

Weekly Nifty Observer

Issue - 135

12 to 16 March 2012

Nifty Outlook

.....5420/5370 levels will continue to 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 0.79 points from 55.73 levels previous week

14 period StochRSI - Down by 3.44 points from 72.8 levels previous week

Stochastic - Down by 20.92 points from 73.55 levels previous week

Market Intensity Indicator (Weekly)

NFP - At premium of 30.6 points from premium of 37.1 points previous week

Volatility - Down by 0.03 points at 0.34 levels

Open Interest (Weekly)

Cummulative OI Future -

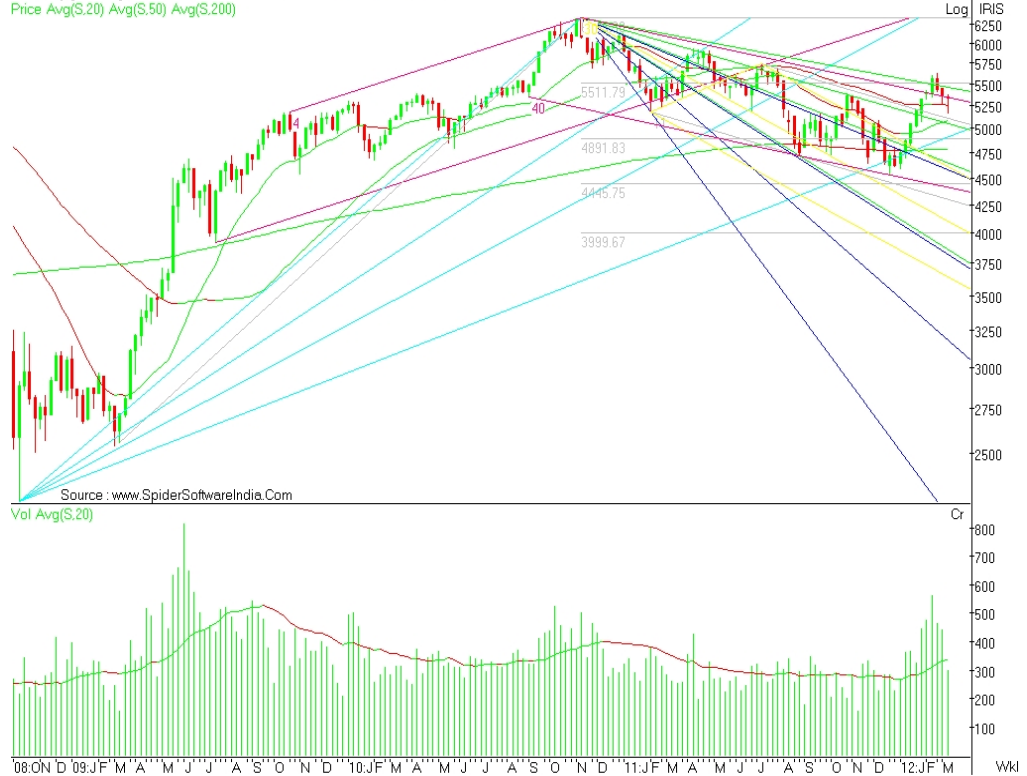
Cummulative OI Options -

OI Call -

OI Put -

Spot Nifty Weekly Chart

NSE Nifty [N59901] 5342.55, 5382.05, 5171.45, 5333.55, 3035095552 -0.48%
Price Avg(S,20) Avg(S,50) Avg(S,200)



Technical Comments

Weekly Nifty closed 0.48 % down at 5333.55 levels after making high of 5382.05 and low of 5171.45 levels. It must be noted that last week Nifty took support on 5171 levels and managed to close above 5300 levels on W-o-W basis.

Since forty five 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 two weeks Nifty failed to sustain above the upper part of the channel (5350/5400 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 ten 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 one 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 5079.83 levels, above its 50 weeks SMA around 5251.00 levels and above its 200 weeks SMA at 4783.76 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 nine 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 continue to be an important zone for Nifty. 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 0.48 % down along with 32.13 % fall in volume and fall in open position by 26.37 %.

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 0.48 % in Nifty was mainly due to long liquidation in March 12 future contracts.

Implication of the Interpretation: Out of four trading session last week, fresh short build up was observed in two trading sessions, while in one fresh long and in the remaining one long liquidation was observed. However, long liquidation was observed on W-o-W basis. Short covering along with fresh long build up in days to come will allow Nifty to trade above 5250 levels to test 5420 levels or above. However, if fresh short build up continues with long liquidation, then Nifty may find stiff resistance to sustain above 5370/5420 levels in days to come. Below 5250 levels Nifty has good support around 5190/5150 levels.

Global Cues

Source: Yahoo Finance

Market Outlook - For a moment, U.S. stocks looked like they were headed for a long-awaited pullback this week. But that didn't happen. After more signs of a healthier economy, stocks may have room to run higher in the week ahead. The recent string of stronger data has raised expectations that the trend will continue.

