

# **RR Research**



## **TECHNICAL ANALYSIS**

### **SHORT & MEDIUM TERM ANALYSIS OF NIFTY & SENSEX**

February 26<sup>th</sup>, 2008

## EXECUTIVE SUMMARY

### SHORT TERM: - 15 DAYS



Looking at the current market scenario, eyes of every investor are stuck on Union budget coming in next two days. But going by the past few years trend of pre budget and post budget picture of Indian Stock market, the outlook is not good. Technically market is giving signals of further downtrend. 14 days RSI is indicating bearish crossover along with MACD in negative zone. As per candle stick pattern, Nifty is making lower tops and lower bottoms in daily chart again a bearish sign. So expect high velocity in the market for the coming few days.

### MEDIUM TERM: – 3-6 MONTHS



Even if we expect the immediate trend to be highly downward biased, a somewhat bigger picture of around 3-6 months indicates some signs of improvement. Currently, the most alarming signal is the inherent weakness seen in our markets vis-à-vis the global markets... Technically, in medium term we expect the Nifty to breach its Fibonacci level of 68.20 % at 18120 with good amount of participation in the market.

### LONG TERM: 6 MONTHS – 2 years



also.

Technically the bullish long term trend is firmly in place. Market is standing on the long term support levels starting from 2904 in the year 2003 to 15322 in Jan 2008. Trend line joining the lows of deep cuts indicates that market has always taken support on these levels and is expected not to breach it this time

## PRE BUDGET-POST BUDGET MARKET ANALYSIS OF THE LAST 10 YRS

By analyzing the market movement during the presentation of union budget, we have come to the following conclusions.

- ✓ **PRIMARY TREND:** The primary trend which is equal to budget minus 2 months is repeated over post budget within 3-6 months.
- ✓ **SHORT TERM TREND:** The trend of 5-7 days pre budget is accelerated for 10-15 days post budget.
- ✓ **VELOCITY:** Velocity of move is doubled post budget.

### 28<sup>th</sup> Feb. 1997



By analyzing the 1997 market movement we found that the trend pre budget continued post budget for the next six months and velocity of the move also doubled post budget.

### 1<sup>st</sup> June 1998



This year the market fulfilled our all 3 findings. Velocity of the move doubled, Primary trend preceding two months from the budget date continued for the next six months and also the short term trading pattern continued.

### 27<sup>th</sup> Feb. 1999



During this year the trading pattern completely followed the 1997 scenario.

## 28<sup>th</sup> Feb. 2000



This year the market fulfilled our 2 findings. Velocity of the move doubled and also the short term trading pattern continued.

## 27<sup>th</sup> Feb. 2001



During this year, the trend of 5-7 days pre budget got accelerated for 10-15 days post budget. Velocity of the move here doubled post budget

## 27<sup>th</sup> Feb. 2002



This year only our third finding, that is velocity of the move doubled. We can term the year 2002 as the most unexpected.

## 27<sup>th</sup> Feb. 2003



This year current Bull Run started. Here during budget period, short term trading trend pre budget continued for the next 10-15 days only and trend reversed from May with double velocity.

### **8<sup>th</sup> July 2004**



The trend of 5-7 days got accelerated for next 10-15 days post budget and velocity also got doubled.

### **28<sup>th</sup> Feb. 2005**



This year the primary trend pre budget got started again within 3 months post budget. Velocity of the move also got doubled post budget.

### **28<sup>th</sup> Feb. 2006**



During this year the primary trend continued post budget for 2-3 months as well short term trading trend was in line to our findings. Velocity of the move also accelerated both ways that is immediately post budget on upside and then again after 3 months on downside.

### **28<sup>th</sup> Feb. 2007**



During this year after the budget the velocity of the move got double as well as the primary trend pre budget again came into force post budget.

Therefore we can infer that the market moved according to our findings except the year 2002.

**28th Feb. 2008 {expected} -----UPDATED TILL 22-02-2008-----**



**CRUCIAL SUPPORT AT 5100-5050**

For the current year –

- ✓ **PRIMARY TREND IS DOWN**
- ✓ **SHORT TERM TRADING TREND IS SIDEWAYS WITH SUPPORT AT 5050-5100.**
- ✓ **VELOCITY OF THE MOVE IS AVERAGE.**

