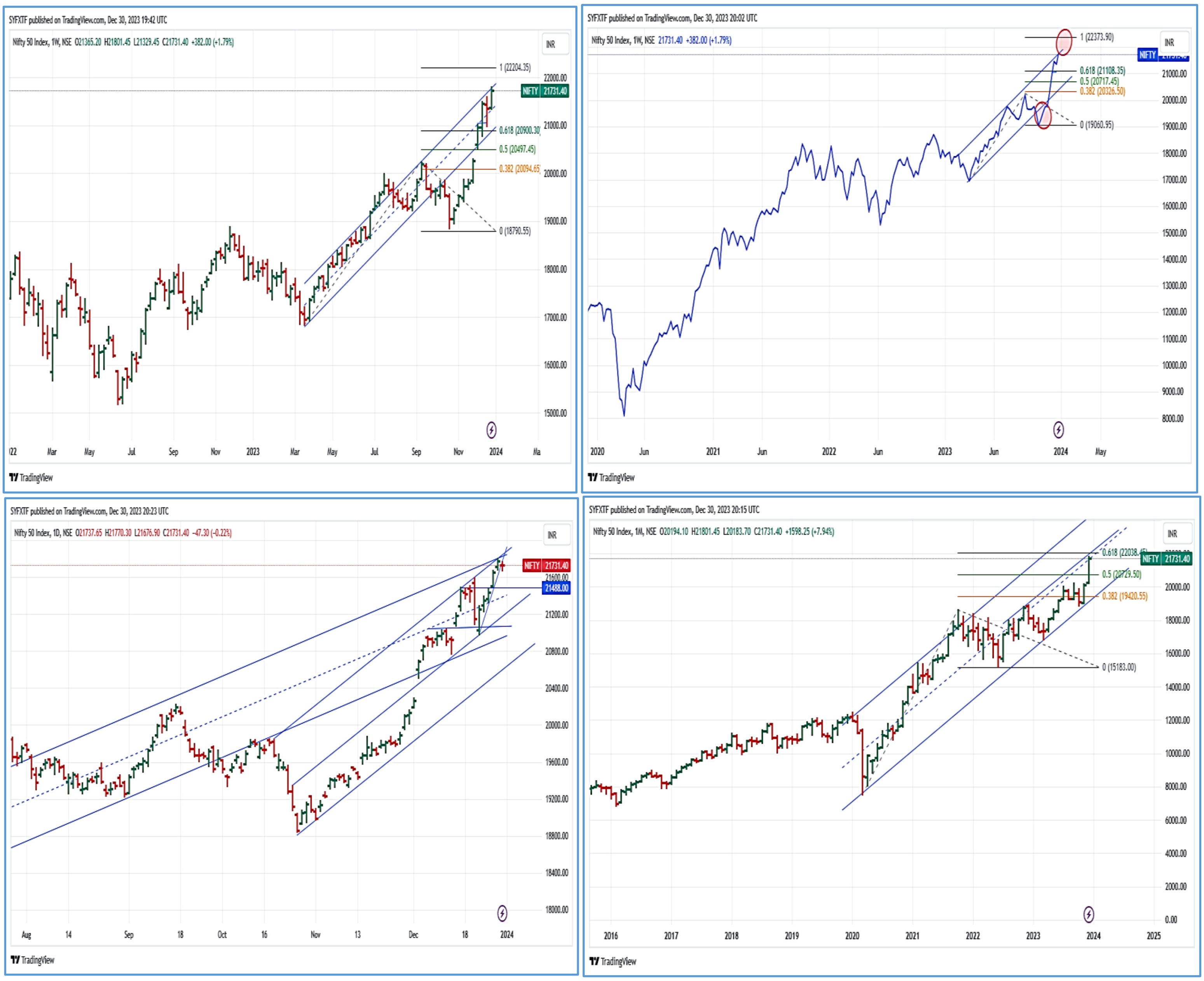
SYFX TREASURY FOUNDATION

Market Views for the Week 01 Jan–05 Jan 2024-Venkat's Blog

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

NIFTY



(Chart image source: TradingView.com)

Expecting a directionless market during the last week of Dec, did not update the blog last week. Appears that the market continues its celebration which started around Diwali. The November and December completely changed the outlook of the market. 2800 points gain in just months. The ATH keeps shifting every week. Major factors contributing to the change in sentiments are: stable oil price and economic data supporting a possible beginning of rate cut cycle. The weekly candle still shows bullish nature of the move. As observed in the previous blogs, this appears to be a new trend emerging.

