

News Letter – 09/03/2015

ABSTRACT

SHARP SELLOFFS INDICATE DISTRIBUTION; MARKETS SUFFER MAJOR DECLINE, SUGGEST A DOWNTREND MAY BE COMING. INDEX MAKES LOWER HIGHS, GO SHORT WITH STOP ABOVE 8900; EXIT FROM SHORT TERM BUY POSITIONS.

Down move continued in Bank Nifty. PSU Banks are now offering us a shorting opportunity. Below the next support comes at 18500. CNX IT also seen a decline and closed below to its short term support at 12500. Next support comes at 12000. We should wait for some type of consolidation here.

We have LEAD in METAL SECTION. Trend is down in LEAD. Prices are trading near its resistance. We have OIL in Sector Focus. Intermediate and Short Term Trend is sideways in this sector. We will discuss the current scenario of OIL Stocks. Stock in focus includes CIPLA, M&MFIN, TITAN and ZEEL. 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 GBP INR in Currency Tracker Section.

MARKETS TODAY

Nifty saw a mega decline where it started the session at 8891.15 with a gap down of 45 points, which was also a high of the day. Steady decline throughout the day took index to the day's low at 8740.45. Nifty remain near low of the day and could not recover much which forced Nifty to close at 8756.75 with a decline of exact 181 points. Nifty traded in a wide range of nearly 150 points today. Among the major indices, CNX PHARMA was the only sectorial index to close in minor gains while CNX BANK (-3.05), CNX IT (-1.92) were the drags of the market. Market breadth was negative today with 316 rising and 848 declining shares on the NSE.

TRADING

After opening with a big gap Nifty continued to trade lower throughout the session. Attempts to recover were feeble and quickly sold into. Anyone who shorted the index at point intraday would be at least in some profit as the index closed at the low of the day which is further a sign of weakness. All in all intraday price action was as weak as it can be.

On the daily charts the red candles are larger than the green ones for the past few sessions which is a very inauspicious sign for the bulls. In hindsight, the day RBI Governor cut rates was a precursor for the things to come as the market closing reaction was very negative to an event which is otherwise considered to provide fuels to a bull market.

We would advise our subscribers to refer to the 5th March edition of this newsletter once again. The Nifty is now precariously poised just above the 8750 level which we have already discussed in the previous edition of this newsletter. Further weakness can be expected if the index sustains below this level. There is no long trend in the index on any time frame as of now and traders should look for shorting opportunities for the time being.

What to Do Tomorrow?

Trade in this market presently is on the short side only. The entry location will depend on the tactics of the individual trader. After such large declines market may attempt a relief rally a failure of which will be a shorting opportunity. Nifty sustaining below today's low will be another signal to go short.

ACTIVE INVESTING

Although the primary trend is still up but bulls should now be alert for the possibility of a correction.

All markets correct, so the prospect of a correction is not so terrible. It is just one of those normal events in life, like the rising of the sun.

One chart to watch is Mcleod Russell. After a sharp decline, almost like a bear market, the stock is moving sideways, building a base. The pattern appears to be a bullish head and shoulder. Buying may be done in small volumes.

NIFTY WATCH

We had a sense that a market direction may be available after the RBI rate cut announcement. That direction, after a fair amount of choppiness, is down. The Nifty and the Bank Nifty closed with losses. Until we get a buy signal on the chart, we will assume that the short-term trend is down, while the intermediate trend is sideways.

For most traders and all investors, a falling market offers little opportunities: More so when the decline is a correction in a bull market.

Short selling is possible with a wide stop, just above 8900. This is a high risk trade. Nifty support comes around 8600, which can be an initial target for short positions. We would much rather be buyers (this is a bull market!), but there are no buy signals. So, stay away or go short with lower volumes.

Daily ranges are fairly large, suggesting that volatility continues. If, tomorrow sees a large move in either direction, it simply means that volatile conditions continue. A change of trend is unlikely while these ranges remain big. The short-term downtrend is likely to persist until we see range contraction.

Short Term

Short-term trend for the Nifty is down. Traders may look for shorting opportunities as long as the index stays below 8800 levels. The method is to sell on intraday rallies.

