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Use rallies to short Nifty; 3 stocks which could give 6-14% return in October series

If Nifty closes above 11,170, the next resistance level stands at 11,350 levels and if there are signs of weakness around these levels, one can initiate fresh shorts with a target placed between 10,700– 600 kind of levels, Mazhar Mohammad, Chief Strategist – Technical Research & Trading Advisory, Chartviewindia.in, said in an interview.

Q) After four weeks of relentless fall do you expect any pullback or one can still go short?

A) At this juncture after taking a hit of around 8 percent from the highs of 11,760 with 4-weeks of continuous fall, we should expect some pullback rather than looking to go short at current levels.

Even Friday's price action is suggesting that the market is finding some buying interest around recent swing low of 10,866 levels.

Why we say that because market witnessed a decent recovery without undergoing panic even after it breached the recent low of 10866 levels which is usually considered as a bearish sign. The index hit an intraday low of 10,850 on Friday.

However, we need to see to what extent and with what strength market registers this pullback in the coming week. Bulls should be able to regain control if Nifty50 manage to close above 11,170 levels.

If the index closes above 11,170 then the next resistance level stands at 11,350 levels. On signs of weakness around these levels, one can initiate fresh shorts with a target placed between 10,700– 600 kind of levels.

Q) What do you think of the October series? Do you expect more pain to continue?

A) As of now, based on our studies of long-term trends, we are of the firm view that market is in an intermediate downtrend and top for the year is in place at recent highs of 11,760 levels.

So, obviously market should remain under pressure even in October series as well. That's the reason we are advocating investors to sell this market on rallies and eventually, the recent lows of 10,850 recorded on Friday will get breached over a period of time.

Now the question remains to what extent it can go down? As recent correction resulted in overlapping chart structure, in terms of wave theory, it has opened up the possibility of bigger downsides going forward.

To avoid any big fall, the market should bottom out around 10,700 levels without violating 10,557.

If it goes below 10,557 then we are afraid to say that we should be heading towards 10,000 kinds of levels going forward. This is our preferred view.

We will not open up bullish options unless we trade above 11,500 levels. Hence, traders are advised to remain utmost cautious.

Q) Recently we have seen some stocks like Infibeam and DHFL taking a hit of more than 50% in the single session. How do you read this kind of behaviour?

A) It is scary to see the value erosion of a scrip by around 50 percent in a single session which is highly unusual. I am afraid to say that this kind of huge value erosion in a single day will be usually followed by news flows of negative fundamental developments in the majority of the situations.

However, in the case of [Infibeam](#) we have seen this kind of highly speculative move on a couple of occasions even in the past, and later the stock stabilised and went on to make new swing highs.

For instance in 2017, twice in the month of March and on 25th of September and 29th of December and on 21st of September 2018 apart from the last session we saw big swings on the stock.

But, this time, the cut looks much deeper. Once we see this kind of wild swings, investors should stay away from speculative counters.

Q) What is your strategy on small and mid-caps?

A) Technically, it is very difficult to take a call on this space as they are in a strong downtrend. Investors should look for some sort of price stability and if they are refusing to go down further then one can selectively consider stocks for long-term investment.

In other words, they need a prolonged time-wise consolidation before they become fresh investment ideas.

Q) What is your outlook on rupee? Do you more pain in October?

A) Last three weeks of price action suggests that selling pressure of Indian Rupee is drying up as it is stuck up in a trading range of 73 – 71.50.

As of now, it appears that there is a bright chance of Rupee not breaching 73 levels anytime soon. If similar strength continues then we could see the currency to appreciate towards the zone of 71.75 – 71.50 levels.

Contrary to this any weakness below 73 shall quickly result in a target of 74.15.

Q) Top three stocks which investors could look at for October series?

A) Here is a list of top three stocks which could give 6-14% return in the next one month:

Asian Paints: Buy | LTP: Rs 1,294 | Target: Rs 1,370 | Stop Loss: Rs 1,267 | Return 6%

Last three weeks of price action is looking quite interesting with long lower shadows on the weekly charts which suggest that dips are getting bought into this counter.

Even in the last two sessions, the bulls of this counter remained indifferent to the wild swings witnessed in the broader markets.

Hence, on a sustainable pullback rally, this counter should trade somewhere around Rs 1,377 levels. The near-term strength will get cemented on a close above Rs 1,336 levels. Positional traders should buy into this with a stop of Rs 1,267 for a target of Rs 1,370.

Axis Bank: Buy | LTP: Rs 612 | Target: Rs 649 | Stop Loss: Rs 587 | Return 6%

The price behaviour of the last four sessions in this counter is looking quite interesting as it appears to be building a decent base between Rs 620 – 590 levels from the cushion of which it can rally.

In such a scenario a decent upmove towards Rs 655 can't be ruled out. Hence, traders are advised to buy into this counter for a target of Rs 649 with a stop of Rs 587.

L&T Finance Holdings: Buy | LTP: Rs 129 | Target: Rs 147 | Stop Loss: Rs 117 | Return 14%

This counter appears to have hit a short-term bottom after retracing around 50 percent of its entire up move from the lows of Rs 48 – 213 levels as it is consolidating in a narrow zone of Rs 120 – 135 levels.

On sustaining above Rs 120 levels, it can easily pullback to test its 21st September high of Rs 151 levels. Hence, positional traders can make use of this opportunity to go long for a target of Rs 147 levels with a stop of Rs 117.

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