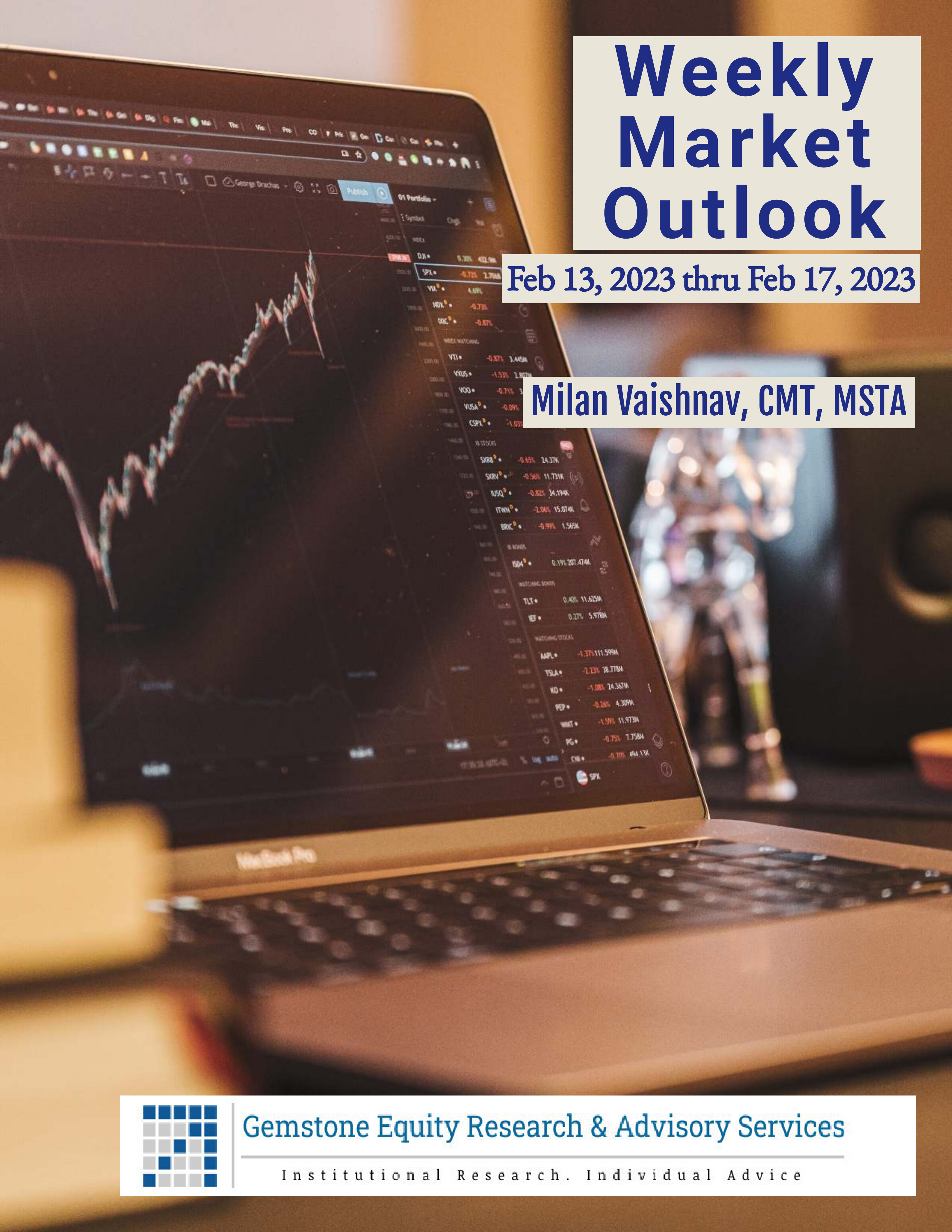

Weekly Market Outlook

Feb 13, 2023 thru Feb 17, 2023

Milan Vaishnav, CMT, MSTA

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Week Ahead: NIFTY Stays Below Crucial Resistance Points; Low VIX Level Warrants Caution

The previous week was as flat as it could get; the Nifty 50 index traded in a narrower range and ended on a flat note. In the week before the previous one, the markets navigated multiple events such as Union Budget and the Fed Rate hike. However, the past five sessions were relatively calmer. The volatility continued to slide and the index traded in a much narrower range of 264.35 points as compared to 618 points in the week before this one. The directional bias remained virtually absent as the NIFTY continued to trade below crucial resistance levels. In the end, the benchmark index ended flat with a net gain of just 2.45 points (+0.01%) on a weekly basis.

