

Nifty lacks conviction at record highs; undertone remains bullish

Sensex (77210) / Nifty (23501)



Source: Tradingview.com

Future Outlook

The Indian equity market demonstrated robust performance throughout the week, with broad market participation creating a strong and positive trading environment. The benchmark index witnessed minimal price activity but firmly maintained its positive stature throughout the week. The week culminated with a modest gain of 0.15 percent, reflecting overall stability and confidence in the market.

Despite the truncated week, Indian equities have captivated the traders' fraternity with their impressive performance. The benchmark index has been reaching new highs, but the lack of a strong follow-up has led to a narrow range of 270 odd points. From a technical standpoint, the small-bodied candle formations suggest that the bulls may be reaching their limit and could be waiting for an external trigger to continue their momentum. As the Nifty index ventures into uncharted territory, it becomes challenging to identify the intermediate resistance. However, with the recent developments, **23650-23700** seem to pose a significant challenge, and a decisive closure could potentially trigger the next leg of the index's rally. On the lower end, strong support is observed around **23400**, which has proven its reliability in the previous week, followed by the crucial support of **23200-23100** (20 DEMA).

From here, if we do not witness any aberrations from the global peers, we might witness consolidation to continue. However, the outperformance of the Banking space and a further move would certainly play in favor of the bulls, hence a close tab is required over sectoral performance in the upcoming week. Meanwhile, we would advocate traders to refrain from complacency and maintain a pragmatic approach with a stock-centric view for an outperformance.

Long Short Ratio soared to 57%, PCR-OI normalizes around 1

Nifty spot closed at **23501.10** this week, against a close of **23465.60** last week. The Put-Call Ratio has decreased from **1.30** to **1.04** on a weekly basis. The annualized Cost of Carry is negative at **3.57%**. The Open Interest of Nifty Futures increased by **2.82%**.

Derivatives View

Nifty current month's future closed with a discount of 13.70 against a premium of 1.05 points to its spot in the previous week. Next month's future is trading at a premium of 111.30 points.

The Indian equity market experienced a robust week of trading, largely driven by strong buying interest in the banking index. Despite final day's selling the Nifty managed to sustain above the crucial support zone and eventually concluded the week marginally higher tad above 23500 mark. In the derivatives segment, we observed the addition of fresh long positions in BankNifty, while no significant open interest was seen in the benchmark index. Interestingly, for the upcoming monthly series, the 23500 call and put strike hold a decent pile-up of positions. Institutional investors continued to remain net buyers in equities, except for Friday. In index futures, they added fresh longs and covered shorts, improving their Long Short Ratio to 57% from 47% seen during start of the week. The expansion of further longs would be a positive development. Given these data points, the market's undertone remains optimistic, and any follow-up buying in the banking space would be an encouraging sign for bulls.

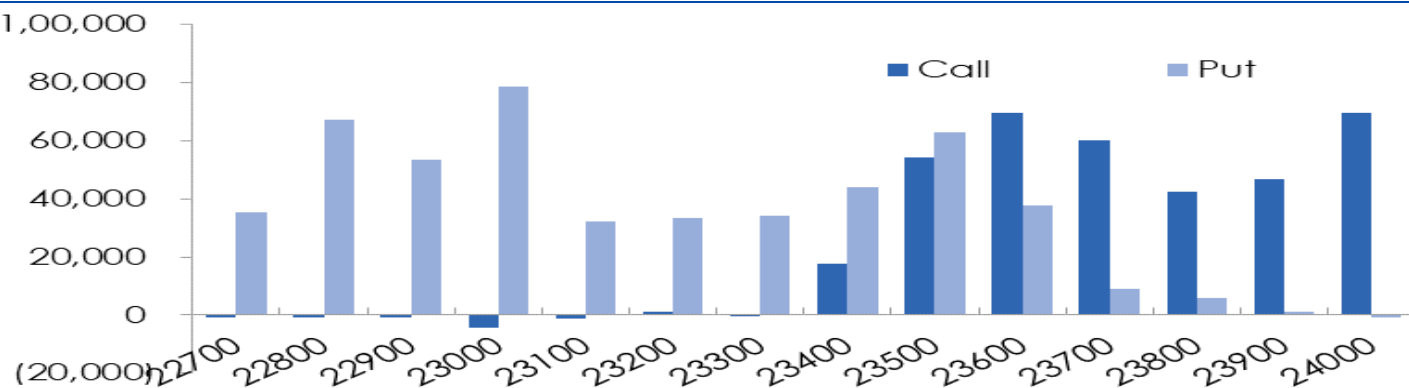
Long Formation

Scrip	OI Futures	OI Chg (%)	Price	Price Chg(%)
COROMANDEL	6709500	92.78	1545.00	4.12
CANFINHOME	5053425	43.34	862.10	3.26
TATACHEM	11068200	38.86	1124.50	1.58
GRANULES	11936000	31.60	490.85	5.99
M&MFIN	38848000	29.56	305.35	2.41

Short Formation

Scrip	OI Futures	OI Chg (%)	Price	Price Chg(%)
INDUSTOWER	187714000	121.52	337.40	(1.01)
HINDPETRO	54385425	54.62	340.70	(36.57)
GUJGASLTD	11665000	29.67	600.05	(3.57)
LUPIN	9078000	23.65	1562.30	(2.68)
IPCALAB	3596450	22.06	1138.15	(3.76)

Weekly change in OI



Report as on Friday, May 17, 2024 closing

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