

Weekly Nifty Observer

Issue - 142

14 to 18 May 2012

Nifty Outlook

.....next week long term phase transformation possible around 5810 levels. Above it, ensures for bull phase, below it Nifty enters bear phase.....

Support

4890/4810 (4777 remote support)

Resistance

4950/5020 (5080 remote resistance)

Market Strength Indicators (Weekly)

14 period RSI - Down by 4.84 points from 45.78 levels previous week

14 period StochRSI - Unchanged from 0.00 levels previous week

Stochastic - Down by 19.14 points from 30.49 levels previous week

Market Intensity Indicator (Weekly)

NFP - At premium of 2.45 points from premium of 11.1 points previous week

Volatility - Up by 0.03 points at 0.23 levels

Spot Nifty Weekly Chart

NSE Nifty [NSE9901] 5017.80, 5124.75, 4906.15, 4928.90, 3301270272 -3.11%
Price Avg(S,20) Avg(S,50) Avg(S,200)



Technical Comments

Weekly Nifty closed 3.11% down at 4928.90 levels after making high of 5124.75 and low of 5906.15 levels. It must be noted that last week Nifty gave closing below 4950 levels, an important mid term support levels on weekly basis.

Since fifty 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 three 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 below 4250 levels.

On historical weekly chart, Nifty for whole of the week traded below its 4th speed line. Nineteen 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 above and around 4th speed line.

Over historical weekly chart thirty 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 5191.11 levels, below its 50 weeks SMA around 5166.04 levels and above its 200 weeks SMA at 4815.01 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 eighteen 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.

Last week Nifty sustained below 5170 levels, and as predicted it moved towards 4890 levels. For next week 4890 levels will be very crucial. If Nifty manages to trade above these levels it will ensure for bull phase to continue in mid to long term. Breach of these levels will endanger Nifty for bear phase which will confirm below 5810 levels

The Data: On weekly basis, Nifty closed 3.11% down along with 41.83 % rise in volume and rise in open position by 38.13 %.

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 3.11 % in Nifty was mainly due to fresh short build up in May 12 future contracts.

Implication of the Interpretation: Second trading week of May 12 futures series saw fresh short build up on W-o-W basis. In the first trading session of the week fresh long build up was observed. While out of remaining four trading sessions, long liquidation was there in two which was followed by fresh short build up in rest of the two. Fresh short build up along with continuation of long liquidation will allow Nifty to test 4890/4810 levels next week or even lower. If however, short covering initiates it will provide support around 4890 levels to Nifty next week to test 5080 levels or above.

Global Cues

Source: Yahoo Finance

Market Outlook - More volatility could be in store for stocks next week as market grapple with less certainty about the economic outlook and a new blow to the financial sector after JPMorgan Chase's trading loss. The economic picture appears cloudy these days, with some data showing a more positive trend and other reports showing the opposite.

Europe Trouble - Europe is expected to keep investors jumpy as well, with inconclusive results from the recent Greek election and the country's future appearing more worrisome. In Europe, problems with the Greek elections raised the risk of it exiting the euro zone.

Expect More Volatility - Market seeing natural risk aversion and expect any source of bad news to trigger a sell-off, but market still not in a red-alert area. The good economy in the U.S. is leading the way, with the Fed being very accommodating. The market has likely begun a pullback, and that the Standard & Poor's 500 index could fall 5 % to 7 % from its April 2nd intraday high of 1,422.

JPMorgan Chase & Co - JPMorgan Chase & Co lost billions of dollar on bad trades raised fresh worries that the financial sector was not on the mend. After the close of trading, Fitch Ratings cut JPMorgan's credit rating one notch and cited the bank's \$2 billion trading loss, and Standard & Poor's revised its outlook of JPMorgan to negative.

Minutes from Fed Meeting - Next week brings minutes from the last Federal Reserve meeting, which market will look to for more guidance on whether the central bank plans to give additional help to the economy.

Economic Data - Focus may be on the Fed and economic data next week, with the first-quarter U.S. earnings period nearly done. Ninety percent of S&P 500 companies have already reported results. The week's mostly closely watched economic indicators will include the U.S. Consumer Price Index and retail sales, both for April, on Tuesday, followed by April housing starts and April, industrial output and capacity utilization, all on Wednesday.

Results - Major retailers set to report earnings next week include Home Depot and JC Penney Co., both on Tuesday, followed by Limited Brands, parent of Victoria's Secret, and discount chain Target Corp on Wednesday. Wal-Mart Stores, Inc, is set to report earnings on Thursday before the opening bell.

S&P 500 Bearish Pattern Ahead - Technical charts indicate bearishness ahead. In the near or intermediate term, further downside is favored. S&P 500 charts are showing a "head-and-shoulders top," noting that demand earlier this month was not strong enough to push the benchmark index above its April high. Support is just below 1,300, while resistance could come at 1,415 for the S&P 500. The outlook stays bearish unless you get above 1,415.

National Cues

Source: Capital Market

Market Outlook - The market may remain rangebound. Stock-specific activity could be witnessed based on Q4 earnings. On the macro front, the government will announce inflation data for the month of April 2012 on Monday, 14 May 2012.

Inflation - The annual rate of inflation based on the WPI is seen easing to 6.6% in April 2012, as per the median estimate of a poll of economists carried out by Capital Market. The annual rate of inflation, based on monthly WPI, stood at 6.89% (provisional) for the month of March 2012.

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

Results - L&T announces FY 2012 results on Monday, 14 May 2012. Bajaj Auto announces FY 2012 results on Thursday, 17 May 2012. State Bank of India, Tata Steel and Coal India unveil FY 2012 results on Friday, 18 May 2012.

FII's Data - The trend in flows from FII's hold key. Market sentiment has been affected, as government remained adamant on its stance to tighten noose on overseas tax evaders. Finance Minister reiterated the government's right to tax overseas transactions of companies that realize capital gains from the sale of their Indian assets.

Finance Bill 2012 - The Finance Bill 2012 was passed by Lok Sabha on Tuesday, 8 May 2012. The government has proposed retrospective changes that will empower the government to tax transactions that have taken place outside the country, but involve underlying assets located in India. The proposal will have the power to tax retroactively. The retrospective amendments do not override the provisions of double taxation avoidance agreements (DTAAs). It would not be used to reopen cases where assessments have been completed.

GAAR - The application of General Anti-Avoidance Rules (GAAR) has been deferred by one year until 1 April 2013, giving some short term respite to the foreign investors.

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