

## **ABSTRACT**

**NOT QUITE BULLISH! RBI RATE CUT COULD NOT PREVENT NIFTY FROM A BIG DECLINE, FALLS AFTER MAKING ANOTHER LIFETIME HIGH, SHORT TERM TREND CHANGES TO SIDEWAYS; BUYING SUGGESTED ONLY ABOVE 9000 IN NIFTY**

A big decline came in Bank Nifty. After such a big decline, we may see some narrow and choppy days. We should wait for some type of consolidation here. CNX IT has also seen a down move. Below the support comes at 12500. Trend is still up.

We have ALUMINIUM in METAL SECTION. A short trade has been stopped out. We should avoid trading in this instrument. We have AUTOOBILE in Sector Focus. Trend is up in this sector. We will discuss the current scenario of AUTO Stocks. Stock in focus includes ASIAN PAINT, BHARTI ARTL, HAVELLS and UBL. For each of these stocks, we analyse their technical picture; identify trades with stop loss and targets. At the end, we will discuss a trade in USD INR in Currency Tracker Section.

## **MARKETS TODAY**

After making a new lifetime high, the Nifty literally broke into pieces. It started the session emphatically with a gap up of 113 points at 9109.15, and touched high of the day at 9119.20 initially. Soon, the positive start turned down and prices went into a narrow trading range. A crack lower before lunch not only took the index below 8900 level but also to day's low of 8893.95. Nifty closed at 8922.65 with a loss of 73.60 points. Nifty traded in a wide range of 227 points. CNX PHARMA (+1.32%) and CNX FMCG outperformed while CNX Bank (-1.59%) and CNX IT underperformed for the market. With 290 advancing stocks to 866 declining ones, market breadth was strongly negative on the NSE.

## **TRADING**

Nifty's range of 227 points was the widest in past many sessions, which signals an expansion phase now beginning in Nifty. It has broken important support at 8900 suggesting that the range has been resolved on the downside. We do not know if this is a beginning of a correction or just a test of recent low, which is a normal phenomenon in bull markets. Though the primary trend remains on the upside, our long bets for the short term are off. It is that time again when we should just wait patiently for fresh signals to emerge. We do not have any view as of now. It would be a good idea to step aside or trade with lower volumes and wider stops to compensate for the enhanced volatility.

## **ACTIVE INVESTING**

Bull Market rallies have interrupted by severe corrections. These are always corrections inside a bull market. Active Investors should welcome these dips because they represent buying opportunities. However, we have to wait for the market to make some view and then we should enter. Till then step aside.

## **NIFTY WATCH**

Markets (technicals, psychology..) are bigger than Fundamentals!

After the Governor's surprising decision to cut rate it was the turn of markets to surprise and arguably it's the markets which won this game of surprising the participants. That is why it is often said that even though one can anticipate outcome of fundamental events, it is very difficult to anticipate how the markets will react to the outcome.

On the daily charts Nifty's range of 225.25 points was its widest in nearly 7 months after 10<sup>th</sup> of July. It has formed a bearish engulfing pattern on the daily candlestick charts. This pattern may prove to be a setback for the bulls at least in the short term. Only time will tell whether a near term top has been formed today or not but today's move should alert the bulls now so for the time being fresh buys should be put on hold.

### Short term

With Nifty breaching and sustaining below 8950, our bias for the short term now turns to the sideways. Support for the Nifty stands in the 8820-8850 level and a breach of these levels will hint to further downside in the index. Our long positions have stopped out and now we should wait for the prices to stabilize and then take trade in the direction of the market.

### Intermediate term

Nifty has closed above our stop loss of 8850 therefore; we have remained in our long positions. Our bias is now neutral for the index and we step aside to wait for fresh signals for entry. Till then hold on to your long positions with previously decided stop loss.

**STOCK MARKET – SPOT PRICE (NIFTY: 8918.40, SENSEX: 29,380.73)**



### TAKING A SWING TRADE

We have suggested four trades in our newsletter dated 24 February 2015. Trade was to go long in all four shares i.e., GODREJIND, LICHSGFIN, SUNTV, and TECHM. We have stopped out in GODREJIND and SUNTV but achieved a target in LICHSGFIN and TECHM. We have gained 120 points from winning trades and lost 14 points from losing trades.

