

News Letter – 10/03/2015

ABSTRACT

Volatile and choppy, Nifty falls again, moves in narrow range; Nifty may enter a trading range with support around 8600, resistance at 8850. Bank Nifty decline continues; banks remain weak, avoid buying Banks.

Down move continued in Bank Nifty. Below the next support comes at 18500 and above the resistance comes at 19500. PSU Banks are now offering us a shorting opportunity. CNX IT traded choppy today. Above the resistance comes at 12750 and below the support comes at 12000. We should wait for some type of consolidation here.

We have NICKEL in METAL SECTION. View is choppy and we should avoid trading in NICKEL. We have FMCG in Sector Focus. Intermediate and Short Term Trend is sideways in this sector. We will discuss the current scenario of FMCG Stocks. Stock in focus includes ASHOKLEY, AUROPHARMA, RECLTD and SIEMENS. For each of these stocks, we analyse their technical picture; identify trades with stop loss and targets. At the end, we will discuss JPY INR in Currency Tracker Section.

MARKETS TODAY

Nifty started the session with a gap up of 13 points at 8769.75. It made a high of 8778 in early ticks and gave a sense of upside movement. However, after making an acceptable start by Nifty, it started trading choppy and volatile. A sudden decline after lunch took Nifty to the day's low at 8680.25. Nifty recovered from that decline in last half an hour and finally closed with a loss of 44.70 at 8712.05 points. Nifty traded in a moderate range of 101 points. Among the major indices, CNX BANK, CNX IT, and CNX PHARMA closed with minor losses. Market Breadth was in favour of declining stocks with 605 advancing and 902 declining stocks.

TRADING

Downtrend in Nifty continued for the second day in a row though the quantum and pace of fall was not that of like yesterday. After consolidating for the first few hours of the session Nifty broke below 8700 in the second half but managed to close just above that level through some recovery in late trade. On the whole intraday price action was choppy but still with a negative bias.

On the hourly charts Nifty has made an exhaustion gap on 4th of March which is a very bearish pattern for the near term and till that gap is filled we may see further weakness on the index. On the daily charts Nifty managed to hold above the previous swing low of 8670 and as long as this level is held there are chances of a bounce in which the index may face resistance first in the 8800 to 8830 zone and then near the 8900 level.

What to Do Tomorrow?

Nifty may remain choppy in sideways range tomorrow or even attempt a recovery. Traders should step aside on any rallies for the time being and try to position on the short side only when the rally seems to fizzle out. Another signal to go short is when Nifty sustains below today's low but in this case stop loss level would be wider so size your positions accordingly.

ACTIVE INVESTING

Take it easy. No investing ideas today, as markets remain negative.

NIFTY WATCH

Some markers on the Nifty are now visible, with strong support at 8600, also clear resistance at 8850. This 250-point range is more or less a no trade zone. Intra-day trades based on the opening range may well be taken, but that is about all. Choppy markets are volatile, we have been warning on this for many days now, and the warning persists. All trading should do with low volumes.

