



TRADING EDGE

1st April 2019

MOTHERSUMI LTD

Recommendation

Scrip:
MOTHERSUMI LTD

Entry:
155.50

Target:
225

Stop loss:
122

Risk Reward:
1:2.07

Technical Trigger

Daily 200 SMA:
171.90

Daily 89 EMA:
156.65

Daily RSI (14):
50.92

Weekly RSI (14):
46.49



- ✓ After posting a fresh all-time high of ~262 during the month of December 2017; stock took sharp U-turn and entered into a bear phase. This led to a formation of 'Lower Highs & Lower Lows' on weekly as well as on a monthly chart.
- ✓ Subsequently, the fall got arrested near 127 level which coincided with the 78.6% Fibonacci retracement support of its entire swing move from the bottom of ~89 to the top of ~262. Along with that the monthly 89-EMA placed near the 127 level. Also, the price and RSI (14) failed to confirm each other which eventually signaled a 'Bullish Divergence' on weekly chart.
- ✓ The said technical proved its significance as stock rebound sharply and tested the 20-DMA placed near 175. As a result, February 2019 candle resembles a formation of 'Bullish Piercing' pattern.
- ✓ Failure to cross such resistance triggered fresh sell-off and stock resumed its down trend. However, the stock managed to hold its previous low of 127 and formed a higher low on daily chart.
- ✓ The daily RSI (14) managed to hold the support level of 40 and rebound sharply. Today, the daily RSI (14) signaled a positive crossover.
- ✓ Looking at the daily chart, we are seeing a formation of an 'Inverse Head & Shoulder' pattern and currently the right shoulder is in process of forming. The said pattern will be confirmed once stock breaches the neckline which is peg near 173; however, as highlighted earlier that daily RSI (14) managed to hold the 40 level indicates the probable shift in range.
- ✓ Therefore, we are preempting the Inverse Head & Shoulder pattern and advocate traders to buy this stock at current level of 155.50 with an upside price target of 225. Stop loss should be placed below 122.

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TEAM

ANALYST	DESIGNATION	EMAIL	TELEPHONE
Aditya Agarwal	Head – Technical Research	aditya@way2wealth.com	+91 22-61 46 29 55
Monil Shah, CMT	Sr. Technical Analyst – Equity & Forex	monilshah@way2wealth.com	+91 22-61 46 29 80
Harish Jujarey	Sr. Technical Analyst – Commodity	harishjujarey@way2wealth.com	+91 22-61 46 29 52
Mohit Agarwal	Technical Analyst – Forex & Commodity	mohitk@way2wealth.com	+91 22-61 46 29 54

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