

Bulls defended the territory, better to take one step at a time

Sensex (35171) / Nifty (10383)

NSE:NIFTY, 1W 10383.00 ▲ +94.10 (+0.91%) O:10318.75 H:10553.15 L:10194.50 C:10383.00



TradingView

Source: Trading View

Future outlook

The previous week's tail end surge was followed by a good start on Monday; but the overall trading range was extremely narrow. We continued upward momentum on the following day as well, in fact on Wednesday, markets started with a bang at three months high. But all of a sudden, markets took a nosedive from higher levels. This turned out to be a profit booking after a consistent rally of nearly 800 points in a span of 5-6 days. Last couple of days' price action was more of a range bound action with a positive bias. Eventually, Nifty ended the week by adding over a percent from the previous weekly close.

During the midst of the week, we witnessed a reality check at **10500** and fortunately, the profit booking did not extend too long. In fact, prior to Friday's session, we were hoping Nifty not to close below **10300-10250** levels. Because this would have resulted in a formation of 'Shooting Star' pattern that too near '200-SMA' on the weekly chart. However, due to Friday's close, we can see a formation of 'Spinning Top' pattern and this generally indicates neutral bias i.e. neither the bulls dominated, nor the bears had the upper hand. Ideally a close beyond **10500-10550** would have suggested a stronger closer but nevertheless bulls somehow managed to defend their territory. Now, this week's low of **10194** would now be seen as a key support and as long as we are above it, there is no reason to worry. So practically speaking, traders are advised to trail stop losses higher at this level and a breach of this would result in a strong bout of profit booking in the market.

On the flipside, we expect the rally to continue and a move beyond **10500** would certainly unfold the next leg towards **10700 - 10850** levels. Since, there is a cluster of resistance at every 200 points up move from hereon, traders are advised to take one step at a time and should ideally avoid carrying aggressive bets overnight.

Options data hints probability of some consolidation

Nifty spot closed at **10383** this week, against a close of **10244.40** last week. The Put-Call Ratio has decreased from **1.56** to **1.33**. The annualized Cost of Carry is negative at **6.72%**. The Open Interest of Nifty Futures has increased by **8.37%**.

Derivatives View

Nifty current month future closed with a discount of **65** points against a premium of **26.35** points to its spot. Next month future is trading at a discount of **67.60** points.

As far as Nifty options activities for the week are concerned, we witnessed open interest addition in 10500 call option. On the flipside, open interest addition was seen in 10000 put option. Maximum open interest for the weekly series is at 11000 call option and 10000 put option.

During the monthly expiry week, the index witnessed some profit booking from the resistance of 10500. The rollover in Nifty is higher than its average indicating long position being rolled. However, FII's have not rolled much of their index futures long positions. The weekly options data indicates a probable trading range of 10000-10500 for the coming week. Thus, there is possibility of some consolidation and hence, traders are advised to trade with a stock specific approach.

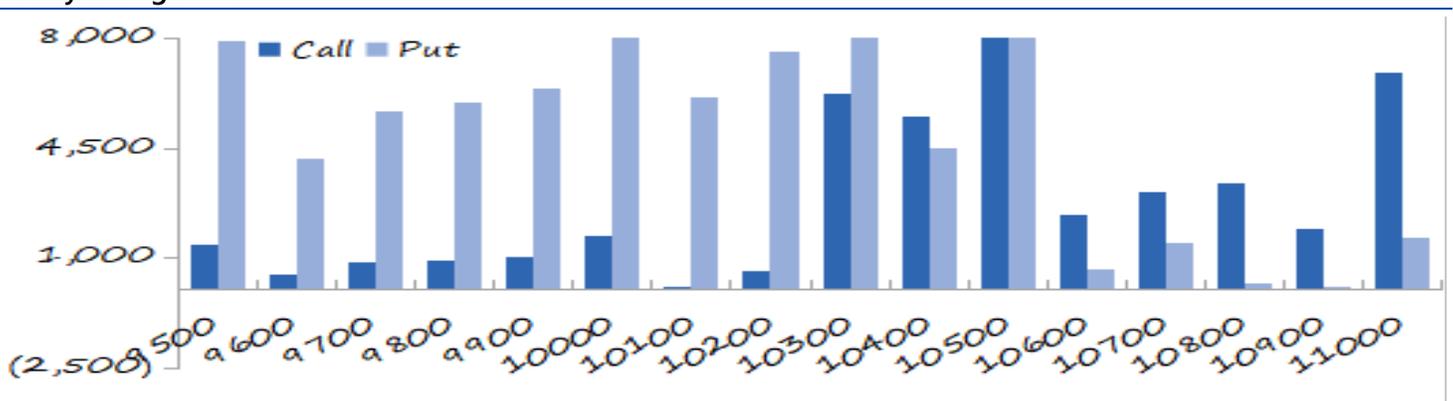
Long Formation

Scrip	OI Futures	OI Chg (%)	Price	Price Chg (%)
COLPAL	2179800	21.93	1394.20	2.65
SUNTV	5452500	12.30	419.90	5.09
NIITTECH	580500	11.85	1462.25	9.55
MRF	17250	9.66	66144.85	4.91
TECHM	18236400	7.70	556.65	3.40

Short Formation

Scrip	OI Futures	OI Chg (%)	Price	Price Chg (%)
AMARAJABAT	1817000	27.62	648.95	(3.86)
ONGC	68445300	26.07	84.20	(1.86)
EXIDEIND	11638800	12.25	149.10	(1.91)
RELIANCE	36637750	7.96	1738.70	(1.23)
TORNTPHARM	1198500	7.92	2472.50	(2.62)

Weekly change in OI



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