Weekly losses extend to fourth consecutive week, despite a cooling down breadth

Sensex (76515) / Nifty (23898)

Source: Tradingview.com

Future Outlook

NIFTY had a discouraging week of trade, with losses extending into the fourth consecutive week. Starting the week on a weak note, sellers dominated proceedings for most of the week. They made a mid-week attempt to assert their control, opening with a notable gap-down, but buyers managed to prevent any further extension of the downside, thereby capping the losses for the week. Thereafter, although buyers attempted to push prices higher, they failed to sustain at elevated levels, resulting in intraday gains being frittered away and the index eventually settling at 23897, registering a weekly loss of 1.15%.

The technical structure for the frontline index remains wary. A bearish crossover of the 20 DEMA below the 50 DEMA indicates further deterioration in the technical setup. Alongside this, a price breakdown on the weekly timeframe below a key upward sloping trendline, which had acted as a strong support since March this year, points towards a potential reversal of the prior uptrend. A 45-degree trendline breakdown on the 0.1% × 3 Point & Figure chart provides further confirmation of the developing bearish setup and the potential trend reversal. The emerging technical structure highlights the need to exercise caution and warrants a clear strategy to avoid venturing into aggressive long trades. In terms of levels, the 23750–23600 band remains an immediate and crucial support zone. A decisive daily close below this band is likely to open the door for a further probe, initially towards the 23450–23400 zone in the short term. On the upside, the 24000–24050 band, which acted as an important support zone until recently, has now turned into an immediate resistance area, followed by a stronger hurdle in the 24150–24200 band.

The P&F X-percent breadth indicator, which was pointing towards an overbought breadth or an overbought market, has cooled down considerably since the beginning of August, reading currently at 35%. That points towards an unlikely proposition of an extended down move in the index. That said, prices remains a leading indicator and unless we observe a turnaround in the price set up, we continue to advocate a need to adhere caution.

LSR remains advanced a bit to 11%

The Nifty spot closed at 23898 this is week, compared to 24176 last week. The weekly Put-Call Ratio has increased from 0.78 to 0.84. The Open Interest of Nifty Futures increased by 12.39%.

Derivatives View

Nifty current month's future closed with a premium of 132 against a premium of 173 points to its spot in the previous week. Next month's future is trading at a premium of 219 points.

The benchmark Nifty experienced a tentative move in the week with mixed set of trades, indicating indecisiveness in trend and turning stance to cautious. The derivative indicators showcased formation of shorts in the benchmark index and subdued developments in the Banking index on week-on-week basis, suggesting a curtailment in breather positioning and adding cautious quotient. FII's long-short ratio slightly advanced to 11% from 10% on a week-on-week basis, struggling with yet bleak view. For the upcoming weekly expiry series, substantial positioning is concentrated at 23800-23600 PE, indicating a downshift in the support zones, while scattered positioning of CE writers are seen from 24000-24200 strikes. The undertone seems to turn a bit cautious while global cues are likely to act as catalysts for the momentum to persist.

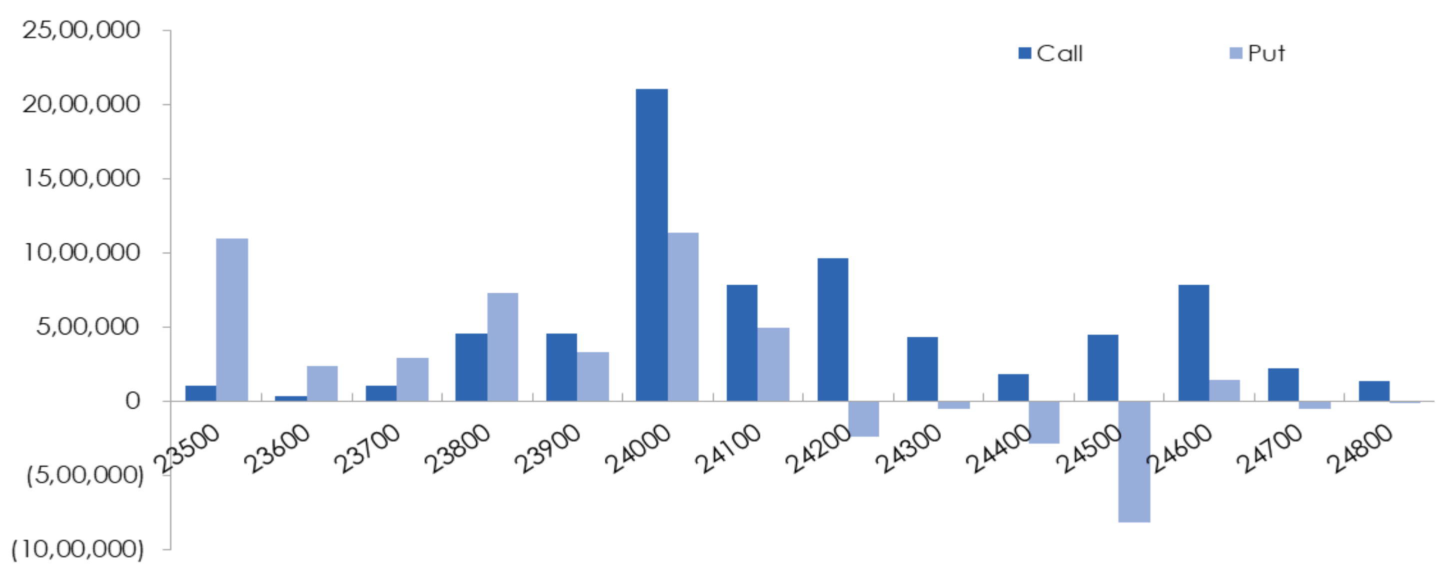
Long Formation

Scrip	OI Futures	*OI Chg (%)*	Price	*Price Chg(%)*
SOLARINDS	835450	1.11	21625.00	5.88
COALINDIA	99706950	1.36	415.90	4.43
IDFCFIRSTB	390412575	2.34	87.11	3.86
INOXWIND	131251200	4.69	74.73	3.33
MAHABANK	24713000	54.18	86.58	2.43

Short Formation

Scrip	OI Futures	*OI Chg (%)*	Price	*Price Chg(%)*
KEI	2421825	38.45	4850.50	(11.94)
ADANIENSOL	22913550	31.91	1412.00	(10.91)
HAVELLS	10279000	31.08	1144.30	(5.88)
ADANIENT	18600564	20.75	2960.60	(6.78)
MUTHOOTFIN	7162650	19.70	2937.60	(5.58)

Nifty Put-Call Analysis (Sep series)



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