

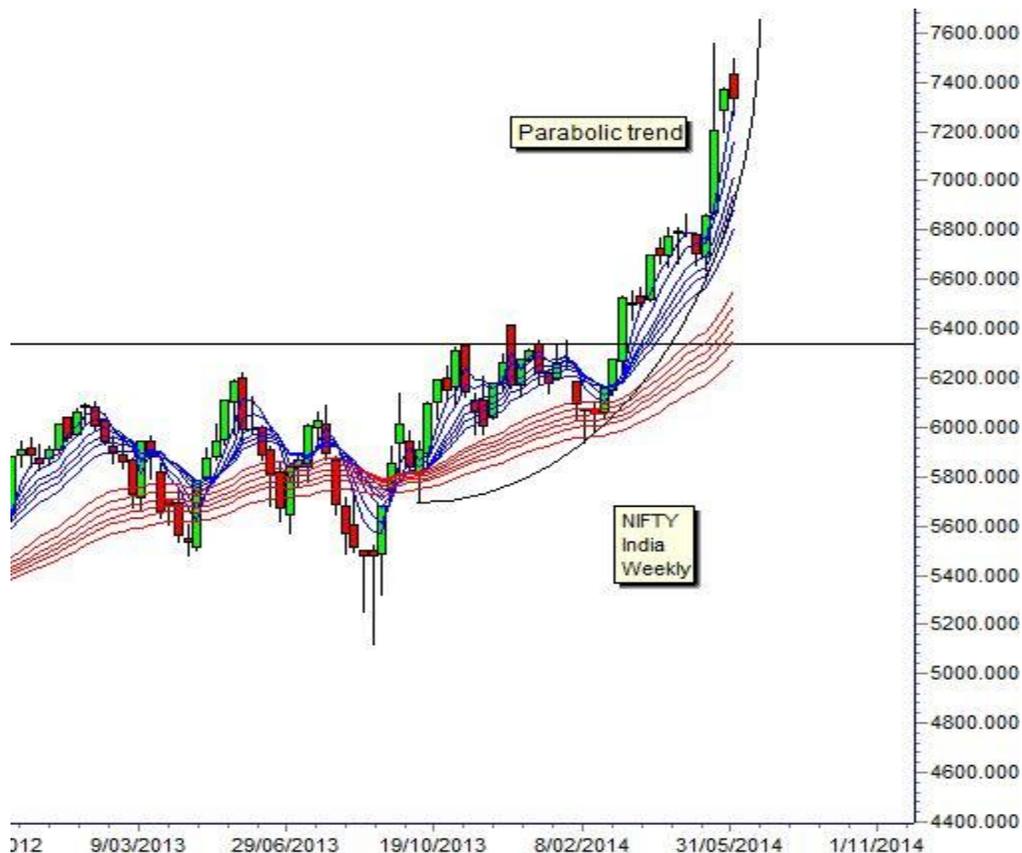
NIFTY MOVES

By Daryl Guppy

In March 2014 the NIFTY 50 broke decisively above the 6350 resistance level. This has been a major resistance level starting from the peak reached in January 2008. It was tested again in November 2010. More recently this acted as a strong resistance level from November 2013 to January 2014.

The NIFTY did form a very wide trading band with support located near 4650. This support level was tested in December 2009 and February 2010. It was tested again in December 2011. The width of the trading band is measured and this is projected upwards to give a breakout target. The target is near 8000.

The key concern is the nature of the breakout. The NIFTY has developed a [parabolic trend](#). These trends are found most frequently in bull markets, or markets showing volatile rebounds. The trend is best described using an arc, or segment of an ellipse. The trend starts off slowly then accelerates very rapidly until the activity on the price chart is almost vertical. While parabolic trends are most frequently seen in fast moving stocks, they are also present in fast moving index areas, or markets. With a parabolic trend the trend cannot be adequately described by straight edge trend lines. Instead the price action uses a parabolic curve as a support level.



The key problem with the parabolic trend is the way these trend end. They usually end rapidly and with a substantial fall. The trend line approaches vertical so

there comes a point when the next candle will inevitably move to the right of the parabolic trend line. This is the signal for the end of the trend. Often the price will gap down and then fall dramatically.

The retracement in this trend is usually between 50% to 100% of the original trend rise. For the NIFTY that's a potential retreat to below 6600 on current index values. However when this is combined with the trading band analysis then it suggests the upside target is near 8000. A 50% parabolic trend retracement from this level has a target below 6800.

In either case this is potentially a major trend retreat. Traders will protect profits as the NIFTY moves towards the 8000 target level. Traders will be ready to close positions as the market retreats from 8000. Traders will close positions and go short when the index moves to the right of the parabolic trend line.

Parabolic trends offer fast moving momentum profits, but they carry the danger of rapid and significant trend retracement.