

Weekly Nifty Observer

Issue - 144

28 May to 01 June 2012

Nifty Outlook

.....May 12 future expected to expire above 4840 levels; may be around or above 4950 levels.....

Support

4890/4810 (4777 remote support)

Resistance

4950/5020 (5080 remote resistance)

Market Strength Indicators (Weekly)

14 period RSI - Up by 1.29 points from 39.86 levels previous week

14 period StochRSI - Up by 7.17 points from 0.00 levels previous week

Stochastic - Up by 6.08 points from 10.9 levels previous week

Market Intensity Indicator (Weekly)

NFP - At discount of 1.55 points from premium of 2.5 points previous week

Volatility - Up by 0.01 points at 0.24 levels

Spot Nifty Weekly Chart

NSE Nifty [NSE9901] 4888.50, 4956.35, 4803.95, 4920.40, 2554055168 0.59%
Price Avg(S.20) Avg(S.50) Avg(S.200)



Technical Comments

Weekly Nifty closed 0.59 % up at 4920.40 levels after making high of 4956.35 and low of 4803.95 levels. It must be noted that since last three week Nifty is closing below 4950 levels, an important levels on weekly basis. Since fifty two 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 five 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 (around 4250 levels).

On historical weekly chart, this was 3rd consecutive week for Nifty to trade 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 only above and around 4th speed line.

Over historical weekly chart thirty 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 below its 20 weeks SMA around 5213.14 levels, below its 50 weeks SMA around 5142.23 levels and above its 200 weeks SMA at 4822.14 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 one weeks it managed to close above it.

LONG TERM TREND WILL REMAIN BULLISH ON W-O-W BASIS TILL NIFTY HOLDS 4820 LEVELS. ONLY SUSTAINING ABOVE ITS 200 PERIOD SMA ON W-O-W BASIS WILL ENSURE FOR BULL PHASE IN WEEKS TO COME.

Since last two weeks Nifty is finding support at its 200 days SMA on W-o-W basis. Continuation of sustainability above its 200 days SMA will allow Nifty to trade above 4900 levels in days to come. Short covering in May 12 futures before expiry will further support Nifty above 4820 levels next week. On Weekly Chart, above 4892 levels major hurdle for Nifty is 4950 levels, above which if sustains may test 5020 levels next week.

The Data: On weekly basis, Nifty closed 0.59 % up along with 12.83 % fall in volume and fall in open position by 7.51 %.

Interpretation of Data: Nifty rise with fall in volume and 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 0.59 % in Nifty was mainly due to short covering in May 12 future contracts.

Implication of the Interpretation: The week started with short covering which was followed by fresh short build up. In the remaining three trading sessions, long liquidation was observed in two while in one fresh long build up was observed. However, on W-o-W basis short covering was observed. Continuation of short covering in May 12 futures will keep Nifty afloat 4890 levels. 4950 levels or above will be ensured with fresh long build up in June 12 future, else fresh short build up will drag Nifty towards or below 4800 levels.

Global Cues

Source: Yahoo Finance

Market Outlook - Market will grapple next week with major U.S. economic reports and the looming possibility of Greek exit from the euro zone, which is likely to keep dragging on equities for weeks to come. U.S. financial markets will be closed on Monday for the Memorial Day holiday. Any U.S. data in the coming week which points to an economy pulling out of the doldrums could divert attention from Europe and provide investors an incentive to jump into stocks, which have become cheap during the recent pullback.

Shift of Short Term Focus - As contingency plans are made for Greece's possible departure from the euro zone, market may not get a clear picture until Greece holds elections on June 17. As a result, U.S. economic statistics may grab the spotlight during the holiday-shortened week.

Economic Data - Major releases include consumer confidence, GDP and on Friday the May non-farm payrolls report, which could provide clues on whether the economy is running out of steam or has simply hit a soft patch.

Results - Corporate news next week is expected to be light, with the first-quarter earnings season largely in the rear view mirror. Among S&P 500 companies, only government contractor SAIC Inc is scheduled to report next week.

Europe Still A Concern - Europe will continue to be closely monitored, with equities affected by any developments in the fiscally troubled region. Increasing worries about the region, coupled with tepid U.S. data, have sent the S&P 500 down more than 5 % for May. As the Greek elections draw closer, headlines from Europe could unsettle market.

French Bank Effort - French banks, which are among the lenders most exposed to Greece, have stepped up their efforts on contingency plans for the debt-laden country leaving the euro zone, sources familiar with the situation said.

