

Benchmark consolidates, midcaps continues their dream run

Sensex (38435) / Nifty (11372)

NSE:NIFTY, 1D 11371.60 ▲ +59.40 (+0.53%) O:11409.65 H:11418.50 L:11362.20 C:11371.60



TradingView

Source: Trading View

Future outlook

Last Friday, our markets underwent some correction and, in the process, tested a key support of **11100**. Fortunately, this corrective move did not extend further as we kicked started the week higher on Monday on the back of a cheerful mood across the globe. This was followed by a strong trading session where we witnessed some robust moves in index heavyweights as well as the broader market. During the remaining part of the week, index just trapped in a range and had extremely lethargic moves to register its highest weekly close after February 20, 2020.

Barring the first couple of days, it was once again a boring week for index specific traders. Although, the Banking, Metal and Capital Goods managed to chip in to some extent, but the real outshining space has been the mid and small cap universe. Clearly, there has been no stopping for this space and especially the way these stocks just took off in the last three weeks. When midcap rally starts, it generally creates a euphoric situation and this is clearly what we are experiencing for the past few days. Nobody knows when and where it's going to stop and at the same time, it's hard not to participate also. The overall structure remains sturdy; but we believe that sooner or later, the market is likely to witness some correction, which would be healthy in the longer run. In the last five months, forget bearish, we did not even sound cautious and used all dips to get into the market. But now looking at a few observations, we do not want to maintain similar optimism purely with the short-term view.

Last week, we had mentioned about the 78.6% retracement of the entire fall as well as the 100% 'Price Extension' of crucial swings. Nifty has marginally surpassed it and may even extend further, but even if it moves towards **11450-11500**, we continue to advise booking profits in rallies. On the daily chart, we can see a small 'Rising Wedge' and 'Bearish Wolfe Wave' pattern. A move below **11250-11200** would confirm a near term reversal to undergo some price correction in coming days. As far as the NIFTY MIDCAP 50 index is concerned, although it has surpassed the weekly '200-SMA' marginally, we advise taking some money off the table now and aggressive bets should ideally be avoided overnight. Adding to all this, we would like to draw attention towards an important development in 'US DOLLAR INDEX'. We have seen massive correction in this over the past few months, which has triggered some gravity defying moves in equity markets; but now this index seems to have rebounded from key supports along with the 'Positive Divergence' in RSI. Hence, further pullback in the DOLLAR index can lead to some corrective moves going forward. By mentioning all these points, we do not expect a complete reversal, rather such intermediate correction is considered a healthy development and provides better opportunities for those who have missed the bus in the last few months.

Resistance for expiry week at 11500

Nifty spot closed at **11371.60** this week, against a close of **11178.40** last week. The Put-Call Ratio has increased from **1.31** to **1.54**. The annualized Cost of Carry is positive at **3.00%**. The Open Interest of Nifty Futures has increased by **4.75%**.

Derivatives View

Nifty current month future closed with a premium of **5.60** points against a premium of **8.30** points to its spot. Next month future is trading at a premium of **17.60** points.

As far as Nifty options activities are concerned, 11400-11800 call options witnessed open interest addition whereas 11400-11200 put options also witnessed some open interest addition. Maximum open interest for the monthly series is at 11500 call and 11000 put option.

Nifty rallied higher during the week upto 11460, and then consolidated at the end of the week to register weekly gains of about 200 points. Nifty saw open interest addition of 4.75 percent whereas Bank Nifty witnessed open interest unwinding of over 6 percent. During the week, FII's added net longs in index futures and 60% of their positions are on the long side. The options data hints at a resistance around the 11500 mark while supports are placed at 11300 and 11200. The index could consolidate within this range and hence, traders are advised to trade with a stock specific approach at the start of the week and watch for further developments as we approach the monthly expiry day.

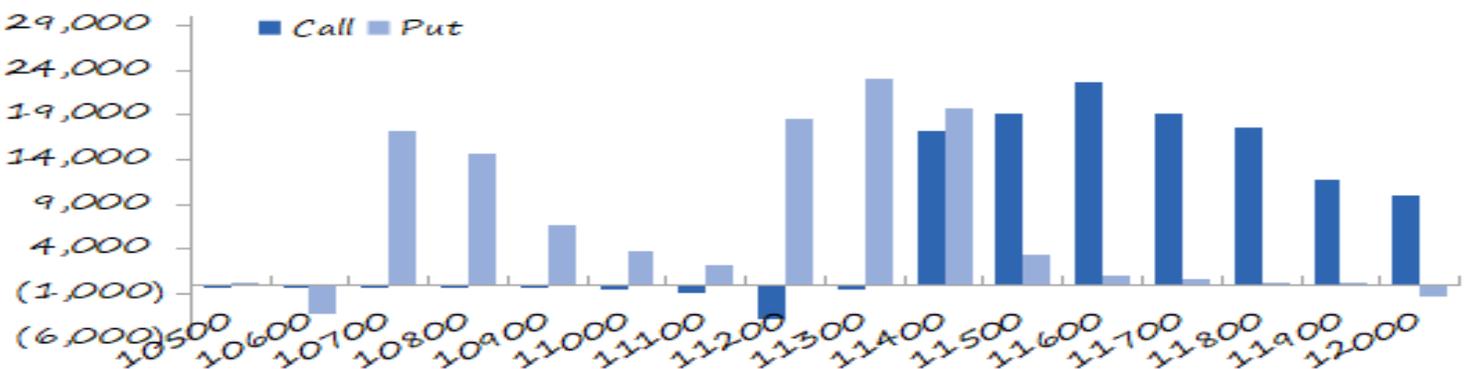
Long Formation

Scrip	OI Futures	OI Chg (%)	Price	Price Chg(%)
BHEL	84777000	35.88	40.85	8.93
PAGEIND	135060	31.52	20338.55	6.92
L&TFH	36964800	29.37	68.05	5.83
PNB	87444000	28.86	35.75	11.20
TATACHEM	5096000	22.56	315.80	6.82

Short Formation

Scrip	OI Futures	OI Chg (%)	Price	Price Chg(%)
PETRONET	12180000	8.88	249.95	(3.94)
LUPIN	8755850	4.68	984.25	(3.62)
BHARTIARTL	104494503	9.06	520.45	(1.73)
APOLLOHOSP	1055000	6.73	1683.80	(1.62)
WIPRO	29184000	15.68	274.10	(1.23)

Weekly change in OI



Technical and Derivatives Team:

Sameet Chavan	Chief Analyst – Technical & Derivatives	sameet.chavan@angelbroking.com
Ruchit Jain	Senior Analyst - Technical & Derivatives	ruchit.jain@angelbroking.com
Rajesh Bhosale	Technical Analyst	rajesh.bhosle@angelbroking.com
Sneha Seth	Derivatives Analyst	sneha.seth@angelbroking.com

Research Team Tel: 022 - 39357600 (Extn – 6844)

Website: www.angelbroking.comFor Technical & Derivative QueriesE-mail: technicalresearch-cso@angelbroking.com**DISCLAIMER**

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