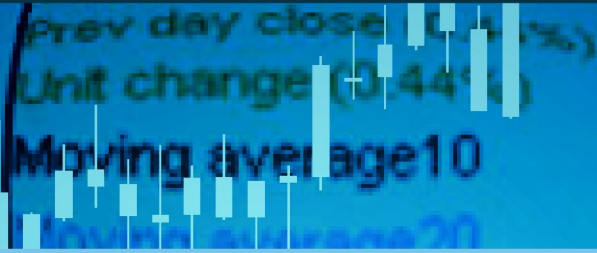


HEAD & SHOULDER

VOLUMES

PRICE PATTERN



Technical & Derivative ANALYSIS

MOMENTUM OSCILLATOR

BAR CHARTS

CANDLESTICK CHARTS

RELATIVE STRENGTH INDEX

STRANGLE

STRADDLE

CALL OPTION

PUT OPTION



Bulls marching on firmly - 200-day SMA becomes the next obstacle

Sensex (17234) / Nifty (5205)

Last week, we had mentioned that indices have closed convincingly above the 20-week EMA coupled with weekly "RSI-Smoothened" crossover. This was indicating optimism in the markets. The impact of weekly "RSI-Smoothened" was seen during the week as indices rallied gradually towards the 200-day SMA placed around **17384 / 5220** level. This rally was mainly led by some of the heavyweight banking counters post the announcement of RBI Monetary Policy on January 24, 2012. In addition, the Capital Goods, IT and Consumer Durables counters showed a huge amount of buying interest, whereas FMCG counters ended on a flat note. The Sensex ended with a gain of 2.96%, while Nifty gained 3.09% vis-à-vis the previous week.

Pattern Formation

- The positive crossover on weekly "RSI - Smoothened" oscillator is still intact.
- ADX (9) indicator on the weekly chart is positively poised.
- Indices have broken out from the "Downward Sloping Trend Line" drawn by joining July 8, 2011, weekly high of **19132 / 5740** and October 28, 2011, weekly high of **17908 / 5400**.
- Indices are now nearing another "Downward Sloping Trend Line" drawn by joining November 12, 2010, weekly high of **21076 / 6336** and July 29, 2011, weekly high of **18945 / 5702**.
- The 200-day SMA is placed at **17332 / 5202** level.
- Friday's candle resembled a "Hanging Man". This is a bearish pattern and requires confirmation.

Future Outlook

The week opened on a quiet note, but the RBI's Monetary Policy on January 24, 2012, gave a boost to the markets. This was followed by a strong rally in Reliance Industries along with some of the Capital Goods and IT counters. Hence, markets have closed well above the "Downward Sloping Trend Line" drawn by joining July 8, 2011, weekly high of **19132 / 5740** and October 28, 2011, weekly high of **17908 / 5400**. Indices are now heading towards another "Downward Sloping Trend Line" drawn by joining November 10, 2010, weekly high of

Exhibit 1: Sensex weekly chart



Source: Falcon

Exhibit 2: Sensex daily chart



Source: Falcon

21076 / 6336 and July 29, 2011, weekly high of **18945 / 5702**. The placement of this trend line almost coincides with the 200-day SMA placed around **17332 / 5202**. Therefore, markets are hovering around the stiff resistance zone of **17384 - 17332 / 5220 - 5202**. Further, we are now observing a candlestick pattern, which resembles a "Hanging Man". The said pattern gives a bearish implication and needs a confirmation in the form of closing below the low of the "Hanging Man", which is **17106 / 5162**. In this scenario, indices may lose the current positive momentum and may slide towards **16757 - 16447 / 5055 - 4955** levels. Conversely, the positive crossover in weekly "RSI-Smoothened" oscillator is still intact along with the positively poised daily ADX (9) indicator. The impact of these technical evidences would be seen after a sustainable move beyond **17384 / 5220** level. In this case, indices may rally towards the next resistance levels of **17702 - 17908 / 5326 - 5400**.

