

Market takes a breather around 200-SMA

Sensex (36594) / Nifty (10768)

NSE:NIFTY, 1D 10768.05 ▼ -45.40 (-0.42%) O:10764.10 H:10819.40 L:10713.00 C:10768.05



TradingView

Source: Trading View

Future outlook

Our markets carried the previous week's positivity on Monday as well and hence, the Nifty started the proceedings with a decent upside gap, owing to favourable cues from the global bourses. However, the momentum disappeared all of a sudden from the market, which resulted into a lacklustre movement throughout the remaining part of the day. It is hard to believe but the Nifty gyrated in a slender range of merely 160 points during the week. In the midst of all this, the Nifty concluded the week with moderate gains of one and half percent.

It's been a stellar Bull run for our markets since the March lows and markets never looked back to reach the crucial zone of '200-SMA' on daily chart. The kind of lethargic activity we witnessed in the week gone by was quite evident, because the market has seen a relentless move without any major halt in between and has reached such a crucial junction. Firstly, as mentioned the key moving average of 200-SMA on a daily chart. This coincides with the Weekly 89-EMA as well as monthly 20-EMA and hence, the bulls had to respect them. Ideally, if the market has to correct, this is the perfect zone from where it can. In fact, in the previous article, we had clearly advocated booking profits in the ongoing rally in the zone of **10700-11000** and we continue to do so at least for momentum traders. But by no means, we advise going short on the market because the momentum in individual stocks is still strong and importantly, we are seeing a consensus opinion about the market correcting from current levels. As we all know, when everyone expects a fall, it never comes and vice versa. So, in our sense, the Nifty would first surpass the **10850** mark and head towards the 78.6% retracement zone of the entire fall i.e. **11000-11200**, where we can actually see some profit booking taking place. If consensus view has to fail, this possibility cannot be ruled out.

Any assumption needs a proper exit strategy if not worked as per the expectation. Hence, in this scenario, the hypothesis remains valid as long as the crucial support of **10660-10560** remains intact. A breach of mentioned supports would certainly trigger a decent profit booking in the market and hence, keep a tab of all the mentioned possibilities and key levels. It would be important to highlight that the banking space holds a key in all this and hence, all eyes would be on its heavyweight constituents as well.

Stronger hands form long positions

Nifty spot closed at **10768.05** this week, against a close of **10607.35** last week. The Put-Call Ratio has decreased from **1.50** to **1.47**. The annualized Cost of Carry is negative at **0.24%**. The Open Interest of Nifty Futures has increased by **11.31%**.

Derivatives View

Nifty current month future closed with a discount of **1.40** points against a discount of **34.90** points to its spot. Next month future is trading at a premium of **8.85** points.

As far as Nifty options activities for the week are concerned, we witnessed some open interest addition in 10800 call and in 10800-10600 put options. Maximum open interest for the weekly series is at 11000 call option and 10000 put option.

During this week, indices consolidated in a narrow range, but decent open interest addition was seen in Nifty as well as Bank Nifty. FI's formed fresh long positions in the index futures segment during this week too which led to an increase in their 'Long Short Ratio' to over 57 percent. In the weekly options segment, open interest concentration is scattered in 10800-11000 call whereas support is placed at 10700-10600. Long formation by the stronger hands is a positive sign and hence traders are advised to trade with a positive bias. As per the data, 10600 is the support and if the same is breached then one should reassess the situation.

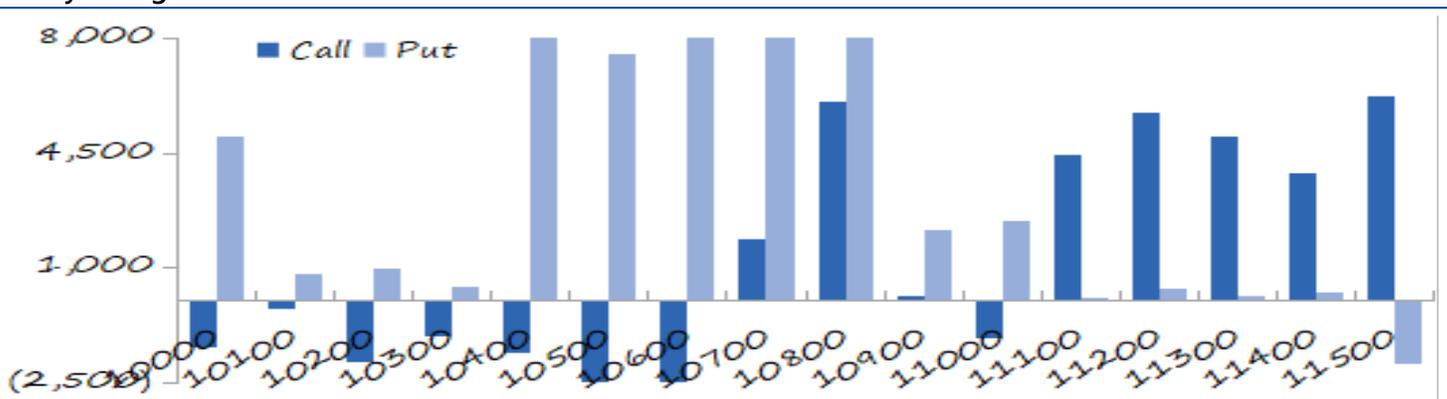
Long Formation

Scrip	OI Futures	OI Chg (%)	Price	Price Chg(%)
BAJFINANCE	7292250	16.42	3301.55	12.77
EQUITAS	15108800	15.45	59.70	11.69
SRF	605500	14.57	3902.75	6.94
HINDALCO	39456800	13.38	164.35	12.38
NCC	22323000	12.13	33.70	10.49

Short Formation

Scrip	OI Futures	OI Chg (%)	Price	Price Chg(%)
MGL	1336200	95.87	973.60	(9.28)
IGL	9895875	37.79	409.45	(8.72)
MUTHOOTFIN	4227750	28.38	1089.45	(5.26)
INFRADEL	12569200	23.60	209.75	(7.33)
CUMMINSIND	2038800	22.49	392.30	(4.76)

Weekly change in OI



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