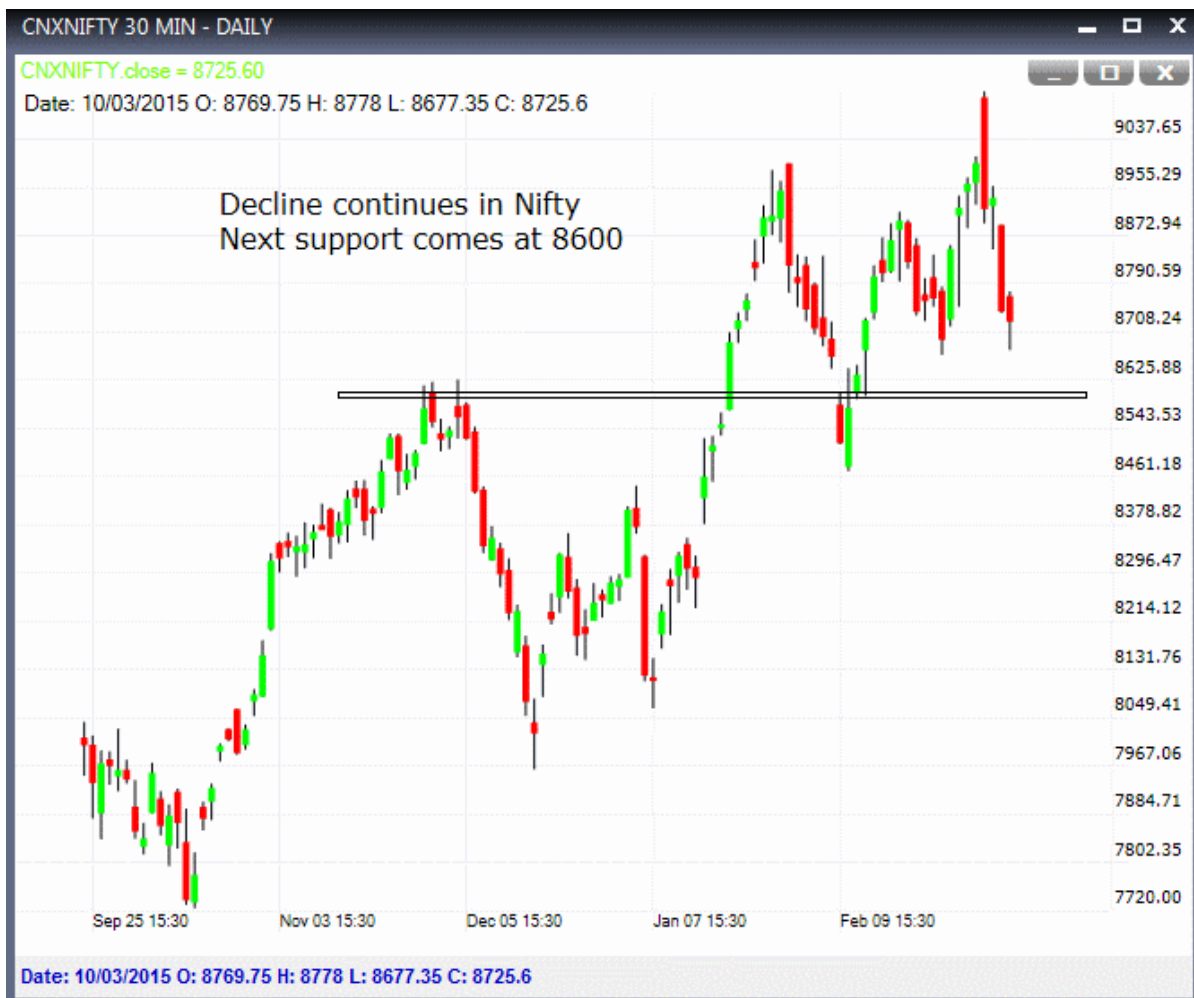
Short Term

We are bearish for the short term those already short can hold their short positions with a stop just above 8850.

Intermediate Term

Our bias for the intermediate term is on the downside and we advise traders to build short positions if Nifty sustains below 8700 with a stop just above 8850 level.

STOCK MARKET – SPOT PRICE (NIFTY: 8725.60, SENSEX: 28,709.87)



TAKING A SWING TRADE

We had suggested four trades in our newsletter dated 27 Feb 2015. The trade was to go long in all four trades i.e., LT, BHEL, JISLJALEQS, and MCLEODRUSS. Next day there was a budget announcement and increase in the

volatility expected. As per our expectation market behaved in a choppy and volatile manner, which stopped out our three trades namely LT, BHEL, and JISLJALEQS on that particular date and achieved target in MCLEODRUSS.

It proves that we should avoid market in these types of events because volatility increases in this scenario. In addition, it is essential to follow rules and regulations made by experts because they are well gone through from these types of situations many times.

