Market Views for the Week 15 Jan–19 Jan 2024-Venkat's Blog

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

NIFTY

(Chart image source: TradingView.com)

The Index witnessed a tuff fight between the Bulls and Bears. In the process the Inde was caged between 21500-21725 for almost the entire week. The final session saw a breakout of this range to see the Inde hit another ATH and closed near the high of the week. The ATH keeps shifting every week. Major factors contributing to the change in sentiments are stable oil prices and economic data supporting a possible beginning of rate cut cycle. The weekly candle still shows the 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 480 points viz. between 21448 and 21928
  - 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
  - Nifty Index seem to have overcome the crucial hurdle around 21850 and all set to hit the 22 K mark and beyond
  - 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 Diji candle
    - Index may find supports at 21840, 21730, 21620 and the index could face resistances at 21980, 22030, 22140
    - *There were multiple gaps created during this dream run. The levels were repeatedly mentioned in the previous blogs. Since they are far away for now, they will be inserted back when relevant*
    - *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 seem to be stuck in a range between 37250-37800
    - 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 19364 and stays above 55 DMA at 20493
        - The Index continues to post new ATH, 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

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Bank Nifty:

(Chart image source: TradingView.com)

The BankNifty moved in range of 1144 points Viz. between 48154 & 47010. The Bank Nifty posted a bearish candle, The Bank Nifty has been consolidating between 47K and 48K for the past 5 weeks. The Bank Nifty has underperformed compared to the main Index Nifty. Bank Nifty is facing resistance around 48700 which is the target of breaking the descending channel. There are fair chances that the BankNifty moves swiftly higher to make a new ATH. The oscillators are turning positive. The expected range for Bank Nifty is 47250-48600. 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 currency pair came under selling pressure on break of 91.20 as noted in the previous blog. A break below 90.40 would add to the selling pressure and the pair would drift towards 89.40. Similarly, a break above 92.80 could trigger 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.

USDINR

(Chart image source: TradingView.com)

The currency pair finally shows signs of moving out of the 83.00-83.35 range after almost 3 quarters. In the past we have seen that when every time the pair comes closer to 83 there is a good amount of buying interest. With weekly closing below 83, we may see sellers emerging.

A few observations

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

Expect the range of 82.70 - 83.15 would hold for the week and there could be choppy moves within this range. A close outside this range requires reassessment 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. The 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?
- As observed in the previous blog, there are fair chances of the breaking lower towards 82.50, at least for a short period

Gold

The precious metal seems to face strong selling pressure at higher levels. The 2080-2060 region getting rejected for the third 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. The underlying positive trend seems to be intact as long as we see 2K levels.

Crypto

For the past 5 weeks, the crypto assets seem to consolidate in a narrow range with alternate weeks of gain and loss within the range. As observed in the past week's blog, the attempt to cross April 22 highs has been accomplished. However, there was a sharp fall subsequently, which is a cause of concern. The next few weeks are crucial to see if the Crypto assets attempts a break-out or come under selling pressure. A strong recovery past April 22 high could help regain confidence. There could be some choppy moves due to some profit booking.

Crude

The crude continuing in the range of 70-75 is providing big relief. 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 be an added advantage which would give the required momentum for recovery of economic activities. The current range is helping the inflation cool 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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