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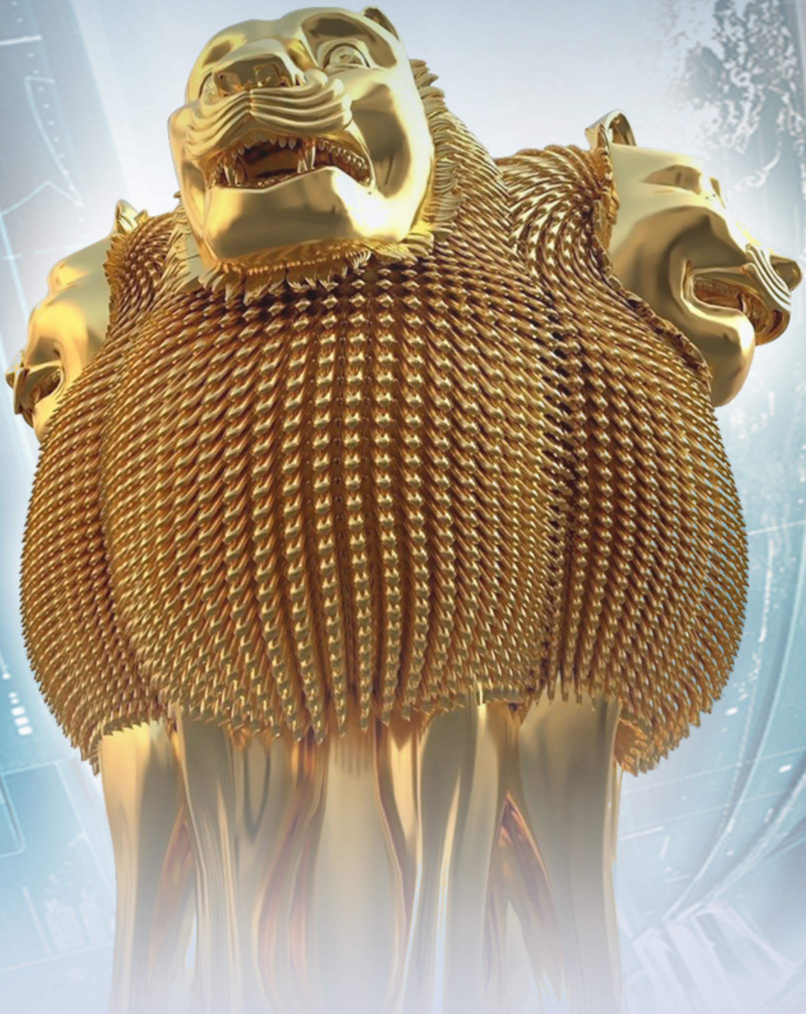