In such volatile market, usually trades do not execute and if they execute, probability of stopping out is high. Therefore, it is advisable to trade less, reduce volume size to half or may be avoid participating in this market. More active you are in such environment, more money you are likely to lose. The best thing to do in such an unfavorable environment is to sit on the sideline.

On the other hand, in choppy market, stocks, which are part of outperforming sector, can give us good return compare to others. Our work as a trader is to identify those outperforming sector and then take trade in the stocks (in same sector) which are likely to outperform. This provides us an edge in the market and possibility of reaching the targets increases.

“We want to percieve ourselves as winners, but successful traders are always focusing on their losses” – peter boorish

METALS [NICKEL (Future Price): 890.80]

Industrial:

Trend is down in NICKEL. Suggested short trade has been executed as price touched our entry level at 860. That trade stopped out near 880 (trade stop) and we have took a loss of almost 20 points in this trade. After that price begin a sharp upward rally and now trading near its resistance at 925. Below the support comes at 870. View is not very clear so we should avoid trading in this instrument.



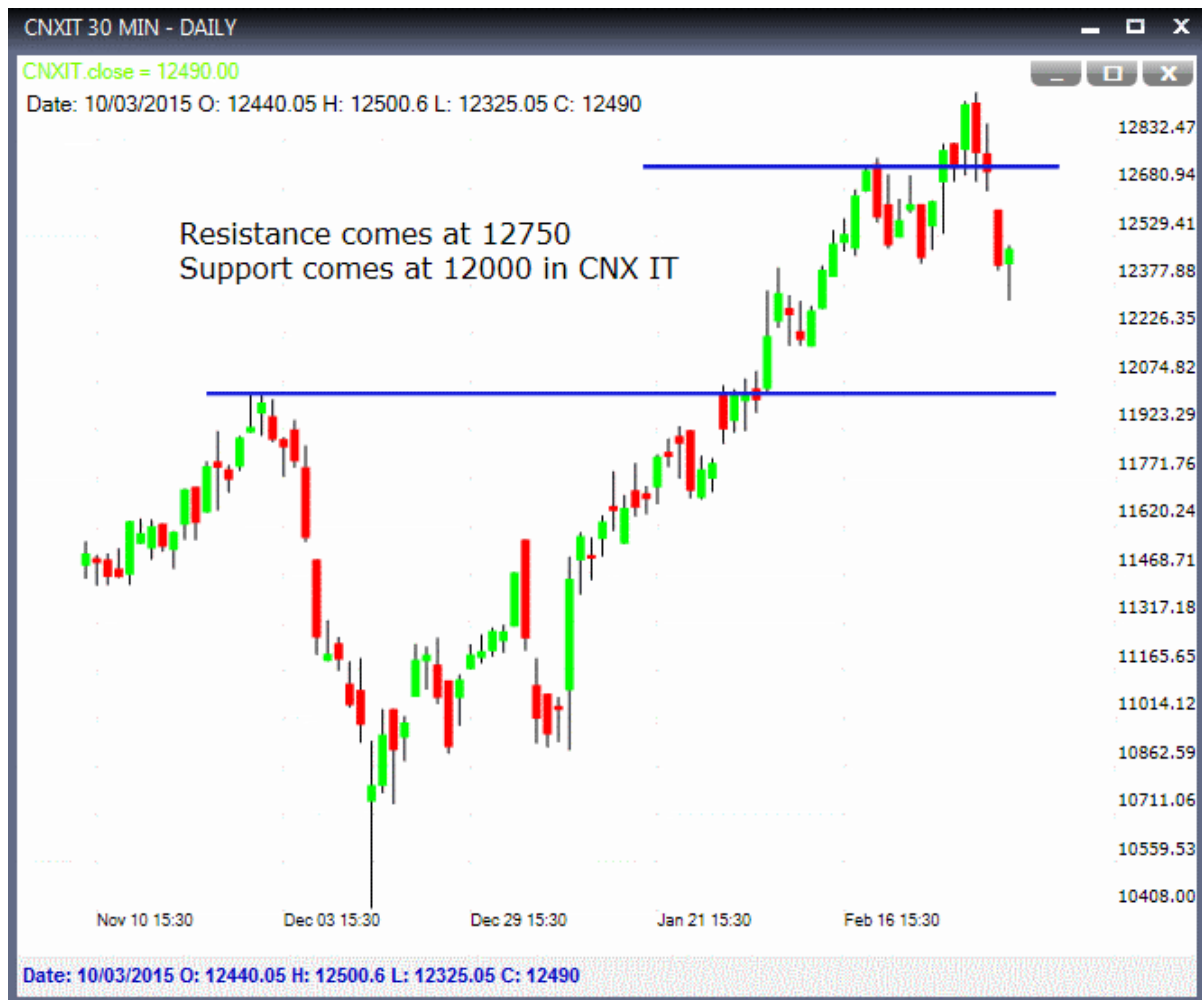
IT IS ABOUT BANKS! [Bank Nifty (Spot Price): 19096.50]

