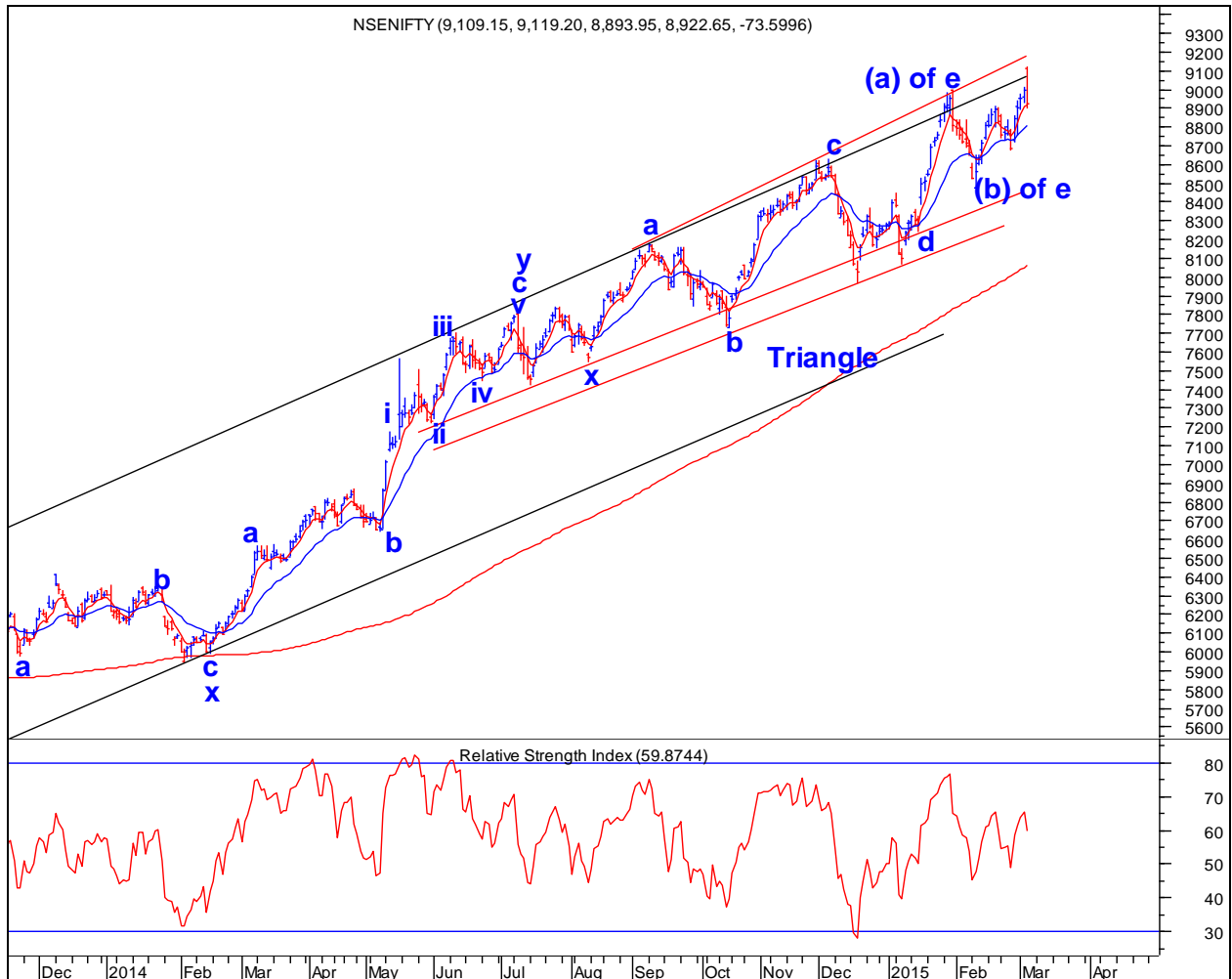


March 05, 2015

Bottom Line: RBI cut repo rate in surprise move but a negative close on Nifty on positive news is not a good sign!

