

December 2017

INDEX
CNX Nifty : 10127
Sensex : 32870

NIFTY MONTHLY



Support : 10094 / 9900
Resistance : 10178 / 10400

Strategy

Nifty is near to key support of 10094 and if it is not respected then index could drift towards 10000 then 9900 zones while a hold above 10178 could mean a short term bottom process for an up move towards 10300-10400 zones.

Short term hiccups limit the upside

Nifty index saw a volatile month as the index oscillated between 10094 to 10490 zones. The highlight of the month was the sell-off that the index saw on the last day of November expiry which continued even on the next days. Nifty made a small bodied candle for the month of November which under the context and location suggests rotational action; a sign that the index is taking a pause in the ongoing trend. Nifty traded below the 50 DEMA but as the trend is turned sideways this signal is questionable. Going back to our last month's observation on Nifty that the index is breaking out from a bullish rising three methods. The pattern on higher tops and higher bottoms still continues on medium term scale and recent decline in last two weeks is only a minor glitch in the ongoing up trend in the index. Now Nifty has to hold near to 10094, for short term bounce back move.

On the news front, the month of November saw better than expected GDP data and this was followed by PMI data which was also encouraging. We are now waiting for RBI monetary policy. Though the street does not expect any radical changes in the interest rates but the tone of the policy will be watched very carefully.

The top performing sector in the November was IT stocks. The Financial services sector index ended with small gains but saw a bit of a sell-off from the highs as several housing finance stocks saw profit booking. Metal sector was a loser as non-ferrous stocks declined sharply from their recent highs.

On the weekly scale, Nifty fell down sharply and wiped out the gains of previous two weeks as expiry day blues and jitters on slowdown in economy prompted the sellers to push the index lower. Index is now near to an important support of 10094 which is also a key levels of a rising trend line on Daily and weekly scale. Another interesting development in Nifty is a descending triangle pattern that is readily visible. This is contraction of volatility and a possible continuation pattern. A breakout of the pattern on the upside would mean much higher levels. For the time being the Nifty has resistance at 10178 and a hold above this could see an up move towards 10300 then 10400. While on the downside, a decisive hold below 10094 could mean a decline towards 9980 then 9900 zones.

Sector Outlook

SECTOR NAME	CMP	MOM (%)	OUTLOOK FOR THE MONTH	POTENTIAL MOVERS & SHAKERS
Energy	14124.65	-2.66%	Positive	IGL, MGL
Auto	11292.9	-0.68%	Positive	Tvsmotor, Maruti
Bank	25332.4	1.25%	Positive	Hdfc Bank, ICICI Bank
Media	3318.8	5.32%	Positive	ZEEL
IT	11115.3	2.56%	Positive	Mindtree, Techm
FMCG	25820.05	0.52%	Neutral	Dabur, Marico
Pharma	9238.75	-5.30%	Neutral	Ajanta Pharma, Sunpharma
Metals	3678.35	-5.11%	Neutral	NMDC, Hindalco

