks to come. It may move towards 5100 levels if sustained below 5510 levels. However, if short covering is there along with fresh long build up it will allow Nifty to trade above 5190/5250 levels.

## Global Cues

Source: Yahoo Finance

**Market Outlook** - Market are beginning to wonder if this Energizer Bunny of a rally can just keep going without taking a break or a fall. Every Friday for the past couple of months, the question has hung that whether the stock market's rally strong enough to continue without a correction. Even with the S&P 500 above levels unseen since before the financial crisis, the answer remains, "Yes".

**CBOE Volatility Index** - The CBOE Volatility Index plunged to a five-year low despite the S&P 500's stunning gain of 12 % for the year so far. The only concern is the wide spread between second and third month VIX futures, suggesting a rise in volatility in the longer term. But the front-month futures that expire next week have come down to levels near the spot VIX. The VIX fell 6.2 % on Friday to end at 14.47, its lowest close since June 2007.

**Market Movements** - The broad market index broke through 1,400, a psychologically important level, for the first time in four years this week. On Friday, the S&P 500 closed at 1,404.17, its highest since May 20, 2008. The index is up for nine out of the past 10 weeks. Further evidence of the market's bullish sentiment is that the S&P 400 midcap index has popped above the 1,000 mark, an area of strong resistance since last year.

**Apple shares** - The direction of Apple shares will also be in focus next week after the stock hit the \$600 mark for the first time in history this week, only about a month after it topped \$500. Apple currently accounts for about 18 % of the Nasdaq 100 stock index. Its weighting was cut to 12.3 % from 20.5 % last April, but the price surge has pushed the stock's weighting back up, making this index of 100 well-known companies hostage to the performance of a few technology titans like Apple.

## National Cues

Source: Capital Market

**Market Outlook** - The market, which rose sharply in the run-up to the budget, may decline next week on profit booking. Foreign fund investment that fuelled the recent rally in equity market still holds key for the stock market and any slowdown in inflows would pile pressure on share prices.

**FII's** - FIIs have made substantial purchases of Indian stocks recently. Their inflow totaled Rs 5271.28 crore in five trading sessions from 9 to 15 March 2012, as per provisional data from the stock exchanges.

**Crude Oil Prices** - Market would closely watch movement in crude oil prices. India imports two-thirds of its oil consumption, so an increase in oil prices will hurt its fiscal balance substantially.

**Auto Sector** - Sector specific activity is likely based on outcome of Friday's (16 March 2012) Union Budget. Auto sector will be watched next week after the finance minister Pranab Mukherjee increased the excise duty on large cars from 22 to 24%. However, the finance minister did not slap any additional tax on the diesel cars.

**Aviation Sector** - Aviation stocks will be in focus after Mr. Mukherjee proposed to allow full exemption from customs duty and countervailing duty to aircraft spares, tyres and testing equipment. In order to address the immediate financing concerns of the civil aviation sector suffering from a major capital scarcity, he proposed to permit ECB for working capital requirements of the airline industry for a period of one year, subject to a total ceiling of \$1 billion. He also said that a proposal to allow foreign airlines to participate up to 49% equity of an airline company, operating scheduled or non-scheduled services, was under active consideration of the government.

**PSU Banks** - Shares of public sector banks will be watched after Mr Mukherjee allocated Rs 15888 crore for investment in the public sector banks.

**Capital Goods Sector** - Shares in capital goods sector may tumble on profit booking after a recent rally after the budget failed to provide relief to the capital goods sector, which has been grappling with issues such as availability of coal, land acquisitions and environmental clearances.

**Power Equipment Sector** - Power equipment makers like Bhel and Thermax, which are affected by cheap imports of power equipment from Chinese and Korean markets, were in for disappointment because the Budget did not seek to create a level-playing field between them and their Chinese rivals.

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