

Covid fears drag Nifty towards 17800

Sensex (59845) / Nifty (17807)



Source: Tradingview.com

Future outlook

Markets started the session on a flat note on Monday in line with other global peers. During the first half of the week, Nifty tried recovering from previous Friday's weakness. However, at higher levels, once again markets looked a bit nervous. The profit booking started on Wednesday after entering the sturdy wall of **18450 – 18500**. This initial decline got converted into a brutal selling in last couple of sessions as COVID concerns once again started haunting market participants on the domestic front. In this course of action, we kept thrashing all key levels one after another. Eventually, Nifty concluded the week at **17800** by shedding over two and half a percent from previous weekly close.

It was certainly a disappointing end for our markets. Globally things did not look bad; but in our domestic markets, the reaction was lethal towards the fog end of the week. As we are about to step into the final week of the calendar year 2022, the world is celebrating the 'Christmas' festival and generally, around this time, it is best known for Santa rally in our markets especially the broader end of the spectrum. Unfortunately, Mid and small cap space are most affected pockets in last 2 – 3 sessions. It would be interesting to see whether market obliges its historical symmetry or not. The way markets have closed, the possibility is very miniscule. Since we have witnessed this sell off on the back of COVID fears, all developments with respect to this are likely to be crucial. Only if we see participants considering this as an overreaction, we may see relief in the coming week. However, in case of any aberration, we must prepare ourselves for lower levels.

Taking a glance at the daily and weekly time frame charts, we are at the cluster of multiple technical evidence. We reckon the downside is limited from hereon and hopefully the expectation becomes reality in coming sessions. As far as levels are concerned, **17900 – 18050** are to be seen as immediate hurdles and only a close above the upper range would confirm the resumption of higher degree uptrend. On the flipside, an extended correction below **17750 – 17700** would drag Nifty towards next important support zone of **17600 – 17450**. Let's see how things pan out going ahead. Traders are advised to avoid carrying aggrieve bets for a while and wait for Nifty to reclaim **18050** to regain the strength. In any scenario, it's an excellent opportunity for investors to start nibbling into quality propositions as most of the counters are significantly off their recent highs.

Nifty tanks below the psychological mark of 18000

Nifty spot closed at **17806.80** this week, against a close of **18269** last week. The Put-Call Ratio has decreased from **0.81** to **0.72** on Weekly basis. The annualized Cost of Carry is positive at **19.51%**. The Open Interest of Nifty Futures increased by **9.16%**.

Derivatives View

Nifty current month's future closed with a premium of 57.10 against a premium of 59.65 points to its spot in the previous week. Next month's future is trading at a premium of 166.50 points.

The rising concern over the COVID has triggered fear in the market. Its third straight week, wherein the benchmark index has corrected to plunged below the psychological mark of 18000. With no sign of rebound, we ended the final day of week tad table 18600 with a cut of 2.53% WoW. In F&O space, we saw some short formation in Nifty and in case of banking index some profit booking was observed. Stronger hands too preferred unwinding longs and added few bearish bets in index futures segment, their 'Long Short Ratio' has plunged further to 44% from 55% seen last Friday. The PCR-OI has declined to oversold territory and the volatility index surged almost 15% during the week and is now placed near a hurdle of 16-17. In addition, we haven't seen any massive shorts except for Friday. For the coming week, we would advise to be more watchful and selective while trading any trades and at the same time would be hopeful to see some respite after last three weeks pain.

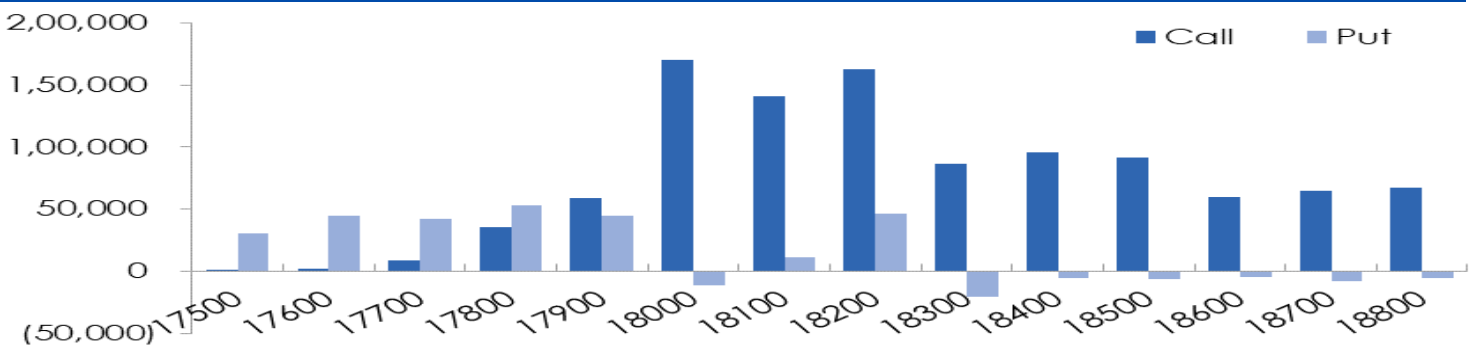
Long Formation

Scrip	OI Futures	OI Chg (%)	Price	Price Chg(%)
ABBOTINDIA	48160	10.16	21822.05	5.23
ZYDUSLIFE	9995400	8.78	420.55	2.89
LALPATHLAB	1697250	8.12	2345.70	4.60
NESTLEIND	280920	6.36	20202.75	1.85
IPCALAB	2008500	6.19	864.85	1.16

Short Formation

Scrip	OI Futures	OI Chg (%)	Price	Price Chg(%)
LICHSGFIN	14916000	35.48	394.95	(2.07)
TORNTPHARM	1923000	30.68	1567.85	(2.46)
MFSL	6844500	27.54	671.35	(5.15)
M&MFIN	24960000	18.99	220.60	(6.09)
VOLTAS	7393800	18.55	778.05	(6.93)

Weekly change in OI



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