

# Weekly Market Outlook

Jul 29, 2024 thru Aug 02, 2024

Milan Vaishnav, CMT, MSTA



Gemstone Equity Research & Advisory Services

Institutional Research. Individual Advice

# OptionsIncomePRO



Looking to generate maximum yields on your capital without worrying about the market trend? Try **OptionsIncomePRO**! Our service specializes in writing hedged index options to help you make the most of your investments. Don't let market fluctuations hold you back - join **OptionsIncomePRO** today and start earning the returns you deserve! - [CLICK HERE TO READ MORE](#) - scan the code.



We have been providing Independent Technical Research for over two decades covering 2000+ listed equities from the Indian Stock Markets.

---

**Are you a short-term trader looking for actionable Stock Futures and Index Futures Calls?**

**Pay for ONE and Get a Subscription to ALL Services**

Stocks, NIFTY, and Banknifty...This makes our plans cheaper by an additional 45%. Further, Save 17% to 30% on top of this when you subscribe to longer tenures.

[Click here to know more and subscribe](#)

---

**Are you Active Investor looking for alpha-generating Premium Equity Portfolio Advisory for your stocks**

Premium Equity Portfolio Service - A truly customized advisory offering

Risk Optimized Top Down Approach | Works on Active Portfolio Management Theory | Aimed at generating Alpha against the benchmark for superior returns

[Click here to know more and subscribe](#)

## Week Ahead: NIFTY Stays Highly Overextended; Guard Profits At Higher Levels

The week that went by saw the Nifty navigating one of the most domestic events of the Union Budget. However, the reaction of the markets to this event was much different than what was expected. On the event day, the markets swung on either side in a lower-than-expected range and ended on a flat note. Over the past five sessions, the markets were largely trading negative but the last trading day turned the negative week into a positive one. However, the Nifty had a wider trading range; the index oscillated in a 786.95 points range over the past five sessions. The headline index closed with a net weekly gain of 303.95 points (+1.24%).



From a technical perspective, what was thoroughly unexpected was the market's reaction to the Union Budget. On the day of the event, the Nifty swung 400 points on either side. Volatility, which usually increases on any such event day, in fact, slumped by 17.40%. On the other day, VIX gave up another 8% while the markets continued to consolidate. This indicated that there was no fear, no anxiety, and no uneasiness in the markets. On the expected lines, the markets had a strong trending day after that which took it to a new all-time high. India Vix, the volatility gauge, came off by (-17.39%) on a weekly basis.

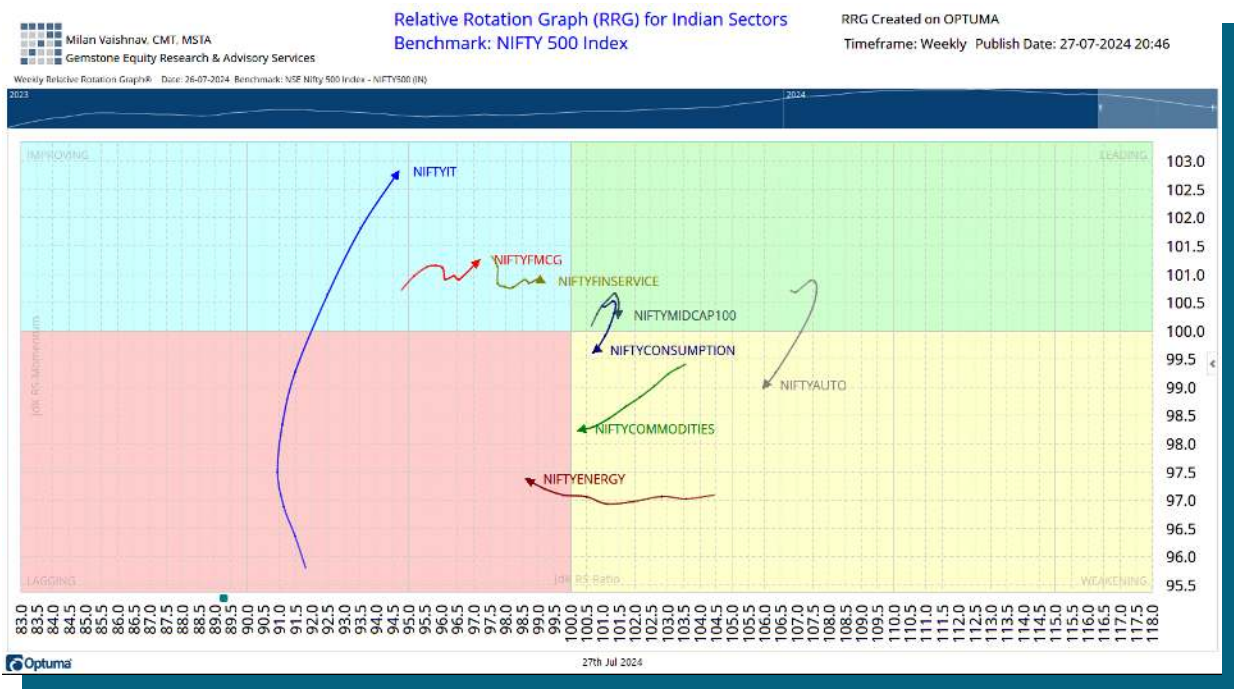
**The markets are expected to see a quiet start to the week. The levels of 25000 and 25230 are expected to act as potential resistance points. The supports come in lower at 24500 and 24350 levels.**

