

31 DEC 2008

WAVES.INDIA HITS 74% ACCURACY FOR 08

If you ask a Behavioral guru to define accuracy this is what he will say. The difference in forecasted and actual is accuracy. According to fractal geometry, this is an incomplete information. It's the degree that you are studying, which will define accuracy. Degree, meaning the time frame, multi month, multi week, multi day, multi hour etc. Accuracy on different time frames will be measured differently, and this is one huge gap in the subject of behavioral finance, as it does not define the concept of degree.

WAVES.INDIA studies intermediate (multi week) to minor degree (multi day) price trends. And in the last one year, we have made 13 intermediate forecasts and near 40 minor trend forecasts. We have measured accuracy on intermediate time forecasts. All our reports talk about levels and it's the levels, which judge how accurate we are. We have pulled out the levels along with the trends and compared forecasted with actual. An average actual intermediate move was 23% large. The total absolute actual move on Sensex for the year (both up and down intermediate trends) was at 330%. WAVES.INDIA captured 240% of this total move. The market letter captured average 17% of the 23% move. This gives us an accuracy of 74% for the year. We have detailed out the reports, the dates, the Sensex levels and have tabulated all of them in a tracker.

Our preferred positive view was challenged during the week, as prices pushed below SENSEX 9,500 levels. Now prices have moved back up again. TICKS.INDIA members were updated with the SENSEX DAILY KEY REVERSAL on 29 DEC (SLIDE 1). We are back on preferred positive again. And immediate resistances are the open gaps lying at 9894 levels. Above this we have no doubt, regarding the first positive week in JAN 2009.

Enjoy the latest WAVES.INDIA ACCURACY REPORT 2008.

Happy New Year



NO.	REPORT	SENSEX
i	WAVES.IND. 140108 AND WAVES.IND.210108	21,206
ii	WAVES.IND. 210108 AND WAVES.IND.040208	15,332
iii	WAVES.IND. 180208	18,895
iv	WAVES.IND.040208	14,677
v	WAVES.IND.210708	17,621
vi	WAVES.IND.180808	12,514
vii	WAVES.INDIA.150908	15,520
viii	WAVES.IND.220908	12,559
ix	WAVES.IND.271008	14,221
x	WAVES.IND.051108	7,697
xi	WAVES.IND.191108	10,945
xii	WAVES.IND.241108, WAVES.IND.171208	8,316
xiii	WAVES.IND.241208	10,188
CONTINUED	TICKS.IND.291208	9,162

Price
INR

-20,000

-19,500

-19,000

-18,500

-18,000

-17,500

-17,000

-16,500

-16,000

-15,500

-15,000

-14,500

-14,000

-13,500

-13,000

-12,500

-12,000

-11,500

-11,000

-10,500

-10,000

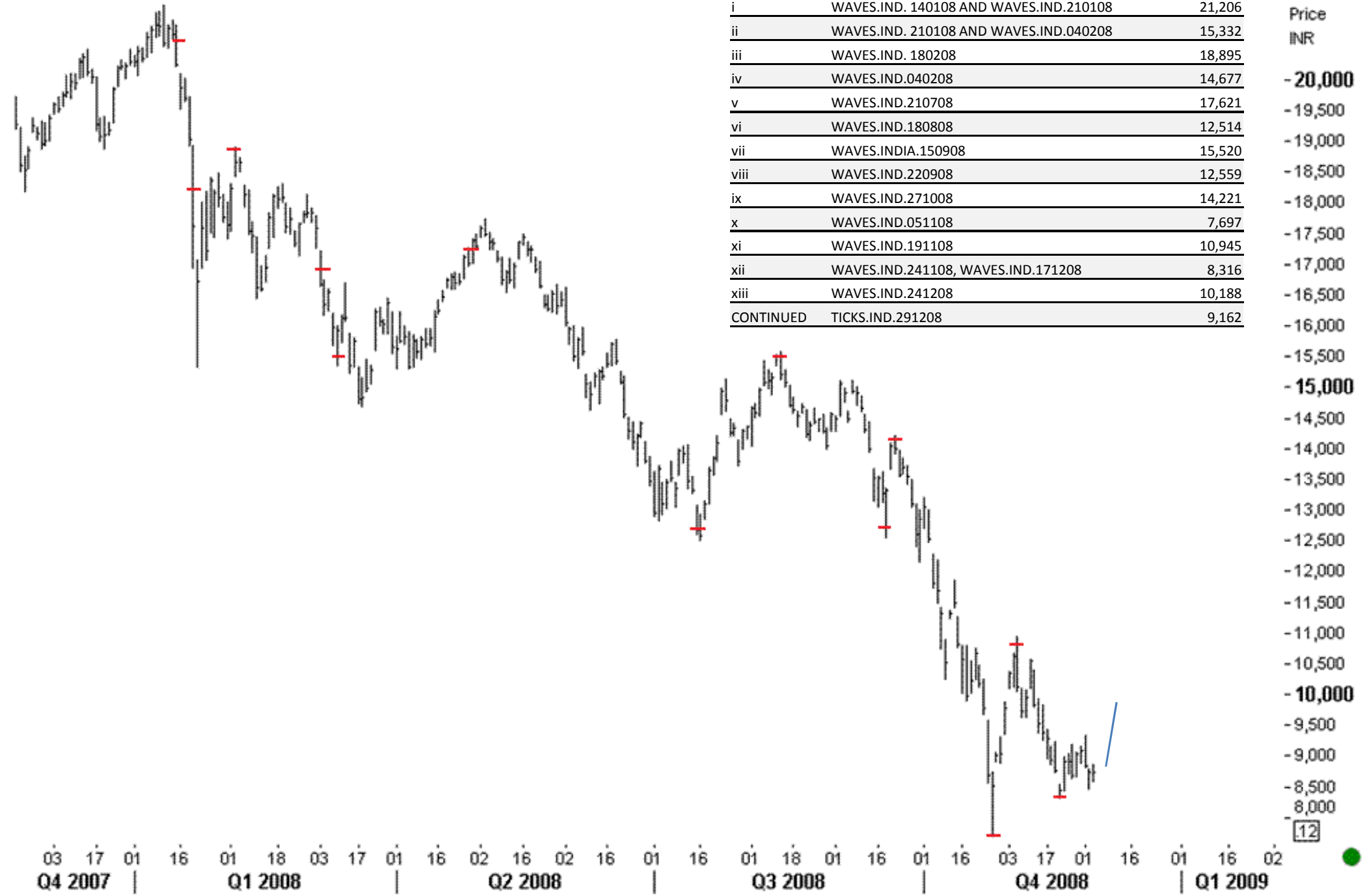
-9,500

-9,000

-8,500

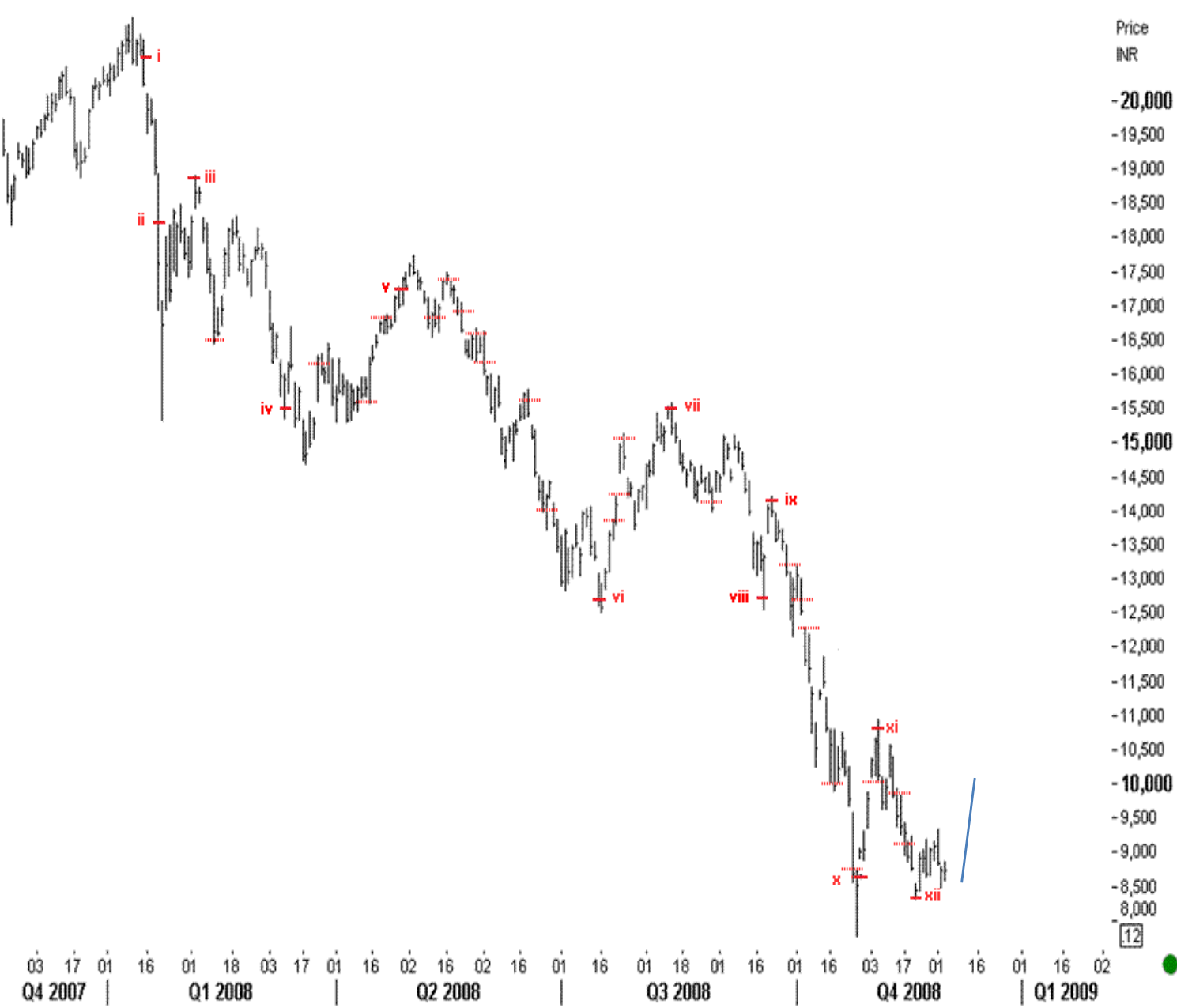
-8,000

12



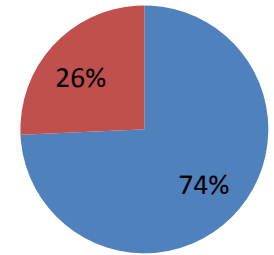
03 17 01 16 01 18 03 17 01 16 02 16 02 16 01 16 01 18 01 16 01 16 03 17 01 16 01 16 02

