

# Weekly Nifty Observer

Issue - 139

23 to 27 April 2012

## Nifty Outlook

.....5350 levels will be very crucial resistance levels in short term basis next week ....

## Support

5220/5170 (5095 remote support)

## Resistance

5350/5420 (5510 remote resistance)

## Market Strength Indicators (Weekly)

14 period RSI - Up by 2.88 points from 50.21 levels previous week

14 period StochRSI - Down by 2.11 points from 26.64 levels previous week

Stochastic - Up by 3.97 points from 38.34 levels previous week

## Market Intensity Indicator (Weekly)

NFP - At premium of 11.15 points from premium of 13.65 points previous week

Volatility - Up by 0.01 points at 0.28levels

## Open Interest (Weekly)

Cummulative OI Future -

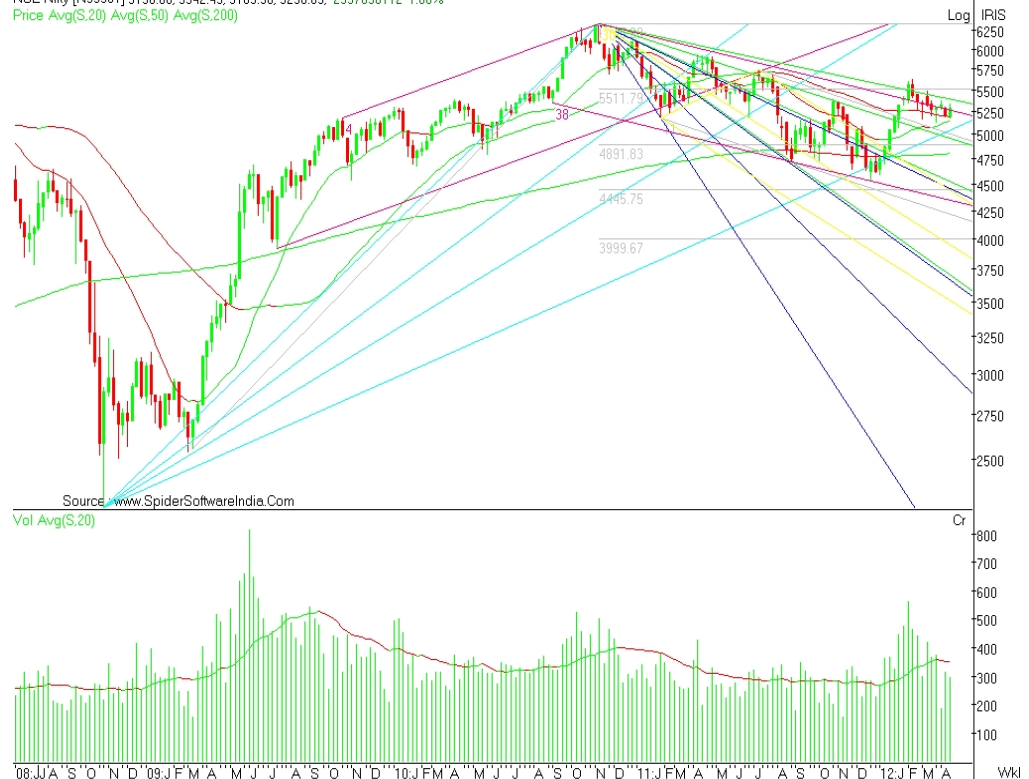
Cummulative OI Options -

OI Call -

OI Put -

## Spot Nifty Weekly Chart

NSE Nifty [N59901] 5190.60, 5342.45, 5183.50, 5290.85, 2997850112 1.60%  
Price Avg(S,20) Avg(S,50) Avg(S,200)



## Technical Comments

Weekly Nifty closed 1.60 % up at 5290.85 levels after making high of 5342.45 and low of 5183.50 levels. It must be noted that last week Nifty failed to sustain above the psychological 5300 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).

Last week, Nifty manages to give closing above 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 below 4500 levels.

On historical weekly chart, this is sixteen 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 seven 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 5141.49 levels, above its 50 weeks SMA around 5191.69 levels and above its 200 weeks SMA at 4799.99 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 fifteen weeks 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 resistance at 5350/5420 levels. If Nifty Sustains below 5350 levels next week, it will force Nifty to move towards 5170/5095 levels or below it in weeks to come. Failing to do so will allow it to travel towards 5500 levels with several psychological resistance levels above 5300 levels.**

**The Data:** On weekly basis, Nifty closed 1.60 % up along with 5.59 % fall in volume and fall in open position by 3.63 %.

**Interpretation of Data:** Nifty rise with fall in volume and fall in OI suggesting that the market is running out of traders willing to open or hold an open long. Trades are liquidating both losing short position and closing winning long positions. A higher probability the market is set to retrace in price lower at some point forward.

