SYFX
TREASURY FOUNDATION

Market Views for the Week 13 Nov–17 Nov 2023-Venkat's Blog

#syfx.org #NIFTY #USDINR #EURINR #Gold #Crypto #Crude #BankNifty #DOW #US equities

NIFTY

(Chart image source: TradingView.com)

The market sentiments improved and a pullback rally is under progress. There is an element of disbelief which resulted in a smaller gain during the week. However, the weekly closing at near high is seen as positive. Risk perceptions keep altering market is confused with FEDs narratives and the economic data releases. Remains to be seen whether this is a fresh trend emerging. For now, we can safely assume that the base has shifted higher to 19250. Though there are multiple hurdles for the Index to overcome.

- A few observations from the weekly charts are:
  - The index moved in a narrow range of 155 points viz. between 19309 and 19464
  - The oscillators of different time frames are showing mixed signals
  - Option open interest to drive the direction of the market

- Expected scenarios for the ensuing week
  - Index attempting a pullback rally. However, there are multiple hurdles ahead of the path
  - The re-attempt of 20K would be a herculean task, given the change in risk scenarios
- Additional interesting observations
  - Bears might be waiting on the sidelines waiting for signals to re-enter
  - Index may find supports at 19320, 19210, 1913 and the index could face resistances at multiple levels 19530, 19640 &19770
  - *Though the earlier gaps got covered during the down move, and new gaps have been created around the same levels.*
    - *18818-18908 (28th Jun 23) Covered*
    - *18972-19079 (29th July 23) Covered ** Created again as 18990-19129*
    - *19189-19246 (3rd July 23) Covered ** Created again as 19144-19247*
- US Markets
  - The index retained the gains made during the previous week
  - This move helps in changing the direction of the oscillators and help in change of sentiments. The retracements are likely to be bought. We may see the familiar range of 33500-34700
  - The charts look similar to the gains made by Gold couple of weeks earlier. It is likely that the smart money is trying to move between assets with high volumes and velocity
  - Like the earlier occasions this time also the Index bounced back from the 32800-32600. However, there may be cautious approach towards higher levels
- Final Note
  - The Index has stayed well above the long-term trend line and the 200 DMA at 18677 and trying to catch up the 55 DMA at 19540
    - *As expected the Ascending channel support line broken earlier during third week of Oct 23 could be a major resistance at 19560. Incidentally, this is close to 55 DMA*
    - *With sentiments improving, there are possibilities of attempting the 55 DMA and an attempt to surpass at least for a brief period if the momentum favors. The reason for this observation is that the Fib projections as per daily chart suggest a target of 19610*
    - The distinct fault lines lie at 19250 on the lower end and 19530 on the higher end
    - On a contrarian view, if the index crosses 19600 on a closing basis, what next? Can we conclude that a new wave starts for a new ATH or at least 19850(from where the downfall started)
    - If the Index survives above 19530 during this week on a closing basis, there are fair chances of the Index attempting 19840 during next week
    - *The good results posted by top companies have not helped much so far might have impact during the ensuing week*
    - We need to see multiple closing above 19500 to see further gains
    - A truncated week might chage some of the outlook overnight and hence need to exercise cation.

#Stay Safe

Bank Nifty:

(Chart image source: TradingView.com)

The Bank Nifty moved in range of 625 points Viz. between 43283 & 43908. The Bank Nifty posted an second bullish candle. The index unusually moved in a smaller range. The Index is moving in a descending channel with lower end at 41700 and the top of the channel at 44100. Presently the Index is at a crucial one. Technically the Index should break the descending channel at the top end, which is very close. Once 44100 is crossed we can see a swift move towards 44700(the Oct high). The oscillators are turning positive. Expected range for Bank Nifty is 43300-44600. If the support at 43300 gives way, we may see another steady decline towards 42700. A daily close outside the broader range indicated above would trigger a sharp move and would require re-evaluation of risk and target.