S&P Index - The 1,275 to 1,280 range for the benchmark S&P index is crucial, just below the 200-day moving average, as a key level of support the market is likely to challenge. The market will test 1,277 on the downside, but when it gets there it is going to hold because there is a lot of money on the sideline that needs to be put to work because that number will be used as entry point.

Dollar Index - The dollar index is up nearly 5 % for the month, and some analysts feel it could not only help equities stabilize but spur a move higher. This will be a possible silver lining for investors due to the strengthening of the dollar, which has been a safe haven during the euro zone's sovereign debt troubles.

USD Move & US Stock Market - With sovereign debt default now a possibility, and some form of dissolution of the euro also possible, the hidden positive may be for the U.S. dollar, and U.S. dollar-denominated assets. Capital inflows could support U.S. real estate prices, which could help stabilize U.S. banks. All of this could help support U.S. stock prices during a difficult period for Europe's economy. It's not inconceivable that this dynamic could trigger a rally in the U.S. stock market.

National Cues

Source: Capital Market

Market Outlook - Market expected to remain volatile ahead of F&O expiry and Q4 GDP data.

May 12 F/O Expiry - The market may remain volatile as traders roll over positions from the near-month May 2012 series to June 2012 series. The May 2012 derivatives contracts expire on Thursday, 31 May 2012.

Q4 GDP Data - The government will announce Q4 March 2012 GDP data on Friday, 31 May 2012. The Indian economy expanded 6.1% in the October-December quarter from a year earlier, the weakest pace of expansion in more than two years, hurt by slower growth in manufacturing output and a contraction in mining production.

Sector Outlook - Automobile and cement shares will be in focus as companies from these two sectors will start unveiling monthly sales volume data for May 2012 from Friday, 1 June 2012.

HSBC's PMI - HSBC's monthly purchasing managers' index, which indicates the health of the manufacturing sector, is likely to be released next week. The HSBC India PMI, compiled by Markit, rose to 54.9 in April from 54.7 in March.

Q4 Earnings - The Q4 March 2012 earnings season is drawing towards a close. Investor focus is on the guidance provided by the management for the year ending March 2013 (FY 2013) to gauge the earnings outlook.

Results - Coal India announces FY 2012 consolidated results on Monday, 28 May 2012. Tata Motors, ONGC, SAIL and Power Grid Corporation of India announce FY 2012 results on Tuesday, 29 May 2012. Sun Pharmaceuticals Industries announces Q4 results on the same day. GAIL (India) and DLF unveil Q4 results on Wednesday, 30 May 2012. M&M and Jaiprakash Associates unveil FY 2012 results on the same day.

Analyst Certificate & Disclaimer

The research analysts, with respect to each issuer and its securities/commodities covered by them in this research report, certify that: All of the views expressed in this research report accurately reflect his or her or their personal views about all of the issuers and their securities/commodities; and no part of his or her or their compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed in this research report.

DISCLAIMER: The document is not for public distribution and has been furnished solely for information and must not be reproduced or redistributed to others. Opinion expressed is the current opinion as of the date appearing on the material only. Further, the information in the document has been printed on the basis of publicly available information; internal data and other reliable sources believed to be true and are for general guidance only but which may not be verified independently. While every effort is made to ensure the accuracy and completeness of information contained, the company takes no guarantee and assumes no liability for any errors or omissions of the information. No one can use the information as the basis for any claim, demand or cause of action. All investment information and opinion are subject to change without notice. Recipients of this material should rely on their own investigations and take their own professional advice. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult their own advisors to determine the merits and risks of such an investment. This material is for personal information and none is responsible for any loss incurred based upon it. The investments discussed or recommended in this report may not be suitable for all investors. It should not be considered to be or taken as an offer to sell or a solicitation to buy/sell any security. Price and value of the investments referred to in this material may go up or down. Past performance is not a guide for future performance. Certain transactions - futures, options and other derivatives as well as non-investment grade securities - involve substantial risks and are not suitable for all investors. Reports based on technical analysis centers on studying charts of a stock's price movement and trading volume, as opposed to focusing on a company's fundamentals and as such, may not match with a report on company's fundamentals. Analyst who has issued this report, may, on the date of this report, and from time to time, have long or short positions in, and buy or sell the securities of the companies mentioned herein or engage in any other transaction involving such securities and earn brokerage or compensation or act as advisor or have other potential conflict of interest with respect to company/ies mentioned herein or inconsistent with any recommendation and related information and opinions.