

Weekly Nifty Observer

Issue - 147

25 to 29 June 2012

Nifty Outlook

.....5100 levels will be crucial for next week, sustainability above it will open for 5250 levels and above next week with 5050/5020 as weekly support zone.....

Support

5110/5080 (5020 remote support)

Resistance

5190/5250 (5320 remote resistance)

Market Strength Indicators (Weekly)

14 period RSI - Up by 0.26 points from 50.76 levels previous week

14 period StochRSI - Up by 1.64 points from 76.21 levels previous week

Stochastic - Up by 31.72 points from 58.92 levels previous week

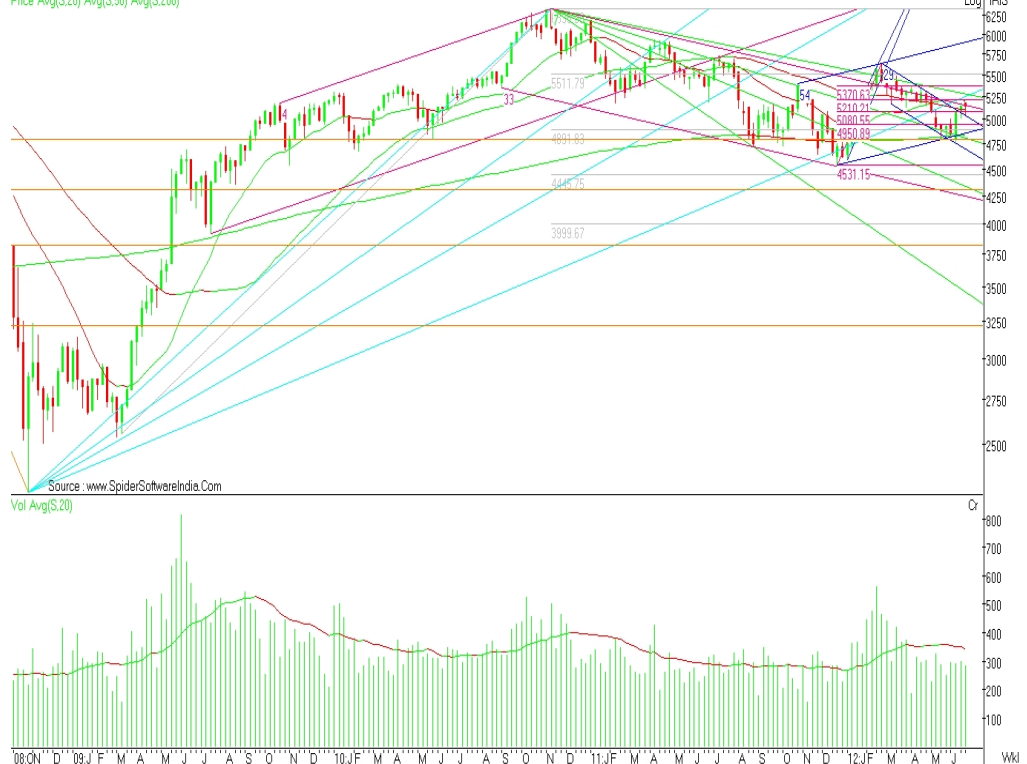
Market Intensity Indicator (Weekly)

NFP - At premium of 5.1 points from premium of 8.65 points previous week

Volatility - Down by 0.02 points at 0.36 levels

Spot Nifty Weekly Chart

NSE Nifty [NSE9901] 5174.00, 5190.20, 5041.70, 5146.05, 2877585152 0.14%
Price Avg(S.20) Avg(S.50) Avg(S.200)



Technical Comments

Weekly Nifty closed 0.14 % up at 5146.05 levels after making high of 5190.20 and low of 5041.70 levels. It must be noted that last week Nifty managed to close above 5100 levels on W-o-W basis.

Since fifty six 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 nine weeks Nifty manages to give closing below 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 moves inside this channel then, it will move towards the lower part of the channel (around 4250 levels).

On historical weekly chart, this was 7th consecutive week for Nifty to trade below its 4th speed line. Twenty 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 six 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 5200.64 levels, above its 50 weeks SMA around 5103.62 levels and above its 200 weeks SMA at 4834.61 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 five weeks it managed to close above it.

