



The 'impulsive pulse'

After scoring an all-time high above Rs.5000 just a year ago, the 'king of pulses' Chan has seen a huge 50% decline in prices since then. The correction that began in October last year soon converted into a bearish rally sending prices to as low as Rs.2528 on 30th July 2013. Meanwhile, the highly over-sold status attracted bottom level buying which contributed in fuelling the recent 10% bounce back.



On technical charts we can see the current positive developments hinting towards a relief rally from here. A long term trend line support has remained intact till now around which prices are trading presently. The bounce back has shaped up into a reversal Hammer candlestick pattern on weekly chart coupled with an increasing volume. However, open interest is still under pressure since the one year bear rally has eliminated long term buyers. If we analyze Chana from yearly data based Elliott wave perspective then it becomes quite clear that the commodity is slowly emerging for a 5th wave rally. The recent bottom at Rs.2528 can be termed as that of a 4th wave correction. Importantly, the above mentioned long term trend line support also captures the 0-2 wave movement and it being still intact adds to the possibilities of a reversal. Fundamentally too, things are looking brighter now as preparations for upcoming festive season has already begun and the demand is set to increase more in days to come. **Mid-term traders can buy NCDEX Chana September contract at current levels of Rs.2820 & accumulate on dips to Rs.2770-Rs.2750 with stop loss below Rs.2690 for targets in the range of Rs.3000-Rs.3150.**



Contact

SMS: 'Arihant' to 56677

Website

www.arihantcapital.com

Email Id

research@arihantcapital.com

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ARIHANT Capital Markets Ltd.

3rd Floor Krishna Bhavan, 67 Nehru Road, Vile Parle (E), Mumbai – 400057

Tel. 022-42254800 Fax. 022-42254880

www.arihantcapital.com

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