

Weekly Market Outlook

Jan 23, 2023 thru Jan 27, 2023

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Week Ahead: Ranged Movement Expected In The Truncated Week; These Levels Stay Crucial

Over the past couple of weeks, it is being categorically mentioned that so long as the NIFTY stays below the 18300 levels, it is likely to continue to consolidate in the present range. The index has created a very well-defined trading range for itself at the moment and continues to stay within the defined boundaries. Markets witnessed mixed trends throughout the previous week. It stayed quite ranged and the trading range too remained narrow as the NIFTY oscillated in a 330-point range in the past five sessions. Whiles not showing any directional bias, the headline index closed with a modest gain of 71.05 points (+0.40%) on a weekly basis.



We have a truncated week lined up; January 26th is a trading holiday on account of the observance of Republic Day. There is no major change in the overall technical setup that was seen at the beginning of the previous week. It is important to note that it is now the fifth week in a row that the NIFTY has taken support on the 20-Week MA; the 20-Week MA currently stands at 17907. This level also lies in close proximity to the 100-Day MA which is placed at 17937. This makes the zone of 17900-17940 a strong support area for the NIFTY; only a slip below this point will invite incremental weakness in the markets.

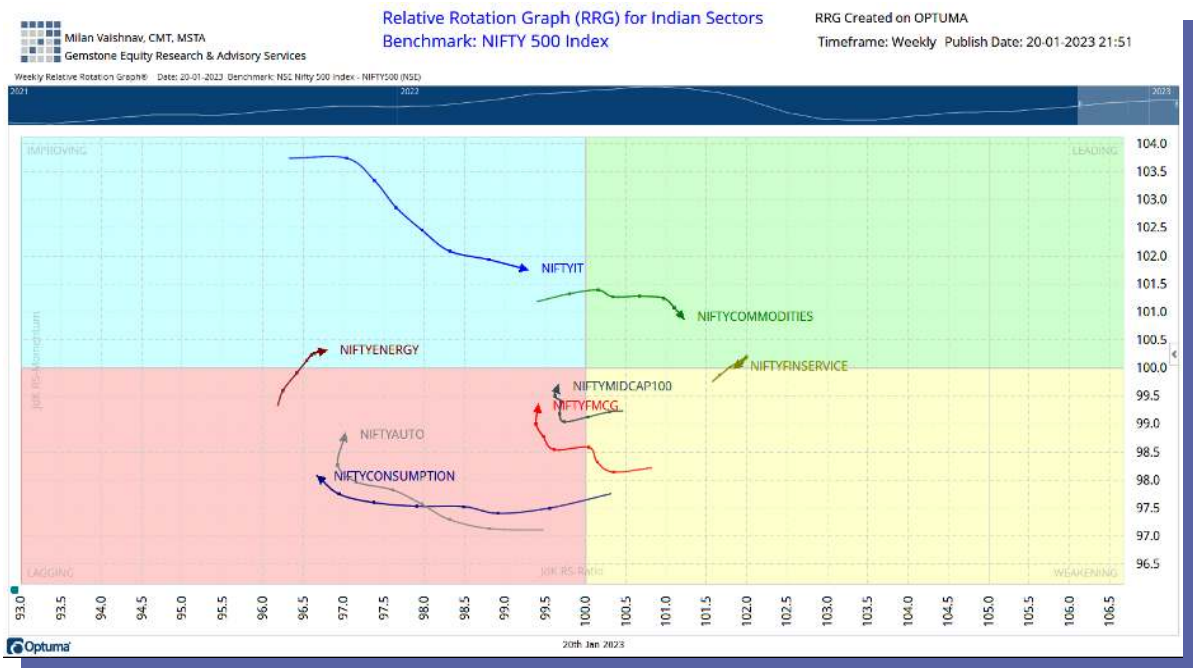
Volatility dropped; INDIAVIX came off by 4.65% to 13.75 on a weekly basis. The coming week will see the Index facing resistance at 18300 and 18480 levels. The supports come in at 17900 and 17760.