S&P 500 Index - The benchmark S&P 500 Index registered another week of gains on Friday, its fifth in six weeks, once again defying calls for a reversal in its five-month rally. Friday also marked the three-year anniversary of the S&P 500's plunge to a 12-year low, a move that was followed by a sharp rally. The S&P 500 still is up 102 % from that low. The S&P 500 ended the week with a gain of 0.1 %, even though on Tuesday, it marked its weakest day so far in 2012 on concerns about a default by Greece on its country's debt.

Reasons for Pullback - Much of the optimism has come from signs of further improvement in the U.S. economy. Friday's stronger-than-expected jobs report, the most widely watched U.S. economic indicator, gave the stock market more wind in its sails.

Technicals on US Market - Technically, the market is hovering near key resistance levels, which could influence next week's direction. A push above 1,376 by the S&P 500 could suggest further gains ahead, while holding at or below that level could indicate more selling.

Fed Expected Move - There is speculation that the Federal Reserve may announce more quantitative easing, but there has been nothing to suggest that the Fed will change its policy. The Federal Open Market Committee, the Fed's policymaking panel, is scheduled to meet on Tuesday, with a statement expected afterwards.

Economic Data - February retail sales, due on Tuesday morning is expected to show that last month's retail sales rose 1 %, according to economists polled by Reuters, compared with a gain of just 0.4 % in January. Excluding autos, February retail sales are forecast to have risen 0.7 %, matching January's gain. Consumer sentiment data also is expected on Friday. The Thomson Reuters/University of Michigan consumer sentiment index is forecast to show an increase to 76.0 in the preliminary March reading, from February's level at 75.3.

PPI & CPI - The PPI report is due on Thursday, followed by CPI on Friday. Inflation at the consumer price level is forecast at up 0.4 % for the overall CPI in February, compared with January's gain of just 0.2 %. Excluding food and energy, core CPI is forecast at up just 0.2 %, matching January's gain. The overall PPI last month is forecast to have gained 0.5 %, compared with January's rise of just 0.1 %. Excluding volatile food and energy prices, February core PPI is expected to have edged up just 0.2 %, down from January's 0.4 % gain.

S&P Sectors - While the overall S&P 500 is up 102 % since March 9, 2009, there is a wide difference in the performance of individual S&P sectors. Since the March 2009 low, the S&P consumer discretionary index has done the best, with a gain of about 175 %. The S&P telecommunications index has done the worst, with a gain of 49 %.

National Cues

Source: Capital Market

Market Outlook - High volatility will characterize trading as key events viz. RBI policy review and Union Budget are due next week.

RBI Mid Quarter Review - The RBI is slated to announce a mid-quarter review of the monetary policy on Thursday, 15 March 2012. Economists expect a further 50 basis points reduction in the bank's CRR from RBI on 15 March 2012 to ease tight liquidity conditions in the banking system. The RBI is widely expected to keep its policy rate viz. the repo rate unchanged at 8.5%. At third-quarter policy review in late January 2012, RBI had announced a cut of 50 basis points in the CRR.

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

Excise Duty - Finance ministry may consider a proposal to increase excise duty from 10% to 12% in Union Budget 2012/13. Following the economic slowdown, that became prominent in September 2008, the government had provided fiscal stimulus, including cut in excise duty, to provide a cushion to the domestic industry. As the government is faced with widening fiscal deficit, there are apprehensions in the industry that excise duty may be hiked in the Budget.

GST - A road-map for implementation of the Good and Services tax (GST) in Union Budget 2012/13 is awaited. GST is a major indirect tax reform. GST will subsume various levies like excise duty, service tax and state taxes like value added tax (VAT), entry tax and purchase tax. The government is working with state governments for early implementation of GST, Mukherjee said on 22 February 2012.

DTC - Another pending tax reform is the Direct Tax Code (DTC). The DTC, which seeks to modernise the direct taxation system, will replace the Income Tax Act, 1961. Mukherjee had tabled the DTC Bill in Lok Sabha in August 2011, which was referred to the Standing Committee for scrutiny. Although the government is unlikely to introduce the DTC from 1 April 2012, as planned earlier, it may incorporate some of the provisions of the proposed law in Union Budget 2012/13.

IIP Data - The government will release industrial production data for January 2012 on Monday, 12 March 2012. Industrial production is seen rising 2.1% in January 2012 as per the median estimate of a poll of economists carried out by Capital Market. Industrial production had registered a dismal 1.82% growth in December 2011.

Inflation - The government will release data on inflation based on WPI for February 2012 on Wednesday, 14 March 2012. WPI inflation for February 2012 is projected at 6.7% as per the median estimate of a poll of economists carried out by Capital Market. WPI inflation stood at 6.55% in January 2012.

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