

# Weekly Nifty Observer

Issue - 143

21 to 25 May 2012

## Nifty Outlook

.....probability to continue with bull phase is strong. Next week Nifty may test 5020 levels.....

### Spot Nifty Weekly Chart

NSE Nifty [NSE9001] 4934.35, 4957.20, 4788.95, 4891.45, 2930037760 -0.76%  
Price Avg(S.20) Avg(S.50) Avg(S.200)



### Technical Comments

Weekly Nifty closed 0.76 % down at 4891.45 levels after making high of 5957.20 and low of 4788.95 levels. It must be noted that last week also Nifty gave closing below 4950 levels, an important levels on weekly basis. Since fifty one 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 four 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 2nd 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 above and around 4th speed line.

Over historical weekly chart thirty 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 below its 20 weeks SMA around 5204.47 levels, below its 50 weeks SMA around 5153.54 levels and above its 200 weeks SMA at 4819.10 levels along with rise 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 nineteen 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.

*Next week fear for bull to bear phase transformation will persist over Nifty which will be confirmed only after sustainability below 4820 levels. Till Nifty is trading above it, probability to move towards 5020 levels and above will increase before expiry. Below 4890 levels Nifty has support at 4820/4777 levels. Above it Nifty will strongly resist to sustain over 4950 levels. Above 4950 levels, major resistance zone is around 5020/5080 levels.*

### Support

4890/4810 (4777 remote support)

### Resistance

4950/5020 (5080 remote resistance)

### Market Strength Indicators (Weekly)

14 period RSI - Down by 1.08 points from 49.19 levels previous week

14 period StochRSI - Unchanged from 0.00 levels previous week

Stochastic - Down by 0.45 points from 11.35 levels previous week

### Market Intensity Indicator (Weekly)

NFP - At discount of 2.5 points from premium of 2.45 points previous week

Volatility - Unchanged at 0.23 levels

**The Data:** On weekly basis, Nifty closed 0.76 % down along with 11.25 % fall in volume and fall in open position by 8.02 %.

**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 0.76 % in Nifty was mainly due to long liquidation in May 12 future contracts.

**Implication of the Interpretation:** The second last trading week of May 12 future expiry gave a mixed trend for expiry week. In last two trading session of the week, a very weak short covering was observed. Out of rest trading sessions, fresh short, fresh long and long liquidation, each on one trading sessions was observed. On W-o-W basis, however, long liquidation was observed. In last 15 trading sessions, fresh short was build up along with long liquidation. Till expiry if short covering continues, whose probability is quite high, will drag Nifty around and above 5020 levels. However, if fresh short build up continues in June 12 future then Nifty will find very strong resistance to sustain at 4950 levels.

## Global Cues

Source: Yahoo Finance

**US Market Outlook Next Week:** The market is oversold, but major signs say "sell". Normally a big decline would set up Wall Street for a technical rebound. But that may not be the case next week, even after the market posted its worst weekly loss for the year and the S&P fell for six straight sessions. With the corporate earnings season drawing to an end and recent U.S. economic data raising doubts about the pace of growth, the S&P 500, which is down 7.3 % so far in May, could decline further next week as concerns about the financial health of Europe persist.

**Market Last Week:** The S&P 500 fell 4.3 % for the week, its steepest weekly decline this year, and closed below 1,300 for the first time in four months. For the week, the Dow is off 3.5 % and the Nasdaq is down 5.3 %.

**Focus on Europe:** Solid corporate earnings and upbeat U.S. economic indicators had fueled the rally in U.S. stocks, offsetting jitters over Europe. But with earnings almost out of the way and data starting to disappoint, investors have shifted their focus back to headlines out of Europe.

**McMillan on US Market:** The market is extremely oversold. Nonetheless, all major indicators remain on sell signals. We expect a powerful but short-lived rally should be coming soon. But at this point, barring some major shifts in our indicators, it may only be a rally in a larger down-trending market. - Larry McMillan, president of options research firm McMillan Analysis Corp.

