

Weekly Market Outlook

Mar 04, 2024 thru Mar 08, 2024

Milan Vaishnav, CMT, MSTA



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Week Ahead: Additional Trading Session On Saturday; NIFTY Shows Likely Fatigue At Higher Levels

The markets traded in the previous week on analyzed lines. It was largely expected that the markets may not see any runaway upmove but may keep the overall trend intact. In line with these expectations, the Nifty traded in a defined range ending the week on a modestly positive note. The trading range also stayed limited; the Index oscillated in a 492.65 points range. The volatility inched higher; India Vix rose by 1.75% to 15.23. The headline index closed with a net weekly gain of 126.05 points (+0.57%).



Saturday has a short trading session; however, despite a strong closing on Friday, the markets continue to face the same resistance levels that they had during the previous week. Going by the Options data, the resistance levels have shifted slightly higher. However, despite a fresh high, the markets are slated to consolidate once again at current or higher levels. The current technical structure makes it mandatory to focus and pay attention highlighting the need to protect profits at higher levels. It would be important not to chase the rally blindly but rather protect profits at higher levels and rotate the stocks and sectors appropriately.

For the coming week, the level of 22400 continues to stay as an important resistance level followed by 22650. The supports come in at 22050 and 21850 levels. The coming week is expected to see the trading range getting a bit wider than usual. Some increment in volatility cannot be ruled out as well.

The weekly RSI is 73.58; it remains in the mildly overbought zone but also stays neutral showing no divergence against the price. The weekly MACD stays positive and remains above its signal line. However, the narrowing Histogram hints at a likely negative crossover over the coming days.

On the candles, a candle with a long lower shadow occurred. Although this is not a classical Hanging Man formation, it certainly hints at a lack of consensus among the market participants at higher levels.

The pattern analysis of the weekly charts shows that the breakout that occurred following the Nifty crossing above the 20800 levels remains perfectly in force. However, that being said, the current price action over the past few weeks shows that the momentum on the way up is decelerating and the markets are showing a lack of consensus among the market participants. The widening Bollinger bands also show volatility expansion over the past weeks. This bulge may lead to the trend slowing down and the markets entering into consolidation.

All in all, we are likely to see the markets inching higher, however, on week-on-week terms, any runaway move may not happen. There are greater possibilities of the markets finding resistance at higher levels; it becomes important to lay equal or more emphasis on protecting profits at higher levels. It is strongly recommended that one stays focused on sectors like FMCG, Consumption, Pharma, etc., that are showing improvement in their relative strength against the broader markets. A cautious and selective approach is advised for the coming week.

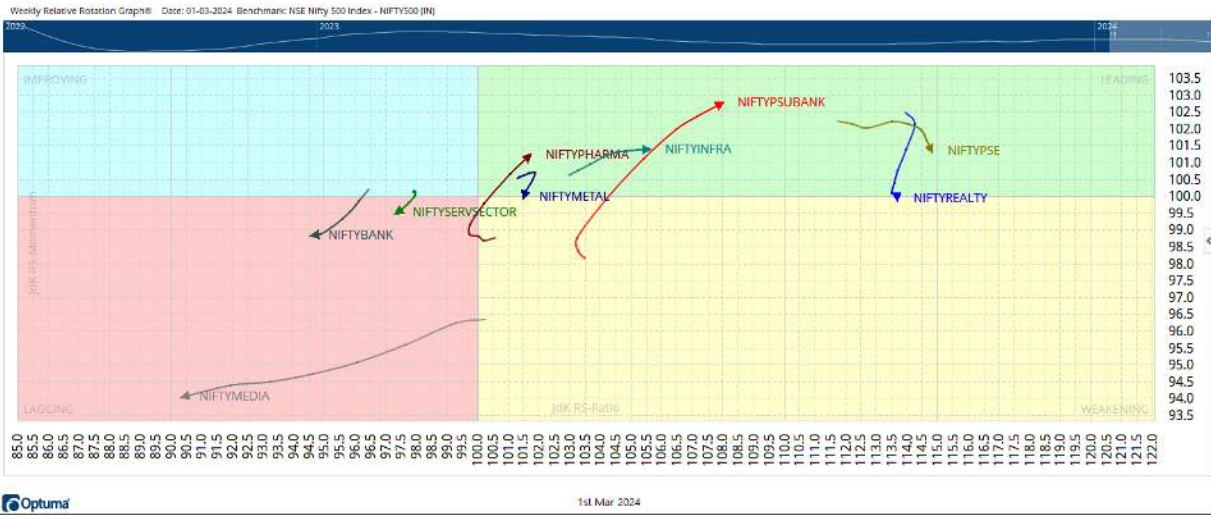
In our look at Relative Rotation Graphs®, we compared various sectors against CNX500 (NIFTY 500 Index), which represents over 95% of the free float market cap of all the stocks listed

