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technically speaking

Market could see a reversal from low levels

DESPITE weak global cues, last Monday saw the market open at almost unchanged levels. Thereby indicating not only are traders deep in profits, but are confident that the market will eventually reverse from lower levels. However, a gradual selloff below the 5,900-level could lead to uneasiness.

The market remained low throughout the week due to weak parallel or global cues. The huge rollover on the F&O segment kept activity muted on Thursday, almost akin to the trend during the last expiry. This tells us that the market is heavy in terms of open positions in the F&O segment and is unable to roll over the positions as smoothly as in the past. Except technology, there were hardly any gainers on a weekly closing basis.

Micro trend of the market

Given the consistent fall, one will have to examine the micro trend of the market to get an indication about the likely trend. A closer look at the 60 minute charts of the indices shows that the market is diverging positively. (Pause of the current bearish trend and likely reversal). It means there are chances of a likely upmove if the market finds support at major levels like 5,640 and 5,600.

Also, the activity on Thursday was in a tight range between 5,740 and 5,800. This may act as a major support and resistance for the market on Monday. Here we have to follow the levels and act accordingly. In case the market trades below 5,740, then we may see a sharp selloff up to the 5,600-level. In that case, we may reach diverging levels for the market. However, sustenance of the indices above 5,800 may trigger fresh buying opportunities in the market.

Macro trend of the market

On a weekly basis, the market tells us that under a pullback mode to the bullish rally between 5,395 and 6,185 (18,182 and 20,498 for the Sensex) and till the indices remain above 5,395 and 18,182, the intermediate trend will remain intact. Levels like 18,700 and 5,575 may act as major supports for the market on a weekly basis. In case the market reverses from these levels, we may see a pullback to the bear move between 5,575 and 6,185 (18,700 and 20,500 for the Sensex). On the higher side, the levels of 19,700 and 20,100 for the Sensex (5,910 and 6,050 for the Nifty) may act as a prudent resistance for the market. In brief, according to the micro and macro trends of the market, currently we are heading towards the major levels of 5,600 or 5,575. Around these levels, investors can buy select stocks from a medium-term investment point of view. For traders, our advice is to enter into trading long positions, only if the market reverses sharply from any of the given levels.

Top picks in a medium term

Real Estate: If we use comparative theory in the current bearish move, then we can clearly see that the fall in the real estate sector is lesser compared with other sectors. It means money is not flowing out of the sector. Based on the above observation, we would recommend a 'buy' on DLF (Rs 962) with a medium-term price target of Rs 1,080. Stoploss below Rs 900 is a must.

Infrastructure: The leadership is changing from front liners to second liners. It is clearly visible if we look at stocks like GMR Infra, Lanco Infrastructure, and Housing Development Infra. Based on the above observation, we would recommend a 'buy' on Lanco Infrastructure (Rs 730) with a medium-term price target of Rs 900. Stoploss below Rs 670 is a must.

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