Weekly Pivot Levels For Nifty 50 Stocks

SCRIPS	R2	R1	PIVOT	S1	S2
SENSEX	17,650	17,442	17,051	16,843	16,451
NIFTY	5,343	5,274	5,148	5,078	4,952
BANKNIFTY	10,259	10,037	9,746	9,524	9,233
ACC	1,250	1,221	1,178	1,149	1,106
AMBUJACEM	169	165	161	158	154
AXISBANK	1,141	1,107	1,046	1,012	950
BAJAJ-AUTO	1,643	1,592	1,558	1,506	1,472
BHARTIARTL	399	387	363	351	328
BHEL	295	284	277	266	258
BPCL	618	598	569	549	521
CAIRN	381	367	352	338	323
CIPLA	354	350	344	340	333
COALINDIA	359	351	339	331	320
DLF	229	220	216	207	202
DRREDDY	1,748	1,697	1,616	1,565	1,484
GAIL	383	378	371	366	359
HCLTECH	442	435	423	416	404
HDFC	731	715	702	686	673
HDFCBANK	514	499	489	475	465
HEROHONDA	2,011	1,915	1,853	1,757	1,695
HINDALCO	155	150	143	138	131
HINDUNILVR	411	400	392	382	374
ICICIBANK	927	908	875	856	823
IDFC	141	136	127	122	113
INFOSYSTCH	2,829	2,777	2,683	2,631	2,537
ITC	212	207	203	198	193
JINDALSTEL	565	547	535	517	505
JPASSOCIAT	78	74	70	67	63
KOTAKBANK	519	506	489	476	460
LT	1,494	1,438	1,332	1,276	1,170
M&M	737	719	686	668	636
MARUTI	1,316	1,263	1,167	1,114	1,018
NTPC	181	178	175	172	169
ONGC	297	288	271	262	245
PNB	1,052	1,012	977	936	901
POWERGRID	108	106	103	100	97
RANBAXY	492	468	455	431	418
RCOM	103	100	94	91	86
RELIANCE	874	847	801	774	728
RELINFRA	578	554	510	486	442
RPOWER	104	101	96	92	87
SAIL	117	111	101	95	85
SBIN	2,181	2,111	2,016	1,946	1,851
SESAGOA	236	225	205	194	174
SIEMENS	786	770	754	738	723
STER	132	127	116	110	99
SUNPHARMA	549	539	525	515	501
SUZLON	32	30	27	26	23
TATAMOTORS	257	249	233	224	208
TATAPOWER	110	108	106	103	101
TATASTEEL	489	474	448	433	407
TCS	1,148	1,128	1,101	1,082	1,055
WIPRO	429	424	417	412	405

Technical Research Team

Market not into an overbought zone

Nifty spot closed at **5204.70** this week, against a close of **5048.60** last week. The Put-Call Ratio decreased from **1.60** to **1.30** levels and the annualized Cost of Carry is positive **2.10%**. The Open Interest of Nifty Futures decreased by **18.79%**.

Put-Call Ratio Analysis

PCR-OI has decreased from 1.60 to 1.30 levels this was due to expiry. This level of PCR-OI clearly indicates that market is not into an overbought zone. We have been witnessing call built up increasing now in 5300 and 5400 strikes and sellers of put options are becoming more active in 5100 and 5200 strikes suggesting support levels shifting up.

Open Interest Analysis

Total open interest of market has decreased from ₹1,37,903/- crores to ₹99,073/- crores. Stock futures open interest has decreased from ₹33,118/- crores to ₹27,606/- crores. Some of the liquid counters which added open interest are ESCORTS, JSWENERGY, DABUR, SKUMARSYNF and MCDOWELL-N. Open interest was shed in some big names like SAIL, TATAPOWER, WIPRO, NTPC and ACC.

Implied Volatility Analysis

Implied Volatility (IV) for NIFTY has increased a bit from 18.75% to 19.93%. Historical volatility (HV) is at 22.91% and that for BANKNIFTY is trading at 35.25%. Liquid counters having very high HV are IVRCLINFRA, ADANIEN, PUNJLLOYD, MCDOWELL-N and VIPIND. Stocks where HV are on lower side are DABUR, HINDUNILVR, CIPLA, DRREDDY and SUNPHARMA.

Cost-of-Carry Analysis

Nifty futures closed at a premium of 8.10 points against the premium of 28.95 points to its spot. Next month future is trading with premium of 33.25 points. Liquid counters where CoC is high are ABGSHIP, LITL, TATAGLOBAL, HCC and ALOKTEXT. Stocks with negative CoC are COALINDIA, PNB, RECLTD, AXISBANK and SESAGOA.

Derivative Strategy

Scrip : NIFTY		CMP : 5204.70		Lot Size : 50		Exercise Date (F & O) : 23rd Feb, 2012		
View: Mildly Bullish			Strategy: Long Call Ladder				Expected Payoff	
Buy/Sell	Qty	Scrip	Strike Price	Series	Option Type	Buy Rate (₹)	Closing Price (₹)	Expected Profit/Loss
BUY	50	NIFTY	5200	FEB	CE	115	5050	(₹10.00)
SELL	50	NIFTY	5300	FEB	CE	70	5150	(₹10.00)
SELL	50	NIFTY	5400	FEB	CE	35	5250	₹40.00
LBEP: 5210							5350	₹90.00
HBEP: 5490							5450	₹40.00
Max. Risk: Unlimited							5500	(₹60.00)
If NIFTY continues to trade above HBEP								
Max. Profit: ₹4,500/-								
If NIFTY closes on or between 5300 to 5400 on expiry.								
NOTE: Profit can be booked before expiry if NIFTY moves in the favorable direction and time value decays.								

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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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