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NIFTY

USDINR



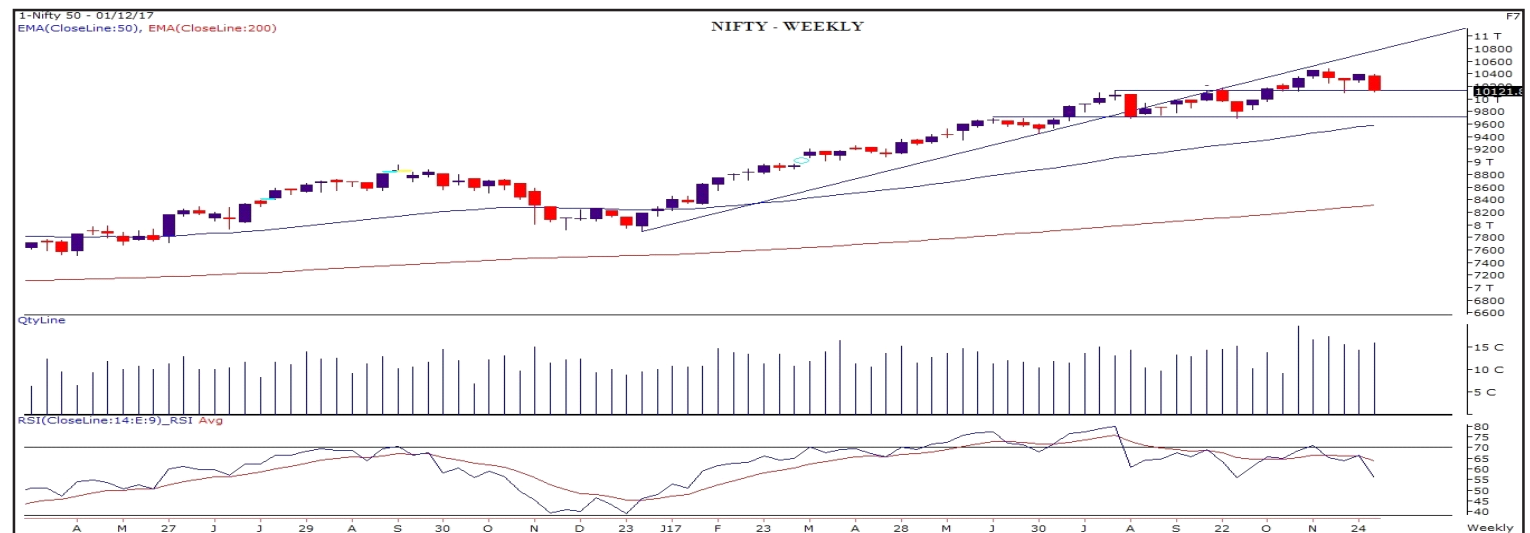
USDINR is now moving in a strong down trend and it has broken below the major support at 64.75. It is likely to see a decline towards 64.20 and below that the price could drift towards 63.90. The pair is in a sharp downtrend and it may go lower to 63.90 over a period. The possibility of rupee strengthening is also an indicator that Nifty may turn bullish if the Rupee becomes stronger from current levels

NIFTY DAILY



Nifty index continued its formation of lower highs - lower lows for fourth trading sessions and corrected towards 10095. However it managed to hold immediate support and previous swing low of 10094 then finally closed with marginal gains of around 5 points. Now if it manages to hold 10094 then only short term reversal could be seen towards 10178 then 10250 while a hold below 10094 could start a fresh decline towards psychological 10000 marks.

