

Banking continues to impress; but some distortion in midcap index

Sensex (60822) / Nifty (18115)



Source: Tradingview.com

Future outlook

The week started with a decent bump up which was then followed by yet another gap up on Tuesday to reach new millstone of **18600**. However, the high beta midcap counters (recent movers) started correcting fiercely, which dampened the overall sentiments in the market. Nifty had a rub off effect of this and in the process; it came off slightly in the following couple of sessions as well. Thursday morning, the global markets were a bit stable and as a result, our markets opened with a decent upside gap, exceeded the SGX Nifty by a fair margin. However it was merely a formality as we not only saw Nifty erasing all gains but also went on to slide below **18100** during the penultimate hour. Fortunately due to late recovery in some of the heavyweights, Nifty managed to recover fair bit of ground to conclude the weekly expiry tad below the **18200** mark. The similar price action was seen on Friday too and with a gradual decline, Nifty ended around **18100**.

Clearly, the Nifty constituents other than financial stocks are weak and they are leading the correction in the index. However, the banking stocks seem to have different plans. They refused to correct in the first half of the week and in fact, when Nifty was about to knock the crucial support of **18000** in the latter half, the banking counters came for a rescue. There was complete gush seen in the banking space on Thursday, which led BANKNIFTY to close above the new millstone of 40000 with some authority. If banks had not shown this mesmerising move towards the end of the week, the Nifty would have certainly breached the **18000** mark. Now two major indices are showing complete divergence, so going forward it would be interesting to see whether the BANKNIFTY's strength lifts Nifty higher or vice versa. Hence, all eyes on the banking space going forward; because a follow up move from hereon will certainly lift the overall sentiments in the market.

As far as levels are concerned, **18060 - 18000** are to be considered as crucial supports; whereas on the flipside, **18260 - 18400** would be seen as immediate hurdles. Since the weekly chart of midcap index is showing a bearish formation, which can be termed as 'Engulfing' candle; we advise traders not to create aggressive longs in high beta counters. Yes the thematic approach can still be followed, but one needs to be very selective now. Below **18000** for Nifty, the near term uptrend gets negated and then we are up for some correction which is overdue since a long time.

PCR-OI hints market is oversold

Nifty spot closed at **18114.90** this week, against a close of **18338.55** last week. The Put-Call Ratio has decreased from **1.44** to **0.82**. The annualized Cost of Carry is positive at **9.96%**. The Open Interest of Nifty Futures decreased by **6.92%**.

Derivatives View

Nifty current month future closed with a premium of 29.65 points against a premium of 18.20 points to its spot. Next month future is trading at a premium of 74.20 points.

The week was full of action, we saw index testing the yet another milestone of 18600 but could hardly sustain as we saw sharp selling thereafter to drag index below 18050. In F&O space, we hardly saw any relevant open interest activity despite such volatility. In options front, massive writing was seen in 18200-18500 call strikes; resulting maximum open interest concentration shifting lower to 18200 now. On the flip side, 18000 put holds highest positions and we also saw fresh addition on Friday. PCR-OI plunged below 1, which clearly hints market is oversold now. The banking index has been outperforming lately which is certainly not letting the Nifty fall below the psychological mark of 18000. Going ahead, we would wait and watch for relevant build-up before forming any directional bets.

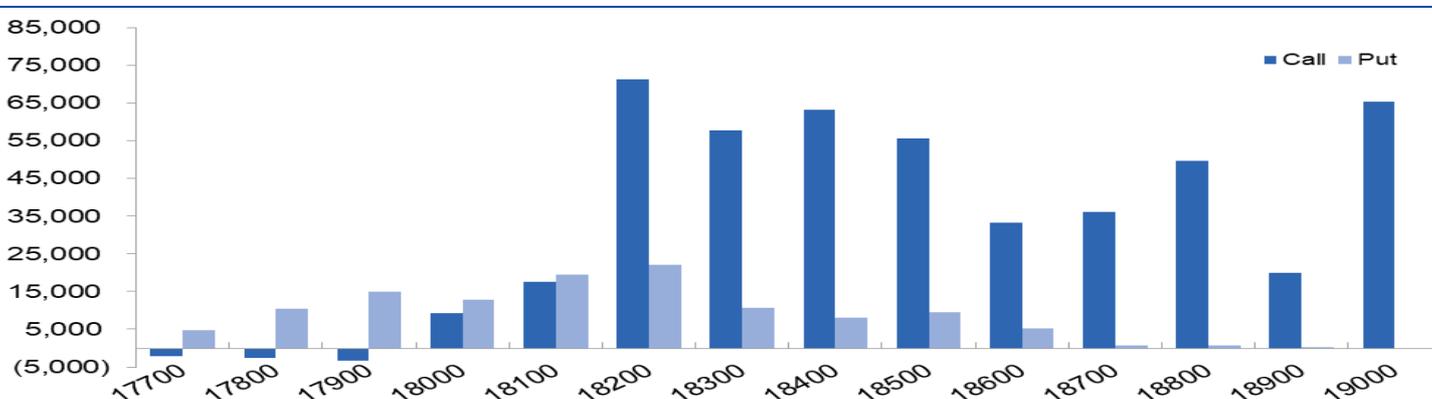
Long Formation

Scrip	OI Futures	OI Chg (%)	Price	Price Chg(%)
FEDERALBNK	117650000	26.23	104.30	11.73
METROPOLIS	923800	25.41	2806.90	5.94
MANAPPURAM	24132000	23.03	200.30	2.17
PAGEIND	107250	11.61	37908.85	1.06
RBLBANK	31992800	8.75	201.50	4.98

Short Formation

Scrip	OI Futures	OI Chg (%)	Price	Price Chg(%)
IEX	17977500	59.16	765.35	(3.92)
VOLTAS	3024000	45.91	1175.25	(11.19)
HINDUNILVR	9237000	33.89	2448.00	(7.51)
LALPATHLAB	1155000	28.48	3389.75	(7.24)
GAIL	59889800	27.91	150.65	(6.31)

Weekly change in OI



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