Market jolts ahead of budget, but manages to regain strength

Sensex (41613) / Nifty (12248)

Source: Trading View

Future outlook

The starting point of the week gone by was excellent as the pre-open suggested a bumper opening at records highs on Monday; courtesy to gap up opening in two major index movers (RIL and HDFC Bank) after posting their quarterly numbers over the weekend. But this ecstasy at the opening was flatter to deceive. Markets started coming off fiercely right from the word go, in fact the selling aggravated as the day progressed to conclude with sharp cuts. This negativity continued for subsequent two sessions to slide towards the **12100** mark. Fortunately, the mighty bulls came for a rescue and were successful in pulling the market higher to end the week well above **12200**.

It seems that looking at the recent behaviour, market is giving full justice to the famous phrase 'All's well that ends well'. Technically speaking, we reversed precisely from a crucial juncture. Firstly, the support of **12100** was placed at the 61.8% Fibonacci retracement of the recent up move from **11929.60** to **12389.05** (proper traded high). And second but most important observation was the convergence of 'Upward Sloping Trend Line' drawn by joining recent swing lows with the low of **10670.25**. Now, the forthcoming week would be crucial for our market as we are heading for one of the mega events, Union Budget slated on 1st February. So, most probably we are likely to see an action packed week especially for individual stocks.

As far as Nifty is concerned, we may see Nifty going back to **12300 – 12390** ahead of the budget and a positive outcome would enable it crossing this sturdy wall of **12400** convincingly. On the flipside, **12200** followed by **12150** would be seen as a sacrosanct support zone. Last week we had mentioned about 'Midcap' index entering an overbought zone and possibility of some breather cannot be ruled out. In line with this, initial part of the week, index remained sideways and was clearly bucking the trend by not correcting as much as our benchmark did. And once they settled, the 'Midcap' universe resumed its uptrend, which is likely to extend further.

Index recovers from support, biasness remains positive

Nifty spot closed at **12248.25** this week, against a close of **12352.35** last week. The Put-Call Ratio has decreased from **1.46** to **1.42.** The annualized Cost of Carry is positive at **11.60%.** The Open Interest of Nifty Futures has decreased by **1.66%.**

Derivatives View

Nifty current month future closed with a premium of **23** points against a premium of **32.30** points to its spot. Next month future is trading with a premium of **61.25** points.

As far as Nifty options activities for the week are concerned, we saw fresh build-up in **12200-12500** call options. On the other side, build-up was seen in **12100** and **12200** puts. Maximum open interest for the monthly series now stands at **12000** put and **12500** call option.

Post starting on a positive note, the indices corrected during the first three trading sessions. During this fall, short positions were built in the Bank Nifty index. However, Nifty managed to find support around the 12100 mark and it pulled back higher in last couple of trading sessions. The open interest activity indicates a resistance for Nifty in the range of 12400-12500, whereas support is placed around 12200 and 12100 mark. We expect the index trade within this broad range before the announcement of the Union Budget on February 1st. Traders are advised to use dips as buying opportunities and trade with a positive bias. Since the banking space has seen some underperformance in the recent past, we could see some short covering move in this space.

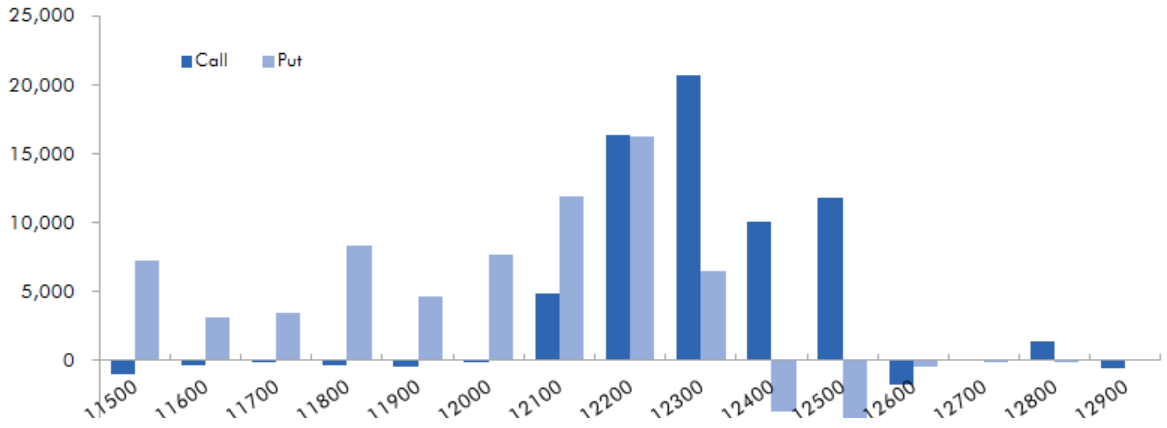
Long Formation

Scrip	OI Futures	*OI Chg (%)*	Price	*Price Chg (%)*
VOLTAS	4682000	28.03	725.40	2.42
NIITTECH	1089750	26.13	1925.90	7.58
EQUITAS	23034900	22.45	110.85	4.72
BATAINDIA	2562450	15.95	1852.30	3.17
JUSTDIAL	2556400	15.86	609.95	4.68

Short Formation

Scrip	OI Futures	*OI Chg (%)*	Price	*Price Chg (%)*
OIL	9517200	95.12	140.80	(10.32)
COALINDIA	37157400	75.25	193.85	(6.94)
NTPC	87734400	60.00	114.50	(5.49)
BEL	41376000	43.16	101.85	(6.39)
ONGC	57100700	32.71	118.00	(5.79)

Weekly change in OI



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