

News Letter – 05/03/2015

ABSTRACT

MARKETS REMAIN SUBDUED; AFTER EFFECTS OF WEDNESDAY SELLOFF PERSIST; NIFTY IS A BUY ABOVE 9000; AVOID SHORT TERM TRADING WHILE INTRADAY VOLATILITY PERSISTS.

A small upside move came in Bank Nifty. After such a big decline, we may see some narrow and choppy days. We should wait for some type of consolidation here. CNX IT has also seen a down move. Below the support comes at 12500. Trend is still up.

We have COPPER in METAL SECTION. A long trade executed and we are waiting for our target to come. We have ELECTRICALS in Sector Focus. Trend down in this sector. We will discuss the current scenario of ELECTRICAL Stocks. Stock in focus includes BHARATFORGE, COLPAL, DIVISLAB, and NMDC. For each of these stocks, we analyse their technical picture; identify trades with stop loss and targets. At the end, we will discuss a trade in EURO INR in Currency Tracker Section.

MARKETS TODAY

A volatile day ends where Nifty started the session with 7-point gap up at 8929.40. Market went up in preliminary stages and it touched a high of 8957.55. Nifty traded narrowly before a decline came just after lunch and took prices to the day's low at 8849.35. It recovered in last hour that helped Nifty to close in the green colour with a gain of 10 points at 8932.65. Nifty traded in a moderate range of 108 points. CNX PHARMA (2.55%) and CNX FMCG (1.38%) outperformed for the market; Bank Nifty after a decline upholds and closed with a minor gain; while CNX IT closed with a minor loss. Market breadth was negative today with 724 advancing and 756 declining stocks on the NSE.

TRADING

Volatile days are warning signs of choppy markets, with lot of whipsaws. Once we sense that volatility has set in, as it did yesterday, we avoid trading. Once the markets settle down to their normal pace, traders should return back to the trading desk. For now, we should avoid taking any short term positions.

ACTIVE INVESTING

Dr Reddy is offering an attractive chart pattern, breaking out of a four month consolidation. Today's price action has been constructive – prices close higher while the price range was actually an inside bar (today's range was engulfed by yesterday's range).

NIFTY WATCH

CRYSTAL GAZING

A big decline on the back of good news is not bullish for the markets. Now, this is a short-term view, but a slightly depressing view has come out, after long periods of optimism.

It is possible, and, quite likely, that a brief correction may come about next week. After the correction, we may well start another rally, that could take the Nifty above 9100, to maybe 9300 or more.

What happens after 9300? Severe bouts of selling on budget day, as well as yesterday (Wednesday March 4) tell us that there are strong sellers emerging in this market.

It is possible, then, that the year 2015 may end up as a year of consolidation rather than further gains.

We could begin a time correction, with the market going sideways.

FOOTSTEPS IN SAND

What are the markers that will give us an indication of short term direction?

The Nifty made a low of 8750 on budget day. This low should hold, as the market consolidates, gets ready for another up move.

So far the Nifty stays well above 8750, a rally that takes the Nifty above 9100, towards 9300, is quite possible.

If 8750 breaks, then the market can do anything. We stay away.

SHORT TERM TREND

The short-term trend is sideways. A move above 9000 is a buy. This level will change over time.

INTERMEDIATE TREND

We should exit our position if the Nifty closes below 8850. This did not come about today although the Index did slide below 8850 to 8849.35.

We have to clarify that stops for position trades are on a closing basis.

STOCK MARKET – SPOT PRICE (NIFTY: 8937.75, SENSEX: 29,448.95)



TAKING A SWING TRADE

Defining Swing Trading

We had suggested four trades in our newsletter dated 25 February 2015. Trade was to go long in ACC, INFY, UBL, and short in RELINFRA. We have stopped out in our short trade that is of RELINFRA but achieved targets in ACC and UBL. Trade did not executed in INFY as it started going down after a small upside move. We have gained 90 points from winning trades and lost 11 points from losing trades.

Swing trading is actually one of the best trading styles for the beginning trader to get his or her feet wet, but it still offers significant profit potential for intermediate and advanced traders.