Q4 2007 | Q1 2008 | Q2 2008 | Q3 2008 | Q4 2008 | Q1 2009



Price INR	NO.	REPORT	SENSEX
	i	WAVES.IND.140108	20.500
	ii	WAVES.IND.210108	18.000
-20,000	iii	WAVES.IND.210108, 040208	18.995
-19,500	iii-a	WAVES.IND.180208	17.000
-19,000	iv	WAVES.IND.180208, 250208	14.667
-18,500	iv-a	WAVES.IND.240308	15.000
-18,000	iv-b	WAVES.IND.210408	16.500
-17,500	v	WAVES.IND.020408	17.100
-17,000	v-a	WAVES.IND.280408	16.500
-16,500	v-b	WAVES.IND.050508	17.400
-16,000	v-c	WAVES.IND.050508	17.000
-15,500	v-d	WAVES.IND.070508	16.500
-15,000	v-e	WAVES.IND.280508	16.200
-14,500	v-f	WAVES.IND.090608, 110608, 180608	15.500
-14,000	v-g	WAVES.IND.180608, 230608	14.000
-13,500	vi	WAVES.IND.020708	12.500
-13,000	vi-a	WAVES.IND.140708	13.300
-12,500	vi-b	WAVES.IND.230708	14.000
-12,000	vi-c	WAVES.IND.110808	15.000
-11,500	vii	WAVES.IND.130808, 180808	15.500
-11,000	vii-a	WAVES.IND.180808	14.000
-10,500	viii	WAVES.IND.150908, 220908	12.559
-10,000	ix	WAVES.IND.220908	14.170
-9,500	ix-a	WAVES.IND.290908	13.350
-9,000	ix-b	WAVES.IND.290908	13.000
-8,500	ix-c	WAVES.IND.290908	12.300
8,000	ix-d	WAVES.IND.081008, 131008	10.000
	ix-e	WAVES.IND.271008	8.800
	x	WAVES.IND.271008, 291008	8.300
	x-a	WAVES.IND.291008	8.740
	xi	WAVES.IND.031108, 051108	10.000
	xi-a	WAVES.IND.121108	9.700
	xi-b	WAVES.IND.121108	9.100
	xii	WAVES.IND.121108, 191108, 241108	8.556

NUMBER	ACTUAL PRICE		CHANGE		TARGETED PRICE		FORECASTED		REPORT
	FROM	TILL	%		FROM	TILL	%		
1	21,206	15,332	-27.70	27.70	20,500	18,000	-12.20	12.20	WAVES.IND. 140108, 210108
2	15,332	18,895	23.24	23.24	18,000	18,895	4.97	4.97	WAVES.IND. 210108, 040208
3	18,895	14,677	-22.32	22.32	17,000	15,000	-11.76	11.76	WAVES.IND. 180208
4	14,677	17,621	20.06	20.06	15,000	17,100	14.00	14.00	WAVES.IND.040208
5	17,621	12,514	-28.98	28.98	17,100	12,500	-26.90	26.90	WAVES.IND.210708
6	12,514	15,520	24.02	24.02	12,500	15,500	24.00	24.00	WAVES.IND.180808
7	15,520	12,559	-19.08	19.08	15,500	12,559	-18.97	18.97	WAVES.IND.150908
8	12,559	14,221	13.23	13.23	12,559	14,170	12.83	12.83	WAVES.IND.220908
9	14,221	7,697	-45.88	45.88	14,170	8,300	-41.43	41.43	WAVES.IND.271008
10	7,697	10,945	42.20	42.20	8,300	10,945	31.87	31.87	WAVES.IND.051108
11	10,945	8,316	-24.02	24.02	10,945	8,400	-23.25	23.25	WAVES.IND.191108
12	8,316	10,188	22.51	22.51	8,840	10,100	14.25	14.25	WAVES.IND.241108,171208
13	10,188	9,162	-10.07	10.07	10,100	9,500	-5.94	5.94	WAVES.IND.241208
CONTINUED	9,162	9,894	7.99	7.99	9,533	9,894	3.79	3.79	TICKS.IND.291208*



■ TOTAL CAPTURED ABSOLUTE MOVE
■ TOTAL MOVE MISSED

PARAMETERS	%
TOTAL ACTUAL ABSOLUTE MOVE	331.30
AVERAGE ACTUAL MOVE	23.66
LARGEST ACTUAL MOVE	45.88
SMALLEST ACTUAL MOVE	7.99
TOTAL CAPTURED ABSOLUTE MOVE	246.16
AVERAGE CAPTURED MOVE	17.58
LARGEST CAPTURED MOVE	41.43
SMALLEST CAPTURED MOVE	3.79
ACCURACY	74.3

SIGNALS	NUMBER
NUMBER OF INTERMEDIATE SIGNALS	14.00
NUMBER OF MINOR SIGNALS	40.00
NUMBER OF INTERMEDIATE SIGNALS/ MONTH	1.2
NUMBER OF MINOR SIGNALS/ MONTH	3.3

The levels marked in red are assumed closed levels for 31 DEC 2008. For clarity reasons we have taken the TICKS.IND.291208 issue to close the year.

Catching the last leg or a top is extremely tricky. We started the year looking down in a 4 wave, followed by a final 5 top. This was the reason we were speaking more about a correction that a real sustained reversal. As anticipated the year started with a correction. But a correction is generally subdued and overlapping. We did not see prices falling below 18,000 in our preferred anticipated move down.

FIG1.



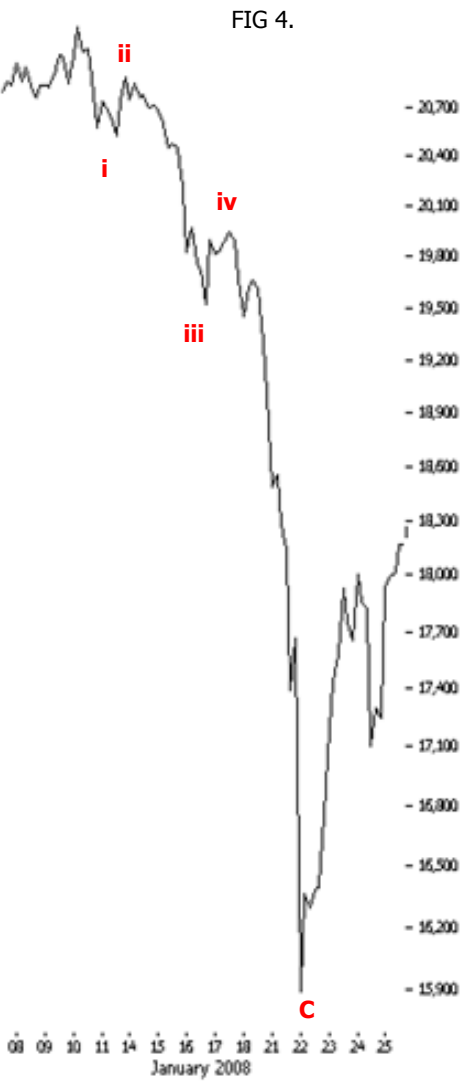
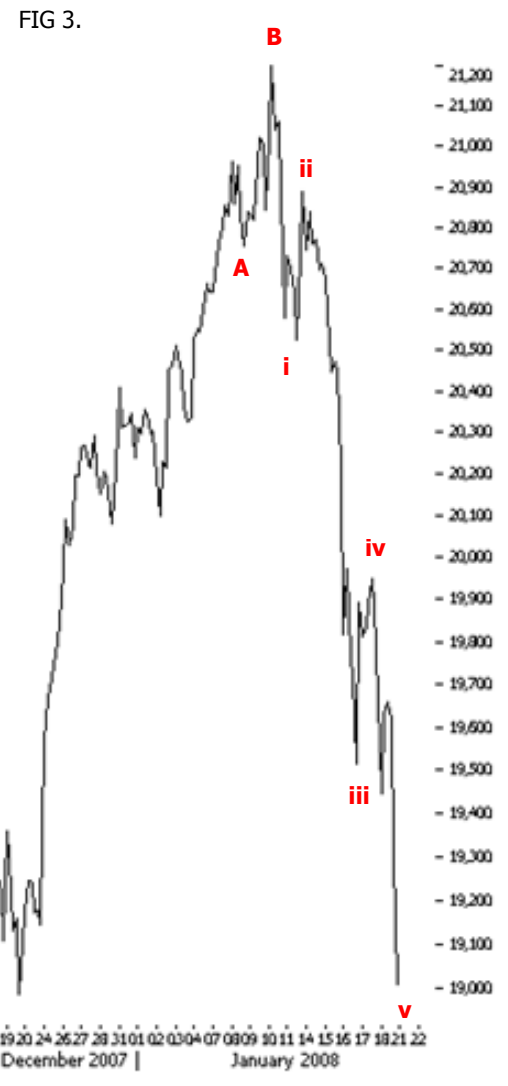
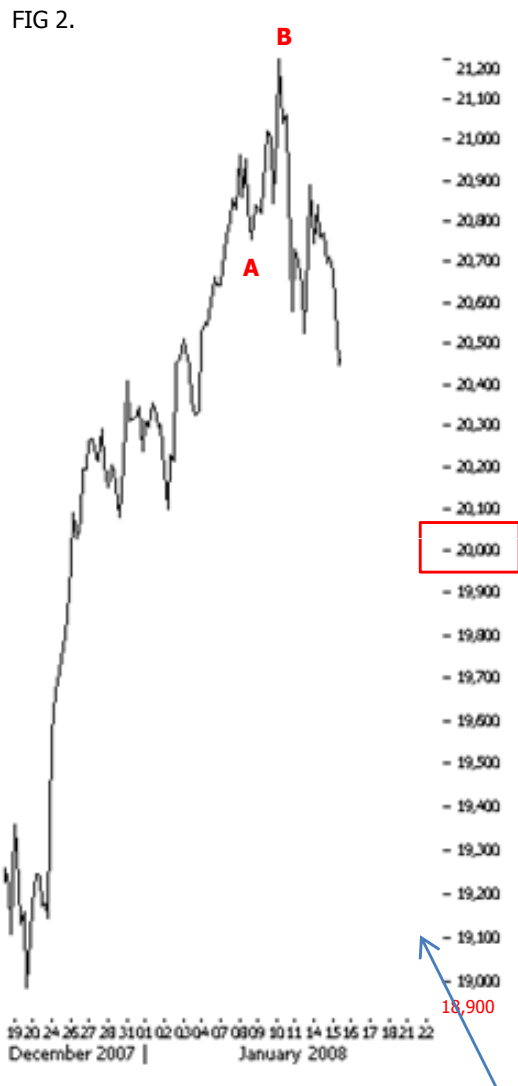
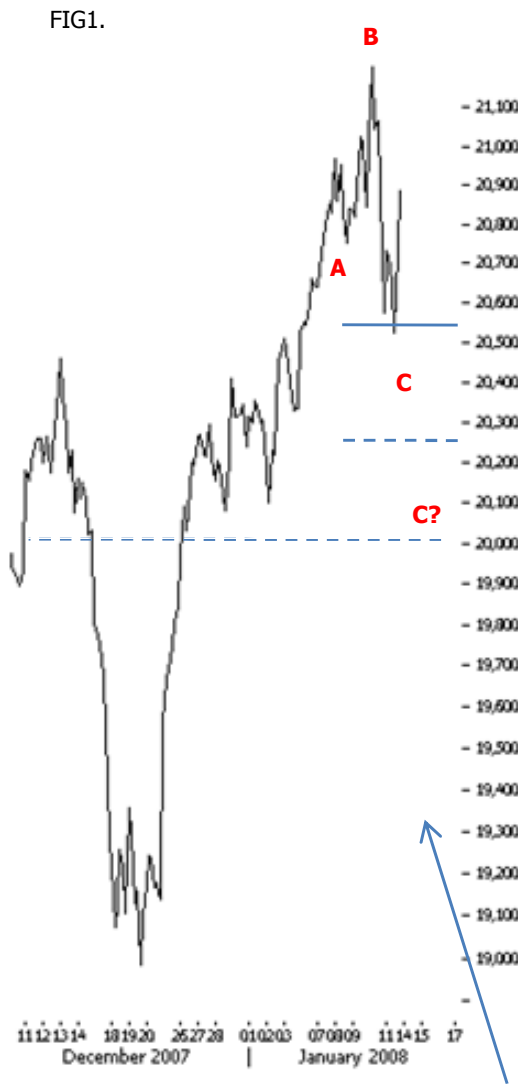
WAVES.IND.140108. The current form should start decelerating in the 4 wave not moving below the base channel supports near 19000.

FIG1.



WAVES.IND.210108. As anticipated prices seem to be in an ongoing 4 minor wave down to channel low to 18000. We don't see prices below 18,000 at this stage.

