

# News Letter – 24/03/2015

## ABSTRACT

**VOLATILE AND CHOPPY, NIFTY FALLS AGAIN, MOVES IN NARROW RANGE; SUPPORT COMES AROUND 8350, RESISTANCE AT 8630. BANK NIFTY DECLINE CONTINUES; BANKS REMAIN AN AVOID FOR ANY BUYING**

Decline continues in Bank Nifty. The index is now trading near its short term support at 18200. Trend is down and we should look for short selling only. Decline continues in CNX IT. Support comes at 12000 whereas Resistance comes at 12550. Avoid trading in IT Sector.

We have OIL in Sector Focus. Long Term Trend is sideways in this sector. We will discuss the current scenario of Oil Stocks. Stock in focus includes BAJAJ AUTO, HDFCBANK, TATASTEEL and WOCKPHARMA. For each of these stocks, we analyse their technical picture; identify trades with stop loss and targets. We track GOLD, SILVER and EURINR today with a long trade in EURINR.

## MARKET TODAY

A volatile day in the market ends where nifty started with a gap down of nearly 14 points at 8537.05. There was significant intraday volatility when the Nifty moved up from its lows staging a rally of almost 100 points, reversing direction fell 100 points, resulting in volatility but zero net movements. Prices stayed near the lows and finally closed at 8542.95 with a loss of almost 8 points. Market traded in moderate range of 92 points. Among the major indices, CNX PHARMA outperformed with a gain of 1.83% while CNX Bank and CNX IT closed with minor losses. Market breadth was negative today with 556 advancing and 931 declining stocks on the NSE.

## TRADING

The Nifty fell again (this is becoming a habit!). Today was the FIFTH consecutive day of lower closing, an event that should not occur in up trending markets. Prices are moving narrow from last three trading days. This narrow price range suggests an expansion soon whether it may be upside or downside. Today's intraday bounce suggests the possibility of at least a short-term low coming in place. We should be alert to this possibility.

## WHAT TO DO TOMORROW

Be it on failure of rallies or breakdown of consolidation patterns, trade is on the short side only, where you enter or exit would depend upon your trading tactics. But if you see any patterns of strength like holding of supports etc. then just step aside and wait. Volatility is on the rise before the expiry of March series of F&O contracts on 26th therefore trade with proper stops and position sizing.

## ACTIVE INVESTING

Volatile and choppy markets do not offer investing opportunities. The best trade is to wait.

## NIFTY WATCH

On the hourly charts the pattern of making lower tops and lower bottoms continues in Nifty. Bears are being rewarded in this market presently so for the time being no point going long unless we see supports being held.

## Short Term

Our outlook for the short term remains bearish and we advise traders to hold their short positions with a revised stop just above 8630 level. Please note that stops have been tightened.

## Intermediate Term

We remain bearish for the intermediate too and advise traders to hold their short positions with a revised stop at just above 8650 now.

**STOCK MARKET – SPOT PRICE (NIFTY: 8549.90, SENSEX: 28,161.72)**



## TAKING A SWING TRADE

**LUPIN – [Close (Spot Price): 1879] –** We had suggested a long trade in our newsletter dated 13 March 2015. The trade was to buy above 1890 with a stop loss just below 1860 and a target near 1950.

The next day (March 16), price opened at 1894, above our entry price, so we went long there. However, after that, prices went into a narrow trading range. We were waiting for our target price to come. It started going downwards but a rally came on 19 March shifted the gears and crossed our target price. We have gained 90 points in this trade.

We had also advice to trade in three other stocks namely IGL, NMDC, and TITAN. Trade was to go short in all above stocks. We have straight away stopped out from IGL and TITAN after getting our entry price but NMDC was going in our favor then an upside shift in prices took us above our stop loss.

Time to time, we give trades in our newsletter and mostly in the direction of the trend. Sometime trade gets stopped out and sometime it met with its target.

Being stopped out is not an indication of trade being wrong and trend is terminated Stops are used only to protect our capital and limit risk.

