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Time to go short? Maintain a stop for positional shorts above 11,350 levels

Unless the Nifty50 recovers and settles above 11,350 levels traders should prepare themselves for some nasty surprises going forward as we may again revisit Friday's lows of 10,866, Mazhar Mohammad, Chief Strategist – Technical Research & Trading Advisory, Chartviewindia.in, said in an interview with Moneycontrol's Kshitij Anand.

Q) How are markets looking after Friday's intraday crash? Is it time to create positional shorts?

A) Friday was a 'Black Swan' type of event as markets witnessed a flash crash within 30 minutes between 12.30 p.m. to 1 'o clock which created a panic among market participants. We seldom witness around 480 point intraday swing.

Fortunately, a major part of this losses recouped in the next 30 minutes but damage appears to have done not only on the majority of the scrips but also on the confidence levels of the traders by that time.

The message from the price behaviour of [Dewan Housing Finance](#) Ltd. (DHFL), which appears to be the cynosure of this crash, is loud and clear as stock failed to recover after a 40 percent cut despite positive comments and clarifications from the management through concall.

There can be more to this 'liquidity issue' than what meets the eye at this point in time. Unless the Nifty50 recovers and settles above 11,350 levels traders should prepare themselves for some nasty surprises going forward as we may again revisit Friday's lows of 10,866 and eventually lower levels can't be ruled out. Hence, a tight stop for positional shorts can be a close above 11,350 levels.

Q) How are markets looking on technical charts? Supertrend indicator has given a sell on weekly charts and MACD is also on the verge of giving bearish crossover. What are the other parameters which investors should watch out for next week which is an expiry week?

A) Indicators are nothing but a shadow of their underlying's price action. So a 'sell' signal on them is not uncommon after this kind of fall. At this point in time, both the sentiment as well as confidence levels of traders are low.

Technically speaking at Friday's low of 10,866 markets exactly retraced 62 percent of its rally from the lows of 10,417 registered in May 2018 and 50 percent from the lows of 9,951 registered in March 2018 to a high of 11,760.

Usually, this kind of retracements accompanied by a classic panic bottom in Friday's session can have the ability to create a bottom in. But, it will be too early to conclude so unless further technical evidence is available in this regard.

Going forward, if Nifty50 sustains above 11,025 kind of levels on closing basis then we can expect consolidation in the zone of 11000 – 11350 levels.

On a sustainable close above 11350, some strength can be expected and then with a higher degree of confidence levels one can conclude that the bottom can be in place.

However, in terms of Elliot Wave parlance as Friday's low created an overlapping chart structure with an intraday low of 10866 it has demolished all the bullish assumptions thereby opening up the possibility of bigger downsides in the future.

Hence, it is critical for the indices to sustain above 11,000 in near future which will give some hope for bulls. Else this correction can turn out to be a multi-month corrective phase with intermediate top in place at the recent high of 11,760 levels.

Q) What are Bank Nifty charts pointing out?

A) Weakness in Bank Nifty is getting more pronounced as it breached all critical supports on medium-term time frame charts and already closed below its 200 Day Moving Average. If this index settles below 25,900 levels then we will not be surprised to see it targeting towards 24,600 levels.

Q) What is the outlook on INR?

A) There seems to be a temporary bottom for Indian Rupee around Rs73/USD levels where it appears to have registered a double bottom kind of formation with its last 6 days of price action.

However, more appreciation shall not be expected unless it breaches Rs 71.51/USD levels on the downside. If the said resistance of Rs71.5/USD is cleared then the best case scenario target can be between 70 – 69 levels whereas weakness shall get resumed on breach of 72.97 with a target placed around Rs74.15/USD.

Q) Top three stocks which investors can look at for the coming week for a minimum holding period of 1 month?

A) For next couple of days, we advise short-term traders to remain on sideline till volatility subsides. However, traders with a high-risk appetite can look into following ideas with a tight stop.

[Hero MotoCorp](#): Buy| LTP: Rs 3165| Target: Rs 3296| Stop Loss: Rs 3090| Return 4%

This counter appears to have registered a short-term bottom around 3100 levels after retracing around 80 percent of its last leg of the rally from the lows of Rs 3033 – 3350 levels.

As this counter was indifferent to Friday's fall and closed in positive terrain with marginal gains, sustaining above Rs 3,100 levels, it can easily target Rs 3296 levels. A stop-loss suggested for the trade is Rs 3090.

HPCL: Buy| LTP: 257| Target: Rs 280| Stop Loss: Rs 240| Return 9%

After hitting a bottom of Rs 233, this counter appears to be consolidating in a narrow range of Rs 260-247 for the last couple of trading sessions.

Sustaining above Rs 247 levels it can make an attempt to register a decent pullback towards Rs 283 kind of levels. Hence, traders can buy into this counter for an initial target of Rs 280 with a stop of Rs 240.

Vedanta: Buy| LTP: Rs 229.70| Target: Rs 258| Stop Loss: Rs 215| Return 12%

This counter appears to be consolidating in a range of Rs 238 – 218 with a positive bias. As the sentiment in entire metal space is strengthening we expect this counter to register a positive breakout going forward. Hence, traders can buy into this counter with a stop of 215 for an initial target of 258.

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