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GAUTAM SHAH

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For Subscribers Only

Run, Pause, Run, Repeat

- **Best Is Yet To Come**
  This near 900-point correction from the recent highs has done a world of good to the medium-term set-up of the market. We were a little concerned that the upmove had turned vertical and the sentiment was unabashedly bullish. The newsflow from the US and its impact on global equities including India has acted as a reality check. With all technical studies now back to "equilibrium" levels the risk-reward for longs has got lucrative once again. Basically, this 16800-17160 area is the base or floor of the market. We think the pullback should end at/near the same leading to a gradual recovery. 17600 is now the line in the sand on the upside. Once cleared, the bull trend should resume for 18100/18400 and even past 18600. With so many index heavyweights doing well at the same time, it should be a cakewalk for the index to rebound. The broader market bull run is likely to gather steam as well. Both Small-caps and Mid-caps look well positioned. The "Run-Pause-Run" sequence leads to a sustainable bull trend.

- **Small-caps – Laying A Strong Foundation**
  The index seems to be laying a strong foundation for outperformance ahead. It has underperformed in the recent past and just paused below the 200-EMA. This could be temporary. The next leg up could be coming and it gets confirmed above 9620. Once done, expect a smart rally towards 11000 with minor stops in between. Stick to top quality and names exhibiting relative strength.

- **S&P 500 – Best Is Far Away**
  There is a lot of talk around the happenings in the US markets. The fall last Friday has got a lot of people nervous. However, from a charts perspective this is absolutely normal. The index had rallied from 3650 to 4300 (a major resistance). This fall is just a retracement. Big supports seen at 4010 and 3900. Expect a turn from the same for a move back to 4300 and eventually 4500. This should help India.

- **PNC Infra – Next Leg Of The Bull Trend**
  The stock has come out of a multi-month long sideways consolidation phase. The long term chart structure remains rock solid. All of the resistance levels of the past have turned into supports. We see the next leg of the bull market resuming for super normal returns.

- **KRBL – Rice & Shine**
  The stock has enjoyed the dubious tag of an underperformer all along. All attempts to rally have failed in the last few years. However, this current attempt is as genuine as it can get. Just too many bullish triggers have come together to indicate a large uptrend ahead.

Market Indices	
Sensex	57972
Nifty	17312
Medium-Term Trend	Upward
52-Week Range	15183 – 18604
India VIX	19.82

Sector Preferences	
NSE Auto	↑
BSE Capital Goods	↑
NSE FMCG	↑

Stock Monitor
PNC Infra
KRBL
PRAJ Industries

WEIGHT OF EVIDENCE

PATTERN SCREENING

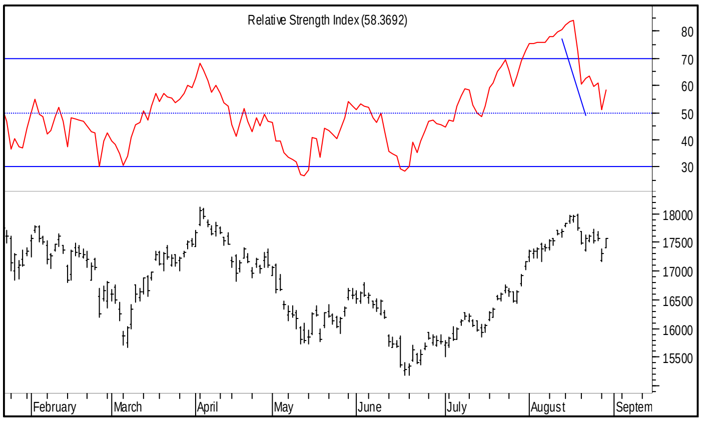
The index had seen a near vertical shaped recovery in the last 6 weeks. This found a speed breaker as the April '22 highs were almost tested thereby completing the pattern. The last one week has seen a corrective phase and we think the entire action can be captured by way of a downward sloping "Channel". Notice the lower trendline and how well it has worked in the recent past. The upper end of this pattern is around 17600. A close past the same, whenever, leads to the uptrend resuming and taking the index back to the recent high and then towards 18400.

