



KSE100 Index

CLOSE	HIGH	LOW	CHANGE	14-day RSI	5-SMA	10-SMA	15-SMA
39,452	39,569	38,561	+164.33/ 0.42%	26.49	39,921	40,853	41,183



History Repeating Itself?

RESISTANCE LEVELS

- R1: 39,814
- R2: 40,586
- R3: 41,852

SUPPORT LEVELS

- S1: 39,160
- S2: 38,581
- S3: 37,768

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 Elliott 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.

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