Weekly Technical Report

23 July, 2012

Indices	Last Close	% chg over previous week	Short-term view (up to 1 week)	Comments (stocks in line with short term view)
BSE Sensex	17,156	-0.34	Last rally, 5th wave is expected and once it is over, medium term bearishness will settle in.	
NSE NIFTY	5,243	0.31	Last rally, 5th wave is expected and once it is over, medium term bearishness will settle in.	
BSE Midcap	6,184	-1.02	Last rally, 5th wave is expected and once it is over, medium term bearishness will settle in.	
BSE Smallcap	6,675	-0.92	Last rally, 5th wave is expected and once it is over, medium term bearishness will settle in.	
BSE 500	6,629	-0.51	Last rally, 5th wave is expected and once it is over, medium term bearishness will settle in.	
BSE Auto	9,162	-1.59	Last rally, 5th wave is expected and once it is over, medium term bearishness will settle in.	
BSE Bankex	12,042	-6.02	Mildly Bearish.	
BSE Capital Goods	9,942	-1.12	Mildly Bearish.	
BSE Consumer Dura	6,388	2.52	Mildly Bullish.	
BSE FMCG	4,938	0.57	Mildly Bullish.	
BSE Health care	6,989	0.84	Mildly Bearish.	
BSE IT	5,321	-0.75	Mildly Bullish	
BSE Metals	10,674	0.31	Mildly Bullish	Buy Tata Steel
BSE Oil and Gas	8,027	-0.01	Mildly Bearish.	
BSE Power	1,933	-1.58	Mildly Bearish.	
BSE PSU	7,246	-1.05	Mildly Bearish.	
BSE Realty	1,682	-2.49	Sideways.	
BSE Teck	3,171	-0.35	Neutral.	

Summary

- For the last 34 trading sessions the Sensex is moving in upward direction and out of this 34 trading sessions, in 26 trading sessions it had covered 1900 points (from 15,749 to 17,631). This upward rise is unfolding in 1-2-3-4-5 structure. But there is an 'Overlap' between wave 1 and wave 4 which shows weakness in medium term.
- The 'Western Gap Down' which was formed on 11th July 2012 still remains unfilled after 7 trading sessions which is a bearish indication.
- The 'Western Gap Up' which still remains unfilled by 5 points and which is between17,034 to 17,135 is a last hope for the bulls. At the same whenever the level of 17,039/17034 will be breached violently then the downward journey will begin.
- The long term moving averages are providing support at around 17,000 +/- 100 points.
- The Sensex has started trading below short term as well as medium term moving average and which is a bearish indication.
- We always use oscillators as confirmation and they are confirming the downtrend.

According to Elliott wave analysis, an upward 5th wave is pending, but do remember it will be the last upward move and then the medium term bearishness will come in picture. Use any rally to unload bullish positions in the market.

Elliott Wave Perspective.

As we have marked on the chart above, when 'Contracting Triangle' is in progress in Elliott wave analysis B-D line is implemented and this line is very important in Elliott wave analysis. Still the wave is not finished as wave 'c' of wave 'D' is not over yet.

The wave 'c' must be an impulse in 'Normal Flat' which is currently going on. Whenever the Impulse pattern is unfolding, there are 2 types in which this Impulse pattern can unfold.

1) Normal Impulse.
2) Terminal Impulse.

For last 34 trading sessions the Sensex is moving in upward direction and out of this 34 trading sessions in 26 trading sessions it has covered 1900 points (from 15,749 to 17,631). This upward rise is unfolding in 1-2-3-4-5 structure. But there is an 'Overlap' between wave 1 and wave 4 which is explained in detail in the following chart.

Elliott Wave Perspective.

When 'Normal Impulse' unfolds no 'Overlap' is witnessed between wave 2 and wave 4, but when this 'Overlap' takes place it shows weakness in this 'Impulse' pattern and the whole 'Impulse' pattern is then label as 'Terminal Impulse' pattern.