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Relative Rotation Graph (RRG) for Indian Sectors Benchmark: NIFTY 500 Index

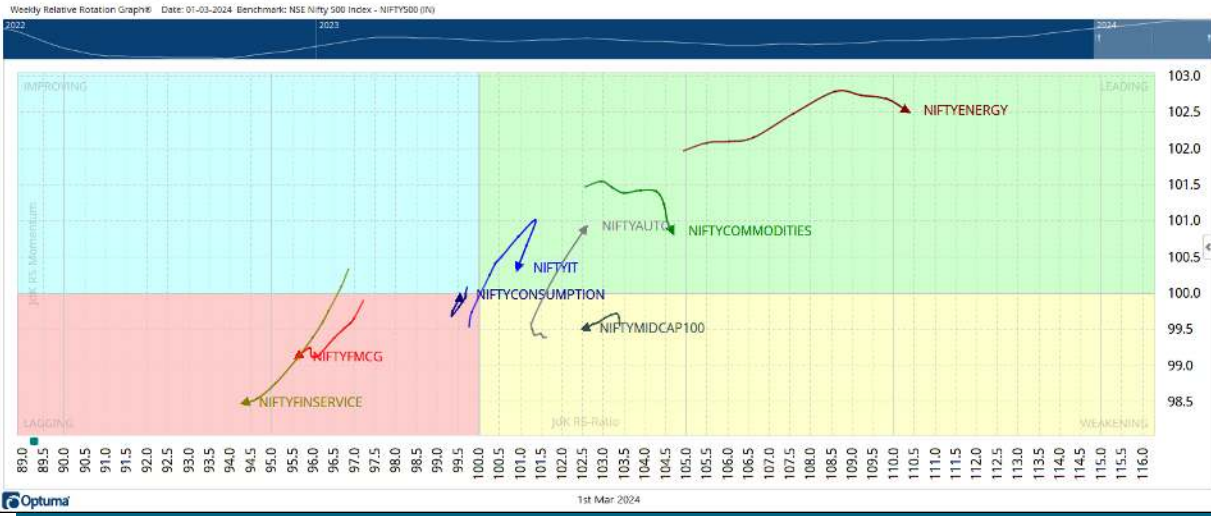
RRG Created on OPTUMA
Timeframe: Weekly Publish Date: 01-03-2024 21:32



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Relative Rotation Graph (RRG) for Indian Sectors Benchmark: NIFTY 500 Index

RRG Created on OPTUMA
Timeframe: Weekly Publish Date: 01-03-2024 21:32



Relative Rotation Graphs (RRG) show that the Nifty Commodities, IT, PSE, and Metal Indices are slowing down and losing their relative momentum while staying inside the broader markets. The Commodities, PSU Banks, Pharma, Infrastructure, and Auto Indices are also inside the leading quadrant. These groups will continue to relatively outperform the broader markets.

The Realty Index has also rolled back inside the leading quadrant from the weakening quadrant. Besides this, the Nifty Midcap 100 index stays inside the weakening quadrant.

Nifty Bank, Media, and the Nifty Services sector indices continue to drift lower and languish inside the lagging quadrant along with the Nifty Financial Services and FMCG Index. However, the Consumption group is showing some improvement in its relative momentum against the broader markets.

No sectors are present inside the improving quadrant.

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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