### **What is Swing Trading?**

Swing Trading takes advantage of brief price swings in strongly trending stocks to ride the momentum in the direction of the trend.

- Swing trading combines the better of two worlds — the slower pace of investing and the increased potential gains of day trading.
- Swing traders hold stocks for days or weeks playing the general upward or downward trends.
- Swing Trading is not high-speed day trading. Some people call it momentum investing, because you only hold positions that are making major moves.
- By rolling your money over rapidly through short-term gains, you can quickly build up your equity.

### **Commandments of Swing Trading**

- Always align your trade with the overall direction of the market.
- Go long strength. Go short weakness.
- Always trade in harmony with the trend one time frame above the one you are trading.
- Never trade only on the short-term chart of the swing-trading time frame.
- Try to enter the trade near the beginning of the trend, not near the end.
- Always apply the rule of “multiple indicators.” Do not trade on any one technical tool or concept in isolation.
- Keep your eye on the ball. Track a consistent group of stocks.
- Always enter a trade with a clear trading plan, the four key elements of which are a target, a limit, a stop loss and an add-on point.
- Try to put the odds in your favor.
- Master the “inner game” of swing trading. Great trading is psychological as well as technical

### **METALS [ALUMINIUM (Future Price): 111.60]**

#### ***Industrial:***

Long Term Trend is down whereas Intermediate and Short Term Trend is sideways in ALUMINIUM. A short trade executed at 111.50 should have closed as price met with our stop near 112.50. We have incurred a loss of 1 point in this trade. View is not very clear in this instrument so we should avoid trading here.



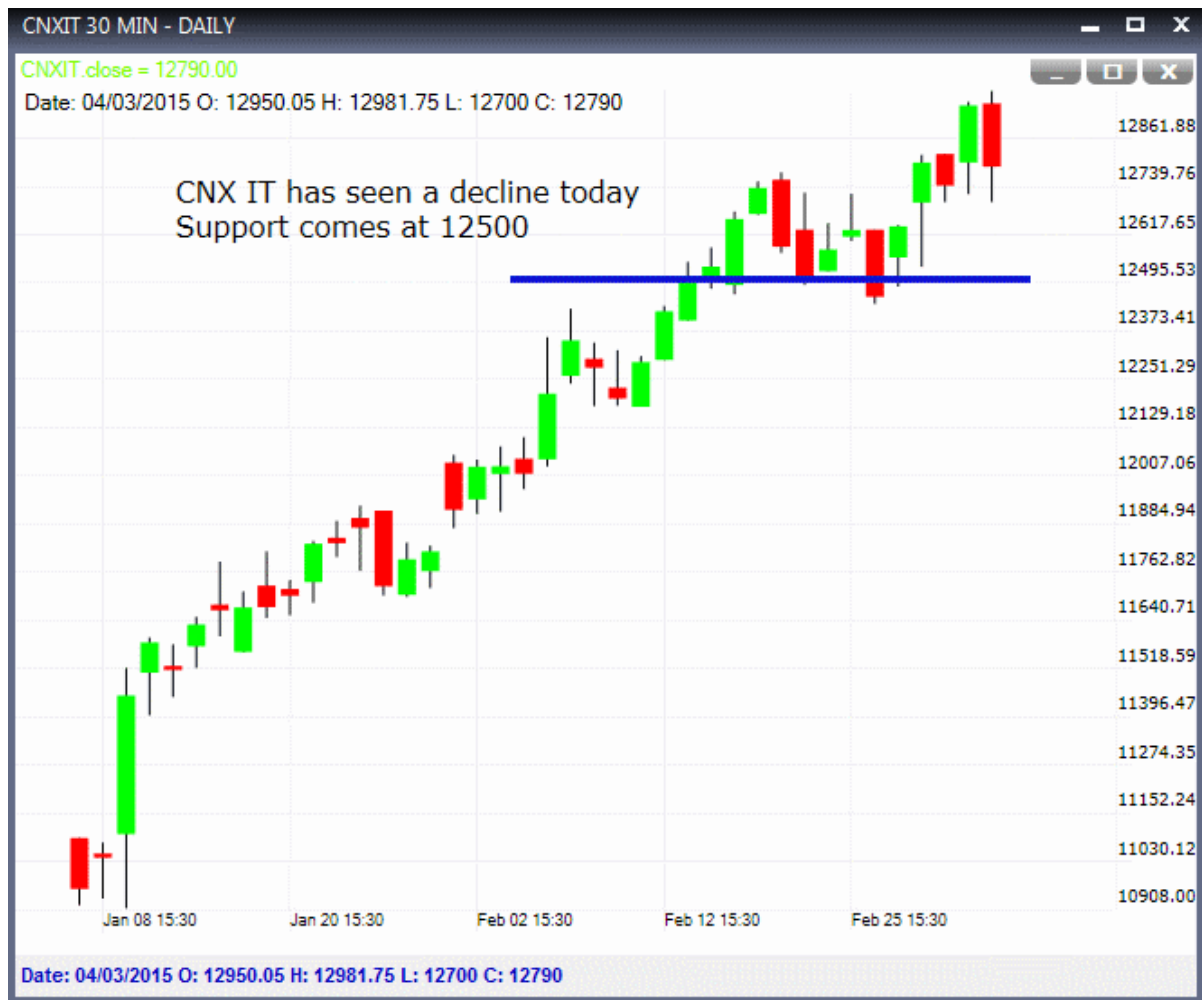
**IT IS ABOUT BANKS! [Bank Nifty (Spot Price): 19608.70]**

