

Indices	Last Close	% chg over previous week	Short-term view (up to 1 week)	Comments (stocks in line with short term view)
BSE Sensex	15,915	-2.71		
NSE NIFTY	4757	-2.56		
BSE Midcap	6436	-1.14		
BSE Smallcap	8198	-0.41		
BSE 500	6378	-8.27		
BSE Auto	6864	-1.28		
BSE Bankex	9275	-3.92	Bearish	
BSE Capital Goods	12190	-7.12		
BSE Consumer Durables	3943	+3.79		
BSE FMCG	2710	-0.55		
BSE Health care	4753	-0.25		
BSE IT	4846	-2.65		
BSE Metals	15608	-2.22	Bearish	
BSE Oil and Gas	9694	-2.46	Bearish	
BSE Power	2974	-2.87		
BSE PSU	9187	-3.03		
BSE Realty	3320	-5.14	Bearish	
BSE Teck	3075	-2.44		

**Summary**

- The upward sloping trendline joining the significant bottoms of 14,684 and 15,331 has been breached on the downside decisively and the Sensex is trading significantly below it, which is a bearish sign. This line could provide resistance on bounces.
- The Sensex is making lower highs and lower lows on the daily charts, which is a bearish Dow signal.
- The oscillators viz. RSI and MACD are trading below their respective moving averages.
- The oscillators of the Sensex display a negative divergence on the weekly chart, which is again a negative indication.
- After the formation of an “Engulfing Line Bear pattern” on the monthly chart, the Sensex has continued to fall in the first week of February 2010.
- The next supports for the markets could be 15,580 (200-days moving average), 15,331 (previous bottom) and 15,272 – 15,363 (western upgap) levels.

**Week Ahead**



On the Sensex daily chart seen above, the upward sloping trendline joining the significant bottoms of 14,684 and 15,331, was acting as a support for the markets for the last 4-5 trading sessions. However, inspite of the trendline acting as a support, the markets could

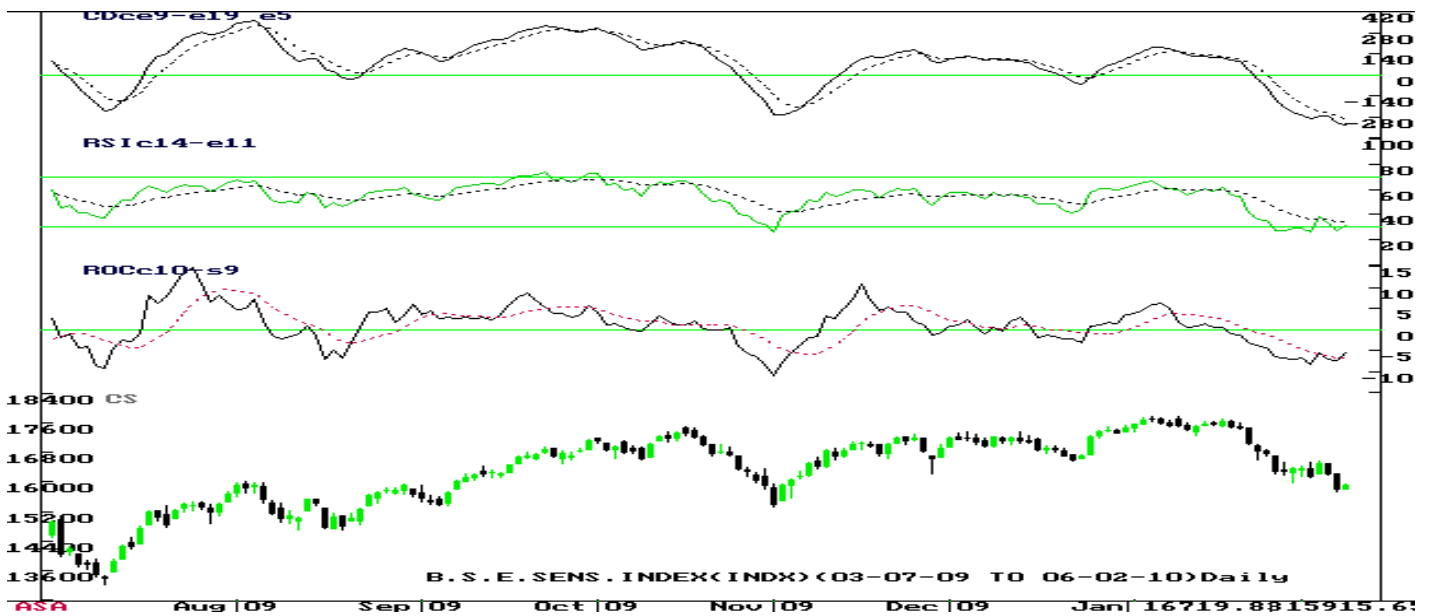
not show a sustained and significant bounce back, which was a negative indication indicating that the trendline was on the verge of a downward breakdown.

