SYFX TREASURY FOUNDATION

Market Views for the Week 08 Jan–12 Jan 2024-Venkat's Blog

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

NIFTY

(Chart image source: TradingView.com)

The first three sessions of the New Year saw another ATH and subsequent profit booking up to a crucial support level keeping the market guessing on the trend. However, the flowing 2 sessions saw recovery to close the candle as a Doji. 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 strong new trend emerging.

- A few observations from the weekly charts are:
  - The index moved in a range of 326 points viz. between 21834 and 21508
  - 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 seem to be fiddling around another crucial hurdle around 21850. Break would see the Index hit 22K.
  - 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
    - Last week was a sort of consolidation in a narrower range with a Doji candle
    - The support and resistances as noted in the previous blogs continue to be valid this week as well 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 higher highs and higher lows However, last week appeared like a slowdown.
    - The oscillators in different time frames are showing mixed signals. 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. The ensuing week is crucial to decide the direction for the rest of the time during the month
    - 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 19248 and stays above 55 DMA at 20306
        - 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 strong 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
        - Expect a consolidation in the range of 21600-22100
        - 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 resulting in expectation of the thrird positive candle
            - Staying longer above above 21500 would favour attempt of 22K
            - No distinct reversal signal seen yet
        - Observations on the flip side
            - The rise has been too fast and too sharp and there could be profit booking

#Stay Safe

Bank Nifty:

(Chart image source: TradingView.com)

The Bank Nifty moved in range of 969 points Viz. between 48450 & 47481. The Bank Nifty posted a Doji candle, reflecting the uncertainties. The Bank Nifty will now have decent support around 47550-600 zone which it crossed after 3 months of selling pressure. Bank Nifty is facing resistance around 48700 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 47550-49100. 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 came under selling pressure on break of 91.20 as noted in the previous blog. Similarly, break above 92.80 could trigger stops and there could be a sharp spike higher. Expected to undergo consolidation phase between 90.00 & 92.10. 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 to keep the market guessing as it moves swiftly from 83.10 to 83.35 and reverses back. Every time the pair comes closer to 83 there is good amount of buying interest. As observed in the previous blog, 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 no matter what happens to DXY, Yields or Stock market.*

A few observations

a. 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
b. Ultra-low Vols may be a huge risk and there could be sharp move happening when no one expects
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 82.90-83.25 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:

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 third quarter as well
- A fresh start with New year and New quarter, the question still remains 81.50 or 85.50?
- There are fair chances of the breaking lower towards 82.50, at least for a short period

Gold

The precious metal has a characteristic sharp reactive wave after sharp spikes and that it happened so quickly. The 2080 region getting rejected for the second week is a cause of concern. However, there would be interest on both sides. Expect declines to be supported by buying interest closer to 2K and selling interest around 2080 We can expect a consolidation between 1980-2080. 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

For the past 4 weeks, the crypto assets seem to consolidate in a narrow range with alternate weeks of gain and loss within the range. 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 or 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

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. It is good to see crude prices remaining in the range of 70-76. 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.

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