

Bulls reluctant to give up; Nifty ends above 13750

Sensex (46961) / Nifty (13761)

NSE:NIFTY, 1W 13760.55 ▲ +19.85 (+0.14%) O:13571.45 H:13773.25 L:13447.05 C:13760.55



TradingView

Source: Trading View

Future outlook

Nifty started the week tad below **13600** and consolidated in a narrow range for initial couple of sessions. But the positive global market sentiments then provided an impetus to the ongoing rally and the index continued it uptrend for the rest of the week to clock new records and end above **13750**.

The bulls seem to be reluctant to give up and hence, we have seen intraday dips were getting bought into throughout the week. Nifty is trading all time high and although there's no limit on the upside, reciprocal retracements usually indicates where the markets could resist in such a trend. If we observe positional charts and take retracements of the previous corrections, then 127% retracement of the previous correction from **12430** to **7511** comes around **13770** and that is where Nifty is placed right now. On the other hand, the RSI-smoothened oscillator is trading at level above 95 on the daily chart which is a highly overbought zone. Usually, when the momentum readings are in such overbought zone and market approaches resistance, it leads to either a price-wise or a time-wise correction in short term. Hence, we advise that traders should avoid getting carried away now and avoid aggressive buying at current levels. Infact, booking profits on existing longs and taking some money off the table is also recommended. Having said that, one should not give less importance to the price structure which has not yet given any signs of reversal. Hence, for the coming week, focus would be more on the price action and we would wait for indications from that front.

The banking index which has resumed its rally and has outperformed in last couple of months has now been facing resistance around the **31000** mark. As far as Nifty levels are concerned, **13770-13800** is the immediate resistance as per the retracement theory mentioned above. If the index moves beyond this range, then it would eye the **14000** mark for the first time ever. On the flipside, **13650** is the immediate support which if breached, then it could result in some profit booking and drag the index towards **13500-13470**.

Stretched PCR-OI hints sign of caution

Nifty spot closed at **13760.55** this week, against a close of **13258.55** last week. The Put-Call Ratio has increased from **1.57** to **1.77**. The annualized Cost of Carry is positive at **2.75%**. The Open Interest of Nifty Futures has increased by **9.87%**.

Derivatives View

Nifty current month future closed with a premium of **13.50** points against a premium of **53.05** points to its spot. Next month future is trading at a premium of **53.40** points.

As far as Nifty options activities are concerned, we saw some build-up in 13900-14400 call options. On the put side, 13500-13700 strikes added decent build-up and we believe these are short positions. Maximum open interest for the monthly series is placed at 14000 call and 13700 put options.

Last week, we witnessed some consolidation for the initial two sessions. However, smart buying was seen thereafter to rally beyond 13750 mark. In F&O segment, the upmove seen in Nifty was supported by long positions. In case of banking index, no major build-up was seen in the week gone by. In options front, we witnessed strong writing in Nifty puts which resulted in PCR-OI surging to 1.77. At present, this ratio is on the higher side and thus, hints market is overbought now. FIIs continued exiting from long and simultaneously preferred adding shorts in index futures; their 'Long Short Ratio' has plunged to 68% from 80% seen during start of December series. Considering the above data point, we expect some profit booking soon and hence, would advise trader's to keep booking profits.

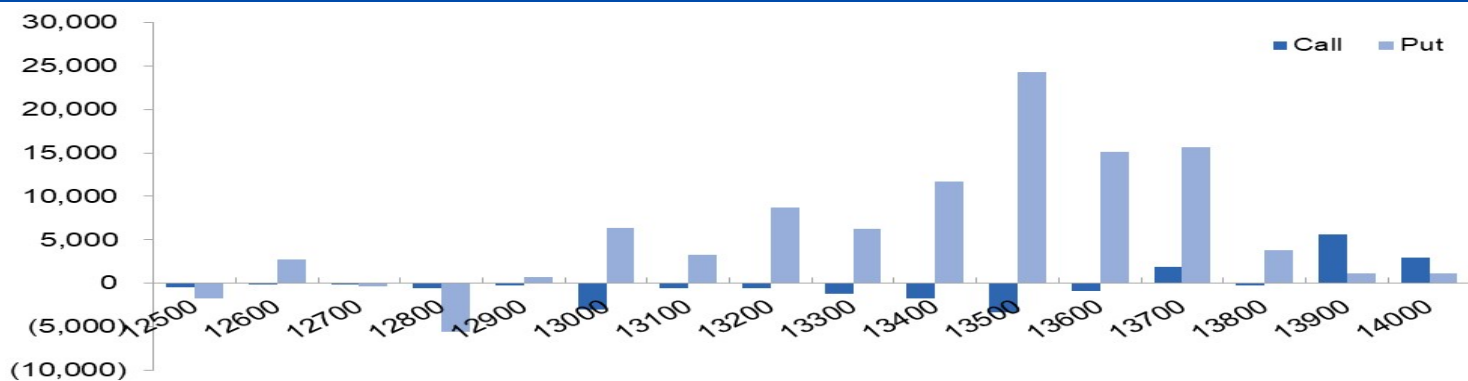
Long Formation

Scrip	OI Futures	OI Chg (%)	Price	Price Chg(%)
POWERGRID	25996000	36.02	194.15	2.37
MFSL	8080800	29.96	651.05	2.64
ASHOKLEY	40887000	20.31	98.60	4.34
IBULHSGFIN	25692800	15.16	203.85	5.54
NATIONALUM	59245000	11.06	43.75	2.10

Short Formation

Scrip	OI Futures	OI Chg (%)	Price	Price Chg(%)
PNB	215346000	96.91	33.55	(14.41)
ESCORTS	3519450	27.90	1339.15	(1.96)
TATACHEM	7692000	17.54	491.75	(3.71)
INDUSINDBK	18810300	12.47	907.30	(1.89)
INDIGO	3069000	10.91	1653.70	(4.34)

Weekly change in OI



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