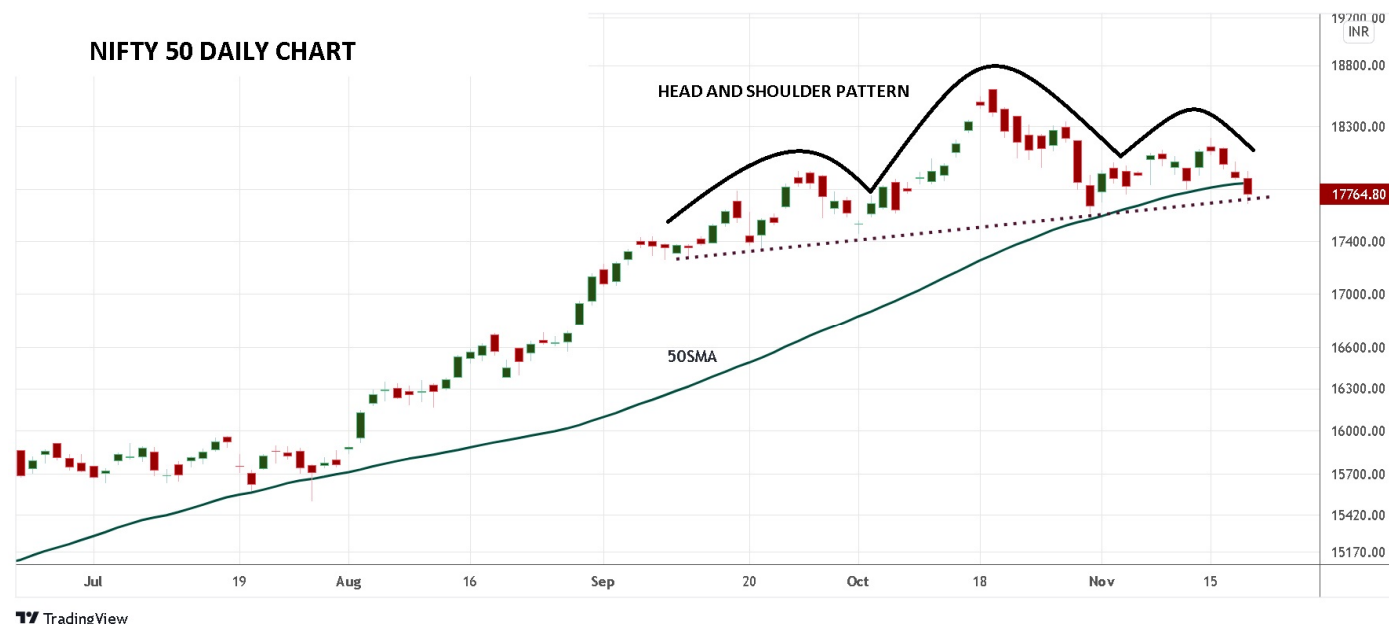


17700 becomes a trend deciding level for Nifty

Sensex (59575) / Nifty (17765)



Source: Tradingview.com

Future outlook

We had an excellent start to the week on Monday owing to favourable global cues. However, markets failed to sustain at higher as the early morning gains just disappeared in the first half. During the remaining part of the day, Nifty kept flirting around the equilibrium point. Eventually in the absence of any momentum, Nifty ended the session tad above the **18100** mark. As the week progressed, markets started becoming a bit nervous and hence, we could see it grinding lower gradually by breaking minor supports on the way through. The selling aggravated on Thursday and in the process we first breached **17800** and then went on to even slide below the crucial support of **17700**. Due to the modest recovery in the latter half, the bulls managed to defend this level on a closing basis.

During the week, Nifty did correct by nearly a couple of percent; which certainly cannot be considered as a major damage. Also it did close above the key support on a weekly basis but the way overall things are positioned, we will not be surprised to see it surrendering (**17700**) in the first half of the forthcoming week itself. Since last few days, we have been mentioning the 'Head and Shoulder' pattern on the daily chart of Nifty which was in process. After Thursday's close, the final (right) shoulder of this pattern is completed and prices are placed exactly at the 'Neckline' point of the same. A sustainable move below **17700** (which seems likely) would activate the pattern and as a result of this, we could see a fresh leg of correction in coming days. After this, next levels to watch out for would be **17450** and **17200**, where one needs to reassess the situation. On the flipside, if Nifty manages to hold **17700** and move higher first, then **18000 – 18200** are to be considered as strong hurdles, which as of now we do not expect to get surpassed in the near future.

The major culprit in this week's correction was the continuous weakness in banking and metal counters. Although banking index is nearing its strong support zone, we do not expect any major bounce back in this space. Apart from this, the broader market looked a bit tentative on Thursday and the way it's closed; things do not augur well for the bulls. To summarize, we advise traders to remain light which we have been advocating of late and even if one wants to accumulate stocks with a broader perspective, one needs to be a bit patient as we expect some reasonable prices to come in next few days.