Intermediate Term

Nifty has closed much lower from our stop loss of 8850 therefore; we are out from our long positions. The main question is that should we sell on this decline or wait for the right time? The answer to this question is take positions in short side with lower volumes while wait for the relief rally to add some more short positions into account.

STOCK MARKET – SPOT PRICE (NIFTY: 8743.25, SENSEX: 28,844.78)



TAKING A SWING TRADE

We had suggested four trades in our newsletter dated 26 Feb 2015. Trade was to go long in ARVIND, LUPIN, and short in ORIENTBANK, and TATACOMM.

We have achieved target in our long trades i.e., ARVIND and LUPIN where we have gained almost 70 points. However, trade did not executed in our short given opportunities, which were ORIENTBANK and TATACOMM.

Swing trading is less fast-paced than intra-hour or intra-minute day trading, so it can be a good way for traders to work their way into the day trading lifestyle. In the unusual world of day trading, the trader is a slave to breaking market news and even shifting world events.

What Swing Trading is not?

Swing trading is not position trading.

Position traders are indeed traders inasmuch as they normally rely on the technical analysis of chart trends rather than the fundamental analysis of companies. But their main aim is to get in on the beginning of more sizeable moves, which may last several weeks to several months. The primary chart of the position trader is the weekly chart, with the daily chart being used to time entries and exits. Position traders like to buy bottoms and sell tops, but if they enter the position too soon, they are forced to sit through sometimes-lengthy drawdowns.

Swing trading is not day trading.

The day trader is someone who, like the overnight trader, relies on technical analysis and tape reading skills, but uses these to pinpoint only intraday moves in stocks. The day trader's aim is to capture intraday breakout or reversal moves, and to do this repeatedly throughout the day. Day traders never hold positions overnight and losses are usually cut short very quickly. Sometimes a day trader will trade in and out of the same stock, or market derivative (like an index futures contract), repeatedly throughout the day.

METALS [LEAD (Future Price): 114.15]

Industrial:

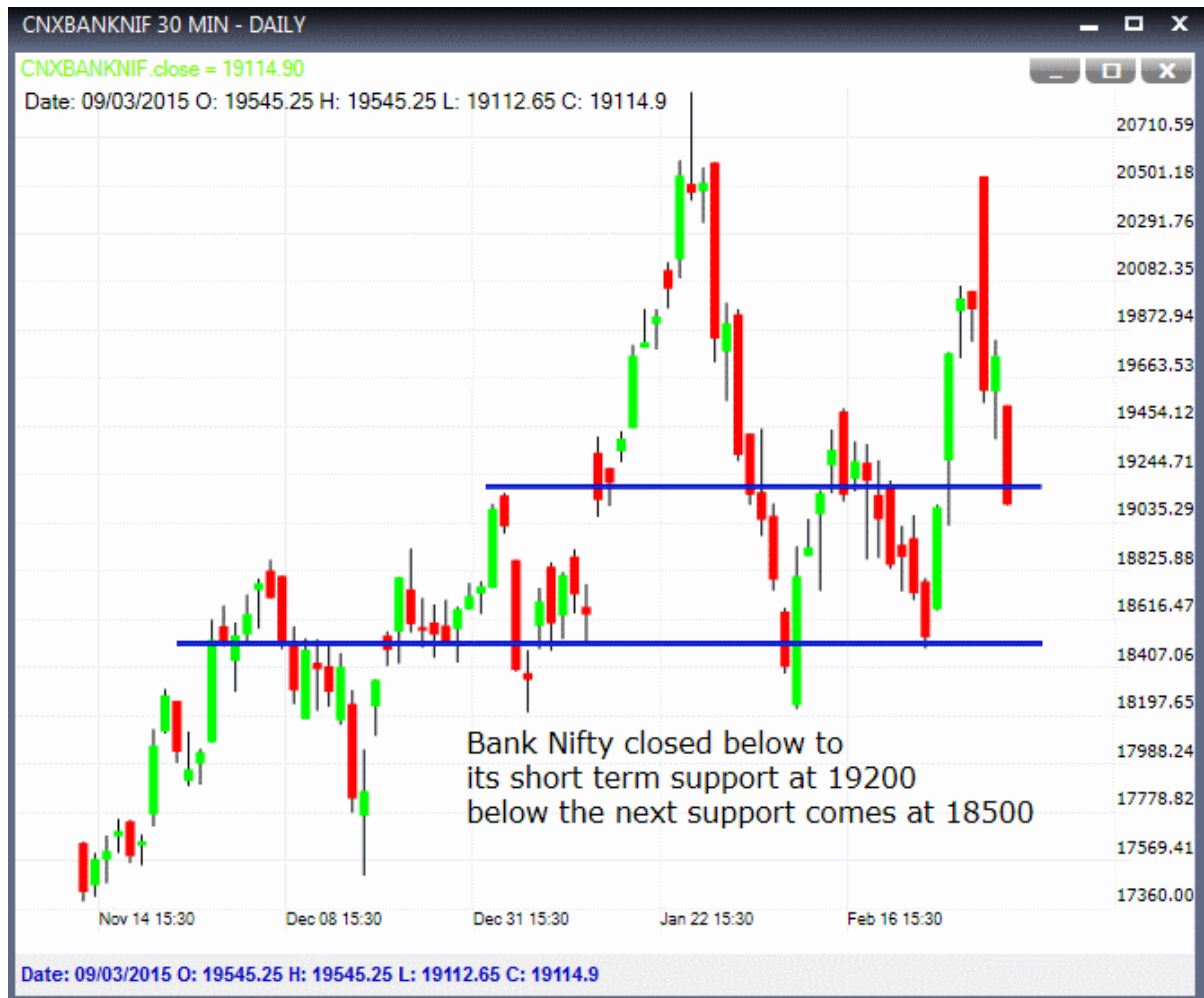
Trend is down in LEAD. Prices have seen a decline and find support near 107. After that Lead has seen a sharp upside move and now trading near its resistance at 116. View is not very clear in this instrument so it is wise to avoid trading as of now in this instrument.



