

Weekly Nifty Observer

Issue - 134

05 to 09 March 2012

Nifty Outlook

.....5420/5370 levels will be an important levels to watch for in weeks to come....

Support

5320/5250 (5190 remote support)

Resistance

5370/5450 (5510 remote resistance)

Market Strength Indicators (Weekly)

14 period RSI - Down by 2.08 points from 55.73 levels previous week

14 period StochRSI - Down by 10.39 points from 83.18 levels previous week

Stochastic - Down by 12.82 points from 86.36 levels previous week

Market Intensity Indicator (Weekly)

NFP - At premium of 32.15 points from premium of 58.15 points previous week

Volatility - Up by 0.03 points at 0.37 levels

P/C Ratio -

Open Interest (Weekly)

Cummulative OI Future -

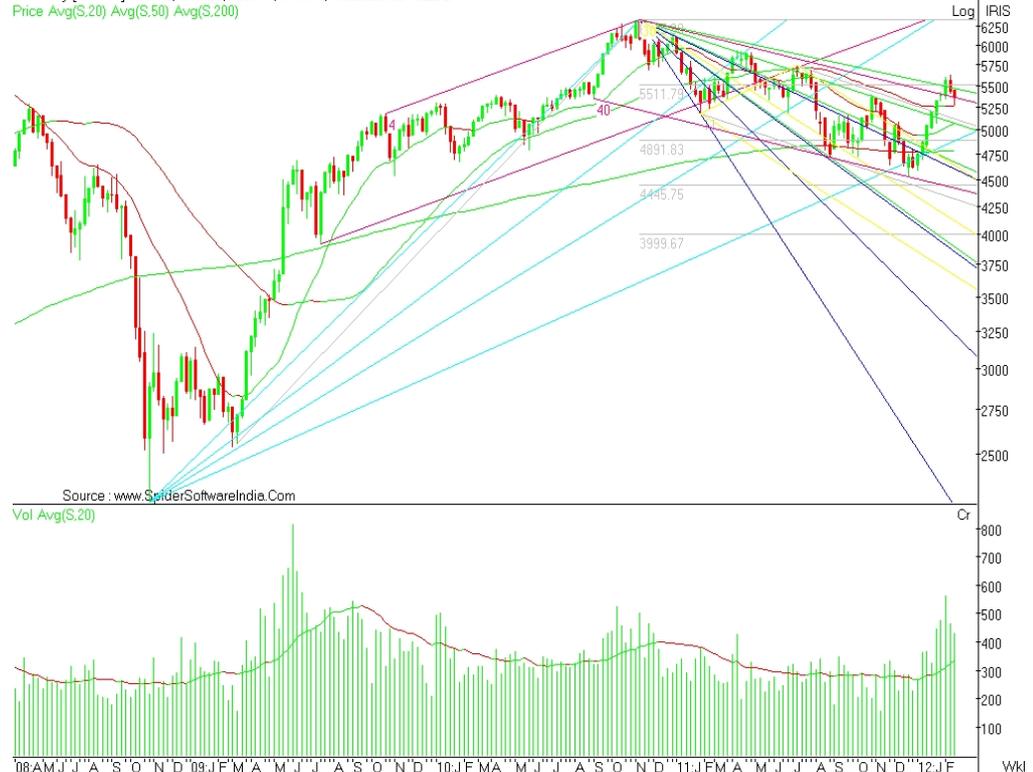
Cummulative OI Options -

OI Call -

OI Put -

Spot Nifty Weekly Chart

NSE Nifty [N59901] 5448.10, 5458.80, 5268.15, 5359.35, 4359028736 -1.29%
Price Avg(S,20) Avg(S,50) Avg(S,200)



Technical Comments

Weekly Nifty closed 1.29 % down at 5359.35 levels after making high of 5458.80 and low of 5268.15 levels. It must be noted that last week Nifty failed to sustain above 5420 psychological levels. on W-o-W basis.

Since forty four 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).

Last week Nifty failed to sustain above the upper part of the channel (5400 levels) and closed below it. 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 4500 levels.

On historical weekly chart, this is nine consecutive week of closing above the 4th speed line (around 4700/4650 levels). Continuation of trade above it then, 5000 levels will act as important mid to long term support levels in weeks to come. 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 trading above 4th speed line.

Over historical weekly chart twenty 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 5065.65 levels, above its 50 weeks SMA around 5257.41 levels and above its 200 weeks SMA at 4782.00 levels along with fall 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 eight week 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 THIS LEVEL WILL ENSURE FOR BULL PHASE IN WEEKS TO COME.

On Weekly basis 5370/5420 levels will an important zone for Nifty in next week. Sustainability and further consolidation around these levels will be necessary for Nifty to move towards 6000 levels with 5840 as a major resistance levels. Failing to sustain this support zone will force Nifty towards 5000 levels in weeks to come.

The Data: On weekly basis, Nifty closed 1.29 % down along with 6.99 % fall in volume and rise in open position by 13.93 %.

Interpretation of Data: Nifty fall with fall in volume and rise in OI suggesting that the market is an indication that a sharp rally against downtrend will develop creating a sell point for downtrend.

Fall in Nifty with rise in open position on W-o-W basis suggests that the current fall of 1.29 % in Nifty was mainly due to fresh short build up in March 12 future contracts.