Accordingly, on Friday the markets fell quite sharply and in turn breached this trendline very decisively on the downside. On Friday, the markets made a bearish shaven top candlestick pattern where the open and the high of the day was the same and thus the trendline breach happened with the formation of a bearish pattern.

The western upgap from 15,275 – 15,363 could be the next crucial support and thus the next target for the Sensex on the downside could be 15,363 level which also coincides with the previous bottom of 15,331.

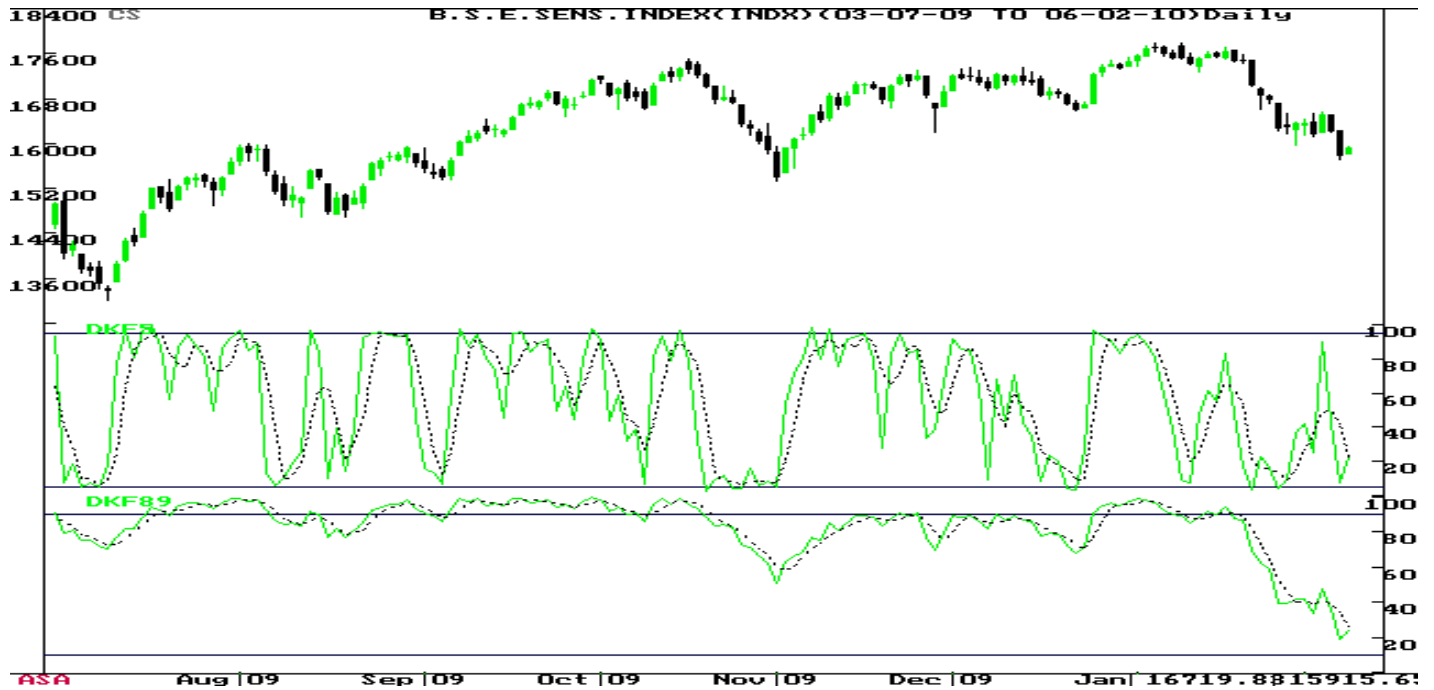


The Sensex is making lower highs and lower lows as can be seen on the daily chart above. This is a bearish “Dow signal” and could result into further downsides in the market.



All the oscillators except the 10,9 RoC, are trading below their respective moving averages and thus giving negative signs.

Oscillators	Current	Average
9,19 MACD	-333.74	-295.37
14,11 RSI	31.35	34.23



The short-term and medium-term stochastics i.e. DKF5 and DKF89 are both approaching the oversold zone. They are currently at 22.99 and 23.79. On Friday they had touched a low of 7.91 and 18.72 after which we have seen a bounce in the short session on Saturday.



