

# Weekly Market Outlook

May 19, 2025 thru May 23, 2025

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# Week Ahead: NIFTY Drags Supports Higher; These Sectors Are Picking Up Pace

The easing of tariff concerns and geopolitical tensions between India and Pakistan, ending strongly in India's favor without much escalation, strongly impacted the markets in a positive way. The Nifty surged higher over the past five sessions and ended the week on a strong note. The week started with a massive gap-up opening that saw the Nifty registering its biggest single-day gains in recent history. The markets maintained those gains and built on them further during the week. While the Nifty moved in a 737-point range, the volatility dipped sharply. The India Vix came off by 23.49% to 16.55 on a weekly basis. The headline Index, too, ended the week with a robust weekly gain of 1011.80 points (+4.21%).



After taking a breather in the week before this one, the Nifty resumed its uptrend. From a technical standpoint, the Nifty has dragged its support levels higher to the 50-week MA placed at 24033. From the lows formed on April 7, when the Nifty reacted with a gap-down to the tariff concerns, it has rebounded over 3200 points in the last six weeks. The markets would keep their underlying trend intact even if any corrective retracement happens, so long as they keep their head above the 24000 level. The markets are at a juncture where they show no signs of giving up; they are also seeing strong sector rotation that may result in a change of leadership over the coming weeks. The present technical setup calls for effective sector rotation and vigilant guarding of gains on the existing investments.

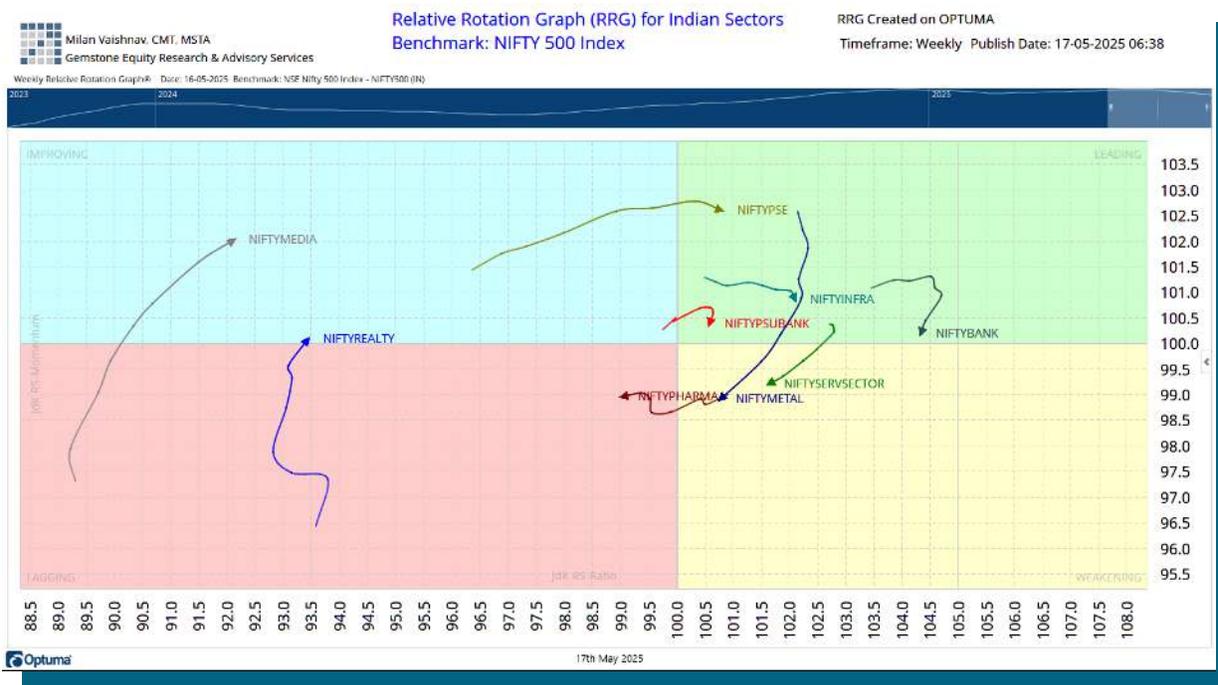
*The levels of 25175 and 25350 are likely to act as resistance over the coming week. The support comes in at 24800 and 24630 levels. The trading range is likely to stay wider than usual.*

