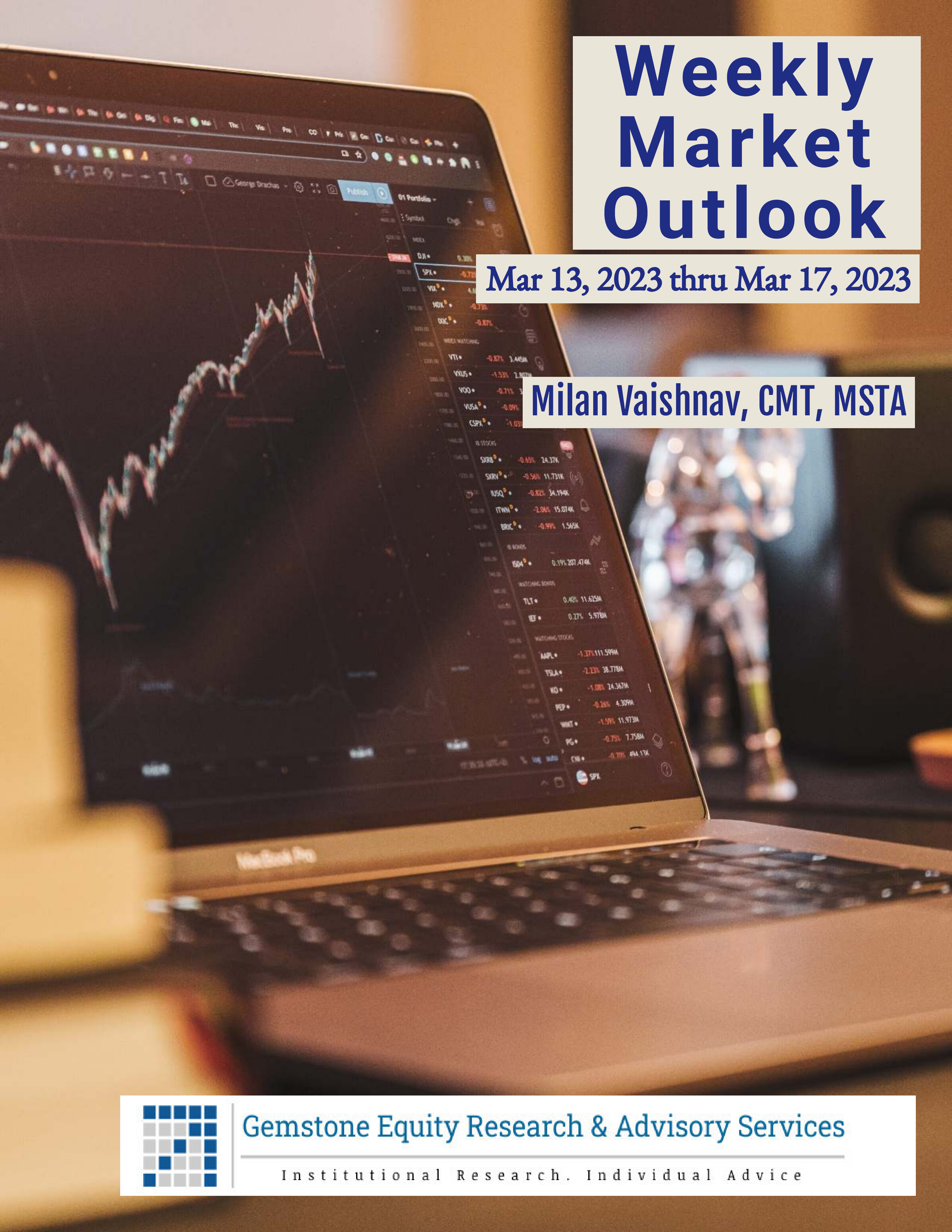
Weekly Market Outlook

Mar 13, 2023 thru Mar 17, 2023

Milan Vaishnav, CMT, MSTA



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Week Ahead: NIFTY Stares At Important Supports; Staying Above These Levels Would Be Crucial

The truncated week remained quite volatile; the markets were all over the place and the week ended on a negative note. The volatility over the last two days was fueled by the testimony of FOMC chief Jerome Powell who showed all the indications of continuing with the hikes; he also stated that the rates may settle higher than expected. The examination of the weekly charts looks devoid of noise as such; however, the trading range for the week stayed at 475 points. Following volatile movement during the week, the headline index finally settled with a net loss of 181.45 points (-1.03%) on a weekly basis.