- A few observations from the weekly charts are:
    - The index moved in a range of 472 points viz. between 21329 and 21801
    - 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 3 of a new trend.
    - Since the Index continues to post new ATHs, there are no reference points on the upside. Only projected levels based on studies can be taken for references

- Additional interesting observations
  - Another week of strong bull candle with a closing near the top
  - Index may find supports at 21650, 21540, 21400 the index could face resistances at 21840, 21960, 22020
  - *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)*
    - *20926-21116 (14th 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
  - DJI continues to post positive candles for 9th consecutive week. DJI broke the Jan 2022 high and posted a new ATH
  - The oscillators in different time frames are turning positive. Though there is no indication of reversal, market could be waiting for a major trigger
  - While the run towards 38K mark is a WIP, index appears to be slowing down the pace around 37800 levels
  - Expect the declines to be supported by buying interest and we may see another ATH before the market reverses it direction
- Final Note
  - The Index has stayed well above the long-term trend line and the 200 DMA at 19142 and stays above 55 DMA at 20133
    - Index has been posting gains for the past 9 consecutive weeks with one exception. The Index continues to post higher highs and higher lows, which is indicative of the continuation positive bias
    - a few occasions in the past shows clear signs of a new trend emerging after such sharp gains (Refer june 22 & Mar 23)
    - This study suggests approximately 3150-3300 points from the start to the top by that calculation the primary target level for this move is close to 22220. Does this sound similar to the peak of 18887 seen in Nov 22, 19991 in July 23 and 20222 in Sep 23. Odds favors such a move given the present mood in the market and the Fib projection also points to this region.
    - This time the fault lines are at 21400 and 22850
    - Expect a consolidation in the above range
    - It would be interesting to watch the scenario as it unfolds
    - Observations favoring further upside
      - Second monthly stronger bull candle with a closing near the highs
      - No distinct reversal signal seen yet
    - Observations on the flip side
      - Possible sharp moves orchetrated by big players to drive away the small investors or for testing the depth of the market
      - The rise has been too fast and too sharp and there could be profit booking
- A word of caution
    - Though the geopolitical scenarios and the market outlook may be different, the past two years has seen a slowdown phase during January. It is prudent to be vigilant and protect the profits.

#Stay Safe

Bank Nifty:

(Chart image source: TradingView.com)

The Bank Nifty moved in range of 1225 points Viz. between 47411 & 48636. The Bank Nifty posted a new ATH. The Bank Nifty will now have decent support around 47250-300 zone which it crossed after 3 months of selling pressure. Bank Nifty has made its stride to attempt 48600 which is the target of breaking the descending channel. 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 47250-49400. 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 posted higher levels for the 3rd consecutive Break above the strong resistance one of 91.50 gave the momentum for the pair to test previous highs and post a new ATH of 92.66. Daily close below 91.20 would see the pair to come under selling pressure. Similarly, break above 92.80 could trigger stops and there could be a sharp spike higher. Expected to undergo consolidation phase between 91.20 & 92.80. 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 is witnessing surprise action as it moved from the high of 83.09 to 83.35. The market is refusing to believe this move as it has wedded to the logic that *the currency pair will not be allowed to trade below 83.00 levels. They had seen that the currency stable irrespective any big move in DXY, Yields or Stock market.* As observed in the previous blog:

A few observations

a. Ultra-low Vols may be a huge risk and there could be sharp move happening when no one expects
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. Lower crude prices keep the demand for USD. After having seen the big move of 74 in Jan 22 to 83 in Oct 22, The Importers seem to Hedge themselves fully and the exporters may be waiting and might be repenting for having missed higher levels

Expect the range of 83.10-83.35 would continue to hold for the week 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 8 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 82.70-83.35 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
- We have been witnessing depreciation for the past 12 years starting 2011 with exception of 2017
- A fresh start with New year and New quarter, the question still remains 81.50 or 85.50?

Gold

The precious metal is on the back foot as the inflation seems to be cooling and that the equity market is witnessing a strong bull run. The precious metal has a characteristic sharp reactive wave after sharp spikes and that it happened so quickly. Now there would be interest on both sides. Expect declines to be supported by buying interest closer to 2020 and selling interest around 2080 We can expect a consolidation between 2020-2080. Any breach on either side would see a sharp move of $40. Underlying positive trend seems to be intact as long as we see 2K levels.

Crypto

The crypto assets seem to consolidate after considerable gains from mid Oct 23. The agenda of attempting to April 22 highs is still a WIP. Net few weeks are crucial to see if the Crypto assets attempts a break-out are comes under selling pressure. 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

It is good to see crude prices remaining in the range of 70-76. We have seen a steady decline for the past 3 months from 90 levels to 70 levels. The likely scenario could be a continuation of the consolidation between 70 & 80 for some time, and any levels below 70 would added advantage which would give the required momentum for recovery of economic activities. The current range is helping 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.

Thank you all for the wonderful support extended throughout the year. I express my sincere gratitude and expect the same support in future

Season's Greetings and best wishes for a Happy, Healthy and Peaceful New Year 2024

#Stay safe