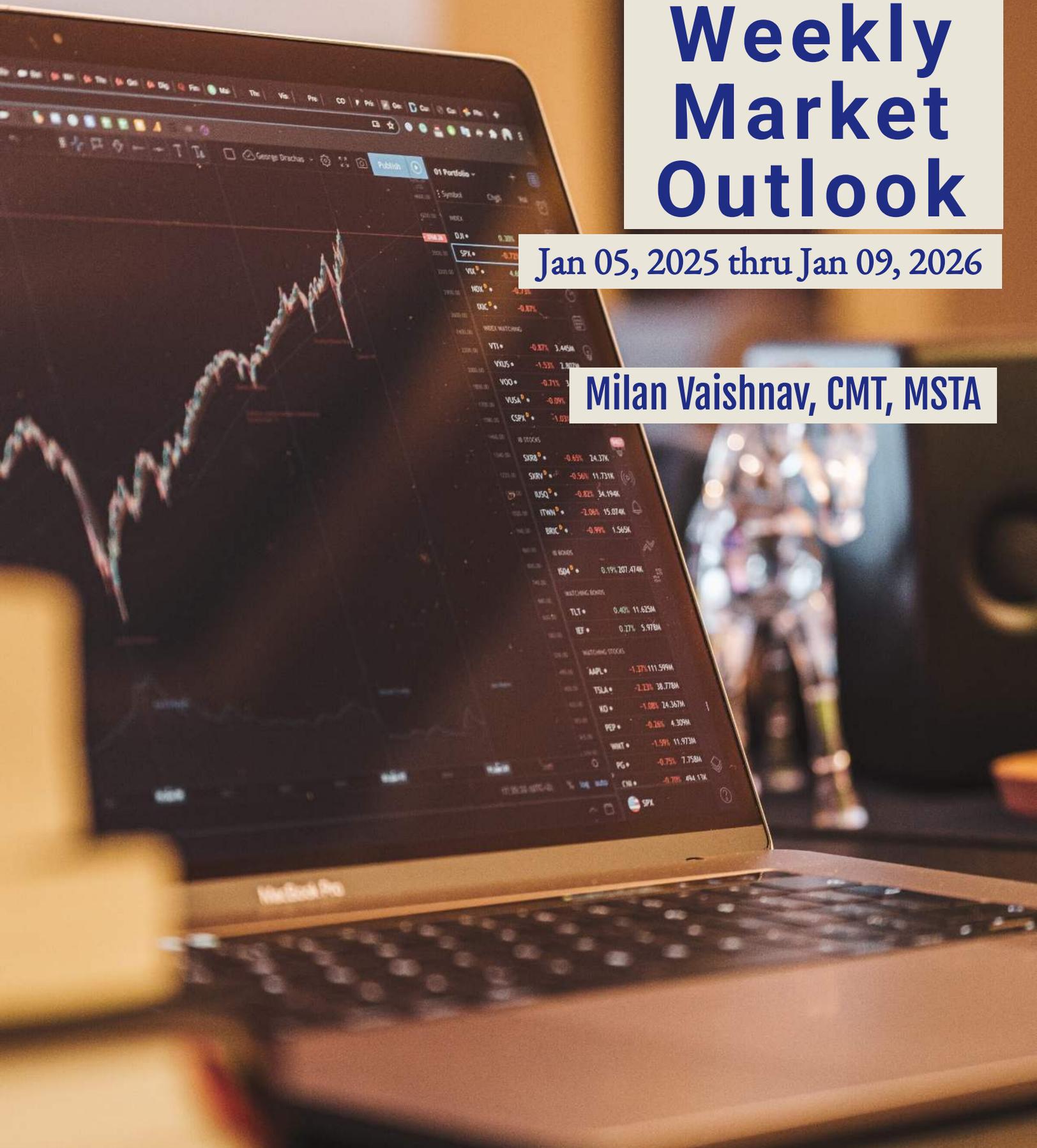


Weekly Market Outlook

Jan 05, 2025 thru Jan 09, 2026

Milan Vaishnav, CMT, MSTA



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Strong Start to 2026, But Will Nifty Hold the Momentum