Exhibit 1

INDICATOR SCREENING

Post the recent correction the indicators are looking very well placed on the short-term charts. The daily RSI had turned overbought, hit a multi month high and then cooled off. Now the RSI is back to the 50 level, which is great news. If this is just a pullback, then the index could start doing well once again. We don't think that the recent high was a top. A revisit of the same is likely in the next move up. The MACD study is in sell mode but in positive territory. On the weekly charts, all the triggers are positive. Basically the market has a lot of room to rally based on the studies.

Exhibit 2



OSCILLATOR & MOVING AVERAGE SCREENING

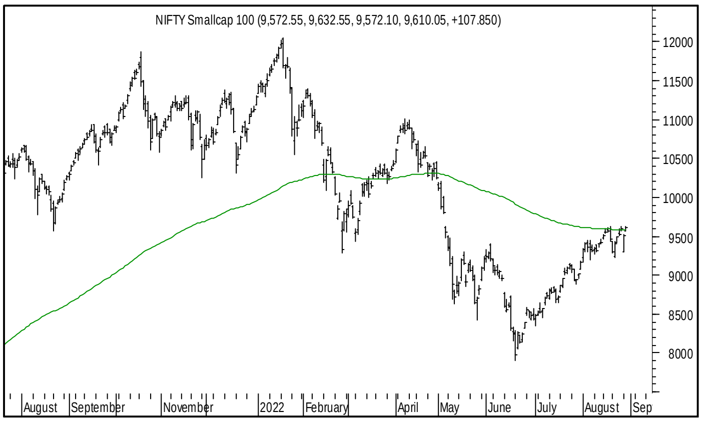
The hugely overbought oscillators were the point of concern a week back. Now this 900-point fall has cooled-off the oscillators and got them close to the oversold zone. This is great news. This is on the daily chart and they could start moving up again. On the other hand, the moving averages have been tested in the last two sessions. The gap between them has reduced considerably, which is great news. Even on the weekly chart we have a similar set-up. Hence, it once again seems that the market has the platform and room to rally again.

Exhibit 3

WEIGHT OF EVIDENCE

Small-Cap – A New Beginning

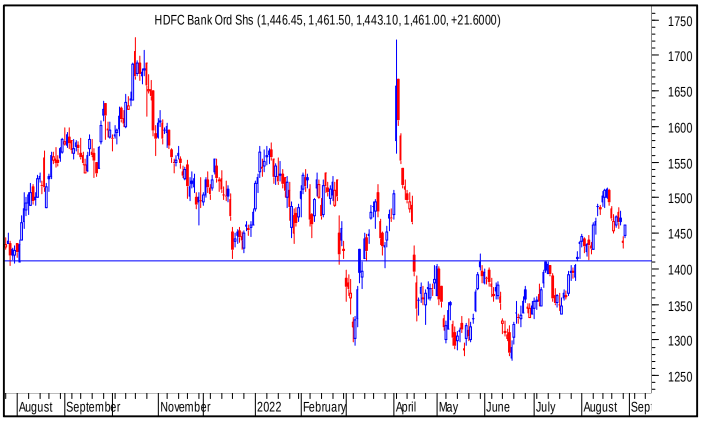
Exhibit 4



It just seems that we are in for a new beginning on the Small-cap index. The sector has underperformed in the recent market rally of the last 6-8 weeks. However, this might not be the case in the weeks ahead. The index is stuck to the 200-EMA. The ratio chart is at a major support against the Nifty and in the recent market decline the Small-caps have shown a lot of resilience. So a close past 9620 should lead to a fresh uptrend and a run towards 10200/10600/11000. All top quality Small-caps should do well from here. Stay invested.

