

Market Views for the Week 05 Feb– 09 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 snapped its past 2 weeks of losing streak and bounced back sharply. Past week was a very eventful week. The markets witnessed huge stop hunting which was evident from the kind of move on either side during the last session of the week. The big move happened after the Index broke 21850 and the Gap between 21850 and 21960 created during the sharp fall during second week of Jan 24. In the process it kissed the earlier peak and made a marginally higher ATH. The subsequent sell-off was equally sharp. The ensuing week is crucial for the direction and the target.

- A few observations from the weekly charts are:
 - The index moved in a range of 697 points viz. between 21429 and 22126
 - The oscillators of different time frames are showing mixed signals
 - Option open interest to drive the direction of the market
- Expected scenarios for the ensuing week
 - Unlike the earlier bull run, we find sellers emerge after every spike
 - Higher volatility likely to continue for a couple of more weeks

Disclaimer: The views expressed here are personal and not connected to SYFX Treasury Foundation. The views are for learning and reference purpose only.

- Additional interesting observations
 - Last week candle is a strongly bullish candle. However, the daily candle shows signs of uncertainty
 - Index may find supports at 21760, 21640, 20520 and the index could face resistances at 21970, 22130, 22345
 - *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*
- US Markets
 - DJI is continuing to gather momentum after breach of 38K and continues to post new ATH
 - The oscillators in different time frames are turning positive mixed signals. Though there is no indication of reversal, market could be waiting for a major trigger
 - The Index is trading in the uncharted territory and may even attempt 39K. 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 21108 and the 200 DMA at 19633
 - The sentiments seem to take diagonally opposite directions within a shorter time frame. This requires cautious approach
 - The Observation made in the previous blog: *"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"- This trigger happened and the market witnessed whipsaw moves on either side hunting the stops*
 - There is a striking similarity between the formation in the weekly chart and that of the Monthly charts a few weeks ago. This is more of Bullish in nature where we saw a break above the triangle formation lead to a big up move. Only a close below 20850 will negate this. 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 21540 at the lower end and 22130 on the higher end.
 - Most likely scenario would be a consolidation between 21540 & 22130. Breach on either side can lead to 200-300 points move
 - SIP funds and the flows expected to support the market
 - The ensuing week is crucial to decide further direction and target

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Bank Nifty:



(Chart image source: TradingView.com)

The Bank Nifty moved in range of 1821 points Viz. between 46892 & 45071. The Bank Nifty posted a strongly bullish candle with higher highs and higher lows. Though the market witnessed sharp sell-off during the final session of the week, we may find buying interest to emerge on every correction lower. Index has re-entered the ascending channel and has to sustain the support at 45800 to regain the lost grounds. For now the Index is expected to consolidate between 44850 and 46850. The oscillators are showing mixed signal. A daily close above 46800 would see a sharp move towards previous peak and possibly a new ATH. The expected range for Bank Nifty is 44850-47300. 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 5th bearish candle. However, the currency pair managed to consolidate in a narrow range of 89.46-90.35, 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 89.40 would add to the selling pressure and the pair would drift towards 88.70. Expect the currency pair to undergo a consolidation between 88.70 & 91.20. Any breach of the range would lead to 100 pips move.

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USDINR



(Chart image source: TradingView.com)

The currency pair did a quick attempt of 82.83 and was back again closer to 83 levels. We saw the pair traded between 83.83 and 83.16. At best we can assume that the band is marginally lowered to 82.85 83.15.

A few observations

- There is divergence seen in the charts
- 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
- Ultra-low Vols may be a huge risk and there could be sharp move happening when no one expects

There appears a fair chance for the pair to trade towards 82.33 at least for short period in the coming weeks. 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 range getting rejected for the fifth week is a cause of concern. However, there seems interest on both sides. Expect declines to be supported by buying interest closer to 2010 and selling interest around 2065. We can expect a consolidation between 2010 & 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. However, the Crypto assets are going through a consolidation. 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 of (+/-) 10% on a daily basis.

Crude

After a spike during the previous week, the crude prices cooled down and are back in 72-75 range. The risk of a spike towards 84 seems to have been averted for the time being.. The likely scenario could be a consolidation between 68 & 78, 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 68-78 for the week with one possible scenario of lower levels towards 62.

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