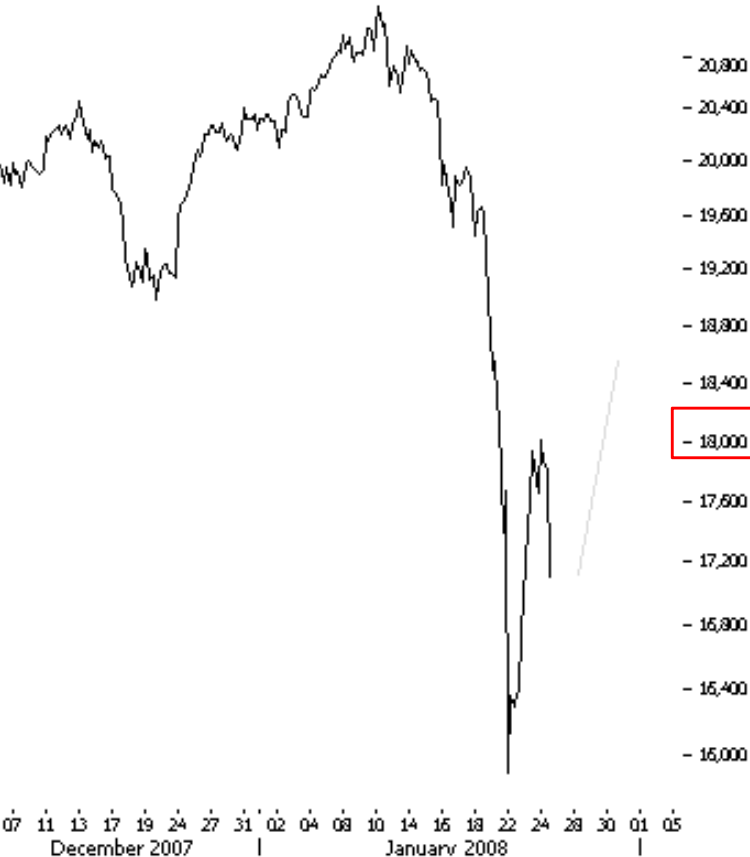
The prices pushed lower than 18,000 and rushed to 15,500. Though there was a reaction back to 18,000. The move down was more impulsive than corrective. There was a clear signal for a larger degree negativity.



WAVES.IND.140108. We are in a sub minor degree, in an A-B-C expanded flat, after which seems over at the recent low near 20,500 where C equals 1.618 of A. However a push below recent lows at 20,500 would suggest that the sub minor C is still extending down till previous iv wave support at 20,000

WAVES.IND.210108. As we anticipated prices hit and then pushed below the anticipated 20,000 levels, suggesting that prices are still in an ongoing corrective which should push lower below previous low near 18,900.

Now that prices were back above key 18,000, we were just short of a price confirmation to shift from PREFERRED positive view to ALTERNATE negative view. Moreover, the move up from the formed low was more overlapping, confirming that the market had topped. Overlapping structures are corrective and countertrend and this time the correction was upward, indicating that the main trend was now down.



WAVES.IND.040208. The anticipated levels at 18000 held which suggests positivity and a potential move up till 19,000.

WAVES.IND.040208. Though the move back above 18,000 happened prices are still stagnating near respective levels.

After a muted attempt to push up till bounce back targets at 19,000, prices started to gap and stagnate. The alternate negative view further strengthened.



WAVES.IND.250208. The open gap is not filled yet. Below 17,000 get ready for a NEGATIVE MARCH.



WAVES.IND.050308. Prices fill the 17000 GAP and are heading to retest the previous low.

BANKING ON THE EDGE

If you are a keen ad watcher, you can not miss this. Which is the highest advertising sector in the economy today? This should be a no brainer. Maybe things have changed a bit in the last six months, but the banking and financial services sector indirectly or directly is a large advertiser.

This still seems an emerging market phenomenon, where credit off-take is still high. And we do know that the BANKING growth comes from pushing credit in the system. Well things are changing, as markets move into the late expansion stage. The banks and their ad budgets will come under pressure. And considering Indians are high in financial skill, a loss of 10,800 jobs in the securities firm has already hit some prominent Indian heads. It is unfortunate, but restructuring is a cyclical reality, and it is always harsh and never soft. Well we don't have a consulting solution for the BANKS here, but what we can say is that increased advertising and credit push won't make things easier. BANKS will have to go conservative and re strategize at a time when offensive credit push seems the only way.

We have covered the BANKING sector in this report. And things don't look very good. Banking sector is on an edge and inability to hold here means a 30 percent fall might be easy. The only positivity is the momentum, which still suggests that we might just be in for the JAN low retest. At this stage we continue to hold our PREFERRED view that BSEBANK, ICICI, HDFC and SBI will continue to hold 10,000, 1000, 1400 and 2000 respective supports. However, it looks like a set of dominoes waiting to happen, despite all the credit genius.

We have illustrated BSEBANK on the right. The MINOR pattern looks like a continuation TRIANGLE pattern from DEC high, ready to resolve lower if 10,000 fails to hold. The prices, as we said could fall till open gaps near 8,000 and potentially lower. Above this, the price form of the last few months looks like a DISTRIBUTION pattern. HDFC BANK has a more clear Head and Shoulder pattern, with a neckline at 1400. How well the other sectors hold can determine how low can go in MAR. At this stage BSE SENSEX has held above anticipated open gap supports at 17,000. Even other sector indices have held up above mentioned supports. Though we still believe MAR lows, if any should be marginal. And even if we do head towards MAR lows, we anticipate a lot of intermarket and inter sectoral divergence. This means that though some stocks may make lower lows, there will invariably be sector indices and stocks making higher lows, classic multi month bottoming. And if have to bet on something making a lower low in MAR, BANKING should be it.

Enjoy the latest update of WAVES.IND.030308.



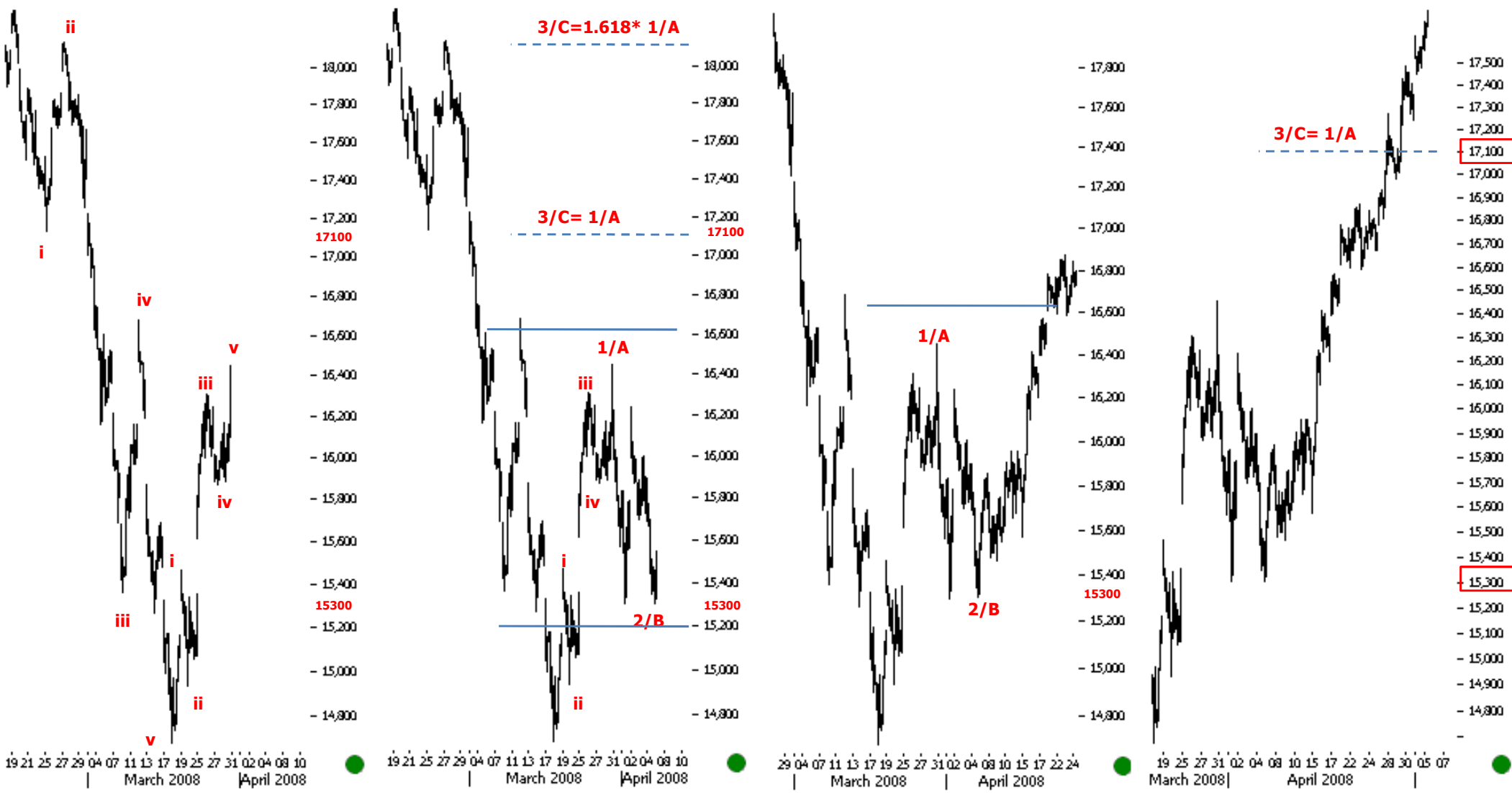
We shifted the ALTERNATE VIEW to preferred suggesting that the SENSEX had topped. And reversal of a larger magnitude was in. A larger five wave structure starts to unfold.



WAVES.IND.190308. There are many ways to count this form as a final ending intermediate (5) wave, all suggesting that this move up could be the final 5 primary circle up. And now we are in the 3 wave down to sub 15,000 and much lower below 13,000.

WAVES.IND.240308. Prices moved below the anticipated 13,000 levels.