NIFTY WEEKLY

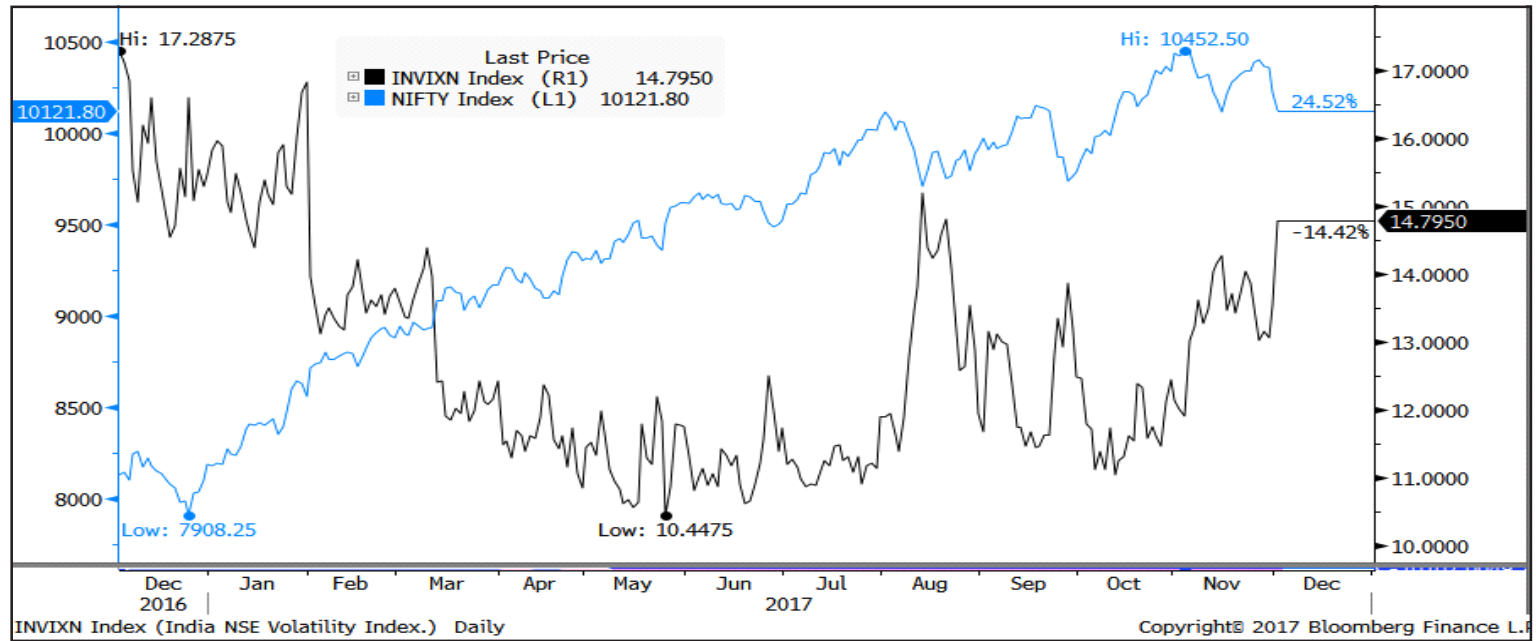


On the weekly scale, Nifty fell down sharply and wiped out the gains of previous two weeks as expiry day blues and jitters on slowdown in economy prompted the sellers to push the index lower. For the last two weeks the index was not able to hold above 10400 and this increased the nervousness of the buyers.

Index is now near to an important support of 10094 which is also a key levels of a rising trend line on Daily and weekly scale. Another interesting development in Nifty is a descending triangle pattern that is readily visible. This is contraction of volatility and a possible continuation pattern. A breakout of the pattern on the upside would mean much higher levels. For the time being the Nifty has resistance at 10178 and a hold above this could see an up move towards 10300 then 10400. While on the downside, a decisive hold below 10094 could mean a decline towards 9980 then 9900 zones.