From a technical perspective, there are a couple of things that warrant our attention. The volatility, as represented by INDIAVIX, surged 10.12% to 13.41 on a weekly note. This level continues to remain towards the lower end. Besides this, NIFTY is now very near to the support zone created by the confluence of two averages. The 50 Week MA is presently at 17350. This is expected to act as a strong support for the index. Apart from this, the 200-DAY MA stands at 17434. This makes the 17300-17450 a strong support zone for the NIFTY. Over the coming week, it would be extremely important for the NIFTY to defend this 150-point zone and not violate it on a closing basis.

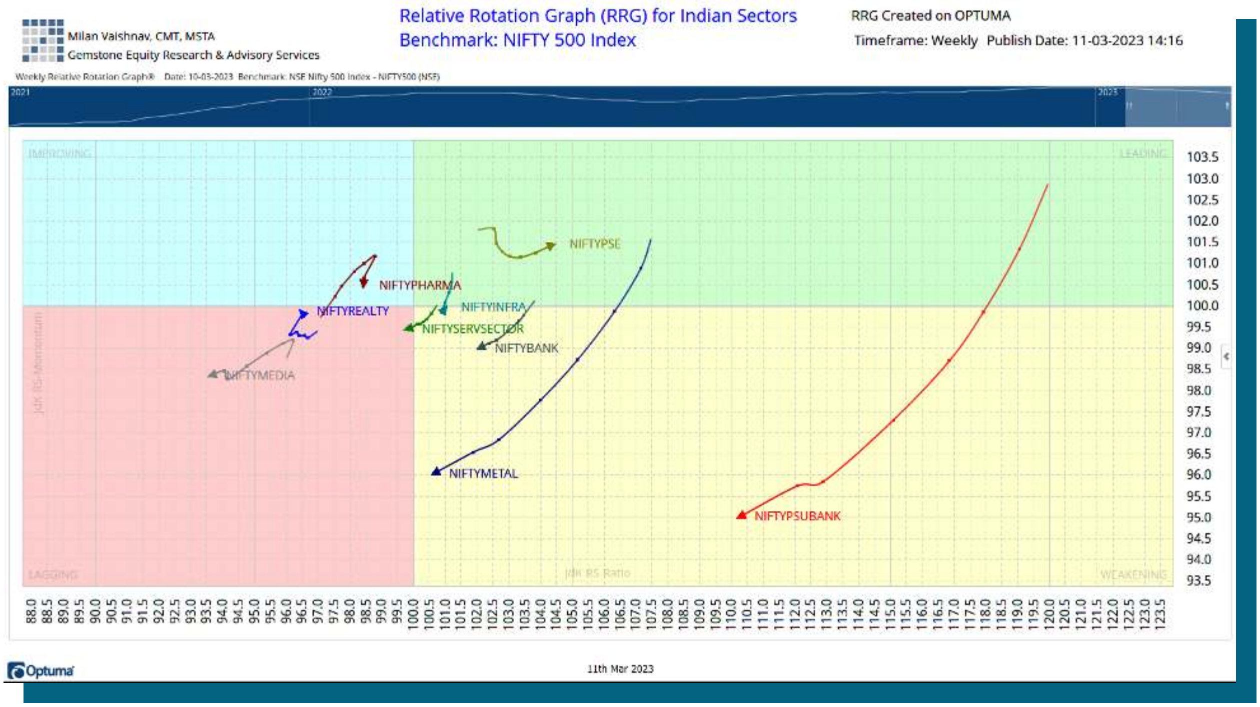
The coming week is expected to see a stable start; the levels of 17580 and 17700 are likely to act as potential resistance points. The supports come in at 17300 and 17180 levels. The trading range is likely to stay a bit wider than usual.