Bank Nifty opened with a big gap up of almost 550 points and made its high near 20540. Prices did not sustain it and started a down move. A big intraday decline came and the index closed near 19608 (with an intraday decline of almost 930 points). After such a big decline, we may see some narrow and choppy days. We should wait for some type of consolidation here and then take a trade on upside on any breakouts.



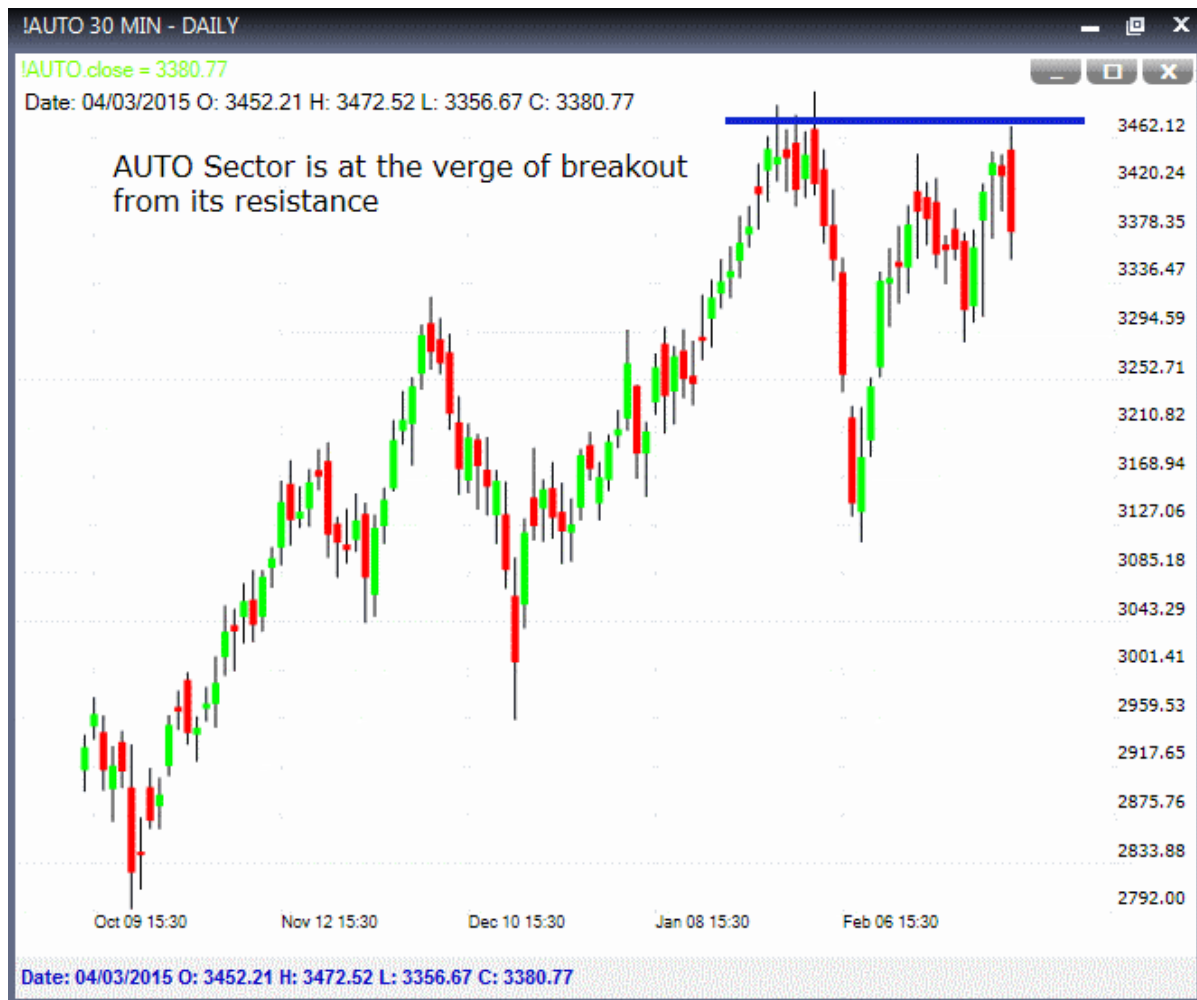
#### IT WATCH [CNX IT (Future Price): 12790]

