

Sensex (74295) / Nifty (23346)

Future Outlook

As highlighted in our prior commentaries, prices hovering close to crucial swing supports, coupled with oversold readings across market breadth and technical indicators, have helped the index stage a bounce over the past few days. A quick glance at the weekly charts also indicates a clear rejection from the 23100–23000 band, pointing towards the presence of strong demand at lower levels. However, this recovery has had little impact on the overall technical structure, with the setup continuing to remain cautious. It would therefore be safe to say that we are not yet out of the woods. As long as the index holds above the aforementioned support band, prices could continue to inch higher, albeit at a grudging pace, given the presence of strong supply at higher levels. Since prices have now retraced more than 50% of the down bar witnessed earlier this week, while the broader trend continues to remain aligned to the downside, the ongoing secondary retracement could extend towards the 23500–23600 band. In such a scenario, we advocate adopting a strategy where dips could be bought into, while rallies towards key resistance zones can be utilized to consider short positions. In terms of levels, while 23100–23000 band remains a sacrosanct support level, immediate support can be found in the 23250–23200 zone. On the flip side, immediate resistance is likely to be encountered in the 23450–23500 band, while the 23600 level, which was a prior support, now likely to act as a resistance now, following the principle of polarity.

A smart recovery seems to have ensued in broader markets today, with breadth cooling off significantly on both NIFTY 50 and NIFTY 500 universe. While the trend still remains aligned to the downside on the NIFTY, venturing into relatively strong stocks, with suitable risk management in place, could turn out to be a fruitful adventure going forward.

LSR remains advanced at 13%; while PCR above 1

The Nifty spot closed at 23346 this is week, compared to 23398 last week. The weekly Put-Call Ratio has increased from 1.06 to 1.12. The Open Interest of Nifty Futures increased by 2.45%.

Derivatives View

Nifty current month's future closed with a premium of 34 against a premium of 108 points to its spot in the previous week. Next month's future is trading at a premium of 134 points.

The benchmark Nifty experienced correction for sixth consecutive weeks and has plunged towards the historical swing supports of 23100 Odd zone. The derivative indicators showcased formation of shorts in both key indices on week-on-week basis, suggesting a complete carnage, but at same time the parameters have turned extremely oversold. FI's long-short ratio has advanced a bit to 13% from 11% on a week-on-week basis, struggling with yet bleak view. For the upcoming weekly expiry series, substantial positioning is concentrated at 23300-23000 PE, indicating a nearby support zone, while scattered positioning of CE writers are seen from 23500-23600 strikes. The undertone seems to turn a bit cautious while global cues are likely to act as catalysts for the momentum to persist.

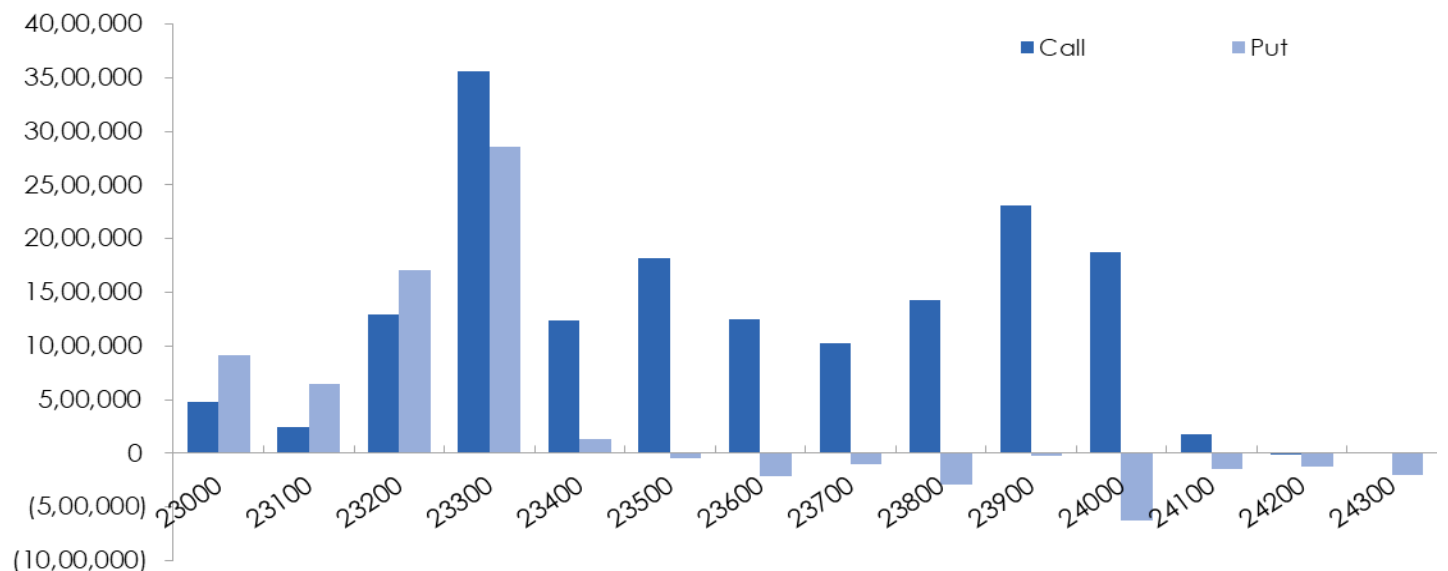
Long Formation

Scrip	OI Futures	OI Chg (%)	Price	Price Chg(%)
SAGILITY	85236000	14.09	46.12	1.59
DRREDDY	22426250	11.37	1183.90	1.30
SONACOMS	12376175	9.22	809.85	2.19
APLAPOLLO	13723150	6.21	2206.00	1.84
UNOMINDA	5601750	5.28	1244.60	3.00

Short Formation

Scrip	OI Futures	OI Chg (%)	Price	Price Chg(%)
SOLARINDS	1271350	44.73	18815.00	(16.21)
ATHERENERG	5128875	26.98	1606.90	(3.04)
WAAREENER	8876175	23.48	2526.20	(3.64)
PNBHOUSING	11122800	9.78	1140.20	(3.54)
COFORGE	15736750	8.60	1794.90	(3.43)

Nifty Put-Call Analysis (Sep series)



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