

Sensex on road to hit 34000, but do not see big moves by next Diwali

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'Muhurat' session is performed on the first day of Hindu calendar year to commemorate the Goddess of Wealth - Lakshmi - and to seek her blessings so that one can sail through the rest of the year without any financial difficulties.

As one of the main functions of the stock markets is wealth creation, one hour of auspicious trading is carried out on the first day of New Year and traders like to book profits of their token purchases.

It is more of sentimental in nature and will not have any bearing on the larger trends of the market. Taking long-term trends into consideration and after analyzing returns delivered by the Sensex, both on Diwali year and calendar year, we expect the market to deliver moderate returns by the end of next Diwali.

Since 1981 we have never witnessed the Sensex gaining by 50 per cent or more after delivering 20 per cent kind of return in its previous calendar year.

There is only one exceptional year, i.e 1991, when the Sensex delivered 92 per cent return after delivering 34 per cent in the previous calendar year 1990. Hence big moves for next year are ruled out.

As the market has already delivered around 20 per cent return for this Diwali, we expect the next year to be a year of moderate returns. Interestingly, since 1979, we found the markets registering a major top once in 7 years.

Hence, 7 years from the previous top of 21,206 registered in 2008 is 2015, which means the next year can be a year of major top/crash for the markets.

From the Elliott wave perspective, we presume 5th wave, which is the last leg of impulsion, on higher degree has started either at a low of 7697 registered in 2008 or at a low of 17448 witnessed in 2013 after ending 4th wave in the form of a contracting triangle.

So, either of the situations is pointing moderate upsides for the Sensex by next Diwali year.

Based on this technical evidence we project a best case target of around 34000 for the Sensex by next Diwali, and at the same time caution investors not only to concentrate on wealth creation but also to protect the wealth which they created as we may see bigger crashes next year.

We have identified two Diwali picks, which should perform well going ahead irrespective of market conditions:

Ashok Leyland: Long-term uptrend in this scrip is steadily strengthening as this counter managed not only to make new life-time highs, but is also sustaining above the same. Investors can buy into this counter for an initial target of 59, but by next Diwali, we will not be surprised to see this counter trading at 84 levels. Exit if it closes below 41.

Zee Entertainment: Of late this counter appears to have conquered its critical resistance level present around Rs 300 and comfortably trading above the same. Investors can buy this scrip for decent gains.

We expect this scrip to target 386 levels. Once this level is crossed, we won't rule out the possibility of testing life-time highs which are



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present around 479. Even long-term investors need to have stop losses and we consider the zone of 300 - 320 as the buying opportunity. Put a stop below 294 on closing basis.

NOTES:

1. Prices mentioned above are from NSE Cash segment.
2. All recommendations are positional trades
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 the analyst will not be in touch to communicate any adverse and unexpected technical developments on the charts.

(The author is Chief Strategist - Technical Research & Trading Advisory at Chartviewindia.in. Views and recommendations expressed in this section are his own and do not represent those of EconomicTimes.com.)

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