Rise in Nifty with fall in open position on W-o-W basis suggests that the current rise of 1.60 % in Nifty was mainly due to short covering in April 12 future contracts.

**Implication of the Interpretation:** Out of five trading sessions, short covering was observed in three trading sessions while in one fresh long build up and in remaining last one, long liquidation was observed. However, on W-o-W basis short covering was observed. Next week, if long liquidation continued with fresh short build up in May 12 future, it will force Nifty to trade below 5350 levels to test 5170 levels or below up to 5095 levels. If short covering initiates it will keep Nifty afloat 5200 levels and probability to break and sustain above 5350 levels will grow stronger in weeks to come.

## Global Cues

Source: Yahoo Finance

**Market Outlook - Earnings,** Fed to prove skeptics wrong and after a strong first quarter, Wall Street has gotten a case of the jitters. A spike in bond yields has brought Europe's debt crisis back to the forefront. U.S. economic figures point to steady-but-uninspired growth, and stocks have backed off the sharp gains that recently pushed indexes to near four-year highs.

**Earnings -** Stocks returned a bit to their winning track this week after strong earnings reports, and market are waiting to see if more positive surprises from U.S. companies are in store. Nearly 180 of the S&P 500's components will report earnings next week, and heading into a seasonally weak period, the market will need strong reports to offset the perception that there's no more room to rally. So far, with 23 % of S&P 500 companies having reported results, more than four-fifths have beaten expectations, topping consensus forecasts with an average surprise factor of 8.8 %. Profit growth in this quarter has been up 6.2 %, according to Thomson Reuters Proprietary Research.

**Fed Meetings -** Tuesday will see the start of another policy-setting meeting of the U.S. central bank's Federal Open Market Committee. A slowly improving U.S. jobs market and reasonably solid growth at the start of the year brightened the economic outlook and cut chances the Fed will conduct another round of bond purchases, according to a Reuters poll last week. With the Fed monitoring a healing but still fragile economy, the statement expected on Wednesday will be closely watched by investors.

**Pullback or Seasonality -** Chart watchers are starting to bet the S&P 500 is about to pull a repeat performance of 2010 and 2011, when a mid-year pullback followed an April peak, and that smart investors are selling U.S. stocks after highs reached earlier in the month. The early 2011 market rally faded after a massive earthquake and tsunami in Japan. And after a large drop triggered by the downgrade of the U.S. credit rating, the S&P rallied to close the year flat.

**Results -** Next week will see earnings releases from several bellwethers. The most important will likely be Apple Inc., which reports after the market close on Tuesday. While the largest U.S. company by market capitalization has a history of blowout quarters, many say the company's meteoric rise so far this year has created unrealistic expectations. For the first time since December 2008, the stock fell more than 4 % in back-to-back weeks.

**Earning Growth Expectations -** Analysts see double-digit earnings growth for the S&P's financial and consumer discretionary sectors in 2012, with industrials close behind. All three are cyclical growth sectors, while sectors that tend to lead at the end of a growth cycle and before corrections are expected to slow.

**Europe Effect -** Worries remain about Europe, where bond yields have been rising to ominous levels. And with investors skeptical of the S&P's nearly 30 % surge since its October low, the "sell in May, go away" adage could prove prophetic. A trend of buying into the market's weakness was recently broken, indicating investors might be ready to capitulate. The S&P has closed near its lows on recent down days, while positive sessions have ended well below their highs.

## National Cues

Source: Capital Market

**Market Outlook -** The market may remain volatile as traders roll over positions from the near-month April 2012 series to May 2012 series. The April 2012 derivatives contracts expire on Thursday, 26 April 2012.

**Q4 Earnings -** Market will closely watch India Inc's Q4 March 2012 and year ending March 2012 (FY 2012) earnings. Focus is on the guidance provided by the management for the year ending March 2013 (FY 2013) to gauge the earnings outlook.

**Results -** TCS unveils FY 2012 results on Monday, 23 April 2012. Sesa Goa unveils Q4 results on Tuesday, 24 April 2012. Wipro and Sterlite Industries India unveil their Q4 results on Wednesday, 25 April 2012. ICICI Bank unveils FY 2012 results on Friday, 27 April 2012. Axis Bank Jindal Steel & Power and Siemens unveil quarterly results on the same day. Maruti Suzuki India announces FY 2012 results on Saturday, 28 April 2012.

**IMF and World Bank Meeting -** The IMF and World Bank are holding their spring meetings in Washington. The meetings that started on Thursday are slated to conclude on Sunday, 22 April 2012.

**Fed QE3 Move -** The Federal Reserve may hint at Quantitative easing (QE3) at its April 25 gathering. Central bank policy makers upgraded the outlook for the US economy at their March 13 meeting, while they reiterated their pledge to keep interest rates near zero until at least late 2014.

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