Trend is up in CNX IT. Prices have seen traded in a large and seen a decline. These one day dips in an ongoing bull market provide us a chance to re-enter or to add in our existing long positions. We should look for buying only. Below the first support comes at 12500 in CNX IT. Look for a buying opportunity in IT Stocks such as INFY, HCLTECH, TCS, HEXAWARE, TECH M and WIPRO.



## SECTOR FOCUS [AUTOMOBILE]

Intermediate, Short and Long Term Trend is up in AUTO Sector. Prices have seen a deep correction which is over now and the sector has resumed its uptrend. Prices are now trading near its resistance and at the verge of breakout. We should look only for a buying opportunity in AUTO STOCKS. ASHOK LEYLAND and MARUTI is the outperformer in this sector. Look for a buy on dips opportunity in these two stocks. M&M, TVS MOTOR and TATA MOTOR are coming out from a correction. Look for a buying with small volume in these stocks. Avoid buying in BAJAJ AUTO, HERO MOTO and APOLLOTYRE as intermediate trend is down in these stocks.



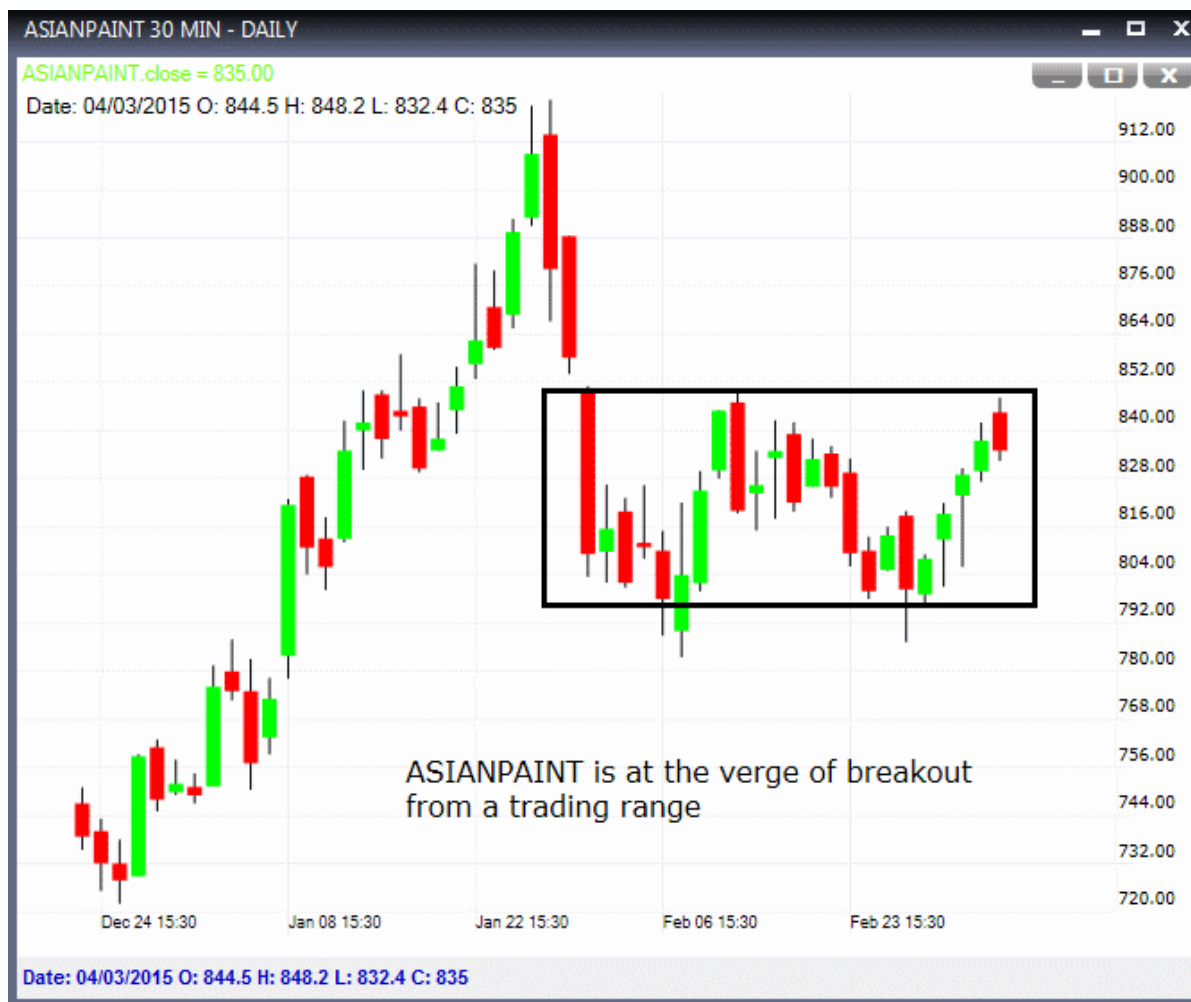
## SWING TRADES

*"Trades which last from few days to a week or more"*

Charts and levels discussed are for equity instruments. If you trade the corresponding futures, please track the levels on the equity and take appropriate positions on futures.

