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The direction of the Indian markets in 2012 will be led principally by developments on the following three fronts – political mandate post elections in the state of UP, Punjab and elsewhere, as it affects the government's free-will in framing a purposeful fiscal policy; the euro-zone crisis and its affect on global supply of money; and relative fiscal policy-making in China and Indonesia vis-à-vis our own country as global investors weigh their allocations to emerging markets in Asia. However, regardless of outcomes in any of these, one must remember that there is as much money (if not more) to be made in bear markets as there is in bull markets.

With the increase in market volatility, a near 50% retrenchment from the highs of the recent Bull market, an apparent bottoming of the Rupee and heightened pessimism in outlook, the debate is on if the Indian market already made a bottom in Q3 of FY12. Technical indicators do not seem to agree though, as the markets have continued to make lower lows on every fall ever since the Nifty broke below 5180 in August 2011. Barring the one excep-

The following need to be watched out for a confirmation of our market's coming out from its current bearish phase – the Nifty must first stop making new lows on every fall; then get past 5063 (Dec 7, 2011 closing); and subsequently close consistently above its current 200-EMA of 5138 (as of Jan 13, 2012 closing).

NIFTY, ITS 200-EMA AND BOLLINGER BANDS (20,2) SINCE JAN 2008



Source: PRiS Research, NSE

-tion of the strong bullish move around Diwali, the markets have largely been in a trading range since then, with most major indices staying consistently below their 200-EMAs. However *the long-term bull market that commenced in April 2009 is still intact* and can be threatened only if the Nifty decisively breaches 4470 on the downside. Unless the macros deteriorate significantly, any fall below this level should see almost immediate recoveries led by bulls.

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