How does Swing Trading work?

- The basic strategy of Swing Trading is to jump into a strongly trending stock after its period of consolidation or correction is complete.
- Strongly trending stocks often make a quick move after completing its correction, which one can profit from.
- One then exit from the trade after 2 to 5 days. This process can be repeated over and over again. One can also play the short side by shorting stocks that fall through support levels. However take this in mind that short selling should be done by professionals only.
- In brief, a Swing Trader's goal is to make money by capturing the quick moves that stocks make in their life span, and at the same time controlling their risk by proper money management techniques.

#### METALS WATCH

METAL	CURRENT PATTERN (if any)	TIME FRAME	TRADE			PREVIOUS PATTERN	TIME FRAME
			ENTRY PRICE	STOP	TARGET		
<b>GOLD MINI</b>	Resistance at 26600	EOD	NA	NA	NA	Trading Range inside 25600 - 26000 Broken on upside	EOD
<b>SILVER MINI</b>	Resistance at 39000	EOD	NA	NA	NA	Trading Range inside 35000 – 36100 Broken on upside	EOD

#### IT IS ABOUT BANKS! [Bank Nifty (Spot Price): 18326.60]

Bank nifty opened up with a gap down, trend remains down.

It traded narrow and choppy today. Prices have made its high near 18546 and then came back near its open.

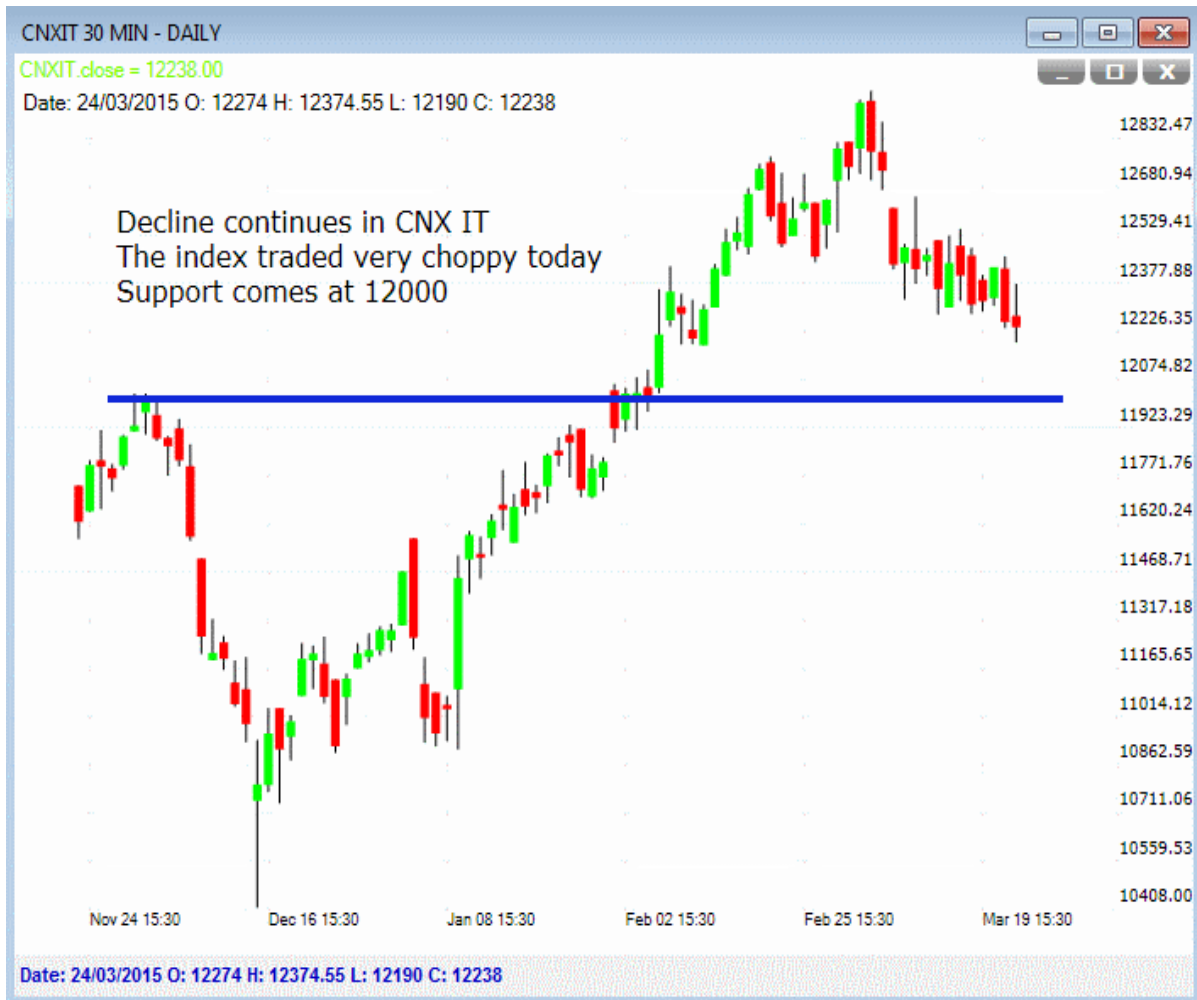
A strong support of 18500 has been broken down yesterday. Now prices are moving towards its short term support at 18200. Below this, a strong support comes at 17400.

