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Shift Gears: Book profits in IT space and buy metals on dips

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By **Mazhar Mohammad**

MUMBAI: In a vicious bear market, no sector shall remain untouchable for bears and continue to make new highs day in and day out. Hence IT shall participate sooner than later in this downtrend and give up some of the gains.

It is clearly visible on the charts that bulls are getting exhausted and losing momentum at least in few IT counters. Besides, the Indian rupee might have posted a major bottom at a recent low of 68.80 and heading higher.



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Tech Mahindra

BSE	NSE
1 358.55 ▼	1 360.30 ▼
-1.50 % -20.70	-1.59 % -22.10
Vol: 6221 shares traded	Vol: 38314 shares traded
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Post monsoon session, government will get more ambush to reign in burgeoning current account deficit by increasing diesel prices. This will further irritate the bears of INR and damages the confidence of technology bulls who would eventually prefer to log out of these counters. Hence, it is prudent to book profits and park that money in metal counters which as of now are looking as if they have completed vicious downtrend and formed a major bottom.

From this perspective we have following strategy - book profits/short IT and long metals. Albeit IT counters are looking strong, as a contrarian, we prefer to book partial profits in [TCS](#) and [HCL technologies](#) and recommend aggressive traders with high risk appetite to consider shorting other counters as chosen below.

Tech Mahindra (Last close: Rs 1,373)

In the last 14 weeks this counter sharply rallied from a low of Rs 895 - 1,428 there by gaining 59 per cent. Narrow price behaviour of this counter in the last 4 trading sessions which is accompanied by negative divergence on short term charts and sell signal on momentum indicators is suggesting limited upsides and imminent price correction which shall take it back to Rs 1,266 - 1,224 kind of levels. Hence positional traders can short this counter for initial target of Rs 1,266 and higher targets of Rs 1,224 in next 2-3 weeks with a stop loss above Rs 1,428 on closing basis.

Hexaware (Last Close: Rs 128.10)

We can apply the philosophy imbibed in the market maxim - 'Buy on rumour and Sell on news' especially in this counter. This counter briskly rallied on the back of stake sale news and had been moving in a narrow range since Monday after the announcement of stake sale.

It is clearly suggesting exhaustion of bulls in the near term pointing towards correction. Beside Daily RSI is continuously displaying negative divergence. Hence we prefer to short this counter for a target of Rs 116 with a stop above Rs 130 on closing basis.

Tata Steel (Last Close: Rs 271)

Bulls are back on their feet in this low cost steel producer of the world. It appears that this counter registered a major bottom at a recent low of Rs 195 and dramatically rallied around 40 per cent in 12 trading sessions.

Hence we recommend utilising the correction in this counter to initiate fresh long positions in the zone of Rs 265 - 250 with a stop below Rs 245 on closing basis for an immediate target of Rs 291 and a higher target of Rs 320.

Hindalco (Last Close: Rs 105)

This aluminium major appears to have hit a major bottom at a recent low of Rs 83. Hence we prefer to buy this in corrections in the zone of Rs 102 - 100 with a stop below Rs 96 on closing basis for a target of Rs 110 - 112 in 1-2 weeks.

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However, on a decisive breakout above its resistance level of Rs 112 this counter can target Rs 126 and Rs 137 kind of levels.

JSW Steel (Last Close: Rs 541)

This counter tested its 2011 low of Rs 462 and registered a double bottom to gain 25 per cent in a short span of 2 weeks. Interestingly long-term trend line is also placed around the same level. Any dip in this counter towards Rs 530 should be utilised to buy for a target of Rs 603 with a stop below Rs 500.

NOTES:

- 1. Prices mentioned above are from NSE Cash segment.
- 2. For any reason if the market tanks and your stop losses gets triggered long term investors can still buy Tata Steel and Hindalco in cash segment close to their major support levels mentioned as we believe that long term trend is reversing these two counters.

(The analyst is Technical Research Strategist, chartviewindia.in)

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