Implication of the Interpretation: Last week started with a note of fresh short build up followed by fresh long build up in two trading sessions. Thereafter, long liquidation and short covering respectively was observed in rest two trading sessions of the week. However, on W-o-W basis fresh short build up was observed. Continuation of fresh short build up along with long liquidation will allow Nifty to trade below 5420 levels in weeks to come. It may move towards 5000 levels or even below it. However, ignition of fresh long build up along with short covering will provide good support around 5250/5190 levels to Nifty in weeks to come.

Global Cues

Source: Yahoo Finance

Market Outlook - Stocks have proven the naysayers wrong so far in 2012. And the February jobs report could be just the ticket to keep the bulls going next week. Global Market are focusing more on economic data lately, with a bailout package for Greece in the works and U.S. earnings news winding down. But rising oil prices could create some anxiety.

Recent Past and Future Expectations - The five-month stock rally has been built on a string of improving economic data that suggests U.S. corporate profit growth will remain intact. Job growth is a big part of that picture. It has lagged most other parts of the U.S. economy. But strategists have been calling for a pullback, especially since indexes are hitting new milestones and the fourth-quarter reporting period is winding down.

Indices - The S&P's 500 is up for eight of the last nine weeks. This week, the Dow closed above the 13,000 mark for the first time since May 2008, and the S&P 500 twice closed above 1,370, a closely watched technical resistance level. The Nasdaq at one point crossed the 3,000 level this week and is trading at its highest since 2000.

US Job Data - The government's jobs report for February, due on Friday, is expected to show non-farm payrolls added 210,000 jobs last month, according to economists polled by Reuters, after gaining 243,000 in January. That would mark three straight months of solid job gains. The U.S. unemployment rate is seen steady at a three-year low of 8.3 %.

Economic Data - Besides Friday's jobs report, next week brings a private-sector employment report from ADP on Wednesday. On Monday, Wall Street will get a snapshot of the U.S. services sector for February from the Institute for Supply Management. The U.S. international trade deficit for January will be released on Friday, at the same time as the non-farm payrolls report. Economists polled by Reuters expect the country's international trade deficit to have edged up to \$49 billion for January from December's \$48.8 billion.

Results - Among the remaining S&P 500 companies to report results, tax preparation company H & R Block Inc is on next week's agenda as well as filtration equipment maker Pall Corp.

Earning Growth Expectations - Percentage of companies beating analysts' profit expectations is down from recent quarters, earnings growth for the fourth quarter is still at 9.4 %, above a January 3 growth estimate of 7.9 %. Earnings growth is down from recent quarters as well, but analysts said an improving economy will keep that growth from slowing too quickly, and will help offset any negative effects from Europe's fiscal troubles.

Crude Concern - Concern about supply disruptions from Middle Eastern oil producers has kept Brent crude oil above \$120 a barrel, and analysts said that could affect the longevity of the stock market's rally. Higher oil prices mean higher costs for consumers and businesses, and an even tougher time for Europe, which appears headed for a recession.

Greece Concern - Greece's second bailout from the euro-zone countries will be in place once conditions are finalized. The first of the money can be paid out after the completion of a bond swap between Athens and private investors, which is to be concluded by March 9.

National Cues

Source: Capital Market

Market Outlook - The market is expected to remain volatile next week due to uncertainties over elections results in five states due on Tuesday, 6 March 2012. The stock market remains closed on Thursday, 8 March 2012, on account of Holi.

Special Trading Sessions - BSE and NSE are holding a special 1-1/2 hour trading session on Saturday, 3 March 2012, as BSE is testing its Disaster Recover Site (DR). Trading will begin at 11:15 IST and conclude at 12:45 IST on that day.

Assembly Polling - Polling for assembly elections in five states concludes on Saturday, 3 March 2012. The counting of the votes takes place on 6 March 2012, with the results due on the same day.

Crude Oil Price - Market will closely watch movement in crude oil prices. A steep rise in crude oil price could derail global economic recovery and increase inflationary pressure. India imports two-thirds of its oil consumption, so an increase in oil prices will hurt its fiscal balance substantially. Oil has advanced this year amid concern that sanctions against Iran's nuclear program will disrupt crude supplies from the second-biggest producer in the OPEC. Iran has threatened to shut the Strait of Hormuz, a transit route for a fifth of the world's oil, in response to an embargo.

Union Budget & RBI Policy Meet - Fresh positions may be avoided ahead of the Union Budget and the RBI's policy review, both due in mid-March 2012. The RBI is slated to announce the mid-quarter policy review on 15 March 2012, a day before the presentation of the Union Budget 2012/13. At third-quarter policy review in January 2012, RBI had announced a cut of 50 basis points in the CRR, citing tight liquidity pressures.

Road Map of Budget - Finance Minister Pranab Mukherjee will present the annual budget for 2012/13 on 16 March 2012, while the railways budget will be presented on 14 March 2012. The budget session of parliament will start on 12 March 2012. The government will present on 15 March the Economic Survey for 2011/12, a document on the state of economy prepared by the economic division in the ministry of finance. The annual budget is usually presented on the last working day of February. However, the budget has been delayed this time due to the ongoing assembly polls.

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