

Weekly Market Outlook

Sep 23, 2024 thru Sep 27, 2024

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Week Ahead: NIFTY At Fresh Lifetime Highs; Chase Rally Mindfully

It was the second week in a row that the markets have extended their gains and have ended at a fresh lifetime high point once again. The Nifty consolidated sideways in four out of five sessions in the week that went by; it was the last trading session of the week that saw a strong trending move that took the index to a fresh lifetime closing high. The trading range remained wider on the expected lines; the index oscillated in the 563.70 points range through the week. Volatility inched higher; the India VIX rose 1.91% to 12.79 on a weekly note. Following a largely quiet but ultimately trending week, the headline index closed with a net weekly gain of 434.45 points (+1.71%).



The markets are now in uncharted territory. The uptrend remains absolutely intact and shows no signs of a letup. However, that being said, the strikes of 26000 show a maximum accumulation of Call AI making this level a strong potential resistance for the markets. We also have a monthly derivatives series expiry coming up; we will have the sessions dominated by rollover-centric moves over the coming week. The markets have a strong possibility of facing consolidation near 26000 levels at some point in time. It would be crucial to watch the behavior of the Index between current levels and higher.

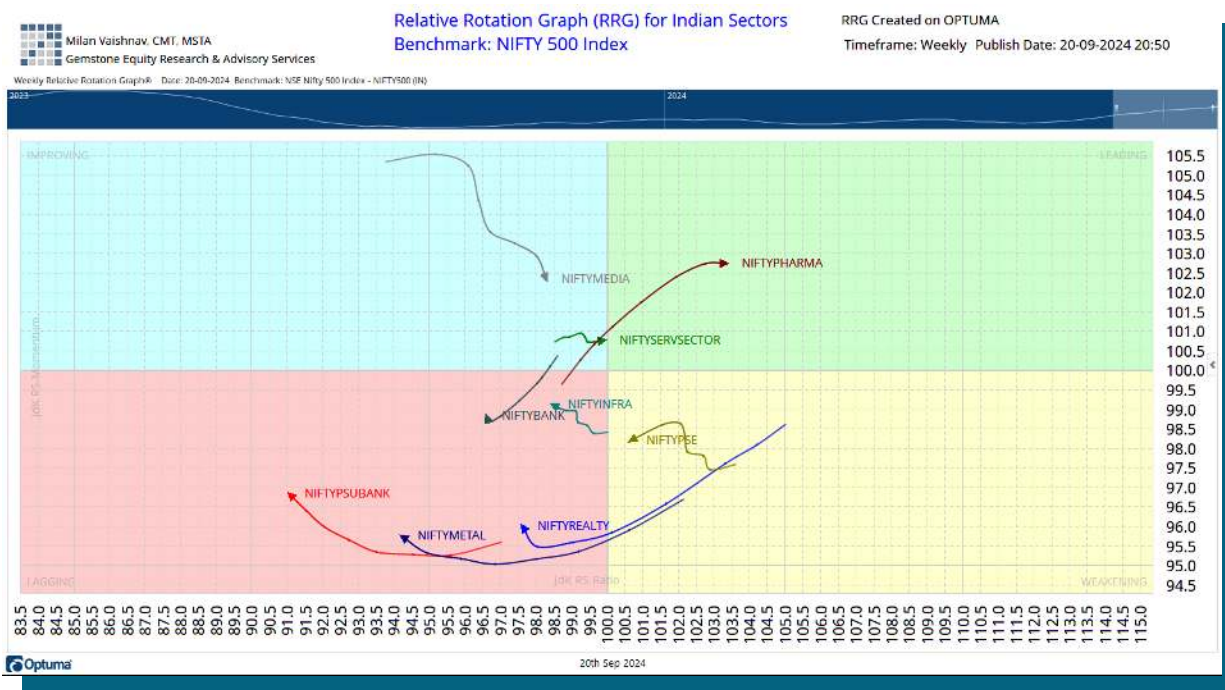
The coming week is likely to see the levels of 25850 and 26000 acting as potential resistance points. The supports come in at 25600 and 25450 levels.