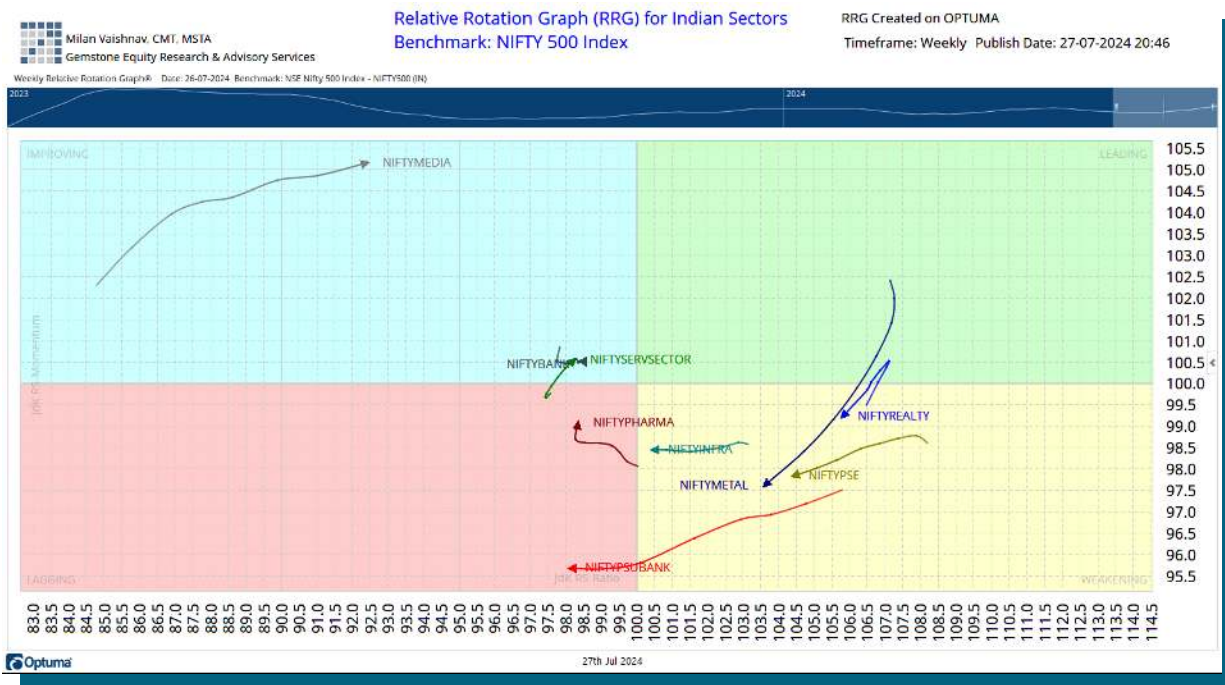
The weekly RSI stays at 77.67; it remains in the overbought zone. The RSI remains neutral and does not show any divergence against the price. The weekly MACD is bullish and trades above the signal line.

The pattern analysis of the weekly charts paints a highly cautious picture. The Nifty remains highly deviated from its mean. The nearest and the fastest 20-period MA is at 23049. This level is below 1785 points from its current close. The 50-DMA which is placed at 21591 is way below 3243 points below the current close. This is extremely precarious and even some modest retracement can come in the form of volatile profit-taking bouts.

Importantly, despite the strong surge on Friday, the Options data indicates that the strike of the 25000 level continues to hold the maximum Open Interest followed by the second-highest Call OI that is seen at the 25500 level. This means that regardless of what the Nifty does unless the level of 25000 is not taken out convincingly, we have to consider this level as a very strong resistance for Nifty. The prudent way of navigating this technical setup in the markets would be to place high emphasis on guarding profits at higher levels. Some risk-off play may stay evident; defensive pockets are likely to do well. The falling Crude price will have an impact on a few pockets as well. A highly cautious 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*





Relative Rotation Graphs (RRG) show an evident lack of leadership within the sectors. The Nifty Midcap 100 is the only sector inside the leading quadrant.

The Nifty Consumption, Auto, Commodities, Realty, PSE, Metal, and Infrastructure indices are inside the weakening quadrant. They may continue giving up on their relative momentum against the broader markets.

The Nifty Pharma Index is seen improving its relative momentum against the broader Nifty 500 Index despite being inside the lagging quadrant. The Nifty PSU Bank and the Energy Index have rolled inside the lagging quadrant.

The Nifty Media, Nifty Bank, Services Sector, Financial Services, IT, and FMCG indices are inside the improving quadrant. These groups may continue to better their relative performance 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.

## Milan Vaishnav, CMT, MSTA

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