IT IS ABOUT BANKS! [Bank Nifty (Spot Price): 19114.90]

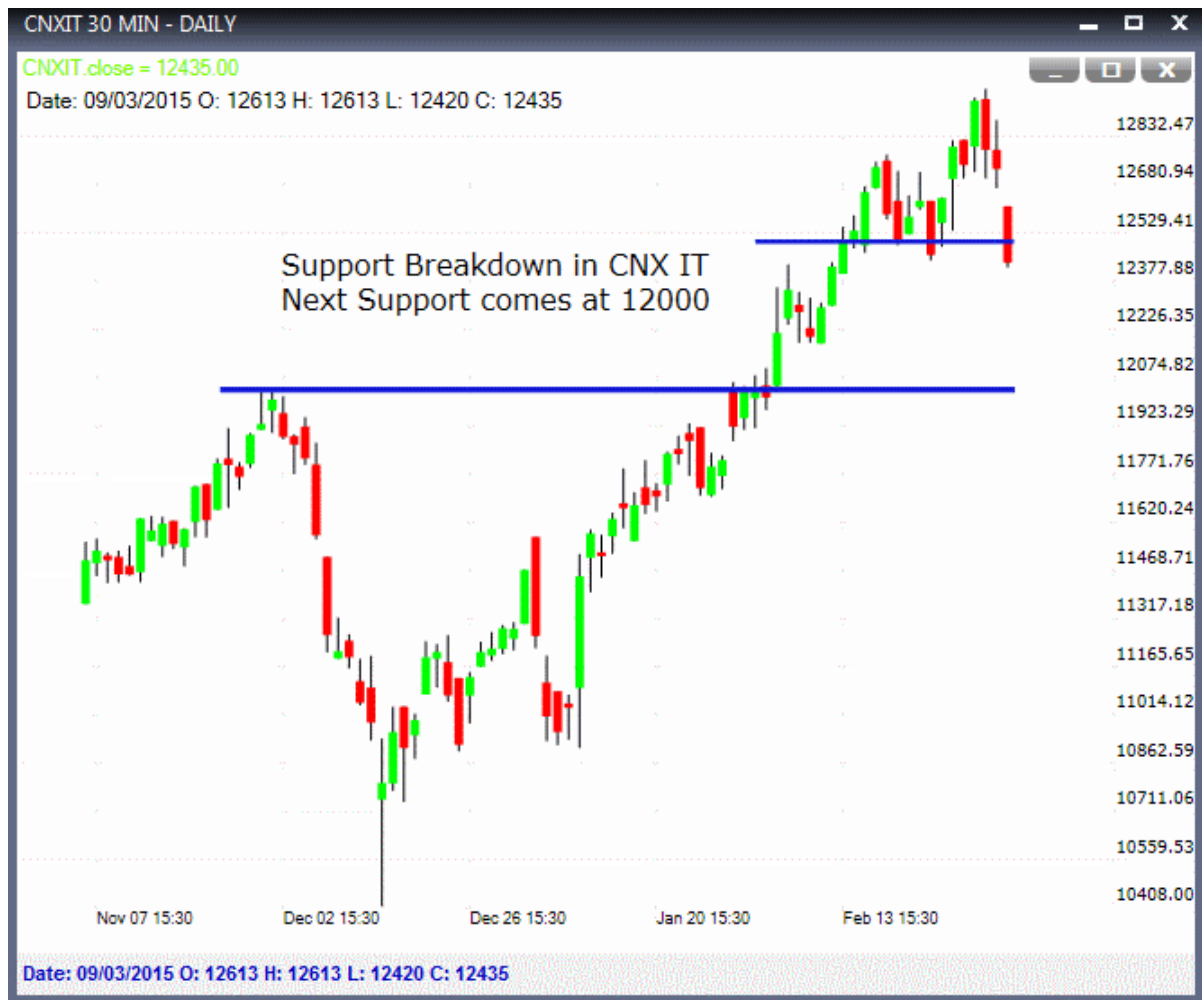
Decline continued in Bank Nifty. Short term trend is down in Bank Nifty. Prices have seen a decline, broken its support at 19200 and closed below to it. Next support comes at 18500 in Bank Index. PSU Banks are now offering us

