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What's ahead lying for Nifty in the forthcoming sessions???

There seems to be some conflict going on in the charts of the Nifty. On one hand we are hawkish on the 20 and 50 Daily Moving Averages and on the other hand the formation of an ascending triangle pattern is keeping our views intact with the upcoming bullishness in the market in the forthcoming sessions.20 daily moving average have started giving out the hint of receding which was never seen over the charts before.

Just about a month ago we were running quite bullish on the markets with the Nifty expected to break off the 50DMA to the upside, a regular feature which was witnessed on the daily charts of Nifty from the past 2 years. But nobody expected that 2011 will have such a shocking start. Whether it has been the Korean crises, Libyan crises, rising inflation, RBI coming out with the new set of monetary measures to cool inflation – all of them have had their sluggish impact which battered the markets down whenever it tried to resort above the 20DMA.

With the advent of the disclosure of the monetary policy review of RBI as on 17th march; 2011 wherein it hiked the repo rate and reverse repo rate by 25bps bringing them on to the levels of 6.75 and 5.25 percent with the CRR remaining unaltered. The disclosure of this monetary policy symbolizes that on one hand the RBI is initiating its move to curb inflation; on the other hand it is trying to keep the liquidity intact so that the rise in the interest levels may not go beyond the uncontrollable levels. This view can be bolstered from the fact that the commercial banks are still not proposing to hike their lending and deposit rates. This means that the fall in the commodity and the crude oil prices haven't given any respite to the markets and the inflation level is still hovering beyond the expected limits. The move of the central bank to keep the liquidity afloat is mandatory given the current situation that the government is already reeling into deficits which is expected to come down to 4.6%. But given the current scenario, the situation where the crude oil prices are already at 112$ per barrel, the upside pressure of inflation is still persisting.

Nifty has broken below the 20DMA at 5460 in today's trading session and is still staying within the proximities of the flag pattern. The upside and downside levels are descending day by day and the increased divergence of the lower highs and lower lows witnessed in today' session is even circumventing the market to initiate any upside rally in the forthcoming sessions. For the next coming days 5500 and 5350 are supposed to act as the crucial caps for Nifty which would be very difficult to cross by unless some spate of boisterousness is felt from the global markets.