From a technical perspective, a few important things are playing out that one must not ignore. IndiaVIX - This volatility gauge has constantly fallen over the past week. INDIAVIX came off by yet another 11.48% to 12.74; the levels that were seen only in 2021. This level is very near to the lowest levels seen in recent times. This reflects the complacency of the market participants and warrants caution as we approach the markets. Then comes the 20-Week MA which currently stands at 17938. NIFTY took support on this Weekly MA for five weeks in a row; following a violation of this level, the index is seen resisting this 20-Week MA for the last two weeks. This has made the zone of 17900-18000 levels a strong resistance area for the index.

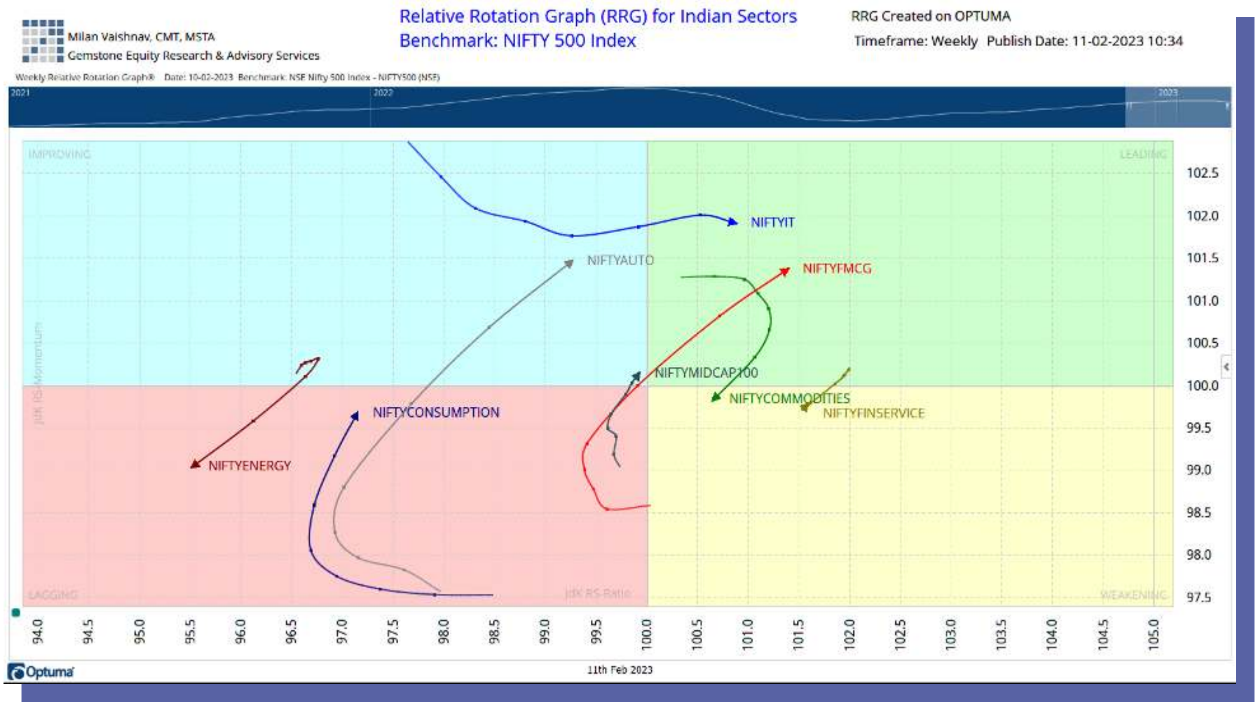
The markets may see a quiet start to the week. The levels of 18000 and 18190 are likely to act as key resistance points. The supports may come in at 17600 and 17480 levels.