Index Heavyweights – Sweet Spot

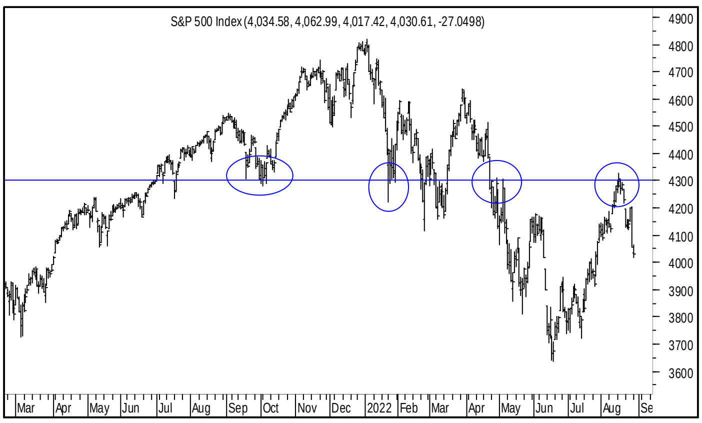
Exhibit 5



The Nifty is in a sweet spot with a lot of the top index heavyweight stocks doing well at the same time. This has happened after a long time and we need to take note of the same. Also the reason this is important is because it could act as a cushion to the ongoing pullback. We have a scenario where the HDFC twins could have bottomed; Reliance and Bharti have turned from supports; ITC and HUL are leading the FMCG run; L&T is in a league of its own; Infosys & TCS just don't have much downside and ICICI and SBI remain the star powers. So levels below 17k on the index looks quite unlikely.

S&P 500 – Limited Downside

Exhibit 6



