

- ✧ CNX PSU Bank Index has seen a break-out above the supply zone of 4,100 for the first time since July 2011. In the process, the index has given a breakout from an inverted head & shoulders pattern on the weekly chart. The technical set-up suggests that it is just a matter of time before it surpasses the all time high level of 4,640.
- ✧ The phrase “Strike while the iron is hot” depicts the true potential that this index has to offer. In this current phase of bull market, most of the PSU Banks are yet to even cross their all time high levels. While most private banks have clocked returns in excess of 60% in 2014, small PSU banks have underperformed.
- ✧ In-depth analysis of CNX PSU Bank index indicates that the consolidation phase has come to end, and index is likely to enter a new orbit. In last month’s trade, it gave a close above the neckline of the above mentioned pattern. Also, the breakout was accompanied with the formation of “Three white soldiers” candlestick pattern. This pattern indicates a strong reversal in trend. In addition, it has been forming higher tops and higher bottoms since October 2014, respectively. **Unless there is a bearish reversal on the weekly chart, the uptrend is here to stay. The CNX PSU Bank Index is likely to target the 6,000 mark in the medium term.**
- ✧ The Nifty is witnessing an extended rally after crossing over the multi-year neckline of head & shoulders pattern on the monthly chart. But opportunity for smart returns still exists in the market. Those who may have missed the recent rally can breathe easy as there are still ample opportunities to make money. **We have identified three profitable trading ideas from the PSU Bank index, which over the medium term (6 months) could yield handsome returns.**

### CNX PSU Bank Index weekly chart



Source: IRIS, India Infoline Research

December 22, 2014

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## Indian Bank (CMP Rs193, Target Rs250, Upside 29.5%)

- ✧ In 2013, the stock had seen a sharp correction from the peak of Rs219. However, it provided a equally sharp recovery in first half of 2014. Thereafter, it retraced 50% of its previous rally and began a phase of consolidation. This pattern of consolidation lasted for more than five months.
- ✧ It gradually moved higher with the support of its 30-WMA and created a strong base eventually breaking out from a rounding bottom pattern on the short-term charts.
- ✧ Indian Bank on the daily chart, has been moving alongwith the support of its rising trendline since February 2014 wherein every decline is met with buying interest. On the weekly chart, it is on the verge of breaking out from an inverted head & shoulders pattern above Rs195.
- ✧ **This stock has underperformed in the past six months. We expect the stock to build on short-term breakout. Buy Indian Bank with stop loss of Rs160 for target of Rs250.**

### Indian Bank weekly chart



Source: IRIS, India Infoline Research

## Oriental Bank of Commerce (CMP Rs317, Target Rs410, Upside 29.3%)

- ✧ Since July 2014, Oriental Bank of Commerce (OBC) has faced supply pressure around Rs300. However, in December, it has managed to overcome this hurdle and also confirmed a breakout from an inverted head & shoulders pattern on the daily chart.
- ✧ Early-December's move could be termed as a flag breakout. Flags are considered to be continuation pattern in nature. So expect the stock to resume its uptrend seen prior to the recent phase of consolidation. Upmove above Rs290 was preceded by bullish piercing line thus confirming an end to the short-term phase of consolidation.
- ✧ During the correction in early November, the stock found support at its multiple moving averages. Thereafter, it began a phase of consolidation, which eventually broke on the upside.
- ✧ **Based on above observations, we recommend a buy on OBC with stop loss of Rs275 for medium term target of Rs410.**

### Orient Bank daily chart



Source: IRIS, India Infoline Research

## Canara Bank (CMP Rs428, Target Rs520, Upside 21.5%)

- ✧ The daily chart of Canara Bank depicts a breakout from a bullish inverted head and shoulder formation with price consolidating above the support of its 100-DMA since October 2014. Despite a minor correction in early November, it held on to its support and managed a pullback towards its previous peak, thus negating short-term bearish signals.
- ✧ On the long term chart, it has retraced 61.8% of its previous upmove and the same level also coincides with the support of its 200-DMA. Recent recovery in November has been accompanied by impressive volumes.
- ✧ With PSU Bank Index showing signs of a turnaround, it supports the argument for a decent upside. The current upmove also corroborates the minimum downside risk and very high upside potential in Canara Bank.
- ✧ It continues to remain in long term uptrend as it has seen gradual recovery after hitting a low of Rs362 in September 2014. **Canara Bank has rallied to a new high after touching long term support line, providing good entry point with better risk reward ratio. We recommend buy on Canara Bank with stop loss of Rs380 for a conservative target of Rs520.**

### Canara Bank daily chart



Source: IRIS, India Infoline Research

## '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.

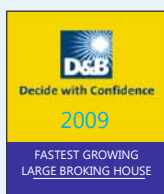
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### Recommendation parameters for fundamental reports:

**Buy** – Absolute return of over +15%

**Accumulate** – Absolute return between 0% to +15%

**Reduce** – Absolute return between 0% to -10%

**Sell** – Absolute return below -10%

**Call Failure** - In case of a Buy report, if the stock falls 20% below the recommended price on a closing basis, unless otherwise specified by the analyst; or, in case of a Sell report, if the stock rises 20% above the recommended price on a closing basis, unless otherwise specified by the analyst

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