

S&P CNX Nifty Analysis



In my previous report I had highlighted the fact that the Nifty had already formed a downward sloping head and shoulders pattern and already given a breakout taking the low of 5175 as on 11thfeb;2011. But has this breakout completely exhausted?? Is there any scope still left for the nifty to again retest those low levels of 5715, is the crucial question drumming into each and everybody's mind right now.

Nifty has already broke off the 200DMA which was equivalent to the downside breakout of the head and shoulders pattern (giving due justice to the feasibility and reliability of this pattern). The market has already gone past by this breakout covering a distance of 392 points, but the global revival and the optimism generated by the Egypt news gave good push up to the market to seek resistance with the neckline of the head and shoulders pattern at 5507 levels to the upside. However, still the market is drubbing against 5507 levels trying to move up higher leading to the formation of the spinning tops pattern, showing some signs of weakness still prevailing in the market. The 20DMA is initiating its move to make a turnaround to the upside but the market has still not broken off the resistance level.

There seems to have been stiff conflict going on between the candlesticks and indicators. The indicators like RSI, Stochastic and Money Flow have however retracted back from their oversold zones, but whether this revival is signaling the long term bullish trend for the market or not is still to be ascertained .Money flow indicator has faltered a lot above the 20% levels, showing incessant ups and downs in buying and selling volumes, and this pessimism is still expected to prevail until some good buying volumes creep in to push the market to the upside levels of 5600-5620 in the upcoming sessions.

So long as the market holds the resistance with 5507, there shall be no signs of hope for the market to go upside, however, if it proves successful, then the 200DMA (residing at 5600 levels) would be the next barrier for the market to cross by successfully.

Prior trends of the market states that whenever, it has attempted to break off the 20DMA backed by its turnaround, then another resistance has been imparted to it by the next moving average lying above it. So when the market would give the breakout is still the matter of concern running around in our minds as of now. The formation of the bearish engulfing pattern below neckline and the pessimism in the buying volumes may again push the nifty to go down to touch 5350 levels.

However, we are resting our hopes on the pre budget session which is likely to be disclosed 2 weeks hence from now, which can be expected to give a sanguinity to the market in the later sessions. The participants also seem to have been waiting for the appropriate levels to enter into the markets with the buying volumes signaling the signs of drying up at 5506 levels pulling the levels down.