### ASIANPAINT – [Close (Spot Price): 835] – BUY

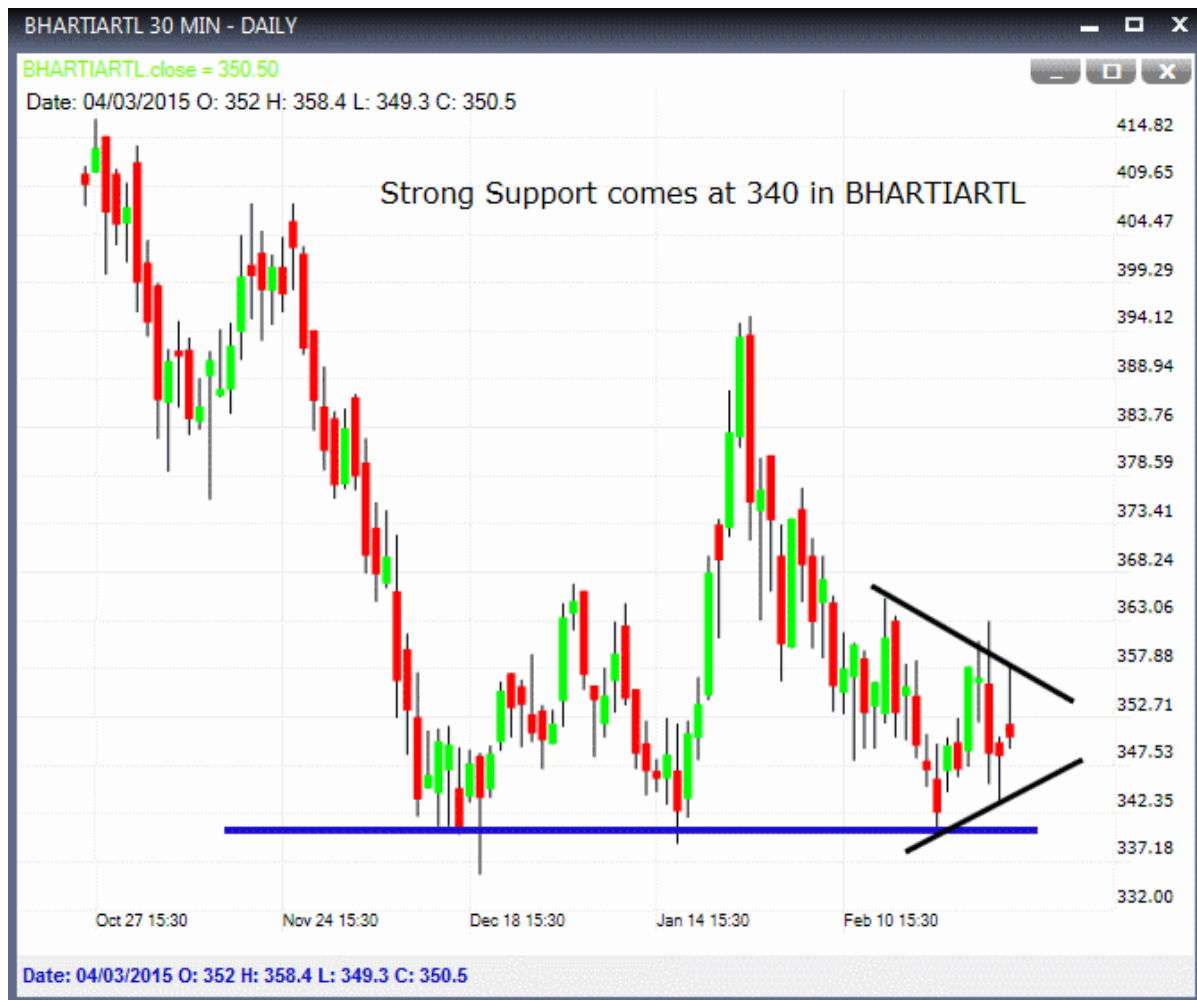
Trend is up in ASIANPAINT. The stock has seen a correction and builds a trading range inside 795 – 850. A breakout may lead prices to higher levels. Buy this stock above 845. If this trade executes then place your stop just below 830 with a target near 875.