As of now, we should trade on short side in the bank index as well as banking Stocks with a revised stop loss of 19000 for Index.



#### IT WATCH [CNX IT (Future Price): 12238]

CNX IT traded very choppy today. Decline continues in IT Index and prices have closed lower. A strong support comes at 12000. Prices may touch that support. As of now, we should avoid trading in IT Stocks. A close below 12000 will give us a shorting opportunity. Resistance comes at 12550. A close above this resistance will give us a buying opportunity in IT Stocks.



## SECTOR FOCUS [OIL]

Long term trend is sideways whereas short and intermediate trend is now down in this sector. The OIL Sector is consolidating and trading inside a large range. This range has seen a breakdown. The sector is trading very choppy. 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.

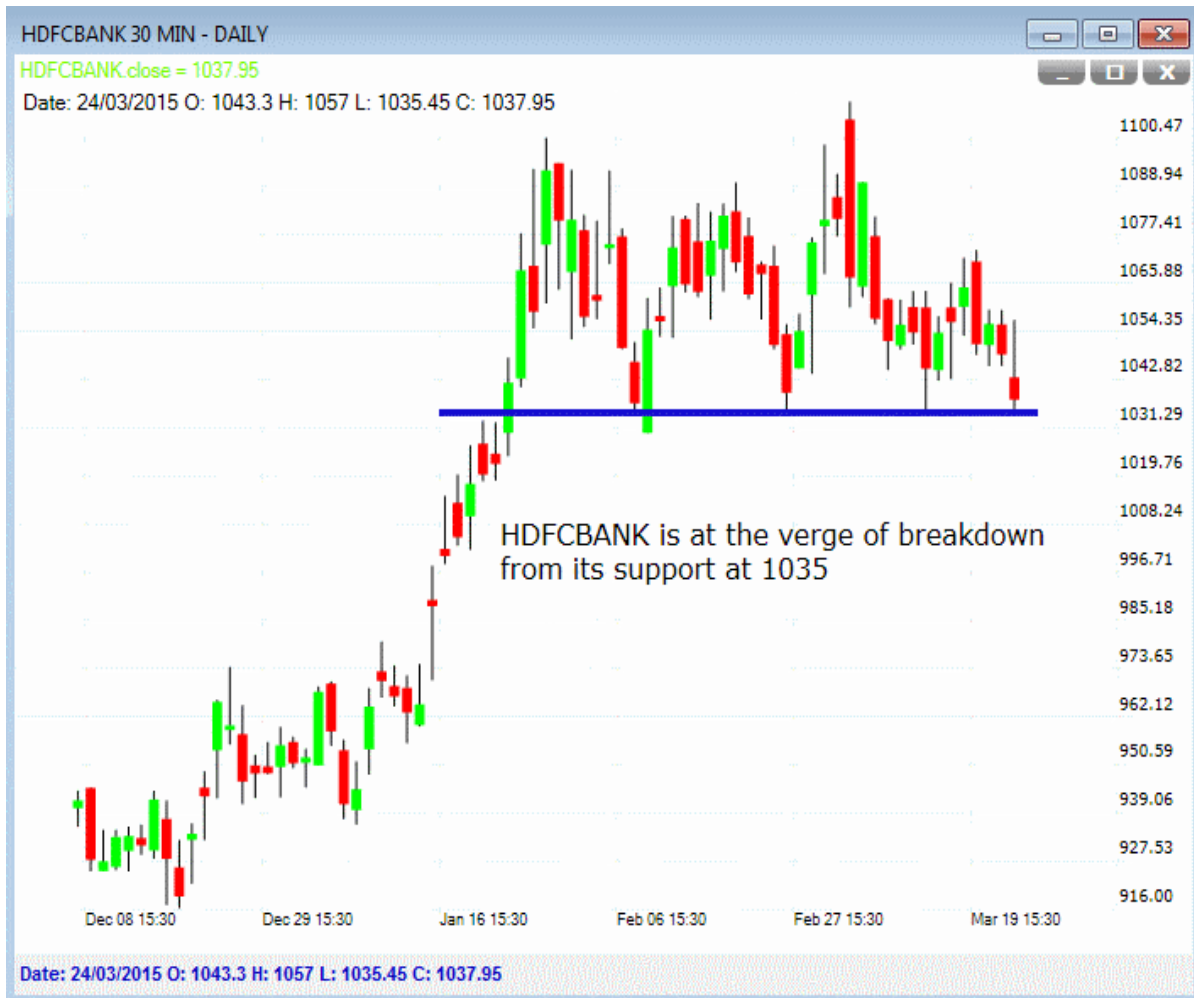
### **BAJAJ AUTO – [Close (Spot Price): 2027] – SELL**

Trend is down in BAJAJ AUTO. Prices have seen a sharp fall and then went into a narrow trading range. Prices have formed a pattern of descending triangle and now at the verge of breakdown. Sell this stock below 2015. If this trade executes then place your stop just above 2045 with a target near 1950.



