

### Bulls remain in control ahead of Budget

After closing with W-o-W gains last week, the week gone by saw the bulls retaining the upper hand as the main indices once again ended higher on a W-o-W basis. Tuesday's sell-off threatened to reverse the uptrend; but the bulls came back on the next day and lifted the indices higher. While the Sensex gained 1.01% W-o-W, the Nifty ended 1.11% higher during the same period.

Market breadth was reasonably healthy as it was positive in three out of the five trading sessions of the week. Volumes on both the exchanges continued to decline for the fourth consecutive week. While BSE volumes dipped by 2.84%, NSE volumes declined by 11.92% W-o-W.

### Sectorally speaking

The week saw most of the sectoral indices ending higher. The top gainers were the BSE Consumer Durables, Metals, Oil and Gas, Realty and Bankex indices. The indices that ended lower W-o-W were the BSE IT, Auto and Capital Goods indices. Broad market indices under performed as the BSE Mid Cap and Small Cap indices gained only 0.3% and 0.4% respectively.

The BSE Bankex which was one of the out performers of the week is on the verge of breaking out of the 7562-8461 range that it has been trading in for the last four weeks. We feel that stocks like ICICI Bank, SBI and Kotak Bank could outperform.

Other indices that are in uptrends and could continue to remain in that way are the BSE Consumer Durables, Capital goods, IT, Metals and Power indices.

Coming to the under performers, the BSE Auto index corrected for the fourth consecutive week. It nevertheless remains in a narrow range between the 4533-4700 levels. Further directional cues would be provided once it moves out of this range.

The BSE FMCG index was another under performer as it traded in a narrow range after out performing recently. The index needs to move out of the 2250-2310 ranges to give further directional cues.

The BSE Healthcare index seems like a Dark Horse for the coming week. Though it has under performed for the week by closing with gains of only 0.5%, the index has bounced from the 3530 levels where it had previously found support. These levels had also acted as a resistance in May 09 (See the chart below). Other positive indications are that on Friday, the index has moved above the 13 day moving averages accompanied with a pick up in momentum readings. We are therefore bullish on this sector for the coming week.

### BSE Healthcare Index Daily chart



Broad market indices like the BSE 500 performed in line with the main indices as it closed with gains of 1.1% W-o-W. Friday's session saw the index closing above the 13-day short-term moving averages accompanied with rising momentum readings. Further upmoves are likely once the immediate resistances of 5680 are cleared.

### Market Perspective

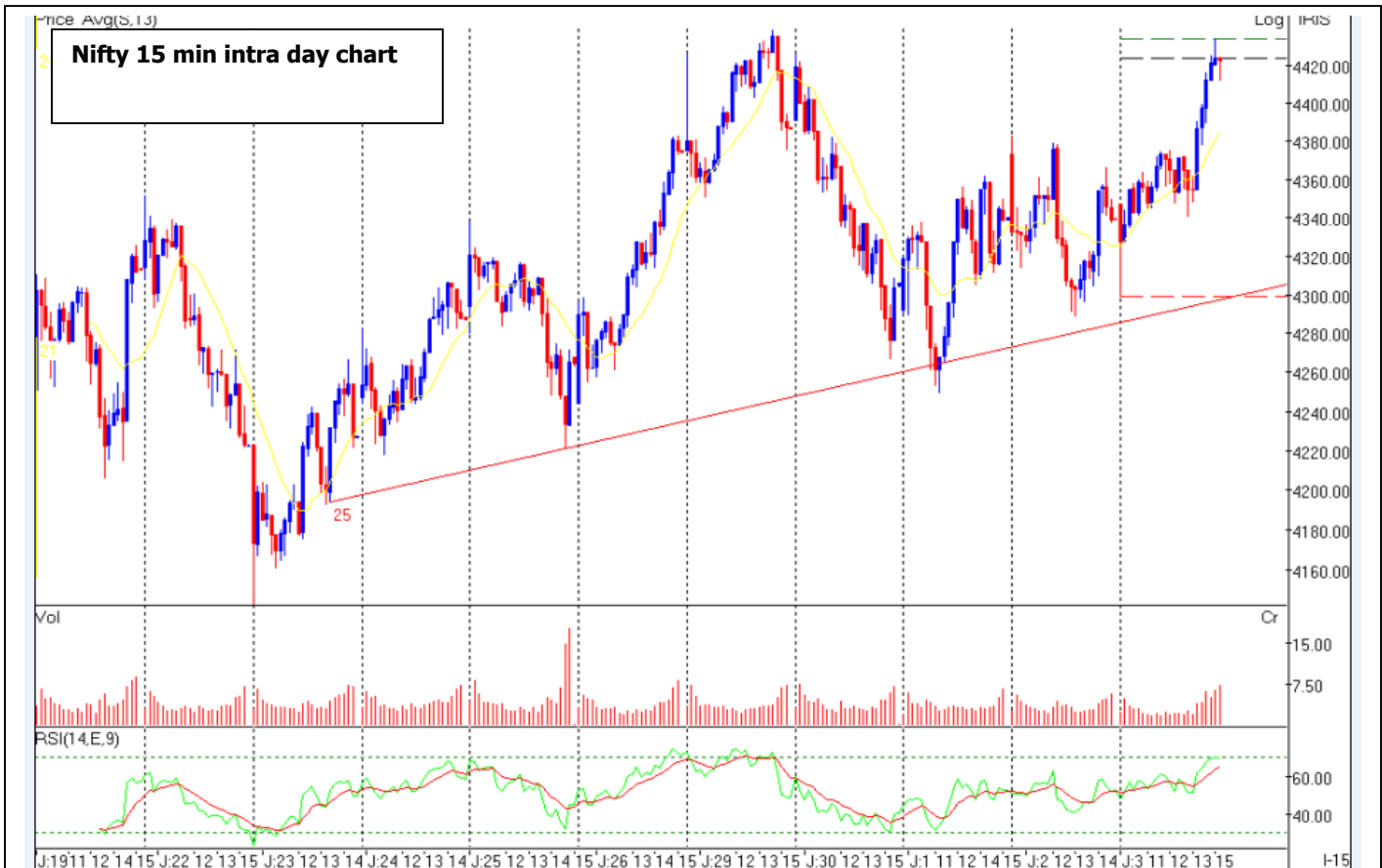
The week gone by saw the bulls retaining the upper hand as the main indices ended with W-o-W gains for the second consecutive week.