Nifty daily chart:

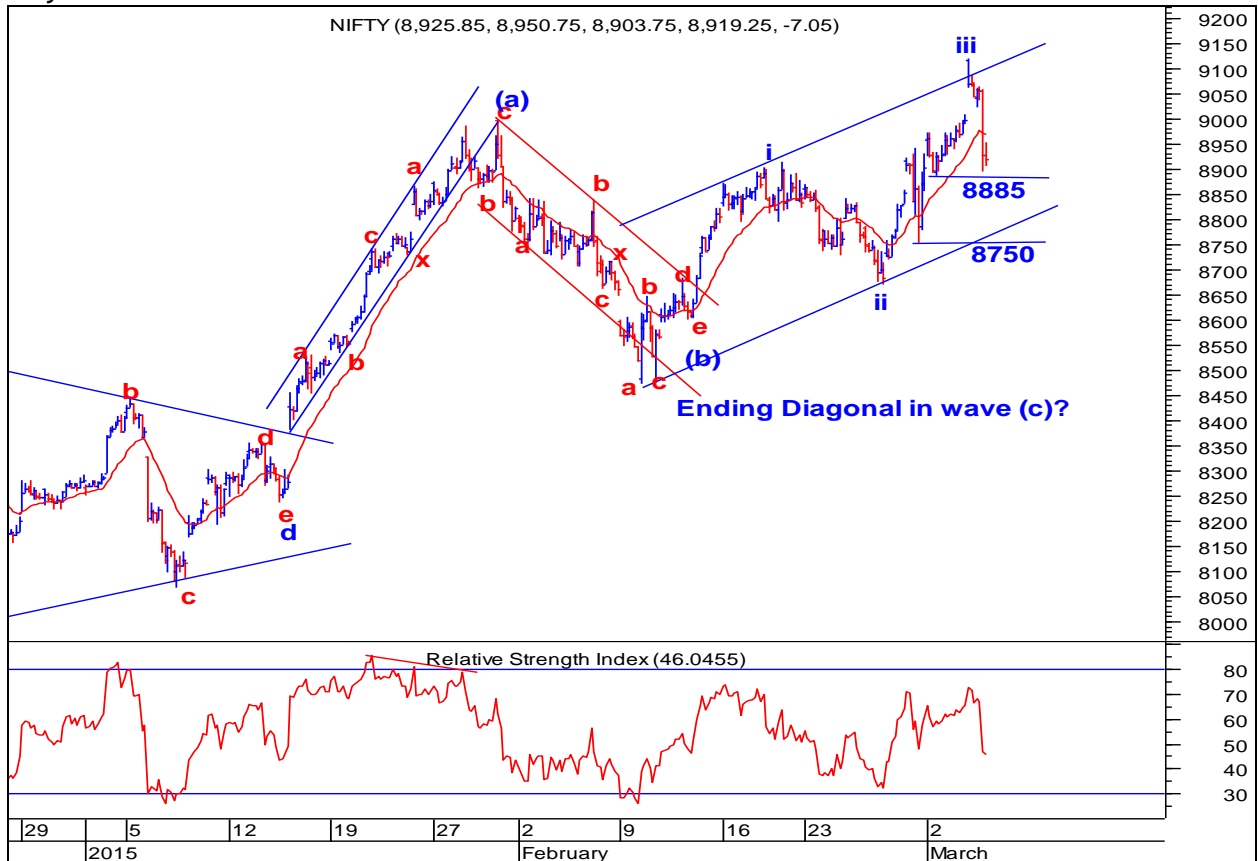


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Nifty 60 mins chart:



Wave Analysis:

In previous update we mentioned that *“In short, Nifty looks to be in matured stage of up move but unless prices break below previous support level of 8885 followed by 8750 trend will be positive. On upside the channel resistance is near 9060. Trade cautiously as we do not rule out the possibility of sharp reversal”* BANG ON!

Nifty had a Gap up opening touching intraday high near 9119 after repo rate cut of 25 bps yet another surprise move by RBI. The index opened sharply higher and many would have assumed similar price action like before which happened on 15th January 2015 when RBI took similar step. There was one major difference during both the scenarios. The previous action by RBI was when the downtrend was in matured stage and yesterday’s action was when the trend was in matured up move. We also warned that sharp reversal is possible and yesterday’s movement vindicated our cautious stand despite the event.

Many believe that events drive the trend and if this is assumed to be true then there is no logical explanation for drastic disparity in market reaction on similar events. On 15th January Bank Nifty closed sharply higher whereas yesterday Bank Nifty erased the gains and fell nearly 1000 points from the day’s high at 20540 and closed negative. This action clearly indicates that events do not drive the trend but can result only in few minutes or few days of movement and then the original trend resumes. **Case in point:** For us price action is most important and a negative close on positive event is a bad omen. Also Sun pharma was the top gainer for majority of the day instead of Banking stocks that was again an indication that the up move during first half was just a **Bull trap**.

