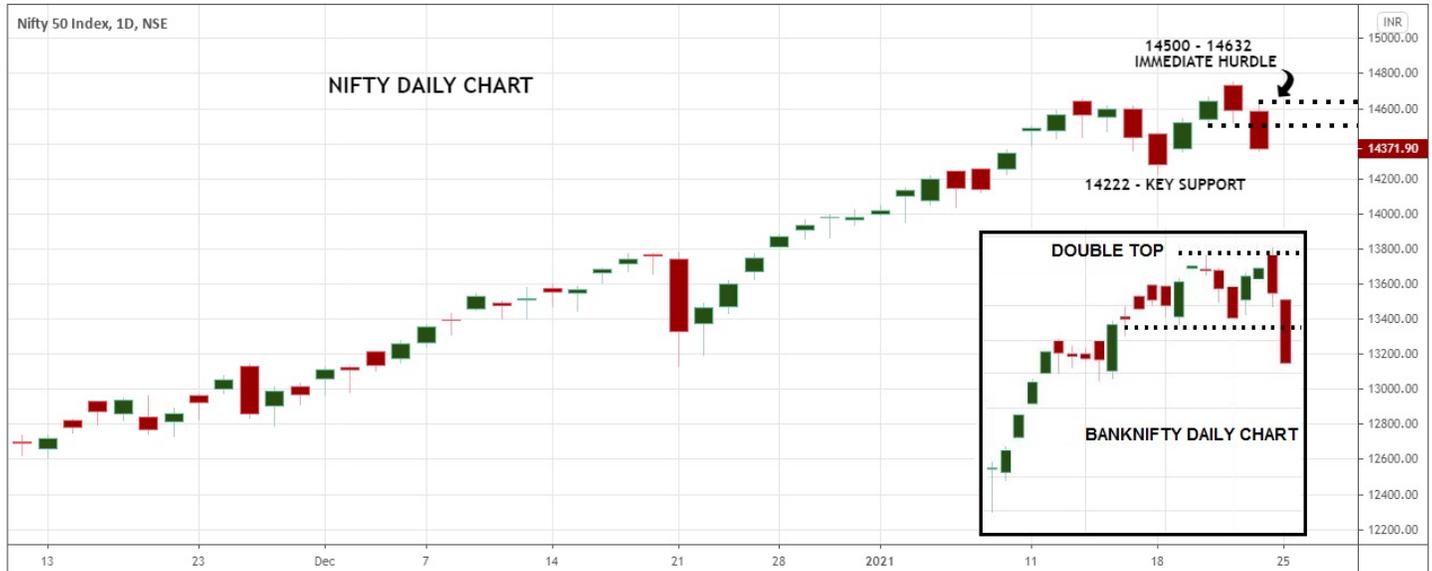


Market erased weekly gains; courtesy to brutal knock in financials

Sensex (48879) / Nifty (14372)

NSE:NIFTY, 1D 14371.90 ▼ -218.45 (-1.5%) O:14583.40 H:14619.90 L:14357.75 C:14371.90



TradingView

Source: Trading View

Future outlook

Last Friday's weakness was carried over this Monday as well and hence, Nifty witnessed a decent corrective move on the opening day to test sub-**14300** levels. However, the bulls were not ready to give up easily as they came back strong on the subsequent two sessions on the back of overall global optimism. In the process, almost all major sectoral indices registered their new record highs. Everything looked hunky dory until the sudden profit booking took place in the last hour of the weekly expiry. This sell off went on to intensify on the last day of the week to erase all weekly gains to conclude tad below the **14400** mark.

Early this week, markets took a smart U-turn on lot of positivity across the globe. Although, new highs were being hit, we were not convinced with the move and we had clearly stated this in our intra-week commentary. The main reason behind this was indices (NIFTY, BANKNIFTY and NIFTY MIDCAP 50) making new highs with the 3-points Negative Divergence in the RSI-Smoothed oscillator on daily chart. Such divergence with 3 points is generally considered a sign of caution and hence, repeatedly we advised not getting carried away by the euphoria. Now, although Nifty has not broken any major supports, the development in BANKNIFTY does not look encouraging at all. In fact, the entire banking and financial space was the major culprit behind Friday's correction as they took a solid knock. To be specific, BANKNIFTY has confirmed a double top pattern on daily chart and has broken its important swing low with an ease. The weekly chart of the same exhibits a confirmation of 'Long Legged Doji' pattern. For Nifty, the important support to watch out would be **14222**, below which the recent bullish structure will get distorted to extend the correction towards **14000 – 13800** levels. On the higher side, **14500 – 14632** would be seen as immediate hurdles.

