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Market Views for the Week 11 Dec–15 Dec 2023-Venkat's Blog

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

NIFTY

(Chart image source: TradingView.com)

The Index continued its bull run without any interruption. The big Gap up opening was indicative of the strong up move. In the process the Index made new ATH on 4 out of 5 days and hit a major mile stone of 21K. Major factors contributing to the change in sentiments are: the state election results, conflict zone returning to peacemaking efforts, stable oil price and economic data supporting a possible cap on Interest rates. The weekly candle still shows bullish nature of the move. As observed in the previous blogs, this appears to be a new intermediary trend emerging. For now, we can safely assume that the base has shifted higher to 20K.

- A few observations from the weekly charts are:
  - The index moved in a range of 499 points viz. between 20507 and 21006
  - The oscillators of different time frames are turning positive
  - Option open interest to drive the direction of the market
- Expected scenarios for the ensuing week
  - Index appear to have moved to the stage 2 of a new trend.
  - Since the Index has posted a new ATH, there are no reference points on the upside. Only projected levels based on studies can be taken for references

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- Additional interesting observations
  - Bulls regained the full control upon break of 20260
  - Index may find supports at 20850, 20650, 20500 the index could face resistances at 21140, 21310, 21470
  - *Though the earlier gaps got covered during the down move, and new gaps have been created around the same levels.*
    - *18972-19079 (29th July 23) Covered ** Created again as 18990-19129*
    - *19189-19246 (3rd July 23) Covered ** Created again as 19144-19247*
    - *19443-19651 (15th Nov 23)*
    - *19889-19976 (28th Nov 23)*
    - *20133-20194 (29th Nov 23)*
    - *20267-20601 04th Dec 23)*

    Though there is no immediate risk seen, it is scary to see such huge gaps without consolidation. The return journey may also be harsh.
- US Markets
  - November month has been great for DJI, as it scaled back Sept high and cleared the Aug 23 peak. The first week of Dec 23 is a narrow consolidation move.
  - The oscillators in different time frames are turning positive.
  - DJI seem to face hurdle around 36300 on its efforts to scale Dec 22 high followed by Jan 23 high
  - Appears that the DJi is likely to cross the Jan 2022 high and post a new ATH
  - Expect the declines to be supported by buying interest and we may see ATH before the market gets in to hibernation mode for yearend festive season
- Final Note
  - The Index has stayed well above the long-term trend line and the 200 DMA at 18883 and stays above 55 DMA at 19708
    - Index has been continuously posting gains for the past 6 consecutive weeks
    - Additional huge gap has been created during the beginning of the week
    - The Index has breached the descending channel at 19570 and moved swiftly after this breach. The potential target for this would be about 900 points which is around *20470*.
    - Even if there is a reactive decline after 6 weekly gains, a few occasions in the past shows clear signs of a new trend emerging after such sharp gains (Refer june 22 & Mar 23)
    - The Index is likely to consolidate between 20.5K and 21.5K
    - This time the fault lines are at 20600 and 21140.
    - Though the Index closed near the top of the range and the momentum still favours further gains, it is prudent to be cautious once we reach the target of 21400 zone.
    - Observations favoring further upside
      - Second consecutive strong 500 points bull candle with a closing near the highs. Thrid soldier waiting to emerge?
      - Series of small double red candles in dailies seen before next spike higher
      - These candles resembling snooze symbol, suggesting that there is nothing worthwhile for bears to risk and hence keep away
      - No distinct reversal signal seen yet
    - Observations on the flip side
      - U turn of sentiments in very short span
      - Uncertainities associated with Interest rate decision during the FOMC meeting scheduled in the thrid week could limit the upside
      - Possible sharp moves orchetrated by big players to drive away the small investors or for testing the interests of the market
    - With just 2 weeks left for the Festive season it would be prudent to be cautious on the positions-both existing and fresh