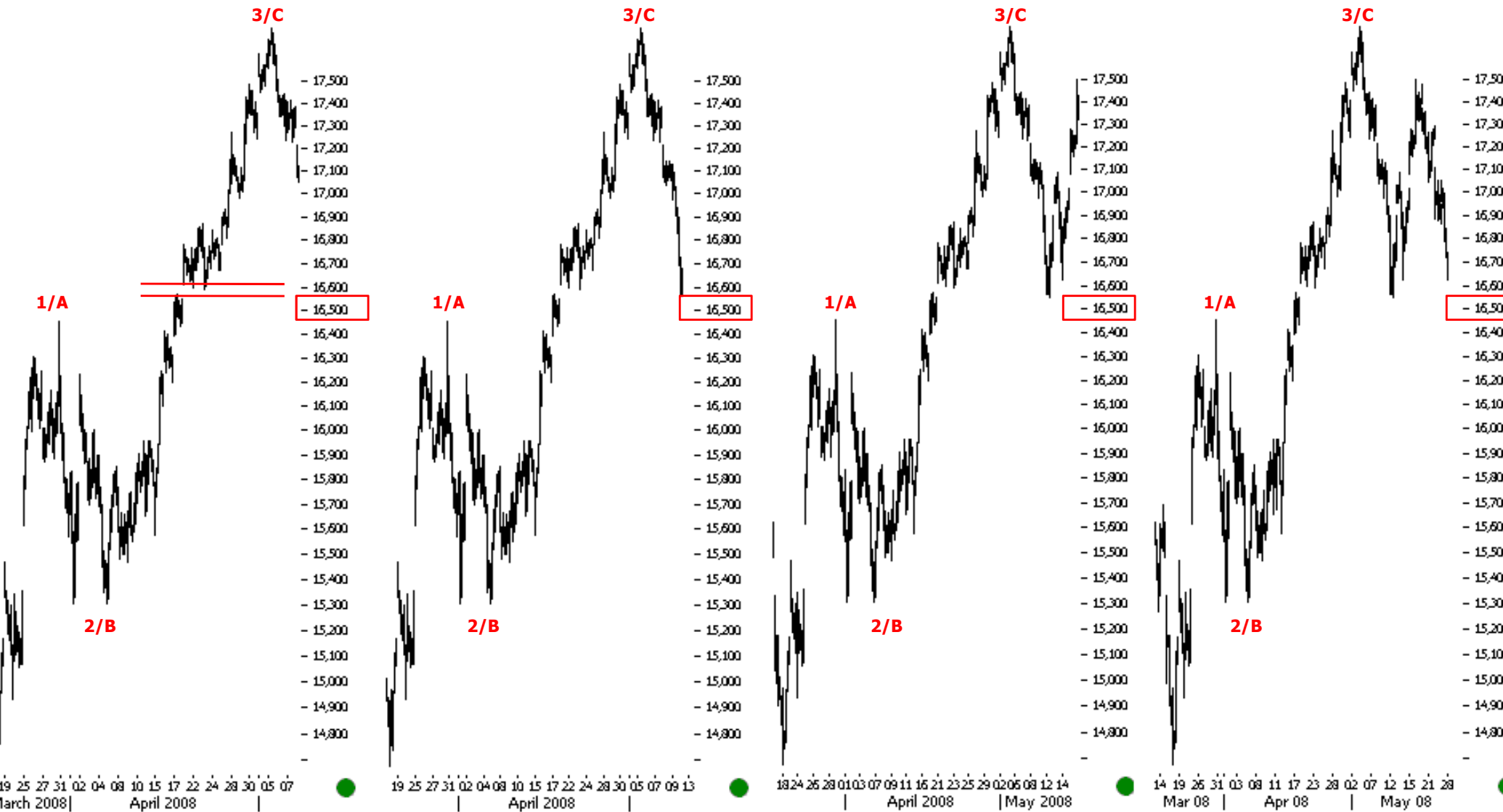
After the first five down, markets attempted a bounce again. As you can see we captured the move up and clearly identified the fact that the move up was once again A-B-C counter trend corrective and not a five wave structure up. Prices retested 17,100 target levels and pushed marginally higher.



WAVES.IND.020408. After the five up prices should move down in a correction. Prices should not fall below the open gaps near 15,300. After the corrective move prices could push till 17,100 levels.

WAVES.IND.050508. Prices touched 17,100 last week. This move up looks more like a 3 impulsive wave than an ending C wave. Any retracement now should not fall back below 17,400-17,000 levels and prices should start consolidating and preparing for a new historical high.

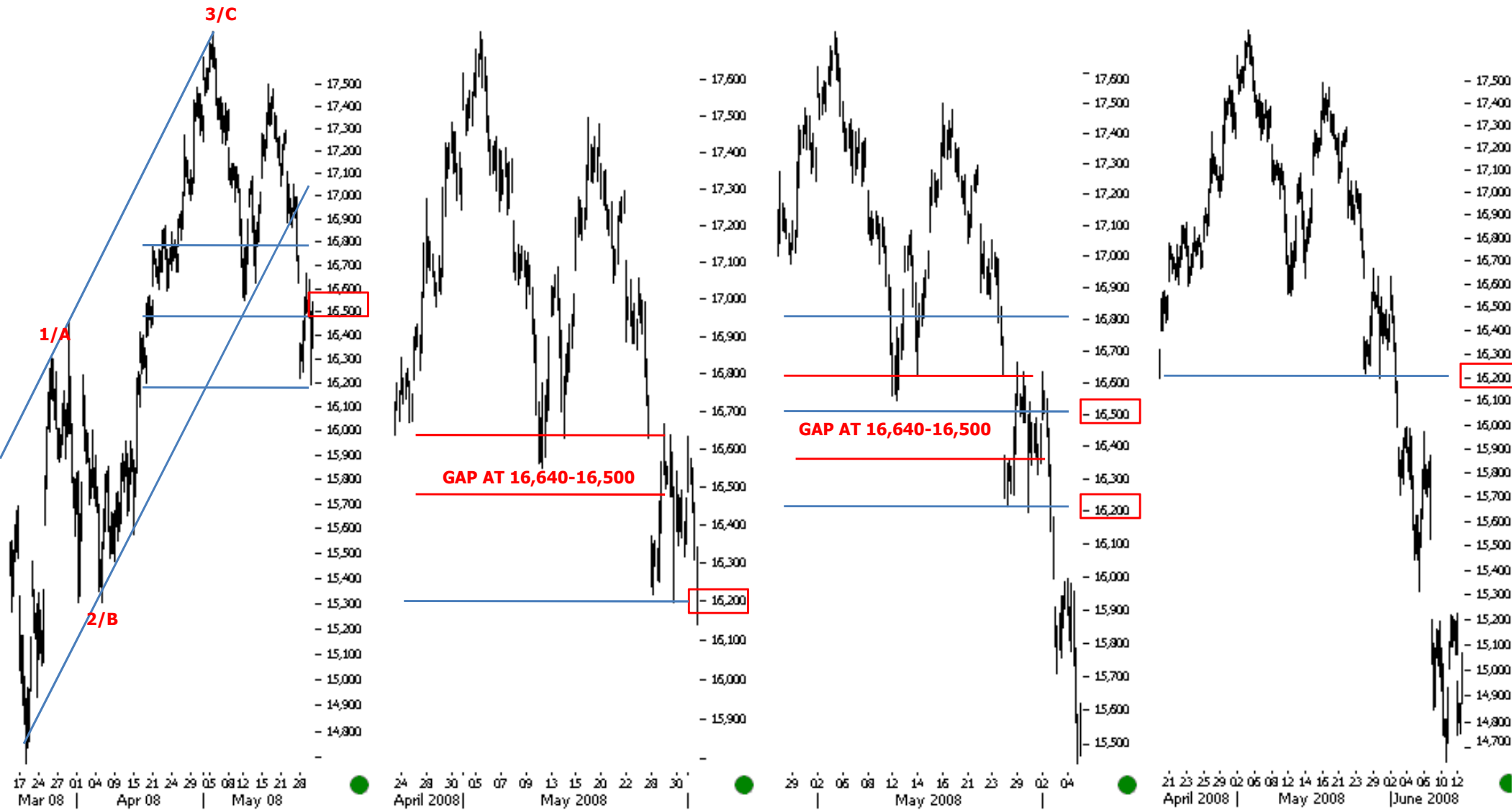
Prices break down below psychological 17,000 yet again. We start to see a succession of supports turning into resistances. After A-B-C up, we start preparing for the next five wave structure down. The 1-2 was complete and we were in for a sharp 3 move down.



WAVES.IND.070508. Any retracement now should not fall back below 16,500 levels.

WAVES.IND.120508. Prices moved back into anticipated target zones at 16,500. Sub 16,500 we are negative.

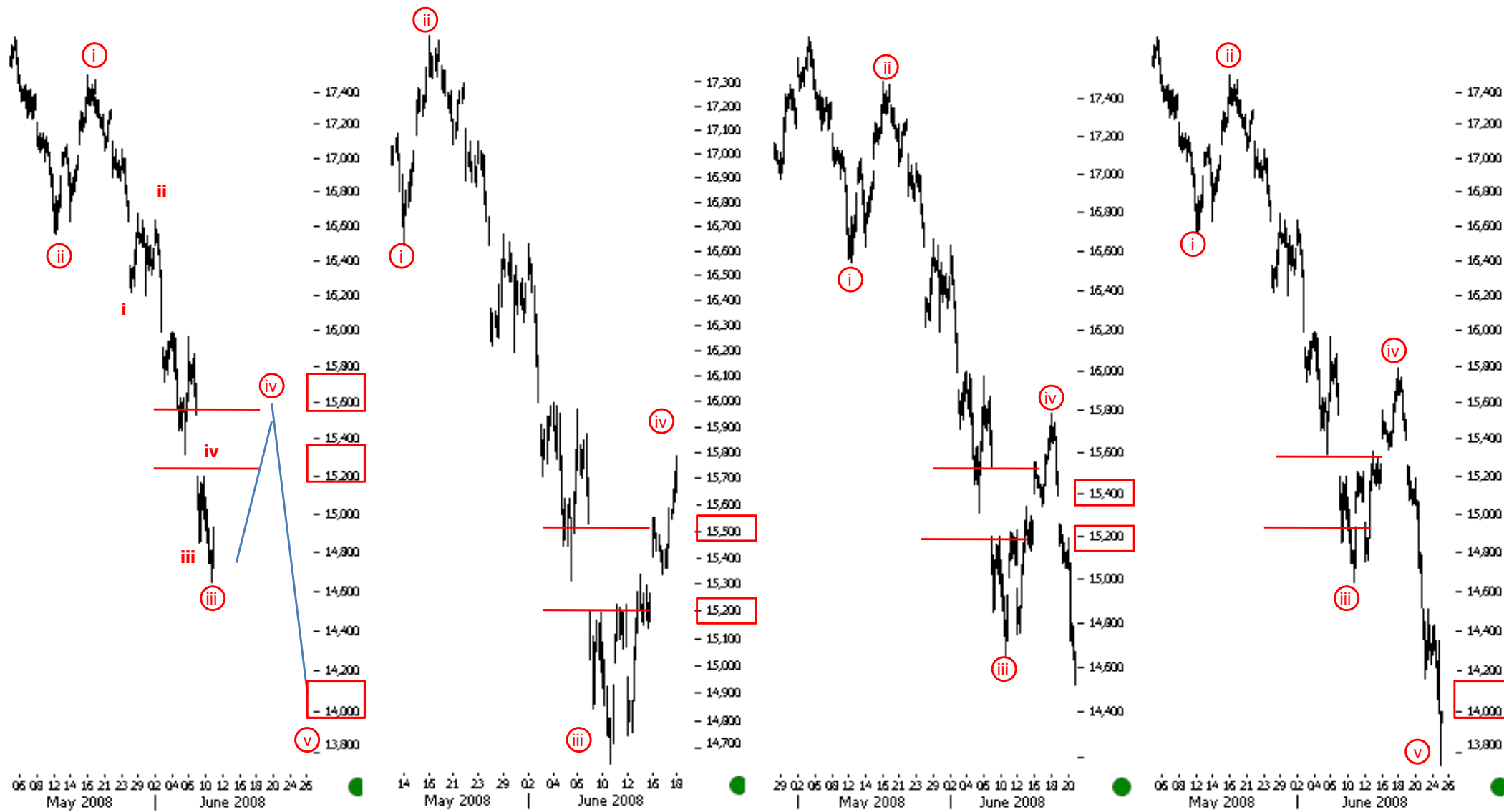
Negativity continues as prices push below anticipated key levels at 16,500.



WAVES.IND.280508. The 16,500 – 16,640 GAP area should now act as resistance.

WAVES.IND.040608. Prices closed the GAP and turned down. A break below 16,200 levels would confirm negativity.

