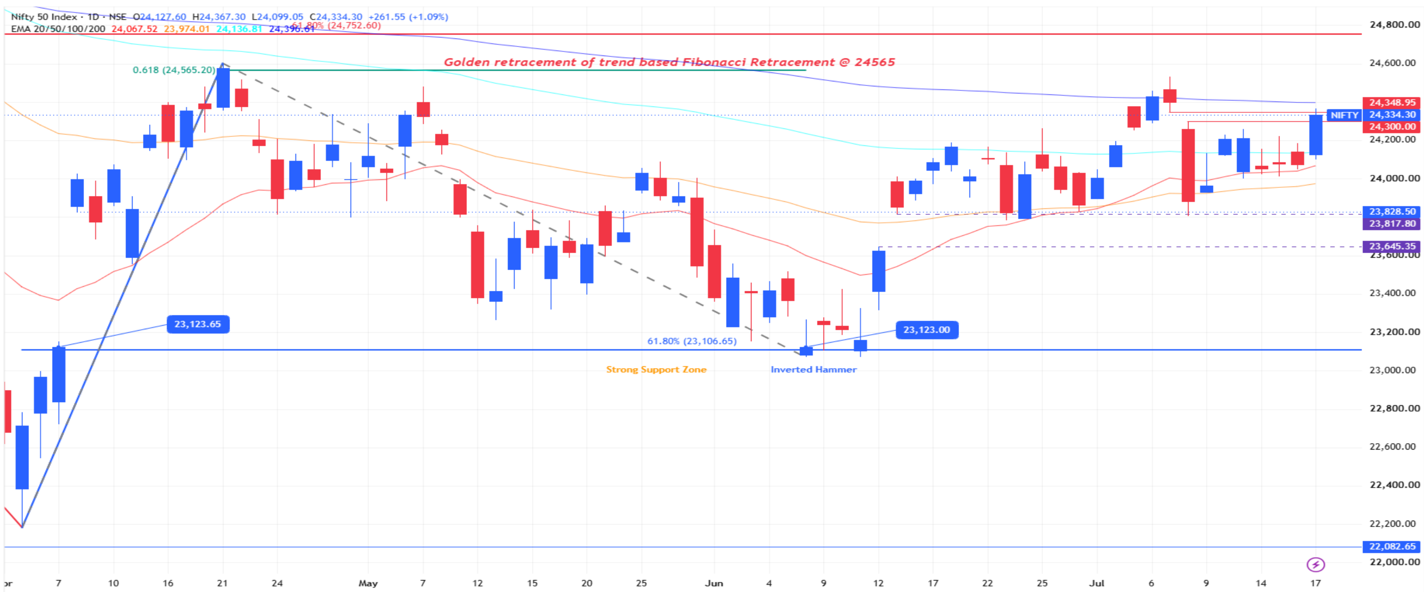
Frontline Indices breakout of their short-term trading range, broader markets remain muted

Sensex (78151) / Nifty (24334)



Source: Tradingview.com

Future Outlook

NIFTY concluded the week on an encouraging note, despite largely remaining range-bound for most of the period. The index began the week on a weak footing, but buyers responded decisively, recouping almost all the early losses. This pattern of buying emerging at lower levels persisted through the week, resulting in repeated recoveries even as prices remained confined within a narrow trading range. However, on the final trading session, bulls finally asserted control, triggering a decisive breakout above the preceding seven-day consolidation range. The strong finish helped NIFTY wrap up the week at 24362, registering gains of 0.53% and improving the overall short-term technical sentiment.

On the daily chart, prices appear to be gradually gathering momentum following a prolonged phase of sideways congestion, suggesting that buyers are attempting to regain control in the near term. However, on the weekly timeframe, the index continues to remain range-bound, as reflected by the formation of an Inside Bar, highlighting the prevailing uncertainty and the absence of a decisive directional bias. A similar picture emerges on the Point & Figure charts. While the smaller box-size charts have triggered fresh Double Top Buy signals, indicating an improvement in short-term momentum, the higher timeframe daily 0.25% × 3 Point & Figure chart continues to exhibit a sideways structure, with an ongoing Triangle formation. This divergence across timeframes suggests that, although short-term momentum has improved, a decisive breakout from the prevailing consolidation is still awaited before the broader trend can be considered firmly bullish. At the same time, the prevalence of a series of strong overhead resistance in the 24400-24550 zone is likely to path a highly turbulent move higher. A convincing break above this zone will shift control convincingly towards buyers. On the flip side, the 24200-24100 zone is likely to now act as an immediate support, followed by stronger cushion in the 24000-23900 band.

