

Weekly Market Outlook

Sep 16, 2024 thru Sep 20, 2024

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Week Ahead: NIFTY Runs Much Ahead Of Its Curve; Guard Profits At Higher Levels

The week that went by saw the markets once again marking a new lifetime high; in fact, the benchmark indices went on to close at a fresh high. The past five sessions largely saw the markets trending higher; and despite some consolidation on the last trading session of the week, the Nifty has closed at a fresh weekly closing high. The trading range too got wider; the index oscillated in a 680.20-point trading range. Volatility too plummeted significantly; the India VIX came off 17.53% to 12.55. While setting a distinctly contrast undertone as compared to the week before, the headline index posted weekly gains of 504.35 points (+2.03%).



As we step into the fresh week, the undercurrent evidently remains strong. However, even with the buoyant trend and with the markets showing no signs of a letup, it is time that we follow this trend from now on with the utmost amount of caution. The Index stays significantly deviated from its mean, the 50-week MA is over 3000 points below the current close. From a very short-term perspective, the Nifty has dragged its support levels higher to 25000; so long as the index stays above this level, it may consolidate at higher levels. Any slippage below this point might see some deeper consolidation in the markets. In any case, if the trend continues the way it is right now, the current trend may get a bit unhealthy leaving the markets vulnerable to corrective bouts from higher levels.

The coming week is expected to see the market on a stable note; the levels of 25500 and 25650 may act as probable resistance points for the Nifty. The supports come in lower at 25100 and 24920 levels. The trading range is expected to stay wider than usual.

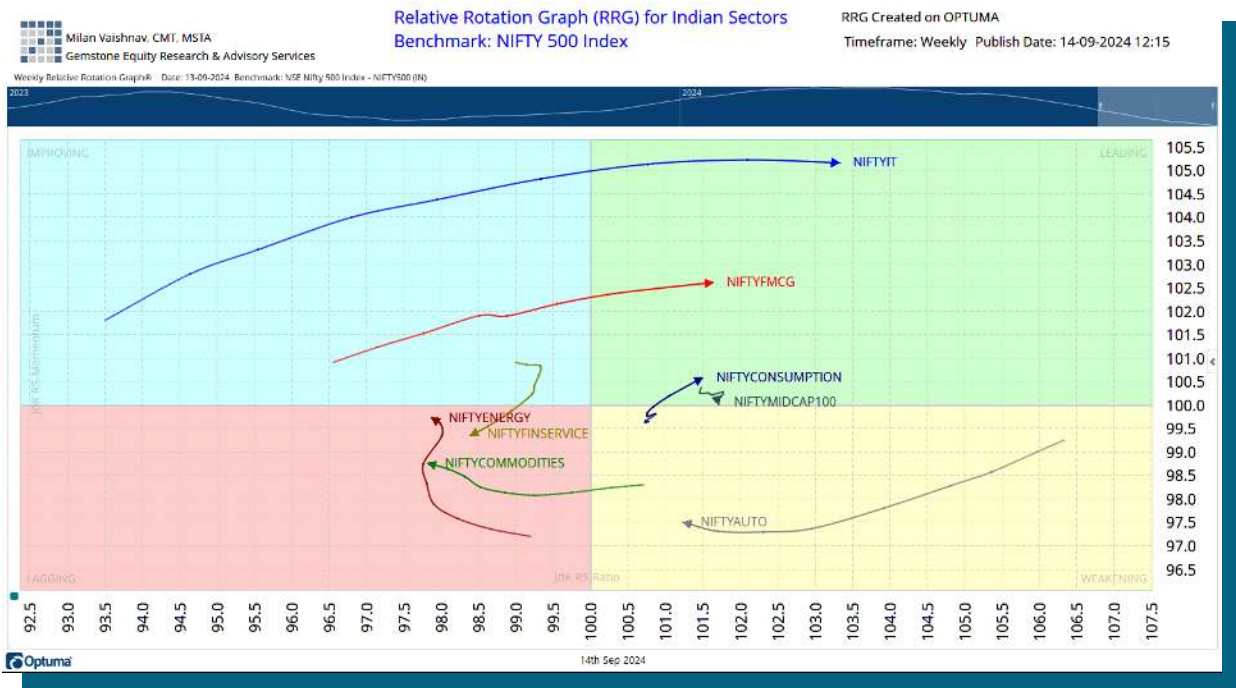
The weekly RSI is 71.64; it shows a bearish divergence against the price as the RSI has not marked a new high along with the price. The weekly MACD stays bullish and remains above its signal line.