Swing trading combines fundamental and technical analysis in order to catch momentous price movements while avoiding idle times. The benefits of this type of trading are a more efficient use of capital and higher returns, and the drawbacks are higher commissions and more volatility. Swing trading can be difficult for the average retail trader.

The professional traders have more experience, leverage, information and lower commissions; however, they are limited by the instruments they are allowed to trade, the risk they are capable of taking on and their large amount of capital. (Large institutions trade in sizes too big to move in and out of stocks quickly.) Knowledgeable retail traders can take advantage of these things in order to profit consistently in the marketplace.

We are here to find that situations and advantages for our readers and help them to gain maximum out of our services. In swing trading, some trades goes in our favour and some will not but the amount of gain we get from our winning trades will cover all the losing ones and yield a satisfaction level as well confidence to be in the market.

METALS [COPPER (Future Price): 370.80]

Industrial:

Short-term trend is now turning to sideways in COPPER. Prices have seen a breakout from a bullish head & shoulder pattern. We had suggested a long trade in our previous newsletter. The trade was to buy above 360 with a stop just below 352 and a target near 380. This trade executed and we went long in this instrument. A price has done nothing and goes inside a range. Slowly but steadily prices are moving towards our target. As of now, there is no new trade in this instrument.



IT IS ABOUT BANKS! [Bank Nifty (Spot Price): 19760.25]

Bank Nifty traded very choppy and volatile today. The range was almost 432 points and closed higher. Trend is up in banking sector. Dips in an ongoing bull market provide us a chance to re-enter or to add in our existing long positions. Above the first resistance comes at 20600. We should wait for Monday and see how market goes then take a trade on upside on any breakouts.



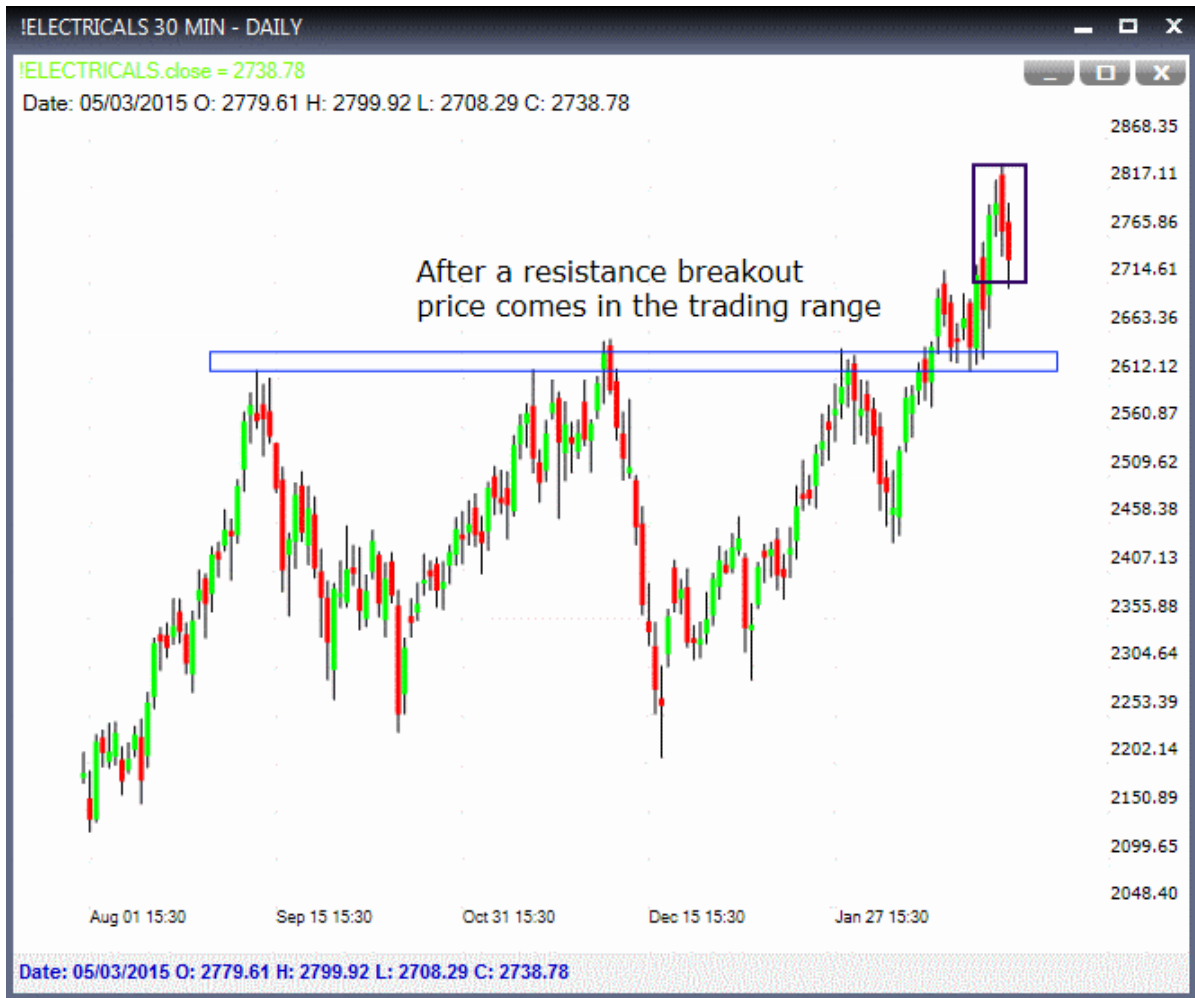
IT WATCH [CNX IT (Future Price): 12730.40]