As the name suggests some wave must get terminated with this 'Terminal Impulse'. In our case the wave 'c' of wave 'D' which is unfolding into a-b-c pattern and the structure of this is 'Normal Flat' will end, and at the same time the entire a-b-c will end and so the upward wave 'D' will get over.

Once the upward wave 'D' is over the downward wave 'E' will open in the downward direction. So this termination of wave 'C' must be carefully examined on a day to day basis.

One should lighten all their long positions and should not create any fresh long position in the market. At this juncture there are no developments which are suggesting to go short in the market, so it is prudent to wait to get right signals to create fresh short positions.

Gap Theory

1. The 'Western Gap Down' which was formed on 11th July 2012 still remains unfilled after 7 trading sessions which is a bearish indication.
2. The 'Western Gap Up' still remains unfilled by 5 points (which is between 17,034 to 17,135) is the last hope for the bulls. At the same time whenever the level of 17,039/17034 will be breached violently then the downward journey will begin.
3. The 'Western Gap Up' which was formed on 19th July 2012 is completely filled and the Sensex had closed below it and thus the bullishness created by this gap is totally nullified.

Long term Moving Averages

Moving Average	Value
200 day Exponential	17,069
100 day Simple	17,011

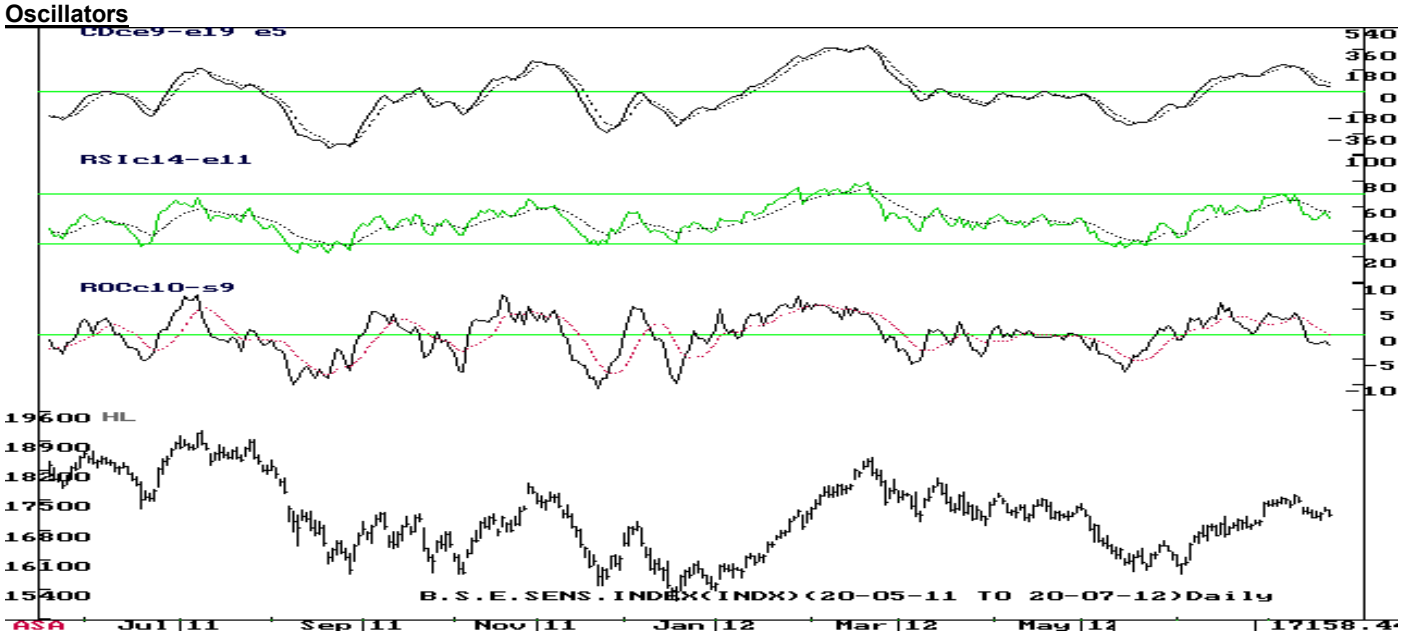
As we have marked on the chart above and given in the table above, till now the level of 17,000+/- 100 points is providing support to the Sensex and once it will be breached decisively then the actual downtrend will begin.