Tuesday's sell-off threatened to reverse the uptrend; but the bulls came back on the next day and lifted the indices higher. As can be seen from the chart on the next page, the Nifty found support around the 4250 levels that also coincide with a trend line that has held the significant lows of the last ten trading sessions.

Friday's session really brought the bulls in control as the main indices cleared the near by resistances of 14700-14780/4350-4380 to close near the highs of the week.

In the process, the Sensex/Nifty have closed above their 13-day short term moving averages, which is a positive signal at least for the near term. Momentum readings have also picked up. The 14-day RSI is moving up and has cut its 9-day EMA from below (See the chart on the first page).

Lastly, most of the sectoral indices are giving bullish signals on the charts, which implies that any upmove could be broad based.



### Will the Budget reverse the uptrend

With the Budget to be announced on Monday, traders and investors will be keen to know how the markets could behave next week.

You will recall that in our report dated May 15<sup>th</sup> 2009 (which was released before the national election results were announced); we had stated that important events have not reversed the prior trends that existed in the market. They have only helped in accelerating or in ending a prior trend.

Given that the current trend is undoubtedly up, we continue with our hypothesis that the Budget to be announced on Monday will only help in accelerating the current uptrend.

We therefore remain open to the markets moving up further in the coming week. The current uptrend would accelerate and head towards the current 2009 highs of 15600/4693 once the immediate resistances of 14956-15022/4440-4540 are taken out.

Traders however need to be prepared for some volatility, as there could be a bout of selling once the Budget is out.

### Strategy

We had recommended in our last week's report that positional traders could get their legs into the door as the markets were building up for a decent rally. We recommend positional traders to continue with this approach. However, if the markets do react contrary to our expectations, traders need to react quickly and exit from their positions in order to minimize their losses.

With the markets making a higher bottom at 14000/4200, we have revised our trend reversal levels to the same levels. These levels have acted as a strong support in the last three weeks as the main indices have consistently traded above them.

## Key levels to watch;

**Trading Strategy:** Enter into positional and short term long positions on a selective basis. Keep risks under control.

Action Points	Sensex	Nifty	Action
Current Close	14913	4424	
Immediate Resistances	14956-15022	4440-4540	Close above could lead to a testing of current 2009 highs
Immediate Supports	14750-14650	4380-4350	
Further Downsides	14500-14420	4300-4250	Close below could lead to a testing of the 14000/4200 trend reversal levels
Further Upside Targets	15260-15600	4640-4700	Current 2009 highs

## Stock Pick – CESC



CESC has moved up strongly on Friday with above average volumes. In the process it has broken out of a sloping trendline that has held down the highs of the last nine trading sessions. The intra day dip on Friday found support at the sloping trend line, which is a positive indication that the current uptrend could continue.

On the daily charts, we observe that the stock has closed above the crucial 200 day EMA that often acts as a Laxman-Rekha between the bulls and the bears. Momentum is also picking up as the 14 day RSI has cut its 9-day EMA from below. We recommend buying the stock between Rs.288 and Rs.295. Stop loss is at Rs.284.5, which is just below Friday's intra day bottom. Upside targets are at Rs.310 which we expect the stock to touch in 2-4 days.

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