Ajcon Technical Advisory

Technical Report- November 21, 2011

Sensex- 16372 (-4.78%) *Nifty- 4905 (-5.09%)*

Last week we suggested,"…next week we will keep an eye on 5150 mark. Weakness below this mark will strengthen the bears and Nifty would be dragged to 5080-85 levels initially. On the other hand, if 5150 do act support as we expect, bulls will become active and Nifty may see 5210 and then 5250-60 levels…"

Nifty opened gapped-up on Monday and made a high of 5229, however, the gains were immediately wiped off the same day and markets were in tremendous sell-off mode for the whole week. Nifty lost 400 points from its Monday high and made a low of 4837 before closing at 4905, -5.09% WoW.

The low of 4837 exactly tested and filled the gap created on 5-7th Oct 2011 and recovered decent 75 points thereafter due to short covering. The daily chart made a Hammer like candle which can be bullish above its head *i.e.* 4915.

After continuous 7 day hefty fall, some relief can be expected from the 8th day (Fibonacci Number).

A sustained trading above 4920 may open up small relief rally kind of situation and take the Nifty to 5025 initially and then 5085 thereafter. On the other hand failure to generate and sustain such kind of rally will again test 4830. In such a scenario where market takes support around 4830 mark with good volumes, long positions can be initiated with a strict stop loss of below 4800.

Ahead of expiry week, we expect the markets to be volatile and choppy. Traders are advised to take a call accordingly. Long positions can be initiated only sustained strength above 4920 (stop loss below 4900) OR near support levels around 4830 (stop loss below 4800). Stock specific approach is advisable for short term traders.

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.

Indices have successfully defended the lows of 2010**. Break below that low of 4675 is required to open further price/time damage.**

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.

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.

As per this cycle, markets may remain range bound and choppy till Feb-Mar 2012, as upside seems to be limited and markets are holding their last year's lows. Keeping in mind that only one and half months remain for the current year, the possibility of markets making a double bottom for two years is raised.

For any queries kindly contact - Kuldip Upadhyay e-mail : kuldip@ajcon.net

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