

HEAD & SHOULDER

VOLUMES

PRICE PATTERN



Technical & Derivative ANALYSIS

MOMENTUM OSCILLATOR

BAR CHARTS

CANDLESTICK CHARTS

RELATIVE STRENGTH INDEX

STRANGLE

STRADDLE

CALL OPTION

PUT OPTION



All eyes on Union Budget - Stay light ahead of the event

Sensex (29231) / Nifty (8834)

Trading for the week began on Monday with the market opening with a marginal upside gap. However, the Nifty failed to maintain its position at the higher levels due to modest profit booking in some of the heavyweight constituents. On Wednesday, the Nifty opened quietly, but a fair amount of buying interest in some of the constituent stocks pushed it higher and led it to close well inside the positive territory. The final two sessions of the week traded with immense volatility and the Nifty struggled to cross the **8900** mark on a sustainable basis. The Capital Goods, FMCG, Metal and Auto stocks were the major gainers; whereas the Banking, Oil & Gas and Healthcare sectors remained under pressure during the entire week. The Nifty ended the concluded week with a nominal gain of 0.32% over the previous week's closing.

Pattern formation:

- The '89-day EMA' and the '89-week EMA' are placed at **27921 / 8402** and **24358 / 7302** levels, respectively.
- The '20-day EMA' and the '20-week EMA' are placed at **28875 / 8723** and **27975 / 8418** levels, respectively.

Future outlook

A smart recovery in the previous week got extended marginally in the concluded week; but the Nifty struggled to mark its position above the **8900** mark on a closing basis. Although the Nifty has managed to move slightly higher, the overall movement was quite range bound as we had mentioned in our previous report. The level of **8900** on the Nifty coincides with the 78.6% Fibonacci retracement level of the recent fall from **8996.60** to **8470.50** and hence, acted as a strong resistance for the index. Thursday's price action was quite interesting as we witnessed wild swings on both side. The Nifty managed to close with marginal gains on the day but the intraday price movement has resulted in the formation of a 'Hanging Man' Japanese candlestick pattern. The said pattern has a negative implication and an occurrence of it near the important resistance zone

Exhibit 1: Nifty Weekly chart



Source: Falcon

Exhibit 2: Nifty Daily chart



Source: Falcon

doesn't bode well for the bulls. However, the pattern needs a confirmation in the form of a close below the low i.e. **8794.45** in the current scenario. Thus, going forward, if the Nifty manages to close below this important level then we may witness an immediate correction towards **8680 - 8600** levels. On the flipside, a breach of the high of the pattern (**8913.45**) would negate this pattern and in this case, the Nifty may continue its northward movement to test **8950 - 8980** levels.

The Finance Ministry will be announcing the Union Budget on February 28, 2015. Thus, we would advise traders to remain light on positions and let the event unfold, which may probably dictate the near term direction.

Weekly Pivot Levels For Nifty 50 Stocks

SCRIPS	S2	S1	PIVOT	R1	R2
SENSEX	28,840	29,036	29,279	29,475	29,719
NIFTY	8,727	8,780	8,847	8,900	8,967
BANKNIFTY	18,504	18,789	19,161	19,445	19,817
ACC	1,563	1,592	1,628	1,657	1,693
AMBUJACEM	254	259	266	270	278
ASIANPAINT	804	815	829	839	853
AXISBANK	536	549	566	579	597
BAJAJ-AUTO	2,148	2,178	2,229	2,258	2,310
BANKBARODA	171	177	182	188	193
BHEL	248	261	269	283	290
BPCL	704	723	740	759	776
BHARTIARTL	337	343	354	360	372
CAIRN	245	249	256	260	267
CIPLA	654	665	679	689	703
COALINDIA	368	375	383	390	398
DLF	141	146	152	157	164
DRREDDY	3,267	3,336	3,380	3,449	3,493
GAIL	396	403	409	415	421
GRASIM	3,655	3,708	3,804	3,857	3,953
HCLTECH	1,938	1,969	2,012	2,044	2,087
HDFCBANK	1,040	1,057	1,073	1,090	1,106
HDFC	1,229	1,281	1,319	1,371	1,410
HEROMOTOCO	2,506	2,583	2,722	2,798	2,938
HINDALCO	145	151	156	162	167
HINDUNILVR	866	883	903	920	940
ICICIBANK	317	324	335	342	354
IDFC	164	167	171	174	178
INDUSINDBK	828	852	867	891	906
INFY	2,215	2,249	2,292	2,327	2,370
ITC	368	382	392	406	416
JINDALSTEL	125	160	184	218	243
KOTAKBANK	1,263	1,280	1,302	1,320	1,341
LT	1,603	1,640	1,678	1,715	1,752
LUPIN	1,637	1,664	1,685	1,712	1,733
M&M	1,143	1,197	1,231	1,286	1,320
MARUTI	3,472	3,510	3,580	3,618	3,688
NMDC	135	139	142	145	148
NTPC	139	143	145	148	151
ONGC	320	326	335	340	350
POWERGRID	149	151	153	155	157
PNB	158	163	167	171	175
RELIANCE	837	855	890	908	942
SSLT	194	205	215	227	237
SBIN	288	295	304	311	320
SUNPHARMA	894	903	917	927	941
TCS	2,499	2,587	2,643	2,731	2,787
TATAMOTORS	546	563	578	595	610
TATAPOWER	81	83	86	89	91
TATASTEEL	357	366	374	383	391
TECHM	2,697	2,754	2,851	2,907	3,005
ULTRACEMCO	2,912	2,963	3,057	3,108	3,201
WIPRO	633	641	656	665	680
ZEEL	343	351	358	366	374