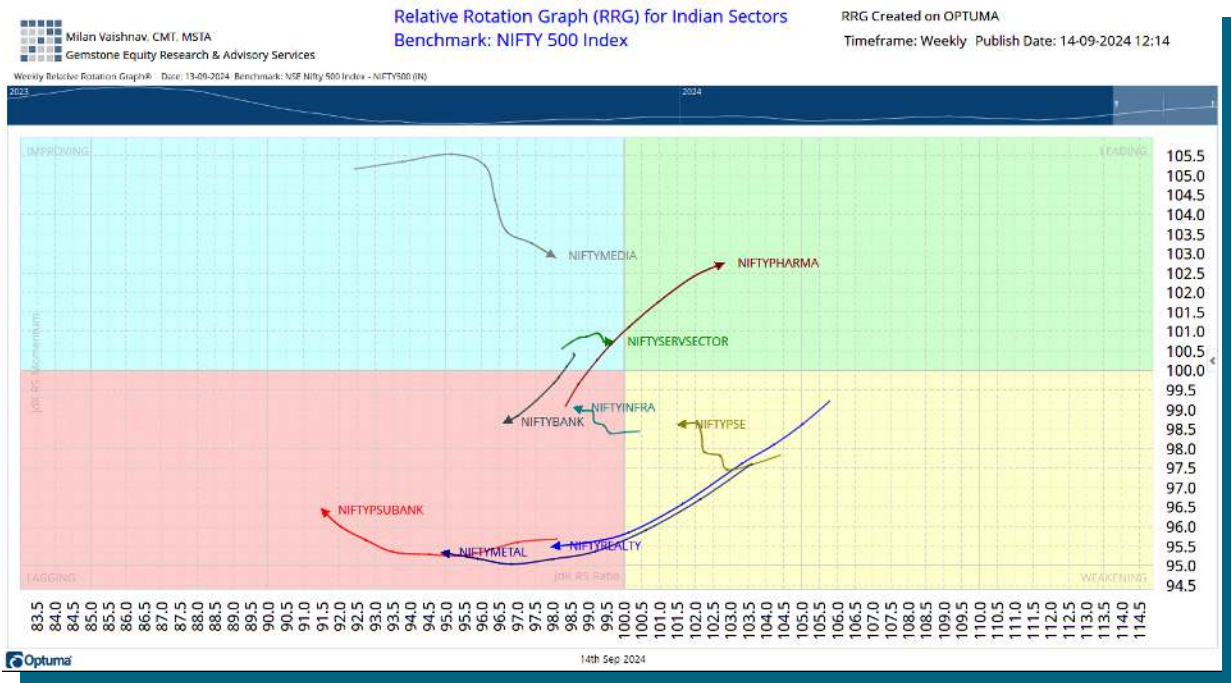
A bullish engulfing candle has emerged; however, it is extremely important to note that this is not a valid engulfing pattern as it has appeared following an uptrend at the high point. This should not be interpreted as a bullish setup.

Going by the pattern analysis of the weekly chart, the Nifty stays at its high point; there is nothing on the chart price action front that would suggest the possibility of any major retracement. However, going by the overall technical structure and the way the index has deviated from its mean again, we must approach the markets on a highly cautious note as they continue to remain vulnerable to profit-taking bouts from higher levels.

All in all, while the underlying trend stays intact and buoyant, we need to approach markets on a highly cautious basis; an equal emphasis is needed to guard profits at higher levels rather than just giving a blind chase to the up moves. While overall leveraged exposures must be curtailed, fresh purchases should be made in a highly defensive manner and on a very selective note over 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 the Nifty IT, Consumption, Midcap 100, FMCG, and Pharma indices inside the leading quadrant. These groups are likely to relatively outperform the broader Nifty 500 index.

The Nifty Auto and the PSE index are inside the weakening quadrant. We may see stock-specific performances playing out from these sectors but their overall relative outperformance may be seen slowing down.

The Nifty PSU Bank and the Energy groups are showing improvement in their relative momentum while being inside the lagging quadrant. The Banknifty, Infrastructure, Metals, Realty, and Commodities Indices are also inside the lagging quadrant and may continue to relatively underperform the broader markets.

The Services Sector and the Media index are inside the improving quadrant; however, both these indices are seen slowing down on their 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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