

Market Views for the Week 06 June– 10 June 2022-Venkat's Blog

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NIFTY



The week began with a big gap up opening on Monday. Also saw the the big gap between 16700 and 16300 created during first week of May got filled. Otherwise the Index was in a narrow range of consolidation between 16450 and 16650. Friday saw a good momentum for an attempt towards 16800 which is a major resistance, thus fulfilling almost the expected target. However, index got sold-off forming a not so interesting candle opening up the vulnerability towards 16k.

A few observations from the weekly charts are:

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- Weekly charts suggest that the oscillators are at a crucial stage and showing uncertainty of cross-over or divergence. More likely scenario could be a consolidation between 16270 and 16700 which is a congestion zone.
 - Though the Index has breached 16360-16400 levels convincingly after three weeks of failed attempts, it is unable to hold on to the gains for generate required momentum to cross 16800 hurdle. Even if we take the Friday sell-off as weekend risk aversion, we have series of hurdles at 16650, 750 and 900.
 - Weekly charts show a potential for attempt of 16970 if 16750 hurdle is overcome decisively.
 - Breach of 16270 could see a quick sell-off towards 16040.
- Daily chart shows the oscillators are turning negative. Expect any spike towards 16800 is likely to be sold-off.
- The crucial support at 16440 is a reference to be watched as this has formed another tweezer bottom on daily charts. Extent of distortion due to Fat finger trade will be seen during the current week.
- As long as the index below 16850-16900, Monthly chart still paint a negative picture. Current scenario is a consolidation between 16300-16900. If Index manages to close above 17050 we can see sharp spike to 17350 in quick sessions.
- The Monthly closing is in a kind of no man's land continuing to have uncertainties about the direction. We may see sellers continuing to do on every spike till we see a close above 17k. Option open interest around 17k is huge and may trigger a spike if we see a daily close above 16750 making short covering happen. For now, 16720-16820 range continues to be a supply zone.
- We see a positive action/attitude in political leadership in addressing the inflation in a collective effort. Restoration of full supply chain could ease the inflation and growth worries to some extent. We have a long way to go to avert a major downturn.
- Good to see India VIX cooling-off. Market may look for fresh assessment of risk during this and the following week.
- This week is going to be a decisive week for Bulls Vs Beers. Major risk could be Rate decisions of Central Banks and inflation concerns.

Bank Nifty:

It is a disappointing to note that the Bank Nifty is unable to clear the crucial 36500, though it did attempt 36k mark. Gap between 35100 and 34600 got filled and reactions could be contained within 34600. Bank Nifty is always unpredictable and the crucial 36500 is just 1.2k points away. Most likely scenario is that it may stay in the range of 34600-36500. Breach on either side requires re-validation/re-assessment. A mid week review may be required.

USDINR

The pair seems to be stuck in a tight range of 77.45-77.80 with interest on both sides. We have seen these kind of scenarios earlier as well where INR remains stable and crosses moves sharply. Clearly the base seems to have shifted its base from 76 to 77.00. Only a weekly close below 77.45 could see one possible down move to 76.70 levels. We may see sharp spike to 78.30 if 77.80 breaks on closing basis. Down side also seems limited, hence, Its easier to play the range of 77.50-77.80. A close below 77.50. could give the required breathing space for it to move to 77.10. Could be a case of slow grinding between 77.20 & 78.30.

Gold

Precious metal is unable to sustain and move higher even though it did attempt 1875 as expected, and failed miserably in spite of the fact that it is considered as perfect inflation hedge. Monthly charts still show a bearish scenario. Multiple moving averages are converging and hence we see a narrow range. Only a weekly close above 1875 could slightly change the outlook. The metal is seen in a wider range of 1760-1870 with choppy moves during the week. Break on either side would require quick re-assessment.

Crypto

Nearly four weeks of consolidation in a smaller range and preparing for the next move. Now that the formation seems to provide some relief. The turnaround seems to have potential for another 20% upside before next wave of selling could be seen. Next couple of weeks could see strong actions in the Crypto currencies. There is still strong negativity surrounding these assets.

Crude

In spite of uncertainties on growth concerns, Market not letting the crude cool-off. This will have cascading effect on inflation. We need to see levels below 110 for any further gains. We are staring at another risk of breach of 126 for reasons best known to the market. Breach of 125 could trigger another spike towards 130 and then 140 on account of panic buying.

Stay safe

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