

Sell off in Reliance and IT space applies brakes on the recent run

Sensex (66684) / Nifty (19745)



Source: Tradingview.com

Future outlook

During the week, the bulls had a strong run, leading to a substantial rally of over 400 points until Thursday. However, weak guidance from IT giant INFY triggered profit booking in the IT space, and profit booking in Reliance caused a price correction on Friday, cooling off significantly from Thursday's high. Eventually, Nifty ended the week with a 0.92 percent gain, tad below **19750**.

Despite the impressive weekly winning streak for the fourth consecutive week, profit booking in key heavyweights on Friday slowed down the bull run. The market's tendency to catch complacent traders off guard was previously highlighted in our outlook, emphasizing the need to avoid undue risk. Nevertheless, the market saw some respite at lower levels on Friday, and individual counters continued to perform well, reflecting an inherent uptrend. The market's recent multi-month breakout around the **19000** level indicates a significant bull run. However, due to the recent vertical move and overbought conditions, the next upward movement may not be as swift as the recent run. It is anticipated that there may be a correction, either in terms of time or price, so the ideal strategy would be to buy on dips and book profits at higher levels. The psychological mark of **20000** that was just missed during the week remains an immediate hurdle, followed by the golden retracement target of **20100 – 20200**. On the downside, the recent congestion breakout level of **19600 – 19500** is considered immediate support, and a more significant correction may occur only if this level is breached. Traders should closely monitor these levels and consider playing within this range.

Some recent performers like Reliance and the IT space faced downward pressure on Friday, and many sectors have already participated in the recent run. Going ahead, finding the right theme for momentum moves may become challenging, but pockets of outperforming opportunities might continue to emerge, especially considering the result season. Traders should focus on such opportunities.

PCR-OI corrected to 0.91 amidst last day sell-off

Nifty spot closed at **19745** this week, against a close of **19654.50** last week. The Put-Call Ratio has decreased from **1.34** to **0.91** on Weekly basis. The annualized Cost of Carry is positive at **9.67%**. The Open Interest of Nifty Futures increased by **8.05%**.

Derivatives View

Nifty current month's future closed with a premium of 31.40 against a premium of 34.35 points to its spot in the previous week. Next month's future is trading at a premium of 147.75 points.

The benchmark index maintained a strong stature throughout the week until a substantial fall in the IT pack, followed by Reliance, applied a sudden break in the last session. On the derivatives front, both key indices settled the week with long addition, but the last day sell-off has dampened the ongoing run. The stronger hands have covered some longs on the last session, resulting in a marginal cool-off of in 'Long Short Ratio' to 68% from 70% on a weekly basis. On the options front, the scattered position of OI is seen from 19700-19500 put strikes, suggesting a downward shift in the immediate support base. While on the higher end, strong piling of OI is seen at 19900-19800 call strikes indicating nearby resistance for Nifty. Considering the mentioned data, we might witness some breather in the benchmark for the upcoming week, while any decisive breakthrough would direct the near-term trend.

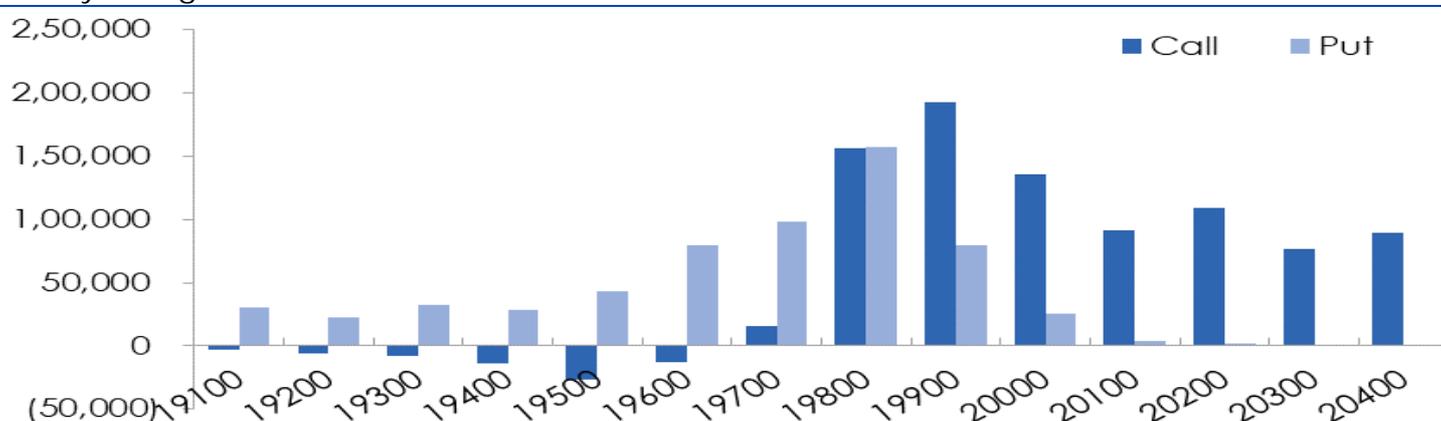
Long Formation

Scrip	OI Futures	OI Chg (%)	Price	Price Chg(%)
INDIAMART	1164900	49.46	3158.25	10.32
CANFINHOME	3248700	37.18	839.60	4.25
POLYCAB	1995900	24.22	4599.35	18.24
ASHOKLEY	91940000	18.05	182.35	5.83
MCDOWELL-N	13351800	17.16	1041.55	9.94

Short Formation

Scrip	OI Futures	OI Chg (%)	Price	Price Chg(%)
COFORGE	982200	50.84	4649.50	(5.99)
RAMCOCEM	2921450	21.06	887.10	(4.66)
INFY	40890800	17.22	1333.75	(6.57)
SHREECEM	291225	15.96	23181.80	(4.96)
VEDL	57226000	13.87	276.15	(3.24)

Weekly change in OI



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