The S&P 500 rallied from 3650 to 4300 levels in the last eight weeks. This is large by all standards. The move happened very steadily and quietly. Do note, the 4300 level was a major inflection point (See Chart). Also some studies had turned overbought. The fall from there just had to come. The commentary last Friday was just an excuse. Now a 38.2% retracement of the rise has been done. Not much downside from here. 4010 and 3900 are the major supports. A turn from here is likely for a move back to 4300 and then 4500. This should help India.

PNC Infra (Rs.276) – The Next Leg Of The Bull Trend

BUY

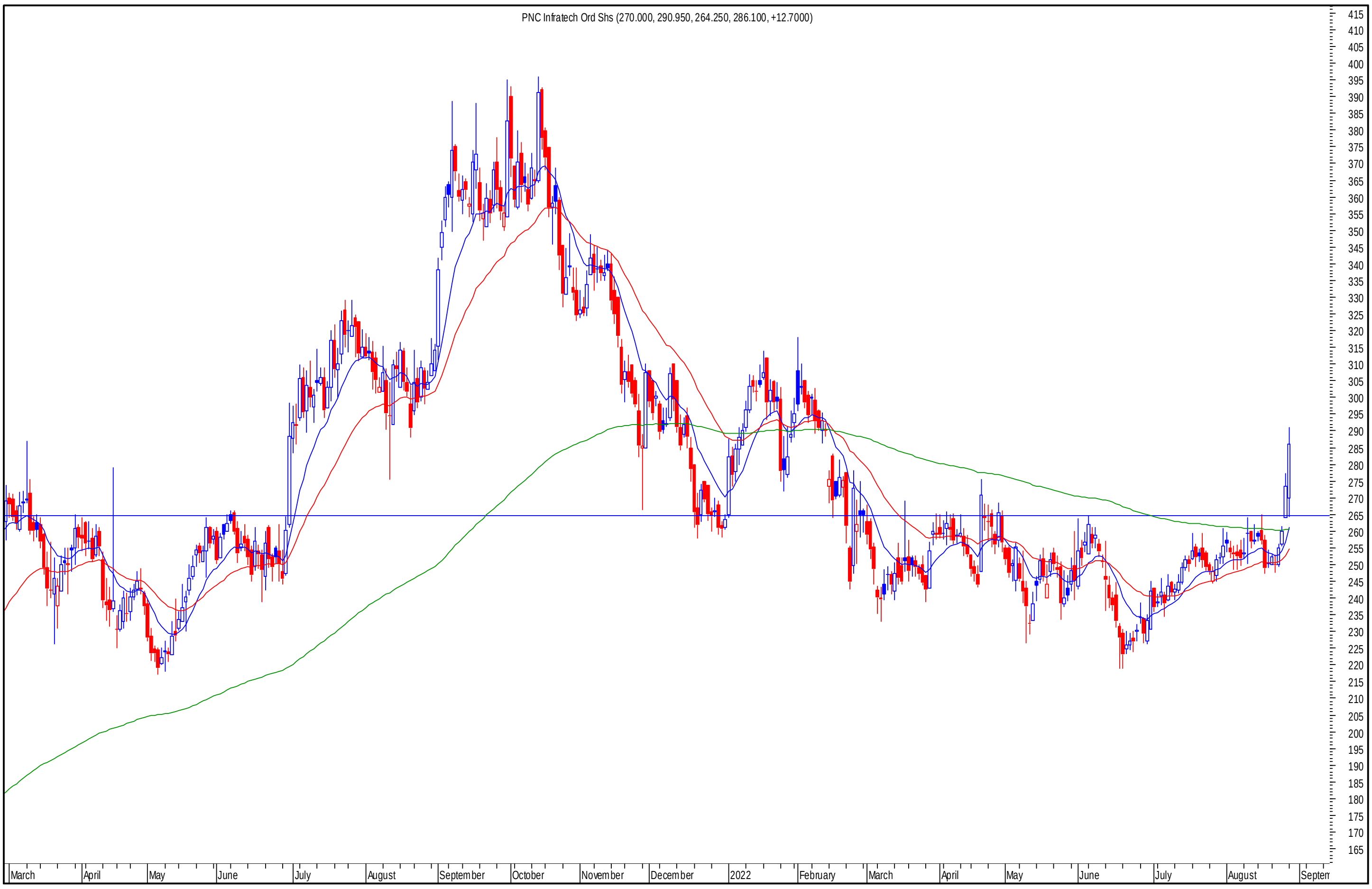
The stock has an excellent long term chart set-up. Since Mar 2020 it has been in a solid uptrend making higher tops and higher bottoms consistently. All major resistance levels of the past turned into support levels beautifully. We think the best is yet to come and hence the coverage.

