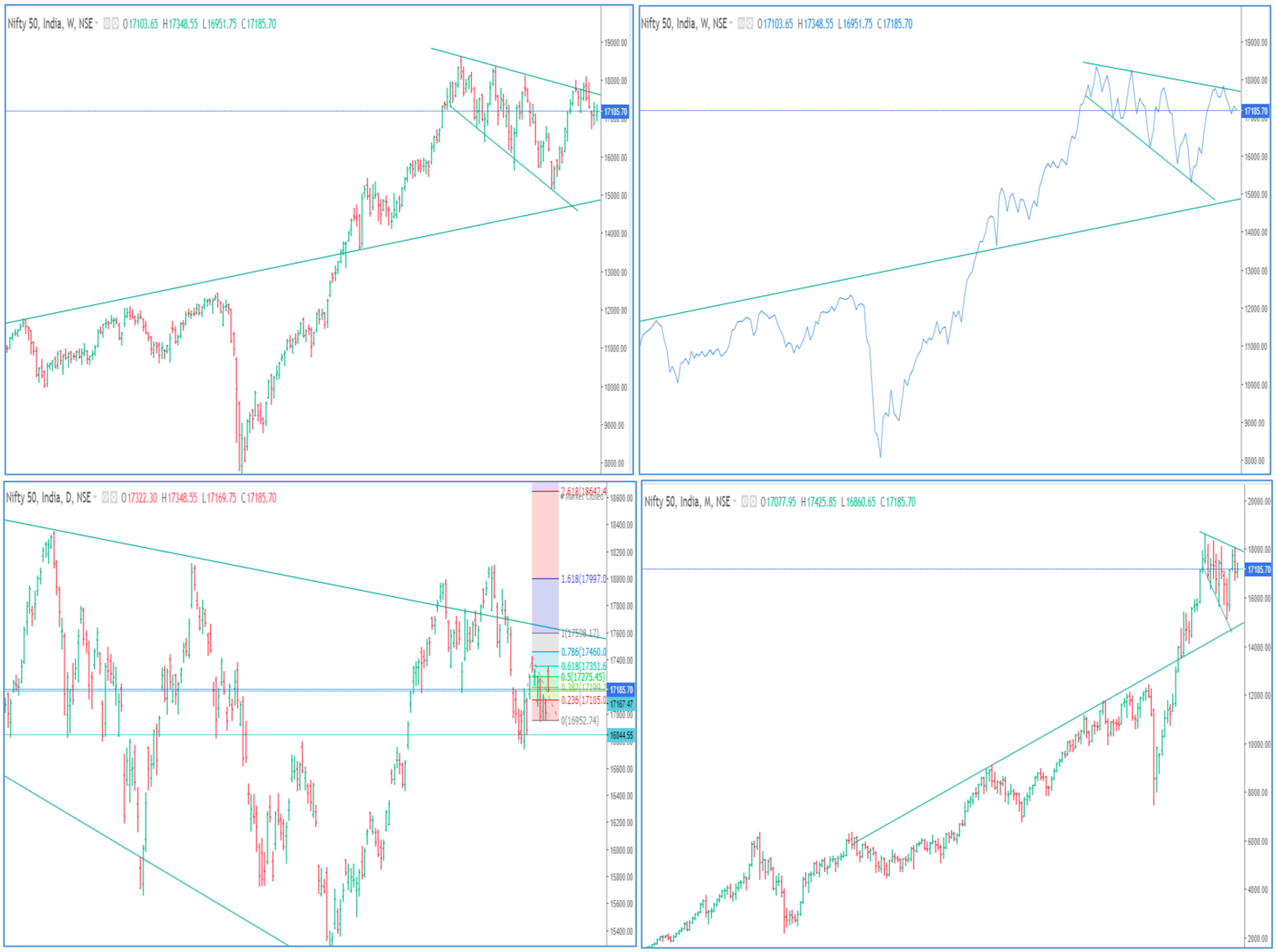
Market Views for the Week 17 Oct –21 Oct 2022-Venkat's Blog

#syfx.org #Nifty #USDINR #Indianstocks #Gold #Crypto #Crude #BankNifty

NIFTY



(Chart image source: Investing.com)

Past week saw am increased vigor in the battle between Bears & Bulls to retain their territory. The Index safely formed a positive candle thus making 16850 a crucial support zone. Though there were good number of data and news items pointing to rough weather in the global markets, we saw a whipsaw moves on either side and finally closed at 17185 after hitting a high of 17348. Still there are concerns that the markets would correct sharply.