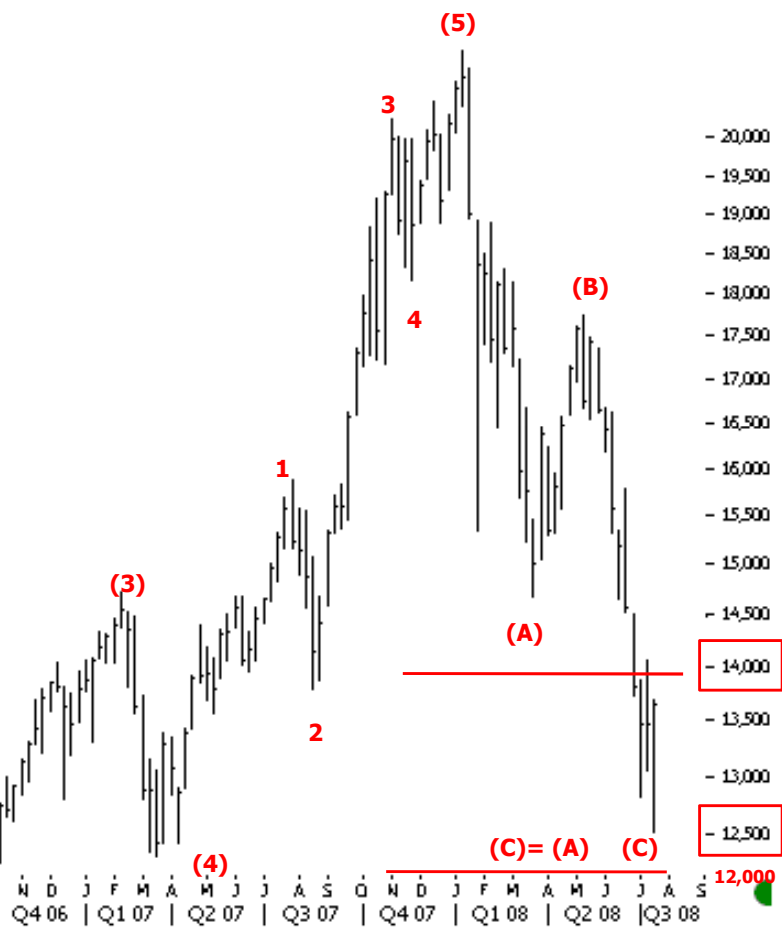
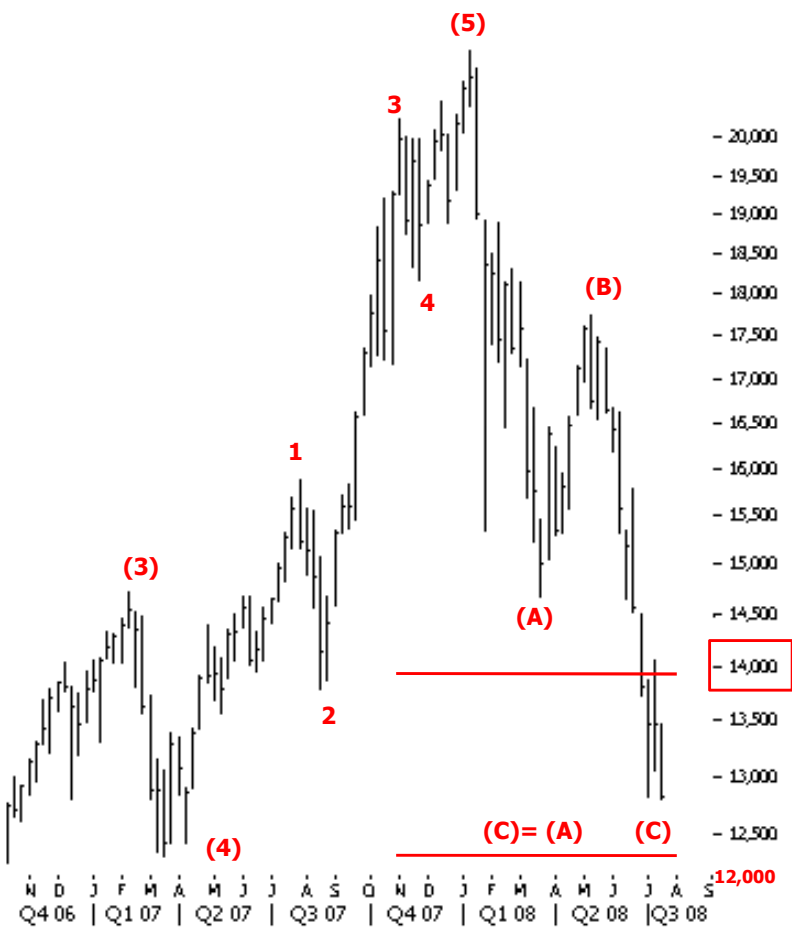
Sub 16,500 we projected targets till 14,000, which also marked conventional levels. The targets were hit.



WAVES.IND.180608. Minor impulse seems complete. We could see a price attempt to close the gap at 15,200 – 15,500. Below 16,000 we remain negative.

WAVES.IND.230608. Prices filled the open gaps at 15,200-15,500 and pushed down to complete the five leg. We continue to look down till 14,000.

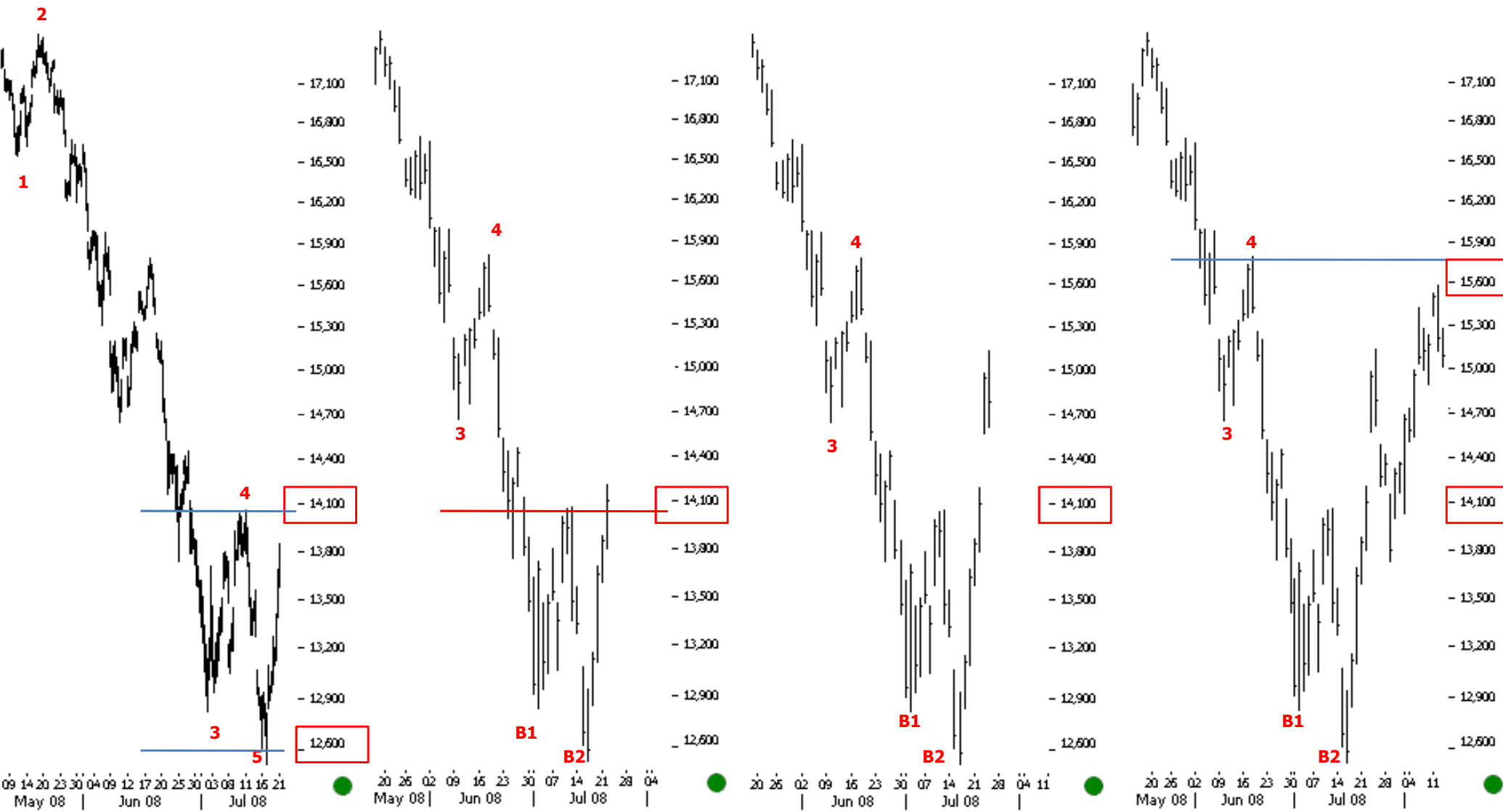
The impulse extends this time and pushes immediately from 14,000 till near 12,000 levels. This time we were also in the previous 4 territory, along with FIBONACCI equalities. We expected 12,000 to hold.



WAVES.IND.160708. Below 14,000 we are looking at 12,000.

WAVES.IND.270708. Price is at the Primary support at 12,000 – 12,500. We expect these levels to hold.

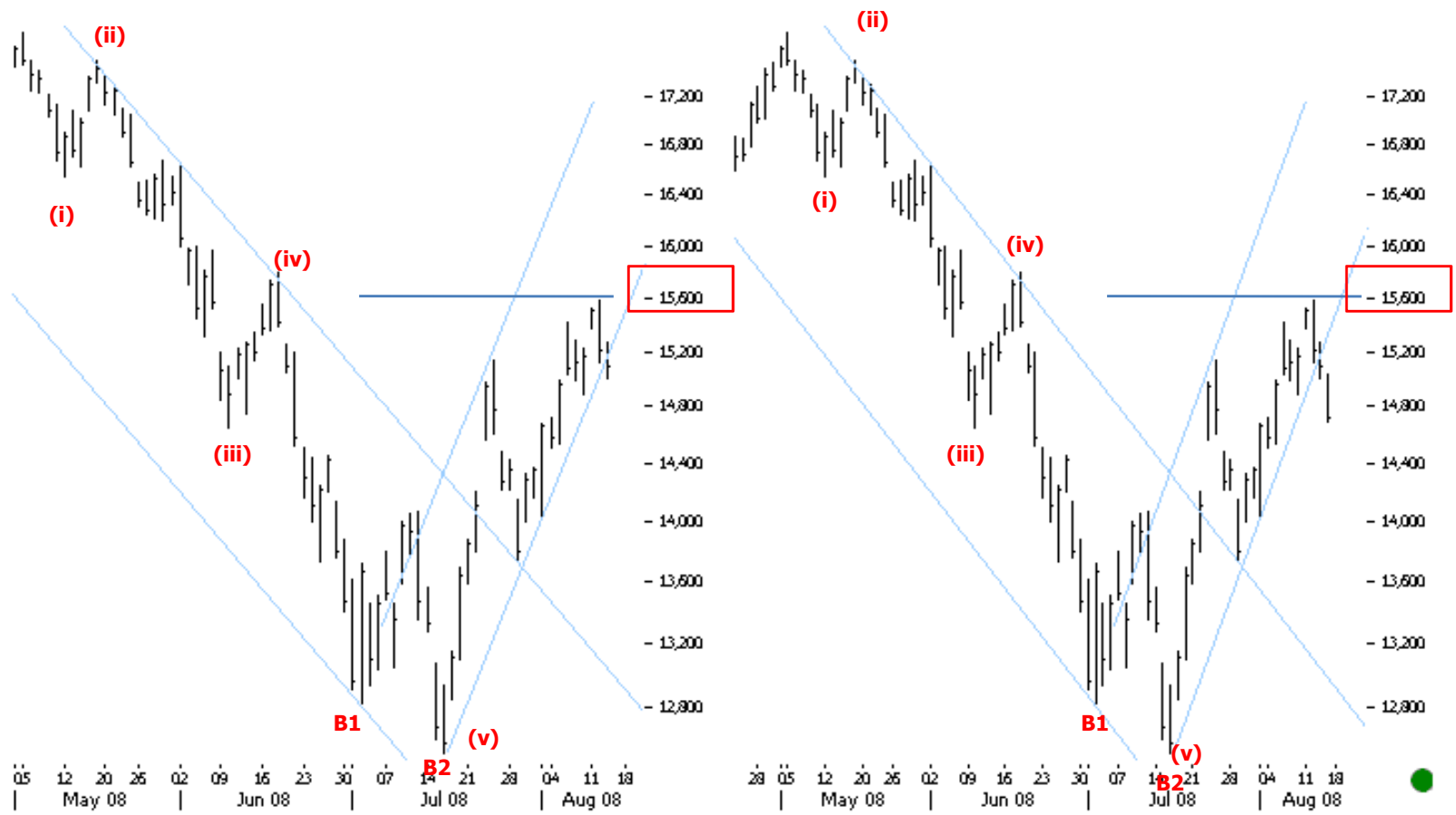
Banks and a majority of market majors and Indices gap up and bounce. We start looking at intermediate bottoming with double bottom conventional patterns in place. We start looking for previous 4 targets till 15,600 levels and possible a sustained reversal.



