

Markets Slip for Third Week; Budget Week Holds the Key for Directional Breakout

Sensex (76190) / Nifty (23092)



Source: Tradingview.com

Future Outlook

It was an eventful week on both global and domestic fronts, but despite the developments, there was no significant change in price structure. Aside from Tuesday's strong sell-off from higher levels, the week saw choppy sessions, eventually ending with a modest loss of around half a percent, just below **23100**.

Throughout the week, bulls made several attempts to bounce back, but the overall sentiment remained weak as Nifty slipped for the third consecutive week. While the broader markets were under pressure, the sell-off in the benchmark index showed signs of slowing down. This could be a precursor as we approach the budget week, a key event that often sets the market tone, either continuing the current trend or signaling a reversal. Technically, prices have corrected over 12% and are approaching a crucial point. On the weekly chart, the price action since September resembles a 'Falling Wedge' pattern, with the lower boundary coinciding with the 127% reciprocal retracement of the November bounce, around **22900-22800**. This zone may act as a key support for the bulls during the event week, supported by a positive divergence in the RSI, which is currently in the oversold zone. However, if the event fails to inspire confidence amid volatility, we may see the sell-off extend, with the next support level around **22500**. From January 13th, prices have been trading within a range, with any bounce towards 23400 facing resistance. For the bulls to gain momentum, this level needs to be breached, coinciding with the 20-day exponential moving average. A breakout above this level could signal a further extension of the bounce. While it's premature to call for a bullish scenario, a breakout above the upper boundary of the falling wedge, currently near **24000** and above major moving averages, would be crucial to trigger sustained bullish momentum.

After two weeks of range-bound activity, heightened volatility is expected in the markets. Traders should closely monitor these levels and adjust their strategies accordingly. In the midcap space, we saw mixed performance, with some days experiencing sharp sell-offs and others seeing strong rallies. Such volatile movements and themes are likely to continue, so traders need to remain agile in their stock selection.

Long Short Ratio slightly advanced to 20%

Nifty spot closed at **23,092** this week, against a close of **23,203** last week. The Put-Call Ratio has slightly decreased from **0.91** to **0.84** on a weekly basis. The Open Interest of Nifty Futures increased by **9.13%**.

Derivatives View

Nifty current month's future closed with a premium of 21.70 against a premium of 64.00 points to its spot in the previous week. Next month's future is trading at a premium of 154.45 points.

The Indian equity market witnessed high volatile trading week with whipsaw moves. Despite the volatility, the Nifty50 index concluded the week on a muted note, eroding nearly 0.50 percent to settle around 23100. In the derivatives market, we have observed insignificant developments in both the key indices. For the monthly expiry, significant OI concentration is seen at 23000 PE, followed by 22800 PE, suggesting a nearby support. On the flip side, the scattered positioning of OI is seen from the 23200-23500 CE strikes, suggesting potential resistance zones. The Long-Short Ratio slightly advanced towards 20% from 16% on a WoW basis, still signaling an oversold condition. Considering the data, our market seems extremely oversold with heightened volatility. In the meantime, it is advisable to maintain caution and be prepared for some surge in volatility ahead of the Union Budget session.

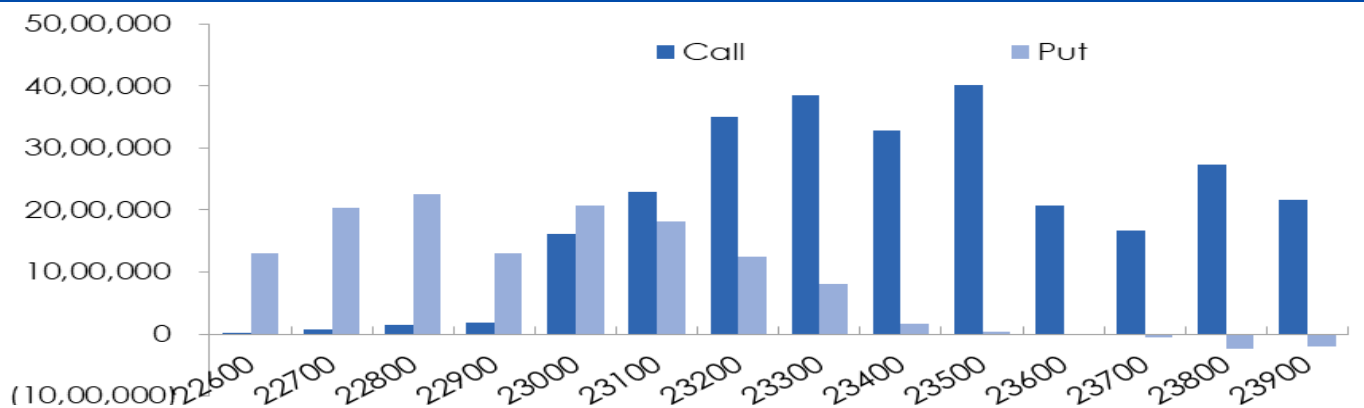
Long Formation

Scrip	OI Futures	OI Chg (%)	Price	Price Chg(%)
DALBHARAT	4086500	63.64	1804.25	4.54
KEI	786300	30.14	4245.15	3.62
UBL	2290400	19.97	2069.80	5.96
PERSISTENT	2229400	16.74	6362.90	6.76
COFORGE	2521800	14.99	9229.05	6.52

Short Formation

Scrip	OI Futures	OI Chg (%)	Price	Price Chg(%)
CYIENT	3849900	167.41	1349.85	(22.34)
INDIAMART	2038500	79.71	2092.70	(8.65)
JIOFIN	98877900	55.91	244.65	(12.50)
SUPREMEIND	1251000	54.52	3815.80	(9.26)
POLYCAB	2704125	47.01	5930.10	(12.58)

Nifty Put-Call Analysis (Jan series)



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