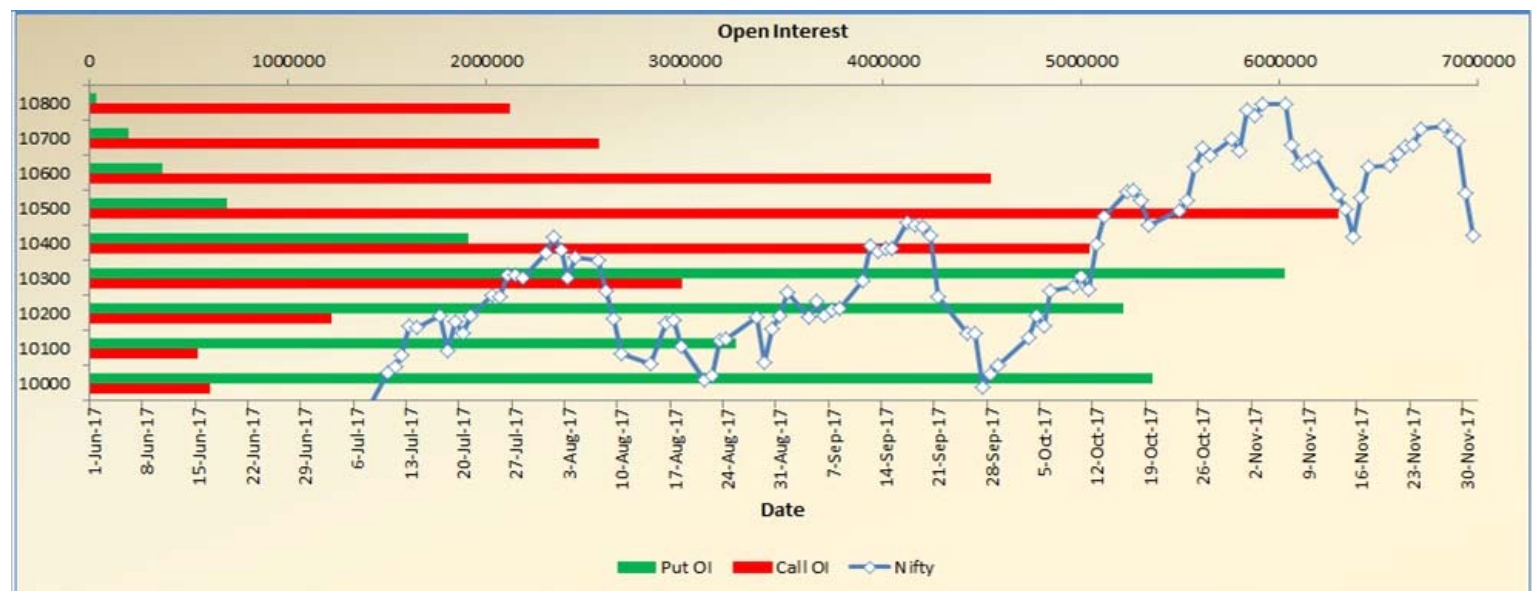
...NIFTY

NIFTY V/S INDIA VIX



India VIX moved up by 16.63% at 13.55 in November series. VIX is holding above 13.50 and higher volatility is ruling out for a smooth market ride in coming weeks. Now if VIX has to cool down below 13-12.50 zones then only short term stability could be back in the market. Traders are suggested to take calculated risk as higher VIX could continue the volatile swing.

