Sector Switch-Technicals: August 11, 2012

Current week's recommendation:

Sector Expected to Out perform (Buy)	*Sector Expected to Under perform (Sell)*	*Time Period*	*Net Expected Gain*
BSE Oil & Gas	NSE Bank (Bank Nifty)	1 Week	1-2%
Stocks in line with the Expectation (Buy)	***Stocks in line with the Expectation (Sell)***	***Time Period***	***Net Expected Gain***
Reliance Ind.	ICICI Bank	1 Week	3-5%
GAIL	IDBI	1 Week	3-5%

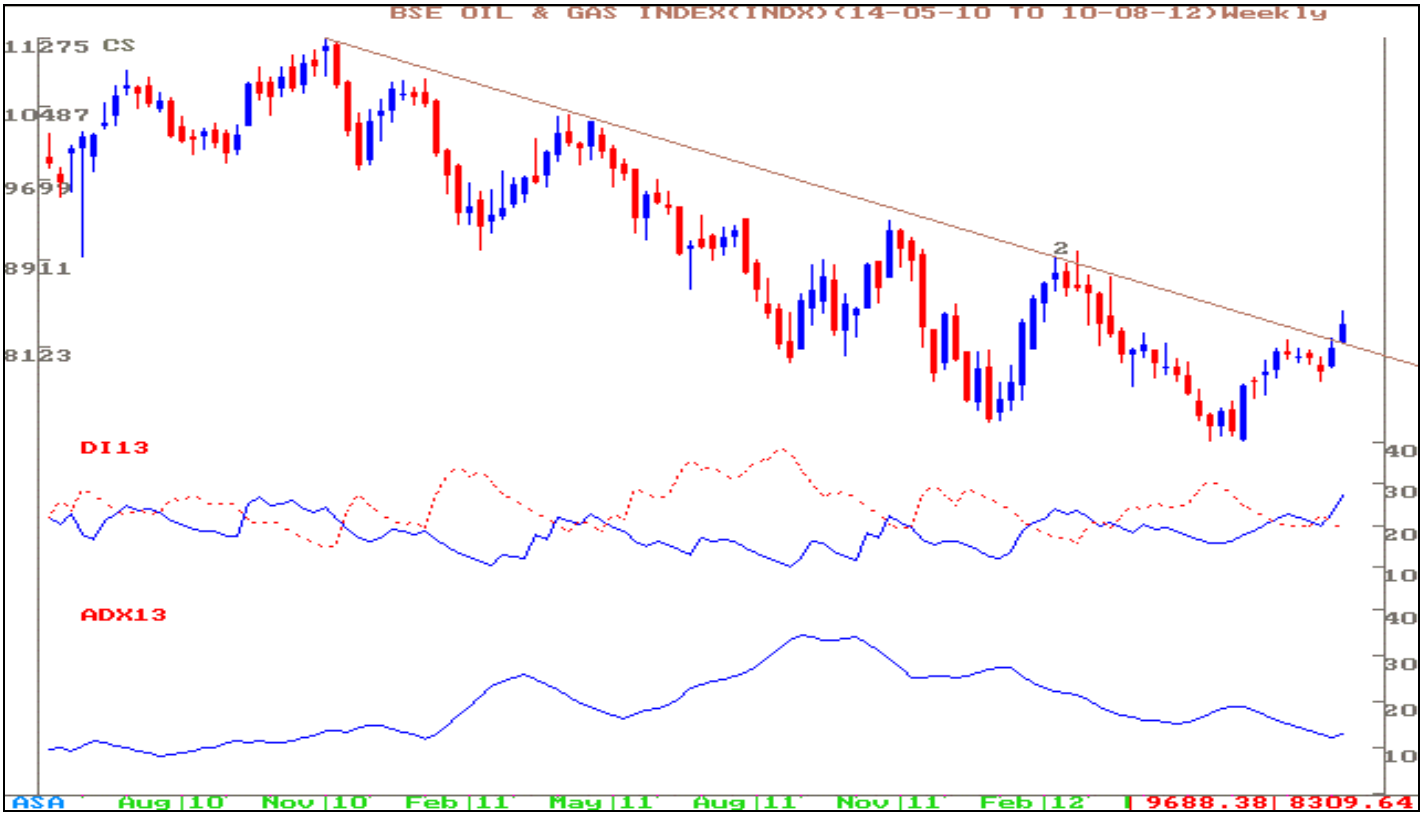
Review of last week's recommendation:

Sector Expected to Out perform (Buy)	*Sector Expected to Under perform (Sell)*	*Time Period*	*Net Gain realised*
BSE Auto (+3.84%)	BSE Metal (+3.11%)	1 Week	+0.73
Stocks in line with the Expectation (Buy)	***Stocks in line with the Expectation (Sell)***	***Time Period***	***Net Gain realised***
Bajaj Auto (+4.09%)	SAIL (+0.30%)	1 Week	+3.79%
Tata Motors (+4.98%)	Hindalco (+5.36%)	1 Week	-0.38

Sector Expected to Out perform (Sector with Positive Bias) – **BSE Oil & Gas:**

Observation:

- Oil & Gas sector has been an out performer in the broader market for the last couple of weeks.
- This sector has showed fine up move this week and staged upside breakout of the long term resistance of the down trend line (brown trend line that was connected from the major top of 11270-5th Nov 2010), as per weekly timeframe.
- Positive swing indicator like +DMI has staged sharp upside breakout of previous pivot highs, which is signaling strength of up swing in this sector.
- Trend strength indicator like ADX has turned up from lower levels of 12, which is suggesting probable beginning of new up trend in this sector.



Sector Expected to Under perform (Sector with Negative Bias) – **NSE Bank (Bank Nifty):**

Observation:

- Banking Sector (Bank Nifty) has been finding strong long-term resistance in weekly timeframe around 10574 levels (green down trend line that is connected from the major top 10303-5th Nov 2010).
- A pull back rally, which was started from the low of 10056- 27th July 2012, seems to have completed now as this sector has started to weaken by forming a new lower top around 10640-10th July, during this week.
- Formation of bearish candlestick pattern (bearish counter attack) near the strong abovementioned resistance is hinting the beginning of weakness in next week.
- Momentum oscillator like weekly RSI has placed below key upper levels of 60 this is an indication of lack of strength in the upside momentum in this sector.

Conclusion:

- Oil & Gas sector breaking out of the strong long term resistance of down trend line from lower levels around 11270-5th Nov 2010 is an indication of up thrust of bulls and is a possible signal of change in trend towards up.
- Upward trend strength in Oil & Gas sector is also reflected by the sharp upside breakout of +DMI and turning up of the weekly ADX from the low of 12.
- Major sector participants (BSE Oil & Gas) like Reliance Ind and GAIL are in strong up trend and other participants like BPCL, IOCL & HPCL have turned up strongly from lower levels.
- On the other hand Banking sector (Bank Nifty) is showing weakness from the strong primary resistance and this was backed by the formation of bearish weekly candlestick pattern near that resistance. This is a warning bell for this sector about further decline in next week.
- Key sector participants of Banking sector (Bank Nifty) like SBIN is showing sharp weakness and other stocks like ICICI Bank and Axis Bank are showing weak signals from the higher levels. Mid cap banking stocks like PNB, Bank of Baroda, Canara Bank, Bank of India, Indian Bank & IDBI are all in a bearish trend and some of them are placed at the verge of staging downside breakout of their crucial supports at lower levels.

Strategy:

- Traders may look to exit long positions/create short positions in NSE Bank (Bank Nifty) and create fresh long positions in BSE Oil & Gas sector for the period of 1week.

Analyst: Nagaraj Shetti (nagaraj.shetti@hdfcsec.com)

HDFC Securities Limited, I Think Techno Campus, Building 'B', "Alpha", Office Floor 8, Near Kanjurmarg Station, Opposite Crompton Greaves, Kanjurmarg (East), Mumbai – 400042, Fax: (022) 30753435

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