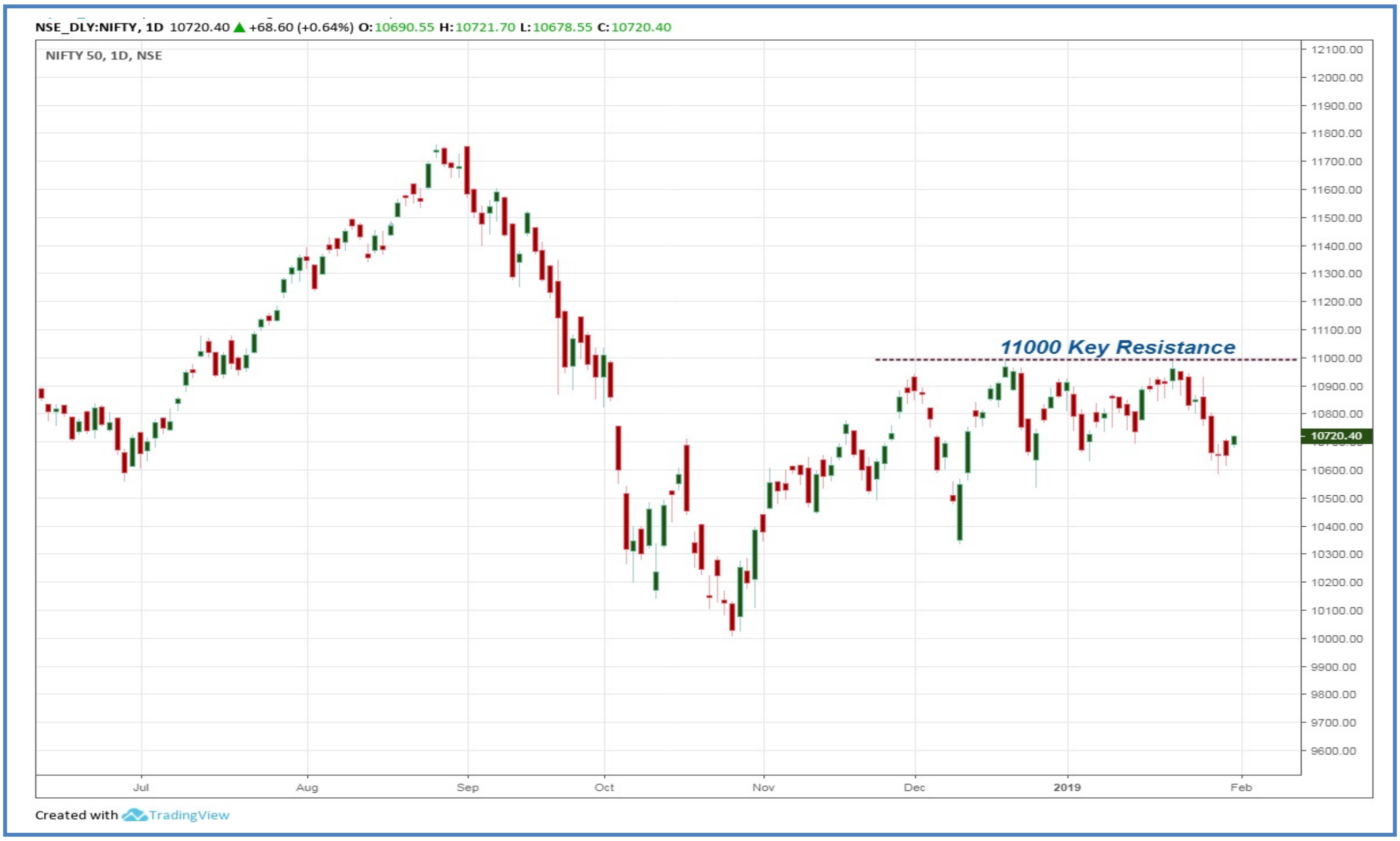
UNION BUDGET 2019-20 PREVIEW

TECHNICAL

Index

Nifty 50 (CMP: 10651.80)

Daily Chart



Source: Trading View

Rationale:

