

Base shifts higher at 10000 in the midst of uncertainty

Sensex (34732) / Nifty (10244)

NSE:NIFTY, 1D 10244.40 ▲ +152.75 (+1.51%) O:10119.00 H:10272.40 L:10072.65 C:10244.40



TradingView

Source: Trading View

Future outlook

Trading for the week started with a downside gap on Monday as the second wave of coronavirus started haunting market participants across the globe. The selloff extended to test the sub-**9750** levels. Somehow we stabilised from this global negativity, but all of a sudden on Tuesday the news came out of a clash at the India-China border. Within no time, markets took a nosedive and remained under pressure for some time. Fortunately once again we managed to defend key levels in the midst of all this uncertainty. But last two sessions turned out to be excellent for the bulls as we witnessed a good broad based rally to eventually conclude the week convincingly above the **10200** mark.

Since last couple of weeks, **10000** was acting as a sturdy wall. Due to smart rally towards the fag end of the week, we finally managed to traverse this barrier and headed towards recent highs. It is always good to see when a rally is mainly propelled by the banking conglomerates; because it generally provides credence to the move. Looking at Friday's close, the set up overall looks good and ideally we should make a move beyond our recent highs of **10350-10400** to test higher levels of **10600-10800** in the forthcoming week. But the threat of the second wave of pandemic and the geopolitical concerns are likely to loom over us now for some time. Hence, if there is no escalation with respect to this, our markets are likely to continue this northward trajectory.

As far as supports are concerned, **10100** followed by **10000** would be seen as immediate support zone. Now, the base seems to have shifted higher from **9700** to **10000** and here a breach of **10000** would again apply brakes on the optimism. Looking at the broader market participation last week, traders need to keep focusing on individual stocks.

Short covering and long formation leads index higher

Nifty spot closed at **10244.40** this week, against a close of **9972.90** last week. The Put-Call Ratio has decreased from **1.47** to **1.56**. The annualized Cost of Carry is negative at **5.26%**. The Open Interest of Nifty Futures has decreased by **5.63%**.

Derivatives View

Nifty current month future closed with a discount of **8.85** points against a discount of **17.55** points to its spot. Next month future is trading at a premium of **26.35** points.

As far as Nifty options activities for the week are concerned, we witnessed open interest addition in 10300-10700 call options. On the flipside, 10000-9700 put options also saw open interest addition. Maximum open interest for the monthly series is at 10500 call option and 9000 put option.

In last couple of weeks, 9500-9700 put options in Nifty had seen a gradual build up and hence it was seen as the support range. Post the news of India-China face off at the border, indices saw an initial negative reaction. Before the weekly expiry, 10000 call options attracted writers due to uncertainty. However, on the weekly expiry day, index rallied higher and hence the call writers were forced to cover their positions. We witnessed a combination of short covering and fresh long formations which led the index to end the week well above 10200. FIIs too covered some of their short positions in the index futures segment as the market surged. The options data hints immediate support at 10000-9900 whereas on the higher side 10300-10500 has good amount of open interest build up. Traders are advised to use a buy on dip approach and use declines as a buying opportunity for the coming expiry.

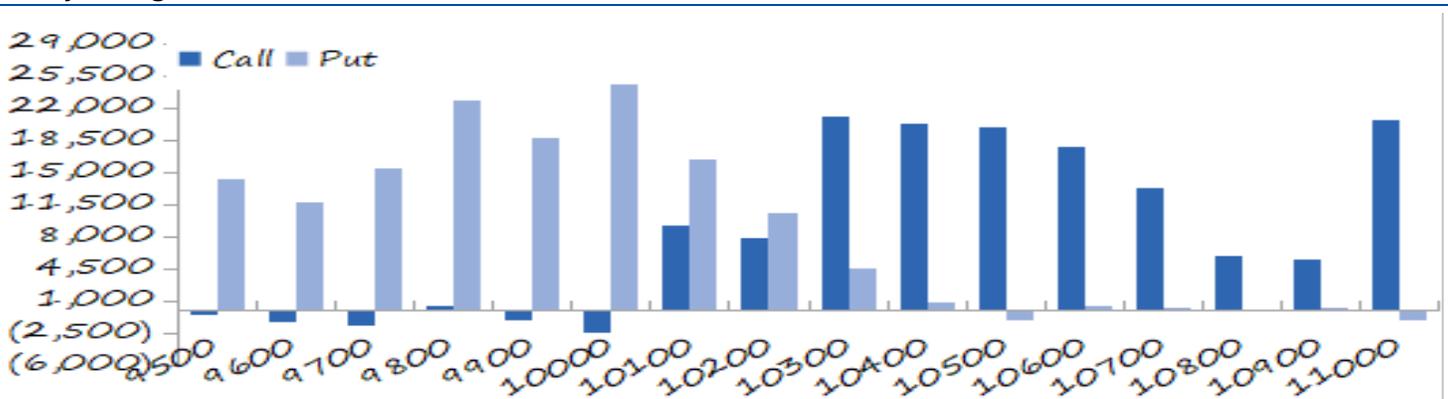
Long Formation

Scrip	OI Futures	OI Chg (%)	Price	Price Chg (%)
MUTHOOTFIN	3466500	96.76	1180.75	20.36
EQUITAS	17644900	35.14	53.00	7.94
MANAPPURAM	18666000	31.60	151.85	3.86
L&TFH	32417600	29.21	67.75	7.54
RELIANCE	33936505	28.01	1760.35	10.79

Short Formation

Scrip	OI Futures	OI Chg (%)	Price	Price Chg (%)
IGL	9004875	34.20	447.95	(7.08)
PAGEIND	155200	33.64	18085.75	(2.24)
NATIONALUM	40154000	32.67	30.85	(2.06)
INFRADEL	12762000	25.81	219.15	(2.40)
ITC	72780800	19.86	184.25	(4.95)

Weekly change in OI



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