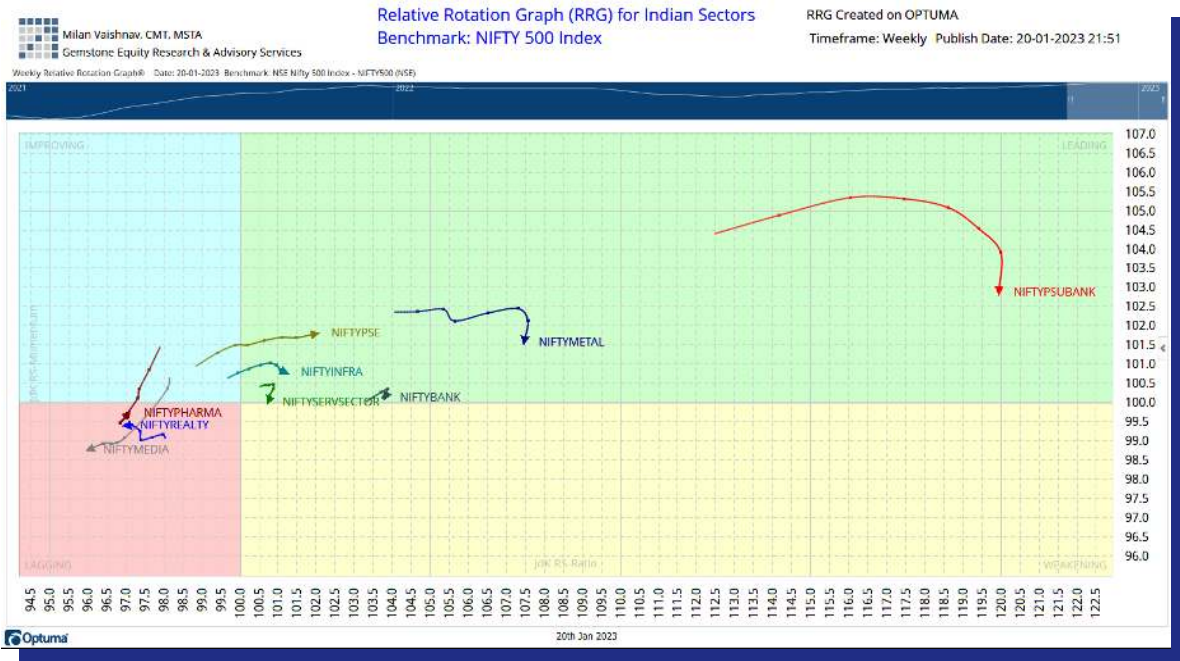
The weekly RSI is 54.42; it stays neutral and does not show any divergence against the price. The weekly MACD stays bearish; it trades below its signal line. A spinning top, close to being called a Doji appeared on the candles. The emergence of such a candle near the support area lends credibility to the support.

The pattern analysis of the weekly chart shows that NIFTY is taking support at the 20-Week MA which is placed at 17907 for five weeks in a row. This makes this point a crucial support for the index coupled with the 100-DMA on the shorter time frame chart. Overall, the NIFTY is unlikely to take any directional bias so long as it is in this trading range; a sustainable directional bias would emerge only if the NIFTY moves past 18300 levels or slips below 17900 levels.

The overall technical setup remains nearly unchanged this week as compared to the week before this one. All the markets have done is to just consolidate within a given range and head nowhere. As the markets head towards the Union Budget which is one of the most important external domestic events, it is likely to consolidate with a positive bias. We will see sectors like PSE, IT, etc., doing well. The Dollar Index stays weak, if it stays this way then it is likely to auger well with the commodities and metal stocks as well. The action in the coming week is likely to stay stock-specific; it is strongly recommended that the overall exposures should be kept at modest levels until a distinct directional bias is established. While staying light on positions, a cautiously positive outlook is advised for the coming week.

In our look at Relative Rotation Graphs®, we compared various sectors against CNX500 (NIFTY 500 Index), which represents over 95% of the free float market cap of all the stocks listed





The analysis of Relative Rotation Graphs (RRG) does not show any major changes in the sectoral setup as compared to the previous week. Despite being placed in the leading quadrant, the Metals, PSU Banks, Financial Services, and Services Sector indexes are seen taking a bit of a breather. However, they will continue to relatively outperform the broader market NIFTY500 index along with Nifty PSE, Infrastructure, Commodities, and Banknifty which are also placed inside the leading quadrant.

No sector is currently placed inside the weakening quadrant.

Nifty Realty and the Media sector indexes are seen languishing inside the lagging quadrant. They may relatively underperform the broader markets. Besides these sectors, the Auto, Pharma, Midcap 100, FMCG, and consumption sectors are also placed inside the lagging quadrant. However, they appear to be improving on their relative momentum against the broader markets.

The Energy and the IT sectors are placed inside the improving quadrant. They may continue to show resilient performance against the broader markets.

Important Note: RRG™ charts show the relative strength and momentum for a group of stocks. In the above Chart, they show relative performance against NIFTY500 Index (Broader Markets) and should not be used directly as buy or sell signals.

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