

Markets failed to capitalise on head-start, undertone remains bullish

Sensex (62547) / Nifty (18534)



Source: Tradingview.com

Future outlook

Our markets had a bumper opening on Monday citing to fading concerns with respect to US debt ceiling over the previous weekend. However, all headline indices did not capitalise on this head start. With lack of conviction at higher levels, the upside was not only restricted; but also went on to witness a gradual decline in the latter half of the week. On Friday, once again favourable global cues led to a promising start but no follow up buying this time either. Eventually, the Nifty ended the lacklustre week marginally in the green and importantly a tad above the psychological mark of 18500.

The way our markets took a leap at the opening on Monday, we expected markets to challenge **18700** and beyond levels. So, it was certainly disappointing behaviour of major indices as the week progressed. Nevertheless, technically speaking, the upside gap area has been filled and the Nifty has retested the breakout points twice during the week. In addition, due to Friday's price action, the 'Inside Bar' candle is clearly visible on daily time frame chart. Going ahead, if global markets support, we can construe this week's price development as a pull back and from here on, we may see Nifty resuming its upwards trajectory in the forthcoming week. This view remains valid as long as cluster of supports around **18460 – 18400 – 18330** is not violated on a closing basis in the next couple of sessions. On the flipside, the sturdy wall is visible around **18600 – 18670** and the moment its surpassed, we may see all time high getting challenged soon. This seems possible considering the buoyancy in the broader market. The Mid and Small cap baskets remained active throughout the week, indicating improved sentiments in the market. Hence, we advise traders not to get carried away by such small declines. Broadly, we are in a strong uptrend and it's advisable to focus on the larger picture.

PCR-OI plunged below 1

Nifty spot closed at **18534.10** this week, against a close of **18499.35** last week. The Put-Call Ratio has increased from **1.37** to **0.95** on Weekly basis. The annualized Cost of Carry is positive at **7.43%**. The Open Interest of Nifty Futures decreased by **2.09%**.

Derivatives View

Nifty current month's future closed with a premium of 101.85 against a premium of 73.95 points to its spot in the previous week. Next month's future is trading at a premium of 184.65 points.

We started a week on a cheerful note but could clearly sense absence of follow-up buying interest. For the initial two session, index kept hovering in a very narrow range which was followed by profit taking on in the mid-week to test 18500 mark. Eventually, we concluded the week tad above 18500 due to minor recovery on the final day. In derivatives front, some unwinding of long positions was seen Nifty; whereas, banking index added mixed bets. Put writers added a good amount of OI at 18500 strikes, indicating strong nearby support. On the flip side, highest OI concentration is seen at 18600 CE, breaching same could bring back some momentum. FIIs curtailed long bets; 'Long Short Ratio' plunged to 48% from 62% WoW. At this point in time, we believe that 18500-18450 is an immediate support zone and until we respect it on the closing basis, traders' should avoid any bearish bets in system.

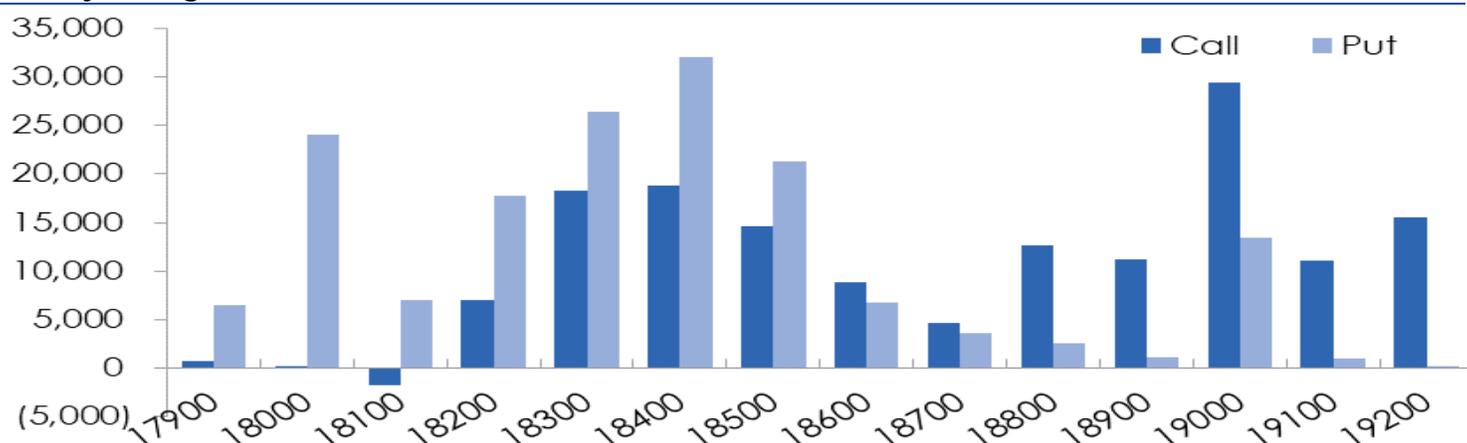
Long Formation

Scrip	OI Futures	OI Chg (%)	Price	Price Chg(%)
TORNTPHARM	1980500	59.33	1783.25	4.91
INDUSTOWER	59066400	56.76	161.15	2.22
POLYCAB	1814100	55.57	3561.70	4.25
APOLLOHOSP	2192250	27.06	4992.05	7.47
MANAPPURAM	61470000	26.48	112.90	1.76

Short Formation

Scrip	OI Futures	OI Chg (%)	Price	Price Chg(%)
CUB	34510000	136.13	124.45	(11.42)
COALINDIA	68674200	103.98	232.60	(4.12)
IGL	8529125	17.48	462.60	(4.43)
RELIANCE	37023750	17.05	2473.95	(2.00)
GMRINFRA	144495000	14.92	41.50	(8.49)

Weekly change in OI



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