

Volatility rises ahead of the global event, still key levels defended

Sensex (39614) / Nifty (11642)

NSE:NIFTY, 1D 11642.40 ▼ -28.40 (-0.24%) O:11678.45 H:11748.95 L:11535.45 C:11642.40



TradingView

Source: Trading View

Future outlook

This week, the global markets went through a severe pain as participants started to sense Donald Trump's defeat in the upcoming US Presidential election. To rub salt on the wound, major European countries imposed lockdown due to the rising coronavirus cases. This resulted into a massive sell off in developed markets, which had a rub off effect on our market as well. Right from the word go, we looked nervous; but fortunately the reaction was not as brutal as it is in the global peers. In fact, a reasonable recovery in the second half on Friday lifted markets higher in the safer territory above the **11600** mark.

As we all know, the volatility increases ahead of any major event and due to any uncertainty and since, rising volatility mostly makes the market a bit nervous, we tend to see some correction. Fortunately, in our market the damage was no way closer to the major global markets. In the midst of all volatile and uncertain behavior, we managed to defend key levels on a closing basis. We have been consistently mentioning the key support zone around **11660 – 11600** and on Friday, the same got breached due to volatility on an intraday basis. But as a technician, we give more weightage to a closing point; we can get a bit relaxed as the support remains very much intact. In the forthcoming week, **11600 – 11500** has now become an important support zone; whereas on the higher side, if we have to regain any strength, the Nifty has to reclaim **11760 – 11800** levels convincingly. Above this, we may again see the market resuming its northward trajectory. But as we are stepping into an eventful week, all eyes would be on all these developments, which may probably dictate the near term direction. As of now, since important levels are still intact, we still remain hopeful.

There were few individual pockets witnessed decent profit taking but among all, banking still shows some strength and held onto its key levels. So, any recovery from here on in benchmark, the financial space plays a vital role in it. Apart from this, the midcap index continues to show some resilience and we witnessed some interesting moves towards the end when key indices were feeling a heat. With continuation to the previous week's view, another couple of percent move in the Midcap index would lead to a strong breakout in this universe. Let see how things pan out in the forthcoming week and hence, traders should stay light and keep a close tab on these developments.

Volatility likely to remain high in coming week

Nifty spot closed at **11642.40** this week, against a close of **11930.35** last week. The Put-Call Ratio has decreased from **1.47** to **1.46**. The annualized Cost of Carry is negative at **0.46%**. The Open Interest of Nifty Futures has decreased by **12.66%**.

Derivatives View

Nifty current month future closed with a discount of **4.00** points against a premium of **28.30** points to its spot. Next month future is trading at a premium of **12.65** points.

As far as Nifty options activities are concerned, 11700-12000 call options added fresh positions; and open interest addition was also seen in 11500 put option. Maximum open interest for the weekly series is placed at 12000 call and 11600 put options.

Nifty started the week above the 11900 mark; but the volatility in global markets increased due to rising Covid19 cases in Europe and uncertainty over U.S. elections outcome. This led to some profit booking in our markets too. Nifty managed to defend the 11500 support on the concluding day and ended above 11600 with a cut of about two and a half percent over previous week's close. The rollover figures indicate long positions rolled to November series; but the 'Long Short Ratio' of FI's is at 40 percent which is not an encouraging sign. Also, the India VIX has started to rise ahead of the U.S. elections indicating that volatility would remain high in the near term. The options data hint at trading range of 11500-12000 for the coming week. A breach beyond the above mentioned range could then lead to a directional move. Considering higher volatility, traders are advised to avoid aggressive positions and trade with a stock specific approach.

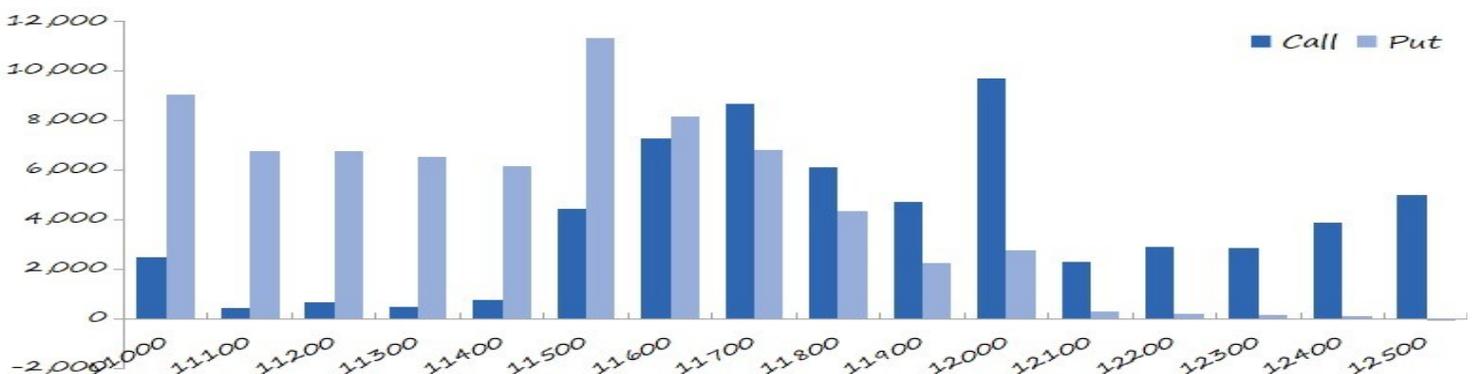
Long Formation

Scrip	OI Futures	OI Chg (%)	Price	Price Chg(%)
KOTAKBANK	14178400	20.23	1541.45	11.11
ASIANPAINT	3048900	11.82	2212.40	4.62
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-

Short Formation

Scrip	OI Futures	OI Chg (%)	Price	Price Chg(%)
HEROMOTOCO	3075300	15.18	2809.00	(9.73)
TORNTPHARM	1095500	13.70	2566.50	(6.26)
ICICIBANK	120451375	6.45	393.85	(5.52)
SUNPHARMA	43775200	5.53	466.45	(3.91)
FEDERALBNK	87558500	4.71	50.70	(9.55)

Weekly change in OI



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