

No respite yet, Nifty at seven-month low

Sensex (54334) / Nifty (16245)



Source: Tradingview.com

Future outlook

After previous Thursday's brutal knock, market recovered a fair bit of ground and this week, for first three sessions, Nifty remained in a range of 300 points with volatile swings on both sides. All this while, **16500** provided some support; but on Friday, the global worries once again spooked market participants to not only open below this level but went on to even challenge **16200** on an intraday basis. Although it ended the week tad above it, the Nifty confirmed a lowest close in last seven months. Friday's correction was no surprise to us as the consolidation in previous three sessions was clearly hinting towards the new round of selling and this is what we witnessed throughout the day.

Now if we meticulously observe Friday's price action, we can see moderate damage in key indices, but individual stocks were falling like a bottomless pit. Hence although markets are oversold since last few days, there is no respite overall and of course we cannot forget, this correction has lot to do with the geopolitical concerns with respect to Russia and Ukraine. So, till the time things do not stabilize there, market is likely to sway on news flows. Hence one should certainly brace up for similar volatility and surprises on either side. Although such war kind of scenarios are always tricky, we can clearly see negative trend on weekly time frame charts. In addition, the falling slope of 'RSI-Smoothed' oscillator is an indication of further weakness. So, although Nifty has reached to our initial target of **16200**, we do not want to pre-empt any near term bottom here.

From an investors' point of view this is certainly an excellent opportunity to bag quality propositions in a staggered manner; but for traders, it would be difficult to say that worse is behind us. We do not want to sound too pessimistic but looking at the current scenario, we will not be surprised to see Nifty entering sub-**16000** terrain. In a worst-case scenario, we do not expect Nifty below **15500 – 15200** as of now. Let's see how things pan out going ahead and obviously all eyes on global development. In case of any positive surprise next week, we would be keeping a close eye on few scenarios. As far as levels are concerned, **16000 – 15900** is to be seen as immediate supports; whereas on the higher side, **16450** followed by **16600** are to be considered as strong resistances. We reiterate, the pragmatic approach would be to follow stock specific approach (identifying apt theme is the key) and should avoid aggressive bets overnight for a while.

16100-16200 remains the make or break zone

Nifty spot closed at **16245.35** this week, against a close of **16658.40** last week. The Put-Call Ratio has decreased from **0.91** to **0.85**. The annualized Cost of Carry is positive at **0.93%**. The Open Interest of Nifty Futures increased by **22.80%**.

Derivatives View

Nifty current month future closed with a premium of 13.60 points against a discount of 2.35 points to its spot. Next month future is trading at a premium of 62.20 points.

Post last week's massive fall, we saw index consolidating in the range of 16350-16800 except for Friday wherein index tested the previous swing lows. However, due to some respite in the midst we managed to conclude the week above 16200. We observed massive build-up in banking index especially; the open interest jumped up 85% in a week and in case of Nifty, open interest surged 24%. We believe majority of the positions formed in both the indices are on short side. Stronger hands continued relentless selling in equities. Meanwhile, they exited decent shorts and added fresh longs in index futures segment; resulting 'Long Short Ratio' surged to 62% from 48% Wow. In options front, we observed fresh writing in 16200-16300 puts. For the coming week, it would be interesting to see if we manage to sustain above 16100-16200 zone. Hence, traders should keep a close tab on above mentioned levels and continue trading in individual space.

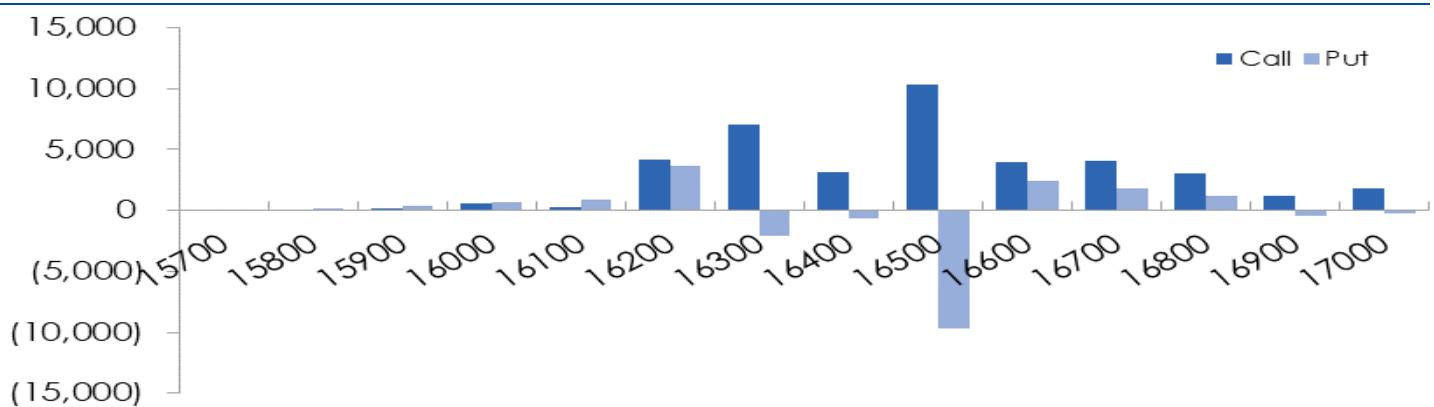
Long Formation

Scrip	OI Futures	OI Chg (%)	Price	Price Chg(%)
INDUSTOWER	23668400	120.13	208.70	1.68
PERSISTENT	499350	32.63	4082.25	5.39
TRENT	2960900	22.39	1095.05	2.22
INTELLECT	594750	17.48	682.65	5.53
RELIANCE	33749000	12.29	2332.75	1.93

Short Formation

Scrip	OI Futures	OI Chg (%)	Price	Price Chg(%)
ULTRACEMCO	3151500	57.87	6051.90	(7.88)
ASIANPAINT	6150600	51.22	2746.90	(12.13)
BIOCON	18715100	47.49	329.00	(16.77)
RAMCOCEM	2321350	38.77	735.05	(5.59)
DALBHARAT	757750	37.77	1406.55	(10.96)

Weekly change in OI



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