Technically, for the last six months the stock has been trading in a range. All the selling pressure could have been absorbed. We saw a clear case of volatility contraction. The moving averages have supported the price action well in the recent past. Based on volume at price studies the major inflection points have been crossed. We have also seen a pattern breakout on the shorter term charts.

Overall, the next leg of its bull market could have started. We see a move back towards 310 and then into the 340-350 area. The downside from here looks minimal.

Entry Zone	275-277
Target 1	310
Target 2	340
Potential Return	13% - 23%
Closing Stop Loss	249
Time Frame	4-12 weeks
Support	270, 257
Resistance	311, 324

Exhibit 7



Source: *Goldilocks Premium Research*

KRBL (Rs.295) – *Rice* & Shine

BUY

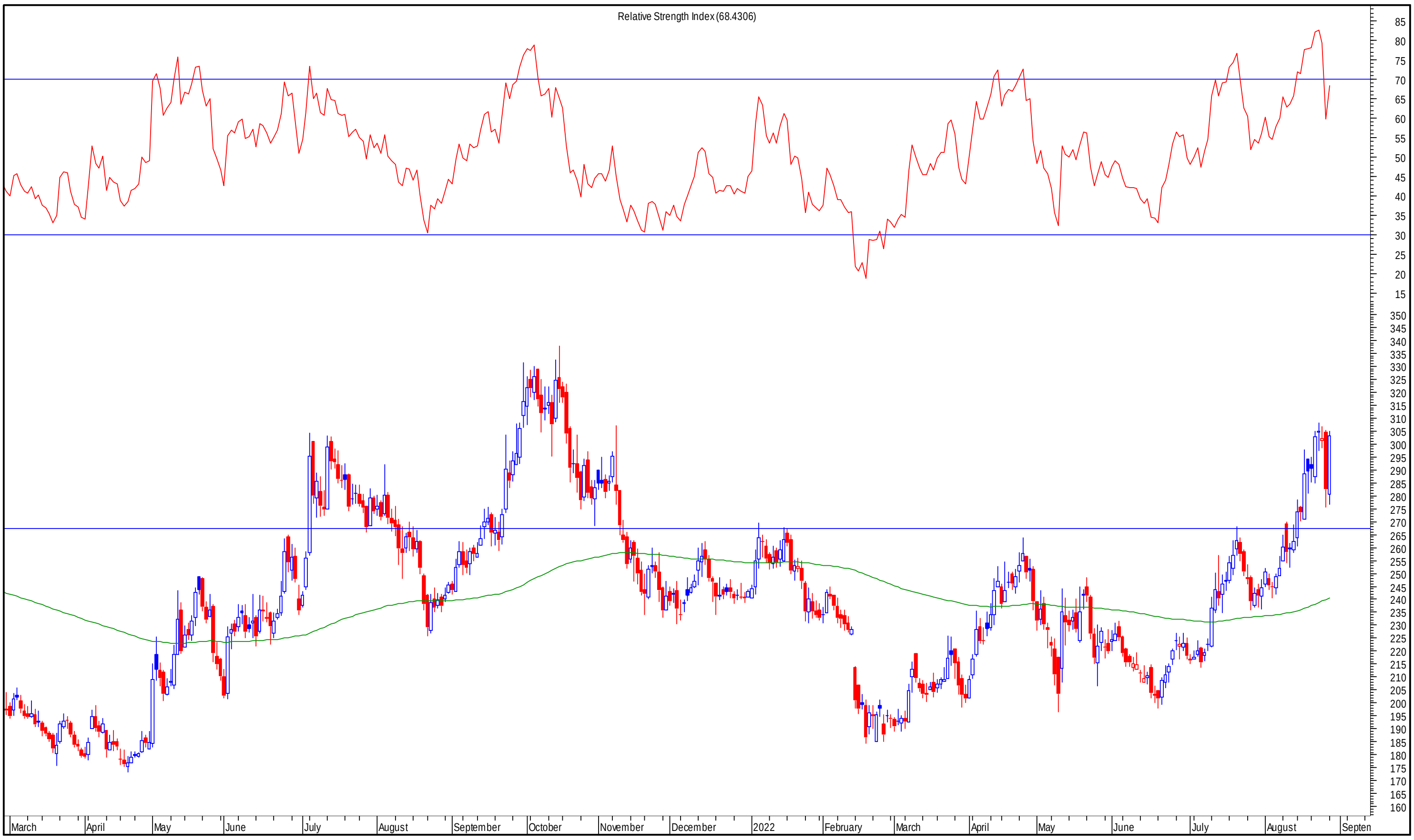
The stock has been an underperformer for the last three years. All attempts to rally fizzled out and it just seems market participants gave up on this name. However, with the happenings of the last two months it seems that a genuine and reliable trend could be starting.

Technically, we like the excellent volatility contraction of the last few weeks. We also liked the way the stock took out the 270 resistance and stayed above it comfortably all along. The volume action has only improved in the recent past. The daily RSI has seen the highest reading in a long time. The candlestick patterns look much cleaner in this attempt. The earnings trajectory has been upward sloping.

Overall, is all goes as per plan the stock could do wonders. We take a 25-30 Rs. risk for a possible 100 Rs. rally.

Entry Zone	292-296
Target 1	340
Target 2	420
Potential Return	15% - 42%
Closing Stop Loss	265
Time Frame	4-12 weeks
Support	285, 275
Resistance	333, 370