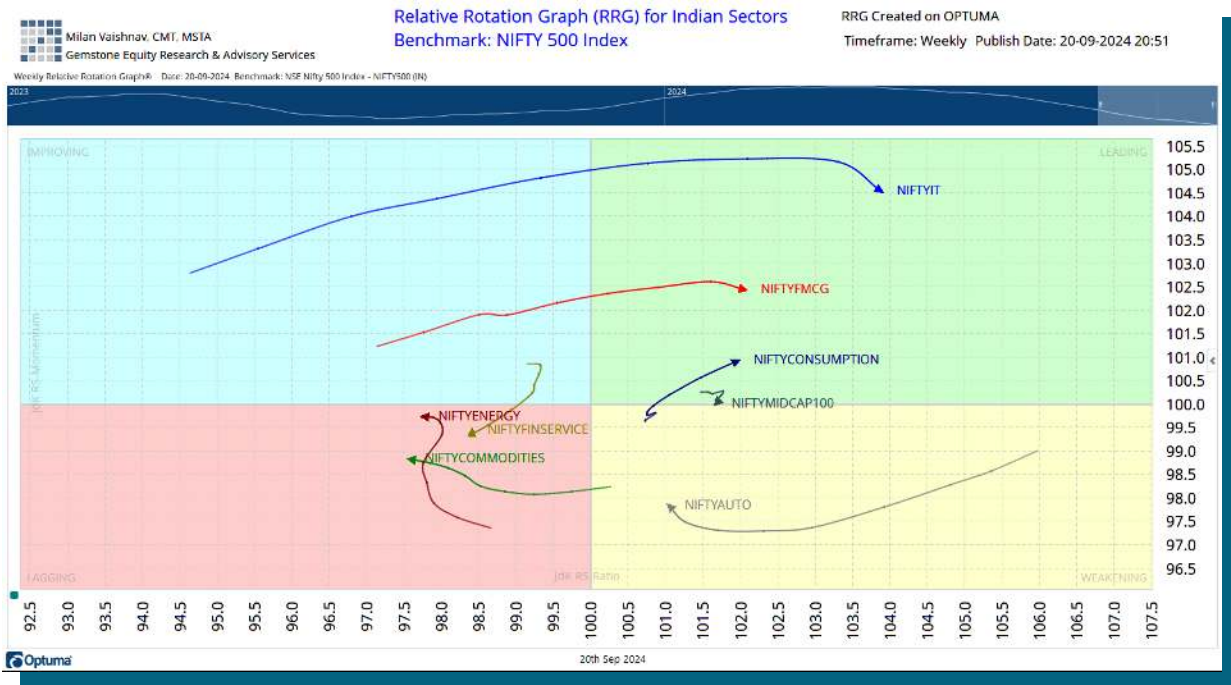
The weekly RSI stands at 74.50; it stays mildly overbought and also shows bearish divergence against the price. The weekly MACD is bullish and stays above its signal line.

The pattern analysis of the weekly charts shows the markets being in a strong uptrend. The trend stays visually intact and the Nifty has shown no signs of any potential retracement from the current levels. However, the Nifty also stays highly deviated from its mean; it is over 1700 points above the 20-week MA and over 3300 points above the 50-week MA. This can lead to a mean reversion; if and when this happens, it can lead to painful profit-taking bouts at higher levels.

All in all, while the markets trend higher, one has no option but to keep traveling with the trend. However, while we are with the trend, we need to keep in mind that such up moves should never be chased. Instead, it would be prudent to effectively rotate the stocks and sectors and stay invested in the ones that are showing strong or improving relative strength. It would be essential to guard profits at higher levels. While staying selective while making new purchases, a cautious approach is advised for 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 Consumption, IT, FMCG, Midcap 100, and Pharma indices inside the leading quadrant. These groups are likely to relatively outperform the broader Nifty 500 Index.

The Nifty PSE and the Auto Index are inside the weakening quadrant. Both these groups are showing mild improvement in their relative momentum against the broader markets.

The Nifty Commodities, Energy, Financial Services, and Banknifty are inside the weakening quadrant. They may relatively underperform the broader markets. Besides this, the PSU Banks, Metal, and Realty Indices are also inside the weakening quadrant. However, they are seen improving on their relative performance.

The Nifty Media Index is the only group inside the improving quadrant; that is seen giving up on its 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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