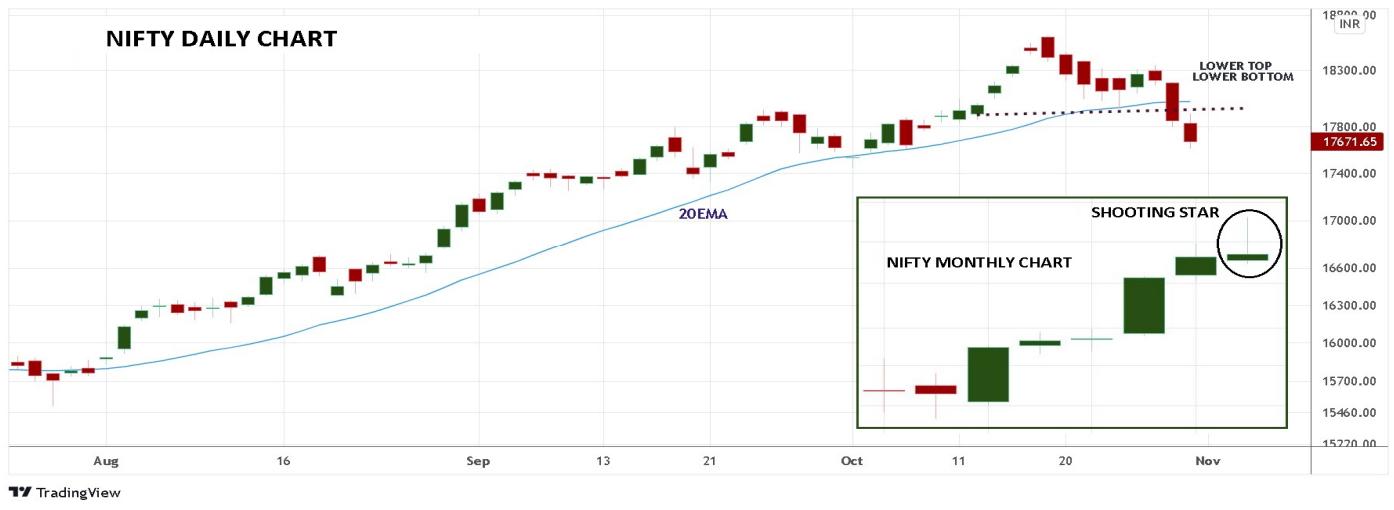


## The mesmerizing rally finally takes some breather

### Sensex (59307) / Nifty (17672)



Source: Tradingview.com

### Future outlook

The global set up was just ideal for our markets to have a head-start on Monday and in fact we over surpassed what SGX Nifty was indicating as well. However, markets did not sustain at higher levels and had a slight weak close. This was followed by some recovery in the following two sessions; but overall the momentum was clearly lacking. The expiry session of the October series turned out to be a nightmare for the bulls as we witnessed a massive sell off across the board throughout the session to break all important levels one after another. Nifty eventually plunged below **17900** to conclude the October expiry on a depressive note. In this process, Nifty ended with nearly 2% loss, thereby marking a biggest single day cut after April 12, 2021. The bears were not done with this as we witnessed a follow through selling of this to test the **17600** mark.

Due to this week's correction, the bears have finally managed to apply brakes on the ongoing euphoria. We can see weakest weekly performance after nearly 8 months as Nifty shed more than 2% to conclude the October month convincingly below **17700**. Since last week or so, Nifty started to look a bit nervous but banking was providing a strong helping hand and hence we did not see any major damage in benchmark. But now, the financial space finally succumbed to the broader market weakness by tumbling over 3%. This imposed tremendous pressure on Nifty and in the process, Nifty had to finally surrender the sheet anchor support of **18000**. In fact, due to aggrandized selling, it just hastened towards the next key support of **17600**. Since last few days, we have been maintaining our cautious stance on the market and even though market was making new highs, we maintained our scepticism and repeatedly advised booking profits. When market was not correcting, this might have sounded senseless, but historically its proven, when things look hunky-dory all around, the euphoric situation takes place and that is the time when market strikes back. This is exactly what we witnessed in last couple of weeks.

Technically speaking, due to this late dominance from bears, we can observe few important developments on charts. Firstly, the 'Lower Top Lower Bottom' on daily chart after breaking below **18000**, which coincided with the violation of the key short term moving average of '20-day EMA'. More importantly, if we take a glance at the monthly chart, we can see a formation of 'Shooting Star' pattern, which certainly does not bode well for the bulls. Going ahead, since the market is a bit oversold, we may see some relief move in between; but traders should not get carried away by such rebounds. On the higher side, **18000 – 18100** would now be seen as immediate hurdles and any bounce back towards it, should be used to lighten up longs. On the flipside, we may see this corrective move extending towards **17450** first and if things worsened then the possibility of sliding towards **17200 – 17000** cannot be ruled out. We reiterate on staying light and avoiding any kind of bottom fishing for a while.

