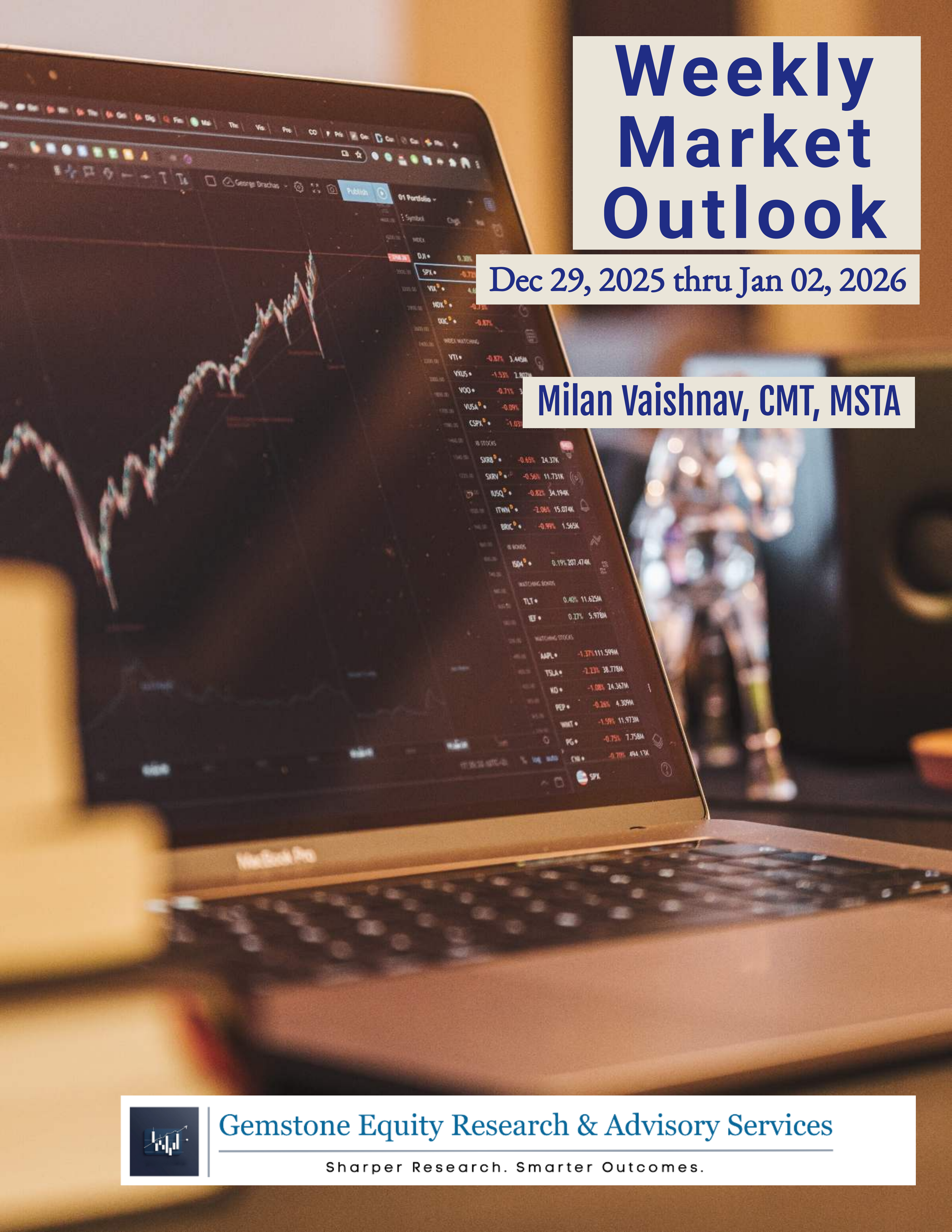

Weekly Market Outlook

Dec 29, 2025 thru Jan 02, 2026

Milan Vaishnav, CMT, MSTA

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Volatility Hits Rock Bottom, What It Means for the Week Ahead

In the holiday-truncated week gone by, the markets largely traded in a narrow and listless manner, with Nifty ending the week with minor gains. The index oscillated in a very tight range of just 227.80 points, between a high of 26,236.40 and a low of 26,008.60. Given the lack of directional cues and participation, the action remained largely stock-specific, and momentum was selective. Meanwhile, India VIX slipped further by 3.91% on a weekly basis to close at 9.15, its lowest level, signaling complacency in the system. For the week, Nifty ended with a modest gain of 75.90 points, or 0.29%.