**Facebook Debut Over NASDAQ:** The hotly awaited market debut of Facebook on Friday was marred by technology glitches on the Nasdaq in sending messages back to the brokerages that handled orders of Facebook Inc for individual, or "retail," investors. Those problems rekindled fears about the market's electronic trading system and caused some investors to stay away from equities.

**Euro Zone Debt Crisis:** Weighing on sentiment is a growing sense among investors that the euro zone debt crisis is nearing new heights, fueled by fears of the potential for a Greek euro exit and the deteriorating health of the Spanish banking system.

**G 8 Leaders Meet:** Leaders of the Group of 8 major industrial economies meet this weekend to try to tackle the financial crisis in Europe. U.S. President Barack Obama, the G8 host, has urged European leaders repeatedly to do more to stimulate growth, fearing contagion from the euro crisis that could hurt the U.S. economy and his chances of re-election in November.

**Economic Data Next Week:** Next week's economic data includes April's existing home sales on Tuesday at 10 a.m. Existing home sales are forecast at a 4.60 million-unit annual, up from 4.48 million in March. New homes sales figures are due on Wednesday at 10 a.m. April's new home sales are also expected to post an increase, gaining about 7,000 units over a 328,000-unit annual rate in March. Initial jobless claims and durable goods orders will be published on Thursday at 8:30 a.m. Consumer sentiment is due at 9:55 a.m. on Friday.

## National Cues

Source: Capital Market

**Market Outlook:** The next batch of Q4 March 2012 earnings, investment activity of FIIs and news flow from euro-zone will dictate near term trend on the bourses.

**Results:** Among the major results, power generation major Tata Power Company announces FY 2012 results on Tuesday 22 May 2012. Power equipment major Bhel unveils Q4 results on Wednesday 23 May 2012. ITC, Reliance Infrastructure and BPCL unveil FY 2012 results on Friday 25 May 2012.

**FMCG Sector Outlook:** FMCG stocks may extend their gains as the weather department has forecast that the 2012 Southwest Monsoon will arrive in time. FMCG firms derive substantial revenue from rural sales. The India Meteorological Department (IMD) said the model suggests that the date of onset of southwest monsoon over Kerala is likely to be on 1st June with a model error of  $\pm 4$  days.

**PSU OMCs and Auto Sector Outlook:** PSU OMCs and auto stocks will be in focus on buzz that petrol and diesel prices will rise soon after Parliament's budget session ends on Tuesday, 22 May 2012. State-run oil marketing companies (PSU OMCs) sell diesel, LPG and kerosene at government controlled prices. The government has freed pricing of petrol.

**Sectors Based on Imports:** Shares of importers may edge lower after recent steep slide in the rupee which has pushed the Indian currency to a record low against the dollar. A weak rupee makes imports costlier.

**FII's Activity:** The investment activity of FIIs holds key. FIIs have bought shares worth net Rs 415.90 crore in May 2012 so far (till 17 May 2012), as per data from Sebi. FIIs had sold shares worth net Rs 1109.10 crore in April 2012. FIIs have bought shares worth net Rs 43257.40 crore in calendar 2012 so far (till 17 May 2012). FIIs had offloaded shares worth a net Rs 2714.20 crore in 2011.

**Euro Zone Crisis:** Developments in euro-zone will be closely watched. Greece's inability to form a government, which led to the country calling another election in June, has raised concerns about its ongoing membership of the euro zone and the health of the European economy. Greece has put a senior judge in charge of an emergency government to lead the nation to its second election in just over a month on June 17, which will likely determine whether it remains in the common currency area.

**Moody's Downgrade:** Moody's Investor Service on Thursday, 17 May 2012, carried out a sweeping downgrade of 16 Spanish banks, including Banco Santander, the euro zone's largest bank, citing a weak economy and the government's reduced ability to support troubled lenders. All the banks' long-term debt ratings were downgraded by at least one notch and some suffered three-notch cuts.

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