

Nifty back to 14500, financials leading the fall

Sensex (49100) / Nifty (14529)

NSE:NIFTY, D 14529.15 ▼ -568.20 (-3.76%) O: 14888.60 H: 14919.45 L: 14467.75 C: 14529.15



TradingView

Source: Trading View

Future outlook

Markets had a nervous start on Monday as we saw Nifty sliding below the key support of **14900** to even test sub-**14700** levels. However, at the midst of the week, we witnessed a v-shaped recovery in the market post some dramatic events. Everything looked hunky dory as the February series ended convincingly above the **15000** mark. But market was not done with its twists yet as we saw a huge gap down on Friday on the back of weak global cues. The selling augmented as the day progressed to eventually mark biggest single day loss in last couple of months.

The one who follows 'Technical Analysis', gives more weightage to the price action and importantly it's the closing point that matters the most than a starting or in between activity. If we relate this concept to the price action in the week gone by, we did see some healthy recovery at the midst; but all this positivity eventually went for a toss on Friday. Fortunately, we did not get carried away by the intra-week rally and waited for the convincing move beyond **15200** to change our stance. Market failed to surpass it and in fact, with a massive broad based sell off, Nifty has sneaked below its recent swing low of **14635.05** on a closing basis. This led to a confirmation of first sign of trend reversal in the form of 'Lower Top Lower Bottom' on the daily time frame chart. The weekly chart already showed some exhaustion in the previous week as we observed fatigue around the strong resistance zone of **15380 – 15500** (which is the 161% 'Golden Ratio' of the entire fall from Jan'20 highs to March'20 lows).

Looking at the price structure, we expect this correction to extend towards **14200 – 14000** levels first. Here, **14000** would be seen as crucial 'Trend Line' support and a breach of this would open up further space towards **13700 – 13500**. Hence, we would be closely observing how index behaves around **14000** in the forthcoming week. For us, the short term tide has turned downwards and the view will remain intact as long as **15200** is not broken. On the immediate basis, **14750 – 14920** are to be seen as stiff hurdles. Traders should not get intimidated if all the above mentioned scenarios turn into a reality because the larger degree uptrend is still very much intact. Since a long time, market has not seen any major correction, so this should only be construed as a much awaited profit booking or a short term corrective phase which is healthy in the longer run. Momentum traders should avoid aggressive or leveraged longs for a while; rather use decent declines to accumulate quality propositions with the broader view.

Short formation post expiry drags markets lower

Nifty spot closed at **14529.15** this week, against a close of **14981.75** last week. The Put-Call Ratio has decreased from **1.19** to **0.93**. The annualized Cost of Carry is positive at **4.59%**. The Open Interest of Nifty Futures has decreased by **2.73%**.

Derivatives View

Nifty current month future closed with a premium of **27.20** points against a premium of **43.65** points to its spot. Next month future is trading at a premium of **105.85** points.

In options segment, the build-up is scattered between 14800-15200 calls. Maximum open interest for the weekly series is placed at 15000 call, while in puts the highest open interest are in 14800 and 14000 followed by 14800 strikes.

We had a roller coaster ride for the expiry week as the Nifty started with a sharp fall on Monday. However, it recovered during mid-week and ended the monthly expiry above 15100. A sharp sell-off in global markets then led to a gap down opening on the first day of the new series and our markets witnessed a follow up selling to end the week tab above 14500 mark. The rollovers were above its average which indicated longs positions rolled to the March series. However, Friday's gap down open completely baffled traders and thus we witnessed long unwinding and short formation in both the indices on the last day. In options segment, writers preferred to sell call options of 14800-15000 strikes on Friday which could limit the upside on pullback moves. Some long build up was seen in 14800 put option while the data indicates support around 14200-14000. The Banking and the Auto space witnessed short formations on Friday and thus, we could see some further pressure in the coming week to drag the index towards the mentioned support.

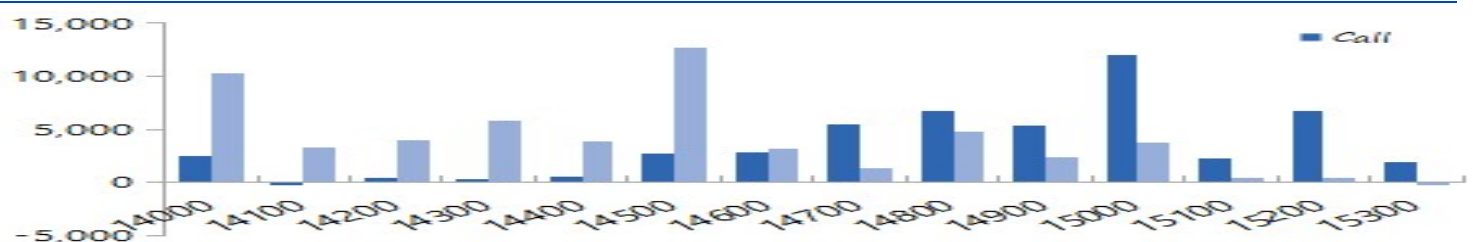
Long Formation

| Scrip | OI Futures | OI Chg (%) | Price | Price Chg(%) |
|------------|------------|------------|---------|--------------|
| SAIL | 123595000 | 16.16 | 77.05 | 18.08 |
| ADANIENT | 18412000 | 5.59 | 836.60 | 6.55 |
| TATAMOTORS | 86548800 | 4.48 | 324.95 | 4.23 |
| INDIGO | 3149500 | 4.39 | 1621.85 | 3.37 |
| VEDL | 100929800 | 4.11 | 208.40 | 8.77 |

Short Formation

| Scrip | OI Futures | OI Chg (%) | Price | Price Chg(%) |
|------------|------------|------------|---------|--------------|
| RECLTD | 19080000 | 36.48 | 134.85 | (7.45) |
| BANKBARODA | 110904300 | 34.21 | 83.25 | (8.42) |
| MARUTI | 3263800 | 25.86 | 6902.10 | (5.85) |
| GODREJCP | 4788000 | 17.07 | 688.35 | (3.34) |
| DRREDDY | 3358500 | 12.13 | 4448.55 | (5.13) |

Weekly change in OI



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