

## Nifty Rebounds from Key Support; Buy-on-Dips Strategy Intact

**Sensex (85268) / Nifty (26047)**



Source: Tradingview.com

### Future Outlook

It was an action-packed week. The index initially started on a weak footing, testing levels around 25700. However, after repeatedly defending this crucial zone, prices staged a strong rebound. On Friday, Nifty witnessed a gap-up opening and continued to move higher through the session, ending with gains of 0.57%, settling just below the 26050 mark.

On a week-on-week basis, Nifty ended with a cut of around half a percent; however, the bulls appear to have regained control, considering the strong positive momentum witnessed in the latter half of the week. This rebound emerged after forming a base near 25700, which coincides with the 50-DEMA and the golden retracement of the November rally, making it a pivotal support zone for the primary uptrend going ahead. Ahead of this, the bullish gap formed on Friday around 25950, which also aligns with the 20-DEMA, will act as immediate support. On the upside, the bulls seem back on track and may attempt to retest recent milestones and further in the coming sessions, with 26200 followed by 26300 seen as immediate resistance levels. That said, it is important to note that recent price action has been extremely choppy. Just when prices appear to be entering a trending phase, direction has tended to reverse. Recently, Nifty made a higher high from 26246 to 26325, but also formed a lower low from 25842 to 25693, indicating the development of a broadening formation. This is a technically challenging structure to trade, and in such a setup, avoiding complacent bets becomes crucial. Ideally, traders should look to align entries with corrections in the direction of the primary trend rather than chasing momentum. A buy-on-dips approach, combined with profit booking at higher levels, remains the prudent strategy. One of the key highlights over the last few sessions has been the strong rebound in the broader markets. The Nifty Midcap Index bounced sharply from its October bullish breakout zone, while the Nifty Smallcap Index found support near the weekly 89-EMA and formed a bullish hammer pattern. Continued follow-through in this space would be a welcome relief for the investor community after the recent Mayhem and could potentially lay the groundwork for a “Santa Rally”. Alongside this, the metal sector stood out during the week, with the Nifty Metal Index forming a hammer at the 89-DEMA and subsequently confirming a strong double-bottom breakout, signalling potential for further outperformance. While the benchmark indices may remain choppy within a range, selective thematic pockets continue to offer trading opportunities, and traders should remain focused on such areas.

## Long – Short Ratio declined to 10%

The Nifty spot closed at 26046 this week, compared to 26186 last week. The weekly Put-Call Ratio has increased from 1.14 to 1.15. The Open Interest of Nifty Futures increased by 1.15%.

### Derivatives View

Nifty current month's future closed with a premium of 121.30 against a premium of 148.55 points to its spot in the previous week. Next month's future is trading at a premium of 272.65 points.

Indian equities navigated a volatile week, marked by strong resilience and the emergence of buying at pivotal levels of the 50 DEMA. Eventually, the benchmark index concluded the week with a mere half-percent loss around the 25050 levels. For the upcoming weekly series, the 26000 PE strike withholds significant OI, suggesting a nearby support zone. On the flip side, 26500 CE holds the highest open interest, signaling an upward shift in the trading range. Meanwhile, the Long-Short Ratio in index futures has slipped to 10% from 14% WoW, indicating a buildup of shorts by stronger hands. Given the recent momentum, we expect dips to augur well for the buyers, with Nifty likely to march toward fresh record highs of 25300-25400 in the near term.

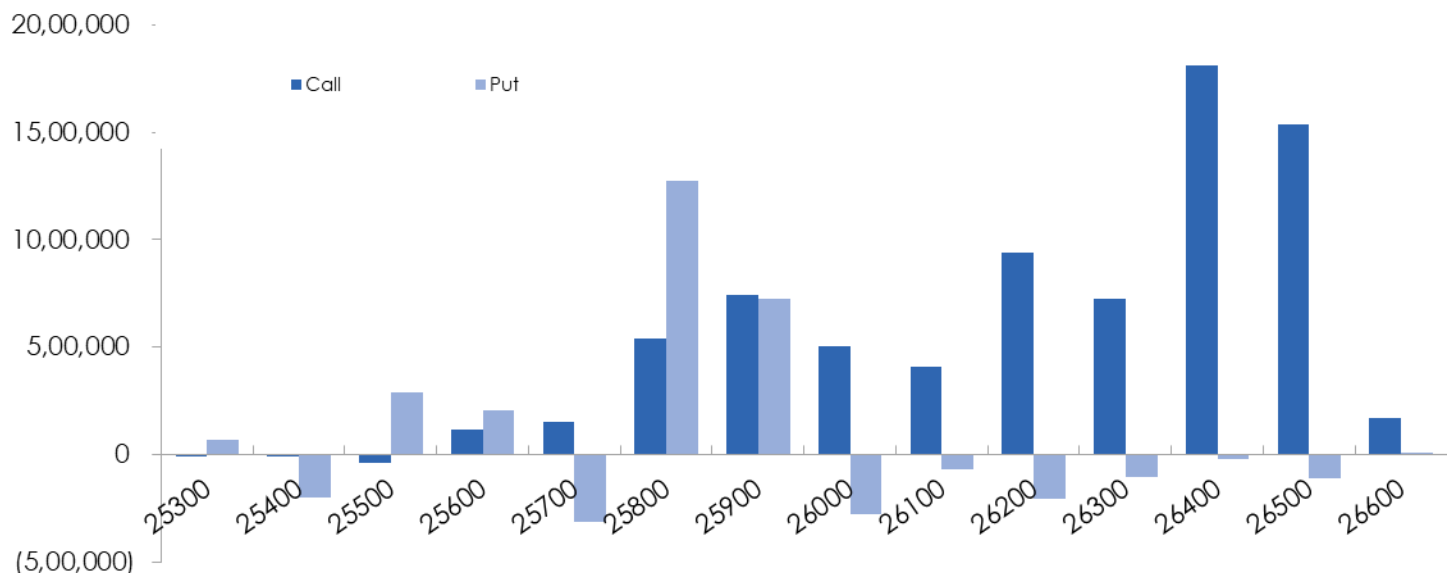
#### Long Formation

Scrip	OI Futures	OI Chg (%)	Price	Price Chg(%)
BLUESTARCO	2312050	24.15	1803.50	3.80
VOLTAS	11768250	8.53	1355.50	2.18
JSWENERGY	48104000	6.92	484.50	4.37
MOTHERSON	188405250	6.00	121.62	3.33
ICICIPRULI	15167225	5.65	649.35	3.28

#### Short Formation

Scrip	OI Futures	OI Chg (%)	Price	Price Chg(%)
HINDUNILVR	9957900	121.91	2265.20	(3.38)
INDIGO	12388800	37.29	4884.00	(9.51)
PIIND	2706375	16.15	3278.60	(3.82)
PPLPHARMA	26122500	13.93	175.33	(2.84)
SIEMENS	2988425	13.09	3149.20	(5.59)

#### Nifty Put-Call Analysis (Dec series)



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