#### HDFCBANK – [Close (Spot Price): 1037.95] – SELL

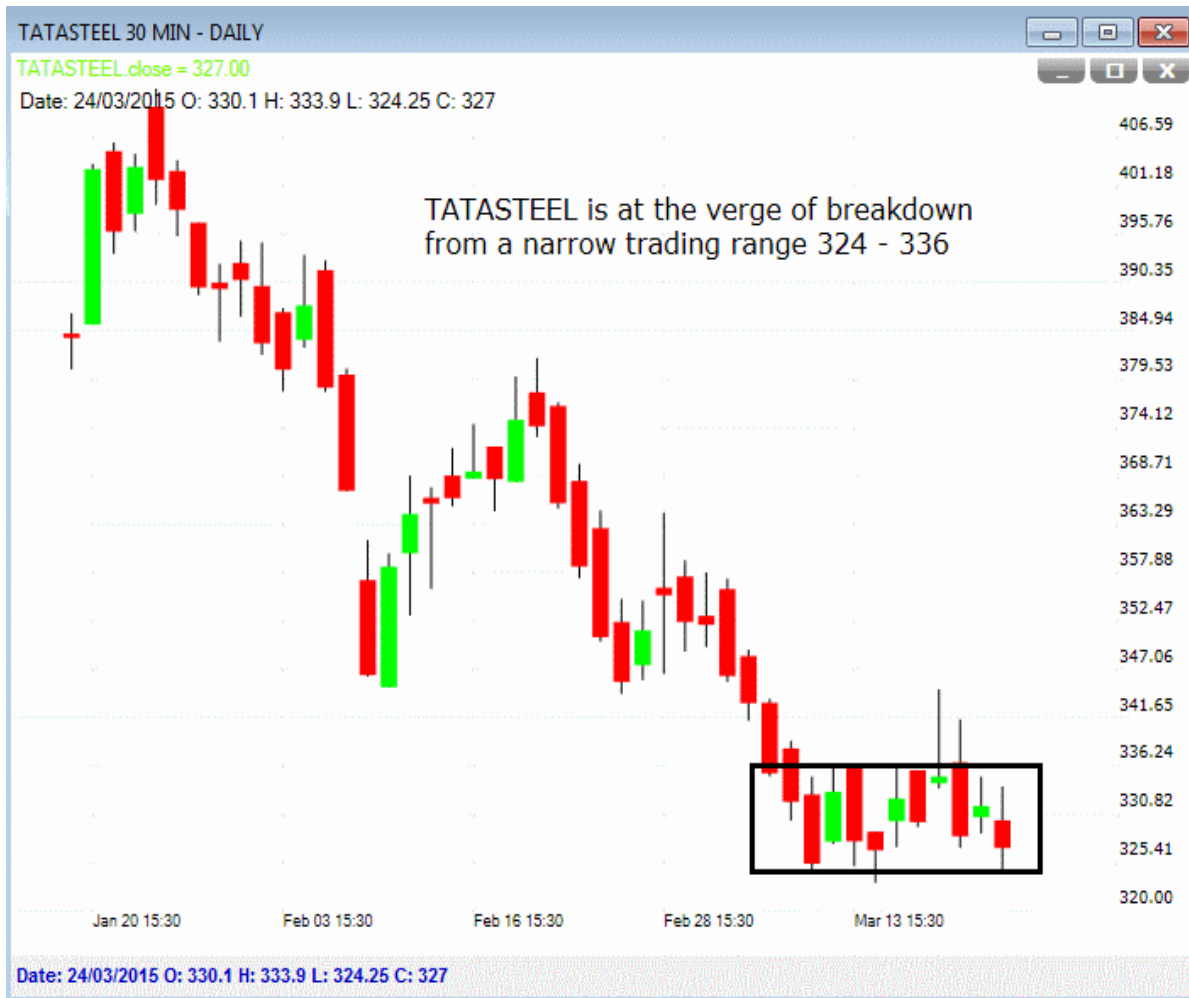
Short Term Trend is down in HDFCBANK. Prices are consolidating at the top and now at the verge of breakdown from its support at 1035. We may see lower levels in this stock. Sell this stock below 1030. If this trade executes then place your stop just above 1050 and a target near 990.



**TATASTEEL – [Close (Spot Price): 327] – SELL**

Trend is down in TATASTEEL. Prices are trading inside a narrow range 324 – 336 after a decline. We may see a breakdown from this range. Sell this stock below 324. If this trade executes then place your stop just above 328 and a target near 316.





**WOCKPHARMA – [Close (Spot Price): 1879.90] – BUY**

Trend is up in WOCKPHARMA. The stock has seen a minor correction and finds support near 1800. We may see an upside rally from here. Buy this stock above 1890. If this trade executes then place your stop just below 1840 with a target near 1990.



#### CURRENCY TRACKER

SCRIPT	CURRENT PATTERN (if any)	TIME FRAME	TRADE			PREVIOUS PATTERN	TIME FRAME
			ENTRY PRICE	STOP	TARGET		
EURINR	Trading Range inside 66.20 – 67.50 Breaks upside	EOD	Executed @ 68	New Stop @ 67.40	68.90	NA	NA



### Final Words

Be it on failure of rallies or breakdown of consolidation patterns, trade is on the short side only, where you enter or exit would depend upon your trading tactics. But if you see any patterns of strength like holding of supports etc. then just step aside and wait.

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