

Weekly Nifty Observer

Issue - 149

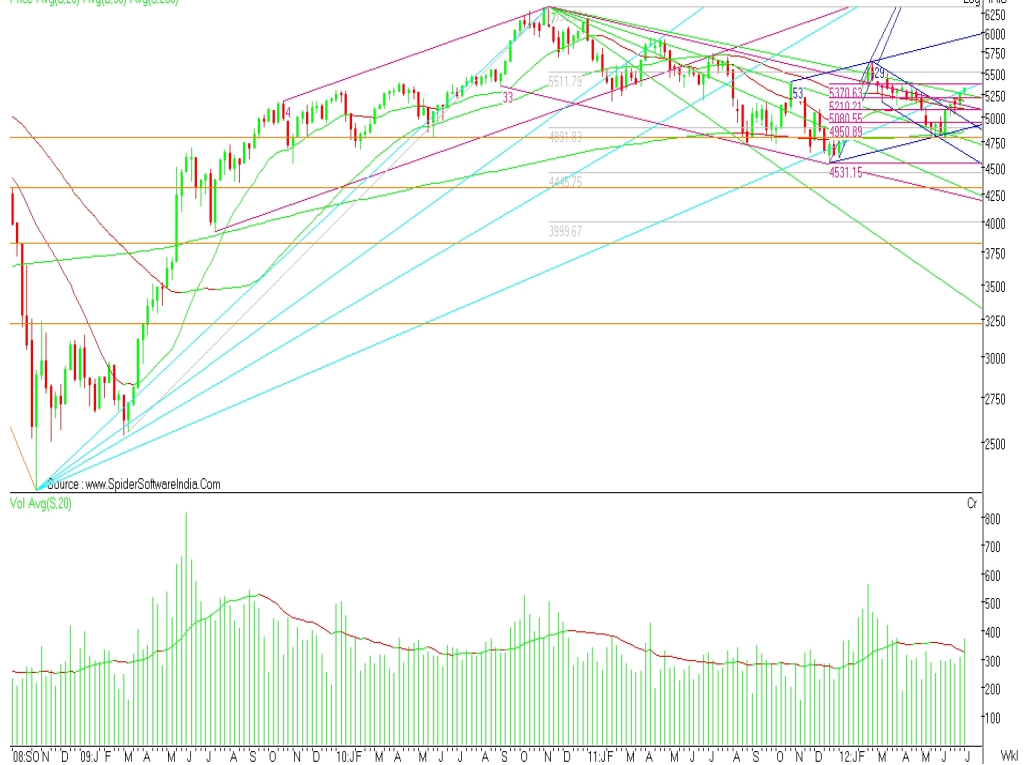
09 to 13 July 2012

Nifty Outlook

.....consolidation above 5300 levels will push nifty towards 5420 levels and above in coming weeks with 5257 levels as strong weekly support

Spot Nifty Weekly Chart

NSE Nifty [NSE9001] 5263.85, 5333.65, 5263.35, 5316.95, 3726579200 0.72%
Price Avg(S,20) Avg(S,50) Avg(S,200)



Technical Comments

Weekly Nifty closed 0.72 % up at 5316.95 levels after making high of 5333.65 and low of 5263.35 levels. It must be noted that last week Nifty closed above 5300 levels on W-o-W basis.

Since fifty eight 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 2nd 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, after 8th consecutive week of closing below its 4th speed line, last week Nifty manages to close above it. Twenty one 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 eight 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 5183.13 levels, above its 50 weeks SMA around 5091.23 levels and above its 200 weeks SMA at 4844.03 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 eight weeks it managed to close above it.

LONG TERM TREND IS EXPECTED TO REMAIN BULLISH ON W-O-W BASIS TILL NIFTY HOLDS 4840 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 4th consecutive week for Nifty to close above its 50 period SMA and 2nd weekly closing above its 20 period SMA on W-o-W basis. For next week 5302/5257 levels will act as immediate support levels below which Nifty will find 5210/5150 levels as weekly support. Next week if Nifty manages to continue to trade above 5257 levels then probability to test 5370 levels or above will increase. Continuation of consolidation around 5300 levels may also be possible next week.

Support

5257/5210 (5150 remote support)

Resistance

5320/5370 (5420 remote resistance)

Market Strength Indicators (Weekly)

14 period RSI - Up by 1.29 points from 55.75 levels previous week

14 period StochRSI - Unchanged at 100 levels previous week

Stochastic - Down by 0.08 points from 95.53 levels previous week

Market Intensity Indicator (Weekly)

NFP - At premium of 10.25 points from premium of 18.45 points previous week

Volatility - Down by 0.01 points at 0.37 levels

The Data: On weekly basis, Nifty closed 0.72 % up along with 2.32 % rise in volume and rise in open position by 14.97 %.

Interpretation of Data: Nifty rise with rise in volume and OI suggesting that the market is attracting larger numbers of trader willing to open positions from the long side and hold them. Traders are more confident that prices will continue to climb up. This scenario indicates for a bullish movement to continue.

Rise in Nifty with rise in open position on W-o-W basis suggests that the current rise of 0.72 % in Nifty was mainly due to fresh long build up in July 12 future contracts.