**BHARTIARTL – [Close (Spot Price): 350.50] – BUY**

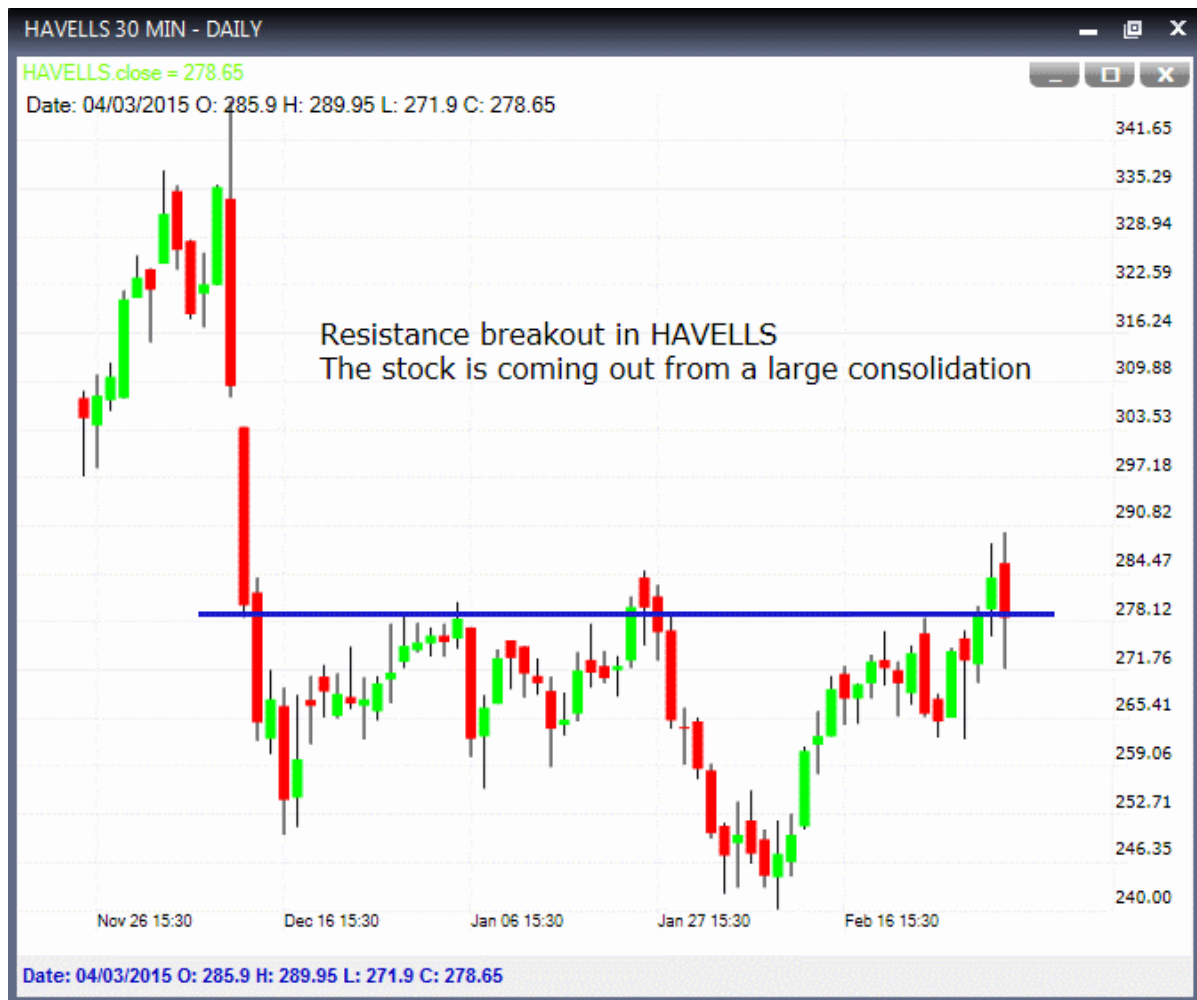
Intermediate and Short Term Trend is sideways in BHARTIARTL. Prices were consolidating and find support at 340. Prices are now trading very narrow which suggests that a big move is about to come. Buy this stock above 355. If this trade executes then place your stop just below 348 and a target near 370.





