

Bearish Engulfing for Nifty; caution is warranted

Sensex (81184) / Nifty (24852)



Source: Tradingview.com

Future Outlook

September is typically a month prone to profit-taking, and this pattern appears to be resurfacing as the first week began with a correction. The exhausted Bulls succumbed to the global turmoil on the last session of the trading week, forming a 'Bearish Engulfing' pattern on the weekly time chart for the benchmark index. The Nifty50 index snapped the three weeks of consecutive winning streak and settled with a cut of 1.52% on a weekly basis, a tad above the **24850** zone.

The domestic market has undergone a substantial correction after an extended period, reflecting broad-based participation that has driven down the respective index. The benchmark index has tested the 20 DEMA and the bullish runaway gap on the daily chart, signifying the strong momentum in the correction. However, it is important to view this profit booking as a healthy component in a predominantly upward trend; this allows for a cooling down of elevated valuations and technical parameters, bringing them to a more comfortable level. On the level-specific front, the **25000** mark now seems to be a critical resistance zone, and an authoritative breakthrough could only bring back the positive momentum in the Nifty. On the other hand, the negative crossover on the technical indicators suggests a potential continuation of profit-taking; **24600-24500** is likely to serve as a positional support level for the benchmark in the upcoming week.

Looking ahead, the release of US employment data over the weekend and its potential impact on global markets will likely shape near-term trends. Consequently, it could also set the tone for domestic markets. Additionally, the beaten-up index BankNifty, which failed to witness a trend reversal and retracted to its sulking phase, needs to be watched closely, along with other outliers, especially Midcaps, that may attract some profit booking in the comparable period. Hence, it is advisable to maintain caution and avoid aggressive trades for the time being.

PCR-OI plunged below 1

Nifty spot closed at **24,852** this week, against a close of **25,235** last week. The Put-Call Ratio has decreased from **1.41** to **0.92** on a weekly basis. The Open Interest of Nifty Futures increased by **4.44%**.

Derivatives View

Nifty current month's future closed with a premium of 53.85 against a premium of 141.00 points to its spot in the previous week. Next month's future is trading at a premium of 191.35 points.

The Indian equity market experienced some profit-taking after a fabulous run over the previous four weeks. The Nifty settled the week around 29850, with a decline of over one and a half percent. In the derivatives segment, we observed addition of short positions in both key indices during the week. For the upcoming weekly series, a meaningful buildup of positions was visible in the 24900-25300 call strikes. On the flip side, put writers have shifted to the 24500 put strikes. Activity from stronger hands in equities remained mixed during the week; index futures saw unwinding of longs and addition of fresh short positions. The Long/Short Ratio has declined to 65% from 72% week-over-week. Given Friday's price action, we believe the market may continue to be under selling pressure, and hence traders should avoid any kind of bottom fishing.

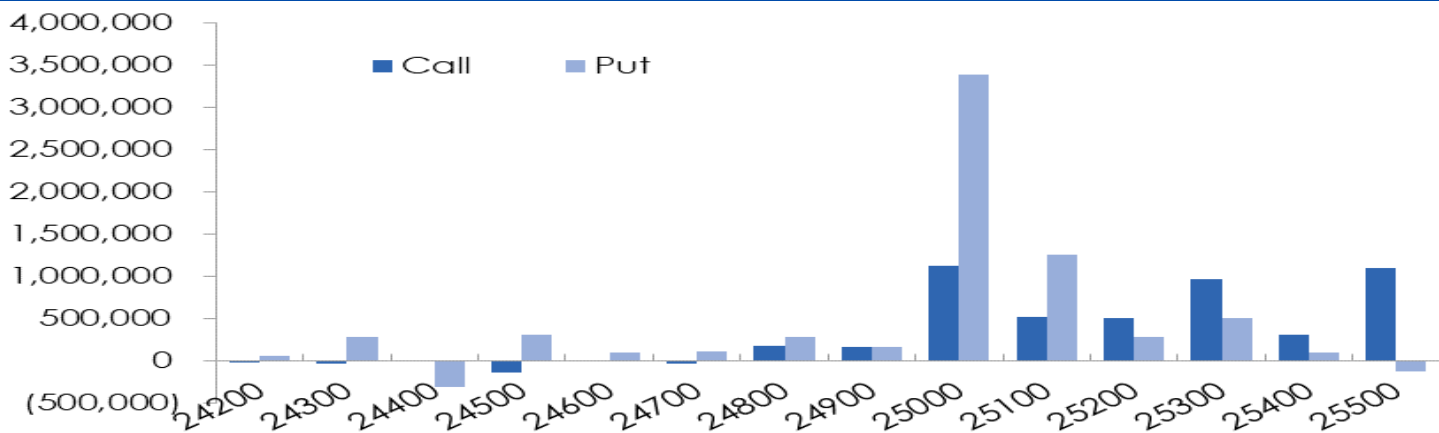
Long Formation

Scrip	OI Futures	OI Chg (%)	Price	Price Chg(%)
MFSL	9665600	87.67	1127.00	4.17
JKCEMENT	882875	58.65	4643.25	5.12
SBILIFE	7180875	22.88	1903.45	2.19
SYNGENE	6595000	16.05	901.90	3.19
IPCALAB	2832050	13.97	1423.10	2.20

Short Formation

Scrip	OI Futures	OI Chg (%)	Price	Price Chg(%)
BSOFT	13364000	25.97	656.35	(2.80)
TATACHEM	10954350	24.20	1061.40	(2.63)
TVSMOTOR	7647850	20.19	2756.25	(2.52)
NMDC	114628500	19.90	209.83	(5.80)
DRREDDY	2825750	17.50	6696.00	(5.39)

Nifty Put-Call Analysis (Sep series)



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