

Weekly Market Outlook

Nov 20, 2023 thru Nov 24, 2023

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Week Ahead: NIFTY To Stay Largely Stable; Uptrend Intact So Long As Markets Are Above This Point

In the choppy and truncated trading week, the markets extended their gains with some spurt in the volatility as well. In three out of four trading sessions, the Nifty index moved higher. In the previous technical note, it was categorically mentioned that the Nifty has achieved a full throwback by retesting the original breakout point and such retests often turn out to be potent supports. Over the past four sessions, the Index traded in the 460.50 points range and also managed to close above one important resistance point. The headline index closed with net weekly gains of 306.45 points (+1.58%).



The volatility also edged higher. IndiaVIX rose by 6.48% on a weekly basis to 11.83 levels. From a technical standpoint, the Nifty has also crossed above 19547; this is the 20-week MA. This level has acted as both support as well as resistance when the Nifty was above and below it. Following a rebound from the original breakout zone of 18850-18900, the Nifty has rebounded over 750 points and remains in the broad rising channel keeping its primary trend intact. Looking from a very short-term horizon, so long as Nifty keeps its head above the 19450-19500 zone, the primary uptrend may stay protected.

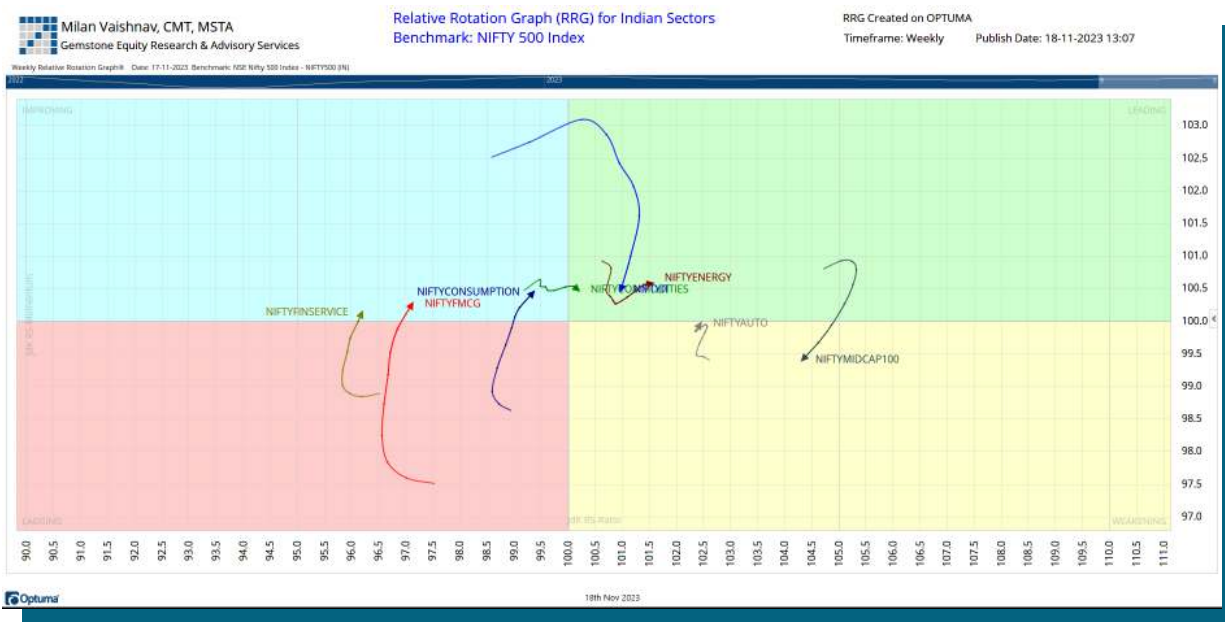
Importantly, Nifty has rolled inside the improving quadrant of the RRG; this may lead to the large-caps starting to relatively outperform the broader mid and small-cap space over the coming weeks. A stable start is expected for the week; the levels of 19880 and 20075 may act as resistance points. The supports are likely to come in at 19535 and 19410.