EURINR

(Chart image source: TradingView.com)

The Currency pair consolidates above the support at 88.70 and reclaimed past the crucial 88.40 resistance. The pair is set for a recovery towards 90.40 if it manages to cross the ascending channel top at 89.70. The Pair continues to face tuff resistance at 89.40-89.70 zone. Till such time the support at 87.50 holds we may see gradual shift towards higher levels. For the ensuing week, the pair may find support at 87.50 and may face resistance around 90.40. A daily close above 89.70 required for further gains. Expected to undergo consolidation phase between 87.40 & 89.70. Any breach of the range would lead to 100 pips move.

Disclaimer: The views expressed here are personal and not connected to SYFX Treasury Foundation. The views are for learning and reference purpose only.

USDINR

(Chart image source: TradingView.com)

The currency pair had an exception from the range of 83.10-83.31, due to technical outage of trading systems. Looking beyond this unusual trigger, there are a few interesting observations…

a. The market has come to a logical conclusion that the central bank would protect 83.30 and easier way is to short and wait for lower band. This eventually failed
b. General psychology of the market is that the INR has to break the barrier for continuing its journey towards 85 levels and that the Central bank is holding this range. If we examine the global scenario, every central bank is fighting to protect their currency. If that be the case what is wrong in maintaining low volatility
c. *On an analysis of conflicts leading to change in perception of Geo-political risks there may be a scenario to "Let-Go". The big move in INR from 75.28 to 82.80 happened 3-4 weeks after the start of Russia-Ukraine war. However, there was a deceptive down move prior to the full blown up-move. So, it's a wait and watch?*
d. As the base gradually shifting higher closer to 83, the market is no mood to believe decline towards even 82.75 and that the Central Bank would hold 83.30 for long
e. Alternatively, the central bank may have changed its view to Let-Go or at least shift the band a bit higher by next Rs 0.20

The risky and sharp moves happen when no one expects. Expect the range of 83.00-83.45 would continue to hold for the week with a crucial support at 83.00 and there could be choppy moves within this range. A close outside this range requires re-assessment of risk/direction and target.

A few more observations:

As noted in the previous blog, continue to keep the following input for quick reference.

- *The 82.75-83.25(with error adjustments) zone is the Fib projection of July 2011 to July 2013. Alternatively, the Fib projection of the move from Jan 22(Low) to Oct 22(High) and Nov 22 low also suggest the projection as 82.92. Hence, the importance. If breached, we may see another spike towards 85.70*
- On analyzing the quarterly and half yearly charts, the risk on the higher side is till 85.70 followed by 86.10 which is the channel top and the down side is 77.70
- We have been witnessing depreciation for the past 12 years starting 2011 with exception of 2017. We are nearing close of the tenth month. Will 2023 is be another 2017 or as usual? Monthly/Quarterly/Half yearly charts do not show significant signs of lower levels yet. Only a weekly close below 82.70 can help chances of lower levels.

Gold

The precious metal returns to pre-crisis zone after hitting the wall around 2010. The reversal is also sharper as that of the up move. A weekly close below 1965 signifies that the precious metal is likely to give-up most of the gains in the coming weeks. We may see fresh buying interest emerge around the net crucial supports at 1915. A daily close below this would trigger more stops. We can expect a consolidation between 1915-1975. Daily close above 1975 required for further gains.

Crypto

The Crypto assets is continuing to charge higher and is at the verge of a potential break-out which will help regain May 22 levels which is another 10% away. If not immediate the Crypto assets have higher probability of reaching May 2 levels sooner. The trade set-up as per the weekly chart appears to have turned positive. However, there is a risk of profit booking anytime. Still there may not be a big sell-off immediately. A strong recovery past May 23 high could help regain the confidence. There can be some profit booking to continue during the week as in case of previous week.

Crude

After serious threat of a major spike in September, it is good to see the prices cooling off. As expected the 90-91 acted as cap and the drift towards 75 levels is achieved. Charts in different time frames are showing mixed signals. The likely scenario could be a consolidation between 72 & 82 for some time, which would give the required momentum for recovery of economic activities. However, the Oil exporting countries would be looking to cut the production to keep the rates afloat. If the higher price scenario continues for longer, we may have a tuff time during the winter. Expect a range of 72-82 for the week.

#Stay safe