Sensex touched the level above 30000 that created enough euphoria but the opening high was protected for the rest of the day. Such spike highs become very important resistance level that should not be broken atleast for few days.

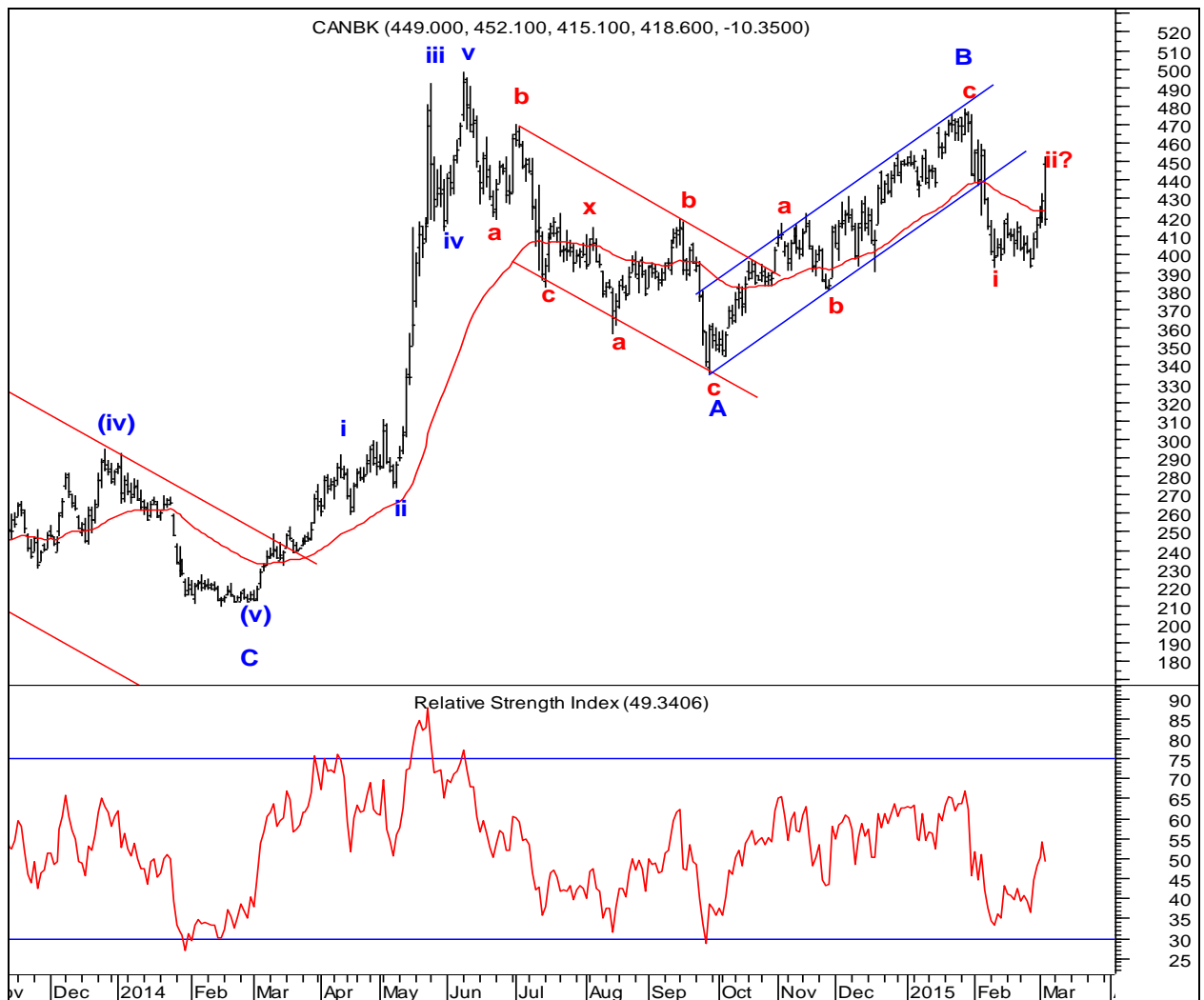
As shown on the daily chart, the reversal has happened from the black channel resistance and the upper end of the Bollinger Bands. It was sharp enough and further move below 8885 will validate that wave iv of c has started which has already overlapped with wave i. We have been accurate in highlighting the Ending diagonal pattern based on wave characteristics. We can be headed into a very important top and the confirmation of the same will be obtained on faster retracement below 8885

followed by 8750 which is the channel support. This will indicate that a top from medium term perspective is in place.