Stronger hands added bearish bets in index futures

Nifty spot closed at **17764.80** this week, against a close of **18102.75** last week. The Put-Call Ratio has decreased from **1.16** to **0.78**. The annualized Cost of Carry is positive at **8.25%**. The Open Interest of Nifty Futures increased by **7.06%**.

Derivatives View

Nifty current month future closed with a premium of 28.10 points against a premium of 30.70 points to its spot. Next month future is trading at a premium of 86.30 points.

The benchmark index reclaimed 18200 in the early morning trade on Monday but due to lack of follow-up buying attracted decent profit booking. Infact, next three session market continued to slide lower breaching important supports one by one. On Thursday, the index plunged below 17700 but due to some respite in the midst concluded the week tad above 17750 with a cut of almost two percent. In F&O space, we saw open interest addition in both the indices with clearly suggests fresh shorts where formed during the week (wherein banking index added massive shorts as outstanding contracts surged more than 20%). Stronger hands too preferred adding bearish bets in index futures, resulting Long Short Ratio declining from 57% to 54%. For the coming monthly expiry, we noticed massive writing in 17800-18000 call strikes which may now act as a sturdy wall now. The above data hints further pain going ahead; hence, would advocate traders avoiding any kind of bottom fishing for now and infact aggressive traders should buy ATM or slightly OTM puts incase of any recoveries.

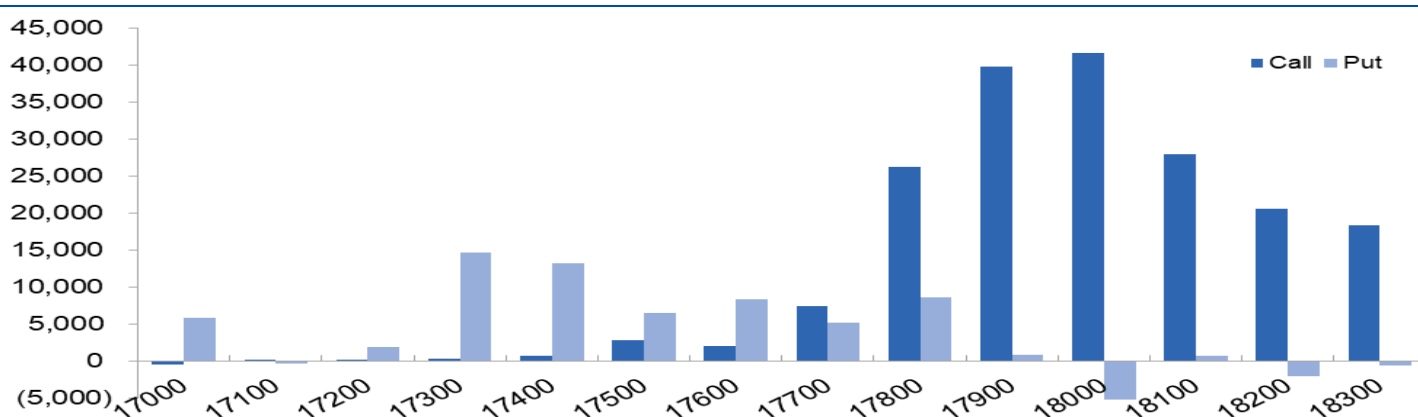
Long Formation

Scrip	OI Futures	OI Chg (%)	Price	Price Chg(%)
COFORGE	863800	47.08	5510.30	1.85
METROPOLIS	911800	14.40	3155.05	2.12
APOLLOHOSP	2357375	13.80	5598.55	19.78
LTTS	677400	8.49	5630.15	6.21
PIIND	1695500	8.01	2874.10	4.58

Short Formation

Scrip	OI Futures	OI Chg (%)	Price	Price Chg(%)
IPCALAB	3170025	41.17	2038.20	(5.91)
RECLTD	47610000	34.29	136.05	(6.53)
GRANULES	15120250	21.72	305.85	(1.92)
MANAPPURAM	26460000	20.39	183.50	(16.06)
AXISBANK	62208000	19.98	707.95	(4.16)

Weekly change in OI



Technical and Derivatives Team:

Sameet Chavan	Chief Analyst – Technical & Derivatives	sameet.chavan@angelone.in
Rajesh Bhosale	Technical Analyst	rajesh.bhosle@angelone.in
Sneha Seth	Derivatives Analyst	sneha.seth@angelone.in

Research Team Tel: 022 - 39357600 (Extn – 6844)

Website: www.angelone.inFor Technical QueriesE-mail: technicalresearch-cso@angelbroking.comFor Derivative QueriesE-mail: derivatives.desk@angelbroking.com**DISCLAIMER**

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