

# NEWS CENTER

Hot Searches: [Google](#), [China](#), [Obama](#)  
[News Center](#) » [Markets](#) » [Expert & FIH Outlook](#)

You are here : [Moneycontrol](#) » [News](#) » MARKET OUTLOOK

## Mkt could retest lows after touching 14,800: Aletheia SG

Published on Fri, Sep 19, 2008 at 16:16 , Updated at Mon, Sep 22, 2008 at 11:43  
Source : CNBC-TV18

 [Email](#)  [Print](#)  [Watch Video](#)

ads by google

---

[Trade Crude Oil online : Zero commissions, 100:1 leverage. Free quotes and demo account](#)

[Gold Bullion Trading : Trade Gold, Silver & Copper Online Unique Forex Gold Trading System.](#)



Suneil R Pavse, CIO of [Aletheia SG Capital](#), said the [Sensex](#) may see a possible retest of current lows after it reaches the upside target of 14,800. "That could happen sometime this year or beginning of next year. There could also be a flush out at the bottom and then the Sensex could trade sideward between 11,800 and 14,000 to get the damage out of the way. Then, one will see the next bull market probably coming in because bull markets usually run in 14 year timeframes."

According to Pavse, the markets are almost halfway through the final leg down of the three legs of capitulation. "Once you get the final leg down or the retest of current lows, you will see the market trade in the last floor and ceiling scenario for close to 6-7 months to repair the damage."

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

**Q: The Nifty just about saved itself from 3,790 - the previous bottom. What are the charts telling you at this juncture? Do you think that we have firmly put a bottom in place and that may not be abrogated in a hurry?**

A: Our price momentum oscillator that we track the global markets and correlation and inter-market analysis with, has been predicting the tops and the bottoms in this bear market on a consistent basis. We had called a bottom at 12,800 on the Sensex and 1,240 on the S&P in July. The S&P has been the biggest driver of this market. We called for a rally of 2,000 points and that is what we got. We echoed the same sentiment this year to manage the risk. We tested those lows and we have successfully tested those lows for another tradable signal.

**Q: What are the broad patterns you are seeing? If you had to divide the markets into the emerging markets and the developed world, are most of your markets close to a bottom? What are the broad patterns you are seeing?**

A: The bull market usually has a cycle of around 5-6 years, and it has five waves. We travel those five waves and get a three leg destruction. The first leg is a total denial, second is the macro destruction as well as the earnings falling apart, and the third one is a capitulation leg.

We have travelled two and half of those three legs. The price projection on S&P could go to around 1,075 and that could coincide with the Sensex going to about 11,800 on the downside.

Yesterday, we saw a rejection of the lows. A lot of the sentiment indicators such as the VIX and other indicators lined for a tradable rally here yesterday afternoon in the US. Most of the global markets are going to follow that, and what we see this morning is the byproduct of those US markets.

The only problem here is that the reversal on the rejection of those lows tends to come back and test these lows for one more time. So, even if you get a rally and a sustainable trend going into the upside of 14,500 or 14,800 on the Sensex and

1290 on S&P. It will most likely come off and test those lows again. This is a slightly different pattern as compared to the July and March lows.

One of the key indicators is the fact that the monetary side is not lining up here. This monetary side has taken over in the sense that we see the bull market rally, the bond markets in the US rally, and a rally for the US dollar at the same time, very rarely. One may see a possible retest of these lows after one reaches the upside target of 14,800. That could happen some time this year, or in the beginning of next year.

**Q: How is the chart looking to you for a slightly longer term say for the next two years? Do you see this range trading or bearish market conditions continuing for say the next 12-18 months or do you see a faster recovery?**

A: We are almost halfway through the final leg down of the three legs of capitulation. If you look at the historical pattern of the previous bear market, going back in the last 50 years, the time destruction is close to around 24 to 28 months on an average. We are almost 12-13 months into this bear market because the internal market top was last July in our opinion.

The external market, although had capped later on in the year. We will see a test of these lows one more time at some point, whether it is this year or the next or a flush out at the bottom. The market will then trade sideways between 11,800 on the Sensex to 14,000 to get the damage out of the way. One will see the next bull market coming in. The bull market usually runs in 14-year timeframes. This is just the time out on the bigger scale.

Yesterday, what happened in our opinion is that the US Government is trying to be the biggest hedge fund in the world right now. They are inheriting all the toxic waste as well as the distress paper, and the implosion that you see right now in terms of debt obligations. It is not quite clear as to how it is going to fall in place due to the legislative, administrative and compliance part and that may come up in the following year. That's where you will probably see a retest of these lows happening.

**Q: What are the patterns that you are charting out for gold**

**and crude currently because both those asset classes have moved around in an extremely volatile manner and really quickly as well?**

A: We tracked this market way back in 2004 and it made our investors very happy. On the fundamental side, every government is trying to protect its natural resource and that's causing the supply to go down. Gold production has been dwindling year by year.

One will see monetisation of gold over the next several years. Gold is going to rise. We were buying gold under USD 800 per ounce. We saw a correction in the bull market.

On the technicals, we put a top in April and a very high volume top, and in our 20 years of experience, the market doesn't end up on high volumes. It may give a retracement. But it goes back to the highs again and then falls apart. That is just a technical scenario.

Not too many companies are able to explore gold because the cost of production is very high and some of these companies have cost analysis basis at USD 600 per ounce as their production cost. A lot of these companies are forward hedged and they are losing money. So, one will see lesser and lesser companies produce gold. Demand is going to rise and that is where I think this monetisation of gold will happen.

**Q: What will your range be in the next six months for gold and for crude?**

A: Gold is in a bull market, and it is going to test the highs of USD 1,020 per ounce. At that time it may break the highs in continuation of the trend in lot of the metrics that we look at. It could go higher. On a short term basis, it went up too quick too fast, and that's where it is going to digest some of this USD 80 per ounce or USD 90 per ounce blow-out that we have had. It is a very bullish scenario for gold fundamentally as well as technically.

OPEC is acting like the Fed and they will come back and

protect oil prices. Crude is going to trade between USD 100 per barrel and USD 120 per barrel over the next year or so. We see demand outstripping supply, and that will continue to happen even if there is a minor recession globally.

▪ [Trade Crude Oil online](#) Zero commissions, 100:1 leverage. Free quotes and demo account

## Earnings Center



[Wipro beats street in Q3, sees ...](#)



[Maintain FY10 rev guidance...](#)