

Some respite at 200-SMA, but still not out of the woods yet

Sensex (37389) / Nifty (11050)

NSE:NIFTY, 1D 11050.25 ▲ +244.70 (+2.26%) O:10910.40 H:11072.60 L:10854.85 C:11050.25



TradingView

Source: Trading View

Future outlook

We started the week on a flat note as there was no major development over the weekend on the domestic as well as global front. But all of a sudden, the global markets started feeling the heat and had a rough afternoon on Monday. Undoubtedly, this negativity had a rub off effect on our market and as a result, the Nifty took a nosedive in the latter half to shed more than 200 points. This development set the tone for the remaining part of the week and market extended losses in the following sessions to conclude one of the worst monthly expiries in the last six months. On Friday, fortunately we had a smart recovery to defend the **11000** mark on a weekly basis.

Barring the last day of the week, our markets kept grinding lower and didn't respect any intermediate support in the process. The velocity at which the market came off this week, it might have caught a lot of traders on the wrong foot. But honestly speaking, we were not surprised with it and with reference to our recent articles; we have been repeatedly advocating caution in the recent rally. The way prices looked overstretched, reaching a cluster of multiple Fibonacci ratios/ key indicators and importantly the positioning of US Dollar index recently, we avoided participating in the last phase of the recent euphoria. And yes, when the euphoria reaches complacency, the market eventually tends to show its supremacy. We had a couple of hints in the previous three weeks but who ignored it, had to pay the price. Without boasting further, the cautious stance initially and then a 'Sell on rise' has played out well so far.

This is past now but the important question is what's next and is there further room for the market to correct? In our sense, the market is not done yet and although we have seen a smart broad based recovery on Friday, we expect the selling to re-emerge at higher levels around **11150 - 11250**. On the daily chart, we can see a confirmation of 'Lower Top Lower Bottom' for the first time since May lows. Hence, the probability of Nifty sliding below **10820 - 10770** is quite high to test the next cluster of supports around **10600 - 10450**. However, with a broader view, we still believe that this is just a corrective phase within the large uptrend and thus, it is likely to provide a very good opportunity to accumulate quality propositions in a staggered manner. But for momentum traders, it's advisable not to get carried away by in between bounce backs as we are still not completely out of the woods.

Nifty starting October series with lower base

Nifty spot closed at **11050.25** this week, against a close of **11504.95** last week. The Put-Call Ratio has decreased from **1.37** to **1.31**. The annualized Cost of Carry is negative at **0.76%**. The Open Interest of Nifty Futures has decreased by **28.86%**.

Derivatives View

Nifty current month future closed with a discount of **8.05** points against a premium of **10.30** points to its spot. Next month future is trading at a premium of **12.65** points.

As far as Nifty options activities are concerned, the build-up was scattered between 11000-11500 call. On the flip side, fresh positions were formed in 10000, 10500, 10600 and 11000 put options Maximum open interest is now placed at 11500 call and 10500 put option.

Last week, we saw massive sell-off to correct from 11500 to 10800. However, sharp recovery was seen on Friday's led weekly closing tad above 11000 mark. Now, in the recent correction we saw long unwinding in Nifty and short formation for banking index. Rollover in Nifty was below average and now we are starting new series with lower base. However, good amount of shorts have been rolled-over in BankNifty. Despite smart recovery on Friday, we haven't seen any relevant long formation in Nifty. As the above data remains unclear at present and one should wait for follow-up move with addition meaningful position before initiating any directional trade. Going ahead, 11200-11300 may act as an immediate hurdle; whereas, around 10800 is the demand zone.

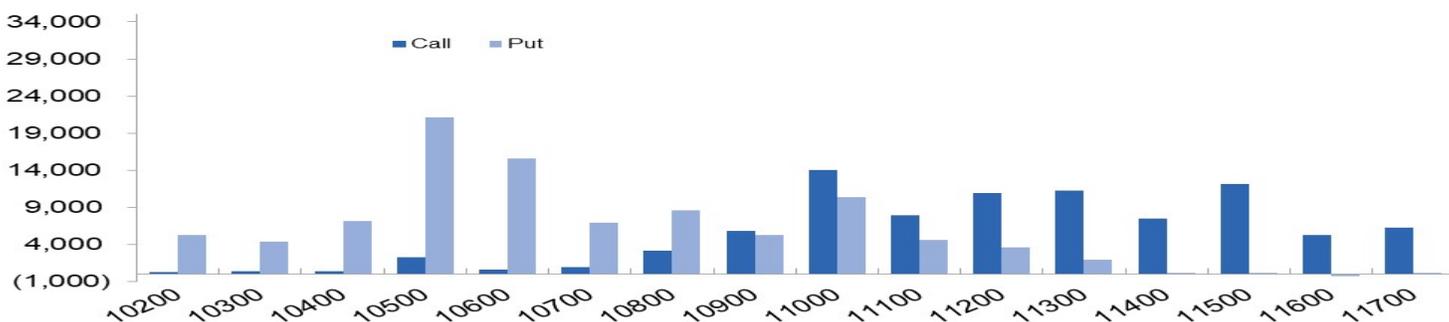
Long Formation

Scrip	OI Futures	OI Chg (%)	Price	Price Chg(%)
APOLLOHOSP	1465500	16.63	1986.00	8.49
BERGEPAIN	3489200	14.02	583.75	0.34
COFORGE	642750	9.94	2312.85	4.84
HCLTECH	14578200	1.22	830.20	1.98

Short Formation

Scrip	OI Futures	OI Chg (%)	Price	Price Chg(%)
ZEEL	35562000	16.97	198.45	(10.47)
JINDALSTEL	24595000	10.96	176.35	(11.49)
POWERGRID	15288000	8.73	161.60	(6.35)
MARUTI	2286000	8.43	6516.35	(6.99)
ITC	131353600	8.36	171.20	(5.02)

Weekly change in OI



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