Short term Moving Averages

Moving Average	Value
8 day Simple	17,220
25 day Simple	17,190

As we have marked on the chart above and the values given in the table above, the Sensex had started trading below the short term 8 day moving average and at the same time it has also started trading below 25 day moving average ,which is a medium term moving average. This is a bearish indication.

Oscillators



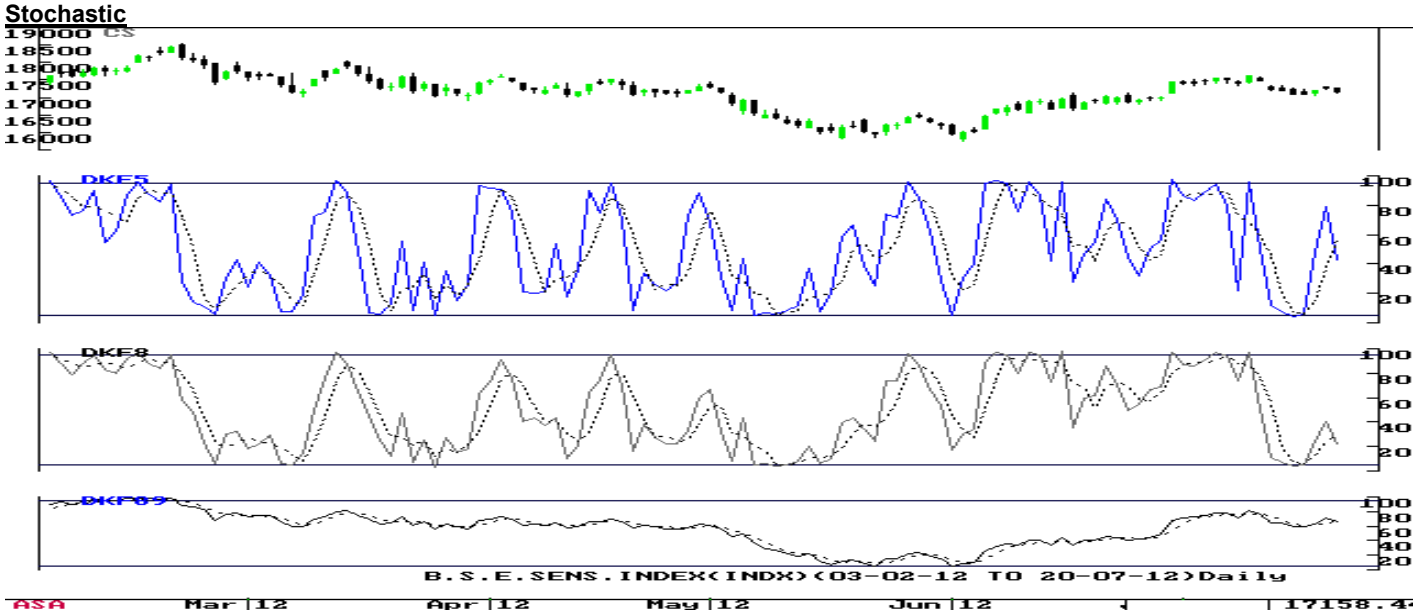
Oscillator	Current value	Average value
MACD – 9days	35.44	65.77
RSI – 14 days	50.91	55.60
ROC – 10days	-2.07	-0.14

As can be seen 9 day MACD has started trading below its 5 day exponential moving average which is a bearish indication.

The 14 day RSI has taken resistance at its 11 day exponential moving average and had started trading below it which is a bearish indication.

10 day ROC is trading at -2.07 which is below '0' level which is a bearish sign.