Exhibit 8



Source: *Goldilocks Premium Research*

PRAJ Industries (Rs.412) – Poster Boy

BUY

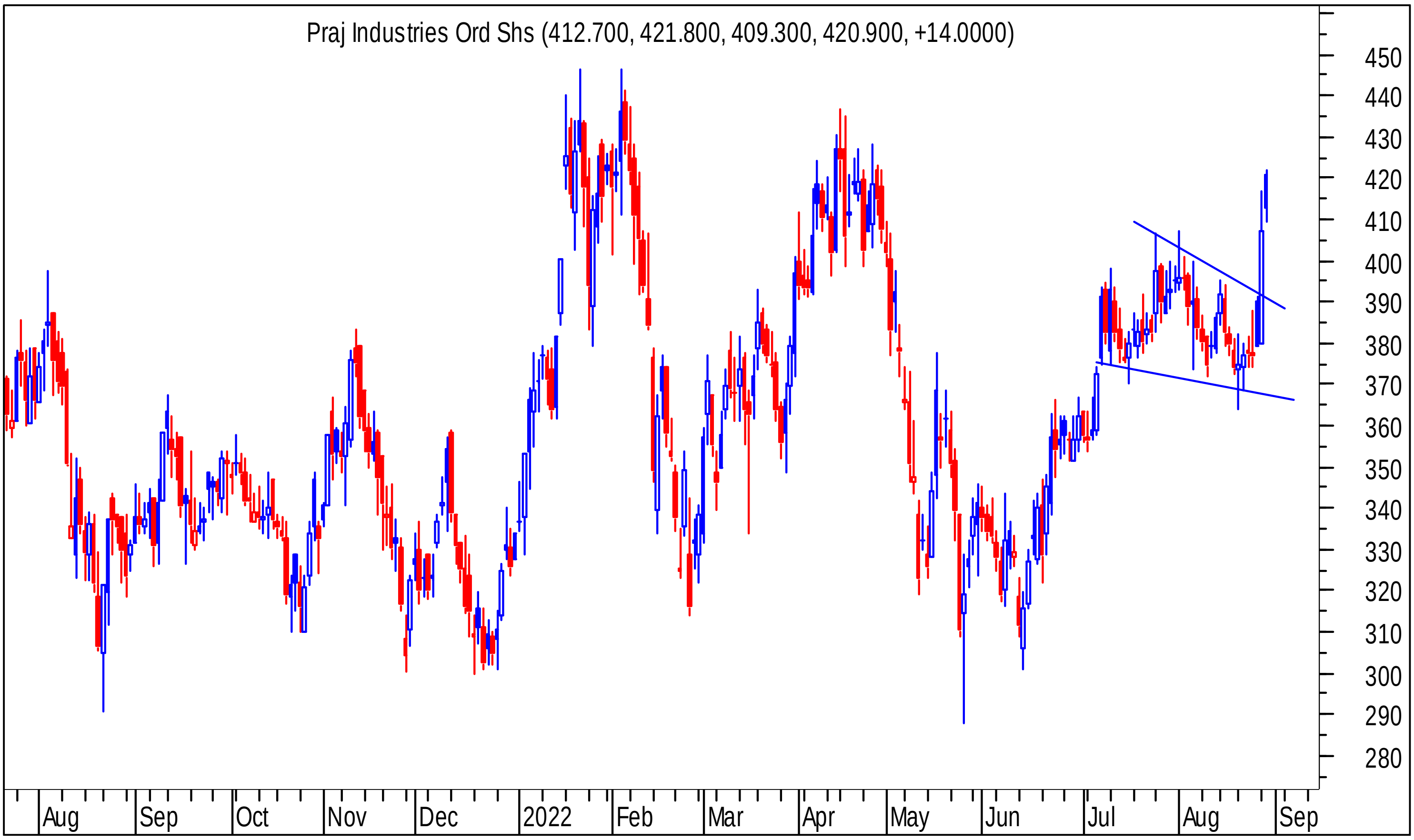
The stock has been on our radar for the last 1.5 months. It witnessed back and forth action but was just not able to clear levels. Now with the happenings of the last two days it seems that the path is without obstacles.

Technically, getting past the 400 area confirmed a breakout from a large pattern on the charts. We have liked the way volatility contraction has played out in the recent past. The moving averages have been beautifully placed as well. On the technical indicators fresh buy triggers have come in only recently. Based on volume at price studies a lot of support is seen at lower levels.

Overall, the time and tide is now in its favour. We see a large medium term trend play out from current levels. A move back to life highs and beyond could be seen.

Entry Zone	408-413
Target 1	460
Target 2	520
Potential Return	12% - 27%
Closing Stop Loss	370
Time Frame	4-12 weeks
Support	408, 390
Resistance	426, 446

Exhibit 9



Source: *Goldilocks Premium Research*

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