## 18000 becomes a sturdy wall now

Nifty spot closed at **17671.65** this week, against a close of **18114.90** last week. The Put-Call Ratio has decreased from **0.82** to **0.75**. The annualized Cost of Carry is positive at **3.34%**. The Open Interest of Nifty Futures decreased by **9.59%**.

### Derivatives View

Nifty current month future closed with a premium of 43.65 points against a premium of 74.20 points to its spot. Next month future is trading at a premium of 116.50 points.

We had a positive start for the week; however, due to lack of buying index we saw index sliding below the psychological mark of 18000. However, we saw an attempt of recovery to reclaim 18350 but this got sold into on the monthly expiry day to breach support one after the other. In fact, we saw follow-up selling to test 17600 on Friday. Meanwhile, we saw some long unwinding and short formation last week and considering the rollovers, we believe few of these shorts have been rolled-over too. Stronger hands also preferred staying light in index futures and rolled-over shorts in stock futures segment. In equities, they were net sellers to the tune of Rs. 20,429 crores till date. As far as option activity is concerned, traders are now eyeing 17500 put and 18000 call options. Considering the above data points, we would maintain our cautious stance on market and would advise traders utilizing any bounce back in the vicinity of 18000 to add fresh shorts.

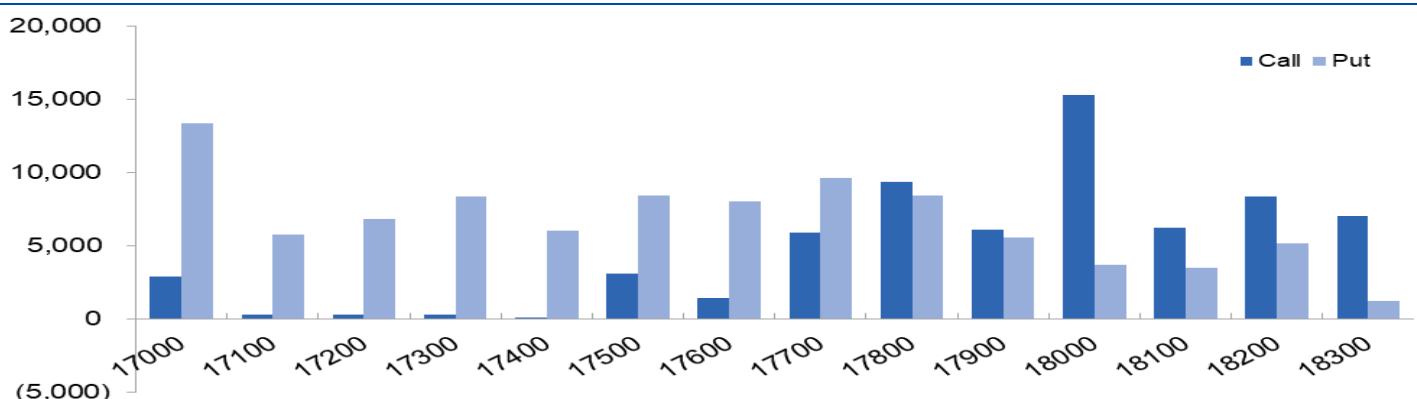
### Long Formation

| Scrip      | OI<br>Futures | OI<br>Chg (%) | Price   | Price<br>Chg(%) |
|------------|---------------|---------------|---------|-----------------|
| MCDOWELL-N | 17812500      | 5.65          | 951.40  | 14.01           |
| RAMCOCEM   | 2742950       | 13.15         | 1070.35 | 10.77           |
| ESCORTS    | 8461750       | 8.39          | 1577.95 | 7.75            |
| UPL        | 26921700      | 1.89          | 741.40  | 5.25            |
| BEL        | 25266200      | 3.76          | 207.95  | 3.05            |

### Short Formation

| Scrip      | OI<br>Futures | OI<br>Chg (%) | Price   | Price<br>Chg(%) |
|------------|---------------|---------------|---------|-----------------|
| BANDHANBNK | 31759200      | 34.11         | 292.20  | (9.76)          |
| AXISBANK   | 45745200      | 32.25         | 746.00  | (8.99)          |
| ADANIENT   | 27421000      | 7.53          | 1427.00 | (7.52)          |
| IPCALAB    | 1421100       | 20.19         | 2107.95 | (7.16)          |
| NATIONALUM | 92301500      | 7.03          | 97.05   | (6.41)          |

### Weekly change in OI



## Technical and Derivatives Team:

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