As shown on hourly chart, prices have completed wave iii and is currently moving in wave iv. This wave iv can result into sideways to negative action and then there can be one more attempt to cross above 9000. However, as mentioned earlier faster move below 8750 will indicate that entire wave c is over and the medium term trend has reversed back on downside.

In short, the trend for Nifty has reversed over short term and the high at 9119 should remain protected atleast for few days if not weeks. One day of action is too soon to conclude medium term reversal and so today's movement will be important to observe. The AD line has continued to deteriorate which is in sync with our Ending diagonal outlook. Now a faster move below 8885 followed by 8750 will be strongly bearish but if that remains protected then we can expect pullback on upside in form of final wave v which will be mostly truncated and not break the high made yesterday! It is time to sit tight as we are entering into very important zone where medium term top looks to be in close vicinity!

Canara Bank Daily chart:



Canara Bank 60 mins chart:



Waves Analysis:

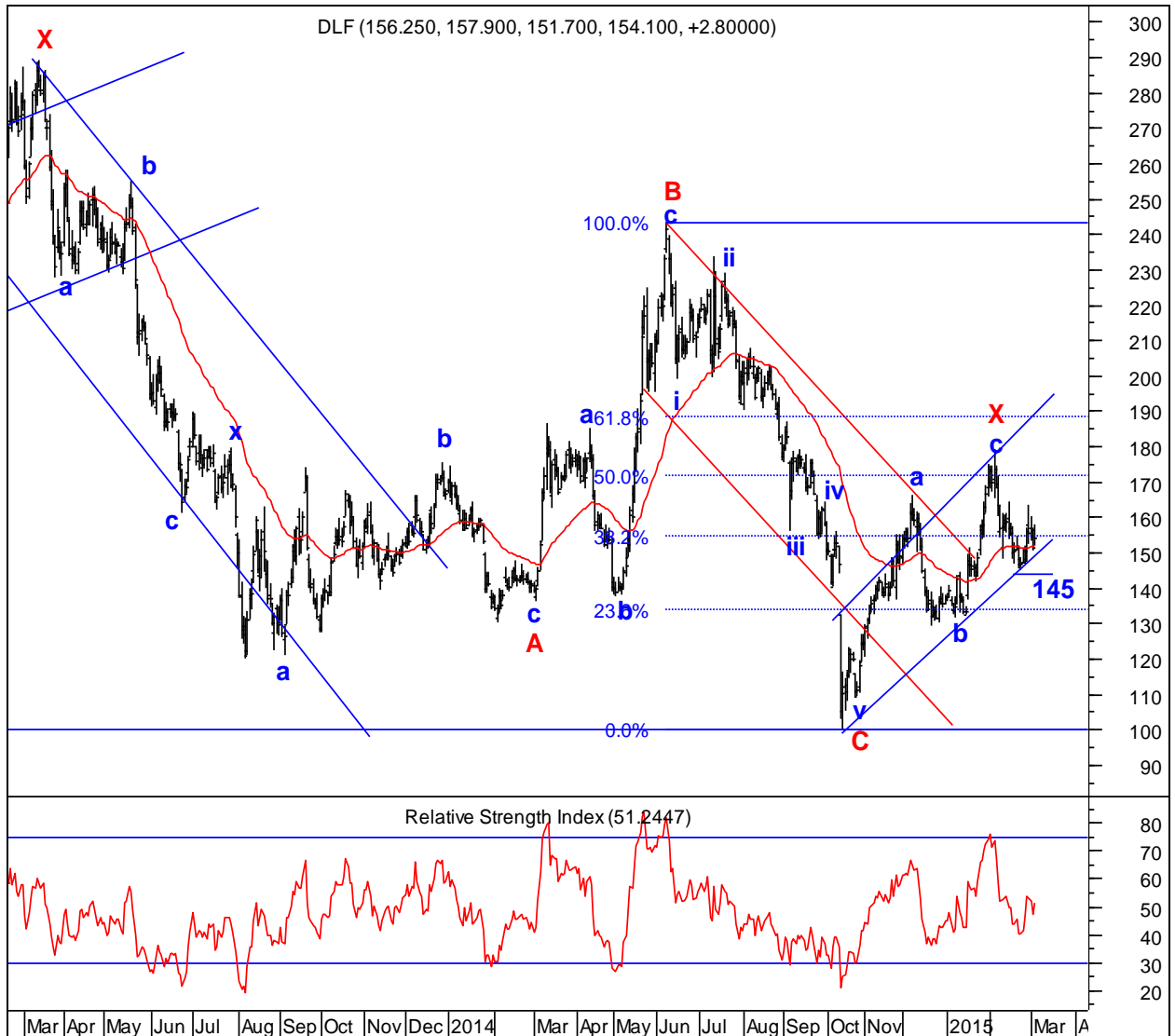
In the last update we mentioned that, PSU Banks are showing underperformance and one should trade with strict risk management strategy as the overall trend remains on downside. Yesterday was a day of surprise for many of the traders as RBI again reduced rates due to which there was a Gap up opening in many of the banking stocks however at the end prices reversed on downside and closed on the negative note. This is suggesting exhaustion sign in all Banking stocks.

