

Ajcon Technical Advisory

Weekly Technical report

18-Apr-2011

Sensex 19602.23 (+ 1.11%)

Nifty 5884.70 (+ 1.03%)

Last week we suggested that, "...Crucial levels for next week are 5800 and 5920-50. Below 5800 the bias will turn negative and markets may test 5720-5700 levels. If at all index manage to trade and sustain above 5920-50, they may attempt 5980-6000 levels, which remains a very crucial hurdle..."

Bias did turn negative below 5800 on surge of heavy selling pressure which dragged the index to 5693, just 7 points below our downside target of 5700. As expected, 5700 levels did act as support and markets bounced back in a hurry with two gap-up openings on Wednesday and Thursday to make a high of 5912 before settling at 5885 which was 1.03% higher from week to week.

However, 220 odd points rally from the lows again got tested on our upside resistance levels of 5920. It seems market has formed some kind of a range for itself between 5700-5925 and unless and until index comes out of this range, taking any decisive course of action is a tough call. Though, bias remains slightly positive and 5925 level has to be watched carefully. Once above 5925, we may expect positive bias to continue for testing previous high of 5945, and even crossing it to test 5980-6000.

Last trading session of the week made a Doji candle on daily chart, which indicates there may be some correction if index breaks 5864-5857 levels in the initial part of the week to the tune of 5840-30. Below 5830 mark, 5800 should act support, to keep the bullish possibilities open.

Remember, last week we said that next 1-2 weeks should decide the intentions of the market both for short term as well as medium term. Below 5690-80, Nifty has a support around 5600 and break above 6000, market may go up to 6150-80 levels.

Keeping in mind the expiry week and 2G scam developments, we maintain our wait and watch policy and keep our volumes at a lower side until and unless market breaks its range. However, high risk traders may try to buy on any corrections around 5840-30 as discussed above, with a strict stop loss of 5800 and targets of 5925 – 5945 – 5980.

Mid-term Picture –

The structure which is unfolding for the market comprises of an Expanding Triangle beginning from Nov 5, 2010 high of 6338. An Expanding Triangle comprises of 5 legs and each directional and non-directional leg is bigger than its previous directional or non-directional leg (both time wise and price wise). The current leg is the fourth leg ("D") beginning from Feb'11 lows.



(Source: www.spidersoftwareindia.com)

C leg of this formation was greater than A, both in price and time. D leg is already greater than B, again both in price and time, hence fulfilling the minimum requirement.

To maintain the validity and nature of this Expanding Triangle, D leg should end below highs of B leg i.e. 6181. So, as long as D stays below 6180, bearish possibilities are always open.

Once D leg is over, the fifth and final E leg should begin downwards, which can be very devastating in nature.

We required a downward break below the channel around D leg to confirm E leg, which doesn't seem to be happening as of now. As a result we may see a development of 2nd leg inside D, which may have already started from the lows of 5693 and which may keep the short term bias positive for time being.



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