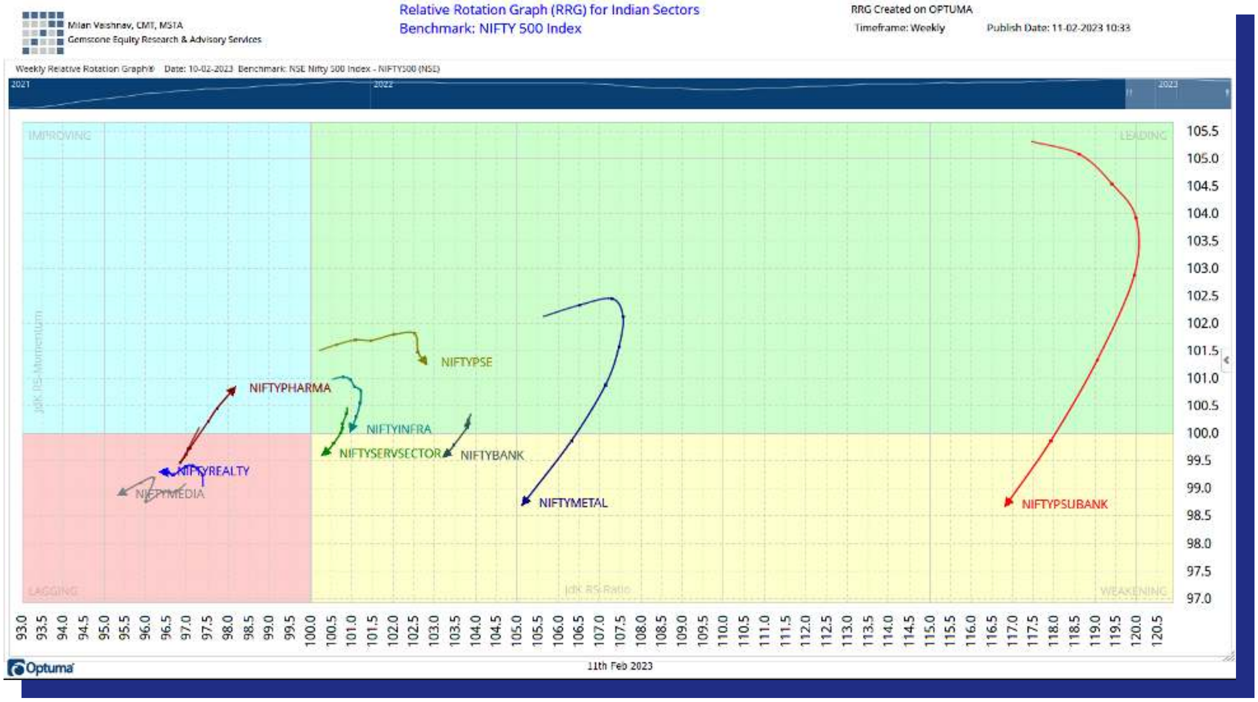
The weekly RSI is 51.64; it stays neutral and does not show any divergence against the price. The weekly MACD is bearish and trades below the signal line.

The pattern analysis shows that after an initial failure to comprehensively break above the 18600 level, the index is under a very broad consolidation while keeping its primary trend intact. From a short-term perspective, the index has ended up violating the 20-period MA after taking support on it for five weeks in a row. This level also coincides with another important level of 100-Day MA on the daily chart. This has made the zone of 17900-18000 a stiff resistance zone for the index. Unless this zone is taken out, it is unlikely that the markets will show any runaway kind of an up move.

The coming week is expected to wear a defensive look; it is likely that pockets like FMCG, Pharma, IT, PSE, etc. may do well. While select outperformance from other sectors cannot be ruled out, it would be wise to stay invested in low-beta stocks that tend to show much lower volatility. The VIX at one of its lowest levels remains a concern and given this fact, the markets need to be approached on a highly cautious note over the coming days.

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





The analysis of Relative Rotation Graphs (RRG) shows that IT and FMCG are the only two sectors that are firmly placed inside the leading quadrant and may end up relatively outperforming the broader markets along with NIFTY PSE Index. The Infrastructure Index is also inside the leading quadrant but is seen losing its relative momentum.

Nifty Commodity and Financial Services stay inside the weakening quadrant. The Metals and PSU Banks also take a giant leap inside the weakening quadrant indicating a rapid loss of relative momentum. Besides this, Banknifty and Nifty Services sector indexes also remain inside the weakening quadrant.

NIFTY Consumption Index is inside the lagging quadrant but it is showing very strong improvement in its relative momentum. Besides this, the Realty, Energy, and Media Indices are seen languishing inside the lagging quadrant.

NIFTY Midcap 100 index has rolled inside the improving quadrant. While the Pharma index is also inside the improving quadrant, strong rotation is also seen from the Auto index which is also inside the improving quadrant given its strong improvement of relative momentum 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.

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