



*From 5250-5300 Levels
NIFTY will turnaround*

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Technical Outlook

October 2009 took the Indian Capital market to the new highs of the year 2009. Indices steadily rising from the lows of 2539 in the March 09 to the recent high of 5110 made a significant journey by showing an upswing of over 50 percent. The month of Sept 09 saw the bulls in control as the main indices gradually moved up and managed to break out of a trend line that held the highs of June 09 and Aug 09.

With the upward momentum, indices also witnessed an expansion in the trading range. While the month of Aug 09 witnessed a High-Low range of 390 points on the Nifty, it expanded 511 points in September 09



October 09 began on a shaky note as the markets were on corrective mode on the back of profit booking at higher levels though it managed to sustain itself at higher levels to make new yearly highs. Soon after that it found a support at 4920 level and again bounced back to the level of 5075-80. Nifty failed to make a close above the critical resistance level of 5100. This level will again act critical for the index for the current month also. Nifty will further the upside only if it manages a convincing close above this level



On weekly chart

In the weekly chart the RSI is showing a positive divergence and currently trading at 67 moving towards overbought zone. Stochastic Oscillator has paused the bullish indication – these are to be viewed as caused of concern for bulls for the short-term. Looking at the charts, we can observe that there is a convergence of resistances in the 5,170-5,370 regions. These levels correspond to previous intermediate tops made in 2008. As they are strong resistances, there is a strong possibility that the current intermediate uptrend could halt around these levels. The 14 week RSI is also hovering near the over bought zone, which calls for caution. As per Fibonacci retracement level, Nifty has already retraced form the lows and is maintaining itself above the crucial level of 61.80 % (4774). This level has now become a strong support level for the medium to long term investment.



On Daily Charts

Technical indicators were at the overbought region in the daily charts. RSI is bouncing back from the 70-points mark. The Stochastic Oscillators, which has reversed to selling indication, is now turning again to positive direction accompanied by the RSI can be expected to soothe the pressure on market. MACD which has crossed-over for a bullish indication is also adding hope to bulls.



The first Resistance for the index is 5100-5110. If Nifty manages to trade and remain above this level, the market will possibly target 5225 and further 5265 levels in the medium-term. On downside, the Immediate Support for the short-term is 4920, and the downside major Support is at the 55-days exponential moving average at 4735. A failure to stay above this can trigger further selling in the short-term.



Outlook

Technically speaking, the trend continues to remain UP on all time frames (Short, Intermediate and Long Term) as the main indices are making higher bottoms and higher tops chart patterns. Nifty also continue to trade above the 21 day, 21 week and 21 month simple moving averages.

For the future trend, the market can be looked in two situations. The first situation pictures the markets trading in a tight range with the recent 2009 highs of 5,110 acting as a strong resistance. On the downside, the 4,920-4,900 short-term support levels could act as a base. If Nifty goes below this range, we can see a further downside for immediate target of 4735-55 level.

The second situation pictures the markets moving up and breaking out of the current 2009 highs of 5110. This will complete the wave and breakout above the trend line will take the nifty to next higher level of 5265 and above that to 5300 level.



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