

## ***Ajcon Technical Advisory***

**Weekly Technical report**

**04-July-2011**

**Sensex 18762.80 (+2.86 %)**

**Nifty 5627.20 (+2.85%)**

### **Buy on correction down to 5500-5480**

***(Please read further for details)***

Two weeks earlier we had advised to sell for target of 5200. Things happened too fast too soon and before anybody could realize anything, Nifty made a low of 5195. Support at 5200 was always expected as we had been saying that technically a break below 5200 will confirm a larger and deeper bear trend. Markets avoided that fear and it looks like a significant bottom has been made at 5200.

Nifty moved 500 points which was surprising and unexpected above 5400. However, it created a Catch-22 like situation when buying can not be done because we had seen much lower levels and selling can not be done either because markets were moving up strongly.

Last week made a big bullish candle with no lower shadow and an upper shadow, which indicates some profit booking at higher levels. Again, that is expected after a hefty 500 point rally.

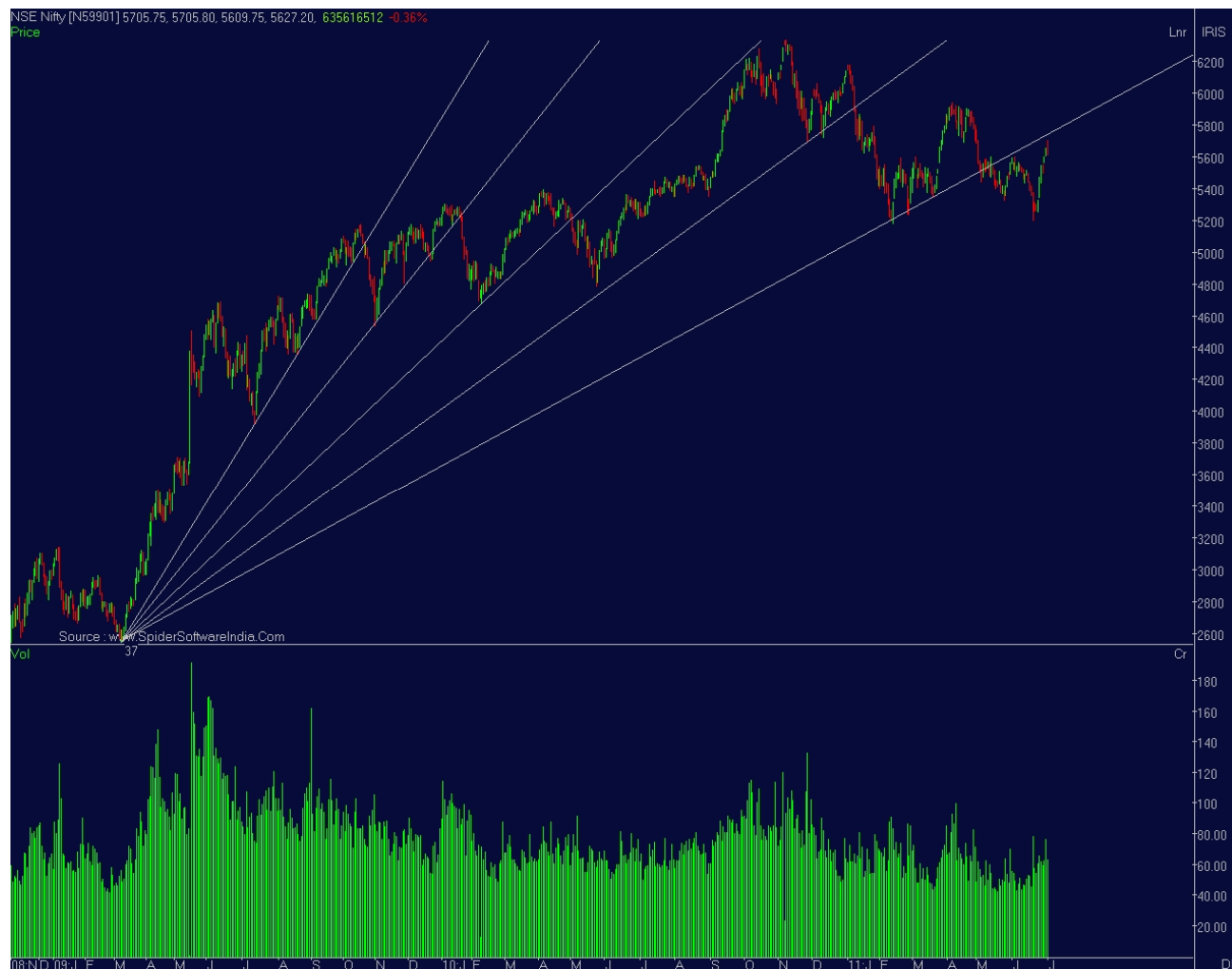
Though intraday charts are showing support at 5600, if there is any correction of 100-150 points that will be an opportunity to buy because short term trend is definitely bullish. A break below 5600 will confirm the much awaited correction and opportunity to buy at lower levels.

Traders are advised to buy around 5500-5480 levels. Stop loss can be a definite close below 5450. We have a first target of around 5720-30 and second target of around 5820. Looking at the trend even 5900 can be attempted and tested in few weeks.

#### ***Mid-term Picture-***

Technically a break below previous lows of 5200 will confirm a larger and deeper bear trend, and then 4700-4800 levels will be talked about. However, it was argued much earlier (since Nov'10) by us that we might well be entering a deeper bear market and indeed, last high of 6338 was made on 5<sup>th</sup> Nov 2010. Since then we have been witnessing lower highs and lower lows. First it was 6350, then 6150 and then 5900 where Index was resisted before making lower lows of 5700 and 5200.