Therefore post budget

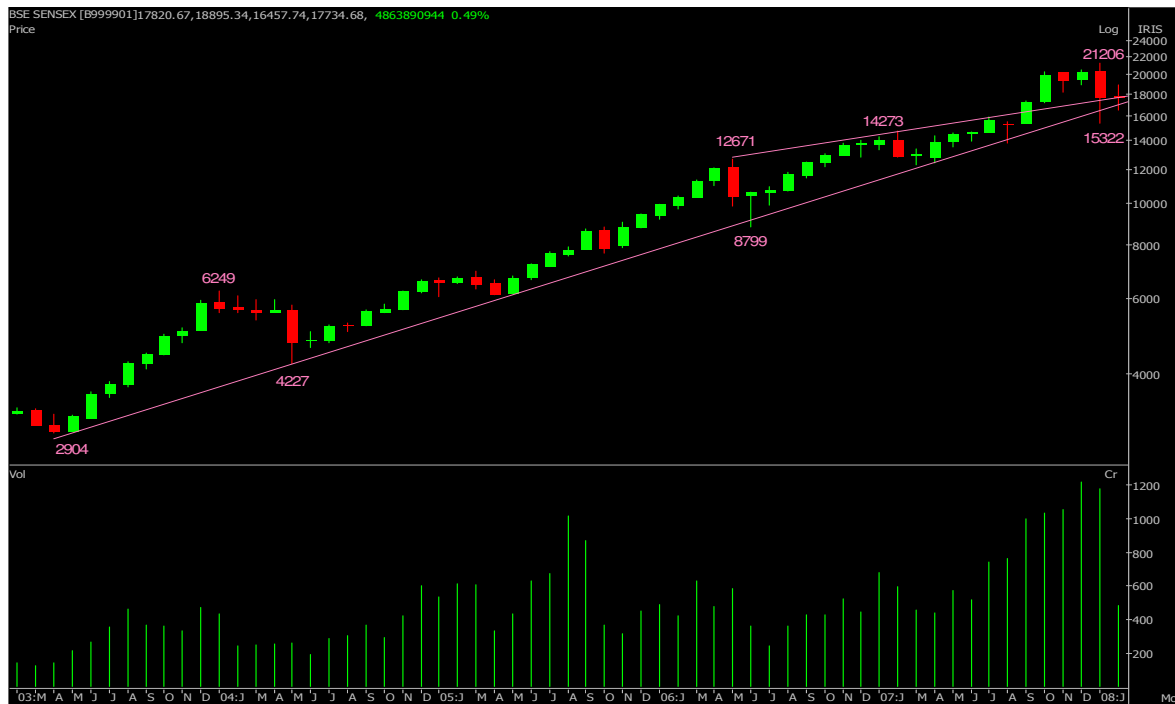
- a. Market may come down for 3-6 months as primary trend pre budget is down provided it breaks 5050 level.
- b. Immediate reaction could be a very short lived euphoria with high upward velocity and then a downswing. As short term trading trend is expected to be sideways with downward bias.

## BULLISH TREND TO CONTINUE:-

### Assumptions supporting the document: -

- ✓ BSE SENSEX holds the downsides closer to its 200-day EMA which is placed between 17200-16950.
- ✓ Deep cuts, like we saw from 14723 to 12316 {April-May 2007} and from 15868 to 13779 {**seen before the US-Fed-rate-cut announcement Sep. 2007**} are indicative of 'bull' phase, and market has recovered from such deep cuts, time and again, and in fact surged to new high levels during the last four years. Therefore market will also recover from the cut which we saw recently from 21206 to 15332 and we may see new highs in the coming future.
- ✓ The Sensex, at Jan'08 low of 15332, has already lost 28%, which is a usual phenomenon every two years, even during the current bull phase. In '2004, it lost 30% from 6250 to 4227. In '2006, it lost 30% from 12671 to 8799.
- ✓ From these lows Sensex has given a return of over 80%-100% every two years. Year 04 low - 4227 & 2006 low - 8799, current year low of 15332 (Jan.08).

### Please refer the below chart: -



### Alternative bullish count: -

The recent low at 13779 broke the Blue channel, but held the White channel which was at 13500. The Blue channel proved a strong support for the consolidation which was seen before the US-Fed-rate-cut recently. The most recent tops were hitting the lower Red channel, and Sensex has reacted quite strongly from there. The recent low has been made near the lower White channel.

The values on the Yearly Channel for '2008 year would be about 17200-500 on lower side and 28200 on the upper side. The Sensex has now dropped below the channel, though marginally, showing thankfully a long lower shadow on the candle as it hit 15332.



## MAY Phenomenon

Cycle studies indicate Sensex' tendency to hit a high in the first quarter every year during this bull run, and low near every May. Since we already have an important top in 'Jan this year, we may look for a bottom in coming Apr-May in line with this cycle study. The low at 15332 hits the trend line joining May'2004 and Jun'2006 lows, which the Index is desperately attempting to hold.

If, by May, Index holds the downsides closer to its 200-day EMA, then May-Bottom Cycle would open upsides for the Market.



## Worst case scenario: -

If Sensex breaks the 200 day EMA (17200-16950), maximum it can slide till Jan. 08 bottom, therefore holding the trend line joining May'2004 and Jun'2006 lows.

Queries Please Contact: - 011-23352496-99, Ext – 484, Fax- 011- 23353703, ✉-research@rrfcl.com,suhail@rrfcl.com

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