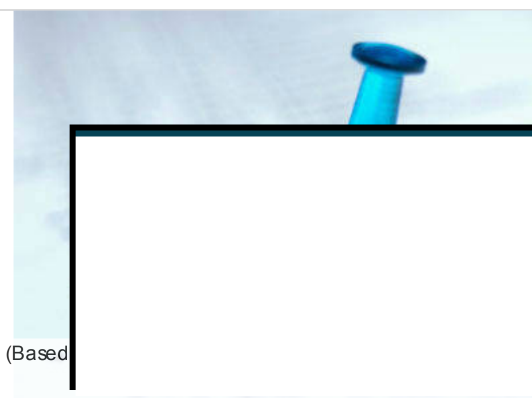
Market Watch	SENSEX	NIFTY	Gold (MCX) (Rs/10g.)	USD/INR
02:46 PM | 20 Nov	20,842.89 -47.93	6,188.15 -15.20	30,421.0 108.0	62.52 0.16

Bulls seen headed for slaughter house: Here's how to play this market

Nov 4, 2013, 01.43PM IST

Tags: Tech Mahindra | stock market | scrips | Rupee | real estate | RBI | Raghuram Rajan | P Chidambaram | NSE | nifty | maruti | interest rates | financial markets | Dalal Street | bull market | BSE | bear market | ACC

By Mazhar Mohammad



(Based

MUMBAI: Dalal Street glittered on Diwali, thanks to the confidence instilled among investors by Finance Minister P Chidambaram and RBI Governor Raghuram Rajan.

The sinking ship of the bulls suddenly appears to have found a life-boat, by way of which it can smoothly sail past Nifty's five-year old elusive peak of 6,357.

But the historical behavior of financial markets, long-term trends and current chart patterns are not suggesting a massive breakout above the 2008 peak.

In 1994 and 1997 also investors had a reason, though temporarily, to cheer and look for a new bull market when indices flirted with the peak of 4,546 seen in 1992.

On both occasions, massive sell-offs were witnessed and investors burnt their fingers badly. There are many similarities between 1988-1992 and 2003-2008 bull markets.

The current market behaviour in progress since 2008 is akin to the bear market we witnessed during the 1992-2000.

In 2010, indices shied away from all-time highs with less than a percentage point and took a cut 28 per cent from the top of 6,338.

In 1997, after a three-year gap, when market revisited the peak of 1992, they faltered and the bulls met defeat as indices almost retraced 100 per cent of their rally.

It is also important to note that the current rally is completely driven by liquidity. In the last four years since 2009, Indian bourses attracted few lakh crores of net inflows during which period the market has not delivered satisfactorily.

Moreover, depreciating rupee played the role of adding salt to the injury of FIIs. What if this 'frustrated liquidity' chooses to exit because of its own compulsions as prudence among the world central bankers is demanding for tightening of the liquidity flows by shunning easy monetary policy regime which shall prop up interest rates in developed nations.

Sooner than later, the reality will catch up with fund managers as QE tapering is just about four months away.

If we look into market internals, they are also giving a bleak picture. Almost 80 per cent of Nifty fifty scrips are away from their life-time highs.

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Among Group A scrips of BSE, 40 per cent are trading below their 200-Day Moving Average, 60 per cent of BSE universe of scrips are below 200 DMA.

Core sectors of the economy like metals, power and infrastructure are way behind the 2008 peak. Real estate scrips are completely bruised and battered.

The current market behaviour from Febraury 2013 is displaying a sort of expanding corrective structure.

If it paves the way for a fifth leg of expanding triangle then the consequences will be severe for the bulls.

Besides, momentum oscillators on higher time-frame charts are suggesting a 5-10 per cent correction either from the current levels or from another 50-point upmove on the Nifty.

Based on technical evidence we have gathered, we satisfactorily conclude that the bulls are heading only to the slaughter house and urge investors to book profits and remain in cash till market corrects meaning fully.

We recommend aggressive traders to utilise this rally and create short positions in the following scrips.

ACC: This counter is facing tremendous selling pressure at 1160 levels and appears to have formed a short term top around those levels. Momentum Oscillators on higher time frame charts are also in sell mode. Hence on can utilise this opportunity to create short positions with a stop loss above Rs 1,162 on closing basis for an initial target of 1103. However, if it closes below Rs 1,100 then it will drag down all the way to Rs 1,030.

Tech Mahindra: It appears that this counter is getting distributed around Rs 1,570 levels for last couple of trading sessions. Its non participation in the euphoric upmove on the way to new lifetime highs of the market is also suggesting weakening momentum.

Momentum oscillators on daily charts slipped into sell mode. Short this counter with a stop loss above Rs 1,577 on closing basis for a target of Rs 1,467.

Maruti: Spectacular result on this counter yielded around 10 per cent return in two trading sessions. The sideways move of three trading sessions in narrow ranges can force this counter into profit booking which may see this scrip revisiting gap area placed in the zone of Rs 1,565-1,529 registered on result day.

Hence one can short this counter with a stop placed above Rs 1,660 on closing basis for a target of Rs 1,565.

Infosys: This counter appears to have formed a round top and heading for a breakdown. Short this scrip preferably in rallies close to Rs 3,300 with a stoploss placed above Rs 3,377 on closing basis for a target of Rs 3,160.

NOTES:
1. Prices mentioned above are from NSE Cash segment. 2. All recommendations are positional trades requiring minimum 2 - 3 weeks from the date of execution. 3. Recommendations are made purely on the basis of technical research studies and readers are requested to consult their own financial advisors. before acting as analyst will not be in touch to communicate any adverse and unexpected technical developments on the charts.

The Analyst is Technical Research Strategist, Chartviewindia.in

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truthseeker (INDIA)
05 Nov, 2013 01:24 AM

Bulls to the slaughter house ?? that is what the pigs often say, mistakenly !!

Prakash Chandwani (Mumbai, Maharashtra, Ind)
04 Nov, 2013 10:08 PM

Agreed...Better to be safe than sorry. The extent of greed plays an important factor in stock market.

Ramakrishnan Marar (Ayalur, Palakkad)
04 Nov, 2013 08:00 PM

ET reported that it is due to Mr Modi the sensex and other indices are surging. What happened to that now ? Is it so that they realised that this bull run is hollow? Not supported by sound technicals ? Will those reporters now admit what they have reported was hollow; wrong ? I think it is high time ET reins in their wayward reporters. What kind of experts are they if 90% of what they predict and say goes wrong.

COLRANBIRLAMBA lamba (PTA)
04 Nov, 2013 06:43 PM

will be good killing

Subbu (India)
04 Nov, 2013 05:11 PM

correction awaits.. benefits only for FIIs

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