

Nifty reclaims 9500, a sigh of relief for bulls

Sensex (32424) / Nifty (9580)

NSE:NIFTY, 1D 9580.30 ▲ +90.20 (+0.95%) O:9422.20 H:9598.85 L:9376.90 C:9580.30



TradingView

Source: Trading View

Future outlook

Although the week started on a sluggish note after an extended weekend, our markets saw good buying interest throughout the remaining part of the week. Till last week, we were considerably underperforming our global bourses, but with this smart rally, we finally got coupled with global peers. Month on month, we might see index ending lower but looking at the intra-month activity, the Nifty managed to conclude the May month at the highest of the month (on a closing basis).

Going by the famous idiom 'all's well that ends well', the bulls must be a bit relieved now. Fortunately, at the start of the week, we carried our bullish inclination after observing a positive divergence in RSI Smoothened in the hourly chart of BankNifty previous Friday. This anticipation played out well and with weakest link (banking space) taking the charge, the Nifty got elevated beyond **9500** before anyone could realise. Nifty has now reached to our immediate target of **9450 - 9500**, but the way charts are shaped up, we expect the Nifty to test the higher end of the downside gap area of **9532-9731** created on May 04, 2020 (or may even head higher). On the flipside, **9450** followed by **9380** would now be seen as a sacrosanct support.

As we have just alluded, this week's rally is clearly propelled by the banking space and historically it's proven, whenever the banking conglomerates starts participating in any rally, it is considered to be a robust one. Hence, traders should look to use declines to go long and ideally the stock centric approach would fetch better trading opportunities as well as the higher potential gains.

Short Covering lifts the market in expiry week

Nifty spot closed at **9580.30** this week, against a close of **9039.25** last week. The Put-Call Ratio has increased from **1.28** to **1.61**. The annualized Cost of Carry is negative at **12.16%**. The Open Interest of Nifty Futures has increased by **5.17%**.

Derivatives View

Nifty current month future closed with a discount of **98.05** points against a discount of **12.70** points to its spot. Next month future is trading with a discount of **104.70** points.

As far as Nifty options activities for the week are concerned, we witnessed some open interest addition in 9500-10000 call options. On the flipside, 9500-9000 put options saw open interest additions as well. Maximum open interest for the June monthly series now stands at 10000 call option and 9000 put option.

During this week, Nifty took support near the 9000 mark and rallied higher in last couple of sessions of the May series expiry. This upmove was due to a combination of short covering and fresh long formation. The Banking space mainly led the markets on back of short covering. The rollover in Nifty is at 75.67% while in Bank Nifty it is at 81.13%. FI's have squared off much of their index futures short positions during expiry and their 'Long Short Ratio' is now at 60%. As per the options data, the immediate support for Nifty futures is placed around 9200. As of now, traders are advised to use declines as buying opportunities and trade with a positive bias. It is also advisable to keep a tab on the Nifty Put-Call Ratio which is now at 1.61. Usually PCR value around 1.80 is considered as overbought zone where traders should then prefer to book profits on long positions.

Last but certainly not the least, since last couple of days we have been receiving many queries on why Nifty future is trading at a big discount. In our sense, it is more to do with some of the index heavyweights going ex-dividend in June month and hence, it is already been discounted in the index future.

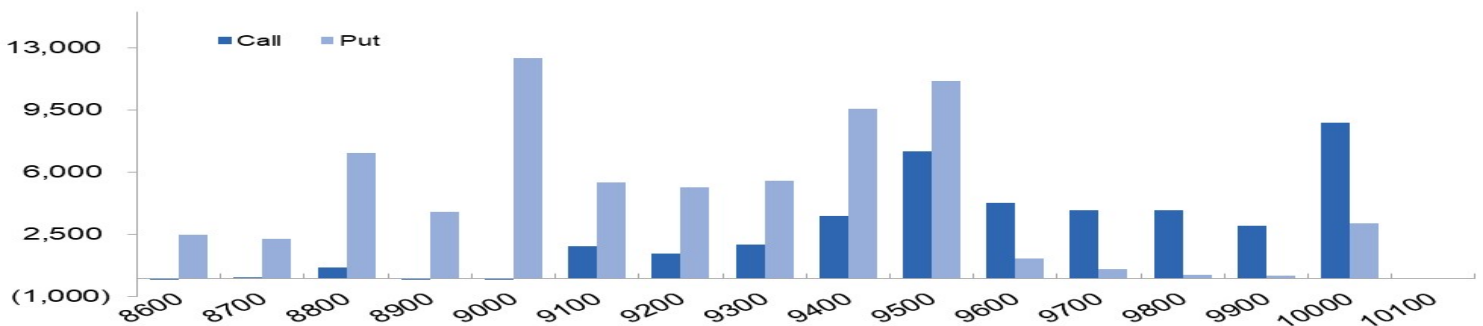
Long Formation

| Scrip | OI Futures | OI Chg (%) | Price | Price Chg (%) |
|------------|------------|------------|---------|---------------|
| MOTHERSUMI | 25462000 | 34.64 | 93.60 | 18.18 |
| JSWSTEEL | 33697400 | 16.66 | 182.80 | 10.49 |
| BRITANNIA | 1685400 | 16.64 | 3363.65 | 6.61 |
| BALKRISIND | 1228800 | 15.92 | 1073.30 | 8.51 |
| JUSTDIAL | 1925000 | 14.01 | 390.15 | 12.24 |

Short Formation

| Scrip | OI Futures | OI Chg (%) | Price | Price Chg(%) |
|------------|------------|------------|---------|--------------|
| TORNTPHARM | 1406000 | 55.88 | 2350.30 | (9.46) |
| BHARTIARTL | 82347288 | 40.03 | 551.00 | (6.98) |
| SUNTV | 3979800 | 3.86 | 384.30 | (2.31) |
| - | - | - | - | - |
| - | - | - | - | - |

Weekly change in OI



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