

Weekly Nifty Observer

Issue - 151

23 to 27 July 2012

Nifty Outlook

....continuation of trading below 5257 levels will force nifty towards 5080 levels in days to come with 5320 as important weekly resistance levels.....

Support

5165/5120 (5080 remote support)

Resistance

5238/5257 (5280 remote resistance)

Market Strength Indicators (Weekly)

14 period RSI - Down by 0.95 points from 53.13 levels previous week

14 period StochRSI - Down by 5.19 points from 78.67 levels previous week

Stochastic - Down by 13.09 points from 89.71 levels previous week

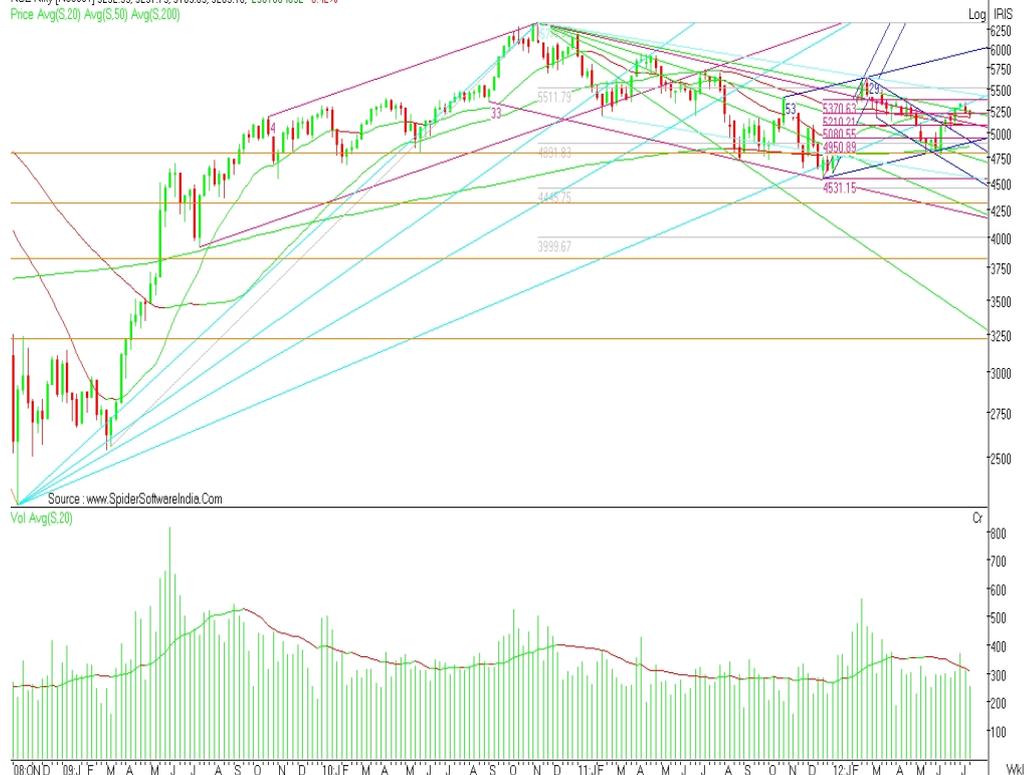
Market Intensity Indicator (Weekly)

NFP - At premium of 11.5 points from premium of 13.2 points previous week

Volatility - Down by 0.05 points at 0.31 levels

Spot Nifty Weekly Chart

NSE Nifty [NSE9901] 5232.35, 5257.75, 5169.05, 5205.10, 2581004032 -0.42%
Price Avg(S.20) Avg(S.50) Avg(S.200)



Technical Comments

Weekly Nifty closed 0.42 % down at 5205.10 levels after making high of 5257.75 and low of 5169.05 levels. It must be noted that last week also Nifty failed to sustain above 5300 levels and closed below it on W-o-W basis. Since sixty 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 4th 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, nifty failed to sustain 4th speed line and close below it for 2nd week. Twenty three 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 forty 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 5165.32 levels, above its 50 weeks SMA around 5086.02 levels and above its 200 weeks SMA at 4853.82 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 nine weeks it manages 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 6th consecutive week for Nifty to close above its 50 period SMA and 4th weekly closing above its 20 period SMA on W-o-W basis. For next week 5210/5165 levels will continue to act as immediate support levels below which Nifty will find 5150/5080 levels as weekly support. Next week if Nifty manages to sustain above 5238 levels only then probability to test 5370 levels or above will increase. Above 5238 levels 5257/5280 levels zone will provide stiff resistance zone to Nifty in weeks to come.

The Data: On weekly basis, Nifty closed 0.42 % down along with 17.36 % fall in volume and fall in open position by 7.93 %.

Interpretation of Data: Nifty fall with fall in volume and OI suggesting that the market is making its bottom and the higher probability is that the price will rise at some point forward.

Fall in Nifty with fall in open position on W-o-W basis suggests that the current fall of 0.42 % in Nifty was mainly due to long liquidation in July 12 future contracts.