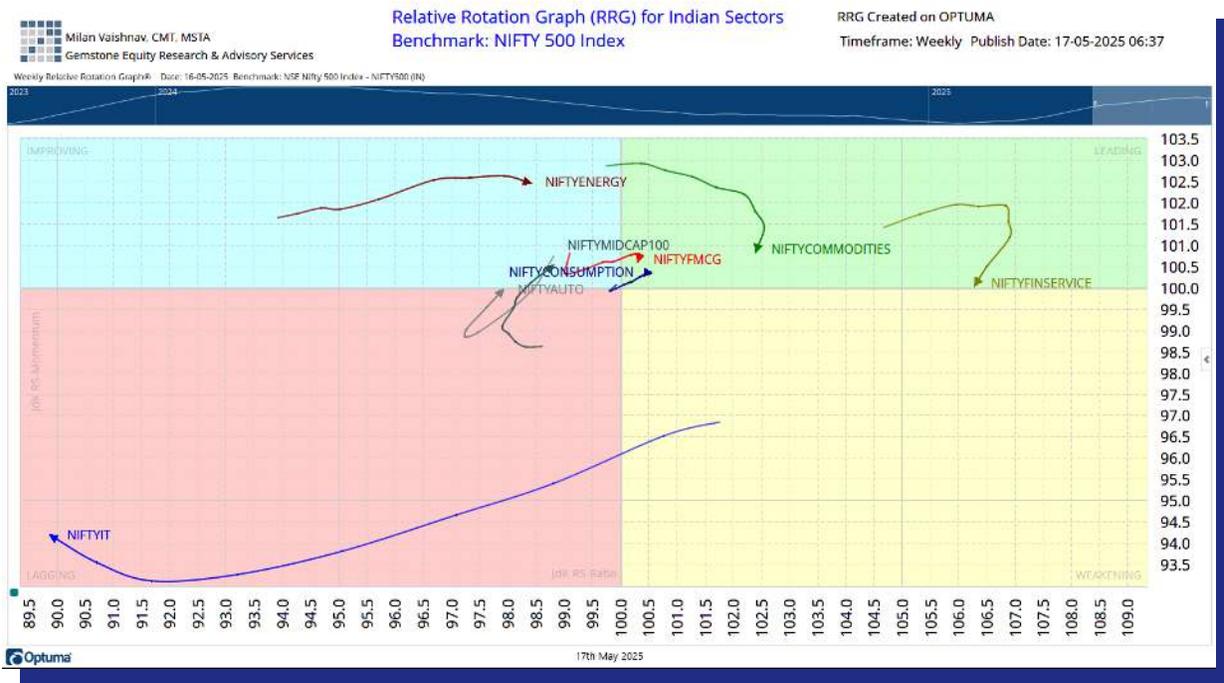
The weekly RSI stands at 61.90; it has marked a new 14-period high, which is bullish. The RSI stays neutral and does not show any divergence against the price. The weekly MACD stays bullish and above its signal line.

The pattern analysis of the weekly chart shows that the price has closed above the upper Bollinger band. While we may see a temporary pullback of the price inside the band, it has raised the possibility of a sustainable trend staying intact. The recent upmove has also dragged the support levels higher for the Nifty at 24000. The Nifty has also penetrated and closed above the rising trendline resistance, eventually dragging the short-term support level higher to 24700.

Overall, the markets are in a firm uptrend; however, it is also witnessing sector rotation that may cause different sectors to assume leadership going forward. This is likely to see the sectors like FMCG, Auto, Pharma, etc., that had underperformed in the recent uptrend see improvement in their relative performance. This makes it essential to vigilantly protect gains on existing investments at current levels. It is recommended to follow this uptrend in a very selective manner while vigilantly protecting profits.

*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 that Commodities, Financial Services, and Nifty Bank Index inside the leading quadrant continue to give up on their relative momentum. Besides this, the FMCG, Consumption, PSE, and the Infrastructure Index are also in the leading quadrant. These groups are likely to outperform the broader markets relatively.

The Nifty Services Sector Index and the Metal Index rotate inside the weakening quadrant. This would mean a slowdown in their relative outperformance; however, individual stock-specific performance may continue to be seen.

While the Nifty Pharma Index stays inside the lagging quadrant, the Auto and the IT Index are also inside the lagging quadrant. Still, they are improving their relative momentum against the broader markets.

The Nifty Realty Index has rolled inside the improving quadrant. The Energy, Midcap 100, and the Media Index also stay in 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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