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Market Views for the Week 28 Jan– 02 Feb 2024-Venkat's Blog

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

NIFTY

(Chart image source: TradingView.com)

The Index came under the firm grip of bears. Any spike is dealt with by strong selling pressure. With two weeks of continuous bearish candles, the ensuing week may also witness continued selling pressure. It remains to be seen if Index has completed the up move or still some steam left. The two major events are scheduled for the week viz. FOMC, Interim budget.

- A few observations from the weekly charts are:
    - The index moved in a range of 613 points viz. between 21750 and 21137
    - The oscillators of different time frames are showing mixed signals
    - Monthly candle close and Option open interest to drive the direction of the market
- Expected scenarios for the ensuing week
    - As noted in the previous Blog, the resistance at 21850 is back as major supply zone.
    - We may see sellers emerging after every spike

- Additional interesting observations
  - Last week candle is a strongly bearish candle
  - Index may find supports at 21220, 21080, 20870 and the index could face resistances at 21460, 21570, 21670, 21770
  - *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*
  - *As highlighted in the previous blogs, the return journey may equally be harsh.*
- US Markets
  - DJI finally broke the barrier at 37800 and closed higher
  - 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
  - The run towards 38K mark has been achieved, The ensuing week is crucial to decide the direction for the coming weeks
  - Expect the declines to be supported by buying interest and we may see another ATH before the market reverses its direction
- Final Note
  - The Index has stayed well above 55 DMA at 20900
    - Dramatic shift of sentiments seen in the past 2 weeks
    - After 2 weeks of bearish candle, it is normally expected to be followed by another bearish candle. However, this may get negated if the Index manages to reclaim 21760 zone
    - It was highlighted in our Blog during the first week that January month has produced negative candles in the past 2 years
    - With Monthly candle close and the FOMC scheduled for the final working day of the month coupled with the Interim budget scheduled a truncated week ahead, we may witness volatile sessions with Whipsaw moves
    - Index is still within the ascending channel. Break below 21050 could lead to more trigger of stops and we may quickly see 20850
    - The fault lines lies at 21670 at the higher side and 21050 on the lower end.
    - Most likely scenario would be a consolidation between 21050 & 21770
    - Till we see a daily close above 21670, we may see selling pressure to continue
    - The ensuing week is crucial to decide further direction of the market

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Bank Nifty:

(Chart image source: TradingView.com)

The Bank Nifty moved in range of 2151 points Viz. between 46580 & 444429. The Bank Nifty posted a strongly bearish candle for the second consecutive week. The Bank Nifty continues to be under strong selling pressure. Break below 45400 cutting the ascending channel is not a favorable sign. The oscillators are turning negative. Only a weekly close above 46500 would help reclaim the 47K zone. A daily close above 45600 required for reduced selling pressure. The expected range for Bank Nifty is 44400-46300. 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)

Though the currency pair posted 4th bearish candle, the currency pair managed to consolidate in a narrow range of 89.88-90.80, which implies that the selling pressure is reducing and we can expect a bounce back towards 92 levels provided we see a daily close above 91.00. A break below 89.90 would add to the selling pressure and the pair would drift towards 89.40. Expect the currency pair to undergo a consolidation between 90.30 & 91.20. 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 once again back in to the narrow range regime. We saw the pair traded between 83.05 and 83.16. At best we can assume that the band is marginally lowered to 82.85 83.15.

A few observations

a. Ultra-low Vols may be a huge risk and there could be sharp move happening when no one expects
b. There is divergence seen in the charts
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 82.80 - 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
- The next couple of weeks are crucial. We will get to know if we are heading towards 82.50 or 83.50

Gold

The precious metal seems to face strong selling pressure at higher levels. The 2060-80 region getting rejected for the fourth week is a cause of concern. However, there seems interest on both sides. Expect declines to be supported by buying interest closer to 2K and selling interest around 2050 We can expect a consolidation between 1980-2060. 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

After the objective of achieving April 22 highs has been accomplished, there has been huge selling pressure. The Crypto assets have corrected by 20%. The next few weeks are crucial to see if the Crypto assets attempt a break-out or come under selling pressure. A strong recovery past April 22 high on a closing basis could help regain confidence. There could be some choppy moves due to some profit booking.

Crude

Having seen the crude continuing to be in the range of 70-75 was providing a comfort. Past week saw a break of this range to close higher. This is a real cause of concern. There is a risk of a spike towards 84 due to geo-political risk scenarios and the FOMC event risk. The likely scenario could be a consolidation between 74 & 84, and any levels below 75 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 74-84 for the week.

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