Decline continued in Bank Nifty. Short term trend is down in Bank Nifty. Prices have seen a decline and now moving toward its support at 18500. The sector is offering us a shorting opportunity. Look for a short selling in Banking Stocks preferably PSU Banks. Above the first resistance comes near 19500. A breakout above 19500 will give us first warning that prices have resumed its uptrend.



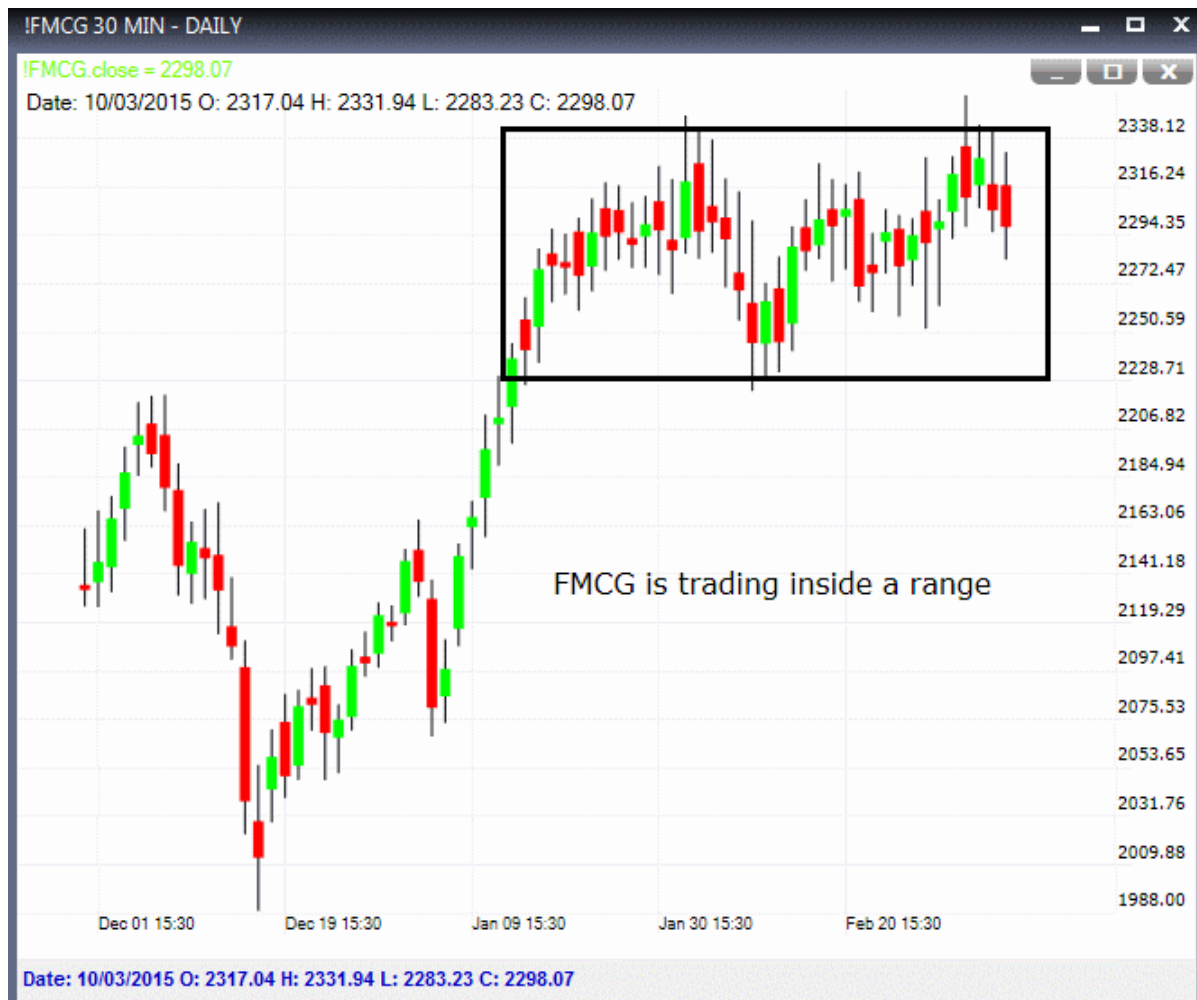
IT WATCH [CNX IT (Future Price): 12490]