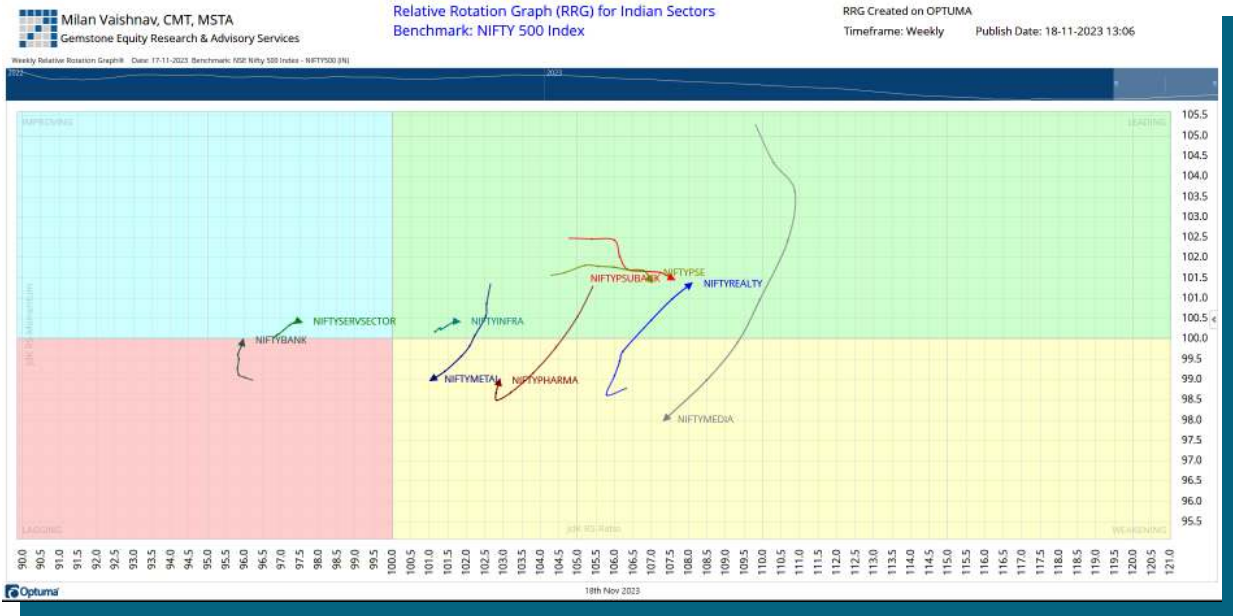
The weekly RSI is 59.05; it remains neutral and does not show any divergence against the price. The weekly MACD is bearish and stays below its signal line. However, narrowing Histogram suggests that the upmoves have come with acceleration in the momentum.

The pattern analysis shows that the Nifty remains firmly in an upward-rising channel while keeping its primary trend intact. After retesting the full throwback level of 18850-18900 when the index gave up all its gains, the said level has acted as a very potent support on the expected lines. This had led to the Nifty gaining over 750 points during the recent pullback. It has crossed above the 20-week MA and stays firmly in an uptrend.

All in all, the markets have turned highly stock-specific and are expected to stay this way for some time. Further, rolling over of NIFTY in the improving quadrant of the RRG suggests that the headline index might well end its recent months' underperformance against the broader. This would also mean that there are greater possibilities of the large-cap stocks starting to relatively outperform the broader markets. It is strongly suggested to remain selective while making fresh purchases as some consolidation at higher levels can be expected as well. So while picking out good stocks with improving and strong relative strength, it would also be prudent to vigilantly guard profits at higher levels.

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





Relative Rotation Graphs (RRG) indicate that Nifty Infrastructure, PSE, PSU Banks, Realty, Energy, and Commodities indices are inside the leading quadrant. The Nifty IT too is inside the leading quadrant but is seen slowing down on its relative momentum. However, all these groups are likely to outperform the broader Nifty 500 Index.

The NIFTY Midcap 100, Metal, and Media Indices advance further inside the weakening quadrant. The Auto and the Pharma Indices are inside the weakening quadrant as well but they are seen improving on their relative momentum.

The Nifty Bank is the only index right now in the lagging quadrant; that too is seen improving on its relative momentum against the broader markets.

The Nifty Services sector is inside the improving quadrant. Additionally, the Consumption index has also rolled inside the improving quadrant indicating a potential beginning of its phase of relative outperformance.

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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