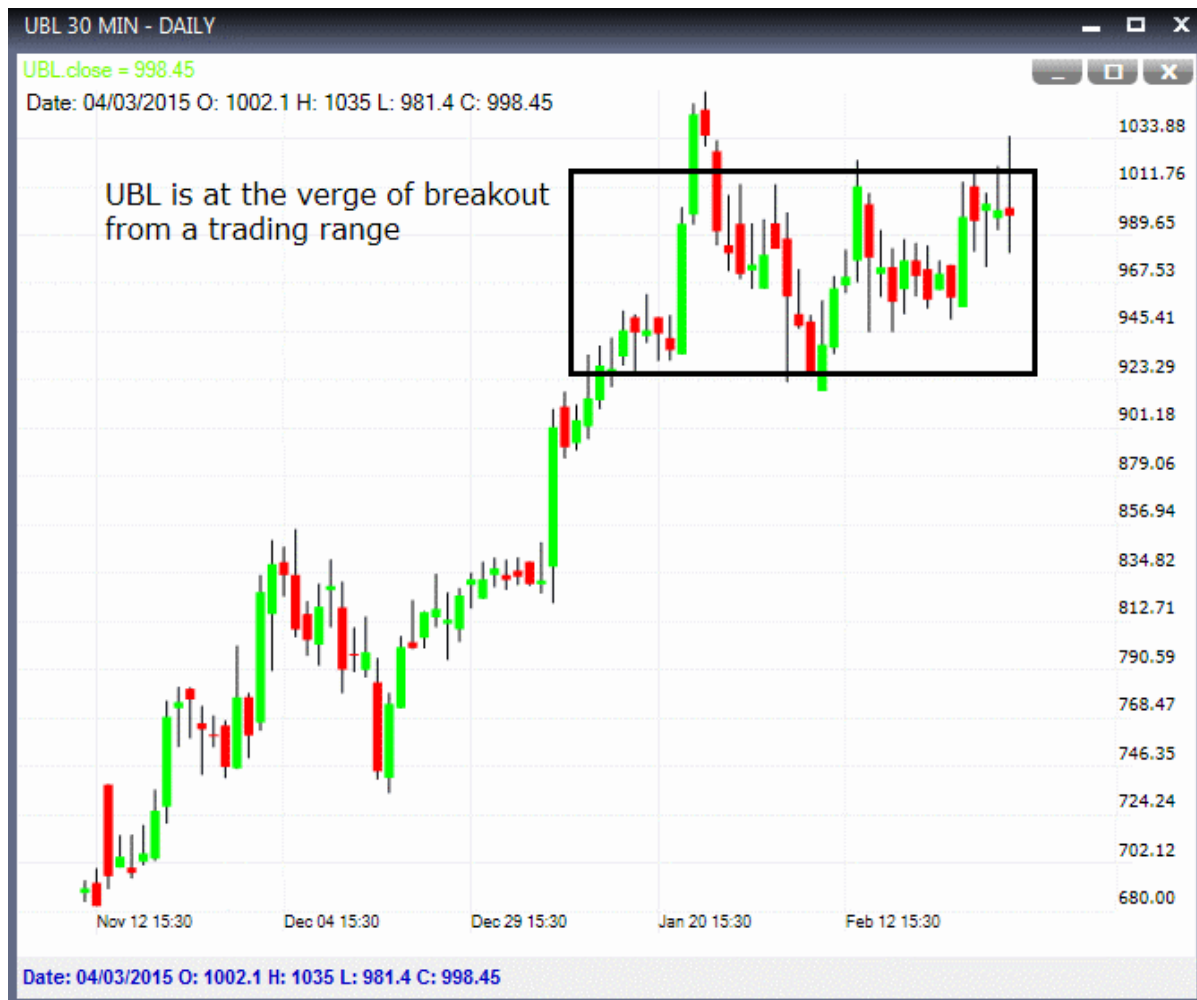
**HAVELLS – [Close (Spot Price): 278.65] – BUY**

Intermediate and Short Term Trend is sideways in HAVELLS. The stock has seen sharp correction and started a process of consolidation. Prices have traded range bound for almost 3 months and now at the verge of breakout. Buy this stock above 280. If this trade executes then place your stop just below 275 and a target near 290.



**UBL – [Close (Spot Price): 998.45] – BUY**

Trend is up in UBL. The Stock has seen a sharp rally and then started consolidating at its top. Prices have built a trading range there and now at the verge of breakout. Buy this stock above 1010. If this trade executes then place your stop just below 980 and a target near 1080.



**CURRENCY TRACKER: [USD INR (Future Price): 62.44]**

Short term trend is sideways in USD INR. Prices are trading range bound from last 3 weeks and now at the verge of breakout from its resistance at 62.50. This breakout will give us a buying opportunity in this instrument. Buy above 62.60. If this trade executes then place your stop just below 62.30 with a target near 63.20.



### Final Words

After a range breakout, bias is on the bull side on all periods but the market may not rise with the same pace every day. Traders should look for buying opportunities on minor dips or breakout from consolidation patterns.

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