Whenever a bearish bias or weakness swings too far in one direction, market always tends to revert back. In Nifty’s case, after carnage of ~15% since the peak of March (9,119), it has broken below multiple support levels. Last week, it broke from the neckline of a bearish head & shoulders pattern following a break below its 50-WMA.

However, appearance of ‘spring’ formation along with ‘higher top’ and ‘higher bottom’ in previous five trading sessions corroborates the uptrend. With Nifty regaining its control above the earlier support, it has led to formation of spring, implying that a fresh rally is set to begin from here on and head towards the resistance of the downward sloping trendline (8,400).

**Nifty daily chart**

With strength in Oil & gas and pharma sector, the decline in Nifty has got arrested while broader index like CNX 500 is yet to confirm a bottom (though the selling pressure has stopped). Hence the index heavyweights are in better place to participate in recovery process and we feel that key indices could surge higher towards 8,400.

Following are the stocks that may contribute for the index in the current recovery process

1. **Reliance**: A perennial underachiever, the stock has started moving with some impressive returns in this week trade. Technically, the stock has surpassed its downward sloping trendline which is in place since May 2015. Also, a triangle breakout is seen on the short-term charts. Moreover, Reliance Industries has managed to surpass and sustain above its 200-DMA for the first time since December 2014. We expect the stock to stage a rally towards Rs1,100. Maintain a SL of Rs930.
2. **Dr Reddy’s Labs:** Uptrending stocks tend to find solace at strong support levels and provides a pullback. Dr Reddy’s Labs certainly falls in this category. It had gone through a phase of correction after making a peak of Rs3,962 in third week of May. However, it found support at its previous low which was made in early May. The same level also coincides with the support of its 200-DMA. On the short-term charts, it has given a breakout from falling wedge pattern, suggesting that the bear market is over in the stock and the uptrend is likely to resume from current levels. Such back to back confirmation on the short-term and medium term charts corroborates positive view in the counter. We expect the stock to hit target of Rs3,650. Maintain a SL of Rs3,250.
3. **L&T**: L&T had been on a downward trend since third first week of March 2015. However, this decline could easily be termed as correction in a bull market. In this corrective phase, the stock has found support around its 38.2% retracement of its up move since January 2014. The same also coincides with the support of its 200-DMA. After a brief period of consolidation, the stock gave a breakout from a downward sloping trendline and we expect the stock to rally towards Rs1,850. Maintain a SL of Rs1,680.

4. **HPCL**: The stock had been in an uptrend since October 2013 as it rallied sharply from the lows of Rs186 to a peak of Rs684 in April 2015. After this period of exuberance, the stock witnessed a typical “shakeout trade”, wherein, the stock corrected back to the support of its 200-DMA and retraced 23.6% of the entire rally. Thereafter, it created a base around Rs570 and advanced higher gradually. Eventually, it took shape of a bullish head & shoulders pattern. Generally, it is considered a major reversal pattern. However, there are occasions when an Inverted Head & Shoulders can be found as part of a continuation phase. With breakout from the above mentioned pattern, the stock could attempt Rs830 in the medium term. Maintain a SL of Rs675.
Weakness in Dollar index and strength in INR reinstates positive stance for the index
The dollar index has retreated after hitting all time high level of 100.39 on 13\textsuperscript{th} March as it failed to sustain at the top. In the process it also made double top. It is a bearish reversal pattern which led to decline in early May. We expect the downward trajectory to continue as it is trading in a downward sloping channel since last three weeks. This move is expected to continue retrace 50%, coinciding 200-DMA. Also, a false breakout in INR, has provided strength to the Indian currency.

Daily chart of Dollar index

![Daily chart of Dollar index](image-url)

Source: IIFL Research, Bloomberg
‘Best Broker of the Year’ – by Zee Business for contribution to broking

Nirmal Jain, Chairman, IIFL, received the award for The Best Broker of the Year (for contribution to broking in India) at India’s Best Market Analyst Awards 2014 organised by the Zee Business in Mumbai. The award was presented by the guest of Honour Amit Shah, president of the Bharatiya Janata Party and Piyush Goel, Minister of state with independent charge for power, coal new and renewable energy.

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IIFL was awarded the ‘Best Equity Broker of the Year’ at the recently held Bloomberg UTV Financial Leadership Award, 2011. The award presented by the Hon’ble Finance Minister of India, Shri Pranab Mukherjee. The Bloomberg UTV Financial Leadership Awards acknowledge the extraordinary contribution of India’s financial leaders and visionaries from January 2010 to January 2011.

'Best Broker in India’ – Finance Asia, 2011

IIFL has been awarded the ‘Best Broker in India’ by Finance Asia. The award is the result of Finance Asia’s annual quest for the best financial services firms across Asia, which culminated in the Country Awards 2011.

Other awards

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Accumulate – Absolute return between 0% to +15%
Reduce – Absolute return between 0% to -10%
Sell – Absolute return below -10%

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