Implication of the Interpretation: Long liquidation was observed on two trading sessions and on another two trading sessions short covering was also observed. In remaining one trading session fresh long build up was observed. However on W-o-W basis fresh long build up was observed after previous weeks' short covering. Continuation of fresh long builds up and along with it short covering will allow nifty to continue to trade above 5257 levels to test 5420 levels or above. If fresh short build up initiates with long liquidation, then 5350/5370 levels will act as resistance and may drag Nifty towards 5210 levels or below.

Global Cues

Source: Yahoo Finance

Market Outlook - Wall Street has been running in circles for the past two months, and the pattern may continue despite the upcoming start of the earnings season. After three major central banks eased monetary policy this week, market will comb through the minutes of the latest Federal Reserve policy meeting, which will be released on Wednesday, to see what officials said about a further round of asset purchases. Quarterly report cards from blue-chips Alcoa and JPMorgan next week could fade into the background as traders jockey for position before key data from China and more central bank headlines next week.

Uncertainty Looms - U.S. stocks face headwinds from a slowing global economy. Europe's debt crisis has drawn much of the attention, but little clarity has emerged about how the euro zone's debt and banking problems will be fixed despite numerous meetings. The uncertainty has left the market in the hands of traders, who look for opportunities for quick returns, while investors, who are in the market for the long haul, watch from the sidelines.

Expectation from Fed and Japanese Central Bank - Weak U.S. labor market data on Friday raised the chances in favor of the Fed launching a new round of monetary stimulus to boost growth, according to a Reuters poll. The Fed's minutes midweek will be followed Thursday by the Japanese central bank's views on the health of its economy after a two-day meeting. If there is some additional asset purchases from the Bank of Japan that would depreciate the yen and would be a short-term positive for global equities.

Expectation from China - The recent central bank actions are seen as precautionary moves as the global economy stalls. Next week's GDP data out of China will help give the market important clues about the world's second-biggest economy. Economists expect China to report year-on-year GDP growth of 7.6 %, compared to an 8.1 % yearly gain in the first quarter. Other Chinese data next week include inflation, loan growth, trade balance and retail sales.

Expectation from Europe - Europe remains on tap despite an agreement last week that opens the door for troubled banks to receive rescue funds. However, Italian and Spanish borrowing costs have resumed their rise in a bearish sign for markets. Testimony by ECB President Mario Draghi to Europe's parliament on Monday will be followed by a meeting of euro zone finance ministers.

Earnings - Alcoa reports second-quarter results on Monday. Alcoa surprised Wall Street last quarter with a positive outlook, but the global slowdown could make it harder for the aluminum maker to keep its bullish stance. JPMorgan Chase & Co will also report earnings next week, with investors eager to know how big the bank's losses will be following a botched trade. The initial estimated loss at the bank was \$2 billion but later reports indicated it could balloon to more than four times that.

Economic Data - The U.S. economic calendar for next week includes import prices and trade, plus producer prices and the preliminary reading on July consumer sentiment from the Thomson Reuters/University of Michigan surveys.

National Cues

Source: Capital Market

Market Outlook - First quarter June 2012 corporate earnings and macroeconomic data may dictate near term trend. The government will announce data on index of industrial production for May 2012 on Thursday, 12 June 2012.

Q1 2012 Earning - The next major trigger for the stock market is Q1 June 2012 corporate earnings. Market will closely watch the management commentary that would accompany the result, which could cause revision in their future earnings forecast of the company for the current year or the next year. A deceleration in top line growth of India Inc amid economic slowdown and slowdown in investment cycle will weigh on bottom line growth in Q1 June 2012 as the core operating profit margin could be negatively impacted by deceleration in top line growth.

Results - HDFC announces Q1 results on 11 July 2012. Infosys and TCS unveil Q1 results on 12 July 2012. HDFC Bank declares its Q1 results on 13 July 2012. Axis Bank announces Q1 results on 17 July 2012. Bajaj Auto reports Q1 results on 18 July 2012. Kotak Mahindra Bank and Dr Reddy's Laboratories unveil Q1 results on 19 July 2012. Asian Paints announces Q1 results on 20 July 2012. ICICI Bank announces Q1 results on 27 July 2012. Maruti Suzuki India announces Q1 results on 28 July 2012. Mahindra & Mahindra announces Q1 results on 8 August 2012. Ranbaxy Laboratories announces Q2 June 2012 results on 9 August 2012.

Monsoon - Monsoon progresses will be closely watched. The June-September rains were 49% below average in the week to 4 July 2012, widening the 18% shortfall in the previous week. Between 1 June and 4 July 2012, rains were 30% below average. Rains revived over cane, oilseeds and cotton areas of India's western region. The monsoon rains--which make up around 70% of India's annual rainfall--are crucial to the nation's agriculture sector and broader economy. More than 60% of the country's farmland is rain-fed. The timing, distribution and quantity of rainfall are all important for crops.

US QE3 Easing Expectations - Media reports suggest that a weak US jobs data could trigger third round of quantitative easing, or QE3.

Chinese Economic Data - Important Chinese economic data is due over the next few days. During a five-day period from 9 to 13 July 2012, China will unveil data on second quarter gross domestic product, data for June 2012 on fixed-asset investment, inflation, industrial production and bank lending.

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