Technical Research Team

Upside is limited till expiry

Nifty spot closed at **8833.60** this week against a close of **8805.50** last week. The Put-Call Ratio has decreased from **0.98** to **0.94** levels and the annualized Cost of Carry is positive at **10.92%**. The Open Interest of Nifty Futures increased by **0.72%**.

Put-Call Ratio Analysis

PCR-OI has decreased from 0.98 to 0.94 levels mainly due to open interest addition in call options. Huge buildup was visible in 8900-9100 call options last week, followed by unwinding in 8600 & 8700 call options. On the other hand in put options 8700-8900 strike price added decent buildup. Maximum buildup in current series is seen in 9000 call & 8800 put options.

Open Interest Analysis

Total open interest of market has increased from ₹2,40,738/- cr. to ₹2,56,399/- cr. Stock futures open interest has increased from ₹73.788/- cr. to ₹76,237- cr. Liquid counters names which added significant positions last week are CESC, HEROMOTOCO, PETRONET, TITAN and DLF. On the other hand unwinding was visible in counters like M&M, BPCL, MINDTREE, DIVISLAB and GLENMARK.

Implied Volatility Analysis

Implied Volatility (IV) for NIFTY has increased from 14.96% to 18.70%. Historical volatility (HV) of NIFTY is at 17.92% and that for BANKNIFTY is trading at 28.23%. Liquid counters having very high HV are JINDALSTEL, HDIL, INDIACEM, UNITECH and CESC. Stocks where HV are on lower side are BAJAJ-AUTO, HDFCBANK, NTPC, COLPAL and DIVISLAB.

Cost-of-Carry Analysis

Nifty current month futures closed at a premium of 15.85 points against the premium of 36.05 points to its spot. Next month future is trading with premium of 75.95 points. Liquid counters where CoC is high are JPASSOCIAT, IFCI, HDIL, POWERGRID and RANBAXY. Stocks with negative CoC are INDUSINDBK, BOSCHLTD, IBREALEST, UNITECH and GAIL.

Derivative Strategy

Scrip : NIFTY		CMP : 8849.45		Lot Size : 25		Exercise Date (F & O) : 26th. Feb 2015		
View: Mildly Bearish			Strategy: Long Put.				Expected Payoff	
Buy/Sell	Qty	Scrip	Strike Price	Series	Option Type	Buy/Sell Rate (₹)	Closing Price (₹)	Expected Profit/Loss
BUY	25	NIFTY	8800	FEB	PE	40.00	8575	₹185.00
BEP - 8760							8650	₹110.00
							8725	₹35.00
Max. Risk: ₹1,000/- If NIFTY closes on or above strike price.							8800	(₹40.00)
Max. Profit: Unlimited If NIFTY continues to move below BEP.							3875	(₹40.00)
NOTE: Profit can be booked before expiry if NIFTY moves in favorable direction and time value decays.							8950	(₹40.00)

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Ratings (Returns) :

Buy (> 15%)

Reduce (-5% to -15%)

Accumulate (5% to 15%)

Sell (< -15%)

Neutral (-5 to 5%)

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