A few observations from the weekly charts are:

- Weekly charts suggest that
    - The index continues to trade in a range
    - Oscillators are showing mixed signal
    - Option exposure would continue to drive the market

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- A few interesting observations from the weekly chart
  - The observation made in the previous blog the previous candle being a look-like hammer followed by a positive candle gives hope for a potential target of 18110 holds good till it gets negated with a breach and a close below 16740.
  - The past week saw an inside candle (scalping around 90 points on the high and low of the previous candle), suggesting either the intensity of battle or the indecisiveness of the market
  - The index did reverse near the declining trend line resistance at 17370
  - Going forward 17500 itself would be a tuff barrier
- Expected scenarios for the ensuing week
  - Though closed at 17185, the Index is expected to open lower
  - Break below the trend line support at 17030 would see the index drift lower
  - For the ensuing week, the index may find supports at 17030, 16960, 16850 & at 16740 and the index could face multiple resistances at 17220, 17370. 17450 & 17600. Cross-over of 2 steps at a time or in the opening is likely to be the characteristic behaviour
  - Daily close above 17450 required for further gains
  - As expected the Index stayed in the congestion zone and likely to continue the same consolidation range of 16800 and 17400. Breach and daily close outside this range requires re-evaluation of risk, direction and target
  - As being highlighted in the past weekly reports the gaps listed below are open and are vulnerable.
    - 16360-16560
    - 16650-16770
- The oscillators in the Monthly chart shows divergence
- October is a crucial month for the Index to scale back or give-up chances of 18k+
- Additional observations
  - We are in an uncertain territory
  - Q2 results are due and next couple of weeks are crucial for clear direction. The recent trend is that a couple of sessions alter the direction and sentiments
  - We may see a consolidation in the congestion zone-17470-17360-17190-17040-16960-16850-16740
  - It is observed that the Index has spent considerable time between 16850 and 17400 range before breaking either side
  - A close below 16600 is of high risk as the zone between 16600 & 15600 is a slippery wicket and could see swift moves
  - Markets are disconnected. The higher crude prices will have major impact fighting inflation and there could be extended pain & uncertainties for the markets
  - An interesting observation from the daily charts is that for continuous 3 days the index could manage holding the low of 16960
    - We have seen in the past that the market has different agenda
    - In the earlier couple of down moves in mid Aug and Mid Sep 22 we saw similar pattern at the top and the Fib projection worked perfectly
    - If such similarity proves right, we have potential targets of 17600 as intermediary level and 18k as second target
    - This gets negated if we see a breach of 16950
    - There has also been an apprehension that the daily chart is forming a H&S pattern and could move to 16500. However, now it shows a kind of DB. These are sending confusing signals to the market
    - Will the earnings & festive season bring cheers to the market is what remains to be watched. An interesting week ahead.

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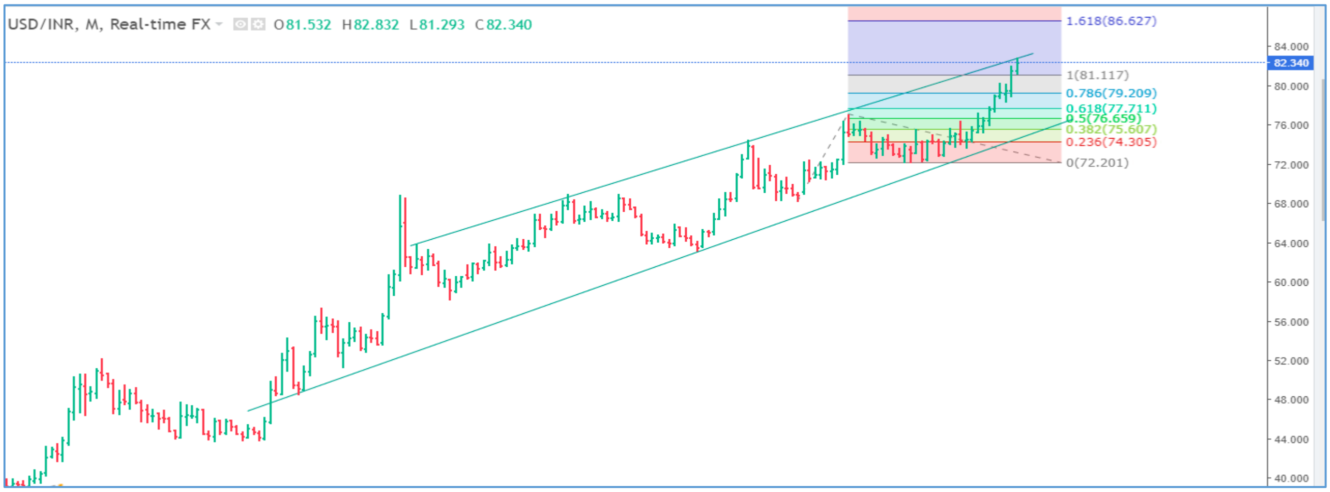
Bank Nifty:

(Chart image source: Investing.com)

Bank Nifty replicated the main Index NIFTY's move. The past week saw a consolidation between a narrower range of 38439 & 39570 similar to previous week's range. Though the weekly is a positive one, there could be selling pressure till we see a daily close above 39700. Once the crucial 39700 is breached on a closing basis we can see q sharp move towards 40600. A decent recovery in Bank Nifty can help main index NIFTY to hold to 17k levels. Next couple of weeks are crucial for further direction. We can assume that the trend still remains positive till we see a close below the trend line support at 37300. It appears that the Bank Nifty is likely to continue in a wider range of 37500-40600 with 38500-39500 as first range and a breach and close above or below could see the next range of 1000 points. The consolidation is likely to continue for the current week as well before final deciding the direction. A daily close outside the broader range indicated above would require re-evaluation. Only a Daily close above 40.5K can provide the required momentum for scaling the earlier peak.

USDINR



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The direction continues to remain upward and there are no clear indications of a possible reversal yet. The risk of huge break-out has been highlighted in every blog since first week of May 22. The upside is still wide open. Crucial level to watch would be 82.95. If the pair manages to hold below 83 for another two weeks, then we may see the pair drift towards 81.50. A daily close above 82.95 could trigger one more sharp move towards 83.80 and then 84.60. Expected range 81.50-83.80. A close outside this range requires re-assessment of risk/direction and target.

A few more observations:
In the Aug last weekly blog (29 Aug-03 Sep), the trend analysis of the 2013, 2018 & 2022 were discussed and the concerns of USDINR moving higher has been highlighted.

What are the probabilities?
One of the possibilities…we will still be inside the long term trend line till we do not step away from 83.00 levels. There would be some relief if the USD index starts reversing its direction. Still a long way to go with lots of uncertainties. The momentum still looking higher. Tuff times ahead.
Another view is that Fib projections point to 86.90 levels. What might trigger such grave situation? Panic buying and external factors?
An odd situation from the past … Aug 2013 saw a move from 60.20 to 68.70 which was an outlier event. We can only hope and pray that such move does not happen now.
A question arises as to whether there are possibilities of delay in the USD receivables?
Another interesting observation from the 2018 move is that it started in Feb and seen the peak in Oct. Will the same trend be happening now and we start seeing reversal post Oct 22? How many businesses will survive depends on the level to which it spikes before cooling off and the level of exposure un-hedged.

Gold

The hopes of recovery seem to have been eroded by the sell-off which has seen the crucial support around 1670 got breached and drifted lower to 1645. Next couple of weeks are crucial for the metal to regain some of the lost luster. Nothing seem to go right for the precious metal. Presently, the precious metal is at another crucial level. Break below 1640 would see further downside. Monthly charts show a possible target of 1600 and then 1545. Only a weekly close above 1710 could reverse the direction.

Crypto

For more than five months the Crypto assets have moved in a narrow range with sharp moves on either side. Seem to find buying interest around the Nov 20 opening levels. Presently the crypto assets are at a crucial price point. A 10% slide from here would see huge stops which would pull down the prices by another 30%. The assets are likely to sold-off on every spike higher. Next few weeks are decisive for the crypto assets to withstand the assault. Technically it appears so. This can only be negated if it gains 30% with a sharp move. Most likely scenario waiting to happen is the final holy dip before a recovery.

Crude

Crude spiking to 94 had created greater concerns on the recovery of global economy and fear of recession. Ultimately it drifted lower to the week at 85. For now, 85 is likely to be a pivot and the range is likely to be 74-94. As long as the crude price remains in this range there can be some stability in the market. Anything above 100 would attract Inflation rhetoric. Geo-political risks adding to the volatility and difficult times. Only a coordinated approach can help resolving conflicts and the fight against Inflation and averting recession.

#Stay safe

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