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You saw 11,000, now brace for mount 12K on Nifty

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Much to the chagrin of skeptics, Indian indices hogged the limelight again registering new lifetime highs beyond the January 2018 highs of 11,171 on the Nifty (36,443 in case of Sensex) exactly 6 months after a consolidation phase.

Despite the enthusiasm in the markets though skeptics continue to claim the rally may not sustain considering only a handful of counters are adding value while the broader market is still under pressure.

It is true that much of the broader market is under extreme pressure with worst performer being the real estate sector which is still trading below 85 percent to its lifetime highs and second-worst performer is the Infra index which is still trading 50 percent below its lifetime high.

Whereas metals and pharma which appears to be out of their respective bear markets are still down by 40 percent and 35 percent from their respective lifetime highs but looks promising.

PSU Banking space, which is still down by 42 percent from its lifetime highs, is once again gaining traction as the worst appears to be over. The auto index can be the next one to hit the headlines as it is just 10 percent away from its lifetime highs.

Just because these indices are lagging behind doesn't mean that pivotal indices like Nifty and Sensex should falter from new lifetime highs and the rally shall prematurely terminate without much progress.

Best representation of this kind of divergence can be that handful of stocks which took leadership and set an example for others to follow as this positivity in a handful of sectors like FMCG, IT and Bank Nifty which made lifetime highs shall eventually get spilled over to others also sooner than later.

Technically speaking, broader markets will get strengthened further and catch up momentum once Nifty 500 which is a broader gauge of the market pulse registers a fresh breakout beyond lifetime highs.

Interestingly, this index which is trading 2 percent away from its lifetime highs of 9,895 registered a decisive breakout in the last session above its interim top of 9,531 which is equivalent of 10,930 on the Nifty50.

Once this broader gauge hits a lifetime highs beyond 9,895, a majority of the scrips in the market shall rejuvenate their strengths.

Dollar Index and Indian Markets:

There seems to be a negative correlation between the Dollar Index and the Indian Markets as clearly pointed out earlier in these columns. For the last two months, it seems that Dollar Index is stuck up in a range of 95.50 – 93.

Hence, as long as Dollar Index trades below 95.50 levels bulls of Indian Equity markets can play it without fear but they need to worry on a breakout in the Dollar Index which then will have a pattern targets of 97.50. Such a breakout may prove to be negative for Indian markets.

Indian Markets and Global Indices:

As of now, new lifetime highs look unique fete of Indian markets but other markets don't look far behind. S&P 500 is just 1 percent away from its record high of 2,878 as on Thursday close whereas other major indices like Dow, Dax, and FTSE are hardly 3-5% away from their lifetime highs.

Once these indices also start hitting new highs then it shall usher in a fresh uptrend in all Global markets. Perhaps developed markets are awaiting for Trade War concerns to subside.

Near-Term Outlook for Nifty50:

The recent breakout above 10,930 after 8 weeks of consolidation has thrown up a fresh target placed around 11,435 levels. Interestingly, this target is also coinciding with the resistance levels placed in the zone of 11,480 – 11,545 on the long-term charts.

Hence, for bigger upsides, indices need a fresh breakout beyond 11,500 levels. In such a scenario a bigger target placed around 12,200 can't be ruled out on the indices.

Top three trading bets for next 1-2 months:

Federal Bank: Buy | LTP: 90.65 | Target: Rs 98 | Stop Loss: Rs 84 | Return 9%

This counter appears to have resumed its uptrend from the 8-day old consolidation phase after the huge single day up move it witnessed on 17th of July.

As the momentum appears to be very strong it should aim at bridging the bearish gap seen in the zone of 98 – 93 registered on

10th of May 2017. Hence, positional traders should buy into this counter for a target of Rs 98 with a stop below Rs 84 on a closing basis.

[Sunflag Iron & Steel Company](#) Ltd: Buy| LTP: Rs 58.75| Target: Rs 69| Stop Loss: Rs 54| Return 17%

Metals appear to be back on the radar of investors as swift moves are being witnessed across the board in this space. This counter appears to have formed a decent base around 55 after a big correction from the highs of 94.

Hence, positional traders should buy into this counter for a target of 69 with a stop below 54 on a closing basis.

[LIC Housing Finance](#): Buy| LTP: Rs 536.40| Target: Rs 570| Stop Loss: Rs 519| Return 6%

Last four weeks of price behavior of this counter appears to be quite encouraging as it is steadily moving ahead with brief periods of consolidation in between the strong up moves.

As this counter appears to have resumed its upmove once again after a brief two-day pause one can initiate fresh longs for a target of 570 with a stop below 519 on a closing basis.

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