

Ajcon Technical Advisory

Technical Report

Sensex- 17562.61(+0.46%)

Nifty- 5284.20 (+0.35%)

Markets indecisive near 200 day moving average

We have been maintaining our view for quite some time now that a crucial low might have been made in August 2011 as per 32 week cycle Indices are following since March 2009 (*explained later in this report*). Markets responded well to that cycle so far and also protected their previous year's lows. Technically, previous lows have to be broken to resume the downtrend further.

Before last week indices had given a breakout after a consolidation period of more than 2 months since Aug'11. This consolidation phase developed as a pattern which looks like "Inverse Head and Shoulders", which is a classic bullish reversal pattern. Pattern implication for this gives us a target of 5500 for Nifty in 2-3 weeks.

Last week made a small Harami Red Candle with its high and low well under the previous week's bullish candle. This candle can be bearish below its low of 5201. Psychologically 5200 mark is a support area for Nifty in the middle term.

Friday's low of 5256 provides short term support for Nifty. **A close below 5250 will warrant caution for long positions.** On the other hand trading above 5350 will take Nifty to 5400 mark where recent high was made and markets were paused.

Short term traders are advised to stay long with a stop loss of close below 5250. Target for long positions will be 5350 – 5400.

Medium Term Picture-

As far as the longer term structure is concerned, holding the low of the year 2010 *i.e.* 4675 becomes crucial. Historically whenever previous year's low was broken, markets went into much deeper downtrend.



Since November 2010, we have witnessed 4 big falls which got retraced exactly 75-80%. The recent consolidation also appears similar to Feb-Apr 2011 period. Both have shown a basing activity for around 2 months followed by strong rally. For the last bigger fall, 75-80% retracement would come to around 5470-5500.

As per this observation and the Inverse Head and Shoulder pattern discussed above, we will keep the bullish possibility open with target of 5500 for Nifty in the short as well as middle term.

Developments since March 2009 has shown a time cycle of 32 weeks, where important tops and bottoms were made after every 32 weeks. As per this cycle, this possibility is raised that an important bottom may have been made on 20th August – 27th August 2011.

Markets had responded very well to this cycle by hitting the low of 4720 on 26th August 2011 and immediately bounced back to around 5200 levels. The low made was also very close to the low of 2010 *i.e.* 4675. That is why we are considering 4675 to be a very crucial support for the Nifty.

For any queries kindly contact - **Kuldip Upadhyay**

e-mail : kuldip@ajcon.net

Disclaimer

This document has been prepared by Ajcon Global Services Ltd and is meant for the recipient for use as intended and not for circulation. The comments/notes prepared in this document are meant for those who are interested in the useful applications of Technical Analysis. This document should not be reported or copied or made available to others. The information contained herein is from the public domain or sources believed to be reliable. While reasonable care has been taken to ensure that information given is at the time believed to be fair and correct and opinions based thereupon are reasonable, due to the very nature of research it cannot be warranted or represented that it is accurate or complete and it should not be relied upon as decision such. Ajcon Global, its directors and employees, will not in any way be responsible for the contents of this report. This is not an offer to sell or a solicitation to buy any securities. The securities discussed in this report may not be suitable for all investors. Investors must make their own investment decisions based on their own investment objectives, goals and financial position and based on their own analysis.