Historically, it is rare to see a major trend reversal ahead of any mega event. Hence, it would be interesting to see how things pan out in the forthcoming week as the Union Budget is around the corner. Looking at the price development, it does not look encouraging. All eyes should be on the financial space; because if further weakness has to come, it would certainly be led by this space. We continue to advise staying light on positions and should ideally avoid creating leveraged positions ahead of the budget (especially in high beta counters). With a broader view, if any significant correction comes, it would be a great opportunity to accumulate quality propositions in a staggered manner.

Call writers added fresh positions as indices correct

Nifty spot closed at **14371.90** this week, against a close of **14433.70** last week. The Put-Call Ratio has decreased from **1.19** to **1.14**. The annualized Cost of Carry is positive at **3.49%**. The Open Interest of Nifty Futures has decreased by **3.73%**.

Derivatives View

Nifty current month future closed with a premium of **8.25** points against a premium of **24.80** points to its spot. Next month future is trading at a premium of **48.05** points.

As far as Nifty options activities are concerned, we saw open interest build-up in 14500-14800 call options indicating call writers adding shorts at higher strike price. Maximum open interest concentration is at 15000 followed by 14600 call options and at 14000 put.

Post a negative start on the first day of the week, the Nifty pulled higher on next couple of sessions and registered new high around 14750 on Thursday. However, we witnessed a correction in the later half on Thursday which continued on the last day as well and the index ended the week below 14400. Nifty witnessed unwinding of some positions while short formations were seen in Bank Nifty. FII's added some short positions in the index futures and hence, their 'Long Short Ratio' has declined to tad below 60 percent. In options segment too, call writers have added decent amount of positions and hence, upside seems to be limited in the coming expiry week. Traders should prefer to lighten up longs on any pullback moves towards 14450-14500. The immediate support is for Nifty is placed around 14200 and it would be crucial to see how the market if it comes around this support.

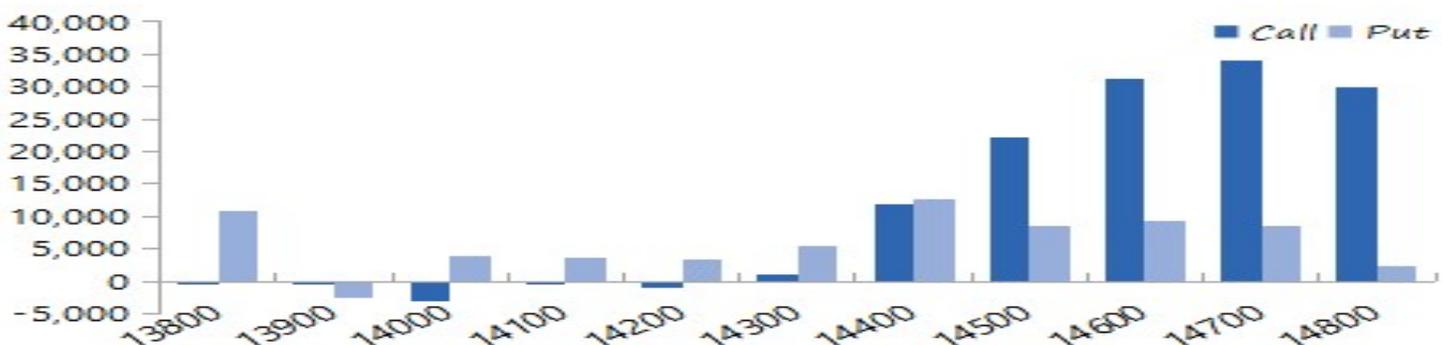
Long Formation

Scrip	OI Futures	OI Chg (%)	Price	Price Chg(%)
APOLLOTYRE	19985000	51.69	232.60	26.24
HAVELLS	5307000	42.97	1121.75	14.19
BAJAJ-AUTO	2226500	20.45	4086.30	13.68
VOLTAS	2702000	19.40	935.95	4.97
PVR	2140006	7.79	1520.30	4.83

Short Formation

Scrip	OI Futures	OI Chg (%)	Price	Price Chg(%)
BIOCON	17657100	50.41	394.90	(13.94)
BANDHANBNK	30376800	38.37	314.65	(14.91)
RBLBANK	31659300	24.04	229.30	(9.22)
MGL	2353800	22.94	1041.65	(4.82)
MOTHERSUMI	34545000	22.46	156.60	(4.01)

Weekly change in OI



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