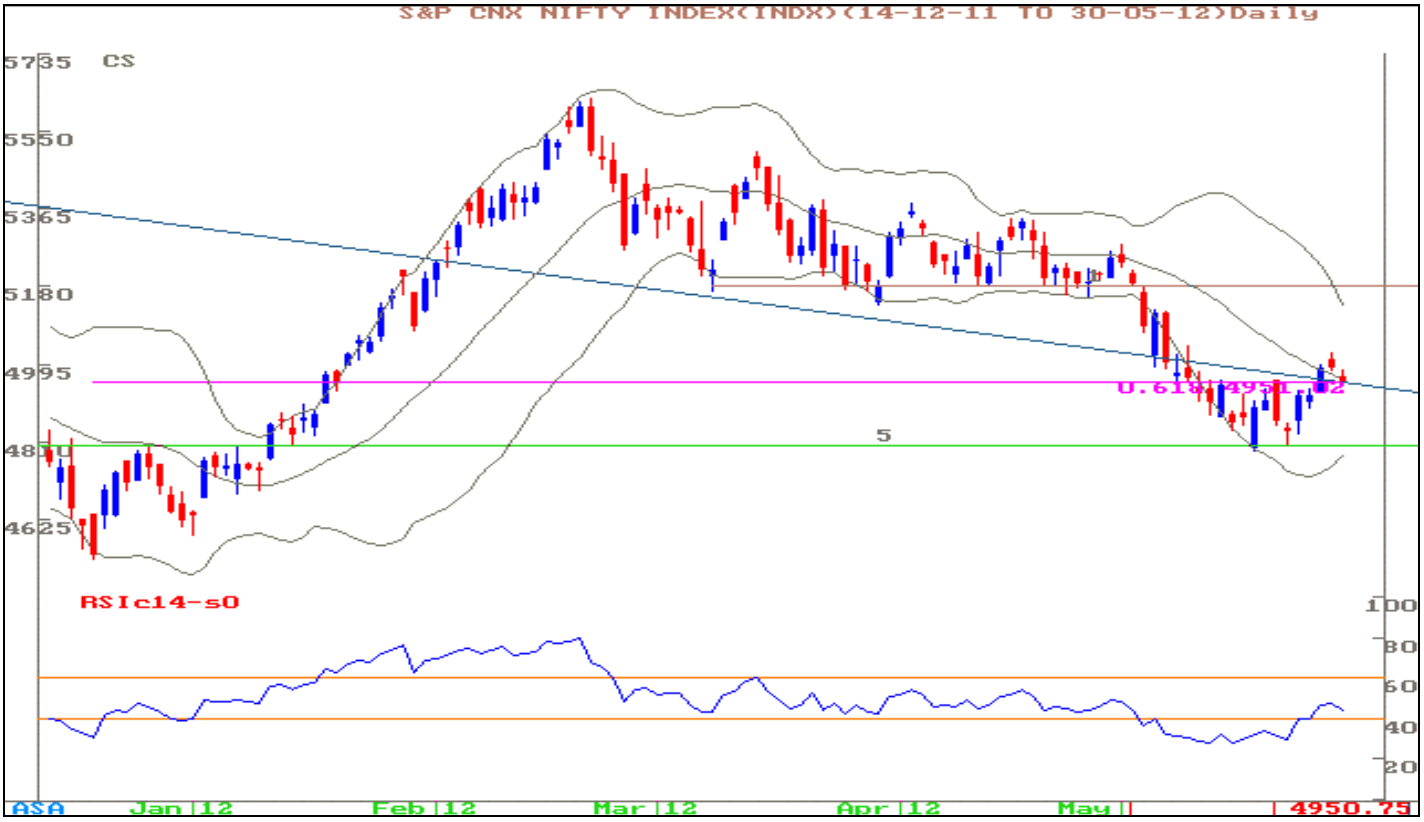
S&P CNX NIFTY- Daily Technicals

May 30, 2012

Current Observation:

- After moving into consolidation pattern in the previous session, Nifty extended its profit booking today and slipped towards the support of prior broken area of 4950-60 levels, as per the principle of change in polarity.
- Nifty continued its volatile session today and witnessed profit booking at around the day's high of 4982 levels (during afternoon).
- The support of mid bollinger band has been violated marginally around 4956 levels and other supports like 4951 (61.8% retracement of recent rising leg) and 4950 (significant down trend line-blue line) have been sustained as per closing basis.
- After breaking above the key resistance of 40 levels, the momentum oscillator like RSI is now sloping down. This down sloping RSI is expected to take the support of 40 levels.
- Upward rally of Nifty after witnessing falling volumes on Monday (28th May) has fizzled into a consolidation pattern in last session and decline in today's session with a rise in volumes (not shown on the chart). This reflects the active participation of bears at higher levels.



Conclusion:

- After the upside breakout of consolidation pattern, Nifty was expected to take support of prior upside breakout area of around 4950-60 levels as per the theory of valid upside breakout.
- Today's pattern of Nifty (holding above the support of prior breakout area of 4950) is showing an indication that bulls still have a chance of make a comeback in coming sessions.
- Momentum oscillator like RSI has the possibility of holding around the key lower levels of 40 (This is normal behavior of RSI during its attempt to positive range shift).
- If Nifty shows follow through declines in the next session and give up the support area of 4950 decisively, then the earlier upside breakout that we mentioned could turn out to be a false breakout and Nifty could decline further.
- If Nifty breaks below the abovementioned supports of 4950 levels decisively with rising volume in the next session, then the bears once again could get a chance to regain control on Nifty and could push Nifty further lower.

Summing Up:

- As long as Nifty holds above the support of 4950 in coming session, it has the possibility of extending its pullback rally up the next upside target of 5062, in the next 1-2 sessions.
- If Nifty gives up the defense of 4950, then the bullish elements of prior upside breakout of the consolidation pattern could get nullified and Nifty could slip further down to 4900 levels or lower.

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