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As long as Nifty is below 10,930, threat of significant correction looms; Here are 3 short-term bets

The Nifty closed positive for the last 4 week but the chart structure will only turn bullish once we register a decisive close above 10,930 levels, until then, the threat of significant correction remains, **Mazhar Mohammad**, Chief Strategist – Technical Research & Trading Advisory, Chartviewindia.in, said in an interview to Moneycontrol's **Kshitij Anand**.

The Nifty50 on weekly basis close in positive with gains of about 0.5 percent. It managed to close around its crucial levels of 10,800. What does weekly, and monthly chart tell about the technical picture?

Surprisingly, this is the 4th positive weekly close in a row. But, the price behaviour throughout these 4 weeks remained sluggish with long lower shadows suggesting dips were considered as a buying opportunity.

However, in the current week, the price remained extremely narrower with a weekly range of 138 points indicating time may be ripe for a breakout in either direction.

Though Nifty remained positive, the chart structure will not turn bullish unless we register a decisive close above 10,930 levels. Till then, the threat of significant correction remains opened.

The support and resistance levels have shifted higher. Do you think we can have a touch and go moment with 11,000 in June series?

Supports have certainly not shifted higher though we are seeing some price appreciation. Chart pattern continues to remain bearish as long as Nifty50 trades below 10,930 levels thereby leaving a room for downswing which if materialises has the potentiality to drag down the index below 10417 level where a corrective structure will get culminated.

Hence, to turn completely bullish, we insist for a breakout above 10,930. On such a breakout a sustainable rally can be expected with new highs.

Till then one can remain cautiously optimistic unless some breakdown below 10,750 is visible. Based on our wave counts, our next alternative setup is suggesting that we might have started a fresh leg of impulse wave from the lows of 10,417.

In such a scenario wave 3 of a lower degree may be in progress from recent lows of 10,550 after completing wave 2 as Expanded Flat.

If we get past 10,930 then comfortably we will adopt this bullish count and eventually look for much higher levels beyond new highs of 11,171.

What is the outlook for Bank Nifty as some of the private bankers are hitting new lifetime highs?

Unlike Nifty50, charts of Bank Nifty looks bullish to us as it is moving in an ascending channel for the last 3 months or so. On last Friday, it just tested the demand line of the said channel.

As long as this index remains inside, the said channel things shall remain positive for this index with initial targets of 27,000. Our positive outlook will turn negative on a close below 26,150 levels.

Recently all pharma counters rallied big time. What are the charts suggesting for this index?

Pharma along with IT was our top [contrarian bets](#) for the year 2018 as published in this column on 30th of December 2017 under the title Contrarian investor will make money in 2018.

Obviously, on charts, this index is looking more promising as the recent low of 7,900 has retraced 62 percent of its entire rally from 2009 lows of 1,968 – 14,020 with a multi-year down move inside the downward sloping channel.

However, a confirmation of bottoming out may come once it registers a breakout above its multi-month downward sloping channel as still most of the up move we are witnessing is inside this channel.

Investors can be better off by adopting a two-pronged strategy, in this space, of buying now and adding further on decent correction. If the bet pans out decent money can still be made from this sector.

Recently some of the mid and small-cap stocks witnessed big spike. Do you sense this space is bottoming out?

By making use of 'sentiment indicator' we can sense that this space has either bottomed out or soon it will be heading for a bottom as almost there is a consensus kind of scenario among market participants and fund managers who still talk of 5 – 10% correction after knowing that this space is completely butchered.

Seldom consensus work in the market. This can be high time to seriously look into some of the quality mid and smallcap counters with decent management pedigree. One should not forget the fact that portfolios can't outperform without mid and smallcap counters.

Top 3-5 positional call which could give handsome returns to investors in next 1 month?

Here is a list of top three trading strategies which could give up to 8-11% return in 1 month:

RIL: Buy| LTP: 1,013| Target: Rs 1,130| Stop loss: Rs 980| Return 11%

With new lifetime highs, this counter appears to be heading for a fresh breakout above its multi-week ascending channel which has a potential target of Rs 1,130. Hence, positional traders are advised to buy into this counter now and on declines up to Rs 990 for a target of Rs 1,130 with a stop below Rs 1,180 on a closing basis.

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Muthoot Finance: Buy| LTP: Rs 386.40| Target: Rs 420| Stop loss: Rs 380| Return 8.8%

At a recent low of Rs 383, this counter retraced around 62 percent of its last leg of the rally from the lows of Rs 369 – 399.

We suspect some sort of accumulation in this counter as for the most part of the Friday's session it has remained in positive terrain whithering the market turmoil.

If it has bottomed out and fresh upswing is in progress then the initial hurdle around Rs 405 should be taken off.

In such a scenario, it should head all the way to test 200-day moving average (DMA) whose value is placed around Rs 420. A stop suggested for the trade is a close below Rs 380.

Mahindra Lifespace: Buy| LTP: Rs 570.40| Target: Rs 620| Stop loss: Rs 540| Return 8%

The recent price action in this counter with the expansion of intraday price range on high volumes is pointing towards some sort of accumulation suggesting it can be in for a sustainable up move going forward.

Hence, positional traders should buy now and on declines between Rs 560 – 555 range for a target of Rs 620. A stop suggested for the trade is below Rs 540 on a closing basis.

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