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Sensex upside seen at 14,500: Aletheia SG Published on

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[Suneil R Pavse](#), Co-Chief Investment Officer, [Aletheia SG Capital](#), feels the markets will continue to be driven by US markets. He feels 14,500 will be the upside of this rally on the [Sensex](#).

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

Q: What is your take on the markets is this pull back good for more you think?

A: The markets will continue to be driven by US markets. The global markets are so interconnected, our pattern by recognition and inter-market analysis actually has been falling that very closely. We had earlier called the top under price of 17,500 on [Sensex](#) and 1,400 on S&P and that was effectively met. We also echoed the fact if that fails, you are going back to retest those lows and that is exactly what happened - Dow lost 2,000 points and [Sensex](#) lost 4,000 points in the process, and that is where we are right now.

Q: So where do we go from here and now from here what is your call?

A: Very interesting, what we are doing is we are retesting those lows. Earlier, we had a buy signal of a certain texture at 1,260 on March 18, and we predicted the rally would be fast and furious. And we had a fast and furious rally but this retesting process is not of the similar texture. This rally will continue and we got a buy signal on closing of Thursday for all the global markets and we think that these rally has some legs but it doesn't have the same texture. The upside on this rally on [Sensex](#) will be around 14,500 and S&P is the driving force, which we think will be around 1,330. At 1,330 you want to reevaluate the fact that how it goes into that numbers.

What do we think if there is enough demand, we look at our metrics and if it gives us a good signal, then the rally could continue. But if the volume and some of the underlined signal on that test, if it fails we could be setting up for another test of these lows. What we are going to do right now is revalue the market on trend to trend basis. We don't want to go too ahead of ourselves and 1,330 is what we would be looking at on the upside test and [Sensex](#) at 14,500, either you hedge your position there or hold some cash for a pull back.

One more thing I would like to make a point, which is pretty interesting in the dynamics of the market structure. What is happening in the US is there are whole bunch of Exchange-Traded Fund (ETFs), India is been traded under the symbol of INP, IIF then couple of other products. What tends to happen is US tends to change the rule that one can short on the downside on the down tick and the hedge funds in the likes of institutions, what they have been doing is that they have been shrouding this market on a downtick and that is been seen to be causing a downside pressure, and that is the reason why we are having these precipitated moves on the downside, because of these fundamental structure and that is the reason why you see these volatility increases.

Q: At what point would you think the market is not making that pull back, what level break would you watch for on the downside?

A: Once you actually break those lows, it goes back and tests the lows underneath the surface. The market develops an altogether new floor. Once you eat into those volume areas, there is a price diffusion process that takes place. At the end of the process, volumes need to be nullified and then one needs to move on to the next level. We need to correlate the [Sensex](#) with S&P 500, because there is lot of cross current at 1,330 on the S&P.

The way it eats into that 1,330 is very important for us to judge. The bullish scenario would be if we go to 1,330 on very high volumes, go underneath that surface, pull back on a lighter volume, move sideways, and then the seasonality positive gets kicked in August, and September. An election year tends to be positive for markets. A lot of supply may come in terms of money and the markets could go higher. We will evaluate that when it happens.

There was a 4,000 points correction on the [Sensex](#), and 2,000 points on Dow. The US index has got destructed because of a lot of liquidation. However, a lot of the banks are holding.

Q: A large part of today's rally would be thanks to that crude cool down to about USD 136 per barrel. It is getting back to USD 138 now. Have you mapped it?

A: Yes. Crude oil is moving in a typical hedge fund pattern, which is called three drives to the top' The first drive ended at USD 133 per barrel, second probably at USD 138, and third at about USD 136. At the end of the third drive, what you get is an exhaustion move.

One is going to see a little retracement back there. Post retracement, the market would rally back again on oil. It is just that the intellectual rule becomes an emotional rule. That is what the market is trading on right now.

The crude ETF called USO has been a pretty prime target these days for all market participants. We have an ETF in gold and oil, which is called USO. All institutional players are now allowed to buy these ETFs in the open market. The majority of the participants are causing this demand. That is one of the reasons why the market has been moving higher.

Suneil R Pavse Disclosure:

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