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Current rally can take Sensex to 9500: Aletheia SG Capital

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Suneil R Pavse, Co-Chief Investment Officer at Aletheia SG Capital, said the markets have moved up 6% and retrace back next week, and then, will probably continue higher.

Pavse added that the initiation of the bear market rally that began on March 9, globally, has the power to go as much as 15% on the upside. "I would put that as 9,500 on [Sensex](#), and probably, little under 800 on S&P."

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

Q: We have seen about 6% bounce back in the market, just purely from technical considerations, can that be considered a significant retracement, or do you still consider it not significant enough to say that perhaps we are in a secondary upmove?

A: The bigger picture here in the month of January, when we had a dialogue on air in our appearance, what happened with price oscillation model that we deal with had a sell signal at 920 S&P and 10,500 on [Sensex](#). What we got, thereafter, was relentless selling, and at the end of this selling what happened was we reached a cycle point on March 4 to March 8 and that made it worst than what it was supposed to be. Those projections came through. Now going forward, make no mistake this is a bear market rally. Yes, we have moved up 6%; what, I think, will happen is we are going to retrace back next week and then we will probably continue higher.

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Q: In that case, how do you tackle this rally—is this quite clearly a sell on rallies kind of upmove? At what point would you turn a short seller?

A: What seemed to happen here is right now there are great reasons to have a technical bounce. There are a few things that are lining up on the technical side. First, there are changes that are happening on the global scale on Mark-to-Market (MTM) rules and as soon as that happens, you will see a lot of analyst community try to revise their numbers on the fundamental model.

Second, we have a very important reason here is the downtick rule abolition. We saw a waterfall drop going into last year, primarily, because of the downtick reading rule. If that happens you are going to see a fast and furious move that is going higher and the dollar is topping out. I think what will happen here is the weak dollar is something that will put fire power under this market again for a bear market rally. What we think is the market will start topping out sometime in the month of May.

The initiation of the bear market rally that began on March 9, globally, through our price oscillation model, has the power to go as much as 15% on the upside. I would put that as 9,500 on [Sensex](#), and probably, little under 800 on S&P. Then I would re-evaluate it going into the month of May. On the timeline basis, I would allow to have opportunity to come back as soon as I see a topping process at that point in time. We have a de-leveraging process that is still pending. In my last appearance, I did echo that the ratio is still at that 3:1. We could get that point sometime in the later half of that year.

Q: How would you look at the other asset classes, where, for instance, are you looking at crude and gold for a better part of 2009?

A: Gold has been moving and it is an extraordinary asset class here in the sense that it has been given a great direction for the general market, in my opinion. In my September 17 appearance, gold was around more than USD 800 per ounce and I made a very bullish case through our price oscillation model that we would reach USD 1,000 per ounce. Eventually, on February 19, we did achieve those price points. Thereafter, I turned short-term bearish although the bullish picture is still intact and right now it is consolidating. I am looking at, although it is trading around USD 920–930 per ounce, this bounce could be over maybe in a couple of days. I think it needs to do USD 890 per ounce as a sort of equilibrium point. It may go little longer but I would look at that primarily because of two reasons—there is a pair trade that is going on long gold, short XLF that will unwind itself in my opinion, if there is a rally in the equity market.



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