WAVES.IND.230708. Above 14,000 we are positive.
WAVES.IND.060808. Holds above the neckline at 14,000. Positive

WAVES.IND.130808. Price could meet resistance at the previous fourth wave at FIB level at 15,700 – 15,800 levels.

Previous iv wave target resistances are tested. Prices show anticipated weakness.



WAVES.IND.180808. Price could meet resistance at the previous forth wave at FIB level at 15,700 – 15,800 levels.

We illustrated a conventional distribution Head and Shoulder patter, which breaks neckline. We continue on preferred intermediate negativity and project new down targets.

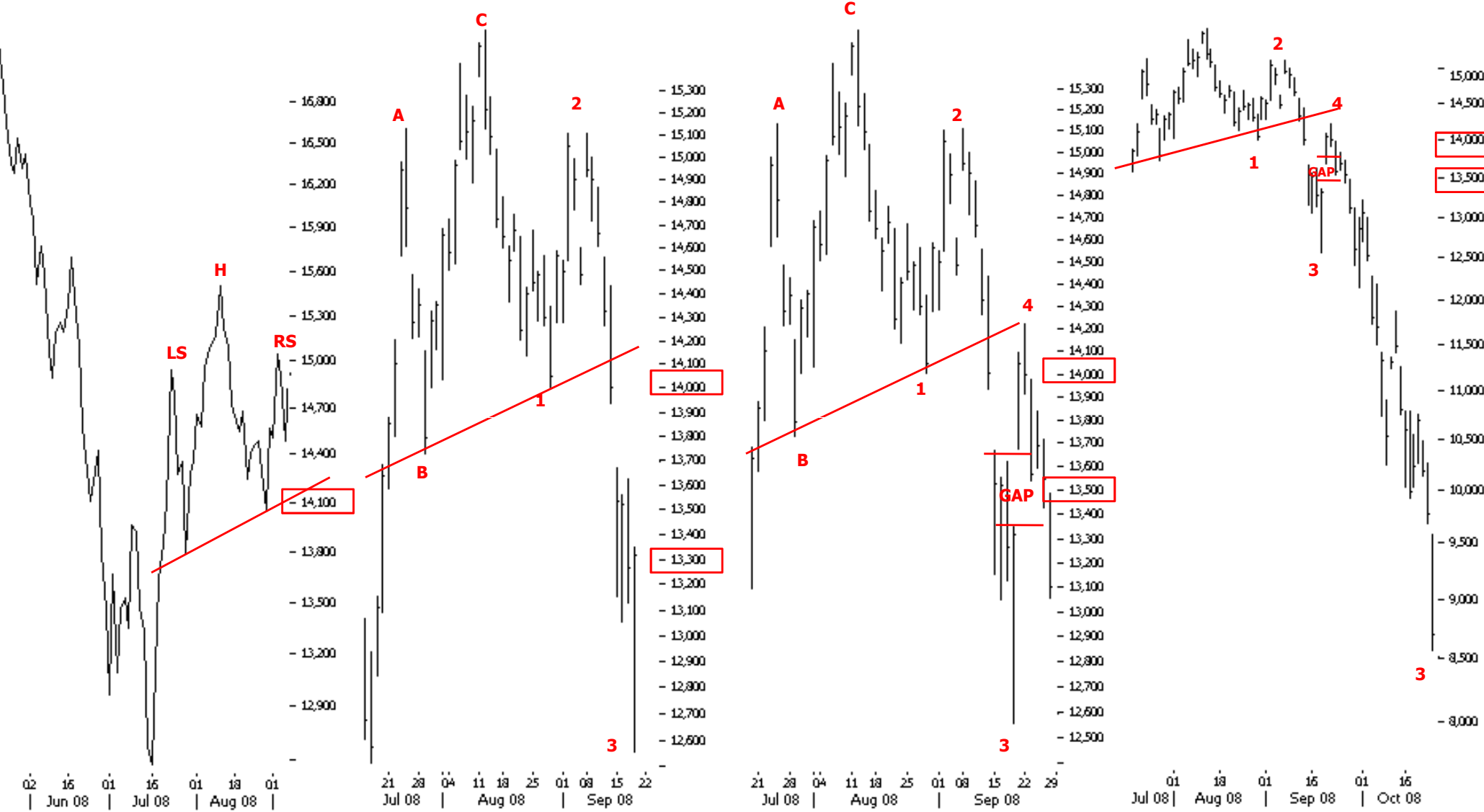


WAVES.IND.150908. HEAD AND SHOULDER. Key level lies at 14,000. A break below this, with RSI confirmation below 40 level, would be negative.



WAVES.IND.290908. Below 13,000 levels we continue to look down.

There is a classic breakdown and retest, making the Head and Shoulder a stronger case down. Momentum confirms negative view.



WAVES.IND.150908. HEAD AND SHOULDER. Key level lies at 14,000. A break below this levels would be negative.

WAVES.IND.290908. The last leg up looks like a classic retest of Head & Shoulders neckline. Below the gap at 13,350 we get more negative confirmation.

This is the second attempt to hold above 14,000. Confirms supports turning into resistance again.



WAVES.IND.081008. Hit intermediate SUPPORT at 12,300.

WAVES.IND.131008. Broke below the INTERMEDIATE support at 12,300. Next support comes at near 10,000.

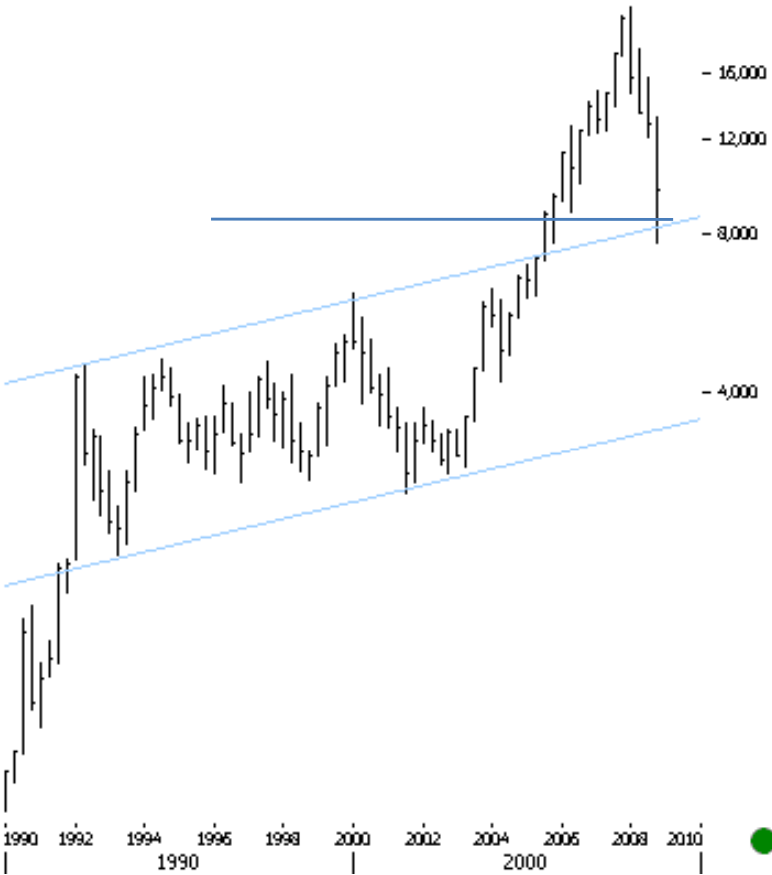
The key conventional and psychological 12,000 breaks, as prices push down till next projected targets till 9,000. Prices also reach primary 4 circle supports at 8,800.



WAVES.IND.201008. Price is testing the psychological support at 10,000 which also represent the 61.8% FIB retracement of the total up trend since 2002. 4th wave comes at near 9,000.

WAVES.IND.271008. Hit the previous 4th wave level at 8,800.

We illustrate CYCLE degree supports at respective levels.



WAVES.IND.271008. 8,300 is the previous channel and historical 61.8% FIB confluence.

WAVES.IND. 291008. Continues to hold above the previous 4th wave level at 8,800.

Prices make conventional reversal HAMMER and the structure has down exhaustion gaps.



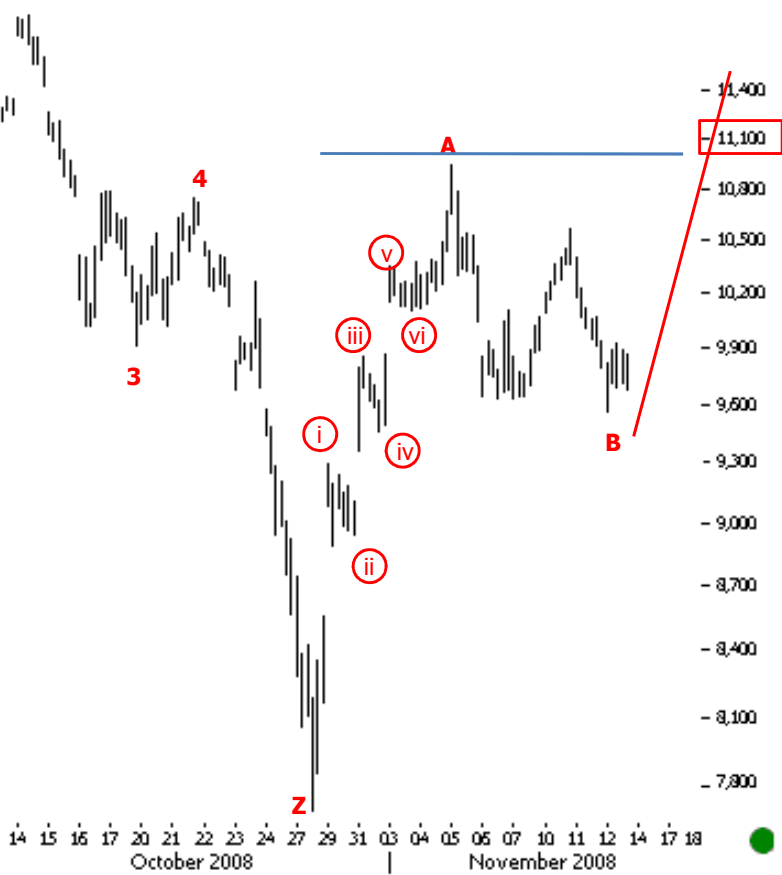
WAVES.IND.291008. Price formed a HAMMER at the channel support. Above the GAP at 8,740, minor trend is positive.

WAVES.IND.031108. Pushed higher till the channel resistance at psychological 10,000. We need a break above this level to continue to look up

We highlight the seven wave corrective up and suggest that prices are still corrective up in A up B down and C up.