The market's current structure suggests a state of stalling rather than active trending. Despite trading just below lifetime highs, the Nifty appears to be in a zone of indecision, with a visible squeeze in momentum and persistent weakness in broader market breadth; the Nifty 500 continues to lag and remains nearly 3% away from its own high. The index is attempting to stay above the upper breakout zone, but follow-through remains weak. There is no clear bearish setup yet, but the up-move lacks conviction. Importantly, the India VIX at multi-year lows demands caution; a low VIX does not imply low risk; it often precedes volatility spikes. The markets are not trending with strength, and any adverse trigger can make the index vulnerable at elevated levels.

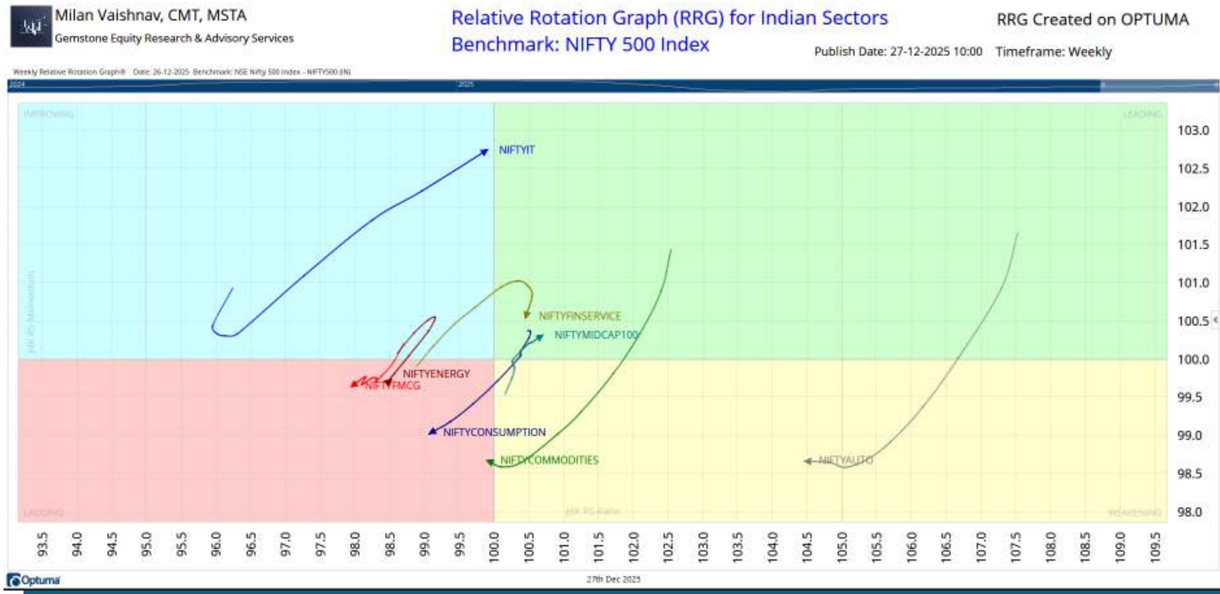
Given the current construct, the markets may see a cautious or flattish start to the coming week. The two resistance levels to watch are 26,250 and 26,430, while supports are expected near 25,880 and 25,680. A directional move will require a strong breach above or below these reference points. Until then, the index may continue to stay range-bound and vulnerable to mean-reversion moves if sectoral leadership doesn't improve.