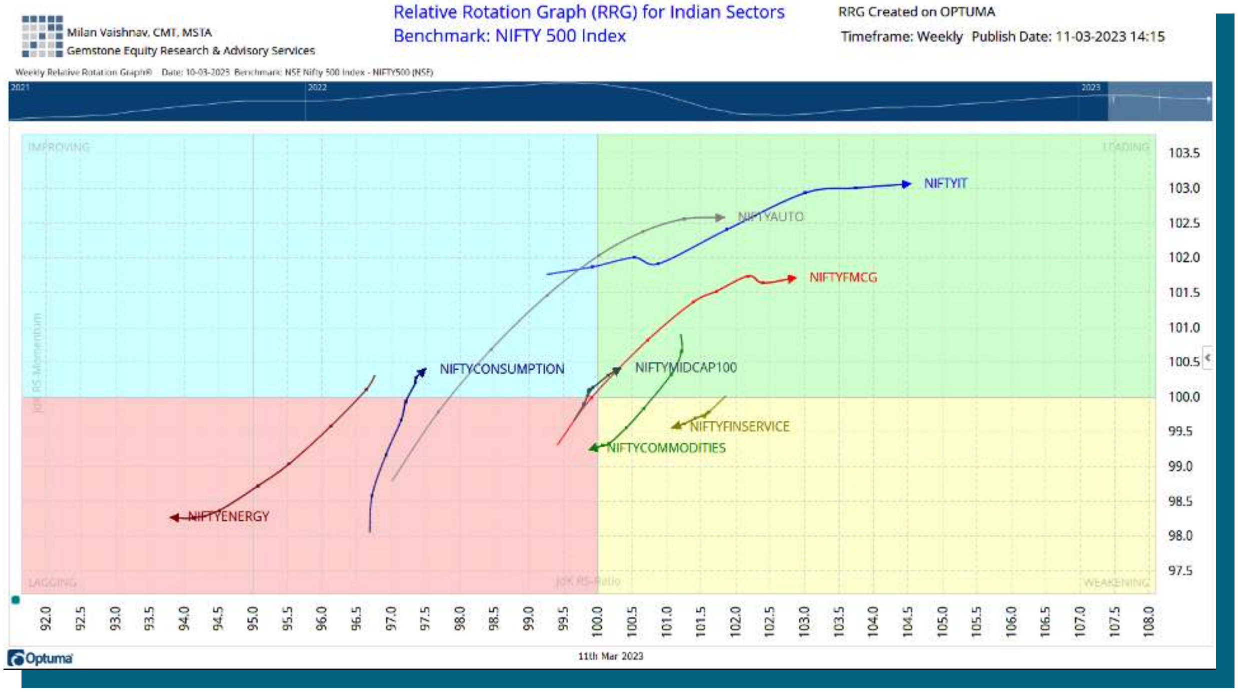
The weekly RSI is 45.01; it has marked a new 14-period low which is bearish. However, it is neutral and does not show any divergence against the price. The weekly MACD is bearish and remains below the signal line.

The pattern analysis of the weekly charts shows that NIFTY is very near to a confluence area with multiple supports. The index has taken support at a falling trend line; this begins from the high point of 18350 and joins the subsequent lower tops. The NIFTY is also near the 50-Week MA which is currently at 17350. The 100-Week MA is placed at 17026. With the 200-DMA placed at 17434, the zone of 17300-17450 can be viewed as a crucial support zone for the markets.

Despite the surge in INDIA VIX over the past week, it continues to remain near the lower levels. This is something that needs to be watched. Besides this, so long as NIFTY is above the 17300-17450 levels, there are greater possibilities of resumption of an uptrend. That being said, we will also see volatility staying ingrained into the markets. It is also expected that no one sector will dominate the space; the markets are likely to stay highly selective in nature. It would be wise to continue staying invested in low-beta stocks. Also, prudence would be to keep leveraged exposures at modest levels. A cautiously positive approach is advised for the day.

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) shows NIFTY IT, PSE, Auto Index, and FMCG sector indices rolling steadily inside the leading quadrant of the RRG along with the Midcap 100 Index. These groups will continue to post resilient performance and may relatively outperform the broader NIFTY500 index.

The NIFTY Infrastructure index is inside the weakening quadrant; however, it is seen rolling back towards the leading quadrant. Apart from this Financial Services, Banknifty, Metals, and PSU Bank indices are inside the weakening quadrant.

The Nifty Services sector index and the Commodities index have rolled inside the lagging quadrant. Besides that, we have Energy, Realty, and Media indices also languishing inside the lagging quadrant. These groups may continue to relatively underperform the broader markets.

Nifty Consumption Index is inside the improving quadrant; this may show resilient performance going ahead. The Nifty Pharma index is also inside the improving quadrant but it is seen giving up on its relative momentum front.

Important Note: RRG™ charts show the relative strength and momentum of 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.

Milan Vaishnav, CMT, MSTA

Consulting Technical Analyst | Member: (CMT Association, USA | CSTA, Canada | STA, UK) | (Research Analyst, SEBI Reg. No. INH000003341)