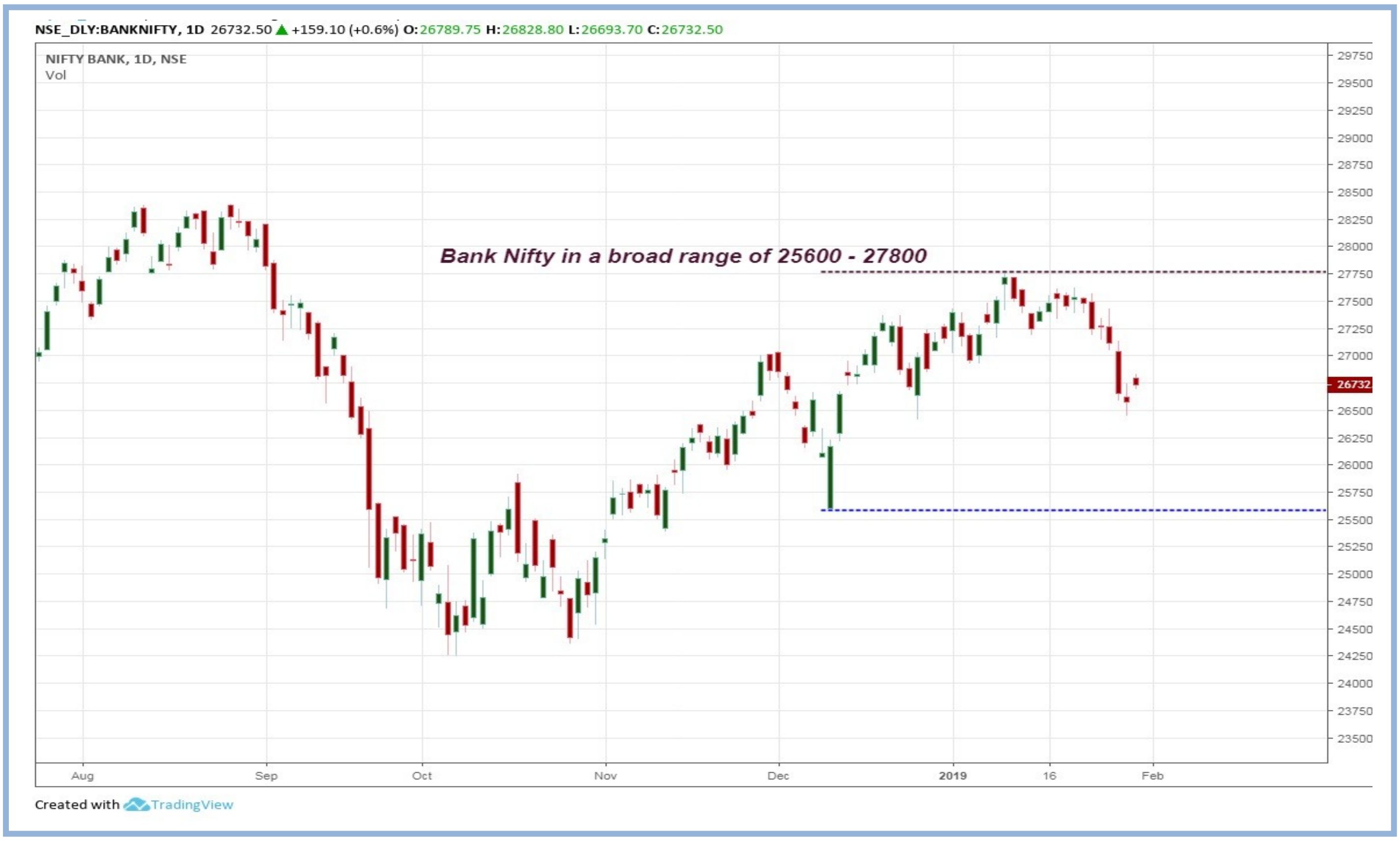
Last twelve months have been full of events both on global as well as domestic front. Eventually, it turned out to be one of the forgettable years for our markets. Index wise things may not look that bad; but if we observe meticulously in the broader market, we would see the scary part of it. There was massive wealth destruction seen throughout the year as there were bundle of stocks corrected significantly. Traders' as well as investors' fraternity have undergone a challenging time and now we are approaching a key event i.e. union budget. Last year, the real damage began after this event only, so all eyes would be on Finance Minster now. The million dollar question would be, will this trigger further sell off or it'll bring back some revival in the market?

Before this, let us understand how price charts are shaped up. Last year, it looked like we may see some profit booking in the market and we had advocated accordingly; but this time, things are not that clear. After a decent correction from all time high of **11751.80**, index slipped into a consolidation mode. Clearly prices are trapped in a range of **11000** to **10500**. If we have to see any sign of relief, we need to first surpass the sturdy wall of **11000** convincingly. In this scenario, we may see a good relief rally in the market and in this, lot of beaten down pockets would start bouncing back sharply. On the flipside, as of now, a move below **10500** would result into an extended correction towards **10350 – 10300**. However, as of now, there are no clear evidences whether this correction would extend below **10300**. Hence, looking at so many heavyweight underperforming pockets, which are around major supports and are placed in an extreme oversold territory; we believe that in case of weakness, the downside would be limited (obviously we would reassessing the situation then).