WAVES.IND.051108. Seven wave corrective up completing A leg till the previous 4 wave near 11,000 after which the down leg B should begin.



WAVES.IND.121108. Prices completed the A leg and started the B leg of the corrective structure.

MEGAOVERSOLD BEAR MARKET STRUCTURE

What is megaoversold? When an oscillator trends to extreme oversold territory of multiple years (RIGHT) it gets a MEGA status. This is the only time conventional wisdom of buy when markets are oversold and sell when markets are overbought does not work. MEGA BOUGHT is the only time investors are suggested to BUY and MEGA OVERSOLD is the start of a secular BEAR MARKET.

Though we got the anticipated up move for you, being positive on the market from WAVES.INDIA 29 OCT (ALL UP). We also mentioned clearly about a DOWN BUT BOTTOMING scenario on 22 OCT (Why do we SELL?). One may say, that it worked this time too as markets have bounced from near 2,200 to 3,200 a rise of 45%. But ask a seasoned trader, and he will talk about gapping action and lack of conviction in the rise.

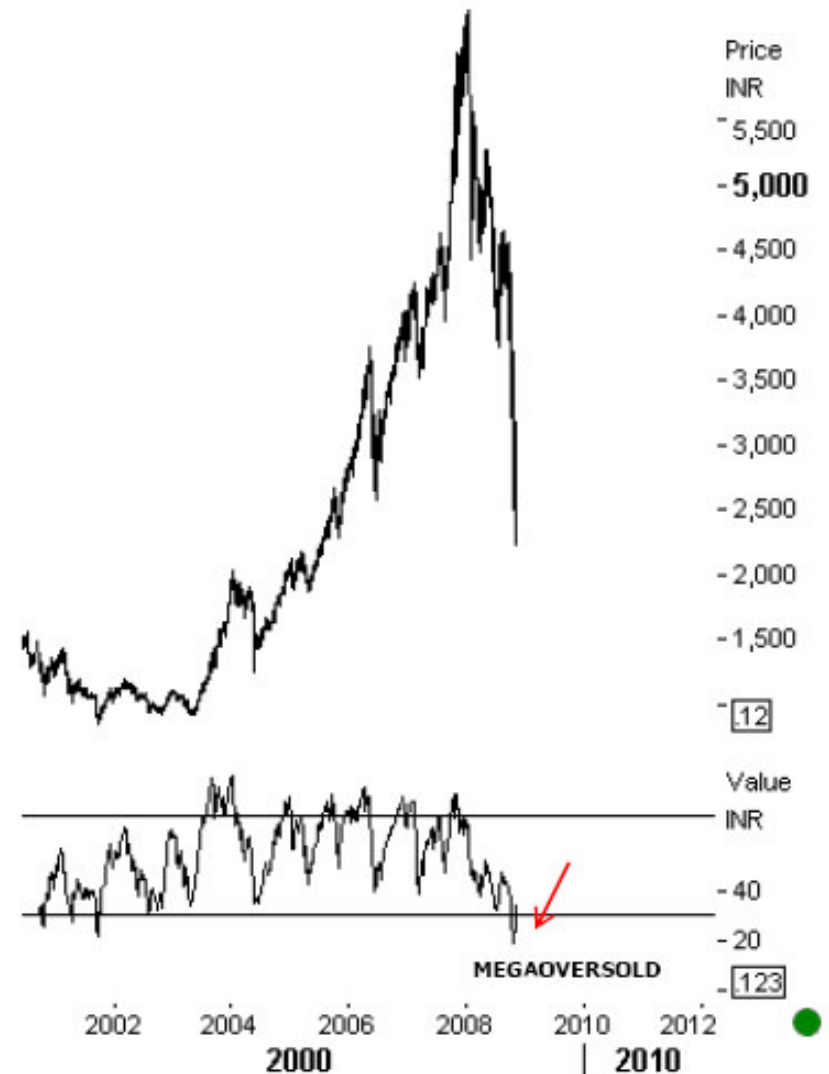
Markets have reached a megaoversold status first time in last 10 years. What does this mean? This means that 60% drop may not be the end of the BEAR. And since market has a limit to where it can drop down. What might happen now is a large trading range. What does a trading range mean? It means overlapping, corrective, countertrend, complex structure. Can this be traded and profited from? Definitely, but counter trend structures means large overlapping moves. And end of buy and hold strategy for passive time frames of say more than 3 months. Stock picking and understanding of market will be key. You just can't expect a broad confirmation across the board. A sector and stock might rise more than the other. We will have polarized performances. This means real skill of judgment and more hard work to move through this phase.

We have attempted a multi year projection for Nifty (SLIDE 2). The reason we have taken NIFTY is because the structure is more positive than for SENSEX. So till prices break recent OCT LOWS or pushes below 2,200 and 8,000 for NIFTY and SENSEX respectively, we continue to look at the NIFTY preferred view. This is a 4 circle primary overlapping structure, which will remain range bound potentially between 4,750 and 3,000 levels for a few years, maybe till 2010-2011 BENNER CYCLE lows.

On an intermediate basis despite all the bounces get ready for surprises as what we might be witnessing is an A wave up and not a 1. We will discuss A vs. 1, next time. We have enclosed the levels to watch. We don't expect prices to push above 11,000 and 3,300 on Sensex and Nifty respectively. After which the leg B down should start. The first signal that MEGA OVERSOLD time means more discipline and better risk management.

Enjoy the latest WAVES.INDIA

NIFTY



12 NOV 2008

WEAK A, PHONEY B, MISSING 1

The reason the ELLIOTT 13 fractal patterns work with such precision is because they summarize the mass behavior (buyer and seller mood) very well. The behavior is the same across time frames, large or small, 1 min or multiple decades. There are a total of eight waves, five up and three down. And all of them have defined features. A seasoned fractal watcher can look at them and differentiate one from the other. He could see the wave structure and identify the buyer and seller group psychology behind it. For example the very fact that we had four large gaps from base (RIGHT), when markets hit a low on 27 Oct, suggested that we were witnessing a WEAK A wave and not a WAVE 1.

What is the difference between A and 1? The primary difference is that WAVE A is a part of a larger counter trend. Simply putting, in the case of Indian Sensex or Nifty, a multi month move up. WAVE 1 on the other hand is a clear impulse, which leaves no doubt that markets are headed back to historical highs and higher. WAVE A on the other hand is not about a new high, but a bounce. Wave 1 is always a clear five wave structure, while A can be a seven legged structure (SLIDE 2). There are of course exceptions, which we will explain in detail later in 2009, those exceptions seem low probability over the next 45 days.

The difference in wave A and wave 1 is not just about a counter trend and clear trend, a new high or no new high, but what comes after them. After A comes B and after 1 comes 2. B waves are phony waves. And B are also the ones where even analysts are divided and confused. This is what we said in our intra day service for India, TICKS.INDIA (SLIDE 4) on 10 NOV "Though prices have moved up above key levels and pushed back to previous highs, we still are unsure of an intermediate uptrend of multi weeks above NIFTY 3,237. This could still be a large corrective unfolding." This unsure feeling is characteristic of B. It was this perceptive self understanding that we were not clear about the structure, which told us that we were probably in an ongoing B. We carried the next update on TICKS.INDIA (SLIDE 4) on 11 Nov 08 when we said at NIFTY 3,158, "The move up could still be a MINOR b wave of a coiling a-b-c structure, which can still push back to lower zones". Prices are down 7%.

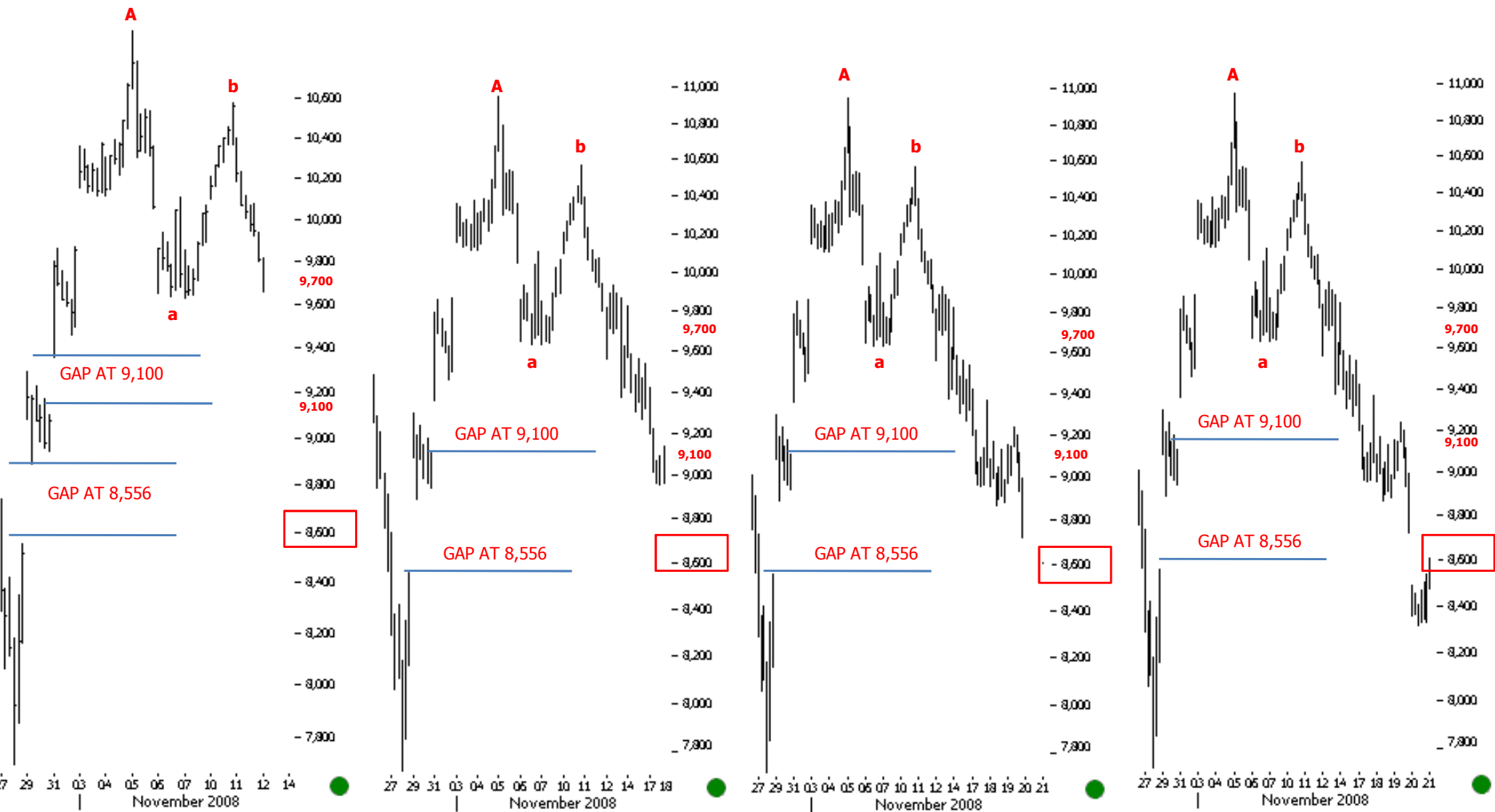
It was this UP and DOWN we mentioned in (Psychology of a seller) and this we feel is going to continue. And the only way out is either to trade or be in stocks that have poor historical correlation to the broad market. As if the broad market is swinging, everything else will swing with it. The A vs. 1, we talked about last time defined this formation. We projected a move down from 3,200 on 05 Nov back to 2,600 levels. We maintain the view. B waves can witness shallow and deep retracements. They are ever changing. This is why they are the hardest to analyze. We are still in an ongoing B, so the hard part is not over yet. After B comes the C. And this C should be up. And we expect B to stop at 8,556 – 8,381 for SENSEX and above 2539 for NIFTY. After which the C positive up till atleast 12,000 should begin (up 50%). But we have to first witness the end of B.