LONG TERM TREND WILL REMAIN BULLISH ON W-O-W BASIS TILL NIFTY HOLDS 4834 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 2nd consecutive week for Nifty to close above its 50 period SMA on W-o-W basis. Continuation of sustainability above its 50 period SMA will increase the probability of Nifty to move towards an important resistance zone of 5220/5370 levels, above 5150 levels. Below 5100 levels, Nifty will find strong support at 5050/5020 levels on weekly basis.

The Data: On weekly basis, Nifty closed 0.13 % up along with 4.42 % fall in volume and fall in open position by 0.32 %.

Interpretation of Data: Nifty rise with fall in volume and fall in OI suggesting 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 0.13 % in Nifty was mainly due to short covering up in June 12 future contracts.

Implication of the Interpretation: The week saw fresh short build up (two trading sessions) along with short covering (in two trading sessions) and in remaining one trading session mild levels of fresh long build up was observed. On w-o-w basis however, short covering was observed. Heavy fresh long build up will be necessary for Nifty to sustain above 5080 levels in weeks to come. For next week if short covering continues with some levels of fresh long build up, it will allow Nifty to test 5250 levels or above. But if fresh short build up continues with initiation of long liquidation will force Nifty to trade below 5210 levels and may move towards or even below 5080 levels.

Global Cues

Source: Yahoo Finance

Market Outlook - Europe and US economic outlook take center stage for next week. For the week, the Dow lost 0.9 % and the S&P 500 fell 0.6 %. But the Nasdaq was up 0.7 %.

Last Week Important Decisions - Market navigated some potent obstacles last week such as Greece's elections and the Federal Reserve's slashing its U.S. economic growth forecasts. However, big gains will be hard to come by amid signs of slowing growth and economic headwinds from the euro zone.

Volatile Week Ahead - Trading is likely to be volatile in the final week of the quarter as headlines from Europe drive sentiment. The CBOE Volatility index, a measure of investor anxiety, has fallen for the past three weeks, dropping about 30 %. The S&P 500 is up 1.5 % so far this month.

US Healthcare Overhaul - The market also is awaiting a U.S. Supreme Court ruling on the Obama administration's healthcare overhaul, and there are certain to be winners and losers in the healthcare sector, depending on how the justices decide.

EU Meet - European Union leaders will begin a two-day meeting on long-term plans for fiscal and banking union on Thursday.

Spain's Bond Yields - Spain's bond yields have been steadily rising, and investors urged a faster pace by European leaders toward greater fiscal union and helping the peripheral economies.

Slowing US Economy - Data has pointed to slowing growth in the US, a view corroborated by the Fed. Corporate earnings have also pointed to strained conditions as more companies signal disappointing results than at any time over the past decade.

Economic Data - This week will provide data on consumer sentiment, new home sales and other housing figures, which could shed light on whether the housing market is finally healing. Major companies scheduled to report financial results include Nike, Monsanto Co and General Mills Inc.

National Cues

Source: Capital Market

Market Outlook - The market may remain volatile as traders roll over positions from the near-month June 2012 series to July 2012 series. The June 2012 derivatives contracts expire on Thursday, 28 June 2012

Hindalco Result - Hindalco Industries will announce its audited consolidated results for the year ended 31 March 2012 on Wednesday, 27 June 2012.

Monsoon - The progress of monsoon rains will be closely watched. The IMD on Friday, 22 June 2012, maintained its earlier forecast of normal monsoon this year. IMD said monsoon rains in 2012 would be 96% of the long-term average overall, down from its April forecast of 99%. A normal or average monsoon means rainfall between 96-104 percent of a 50-year average of 89 centimetres in total during the four-month season from June, according to IMD's classification.

Impact of Good Monsoon - The monsoon rains are important for farm output and economic growth as about 55% of the south Asian nation's arable land is rain-fed, and the farm sector accounts for about 15% of a nearly \$2-trillion economy.

European Union Summit - A key summit of the European Union is scheduled on 28 and 29 June 2012 to discuss the ongoing European debt crisis. At summit, European officials will reportedly launch the long process of deeper integration within Europe, starting with a push for a banking union, with the aim of finalizing a broad plan by December 2012. European nations will take all necessary measures to safeguard the integrity and stability of the euro zone, improve the functioning of financial markets and break the feedback loop between sovereign debts and banks, according to the statement released at the end of the G20 summit in the Mexican resort of Los Cabos on 19 June 2012.

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