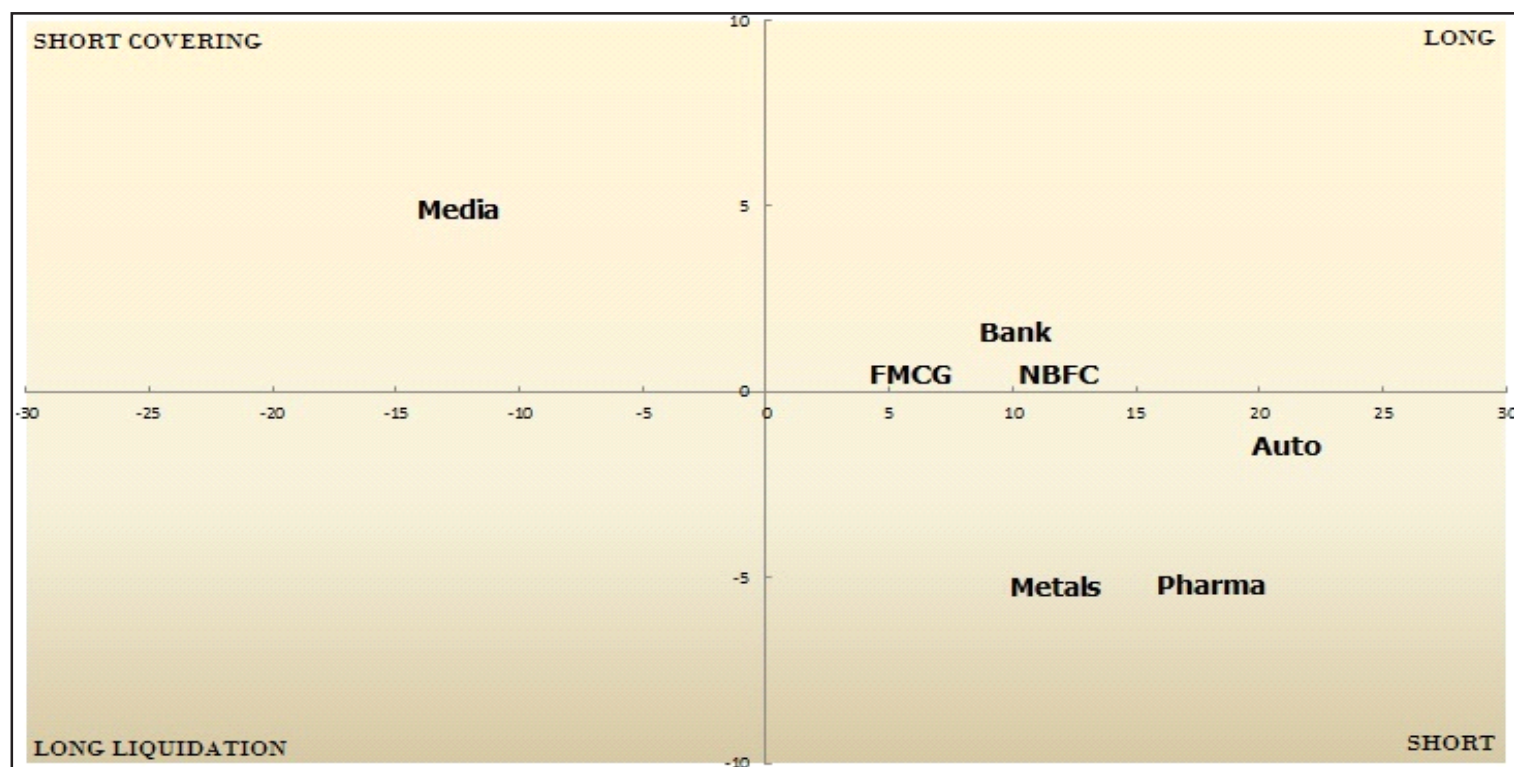
NIFTY OI V/S PRICE



Nifty made a new life time high of 10490 in November series but failed to hold its gains and closed with the loss of around 1%. It was unable to hold 10300 zones and sustained supply was seen at higher levels. Option activity for December series suggests 10000 as a major support with significant outstanding OI position while 10500 zones could emerge as a major hurdle depicted by highest Call OI concentration. PCR OI moved up from 1.38 to 1.56 at the first week of the series and at the same time index also rallied to new higher but the Ratio fell down to 1.19 and Nifty hit the low near to 10100 zones. Overall lower Put Call Ratio with rising volatility suggests limited upside with volatile move of the market.

December 2017

SECTOR ROTATION OI



Nifty witnessed rollover of 63.28% V/s 3 Months Average of 66.84%. Index closed negative with the loss of 1.13% on expiry to expiry basis. Bank Nifty witnessed rollover of 55.62% V/s 3 Month Average of 67.17%. December series started with Open Interest of 17.83mn shares compared to 23.13mn shares seen at the start of November series. Nifty made a new life time high of 10490 in the November series but failed to hold its gains and corrected towards 10100 zones. Rollovers are lower than its last three month average which suggests that traders are reducing their long bets and expecting some volatility in the market. Overall long built up were seen in Banking, FMCG and NBFC stocks.

- Auto: Long in M&M and Bharatforg while shorts in Eicher Motor and Ashokley
- Cement: Long in Dalmia, Shorts covering in ACC and India Cement
- Banks : Short Covering in Axis Bank, Shorts in Can Bank, PNB and BOB
- Metal: Long in Jindalstel Shorts in VEDL and Hindalco
- Pharma: Long in Biocon and Sunpharma while Shorts in Lupin and Cadila
- NBFC: Long in Ujjivan, Manapuram Fin, Shorts in L&TFH, Muthoot Fin and Lichsgfin
- OIL&Gas: Long in IGL, ONGC and Gail, Shorts in BPCL
- IT: Long in Hexaware, NIIT Tech and Tataelexsi, Shorts in Wipro
- FMCG : Long in Britannia, UBL, Shorts in Bata India and ITC

STOCKS

MINDTREE

BUY

- ✓ It's in a confirmed uptrend
- ✓ Forming a cup and a handle pattern which has a bullish implication
- ✓ Long wide bodied green candle suggest a strong up trend
- ✓ Expecting the stock to head towards 593 zones