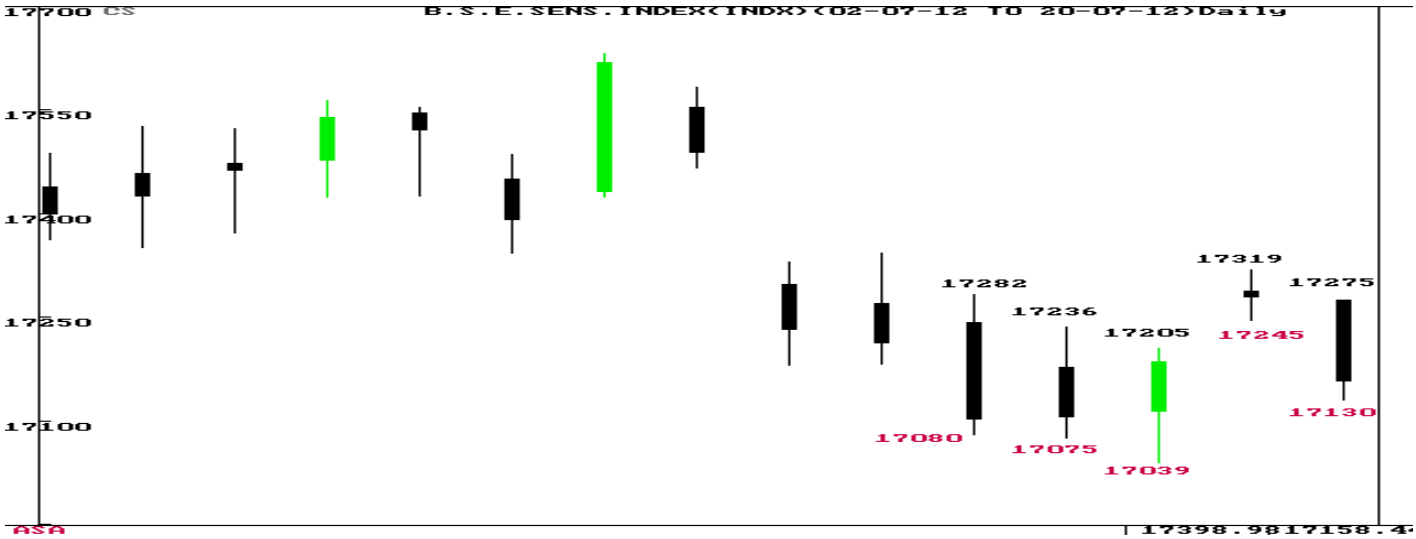
Stochastic



DKF5	42.75	56.98
DKF8	22.01	29.29
DKF89	66.42	66.46

Stochastic indicator gives us the status whether the present conditions are overbought/oversold. Presently they are not generating any particular signal. But they are cutting their respective average from above.

Week Gone By:



Week	Open	High	Low	Close	Description	Remark
Monday	17,242	17,282	17,080	17,103	Down Day	Black Candle
Tuesday	17,177	17,236	17,075	17,105	Down Day	Black Candle
Wednesday	17,113	17,205	17,039	17,039	Down Day	White Candle
Thursday	17,288	17,319	17,245	17,279	Up Day	Black Candle
Friday	17,275	17,275	17,130	17,158	Down Day	Black Candle

Sectoral Indices

BSE Capital Goods index had taken resistance at 10,295 level which is 50% of the downward move from 11,615 to 8,399 and is marked on the chart above with red horizontal line. It has also formed a bear candle on the daily charts so it is a better idea to come out of this sector at this juncture.

Stock Pick

Name: Tisco

CMP: Rs.416

Recommendation: Buy between Rs.416 to Rs.412

Sequential Target Prices: Rs.425 and then Rs.435

Stop Loss: Rs.408 on closing basis

Time Period: 5 days

Explanation:

As we have marked on the chart above Tisco as in the case of Sensex is in 4th wave and it seems it has taken support at Rs.405/406 level which is marked on the chart above with black horizontal trendline. We expect a last rally in the form of 5th wave, so one can trade long in this rally.

As can be seen from the chart above

Oscillator	Current value	Average value
MACD – 9days	-4.03	-2.32
RSI – 14 days	43.85	46.75
ROC – 10days	-7.07	-3.81

The Oscillators are on the verge of generating short term buy signals only for trading purpose.

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