

Markets entering a corridor of uncertainty

Sensex (36021) / Nifty (10607)

NSE:NIFTY, 1D 10607.35 ▲ +55.65 (+0.53%) O:10614.95 H:10631.30 L:10562.65 C:10607.35



TradingView

Source: Trading View

Future outlook

Trading for the week started on a weak note owing to some sluggish cues from the global cues. However, the optimist traders pounced on this opportunity and used decline to create bullish bets. As a result, we eventually managed to surpass the recent hurdle of **10350-10360** during the mid week. This was followed by a continuation of the northward march throughout the remaining part of the week to conclude the week at 4-months highest point.

In the recent past, despite intermediate hiccups we maintained our bullish stance and advocated against going short on the market. The strategy played out well as we have seen all declines getting bought into and in the process, we managed to reclaim the **10600** mark. Now, from hereon, it would be very difficult for traders to carry their positions overnight as we have approached a corridor of uncertainty now. If we look at the daily chart, the Nifty has reached a higher end of the 'Rising Wedge' pattern and the major '200-SMA' is placed in the zone of **10800-11000**. So at every 100-150 points upmove, the bulls will have to tackle these hurdles. Hence, in our sense, traders who have been enjoying this bullish journey since last three months, should ideally start lightening up their positions. Although the texture has not changed, it's better to be safe than sorry and hence, one should take one step at a time now.

Technically, the bullish structure remains intact as long as we are trading above **10300-10200** and ideally we could have asked to trail stop losses at these levels. Theoretically it may be correct but practically risk-reward is not favourable following this strategy and hence, we advice staying light and wait for further developments. If we manage to go beyond **11000**, we would see next leg of the rally and there we can aggressively start participating again.

Long formation by FII's lifts index higher

Nifty spot closed at **10607.35** this week, against a close of **10383** last week. The Put-Call Ratio has increased from **1.33** to **1.50**. The annualized Cost of Carry is negative at **4.45%**. The Open Interest of Nifty Futures has decreased by **3.16%**.

Derivatives View

Nifty current month future closed with a discount of **34.90** points against a discount of **65** points to its spot. Next month future is trading at a discount of **40.65** points.

As far as Nifty options activities for the week are concerned, we witnessed some unwinding in 10300 and 10500 call options while open interest addition was seen in 10600-11000 call options. On the flipside, open interest addition was seen in 10500-10000 put options. Maximum open interest for the weekly series is at 11000 call option and 10400 put option.

During this week, Nifty surpassed the resistance of 10500 due to a combination of long formation and short covering. Although FII's didn't rolled much of their index futures long positions during June expiry, they formed fresh long positions in this week which led to an increase in their 'Long Short Ratio' to 52%. As far as options activities are concerned, the coming weekly expiry has seen good build up in 10400 put option indicating immediate support now at this level. On the flipside, immediate resistance is seen around 10700-10800. Traders are advised to look for stock specific buying opportunities and trade with a positive bias for the coming week.

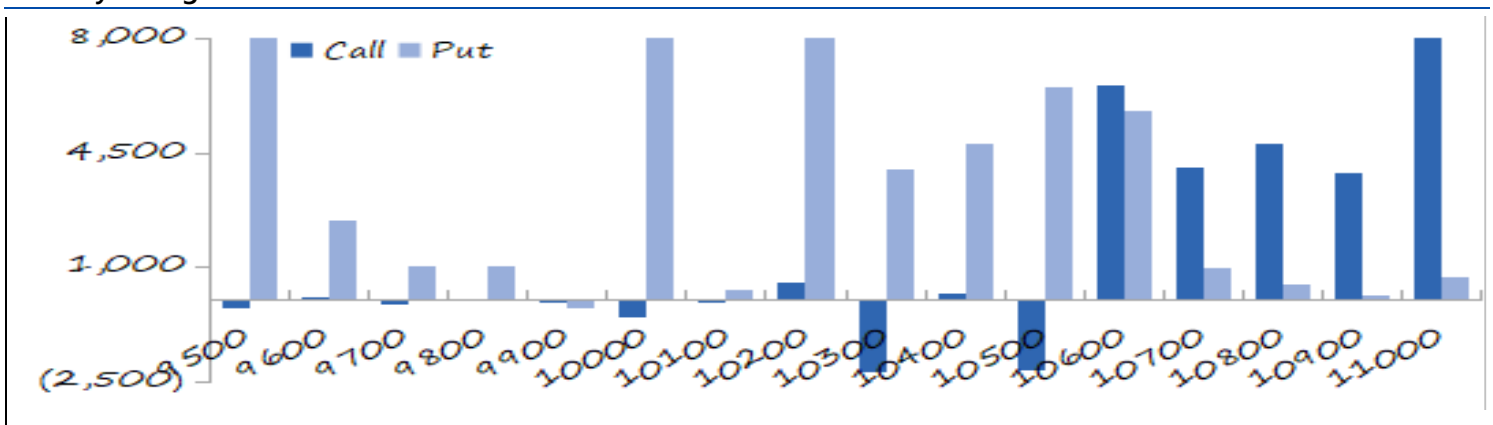
Long Formation

Scrip	OI Futures	OI Chg (%)	Price	Price Chg(%)
BEL	23826000	40.08	97.15	14.09
MFSL	1713400	38.59	553.50	7.57
BALKRISIND	1115200	33.14	1317.50	6.04
BHEL	63987000	32.08	38.80	5.15
MARICO	13876000	24.58	359.55	4.16

Short Formation

Scrip	OI Futures	OI Chg (%)	Price	Price Chg(%)
ASHOKLEY	45864000	42.99	49.20	(5.66)
DIVISLAB	4466800	39.29	2197.75	(6.51)
HINDPETRO	23109300	35.56	216.60	(2.50)
RECLTD	16686000	29.77	108.60	(3.77)
GLENMARK	6092700	25.90	435.05	(6.63)

Weekly change in OI



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