A wave of profit booking appears to be underway in the broader market, with the MIDCAP and SMALLCAP segments relatively underperforming the frontline indices. Despite this near-term corrective phase, we continue to advocate using such declines as opportunities to accumulate strong stocks, as we remain constructive on the broader market's medium-term outlook. At the same time, the resurgence in bullish momentum across the frontline indices augurs well for the overall market. Accordingly, participants may consider adopting a buy-on-dips strategy near key support zones in the benchmark indices, while continuing to maintain a stock-specific approach in the broader market.

Some short covering uplifted market sentiments

The Nifty spot closed at 24334 this week, compared to 24207 last week. The weekly Put-Call Ratio has increased from 1.27 to 1.61. The Open Interest of Nifty Futures decreased by 9.30%.

Derivatives View

Nifty current month's future closed with a premium of 10.30 against a premium of 47.35 points to its spot in the previous week. Next month's future is trading at a premium of 91.30 points.

The benchmark Nifty experienced a muted, range bound move until the last session breakout uplifted overall sentiments with Nifty showcasing a consolidation breakout and settling above 24300 zone. The derivative indicators showcased short covering in both key indices on week-on-week basis, suggesting a curtailment in short positions and adding bullish quotient. FII's long-short ratio remained unchanged at 11% on a week-on-week basis, struggling with yet a promising view. For the upcoming weekly expiry series, substantial positioning is concentrated at 24200-24000 PE, indicating an upshift in the support zones, while scattered positioning of CE writers are seen from 24500-24600 strikes. The undertone seems to turn a bit bullish while global cues and quarterly earnings of Indian equities are likely to act as catalysts for the momentum to persist.

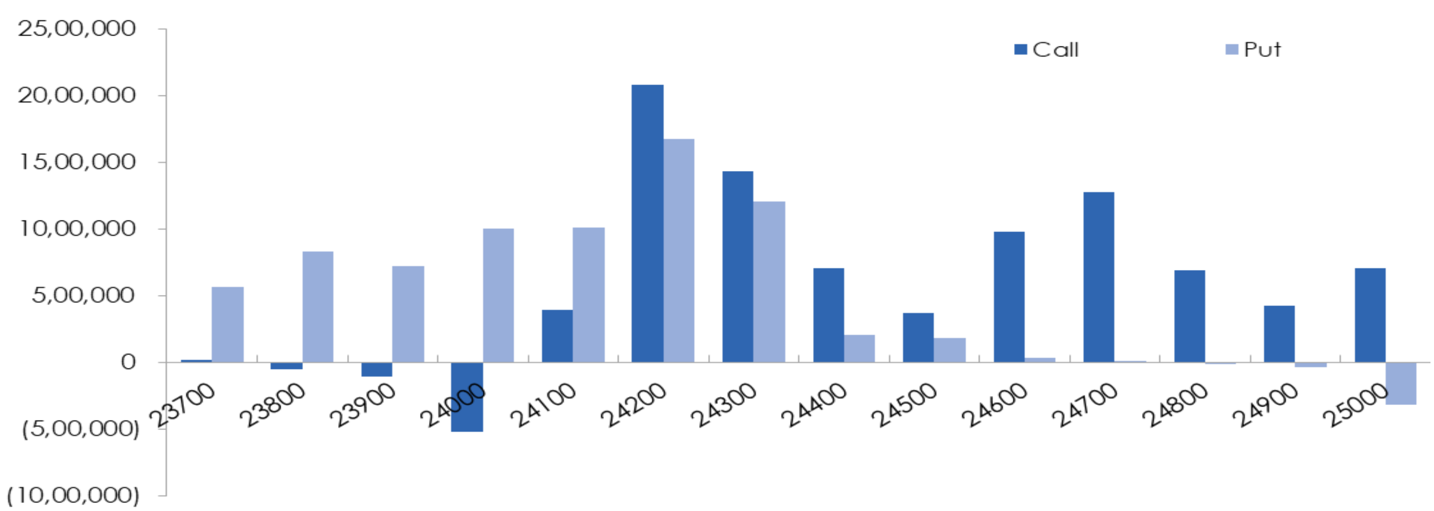
Long Formation

Scrip	OI Futures	*OI Chg (%)*	Price	*Price Chg(%)*
SONACOMS	17456250	15.48	705.00	5.69
DIVISLAB	4289000	13.18	7242.00	5.95
HCLTECH	41368800	12.96	1202.70	4.02
TECHM	25685400	12.76	1574.70	8.66
SIEMENS	4573450	10.12	3645.00	4.12

Short Formation

Scrip	OI Futures	*OI Chg (%)*	Price	*Price Chg(%)*
POLYCAB	3065750	45.04	8862.50	(4.23)
TATAELXSI	5111625	44.89	3501.00	(4.73)
ICICIGI	7066150	39.61	1608.10	(12.30)
PATANJALI	34971900	38.49	337.50	(18.55)
KEI	2708125	34.60	4876.00	(4.61)

Nifty Put-Call Analysis (July series)



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