As shown in daily chart of Canara Bank, since June 2014 prices are moving in Flat correction pattern. In this pattern from the start of 2015 stock has been moving lower in form of intermediate wave C. From medium term perspective, as long as 500 level is intact on upside trend for this stock remains bearish. Over near term, close below 390 level will suggest that move towards 330 has started where low of intermediate wave A is placed.

As shown in 60 mins chart, yesterday there was a sharp reversal from the level of 455 and prices closed on the negative note with a loss of almost 3%. This increases the odd that minor wave ii might have completed at 455 levels and next leg on downside in form of minor wave iii has started. MACD indicator is moving below signal line which suggests that upside strength has reduced. On the other side prices have reversed almost from the 61.8% retracement of the prior fall and indicate negative sign.

In short, 455 level will act as an important resistance for Canara Bank. Any pullback on upside should be temporary and will provide good shorting opportunity for a move atleast towards 390 levels.

DLF Daily chart:



DLF 60 mins chart:



Waves Analysis:

Realty sector has been underperforming since June 2014. DLF is one of the stocks which has continued underperformance irrespective of the market movement. If broader market continues to deteriorate in coming days then this stock can move sharply lower.

As shown in daily chart, in the start of February 2015 DLF showed down move from 180 to 145 levels and post that stock has been consolidating near the channel support. As of now we have not seen any meaningful bounce back on upside so chances of channel break is higher from current levels. From last 4 trading sessions prices have been forming bearish candlestick and closing on the negative note. Now, move below 145 will indicate fresh selloff has started.

As shown in 60 mins chart, overall structure from the level of 180 suggests that minor wave (i) completed at 150 and post that consolidation has been ongoing in form of minor wave (ii). As per wave perspective, minor wave (ii) is forming c Failure correction pattern so minor wave (iii) will be strong impulsive on downside. The confirmation of the same we will get below 145 levels.

In short, DLF structure looks weak with the important resistance at 165 levels. Move below 145 will infuse selling pressure and then move towards 130 is possible where wave (iii) = wave (i) or probably lower.

Hindalco Daily chart:



Hindalco 60 mins chart:



Waves Analysis:

In the last trading session CNX Metal was down by more than 2.5%. Hindalco has reversed from the crucial channel resistance.

As shown in daily chart, since August 2015 prices are intact in downward moving channel. As of now stock is trading near the resistance of the channel and forming bearish bar which suggests that prices are in matured stage of its recent upside correction and preparing for the next leg on downside. As per Elliott wave perspective, stock is moving in complex correction pattern where intermediate wave X looks to have completed and now next set of correction should start in form of intermediate wave Z which can also break the level of 138 over medium term.

As shown in 60 mins chart, as of now prices have completed double correction pattern in intermediate wave X and now move below 148 level will confirm that at least correction towards 138 has started where support is placed. Further close below 138 level will confirm that intermediate wave Z on downside has started which can take prices towards 115 levels. On upside 160 will act as an important resistance where 61.8% retracement of the prior fall along with channel resistance is placed.

In short, on upside 160 is the resistance for Hindalco. Any move below 148 will take prices towards 138 levels.

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