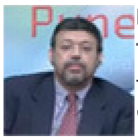
See Sensex at 8200 by Feb: Aletheia SG,



Published on Wed, Jan 14, 2009 at 15:15 | Updated at Thu, Jan 15, 2009 at 11:29 | Source : CNBC-TV18...... Suneil R Pavse, Co-CIO, Aletheia SG Capital, said considering Terrence H Laundry theory on time termination, the market will see a time termination sometime by early February. "Then, the market is going to have the trajectory downwards on the polytrend basis to a target of 8,200 on the Sensex and approximately 820 on the S&P."

Here is a verbatim transcript of the exclusive interview with Suneil R Pavse on CNBC-TV18. Also see the accompanying video.

Q: What is your sense currently? We have had pretty much of a decent upmove from December to January but the past three-four sessions across the globe have been pretty negative, do you sense that this temporary rally has been broken or do you sense that there maybe more by way of upside?

A: Our proprietary price oscillation model hit the inflection point in the month of November for 25% rally and on January 5, Sensex at 10,600 and S&P at 920 and we reached the moment of truth. What happened here is basically a top-heavy market tends to put a primary high and then it tends to rollover for the first pullback and that is where we are right now.

From here is the market probably is gasping for air. It will give a rally going into another secondary high and that most likely will fail. The reason it is going to fail is - on the time termination there is a Terrence H. Laundry theory that we use. You are going to see a time termination sometime by early February and then the market is going to have the trajectory downwards on the polytrend basis to a target of 8,200 on the Sensex and approximately 820 on S&P. There were a lot of bearish evidences right here in our proprietary work of Volume Trend Oscillator (VTO) and Bullish Percentage Index (BPI) that we look at volume trend oscillator.

Q: How much will this recovery or rather will this pullback take the index to? Do you think that the earlier lows on the Nifty and the Sensex could get tested and where do you see the trajectory of the Nifty or the Sensex for the rest of 2009?

A: Let me take Sensex, because that's more widely called for. Market is absolutely a bottom heavy, once its reaches 8,020-8,200 levels. There are lot of areas that needs surprise diffusion. In other words, we have a proprietary Arms Index, which has hit almost on a weekly basis four times in last ten years and that needs to get hit. Also on volume reversal basis, there is a retest of 7,600 lows that needs to get hit and unless that is finished, I do not see anything meaningful happening in the market place. If you correlate outside the market, the currency market, the yen carry trade will come back on, and on currency basis yen needs to go up to 114 FXY (CurrencyShares Japanese Yen Trust), which correlates to around 83 on the yen-dollar pair trade.

But, there are underlying issues here in the market place right now in the sense that the deleveraging that began in '07 on 5:1 ratio right now stands at 3:1 and we think everything will be resolved at 2:1 ratio which is imparity with the past historical norms. There are the other issues that the corporate bond market in United States as well as some of fiscal policy enthusiasm that is built-in, we see some kind of a hiccup that may happen in the next three-four months.

On the bigger scale the issue here is – if you circle back the dialogue that we had on 19th September, we had called for the top heavy market expecting a 30% decline and we actually got that and got a crash. But right now the sentiment that I echoed there was the last leg down in the bear market, we were in the top half of that leg, currently we are in the bottom half of that leg and that's a good news. So, after this volatility in the prices that we see which is upside of 10,600 as I mentioned is top for now and the bottom being 760. Unless these get resolved, the market will not be healthy in my opinion in next four-six months and that's where we are looking at.

Q: What is the call on the entire commodity space because I believe you track crude also extremely closely and even if you have a view on some of those base metals because we are starting pretty much all asset classes down about 55-60% from last year?

A: The gross domestic product (GDP) numbers across the world got revised. That was the first thing where the commodity bubble burst. The last time we called for a rally of USD 120/bbl on crude, which we got and as soon as it hit USD 80/bbl, we turned bearish on the oil market and that virtually went on a free fall.

We think that oil has some downside, we are looking at the lower 30s numbers, but all said and done, it is going to move in the areas of USD 55/bbl on the topside and USD 45/bbl on the bottomside on the oil for the major part of the year. But that is all macro destruction that took place, which basically call for that and obviously the currency has a lot to play in this whole matter because the Federal Reserve is taking too much balance sheet debt on the shoulder right now and we think that the dollar is going to devalue from here and that will put upward pressure on the commodity after the correction.

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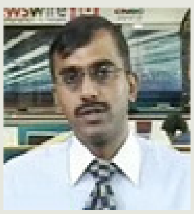

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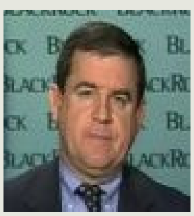

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