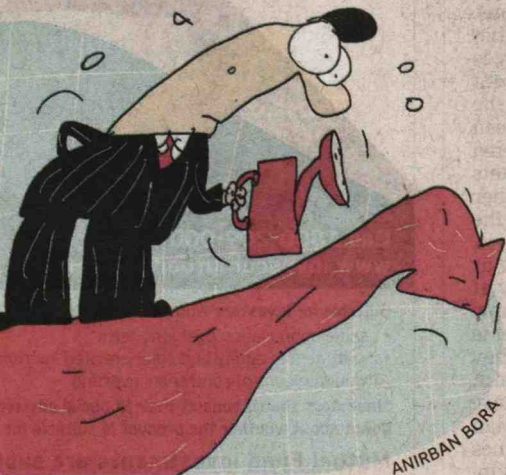


This Week, Market may Cheer the Rollout of GST

Going for investment is better avoided at this point, but short positions can be created in the index, in stocks and during pullback rallies. The Nifty is likely to face resistance at about 9,700, while 9,450 remains a key support level to watch out for.



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Where are we? We continue to keep the status of the Indian market in a Confirmed Uptrend as Nifty holds its near-highs. Institutional selling has also been limited with just one pronounced selling day in the last two weeks. The market is waiting for fresh triggers before resuming its upward journey.

What is in store? **With the Nifty above its 50-DMA, we believe the bulls are firmly in control.** This has been the story of 2017, as the market has not looked back ever since it crossed the 50-DMA at the beginning of the year, lapping up every positive news in earnest, while every dip was bought into. The Nifty is currently 2% off its all-time highs and is 0.4% above the 50-DMA. This week, we expect the market to cheer the rollout of India's biggest tax reform till date. The Nifty is likely to face resistance at about 9,700, while 9,450 remains a key support level to watch out. Couple of down days on heavy volume over the next few weeks would put the market under pressure.

What could investors do? The action from leading stocks continues to be encouraging, with equally good strength seen in the mid-caps and small caps. **Investors should actively look out for stocks with high-quality fundamentals that are breaking out of sound patterns.** Stocks at near buy point include KEI Industries, Page Industries and Godrej Consumer Products. Monitor the portfolio stocks carefully and be quick to cut losses. We suggest investors pay heed to stocks that have given good returns and book profits or sell incremental positions upon seeing any technical weakness. This will help in capital preservation.



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What is in store?

Nifty slipped into decline last week and closed the week lower by around 0.56%. After showing a sharp weakness during the early part of last week, Nifty was not able to sustain the upside bounce-backs and the area of 9560-70 has acted as a stiff resistance for the markets. Nifty, as per weekly timeframe, is in a down trend and broke below the immediate support of 9550 levels during last week. Now we are experiencing a sharp weakness in Nifty as per weekly timeframe, which was absent over the period of time. **Any upside bounce-back up to 9600 levels could be short-lived and hence could be a selling opportunity in the markets.** This upside bounce-back could also be used for profit booking/exiting of existing long positions.

The study of price & time and the theory of Fibonacci retracement as per larger timeframe like monthly suggests a possibility of further downward correction in Nifty for the month of July and August. Later, the market could finally find a strong lower level support around 8870-8900 levels (with an intermediate stop at 9220-9270) and could finish its downward corrective leg. We are expecting a sharp bottom-reversal around those supports in the month of August.

What could investors do?

Going for investment buying should be avoided at this point while trading short positions can be created in Index and in stocks now and during pullback rallies. The bottom formation in the market as per price and time study could possibly give us an opportunity to bottom fish for investment over the next two months. Sectorally, **banking, automobile, realty, capital goods and energy sectors are expected to underperform** during broader market weakness. Sectors like pharma and FMCG could show some resilience during market weakness.



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Nifty after making a high of 9708 has corrected to 9448 in almost 18 trading days ahead of result season. Market has to cross 9580 to resume an uptrend, and if it doesn't break the trend until 9380, then it is up and **a target of 10200-10500 before Diwali looks possible.** For Nifty the crucial important support level is 9225 and if that is breached then some meaningful correction may start. We maintain our Nifty target at 12000 by end of the financial year.

Stocks like Manappuram, Persistent, Engineers India, BEL, ZEE, Trent, Thomas Cook, Cholamandalam Finance, Mahindra Finance, Finolex Pipes look very good for 8-12% returns in 2-3months. GST rollout is the major event which is being watched, and which can have a major positive impact in the years to come.