

February 05, 2018

**Bottom Line:** Nifty reversed back violently thereby suggesting that an important top might have been formed. Global markets are showing extreme weakness with DJIA also recording one of the biggest fall in years. Stay in direction of downtrend as suggested and avoid catching a falling knife!

Latest webinar - [Nifty crash post Budget? Is a top in place?](#)

**Nifty daily chart:**



**Nifty 60 mins chart:**



**Wave analysis:**

In previous update we mentioned that **"introduction of Capital gains is going to result an impact which is not yet discounted maybe due to artificial support. Trade carefully as the swings can still be big over next few days! Move above 1120 is must to resume the positive trend else break below 10878 will be strongly bearish!"** BANG ON!

We have been accurate in pointing out that the move seen on the Budget day can be an artificial support and markets are yet to discount it. So, the Budget acted as a catalyst in the already weak market. Above that DJIA - US major equity index cracked more than 650 points in single session which was not seen in years. Now everyone will suddenly start talking about bond yields going higher which was already rising over past few weeks. People are still not focusing on currency markets that have been sending across warning signs even before Budget that I have been talking about all the while. So there have been enough warning signs and we concluded our wave g at the highs on the Budget day itself.

Now looking at the violent nature of the fall there is high probability that a very important top might be in place. A euphoric rise getting culminated by equally fast reversal can be dangerous as lot of long positions are stuck near the highs and there is not much shorts build up since the reversal was dramatic.

Elliott wave counts have worked out very accurately and it is now best to keep trailing the stops for short positions to make the most out of the ongoing trend. Nifty had a Gap down opening on Friday and as soon as the lows of Budget near 10878 was broken the selling pressure intensified. Index lost a huge 256 points on closing basis which was last seen only in August 2015 on closing basis. During that time as well we predicted the sharp decline based on Diametric pattern on downside. It seems that this single pattern has

repeated itself across the time frame and has been working well even now. All sub-indices except IT closed deeply in red with Real Estate stocks crashing on downside.

Finally, Nifty cracked by more than 250 points. I am saying finally because this will bring back sanity to markets. You might have seen everyone on the street has started giving stock tips irrespective of any basis. Greed - one part of emotion had been in power for way too long and made people lethargic and complacent. A correction is important to ensure sanity returns and necessary home work has to be done before taking any positions. Case in point - You should not be surprised or rather shocked to see sharp correction. We were expecting a reversal anyways.

In my latest webinar you can see the reasons why this topping was imminent - [Nifty crash post Budget? Is a top in place?](#)

On hourly charts, you can see that prices have probably completed the entire rise and is now retracing this towards 76.4% levels which is at 10320. It is best to avoid catching a falling knife and trading in direction of the trend as long as Friday's Gap area is protected. This week's price action is going to be important and we will be closely seeing if it is indicating a bigger degree correction on downside.

For now best strategy is to remain on short side using trailing stop of 10880. Volatility can be high and let us see if the buying emerges after another Gap down opening today or selling pressure continues to intensify from here. The panic is yet to be seen as there was not much time on Friday for traders to square off longs. Margin calls can result into another sharp decline if it is not supported by heavy buying from institutions.

In short, trend for Nifty remains firmly negative as long as 10880 is intact. Keep riding the trend using trailing stop method and the positions are already in the money that shorted on break of Budget low. Such sharp trends are rare but market did provide us with warnings before reversing. Let us see how far it goes from here!

**Trading Strategy:** In previous update we mentioned that *"Short positions can be created on move below 10950 with 11010 as stop and target of 10890 or lower"* **BANG ON!** Nifty moved precisely as expected. Prices touched 10954 and reversed back sharply. For today, short positions can be created on move below 10710 with 10760 as stop and target of 10650 or lower. Avoid creating long positions.

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