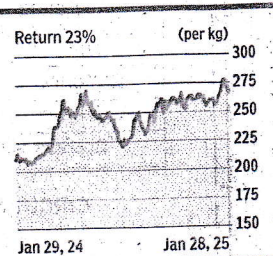


Buy aluminium at ₹245 with stop-loss at ₹240

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Aluminium futures broke out of a range and marked a 11-quarter high last week. The continuous contract marked a high of ₹256.45 on January 20. But the price started to moderate.

On Tuesday (January 28), aluminium futures (February) closed at ₹247.35. Although the price has dropped, we cannot really call it a trend reversal. Especially considering that a retracement is usual after a sharp up move.

Moreover, the contract has support at ₹245 and the 61.8 per cent Fibonacci retracement of the latest upswing lies at ₹244. Therefore, the price band of ₹244-₹245 is a good support.

A rally can potentially take the contract to ₹258-₹260 price region from where we might see a corrective decline.

But if aluminium futures slip below the support at ₹244, the downswing will likely extend to ₹242 or even ₹237. A breach of ₹237 can turn the outlook weak. Notable support levels below ₹237 can be seen at ₹232 and ₹228.

TRADE STRATEGY

Buy aluminium futures (February) at ₹245 and place a stop-loss at ₹240. When the contract rises back to ₹252 after the trade is initiated, alter the stop-loss to ₹248. Book profits at ₹258.