Mkts may not touch 18k in 2-3 months: Aletheia SG Cap

Published on Wed, Apr 02, 2008 at 13:40 | Updated at Thu, Apr 03, 2008 at 09:12 | Source : CNBC-TV18

Suneil R Pavse, Co-Chief Information Officer, Aletheia SG Capital, said there was a high volume reversal on March 17 and markets rallied from there. He told CNBC-TV18 that India is not participating in this rally as much as the other global markets.

Pavse said there may be a burst of buying with a sign of strength to 1,400 on the S&P which will coincide with the Sensex going to 17,000-18,000. However, he doesn't see it happening in the next three months though it could happen probably at the end of the year.

Excerpts from CNBC-TV18's exclusive interview with Suneil R Pavse:

Q: Where could the Nifty head from here?

A: We had a high volume reversal on March 17. That is where the pattern began and we rallied from there. It is unfortunate that India is not participating in this rally as much as the other global markets, either Hong Kong as well as US markets. US markets have substantially rallied. We are looking at 1,400 on S&P to be a cautious place. At that point in time, we are going to re-evaluate whether it has a punch power to bust through the highs. I don't see it happening in the next couple of months.

Q: What is the kind of downside that we could see from the January highs that we had corrected 27-30%? How much of a downside would you see for domestic indices and the frontline ones?

A: The domestic indices are going to fall in the US markets in a different proportion. So, if you keep your eyes open around 1,380 or 1,400 S&P, it would probably correlate to around 17,200 on the Sensex. You may want to consider a cautious approach because if the rally fails at that point, then you could go back to test these lows again in the next 2-3 months. But that is where you are going to be cautious. On the topside, that is a bearish case.

The bullish case is that there is a lot of cross currents around 1,400 S&P level, which is around 17,500 on the Sensex. In November, August as well as January, we broke those lows and went to the next floor. So as per Wyckoff, once you break the lows you come back to retest those lows from underneath the surface. The bullish case would be that you hang right underneath that and then all of a sudden you get a burst of buying with a sign of strength to 1,400 which will coincide with the Sensex going to 17,000-18,000. I don't see it happening in the next three months. But that could happen probably at the end of the year. The downside is a retest of the lows one more time.

Q: What about commodities like gold. We have seen it go to an excess of about USD 1,035/ oz and it has come to about USD 880 /oz level. Could you make a case for the fact gold has bottomed out and it could resume an upward rally depending on what the Fed may or may not do later this month?

A: Gold has been an interesting market. We called in a rally going into USD 1,000/oz at the beginning of the year. The objective was reached and at the end of the move we were expecting a decline back to USD 850/oz in our research report on March 17, and those prices are where we are right now.

Fed interest rates are getting priced-in into the dollar and dollar is giving this counter a trend rally.

The problem with gold is twofold; currently there are a lot of institutions where de-leveraging is happening and the short financial long gold is what the institutions have had and they are being de-leveraged.

The second issue is that gold is traded under a ticker GLD as an Exchange Traded Fund (ETF) in US. A lot of the retail participants have gone into this exuberance mode and that has cost this last leg up. In fact, there was a lot of divergence in the last leg up which made us cautious in the USD 1,000/oz point rally.

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