Trend is up in CNX IT. Prices traded narrow and choppy seen a minor dip. These dips in an ongoing bull market provide us a chance to re-enter or to add in our existing long positions. We should look for buying only. Below the first support comes at 12500 in CNX IT. Look for a buying opportunity in IT Stocks such as INFY, HCLTECH, TCS, HEXAWARE, TECH M, and WIPRO.



SECTOR FOCUS [ELECTRICALS]

Short term Trend is down in ELECTRICAL Sector. Prices have seen a sharp upside rally and broken above to its strong resistance. However, steady decline in previous days turn this trend to downside. As of now, wait for the prices to stabilize and then trade in the direction of the market. SIEMENS is the outperformer in this sector. The stock has come out from a large range. Look for buy on intraday dips strategy in this stock. CROMPGREAV is coming out from a big decline. Look for investing purpose in this stock.



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.

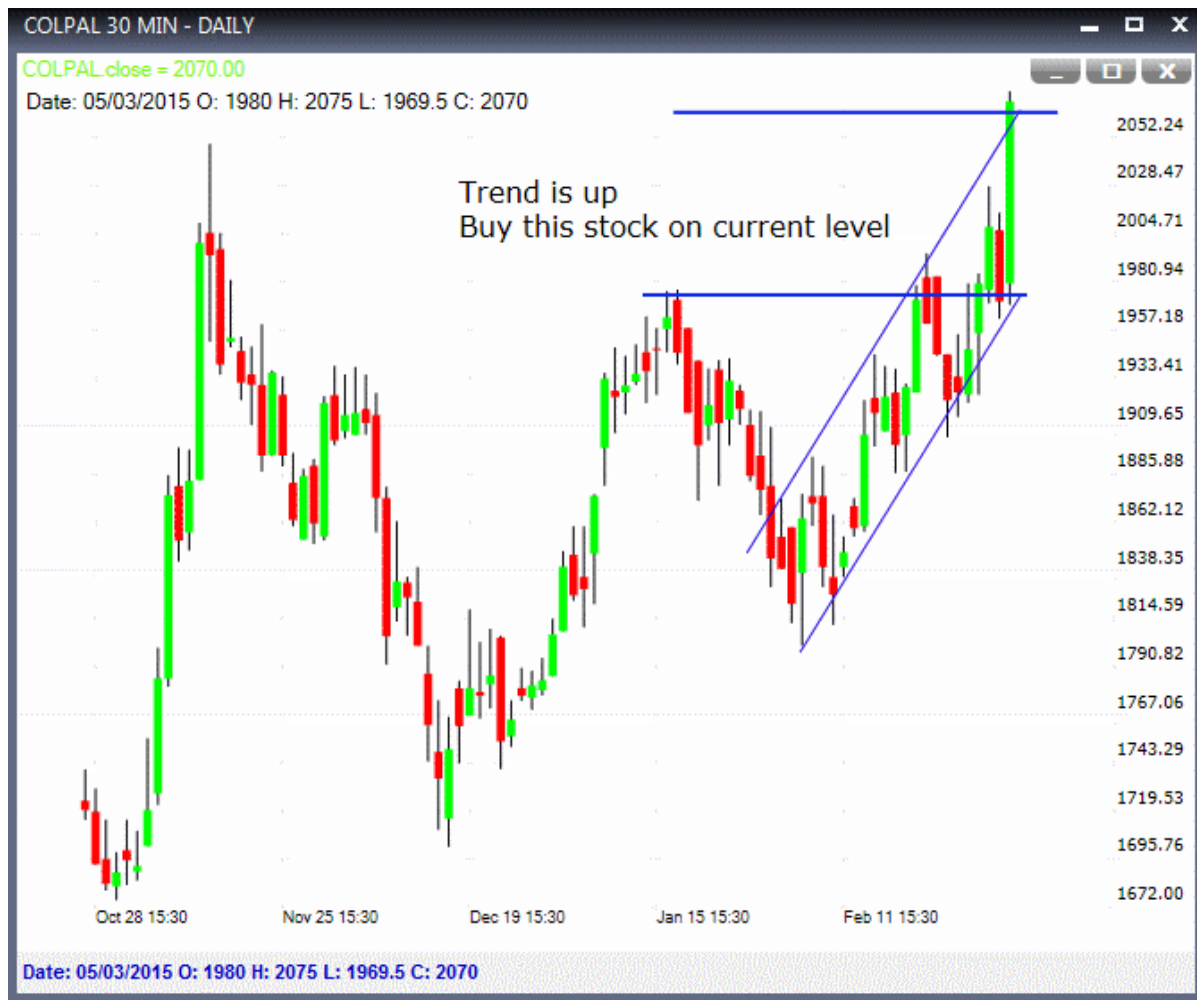
BHARATFORG – [Close (Spot Price): 1291.40] – BUY

Trend is up in BHARTFORG. The stock has been in trading a trading range inside 1240 to 1300. A breakout may lead prices to higher levels. Buy this stock above 1300. If this trade executes then place your stop just below 1290 with a target near 1320.



COLPAL – [Close (Spot Price): 2070] – BUY

Intermediate and Short Term Trend is up in COLPAL. Prices are going up and giving buying opportunity in this stock. Buy this stock on current level and place your stop just below 2020 and a target near 2170.



DIVISLAB – [Close (Spot Price): 1771.90] – BUY

Intermediate and Short Term Trend is up in DIVISLAB. Prices are about to break its long trading range from almost 4 months. Buy this stock above 1790. If this trade executes then place your stop just below 1740 and a target near 1890.



NMDC – [Close (Spot Price): 127.25] – SELL

Trend is down in NMDC. The Stock has seen a sharp decline after a trading range. Prices have built a trading range there and now prices seen breakdown from its trading range. Sell this stock below 127. If this trade executes then place your stop just above 134 and a target near 113.



CURRENCY TRACKER: [EUR INR (Future Price): 69.02]

Trend is down in EURINR. We have suggested a trade in our previous newsletter. The trade was to sell below 70.10. The trade executed and we have achieved our target price at 69. Now short-term trend is down in EURINR. Prices are trading near its support at 69. There may be another opportunity to short if price breaks that support. As of now wait for the right time and then trade.



Final Words

Volatile days are warning signs of choppy markets, with lot of whipsaws. Once we sense that volatility has set in, as it did yesterday, we avoid trading.

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