Short Term Trend is now down in CNX IT. Prices have traded very choppy today and closed near its day open. View is not very clear in this sector. We should wait for some kind of pattern to be developed here and then trade accordingly. Below the support comes at 12000 whereas above the first resistance comes at 12750. A breakout above 12750 will give us first warning prices have resumed its uptrend.



SECTOR FOCUS [FMCG]

Long Term Trend is up whereas Intermediate and Short Term Trend is sideways in FMCG. The sector has seen a handsome rally and then goes into a trading range. The range is intact so far. We should look for buying only in this sector. As of now, COLPAL, GODREJIND, HUL and DABUR are outperforming the sector. Look for buying these stocks. ASIANPAINS and BATAINDIA are consolidating and trading inside a range. A breakout in these two stocks will give us a buying opportunity. Avoid the rest of the 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.

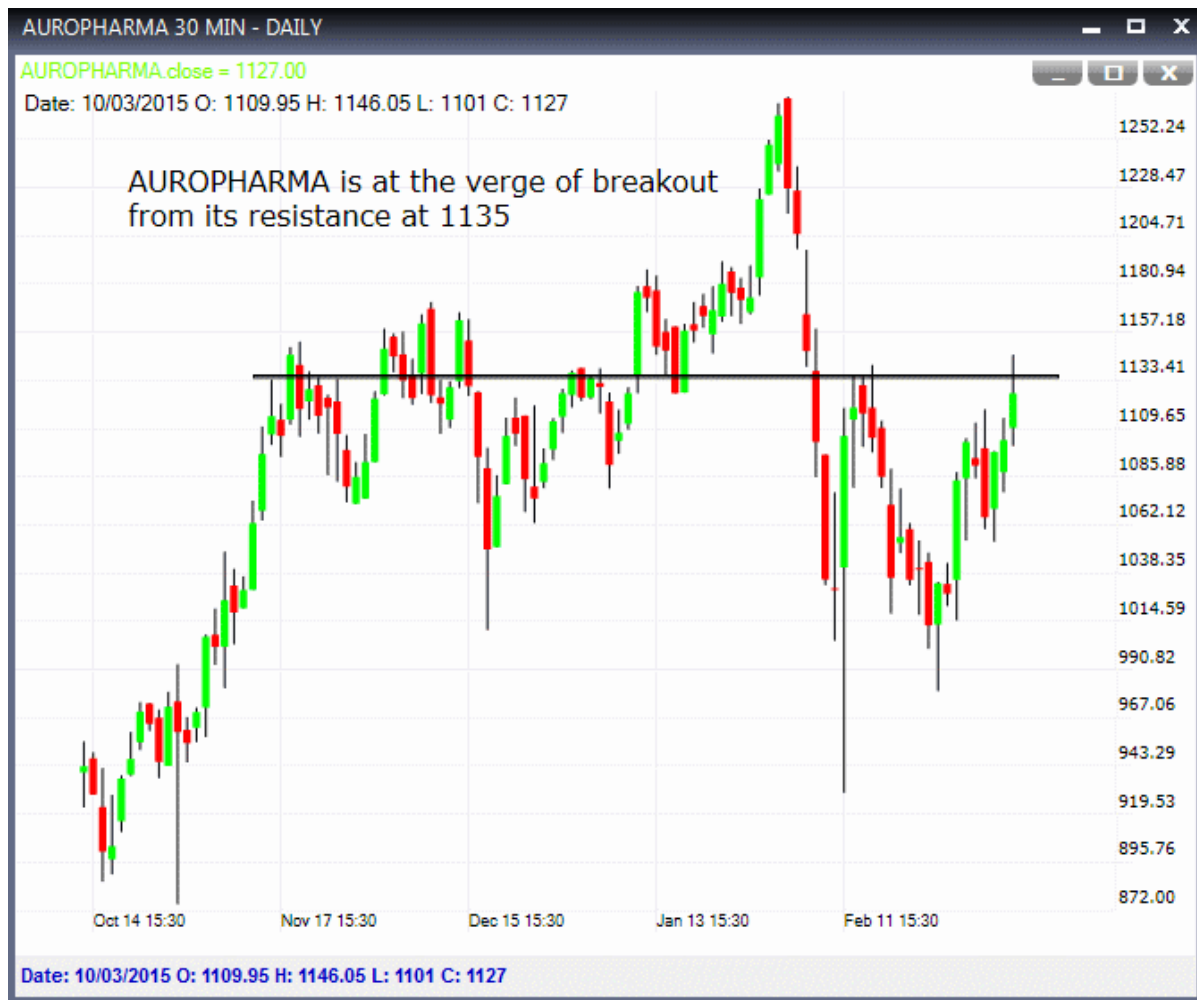
ASHOKLEY – [Close (Spot Price): 75.20] – BUY

Trend is up in ASHOKLEY. The stock has seen a sharp upside move and then started trading choppy. Prices have built a trading range and broken on upside. Buy this stock above 76. If this trade executes then place your stop just below 74 with a target near 80.



AUROPHARMA – [Close (Spot Price): 1127] – BUY

Intermediate and Short Term Trend is sideways in AUROPHARMA. Prices are trading inside a range and now at the verge of breakout from its resistance at 1135. Buy this stock above 1135. If this trade executes then place your stop just below 1115 and a target near 1180.