In markets we say never give an event 100% probability. The 1%, you keep separate might just save you. So the exception we wanted to discuss in 2009 is better if discussed now. The case suggests that there are times B wave overshoots the A wave low. This means a marginal new low on Sensex and Nifty could happen. This remains a low probability event at this stage. As we have too many conventional levels to break to reach there i.e. 9,600, 9,300, 8,381 and then possibly new lows. Living the B wave as you can see is not easy.

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After A up tests projected targets, the B down starts back to fill lower open gaps near 8,500 levels.



WAVES.121108. Below 9,700 we expect prices to fill the lower gaps at 9,100 and potentially 8,556 levels.

WAVES.IND.191108. Gaps filled. Till prices break these levels, we are not looking for marginal new lows.

GAPS, STARS AND LOW RISK REVERSALS

We at Orpheus mix multiple tools when we analyze prices. Though fractals, cycles, sectors and patterns are at the soul of our work, we do look at conventional technical tools like channels, trendlines candles, gaps etc. to identify low risk reversals. And there is another thing which we do, we work a lot on confluence. This means if we are looking at a multi month turn around for Indian equity, we do look at potential turnaround signals around the world.

For example the current gap structure illustrated on NSE BANK futures is not just happening in India, but many stocks and Indices worldwide viz. FTSE (UK), FCHI (CAC) and SSEC (CHINA). A few stocks that we could see gapping was on Intel, American Express, HP, IBM, CAT, ALCOA and Verizon. All of the stocks are DOW 30 components. Valuations have not much to explain why all these gapping is happening around the world at a similar time, but sentimentally speaking we are talking about market giving clear signals of a primary exhaustion. In many cases, prices have made reversal candle formations like Engulfing Bullish, and Penetration patterns.

Here we have highlighted the NSE BANK futures with STARS. Stars are candles that gap after the previous candles. Stars are also exhaustion signals. The respective candle has formed two potential reversal formations, first a HAMMER STAR at the OCT low at 4,000 and now a MORNING STAR which retested psychological 4,000 levels and turned back up again. We remain positive on the NSE BANK Futures, the BANKING sector, the broad market continue to look higher from current levels. When a bear market leader like banking turns up, we don't want to be negative anymore.

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NIFTY BANK FUTURES



READY TO MOVE UP!!

We had extreme negative events surrounding the markets, but OCT lows remain unbroken. In both SENSEX and NIFTY, prices did not even retest OCT lows and held above our anticipated gap levels 8,551 and 2,536 respectively (WAVES.ROM.121108). BSEOIL just like SENSEX and NIFTY also held above open gaps near psychological levels and pushed higher.

The question regarding market strength seem unequivocal. Terror could not take the markets down, as we explained last time. Markets bottom take time. The time factor starting OCT low also seems to be addressed as market has taken more than a month to base. Momentum is also turning up on the intermediate time frame (multi week) for many BSE 30 stocks and Indices. CNXIT, the INDIAN TECHNOLOGY index has already broken above previous highs. And if this all was not enough, we have the DOW pullback from 7,500 levels till 9,000 levels.

We have carried a new intermarket cycles case of BSEOIL vs. SENSEX. The pair has an average cyclicity of 9 months. BSE OIL has hit a cycle underperformance low against SENSEX. This means that heavyweights like Reliance might find bottoms and turn up. Our positive preferred case remains valid.

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RELIANCE UP 40%

We were positive on the market before the Mumbai attacks happened. And instead of reviewing our call from positive to negative after the unfortunate events, we suggested further positivity. And this is what we said on 01 DEC when we carried the INDIA READY TO MOVE UP feature.

“BSE OIL has hit a cycle underperformance low against SENSEX. This means that heavyweights like Reliance might find bottoms and turn up. Our positive preferred case remains valid.”

What happened, RELIANCE moved up nearly 40% from respective prices near 1,000 levels. BSEOIL is up nearly 30%. Even Sensex is up nearly 20%. On one side, one might call it base effect, but then 50% up on an energy major is no marginal move.

We review the main indices in this issue of WAVES.INDIA. And barring BSEOIL, BSEBANK (up 24%), the situation still seems murky for CNXIT, AUTO, METALS and Capital Goods. BSEHC and BSEFMCG are near positive inflexion levels. Overall, though we can not rule out further upside, there are enough drags against the market upmove. We would need clear price confirmations, before we revalue higher targets. At this stage, NIFTY 3,100, Sensex 10,100-10,200 is where we are looking at.

Markets have a tendency to surprise. It always does. So though we are looking at some supply pressure ahead, specially with some open gaps on various indices, including NIFTY (SLIDE 5), the preferred view remains up. We are in the iii sub minor of the C wave up, after which the iv down and v up should unfold. We will take it level by level.

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INFLEXION LEVEL Q109

We have been waiting for this set up since OCT 2008 low. It was easy to look for a bounce from 27 OCT market low. There was historical volatilities, extreme momentum and global panic. Though choppy, we got the anticipated bounce. And what a bounce it was, gapping, sideways and slow. Prices have almost lost two months of trading action, stressing brokers and testing market patience. And now we barely reached 5 NOV highs and the market structure started looking weak again. Along with the bounce, we anticipated this choppy action too, when we wrote 'Weak A, Phony B, Missing 1'. Now that the phony B is behind us and C up has started to crack, we would like to review the overall market structure.

Every fractal structure can be labeled as A-B-C or 1-2-3. It's only after three legs are complete that we understand whether the move is a trend or a counter trend. When after the third leg i.e. a C or 3, markets begin a new impulse in the opposite direction (a clear five), we can clearly say that the previous three legs were A-B-C and not 1-2-3. On the other hand if after the third leg (C or 3), markets start to get choppy and fail to move in the opposite direction, despite negative news, we can assume an ongoing 4 wave structure, with a final 5 still pending.

We are at the same inflexion now. Sensex and NIFTY don't have much space lower to move. If we are indeed in a coiling 4 and not a real reversal, markets should turn up now. SENSEX and NIFTY should continue to hold above 9500-9600 and 2920-2930 respectively. A move down from here would dash all OCT low hopes for a sustained move and we will brace up for a retest of OCT lows and possibly continued negativity in first quarter. This seems to be a low probability scenario for us at this stage. We think markets are in a potential 4 wave, which should find buying interest with every marginal dip.

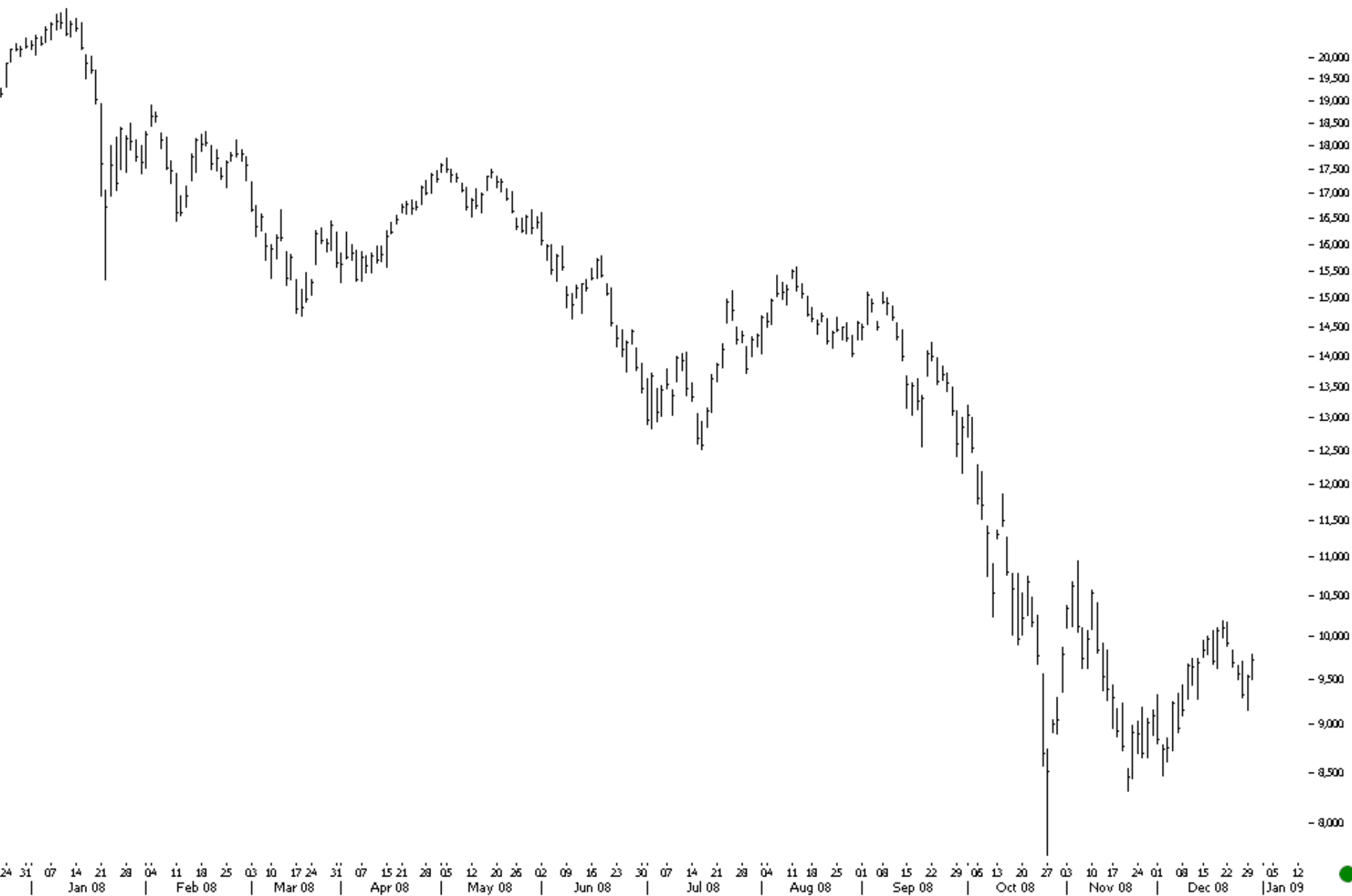
NIFTY gaps, mid channel intermediate supports, weak sectors like CNXIT still above OCT lows and sideways structure on BSEOIL and BSEBANK validate our preferred view. Whether our preferred view is correct and we are in a 4 wave, should be clear tomorrow or a day after Christmas. We are expecting Santa to get a rally. These are tough times to expect too much, but we will pray.

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Merry Christmas



SENSEX DAILY UPDATED



SENSEX MONTHLY UPDATED



ANLAYSTS

Domnita Pascut

email: domnita@or-phe-us.com

Mukul Pal

email: mukul@or-phe-us.com

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<https://commerce.us.reuters.com/purchase/advancedSearch.do?providerList=38902>

ORPHEUS INDIA RESEARCH

WAVES.IND. is a perspective product published on Monday and Wednesday. The report highlights Indian Stock Market top sectoral Indices and Sensex (BSE 30) viz. BSEOIL, BSESC (Small Cap), BSEMC (Mid Cap), BSEHC (BSE Health Care), BSEPHARMA (Pharmaceuticals), BSECG (Capital Goods), BSEBANK (Banking), CNXIT (Technology), BSEFMCG (FMCG), BSEAUTO (Auto) etc.. The product also covers all the 30 Sensex components. The product highlights Primary (Multi Month) and Intermediate (Multi Week) price trends. The report illustrates key price levels, price targets, price projections and time turn windows. The product uses Elliott waves, traditional technical analysis tools, sentiment indicators and other alternative research tools like INTERMARKET to spot outperformers.

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For subscription inquiries mailto: support@or-phe-us.com

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