

Market cools off a bit, 14650 becomes immediate hurdle

Sensex (49035) / Nifty (14434)

NSE:NIFTY, 1D 14433.70 ▼ -161.90 (-1.11%) O:14594.35 H:14617.45 L:14357.85 C:14433.70



TradingView

Source: Trading View

Future outlook

Second week of the new calendar year started with a good bump up at fresh record high tad below the **14500** mark on Monday. In the initial hour, we witnessed a small bout of correction; but similar to recent trend, the intraday decline was bought into and the index thereafter once again resumed its upward trajectory. The similar price movement was continued for following three sessions. However, on Friday, there was some sustained profit booking seen to conclude the week tad below the Monday's opening point.

The bulls are continuing with their strong hold on the market and barring single day of sharp correction last month, the relentless rally resumed to clock fresh record highs day by day. In our intra-week commentary, we had mentioned how 2.30 factor played out well since last few days. There was a typical pattern when we see some price decline in the first half and buying emerges in the latter half to hit new record highs. But this winning streak finally got snapped on Friday when market corrected further after 2-2.30. Although it's just a one day activity and still no major damage done, we expect **14650** to act as an immediate resistance now. On the daily chart, Nifty closed below 5-day EMA for the first time in the recent past, which is a first sign of weakness. Hence, in the forthcoming coming week, the extension of profit booking cannot be ruled out. The moment we see Nifty sliding below **14380**, we expect the Nifty to slide towards **14250-14100** levels.

In fact, stock specific the fatigue was seen in so many counters from Wednesday itself. The major banking index is at its previous record highs and the Nifty Midcap 50 index, which is at crucial Fibonacci ratios, may provide this much awaited corrective move. Let see how things pan out in the early part of the coming week. Since the overall trend has been strongly bullish, even if the correction comes, one needs to go one at a time rather than projecting bigger downside targets. Traders are advised to stay light and avoid aggressive leveraged positions.

The fear index surged 16% last week, stay cautious

Nifty spot closed at **14433.70** this week, against a close of **14347.25** last week. The Put-Call Ratio has decreased from **1.71** to **1.19**. The annualized Cost of Carry is positive at **4.82%**. The Open Interest of Nifty Futures has decreased by **1.56%**.

Derivatives View

Nifty current month future closed with a premium of **24.80** points against a premium of **23.65** points to its spot. Next month future is trading at a premium of **59.60** points.

Must say, market remained volatile last week and hence we saw mixed activity in terms of open interest in index futures segment. The PCR-OI surged to 1.80 on Tuesday, which clearly suggested market was overbought. From the next trading sessions, strong writing was observed in 14600-14700 call options. On Friday, we also saw good amount of writing in 14500 strikes. In case of puts, hardly any meaningful build-up was seen during the week. Highest open interest concentration for the coming weekly series has shifted lower to 14600 call and 14000 put options. The Volatility index surged more than 16% last week, which is certainly not good for Bull's. Considering the overall development seen in F&O space, we expect some follow-up selling in the coming week as well. Hence, traders are advised lightening up their longs and prefer buying slightly OTM puts in case of any pullback around 14500-14550.

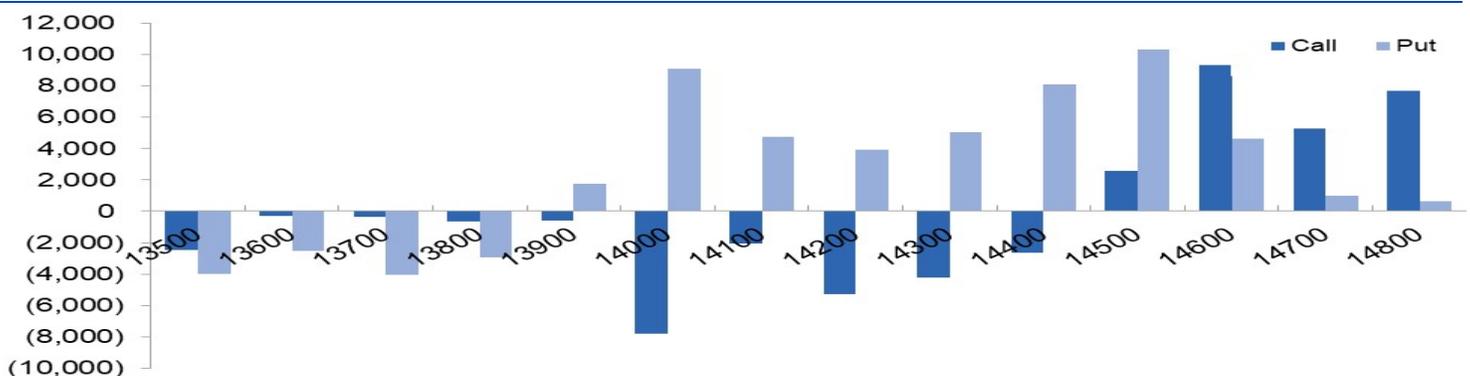
Long Formation

Scrip	OI Futures	OI Chg (%)	Price	Price Chg(%)
MRF	62000	28.50	87823.70	8.70
PNB	183264000	21.98	36.10	1.40
IDEA	1041250000	20.88	13.75	16.03
HINDPETRO	29427300	19.57	229.60	1.73
L&TFH	33465600	19.11	103.55	1.52

Short Formation

Scrip	OI Futures	OI Chg (%)	Price	Price Chg(%)
SAIL	179322000	90.82	70.50	(8.26)
RBLBANK	25522900	39.21	252.60	(4.43)
DIVISLAB	3204200	29.54	3661.70	(5.26)
APOLLOTYRE	13175000	24.76	184.25	(4.68)
VOLTAS	2263000	24.07	891.65	(1.26)

Weekly change in OI



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