#Stay Safe

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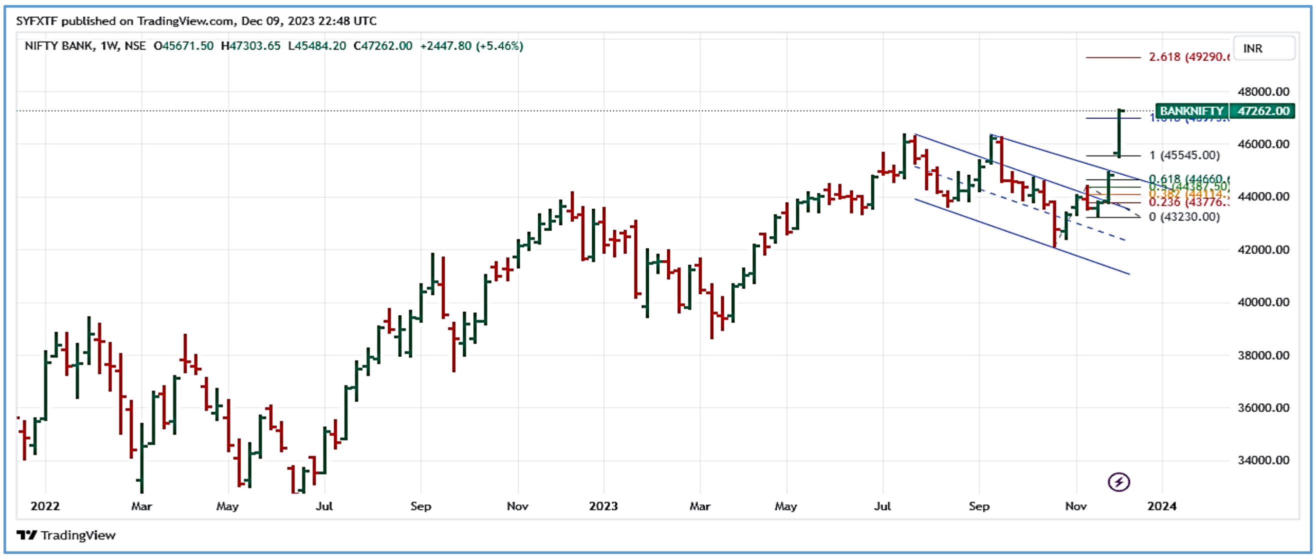
Bank Nifty:



(Chart image source: TradingView.com)

The Bank Nifty moved in range of 1819 points Viz. between 45484 & 47303. The Bank Nifty successfully cleared the resistance at the top of the second level of the descending channel and moved swiftly towards 47K and made a new ATH. The Bank Nifty is facing hurdle around 47250-300 zone as could be seen from charts that 3 out of 5 candles of last week attempted this zone. Break above this one would see the Index spike towards 48600 which is the target of breaking the descending channel. There is another hurdle around 47700 which may not resist much if the momentum is higher. There are fair chances that the Bank Nifty moves swiftly higher to make a new ATH. The oscillators are turning positive. Expected range for Bank Nifty is 46400-48600. 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 November month was good for the currency pair that it moved ahead of Aug 23 peak hitting a high of 91.80 and closed at 90.81. However, the weekly charts show second bearish candle which means that there is strong resistance around 91.80 which incidentally is the resistance from a trendline drawn from March 23. There would be struggle to reenter the previous trend and it may require higher momentum. For the ensuing week, the pair may find support at 89.40 and may face resistance around 91.40. Breach above 90.40 would see the pair spike towards the 91.40. Expected to undergo consolidation phase between 89.40 & 91.40. Any breach of the range would lead to 100 pips move.

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USDINR

(Chart image source: TradingView.com)

The currency pair continues its narrow range with a marginal shift on the higher side, Viz. 83.24-83.41. As observed in the previous blogs, a*t best we can see marginal shifting of the range by 0.10 on either side. The currency pair does not seem to be impacted by moves in DXY, Yields or Stock market/* It appears like mimicking CNY action/control. As observed in the previous blog:

A few observations

a. Lower crude prices keep the demand for USD. After the big move of 74in Jan 22 to 83 in Oct 22, The Importers seem to Hedge themselves fully and the exporters may be waiting
b. The rates remaining in a small range is not anything new for the currency pair as we could see from the quarterly charts, it has been in small ranges for almost 3-4 quarters in the past once in every three years. However, this general behavior altered after 2008
c. Ultra-low Vols may be a huge risk and there could be sharp move happening when no one expects

Expect the range of 83.10-83.45 would continue to hold for the week with a crucial support at 82. 90 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 though it is repeated for the past 7 months.

- *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*
- *As noted in our 3rd July Blog:*
    - A deeper correction is long overdue. Market is expecting 82.70-83.10 will be protected. If appears that the same kind of yo-yo moves may continue till one more quarter if we do not see a close below 82.70.
    - The result is that it has extended to second quarter as well with a minor difference of the range as 83.00-83.40
- 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 end of the year. 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.

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Gold

As observed in the previous Blog that the precious metal attempted closer to the expected target of 2165 on break of previous highs of Aug 20 & Mar 22 when it hit 2070 and reacted quickly. Further it was observed in the previous blog that the precious metal has a characteristic sharp reactive wave after sharp spikes and that it happened so quickly. Expect declines to be supported by buying interest closer to 2K A daily close below 2K would trigger more stops. We can expect a consolidation between 1940-2080.

Crypto

The crypto assets continue to gain and is close to May 23 highs. However, there may not be a big sell-off immediately. 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 and likely to attempt April highs. If not immediate the Crypto assets have higher probability of reaching April 22 levels sooner. A strong recovery past April 22 high could help regain the confidence. There could be some choppy moves due to some profit booking.

Crude

The crude prices are easing for the past 3 months which is a good sign and a big relief. It is good to see crude prices remaining in the range of 70-76. The likely scenario could be a consolidation between 70 & 80 for some time, which would give the required momentum for recovery of economic activities. The current range would help the inflation cooling off considerably. However, any change in the geo-political scenario or the production cuts by oil exporting countries could derail the expectations. Expect a range of 67-77 for the week.

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