Hence, at this juncture, one needs to stay light and wait for clear picture to emerge. Meanwhile, any correction from here on is likely to provide better opportunities for long term investors. They can certainly look to add quality propositions to their portfolios.

Nifty Bank (CMP: 26825.50)

Daily Chart



Source: Trading View

Rationale:

Post the Budget of 2018, the Nifty Bank index has witnessed a roller coaster ride wherein traders had opportunities on both side of the trade; whereas long term investors have been disappointed with no returns seen in portfolio. The index first corrected from levels around **26000** during the budget to **23600** in a span of couple of months. The new financial year then brought some optimism and the index rallied to record new all-time highs of **26389** in the last week of August. Then, the index witnessed a massive sell-off which dragged it back near the lows seen in the month of March. The index again witnessed some buying at this support and it pulled back higher upto **27754**.

In last couple of weeks, the index has given a breakdown from a 'Rising Wedge' pattern on the daily chart and has again corrected to retest its '200 DMA'. Now, after a price-wise correction mentioned above, the banking space now seem to be undergoing a time-wise corrective phase. We expect the index to oscillate within a broad range of **25600-27800** in near term. Once this time-correction is over, there is a high probability of the index resuming its uptrend which would bring back smiles on the investors' fraternity. Hence, from a short-term perspective, the time correction could continue wherein traders as well as investors should use dips towards the lower end of the mentioned range as buying opportunity. The Nifty PSU Banking index too seem to be undergoing a consolidation phase and traders are advised to be stock specific within this space.

Nifty IT (CMP: 15255.20)

Daily Chart

Source: Trading View

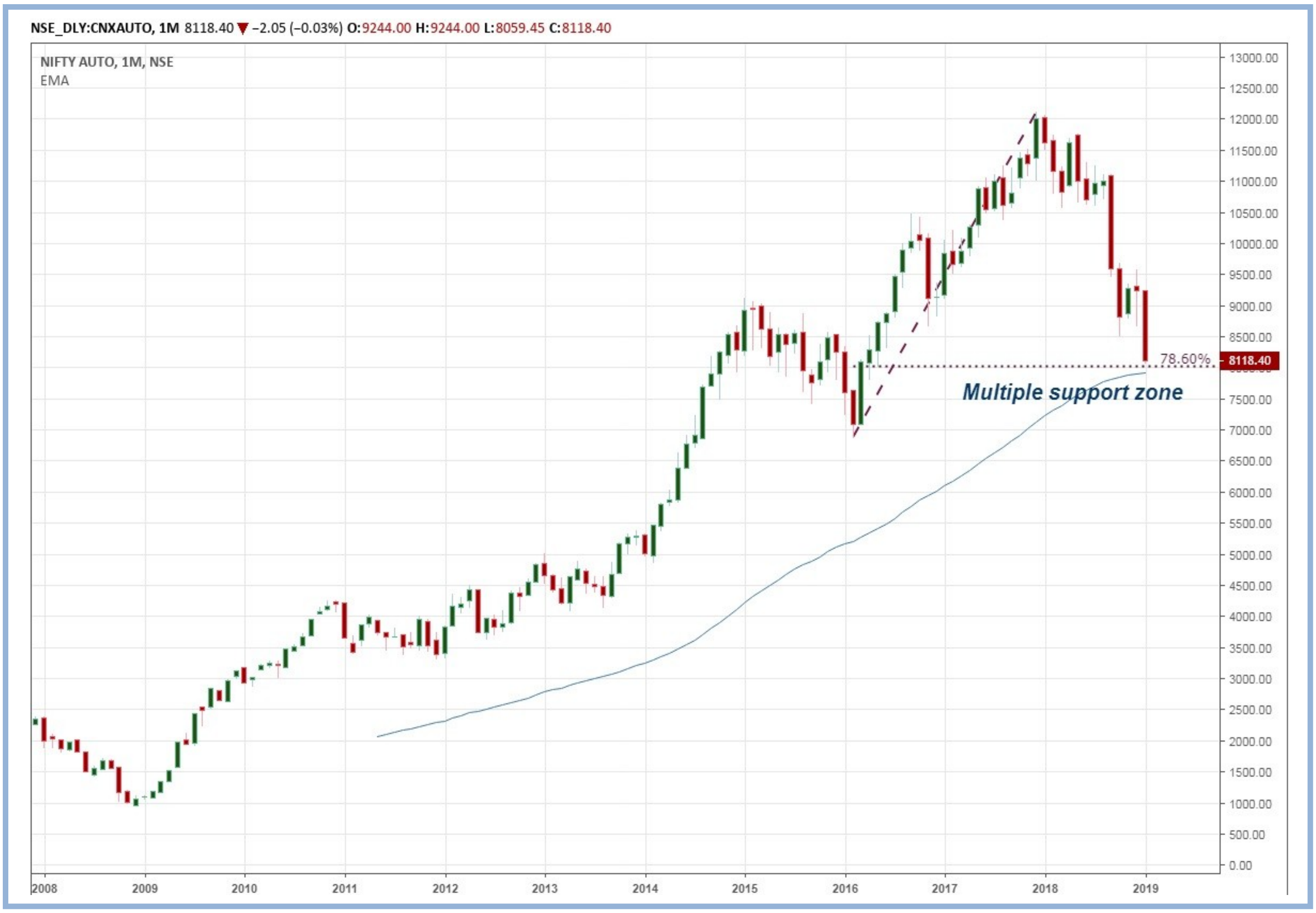
Rationale:

The Nifty IT index showed outperformance during the major part of 2018; wherein the index rallied from the Jan lows of **11510** to **16360** by the month of September. Post this spectacular rally, the momentum oscillators entered into overbought territory and showed some divergence with price which led to a correction during the last quarter of the calendar year.

Now, if we closely observe the daily chart, the index has oscillated in the range of **13700** to **15000** since last three months. It has started the year 2019 on a positive note by breaking above the higher end of consolidation. The breakout from this consolidation indicates early signs of a resumption of the primary uptrend which increases the probability of the index retesting its all-time high levels around **16360**. The oscillators, as well as averages, are positively placed across all major time frames and with all the above observation, we have a positive view on this Index for the near term. Traders are hence advised to accumulate stocks from this space which are likely to outperform.

Nifty Auto (CMP: 8118.40)

Monthly Chart



Source: Trading View

Rationale:

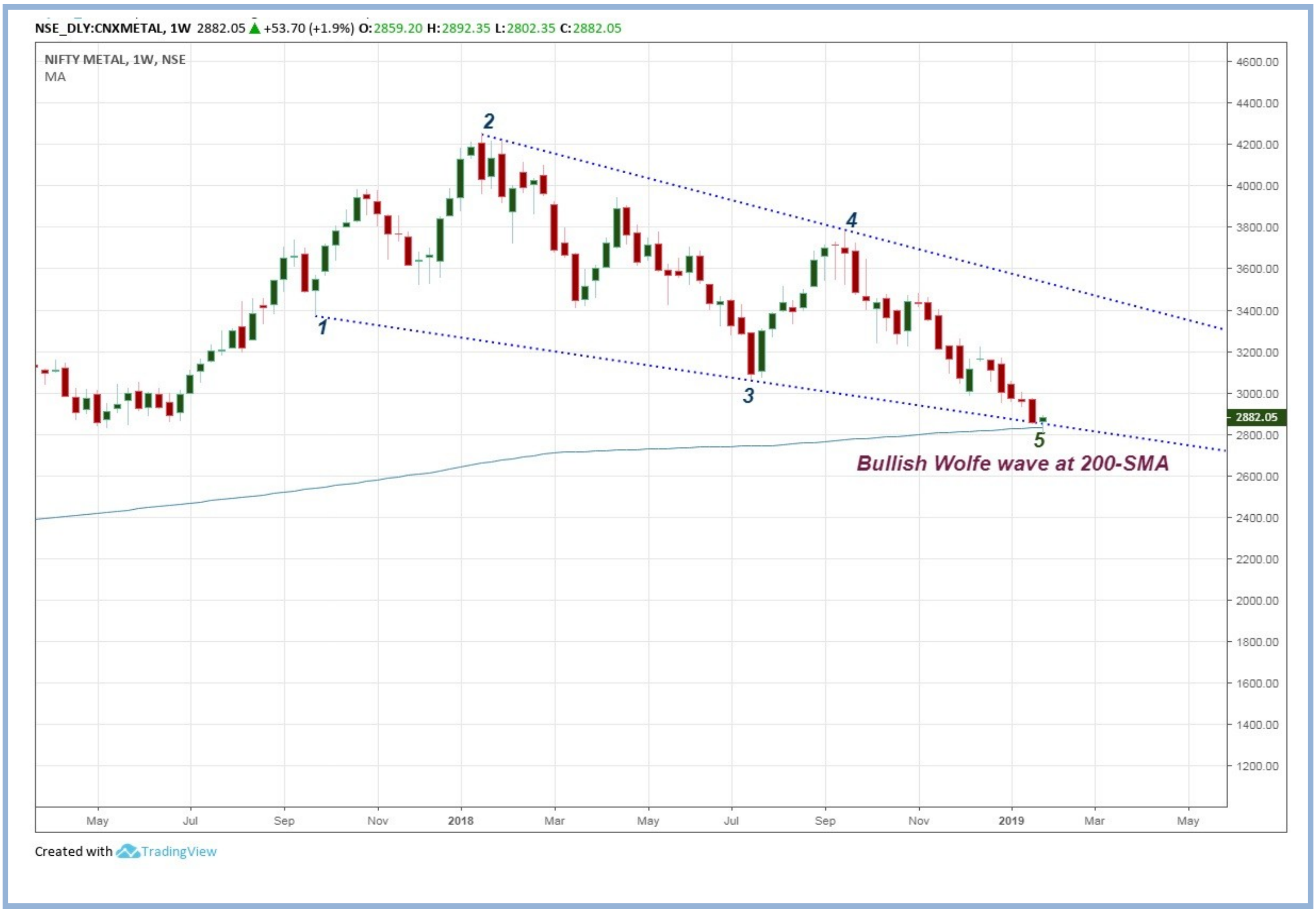
This sector has been known for its steady outperformance and it has always lived up to its expectations over the past many years. However, last thirteen months have been a terrible time for this heavyweight space as we saw worst fall in last ten years. It's very easy to comment in hindsight but every relentless multi-year Bull Run takes a pause or goes through the tough period at some time or other. We would relate this massive correction to this general phenomenon.

Now, if we look at the monthly chart, we can see 'Auto' index approaching its cluster of supports. Firstly, the 78.6% Fibonacci retracement of the previous multi-year rally, which coincides with the '89-EMA' in the same time frame chart. Also, if we observe the price behavior in connection with the 'RSI-Smoothened' oscillator on weekly chart, the 'Positive Divergence' is clearly visible. This development occurs when prices make lower lows and at the same time, the corresponding oscillator values make higher lows. It happens generally towards the fag end of the any corrective move and since it's coinciding around major supports, we expect limited downside in this space.

However, at this juncture, it's not easy getting into this space as there are so many counters within this are falling like a pack of cards. Hence, one needs to be very selective and should rather accumulate quality propositions in tranches. Amongst the larger names, stocks like, Maruti, Hero Moto and from the midcap space, Bharat Forge is approaching similar kind of support zone.