a shorting opportunity in banking sector. We should either avoid trading in Bank Nifty or look for a short selling in weak PSU Banks such as ALBK, BANKINDIA, ORIENT BANK and UNION BANK.



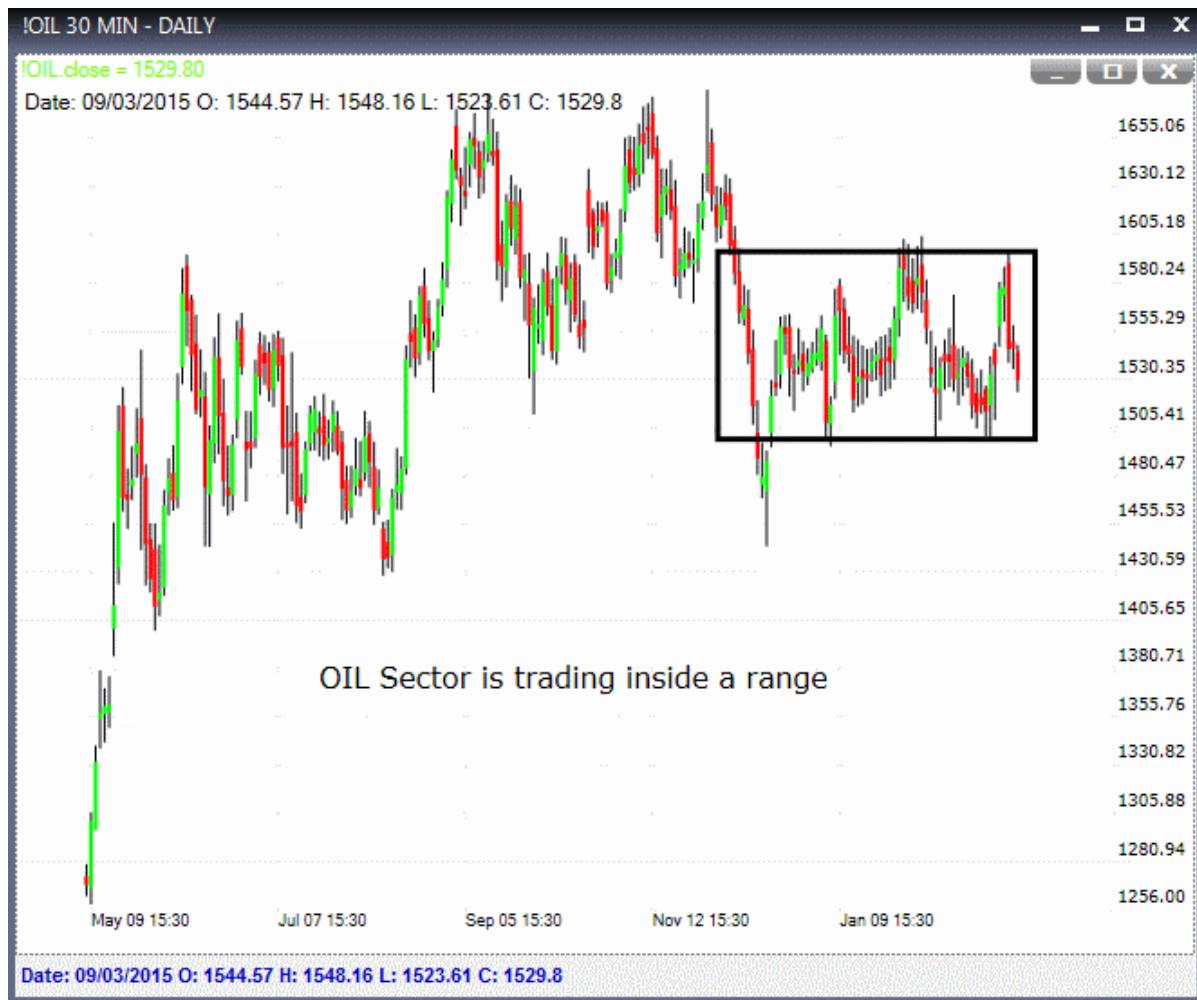
IT WATCH [CNX IT (Future Price): 12435]

