

Some tentativeness around 12000, but odds in favor of bulls

Sensex (40686) / Nifty (11930)

NSE:NIFTY, 1D 11930.35 ▲ +33.90 (+0.28%) O:11957.90 H:11974.55 L:11908.75 C:11930.35



TradingView

Source: Trading View

Future outlook

All global markets had a mid-week hiccup in the previous week and we too reacted to it in the form of a decent single day correction on Thursday i.e. 15th October. Fortunately, the major support zone of **11650- 11600** was defended successfully on the subsequent day. The follow up of the same was witnessed this Monday as our markets kick started the week on a cheerful note. Although we could reclaim **12000** this week, the momentum was clearly lacking as the benchmark once again looked a bit tentative around this. For index specific traders, it was clearly a dull week as we witnessed a lot of choppy trades with no clear direction. Eventually, the Nifty concluded the week with more than a percent gains as compared to the previous week close.

Now, let's dig into a bit of technicals and understand why **11650 – 11600** is considered to be a strong as well as crucial support zone. If we connect all major highs from record highs in a descending order, the trend line / pull back support comes around this level, which coincides with the 20-day EMA as well. Hence, as long as this support is not violated, one should adopt a buy on dips strategy. A close below **11650 – 11600** would result in a short term trend reversal and hence, traders should start lightening up positions after it. Before this, intermediate supports are at **11820 – 11775**. Now, we are tad below **12000** and if we have to pre-empt any direction, we expect the Nifty to surpass **12000 – 12050** levels in coming days to head towards **12200 – 12400**.

If we are anticipating this to happen then there has to be some technical evidences to back this hypothesis and they are as follows: 1) The 'RSI-Smoothened' for Nifty on weekly time frame chart has started moving northwards after entering a bullish territory above the 70 mark, which is likely to provide impetus, 2) After a long underperformance, banking started to show inherent strength and as we all know when financial starts participating in any rally; it is to be considered the robust one. To add to our conviction, the 'ADX 14' indicator on the daily chart is moving northwards after surpassing the 25 mark. This development generally unfolds a big trended move, 3) The undercurrent is strong and we are seeing different sectors participating one after another and the way midcap index is poised, another percent up move from hereon would confirm a strong breakout in 'Nifty MIDCAP 50' index. So, considering all this, odds are very much in favor of the bulls. But since we are approaching a mega global event (US Presidential election), we may see some volatility increasing and hence, keep a regular tab of all above mentioned levels.

Fresh longs despite choppy move

Nifty spot closed at **11930.35** this week, against a close of **11762.45** last week. The Put-Call Ratio has increased from **1.31** to **1.47**. The annualized Cost of Carry is positive at **2.04%**. The Open Interest of Nifty Futures has increased by **7.31%**.

Derivatives View

Nifty current month future closed with a premium of **4.00** points against a premium of **2.70** points to its spot. Next month future is trading at a premium of **28.30** points.

As far as Nifty options activities are concerned, 11900-12500 call options added fresh position; wherein, 12200 and 12500 calls added huge positions. On the flip side, we saw decent writing in 11800 and 11900 put strikes. Maximum open interest for the monthly series is placed at 12500 call and 11500 put options.

We started-off the week on a cheerful note and saw follow-up buying to reclaim 12000 mark. However, buying interest was missing at the higher levels and hence we saw index consolidating in the range of 250 points. Eventually, week concluded on a positive note along with addition of fresh longs. The banking index once again outperformed the benchmark index and concluded the week with the gains of 4%. Stronger hands preferred adding few shorts; however, the quantum remained insignificant. At present, 11750-12050 is the immediate trading range and any move beyond these levels may bring back the directional move.

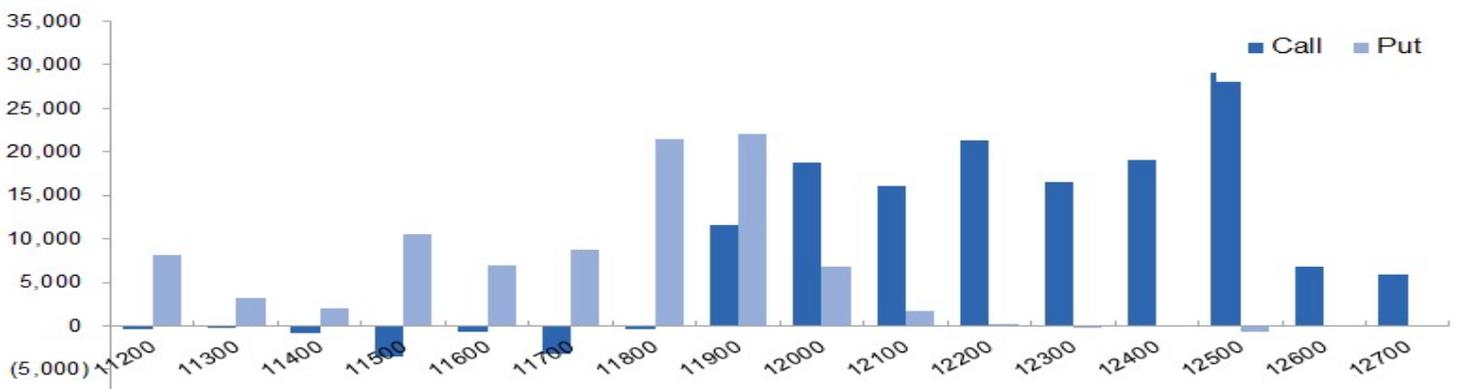
Long Formation

Scrip	OI Futures	OI Chg (%)	Price	Price Chg(%)
M&MFIN	23009364	48.07	135.15	7.35
AMARAJABAT	1429000	32.31	763.35	5.31
APOLLOTYRE	11755000	22.77	149.90	16.56
TATASTEEL	29391300	19.27	424.40	7.42
L&TFH	31613200	18.81	65.00	5.78

Short Formation

Scrip	OI Futures	OI Chg (%)	Price	Price Chg(%)
BRITANNIA	1818200	83.92	3474.80	(7.58)
UPL	17655300	30.69	452.20	(3.50)
HEROMOTOCO	2670000	23.96	3111.75	(6.75)
CIPLA	15288000	21.15	759.40	(2.96)
SBILIFE	6361500	19.15	772.90	(3.62)

Weekly change in OI



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