

## Above 10840, Santa rally on for our markets

### Sensex (35963) / Nifty (10805)



Source: Trading View

### Future outlook

It was certainly an eventful week for our markets and importantly, whatever action happened for the major part, it was only on the domestic factors. Post the weak session on Monday, our markets opened significantly lower on Tuesday, taking cues from the exit poll numbers and abrupt Resignation of RBI Governor Mr. Urjit Patel. However, market left everything behind and had a spectacular recovery on the same day to defend key levels. This lead extended on the following day as market gladly welcomed appointment of a new governor Mr. Shaktikanta Das. Last couple of days was a bit subdued; but eventually Nifty concluded the week by adding over a percent to the bulls' kitty.

Tuesday's session was a critical one for our market and the way it recovered, it certainly set the tone for some optimism. The low during the day precisely coincided with the 61.8% Fibonacci retracement of the recent up move. In addition, the other heavyweight index (Bank Nifty) managed to reclaim its position above the 200-day SMA, which was a sign of strength. But the real highlight was the smart rally in 'Midcap' index, which continued for one more day as well. In last couple of sessions, index struggled after reaching the crucial point of **10840**. We saw some tentativeness around it and hence, can be termed as a corridor of uncertainty. Let us understand why this level has some significance? On the hourly chart, we had a breakdown from this crucial swing low on December 05. Hence, this previous support is now acting as a resistance. Secondly, we can see a convergence of two important trend lines on daily chart precisely around the same level. Hence, unless we see Nifty breaking out convincingly from this wall, traders should avoid aggressive bets in the market.

But once the Nifty manages to surpass **10840**, we may possibly see the beginning of Santa rally in our market, which would immediately lift the index towards **10941** and above. On the downside, **10749** followed by **10700** would be seen as crucial supports. This week, our markets reacted mainly on domestic factors; but now, the focus again may shift to the outer world. One needs to keep monitoring how things pan out across the globe and with US fed meeting slated in the forthcoming week, we may see some volatility in the global peers.

## Falling Implied Volatility hints scope of further strength

Nifty spot closed at **10805.45** this week, against a close of **10693.70** last week. The Put-Call Ratio has increased from **1.47** to **1.53**. and the annualized Cost of Carry is positive at **3.86%**. The Open Interest of Nifty Futures decreased by **0.86%**.

### Derivatives View

Nifty current month future closed with a premium of **14.85** points against a premium of **41.45** points to its spot. Next month future is trading with a premium of **64.30** points.

As far as Nifty options activities for the week are concerned, some build-up was seen in **10800- 11000** call options. On the flip side, **10600- 10800** put options added good amount of open interest; followed by unwinding in **11000** strike. Maximum open interest for December series now stands at **11000** call and **10000** put options.

It was indeed an eventful week for our market, as we had import event of state election result lined up. Our market collapsed below **10350** mark on Tuesday as the Urjit Patel resigned as a RBI Governor and also due to the unfavorable exit poll for BJP. However, we witnessed a sharp recovery thereafter to bring index above **10800** mark on the closing basis. During the week, we saw blend of long and short covering in Nifty futures; whereas, good amount of short covering took place in the Banking index. In options front, **10700** and **10800** put options continued adding fresh positions; we believe writing took place these strikes which is certainly the sign of further. Taking into consideration the above data points, we may soon see index surpassing the immediate hurdle of **10820-10840**; hence, dips in market shall be an opportunity to add fresh longs.

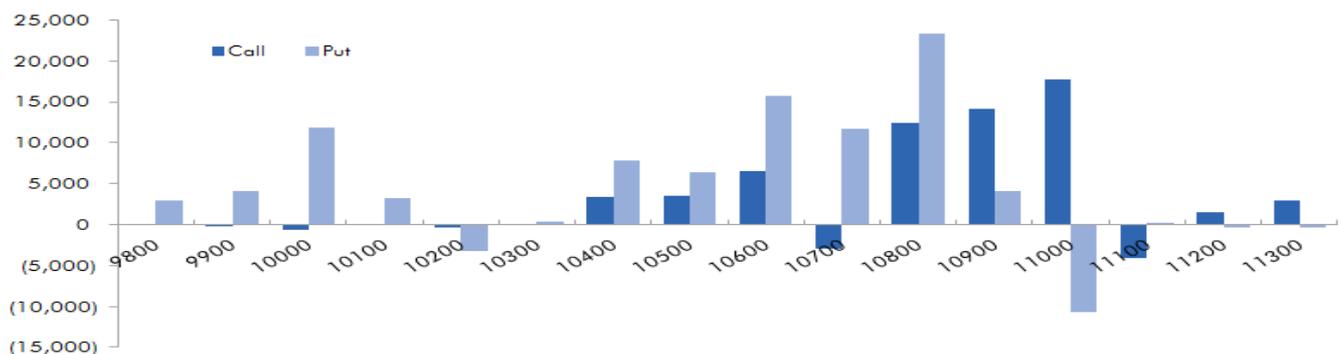
### Long Formation

Scrip	OI Futures	OI Chg (%)	Price	Price Chg (%)
COLPAL	1603000	37.79	1308.30	6.22
TVSMOTOR	7584000	36.72	572.20	5.15
M&MFIN	11387500	20.39	455.40	8.52
KSCL	1308000	19.29	564.15	9.98
SRF	615500	17.02	2198.40	3.41

### Short Formation

Scrip	OI Futures	OI Chg (%)	Price	Price Chg (%)
RELINFRA	11402300	45.67	293.10	(4.96)
JETAIRWAYS	6575000	35.43	256.25	(5.74)
DRREDDY	3907000	15.12	2602.80	(3.52)
CONCOR	3485000	15.06	653.20	(1.66)
AUROPHARMA	20636000	13.23	729.20	(3.38)

### Weekly change in OI



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