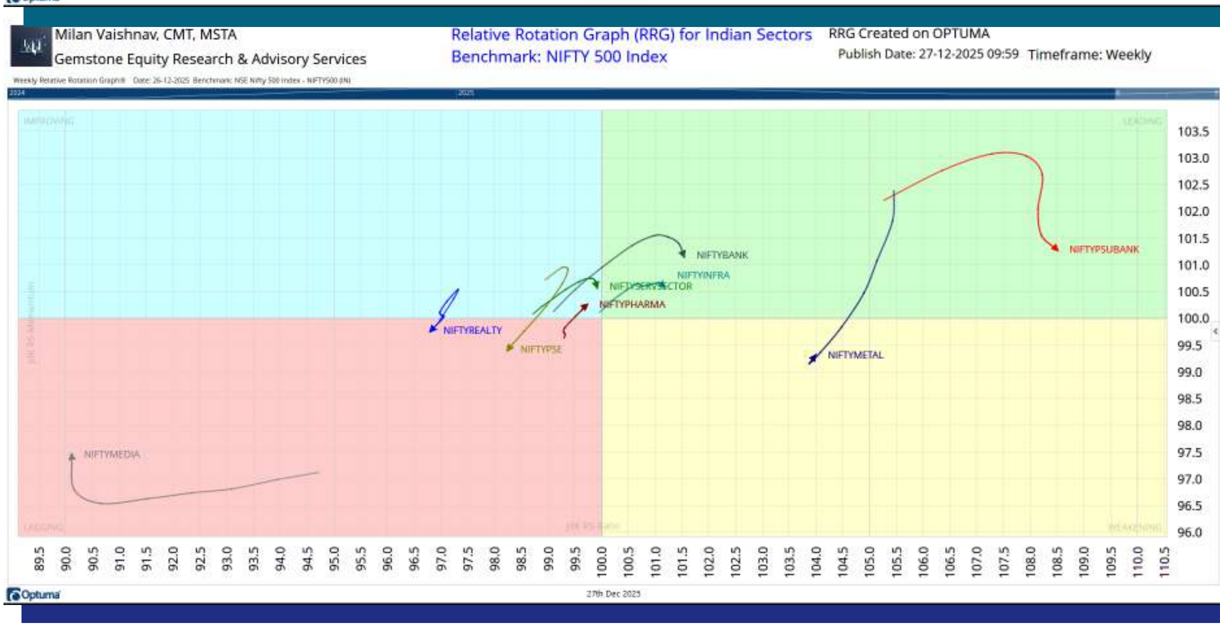
The weekly RSI stands at 60.84 and remains neutral, showing no divergence against price. It is not overbought and continues to maintain its bullish range. The weekly MACD remains above the signal line, indicating a positive setup, but the histogram bars are narrowing, reflecting waning momentum. No classical candlestick formation has emerged on the weekly charts, signaling indecision and consolidation at higher levels.

From a pattern perspective, Nifty has broken out above a large symmetrical triangle on the longer timeframe and is currently consolidating above its breakout zone. This zone roughly lies between 25,600 and 26,200. The index continues to trade above its key moving averages, including the 20-week, 50-week, and 100-week MA. However, the mildly narrowing Bollinger Bands reflect suppressed volatility, typically a precursor to a larger move in either direction.

Given the technical landscape, it would be prudent to avoid aggressive index-level exposures at this juncture. Traders and investors should adopt a stock-specific approach, focusing on relative strength and risk-adjusted opportunities. With a lack of broad-based participation and extremely low volatility, protecting profits should take priority over chasing extended moves. The method to approach the coming week would be to stay cautiously optimistic, maintain trailing stops, and wait for either a decisive breakout or a healthy pullback before committing fresh capital.

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 the Nifty Financial Services, Midcap 100, PSU Bank, Nifty Bank, and Infrastructure Indices are in the leading quadrant. Despite some slowdown in relative momentum in pockets such as Financial Services and Banks, the overall structure remains unchanged. These groups are likely to outperform the broader markets relatively.

The Nifty Metal and Auto Indices are inside the weakening quadrant. The stock-specific show would continue; however, Auto may continue to see a slowdown in relative performance. The Metal Index, however, is showing improvement in its momentum against the broader markets.

The Realty Index has rolled inside the lagging quadrant. Nifty Commodities, FMCG, Energy, Consumption, PSE, and the Media Indices are inside the lagging quadrant. The Media Index has begun to show sharp improvement in its relative momentum after a prolonged period of relative underperformance.

The IT Index, the only sector index in the improving quadrant, is moving strongly toward the leading quadrant while maintaining resilient relative momentum. The

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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