Implication of the Interpretation: Long liquidation was observed on two trading sessions while fresh long build up in another two and fresh short build up in the remaining one trading session was observed. On W-o-W basis however long liquidation was observed. Continuation of long liquidation may keep nifty trading below 5300 levels. Along with long liquidation, fresh positions build up, either in long side or in short side will give further trend to nifty. Fresh long build up will force nifty towards 5370 levels with 5257/5080 as important resistance while fresh short build up will drag it towards 5080 levels with 5150/5120 as important support in weeks to come.

Global Cues

Source: Yahoo Finance

Market Outlook - While earnings are expected to dominate stock investors' attention in the coming week, the euro zone crisis is still capable of taking the spotlight. The trend of better-than-expected earnings will be put to the test in the coming week when investors hope Apple can exceed already high expectations for the tech giant and Facebook reports its first quarterly earnings.

S&P 500 Earnings - Apple accounts for a significant proportion of the overall earnings of S&P's 500 components. S&P 500 earnings are expected to show a rise of 5.7 % in the second quarter from a year ago. Excluding the maker of the iPad, the rise is 4.8 %, according to Thomson Reuters data.

Technology Sector Earnings - Apple's expected strong performance is mainly why technology earnings growth has held up better than other S&P 500 sectors. The expected growth rate for the sector has gone from 6.9 % in April to 8.7 % as of Friday, the data showed.

Apple's Earnings - Apple's earnings for the quarter are seen at \$10.38 a share, based on Thomson Reuters I/B/E/S, which includes estimates from 43 analysts. That compares with a profit of \$7.79 a share for the year-ago quarter.

Apple New Products - Apple does not give any clues on its future products, but the California company is widely expected to release its next-generation iPhone later this year. Wall Street has also set its heart on Apple launching a new "mini iPad" and the long-awaited television set in the near future.

Facebook Results - Investors are likely to be just as keen to hear from Facebook when it reports on Thursday. Facebook's first results following its market debut could give investors another chance to indicate how they feel about the stock since its disappointing IPO. Analysts said an earnings miss by Facebook could be disastrous for the stock.

Results - Tech results also will be closely watched for signs of weak demand overseas, particularly from Europe. Other technology companies expected to report next week include Texas Instruments and Amazon.com. Of the S&P sectors, technology has the highest sales exposure to Europe at about 25 %, according to a Bank of America/Merrill Lynch research note. Among the other 138 S&P 500 companies reporting earnings are Ford Motor Co, United Parcel Service and Whirlpool Corp.

Earnings Review - While the majority of companies have beaten earnings expectations, revenue performance has been the worst for S&P 500 companies since the first quarter of 2009. With results in from 116 companies, just 43 percent of companies are beating revenue expectations. Sixty-seven percent of companies are beating earnings estimates, compared with a long-term average of 62 percent, Thomson Reuters data showed.

Spain Bond Sell - Spain will tap the markets Tuesday when it sells three- and six-month bills. It will also sell three- and five-year bonds on August 2. Spain's 10-year bond yields hit a euro-era high of 7.3 % on Friday.

Economic Data - The week's U.S. economic data includes the Markit U.S. Manufacturing Purchasing Managers Index for July, due on Tuesday. June's reading marked the lowest showing since December 2010.

National Cues

Source: Capital Market

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

Stocks Specific Action Ahead - Stock-specific action will be at the fore as the first quarter June 2012 earnings season is underway. Investors and analysts will closely watch the management commentary that would accompany the result to see if there is any revision in their future earnings forecast of the company for the current year or the next year.

Results - Hindustan Unilever, L&T and Cairn India unveil Q1 results on Monday, 23 July 2012. Wipro, Sesa Goa and Jindal Steel & Power unveil Q1 results on Tuesday, 24 July 2012. Power Grid Corporation of India unveils Q1 results on Wednesday, 25 July 2012. HCL Technologies announces Q4 June 2012 results on the same day. ITC, Bhel and Sterlite Industries (India) unveil Q1 results on Thursday, 26 July 2012. Cement majors ACC and Ambuja Cements unveil Q2 June 2012 results on the same day. ICICI Bank, Grasim Industries, NTPC and Punjab National Bank unveil Q1 results on Friday, 27 July 2012. Maruti Suzuki India announces Q1 results on Saturday, 28 July 2012. HDFC announces its consolidated Q1 June 2012 results on the same day. HDFC has already announced its standalone results.

Monsoon Progress - Rainfall in the country till July 15 was 22% short of the long-term average, raising concerns that farm output may be hurt and could lead to a rise in food prices. 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.

Presidential Polls Results and Thereafter - The counting of votes and voting results for election of the country's 13th president with UPA nominee Pranab Mukherjee against BJP-backed candidate P.A. Sangma for the post is scheduled on Sunday, 22 July 2012. There has been speculation that the government will raise fuel prices after the presidential polls to lighten its subsidy burden and improve fiscal position.

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