The markets traded with a positive bias through the past week as Nifty continued to inch higher while consolidating within a defined range. The index oscillated in a 462-point band during the week, marking a low of 25,878 and a high of 26,340 before settling at a lifetime high of 26,328.55, ending with a weekly gain of 286.25 points or 1.10%. Meanwhile, volatility slightly edged higher; India VIX rose by 3.28% on a weekly basis to close at 9.45, still at historically subdued levels.



Nifty's current technical setup remains firmly bullish, but the index appears to be grappling with some congestion just below the upper Bollinger band. It remains in a strong uptrend, trading above all key moving averages. However, momentum has moderated as the index trades at lifetime highs, hinting at possible fatigue unless new triggers emerge. There is no immediate sign of weakness, but the markets are dealing with short-term overextension, and mild signs of improving market breadth are visible. However, this breadth still needs to broaden significantly for a healthy up-move to sustain.

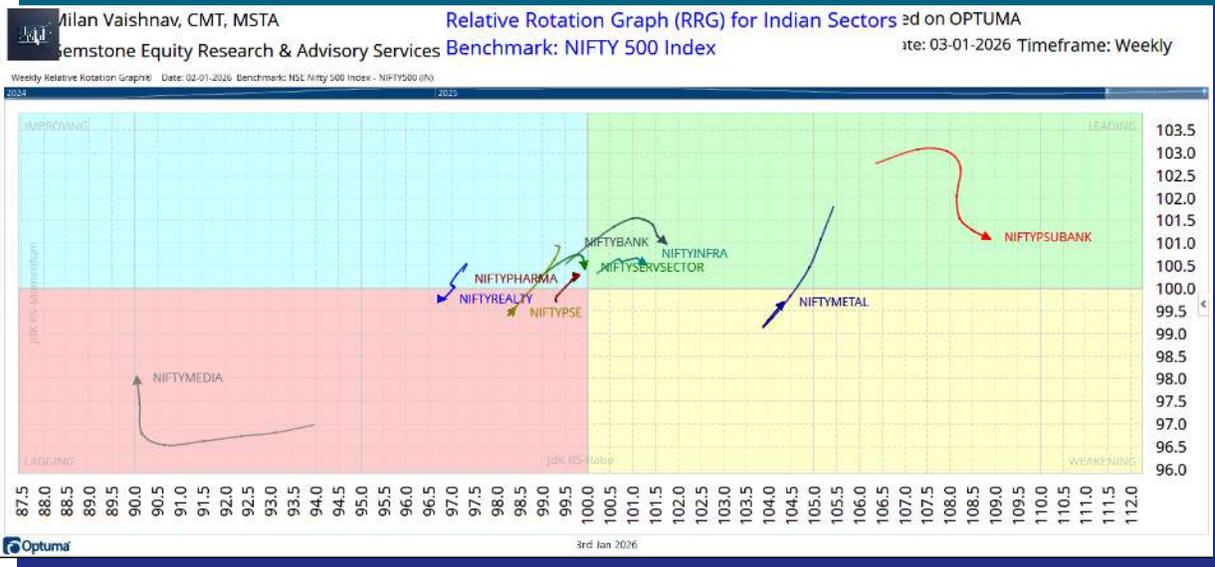
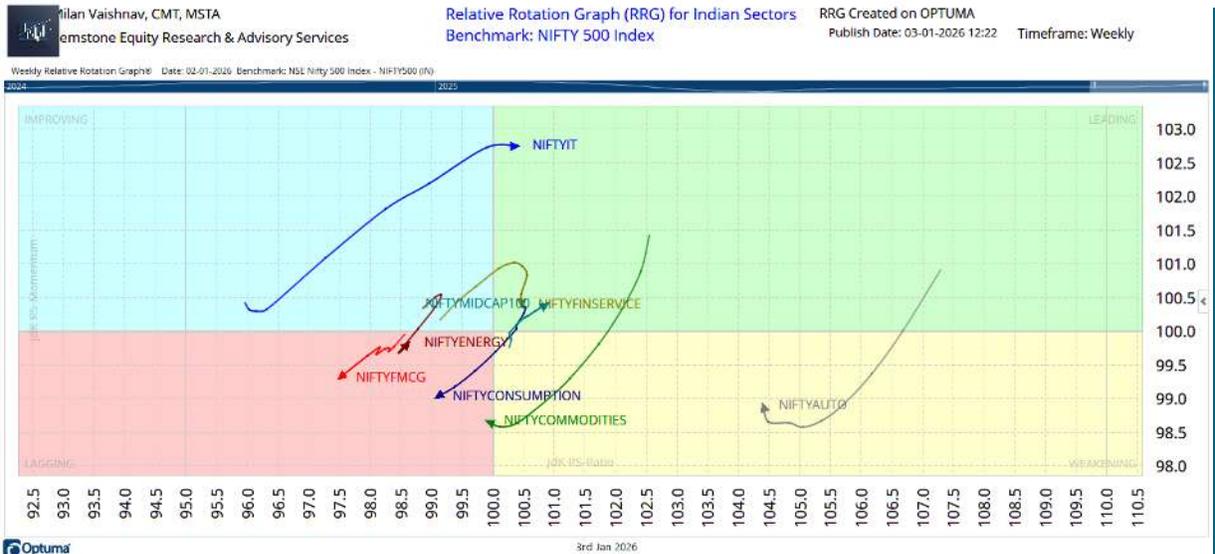
The coming week may see a steady start; unless any external catalyst intervenes, the bias remains positive with a cautious undertone. The two most immediate resistance levels to watch are at 26,500 and 26,720. Supports are expected near 26,000 and 25,800. A breach above 26,500 could propel Nifty toward testing the upper end of the Bollinger Band around 26,712, while any slip below 25,800 may lead to mild profit-taking.

