

Weekly Technical View

Date : 16 July, 2012



BSE Sensex 17213 **Short term uptrend is now threatened as 5240 is breached on the chart. However 5190 is a silver lining for the bulls.**
NSE Nifty 5227 **Nifty needs to cross 5320 to resume its uptrend.**



Nifty surged past the level of 5300 in the initial half of the week but the upside momentum failed to catch up at higher levels and it registered a break down of an important support of 5240 to conclude the week with a loss of 1.69% at 5227. As for the sectoral indices the BSE IT and Metal indices lost the most. None of the sectoral indices gave a positive close last week.

Despite trading positive in the initial half of the week Nifty gave back its gains after making a high of 5348 and ended with a weekly loss of 5227 forming a bearish candle on the weekly chart. Nifty fell short of the mentioned target range of 5400 - 5440 last week and moved below the recommended stop loss of 5240. With a breach of 5240, the short term uptrend appears under threat as there was a gap down opening on the daily chart and the gap (between 5300 and 5217) is still not filled by the trading activity of past couple of sessions. Additionally Nifty has given a breakdown below an important trend line connecting the earlier lows ever since the present up move started in the month of April 2012. Last week we had also mentioned that Nifty had sufficiently retraced the entire decline from 5629 till 4770 but there was no indication of any reversal as of last week but with the breach of 5240 an earlier indication of weakness is now visible. However the level of 5190 is now a critical support for Nifty and a silver lining for the bulls. If the decline that started late last week remains contained above this level of 5190 and Nifty manages to clear the level of 5300 then the uptrend would get reinforced and Nifty may test 5400. However on the flip side if Nifty fails to clear the resistance range of 5270 to 5300 and breaches the level of 5190 then we may see it decline till 5162 (its 200 Day EMA) and below that 5127 (38.20% Fibonacci Retracement level of the entire advance from 4770 till 5348) is possible. A significant positional support is placed at 5090. Any break down below 5090 would indicate a deeper decline.

Actionable:

- We recommend Short selling Nifty on a bounce till 5260 - 5270 with a stop loss of 5320 for a downside target of 5190 and possibly 5165.
- Short positions must be squared off in case Nifty strengthens above 5320.