NiftyMetal (CMP: 2882.05)

Weekly Chart



Source: Trading View

Rationale:

Exactly a year back before the same event (Union Budget), Metal space was doing extremely well. Metal as a commodity across the globe was at its multi-month highs and as a result, the entire metal space in our market was on a roll as so many stocks were clocking new 52-week highs. Despite all this exuberance, we advocated booking profits in this space as we were anticipating a possible correction from higher levels. Fortunately, this contradictory strategy played out well for us as we saw 'Nifty Metal' index correcting ~33% thereafter. Now, after 12 months, we are probably at the similar situation; but it would probably be the mirror image of previous development.

Let us understand what these observations are. If we look at the monthly chart, we can easily see that the correction from last year's high has precisely retraced its previous up move by 50%. This level coincides with weekly '200-SMA', which can be considered as a sheet anchor. And the most important one is the formation of bullish 'Wolfe Wave' pattern. It is considered to be a complex and contradictory price configuration. It consists of five key points and a placement of 5th point around the 127% retracement of the up move from point 3 to point 4. As per the requirement, we can see this structure on weekly chart (please refer the exhibit).

Now to confirm this pattern, we need a reversal of the 5th point, which is yet to happen. But considering the cluster of major supports and extreme oversold condition, we are anticipating it to happen soon. The timing is very difficult to predict, but in our sense, investors with more than 6 months horizon should start accumulating marquee names within this space in a staggered manner.

Tata Steel (CMP: 467.45)

View
Bullish

Weekly Chart

Source: Trading View

Rationale:

- This stock has undergone a severe correction over the past 12 months; but it appears as if the stock is now in the last leg of the correction.
- Quite similar to the metal index, we can see a formation of bullish 'Wolfe wave' on weekly chart tad above the '200-SMA'.
- The monthly chart depicts a retracement of previous up move by 50% and hence, 440 – 430 would be considered as a strong support zone.
- Looking at the similar kind of set up, traders can use dips to accumulate this stock in a staggered manner. The ideal range for accumulation would be 450 – 440.
- As per the anticipation, if 'Wolfe Wave' gets confirmed then we may see a good relief move towards ₹520 – 530 over the next 2 – 3 months. For this set up, it's advisable to keep a strict stop loss at ₹406.

Wipro (CMP: 363.25)

View
Bullish

Weekly Chart

Source: Trading View

Rationale:

- During the last four years, the stock prices had witnessed stiff resistance in range of 330-340. After more than five attempts, the stock prices have now finally broken above the resistance confirming a bullish breakout.
- The breakout from the key levels has resulted in a multiple pattern formation. On the daily chart we are witnessing a 'Saucer' formation whereas on the weekly chart we are observing a 'Bullish Flag' pattern.
- The said breakout is also supported with above average volume which is quite encouraging.
- Post the breakout, the stock has already seen a strong up move in last couple of weeks. However, the long term charts are indicating quite optimism and hence, traders are advised to use a buy-on-sips strategy for is counter.
- **Considering the above technical evidences, we advice traders to buy this stock on dips towards ₹340 for a target of ₹465 in next 2 to 3 months. The stop loss should be fixed at ₹310.**

Pfizer Ltd. (CMP: 2998.20)

View
Bullish

Daily Chart

Source: Trading View

Rationale:

- Amongst the Pharma counters, there have been very few names which have generated good returns in last few years. Pfizer has been one of the marquee name which had delivered good returns during November 2017-August 2018.
- The price then retraced some of the gains in September-October2018 and has then consolidated around its 200 DMA.
- If we observe the price-volume pattern in last few months, it is seen that the volumes were good when prices were moving up, where volumes are quite low on correction.
- In this week, the prices have regained positive momentum and now seem to be gearing for a resumption of its long term uptrend.
- **Considering the above evidences, we advice traders to accumulate the stock in the range of ₹2840-2880 for a target of ₹3325 in next 2 to 3 months. The stop loss should be fixed at ₹2625.**

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