Short Term Trend is now down in CNX IT. Prices have seen a decline, broken down from its support at 12500 and closed below to it. We should avoid buying in this sector as of now. Below the next support comes at 12000. We should wait for some kind of pattern to be developed here and then trade accordingly.



SECTOR FOCUS [OIL]

Long term trend is up whereas short and intermediate trend is sideways in this sector. The OIL Sector is consolidating and trading inside a large range. Prices are narrowing day by day. This narrow price action suggests us sooner we may see a big expansion in this sector. As of now, BPCL and HINDPETRO are consolidating at its top. Avoid trading in these two stocks. Short Term Trend is now down in ONGC, IGL, RELIANCE, GAIL and CAIRN. Look for a short selling with small volume in these stocks.



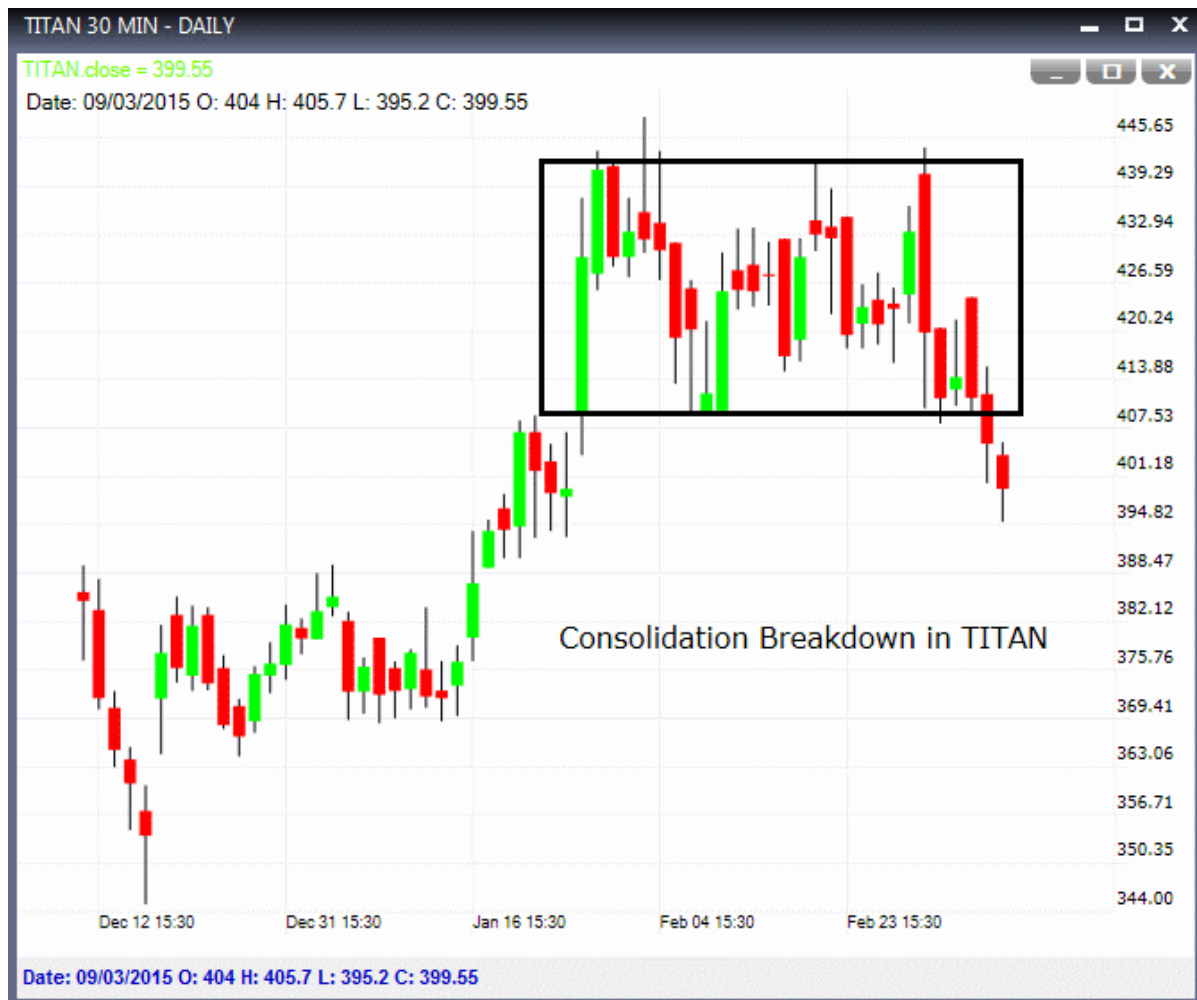
SWING TRADES

“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.

TITAN – [Close (Spot Price): 399.55] – SELL

Intermediate and Short Term Trend is down in TITAN. The stock has been consolidating at its top inside 410 – 443. This range has seen a breakdown and prices closed below to it. Sell this stock below 395. If this trade executes then place your stop just above 402 and a target near 380.



CIPLA – [Close (Spot Price): 733.90] – BUY

