

Weekly Market Outlook

Aug 21, 2023 thru Aug 25, 2023

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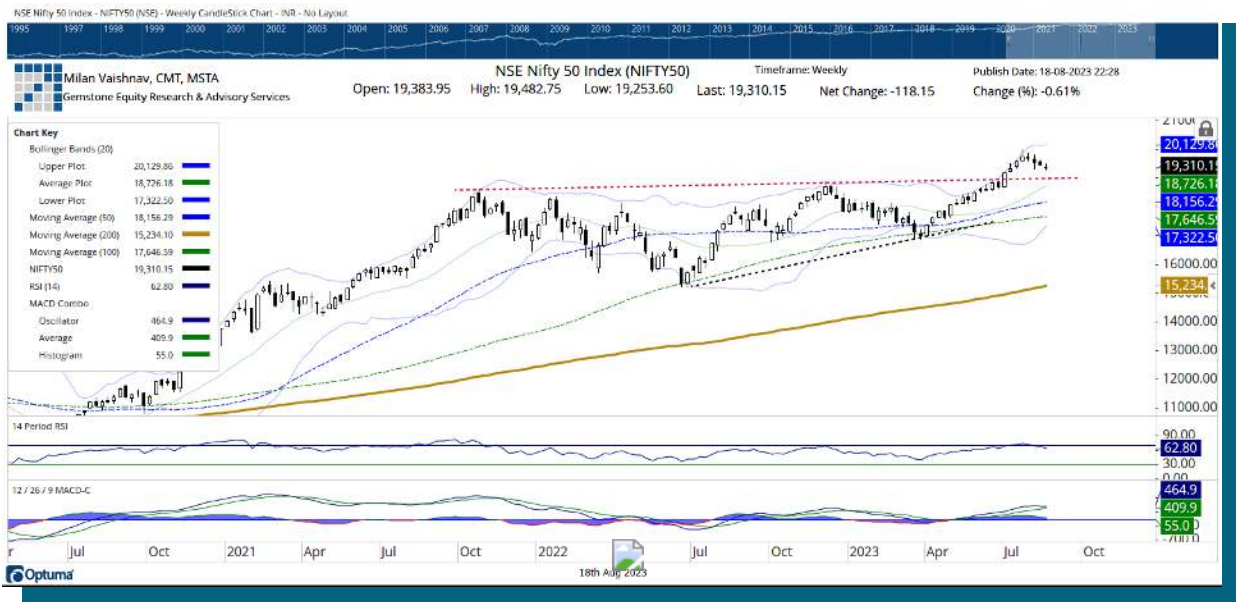


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Week Ahead: NIFTY Likely To Trade With Corrective Undertone; Two More Sectors Roll Inside The Leading Quadrant Of RRG

The Indian equities were expected to spend the truncated week with on a tentative note. In line with this analysis and as expected, NIFTY exhibited cautious behavior as it traded in a very capped and limited range. The markets did not take any directional bias; they just consolidated with a corrective undertone. The trading range got narrower; the NIFTY oscillated in just a 229-point range throughout the week. During the truncated week, the headline index ended with a net loss of 118.15 points (-0.61%) on a weekly note.



The coming week too is likely to stay important from a technical perspective. The NIFTY has closed just a notch above the 50-Day MA which stands at 19302. Any violation of this level on a closing basis will invite incremental weakness for the index. Further to this, it has also ended up violating important support at 19500. This would mean that any technical rebounds are likely to get capped near 19500 levels. Volatility continued to surge; INDIAVIX rose by 5.38% to 12.14. From the current technical structure, NIFTY is unlikely to pick up any directional trend so long as it stays above 19300 and below 19500 levels. Only a move above 19500 or below 19300-19250 zone will see the markets taking some directional cues.

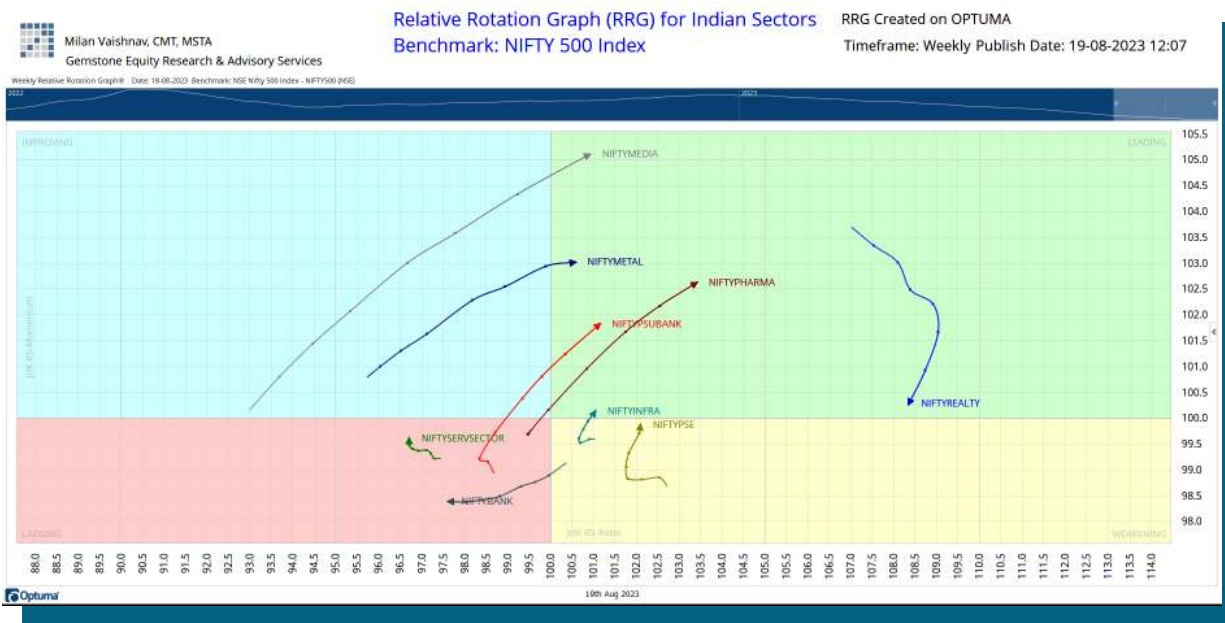
The coming week is likely to see a quiet start; the levels of 19500 and 19630 are likely to act as potential resistance points. The supports come in at 19210 and 19050 levels.