On the monthly chart shown above, the Sensex has made an “Engulfing Line Bear” pattern in January 2010.

Recognition Criteria:

1. Market is characterized by uptrend.
2. We see a white candlestick in the first month.
3. Then we see a black candlestick that completely engulfs the real body of the first month.

A confirmation in the third month is required to be sure that the uptrend has reversed. The confirmation may be in the form of a black candlestick, a large gap down or a lower close in the third month.

Similar pattern was seen in Jan 2008 after which the markets kept falling for the next 10 months. However one needs to wait till the end of the month to deduce as to whether a similar fall can be expected or not.

Accordingly, after the formation of the 'Engulfing Line Bear' pattern in January, the first week of February has seen the markets making a sharp downmove. This is beginning of the confirmation of the pattern seen last month (though the month of February is not yet over). As this is a very bearish sign, we can see the Sensex correcting further down in the days to come.



On the weekly chart shown above, the oscillators are showing negative divergence (as evident from the chart above) i.e. though the Sensex has not made a lower low compared to the low of 15,331, the oscillators viz RSI, RoC and MACD have broken the prior lows and trading below it. This is a negative indication and thus we could see further the Sensex following the RSI, RoC and MACD in making new lows.



The 200-days moving average is likely to act as a temporary support for the Sensex in the days to come. The current value of the 200-day EMA is at around 15,580 level.

### Nifty - Trendline

NSE Nifty [N59901] 4718.65, 4767.80, 4718.65, 4757.25, 131992168 0.82%  
Price



The Nifty has breached the up trendline and is trading below it. The trendline could act as resistance in the week ahead.

### Moving Averages

NSE Nifty [N59901] 4718.65, 4767.80, 4718.65, 4757.25, 131992168 0.82%  
Price Avg(E.100) Avg(E.200)



The 100-days exponential moving average, which was acting as a support for the markets previously, has been breached on the downside and the Nifty is trading significantly below it (as shown in red in the chart above). The 100-days exponential moving average is currently acting as a resistance for the Nifty. The 200 DMA (value is 4,650) could act as a support for the market in the coming weeks.

NSE Nifty [N59901] 4718.65, 4767.80, 4718.65, 4757.25, 131992168 0.82%  
Price



The upmove from 4540 to 5293 took 52 trading sessions and in the last 14 trading sessions the Nifty has retraced more than 75 % of this move. If the previous move from 4540 to 5293 is fully retraced in lesser time, it will be a clear bearish signal. As seen from the chart, Nifty has managed to take support around 4730 level, which is 75% of the last rally from Nifty 4540 to 5293. In this upward bounce, the Nifty may make an attempt to rise towards the downgap (4827-4832) made on 05 Feb 2010. If this gap is filled and the Nifty closes above this level, then we could see some more upside.

### Week Gone By



On Monday, the markets opened in the red at 16,339 and started drifting lower to make an intraday low at 16,161. It however soon started moving higher. It made an intraday high at 16,422 before closing for the day on a flat note at 16,356 and thus made a higher top and higher bottom after 8 consecutive sessions of lower highs and lower lows.

On Tuesday, the markets opened in the green at 16,368 and moved higher to make an intraday high at 16,526. It however could not sustain at higher levels and corrected almost 400 points during the day. It made an intraday low at 16,129 and closed near the low at 16,163. The Sensex made an “Engulfing Line Bear” pattern on the daily charts.

On Wednesday, the markets opened in the positive at 16,210, which also happened to be the low of the day. This is called “Shaven Bottom” candlestick pattern in technical analysis indicating that the bulls were in total control of the situation. The Sensex made a one-way upward journey for the rest of the day to make an intraday high at 16,552. It then closed for the day at 16,496.

On Thursday the markets opened in the red at 16,500, which was almost equal to the intraday high of 16,508. It then drifted lower and traded in a range. The markets however fell further in the last hour of trade to make an intraday low at 16,188 before closing for the day at 16,225. On Thursday, the markets could not surpass Wednesday’s high. It also made a lower low on the daily charts, which is a negative indication.

On Friday the markets opened sharply in the red at 16,222, which was also the high of the day. This is called “shaven top” candlestick pattern indicating that the sessions was completely dominated by the bears. It then made an intraday low at 15,725 and closed near the low of the day at 15,790. The Sensex made a Belt Hold Line bear pattern on the daily charts.

On Saturday, the markets were open only for an hour and a half. They opened at 15,807.75 which was also the low of the day thus forming a shaven bottom candlestick pattern which is a bullish sign. They rose and made an intraday high of 15,951 before closing for the day at 15,915.

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