Nifty Daily chart from Mar'09 till date (Equi-angled lines)



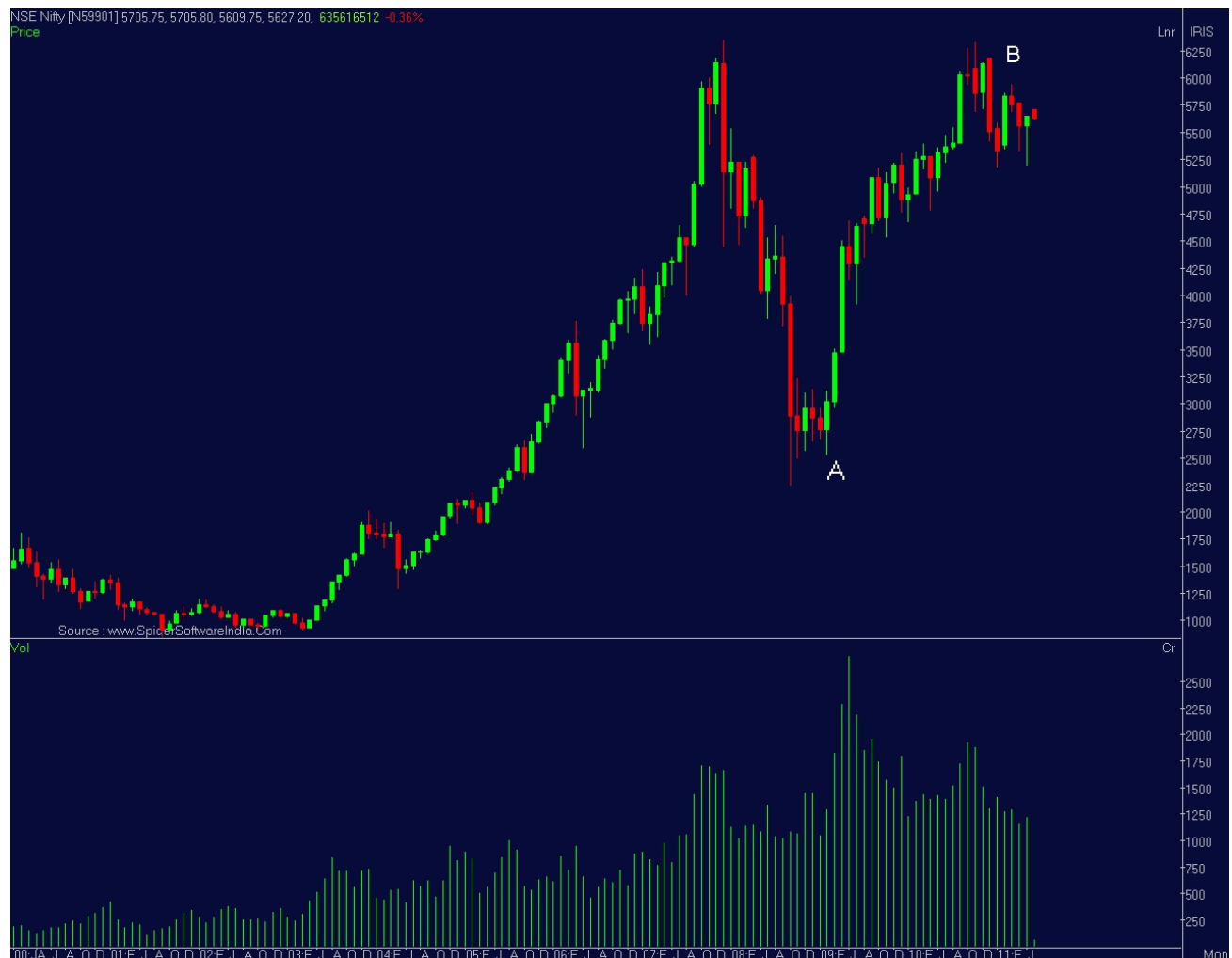
(Source: [www.spidersoftwareindia.com](http://www.spidersoftwareindia.com))

It can be observed that Nifty is following equi-angled lines ever since it started to rally from the lows of Mar'09. Once it breaks the line, Nifty travels towards next equi-angled line. The current line also acted as a support in Feb 2011 at around 5200 levels, Nifty bounced back and now it has breached the line. So we may expect the south journey to continue till nifty meets the next line.

The structure which unfolded for the market comprised of an Expanding Triangle beginning from Nov5, 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.

C leg of this formation was greater than A, both in price and time. D leg was greater than B, again both in price and time, hence fulfilling the minimum requirement. However, E leg which was violent most of its course is now doubtfully proving to be a failure leg unless Nifty breaks below 5200 convincingly.

### Nifty Monthly Chart



(Source: [www.spidersoftwareindia.com](http://www.spidersoftwareindia.com))



If E leg has ended as failure at 5200, the current up move will be a part of C wave of an even larger structure which started in January 2008, which is unfolding as A-B-C formation. "A" leg started from January highs of 6358 and ended at March 2009 lows. After which B leg started moving up to test the previous highs again. Since November 2010, C leg has started moving downwards, which can see much lower levels.

A leg of this formation was a 14 month affair. B leg consumed 20 months and proved its corrective nature. C leg can take 9-18 months to complete. 7 months of C legs are already completed.

Current rally from 5200 can be labeled as an X wave of this larger C leg, and it can move up to 5900-5920 as maximum upside. Once this X wave is over, we may expect the third and final leg downwards.

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

**e-mail : [kuldip@ajcon.net](mailto:kuldip@ajcon.net)**

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