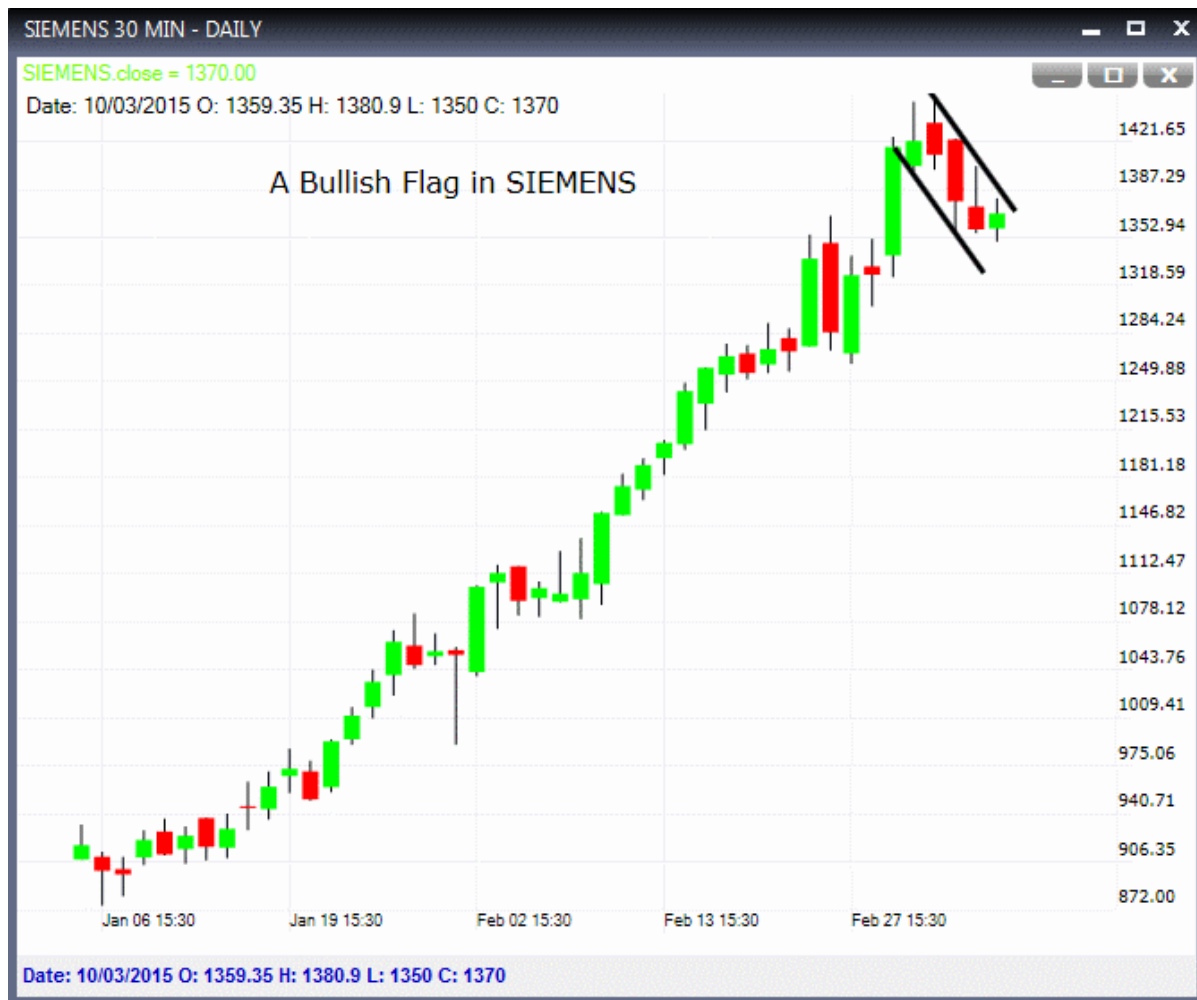
RECLTD – [Close (Spot Price): 344.75] – BUY

Trend is up in RECLTD. The stock has seen a breakout from a large trading range and then started a correction. This correction is now finding support at 340. We may see an upside rally from here. Buy this stock above 348. If this trade executes then place your stop just below 340 with a target near 365.



SIEMENS – [Close (Spot Price): 1370] – BUY

Trend is very strong on upside in SIEMENS. The Stock has seen a sharp upside move and then begin a minor correction. That correction is now taking a shape of Bullish Flag. Buy this stock above 1380. If this trade executes then place your stop just below 1350 and a target near 1440.



CURRENCY TRACKER: [JPY INR (Future Price): 51.79]

Long Term Trend is down whereas Intermediate and Short Term trend is sideways in JPYINR. We have suggested a long trade in this instrument. The trade was to buy above 52.70 with a stop just below 52.30 and a target near 53.50. This trade did not execute and prices are still trading inside a narrow trading range. View is not very clear as of now. Prices are trading choppy and directionless. We should avoid trading in this instrument.



Final Words

The intermediate term is on the downside and we advise traders to build short positions if Nifty sustains below 8700 with a stop just above 8850 level.

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