



Indian companies are locked politically rather than fundamentally. Many "A" group companies are trading at attractive valuation but scam like "Coalgate" and in talks "FDI in Retail" bill are restricting to fuel up our stock market.

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NIFTY on a "Hat-trick"

Cricket and Stock market are the only two things which is most talked about amongst Indians, if not Indians than of course Gujarati's. Being one of that Gujarati I have always tried to identify some characteristics in NIFTY chart in form of Cricket. And this time NIFTY is on a Hat-Trick of "Symmetric Triangles" in terms of Technical Analysis (The pattern contains at least two lower highs and two higher lows). 75% this is continuous pattern but it may act as a reversal pattern. The graph below is NIFTY's monthly chart since and we could see the triangle pattern has been occurring for the 3rd time and it has given Bullish breakout in previous 2 cases. Can it happen for the 3rd time? 5280 was the breakout level for the month of August and we have seen strong move above that level. Next week is expiry and the month end close above 5280 is a must for the breakout confirmation. The long bold line is 50 Monthly SMA which is acting as a strong support at 4990 levels. Even the Symmetric triangle downside support is at 4990 which triggers short sale. Relative Strength Index (RSI) of 14month is at 53 just initiating a buy call. Yet the pattern can still give breakout on either side but be biased towards bulls.



First triangle was spotted in 2003-04 which was given a positive breakout by IT sector boom. Second triangle formation was post Lehman Brother bankruptcy in 2008-09 after global market digested that collapse and now third triangle formation is seen at the PIIGS (Portugal, Ireland, Italy, Greece, Spain) bailout. If German council approves ESM then we would see confirmation to that breakout pretty soon on 12th September. Line 1 & Line 2 (Dash Line) are the projection line as per the rule of breakout of such triangles. Technically Line number 1 was the resistance line for the 2nd triangle breakout. On the breach, it reversed its role to support line till today as you could notice on the chart. Line number 2 is the new resistance line which has indeed reversed its role from support line. Such triangle actually depict confused trend period and so is the case right now as investors don't have a clear picture whether debt crisis will get a proper solution soon.

On Daily chart below, picture seems to be little hazy as the index has resisted near the line and 14 day RSI and ADX seems to slow down the pace of NIFTY. From the start of this expiry (August) we have seen a Non-Stop rally which could result in some profit booking on expiry day next week which may drop NIFTY to around 5220 odd levels. 5200 will act as the strong support in near term. 50 Day SMA and a gap unfilled is around 5240 and 5216 respectively which could act as the intraday support. But on its way down to 5200 we have some small

hurdles at 5350 and 5300. It's a myth amongst traders that a gap has to be filled up but "Runaway gaps" are meant to be unfilled as it signifies strength of the ongoing trend.

Domestic scorecard

Indian companies are locked politically rather than fundamentally.

Many "A" group companies are trading at attractive valuation but scam like "Coalgate" and in talks "FDI in Retail" bill are restricting to fuel up our stock market. Rs.1.85 lakh crore is opportunity cost our Government has lost which is recoverable if the mines are auctioned again in near term. Chidambaram said that 49% FDI in retail is expected soon to be passed in the parliament. If this bill is passed and coal mines are auctioned soon than we may see re-boost growth in our economy. So we are expecting both the problems to solved soon and we may see India in driving seat for the next market rally.

ESM v/s German Court on 12th September

Month of September and October are generally considered to be eventful for the world in past. Most of the turnaround event in stock market history such as Black Monday 28th October 1929, Market Crash of 19th October 1987, Tragedy of 11th September 2001 and Lehman Brother filing bankruptcy on 15th September 2008 has occurred in these two months. And fortunately or unfortunately 12th September 2012 could be the next on the list. On this very day, German court is going to announce its decision on the bailout fund and a fiscal pact proposed by Euro leaders to deal with the sovereign debt crisis. According to the treaty while forming Europe Union, group of nations had agreed that once a county revokes its currency and join Euro than nation's existing currency will be "irrevocable". So if the Greek is exiting the EU than it cannot have "Drachma" back as its currency. On the other side in "Treaty of Maastricht in 1992" EU decided that none of the country can provide bailout which is the reason why German government is in trouble as the already provided assistance to Greece under EFSF. New Debt machine i.e., European Stability Mechanism (ESM) is a rescue fund of 700 billion but it can be only worked out if the decision of German court is in favour of ESM on 12th September. President of ECB, Mr. Draghi, said in its August speech that it will wait for the German court decision before buying government bonds of Italy and Spain. Next date when Draghi addresses the mass is 6th September but investors are pretty sure that he won't declare any final decision of buying bonds as he is waiting for German court decision. On the other side Italy and Spain yet official y haven't applied for rescue fund as they would be bind with conditionality other than fund which they are not ready for. Greece is also asking for the third bailout which is worrisome for EU. Some believe that Greece won't ever make



it for austerity restructure ever but PM Samaras said in press conference during his visit to Paris that Greece is ready and capable of meeting all the conditions to rescue its country from further debt burden. But the main worry is that if German Court decision is against ESM

than German leaders DONT HAVE ANY PLAN B as of now.

Chances of coming back into the game

In-spite of lawful hurdle to ESM, German leaders are expecting the decision in favour of ESM and their plan with ECB to save EU will succeed. On the other hand, Mr. Bernake, Chairman of FED has showed his clear intention to provide further easing to US economy if the recovery was at slow pace. This statement had brought cheer in global markets which resulted in rallies on stocks over the world on last Friday. US housing data has shown some recovery off the late which is a sign of consumer confidence. Often it is said that the economic recoveries are led by retail and housing sector followed by Manufacturing and capital goods at the last. Retail sales has gained the momentum in last two quarters which was reflected on FMCG companies over the globe especially in India, US and Africa. Housing which is often the second sector to follow recovery has also shown some improvement in US. Consumer confidence in US and China is stable but elsewhere its still to gain confidence.

Scorecard Summary

To summarize market situation, investors are the crucial point of the economy. Market could give a big move ahead on either side depend on the match result on 12th September but the ESM is looking more stronger and chances are they would win which is what world expecting but there are always thin chances of other team to win. But chances are of ESM to win the battle for the pride of EU.

Strategy for the Match

Go long on the stocks at CMP. Buy more on every dip of NIFTY upto 5200. If the decision of ESM is in favour than Hold your stocks or else keep at stop loss of 4950 on 12th September.

My 12 players team from NIFTY for the Match

Infy, HDFC, Reliance Industries, Axis Bank, M&M, Bank of Baroda, Bhel, IDFC, Maruti, Siemens, Tata Power and Wipro.

(Note: All the data and graph is as of 24th August closing)

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