

## *Ajcon Technical Advisory*

### **Technical Report- December 05, 2011**

*Sensex- 16846.83 (+7.34%)*

*Nifty- 5050.15 (+7.22%)*

We had been arguing that Indices were holding their previous year's low and on that basis combined with the 32 week cycle markets were following since March 2009, we expected 4675 to be a crucial support. Indeed market bounced back sharply twice from around those levels.

However, the 11 day fall from 09 Nov'11 could not hold the previous year's low, and the same was broken 23<sup>rd</sup> Nov. Historically whenever previous year's low was broken, markets went into much deeper downtrend.

Indices recovered sharply and smartly from their recent lows to gain hefty 7% WoW. While all sectors ended with gains, out-performance came from metals which shined more than 10% for the week.

Nifty formed its biggest Bull candle for nearly eight months on its weekly charts. Friday's action also formed as biggest intraday rally in nearly four months.

Though indices recovered sharply from lows, the recovery was not supported by the good volumes needed to promise a sustainable trend change. Last week's gain would be considered as a correction of 11 day continuous fall. So far the rally has exactly retraced 61.8% of the previous fall. It can correct up to 80% maximum.

Only strength above Friday's high of 5063 will open up further upsides closer to 5170-5200.

Remember that 5170-5200 area was proved to be a strong resistance zone for nearly two months and the breakout above it also proved to be a false breakout.

Friday's action may attract some profit booking for the initial part of the week. However, for short term basis bias would remain positive **till Nifty closes below its previous day close**. Short term traders are advised to take a call accordingly.



In any case, since the Indices have broken previous lows, we had argued that greater price/time damage would be expected, **So any recovery from here would prove only temporary.**

As we discussed in our earlier reports, all major tops are characterized by 30% drop from the top value. This is not only normal when a bear phase starts, but is seen inside a bull market too ( as witnessed during 2004 and 2006). **The 30% taken out from the current top value on Nifty would be around 4400-4450.**

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