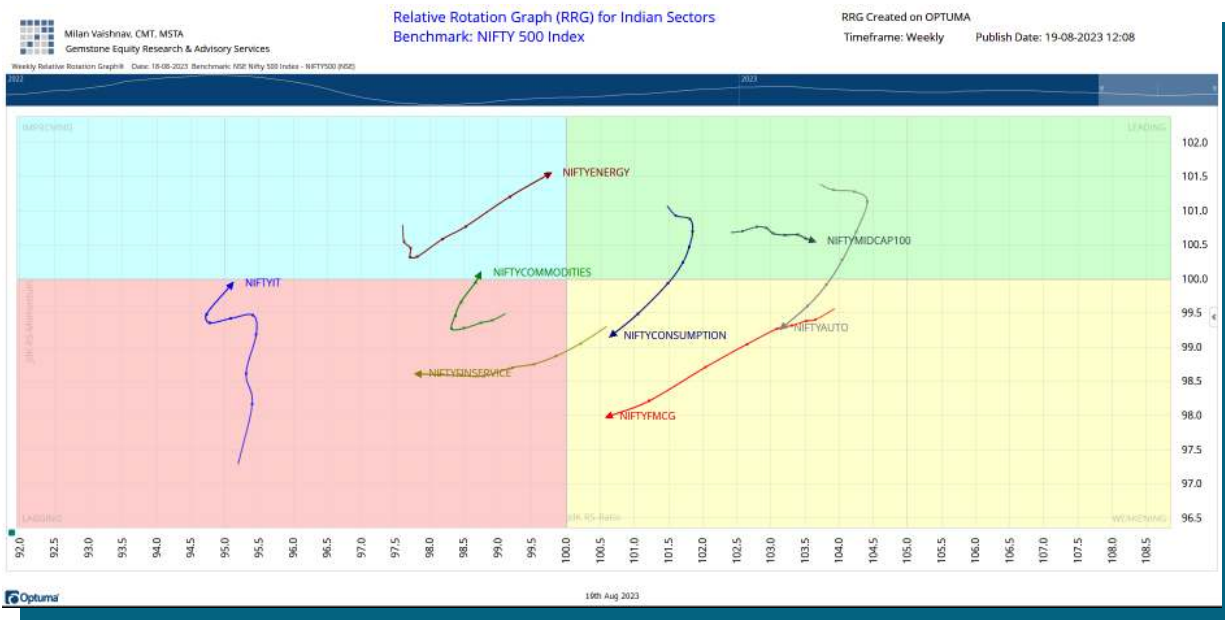
The weekly RSI is 62.80; it has formed a new 14-period low which is bearish; however, RSI is neutral and does not show any divergence against the price. The MACD is bullish and above the signal line; however, a clear deceleration of momentum is seen as the Histogram is getting narrower.

The pattern analysis of the weekly chart clearly shows the high point of 19900 getting confirmed as an intermediate top for the markets. While the Index has closed at its 50-DMA on the daily chart; on the weekly chart, it appears to be slowly drifting lower towards its main breakout point at 18890-19000 levels.

All in all, the coming week will not only see the markets getting highly stock-specific, but also risk-averse as well. We are likely to see some risk-off environment prevailing in the markets; at the same point in time, we will see low beta and defensive space doing well in the markets. The corrective undercurrents may well persist for some more time; it makes it important that leveraged exposures are kept at modest levels and fresh buying be kept limited to low beta stocks and the ones that have a strong and rising relative strength against the broader markets. A cautious approach 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) shows that this week it is the Media, Metal, and Infrastructure Indices that have rolled inside the leading quadrant. Along with them, the PSU Bank, Midcap 100, Pharma, and Realty indices are inside the leading quadrant as well. Except for Realty, all these groups may relatively outperform the broader markets. The Realty Index is fast giving up on its relative momentum against the broader markets.

The Nifty Auto, Consumption, and FMCG indices are inside the weakening quadrant. The Nifty PSE index is also inside the weakening quadrant but it is seen improving sharply on its relative momentum.

The Banknifty and Nifty Financial Services are seen languishing inside the lagging quadrant. The Services Sector and the IT indices are also inside the lagging quadrant but they are improving on their relative momentum.

Nifty Commodities Index has rolled inside the improving quadrant. They may see an onset of its phase of relative outperformance against the broader markets. The Energy sector is also inside the improving quadrant and is seen rolling strongly in the northeast direction while maintaining its relative momentum against the broader markets.

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.

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