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Momentary panic not ruled out

NIFTY ended August on a negative note, dragging to 4,720 points. Buying was seen at long-term moving averages and retracement levels, and the index managed to close above 5,000 points. Medium-term trend of the market has since turned negative. Though the market opened in September on a positive note, a swing from 4,720 to 5,170 was not sustainable. After retesting 5,170 once again, the index lost fizz at the crucial resistance level of 5,200. Candle patterns and other regression studies favour a downward bias, but a stretch beyond 4,690 looks dim now because of the presence of bargain hunters who are eager to buy at lower levels and reluctant to buy at higher levels. In case markets panic and Nifty breaks 4,690, then the next support lies deep at 4,450. In the medium term, markets will remain in the firm grip of bears till 5,177 (the previous hurdle) is sustained in a number of sessions. For the bull camp, 5,177 will act as the reversal level. The US dollar index trading above 79 will be negative for asset classes. One should refrain from support trade if the US dollar index is above 79. Investors should look for 4,750 to add a fresh 50 per cent position in the market and further at 4,450. Any move to 5,200 should be used to exit long positions. Sectors that look good are FMCG, consumer durables and health care. One should refrain from adding long positions in metals, capital goods and power as further pain can be seen. Sun Pharma, Cadila Healthcare and Apollo Hospitals look good in health care space. In FMCG, add ITC and Dabur. In consumer durables, Titan is recommended. Among mid-caps watch Idea, Chambal Fertilisers, Delta Corp, Bata India, Arvind Mills and buy them when the market panics. On the data front, cues from the US and Europe should be watched closely. Ratings downgrades and US dollar index levels have to be on traders' radar.

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