CMP : 553 Target : 593 Stop Loss : 533



TVS MOTORS

BUY

- ✓ It's in an uptrend on the Daily and Weekly scale
- ✓ Price bounced to its immediate support at 711 and forms a Bullish Three Inside Out pattern
- ✓ This is one of the strongest stocks in the entire auto sector and holding to its rising trend line
- ✓ Expect the price to rally towards 768

CMP : 726 Target : 768 Stop Loss : 710



NMDC

BUY

- ✓ NMDC is the strongest stock in the entire metal sector
- ✓ It is on the verge of a decisive breakout above a major symmetrical triangle pattern
- ✓ Recently it has given a breakout from its Inverse Head & Shoulder pattern
- ✓ Remained in a strong trending mode in a weak market which shows overall strength
- ✓ A hold above immediate hurdle at 135 could see a further rally towards 143

CMP : 133 Target : 143 Stop Loss : 128



OPTION STRATEGIES

NIFTY

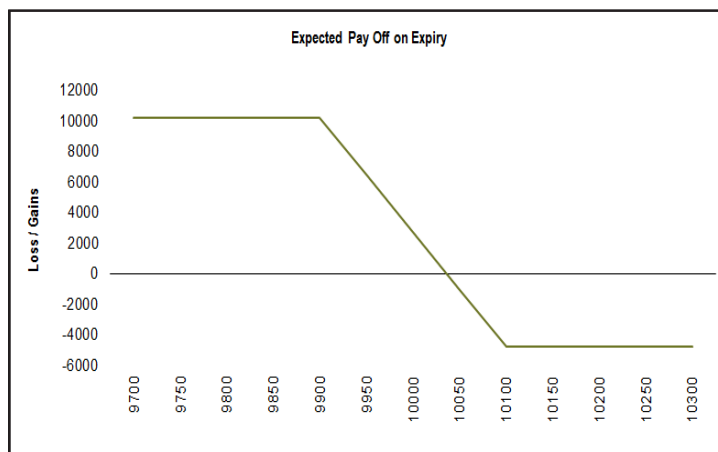
BEAR PUT SPREAD / HEDGE

- ✓ Nifty has been making lower highs - lower lows
- ✓ India VIX has recently jumped by more than 16%
- ✓ Fresh Call writing at higher strikes suggests that index may find multiple hurdles near to 10250-10300 zones
- ✓ Thus, a Hedged, Bear Put Spread is recommended

SL : 20 POINTS; TRAGET : 155 POINTS

PREMIUM PAID : 60

Buy 1 Lot 10100 PE; Sell 1 Lot 9900 PE



LT

BULL CALL SPREAD

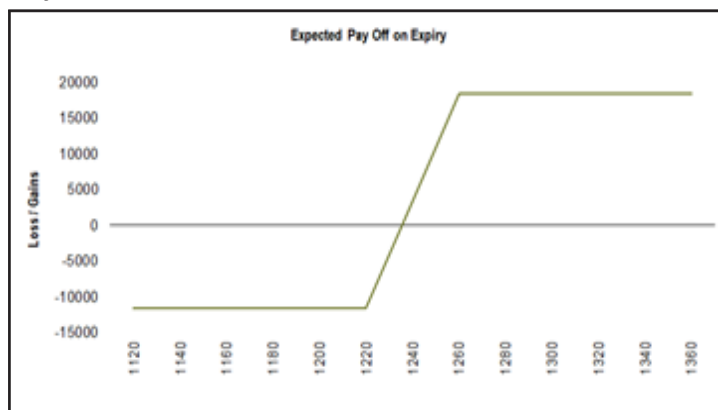
- ✓ It has been consolidating in range with multiple support near to 1200 zones
- ✓ It is forming a positive price pattern and decline is being bough
- ✓ Positive Rollover with better Roll Cost suggests up move
- ✓ Thus, a low risk Bull Call Spread is recommended

MAX RISK : 8 POINTS (INR 5625)

MAX REWARD : 31 POINTS : (INR 11625)

PREMIUM PAID : 15.50

Buy 1 Lot 1220 CE ; Sell 1 Lot 1260 CE



MOST Quantitative Outlook - Monthly

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