The weekly RSI stands at 64.19; it remains neutral and does not show any divergence against the price. It has formed a 14-period high, which is bullish. RSI is in a strong momentum territory without being overbought. The weekly MACD remains above its signal line and continues to show a bullish crossover, although the histogram reflects a relatively flattened momentum. No classical candlestick reversal patterns were observed on the weekly chart.

From a pattern perspective, Nifty has decisively broken above the falling trendline resistance that had capped the highs since late 2024. It continues to respect the rising trendline support drawn from the March 2023 lows. The index is comfortably trading above its 20-, 50-, and 100-week moving averages. No reversal or exhaustion pattern is currently visible on the weekly chart, although the close proximity to the upper Bollinger band suggests a possibility of some consolidation.

For the coming week, it is advised that participants adopt a measured approach. While the broader trend remains positive, selective profit-taking cannot be ruled out, especially with the index trading near upper band. Traders should protect gains vigilantly and avoid aggressive fresh buying at current levels. A stock-specific approach with a focus on sectors showing relative strength is recommended. Caution and disciplined risk management remain key as we head into the first full trading week of 2026.

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) do not indicate any major shift in leadership from sectors. The PSU Bank, Infrastructure, Metal, IT, Nifty Bank, and Financial Services Indices are inside the leading quadrant. These groups will continue to relatively outperform the broader markets.

Both Nifty Auto and Metal Indices are inside the Improving Quadrant. However, both of them are seeing sharp improvements in their relative momentum.

The Nifty Commodities, Consumption, FMCG, and Realty Indices continue to languish inside the lagging quadrant. These groups are likely to underperform the broader Nifty 500 Index relatively. The Energy, Media, and PSE Sector Indices are also inside the lagging quadrant; however, they are seen improving their relative momentum.

The Nifty Pharma Index is 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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