Trend is up in CIPLA. The stock has seen a sharp upside move and then started trading choppy. Prices are narrowing from last 2 trading days. A breakout may lead prices to higher levels. Buy this stock above 738. If this trade executes then place your stop just below 730 with a target near 755.



M&MFIN – [Close (Spot Price): 262.90] – BUY

Intermediate and Short Term Trend is sideways in M&MFIN. Prices are consolidating and trading inside a range 246 – 266 from last 1.5 months. Prices are now at the verge of breakout. Buy this stock above 266. If this trade executes then place your stop just below 262 and a target near 275.



ZEEL – [Close (Spot Price): 336.70] – SELL

Trend is down in ZEEL. The Stock has been consolidating at its top. Prices have made a pattern of descending triangle with a support line at 340. This support has been broken on downside. Sell this stock below 335. If this trade executes then place your stop just above 340 and a target near 325.



CURRENCY TRACKER: [GBP INR (Future Price): 95.04]

Long Term Trend is down whereas short term and intermediate trend is up in GBPINR. Prices have seen a breakdown from a trading range inside 95.50 – 96.90. We had suggested taking trade in the side of breakout. Traders who have taken this trade should place stop at 95.50 with a target near 94.50.



Final Words

Trade in this market presently is on the short side only. The entry location will depend on the tactics of the individual trader.

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