History Repeating Itself?

Through a high volume Hammer session, the KSE 100-Index concluded 0.42% higher yesterday. The benchmark PSX has declined more than 16% from a previous high marked in April’18 (47,144) with fragile macro-economic picture and domestic political landscape haunting the investors’ sentiments. The daily momentum is falling into deeply oversold reading plotting bullish divergence on the 14-day RSI.

According to our preferred Elliot wave count (see report dated 8th May’18), the index is possibly correcting lower in an expanding flat scenario to complete the Wave “c” structure —retracing wave 1 ascend from 37,736 to 47,144 levels. If the count is correct, then support clustered around 39,160 level should allow a bullish reversal through 42,136 level to activate wave 3 bullish targets of 46,637 and 52,138 levels.

There is a famous adage “History Repeats Itself”. We can relate recent performance of KSE 100-Index with the year 2006 movements where the index fell 29.4% in an intermediate degree correction (April’06 to Jun’06) before gaining 25% in Jun’06 to Aug’06 period. Thereafter, the index witnessed a minor fall of 14.15% to gain 24% in Aug’06 to Oct’06 period. This is exactly what is repeating. We saw a fall of 28.9% in May’17 to Dec’17 period before witnessing 24.9% rally (Dec’17 to Apr’18). Now the index is off 16% from April’18 high. If market is following the past rhythm then we can soon expect 24% rally to support our count. Wonder what can trigger such rally.

Off course there is risk to this thesis. The index’s failure to avoid any new low below 37,736 level will indicate a market in primary to cycle degree correction exposing much deeper levels of around 35,451 and 32,691 levels —retracing cycle degree rise from Jan’09 to May’17 period.

So far, our cycle to primary degree counts remain bullish where we expect the index striding for 46,637 and 52,138 levels. Long term investors willing to take some risk can build positions in Banking, E&P, Textile & Power sectors, while risk-averse traders may opt for long trading positions on a break above 42,136 level.

Please see page 2 (Technical Score Sheet) for individual stocks profile.
<table>
<thead>
<tr>
<th>No.</th>
<th>INDU</th>
<th>No. of Stocks Near 52-Week Low SYS</th>
<th>No. of Stocks Near 52-Week High SYS</th>
<th>No. of Short Sell Signals</th>
<th>No. of Bullish Signals</th>
<th>No. of Neutral Signals</th>
<th>No. of Bearish Signals</th>
<th>No. of 1-Day Breakdown</th>
<th>No. of 3-Day Breakdown</th>
<th>No. of 5-Day Breakdown</th>
<th>No. of 10-Day Breakdown</th>
<th>No. of 20-Day Breakdown</th>
<th>No. of 50-Day Breakdown</th>
<th>No. of 100-Day Breakdown</th>
<th>No. of 200-Day Breakdown</th>
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</tbody>
</table>

**Explanation:**

- The table above provides a summary of the technical analysis for KSE-100 index, classified into different categories based on different indicators and signals.
- **No. of Stocks Near 52-Week Low SYS** - Indicates the number of stocks trading near their 52-week low.
- **No. of Stocks Near 52-Week High SYS** - Indicates the number of stocks trading near their 52-week high.
- **No. of Short Sell Signals** - The number of short sell signals generated.
- **No. of Bullish Signals** - The number of bullish signals generated.
- **No. of Neutral Signals** - The number of neutral signals generated.
- **No. of Bearish Signals** - The number of bearish signals generated.
- **No. of 1-Day Breakdown** - The number of breakdowns occurring within a day.
- **No. of 3-Day Breakdown** - The number of breakdowns occurring within three days.
- **No. of 5-Day Breakdown** - The number of breakdowns occurring within five days.
- **No. of 10-Day Breakdown** - The number of breakdowns occurring within ten days.
- **No. of 20-Day Breakdown** - The number of breakdowns occurring within twenty days.
- **No. of 50-Day Breakdown** - The number of breakdowns occurring within fifty days.
- **No. of 100-Day Breakdown** - The number of breakdowns occurring within one hundred days.

**Technical Analysis:**

- The technical analysis is based on various moving averages, trend indicators, and other technical tools, such as Bollinger Bands, MACD, RSI, SAR, and Parabolic SAR, to provide insights into market trends.
- The table shows a comprehensive view of the market conditions, including the strength of bullish, bearish, and neutral signals.
- The data is likely derived from market data and technical indicators, providing a snapshot of the market's health at a given time.

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