

Print Coverage

'Indices up against a wall'

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Index Outlook

Indices up against a wall

The rally has taken the indices to a resistance zone. This may lead to selling pressure

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Positive global cues kept the momentum going in the domestic market as both the Nifty and Sensex started the week on an upbeat note, with a gap-up opening. Buying spree on banking stocks pushed the indices higher. The possible announcement of new RBI governor also lifted sentiments.

Bullish global cues too aided the up-move on the domestic bourses. Bank of England surprised markets by holding off rate cut at its policy meeting on Thursday. IPO market is back in action, with Quess Crop listing at a premium of 57 per cent. ICICI Prudential filing its DHRP, could drive the momentum going ahead. The consumer price index (CPI) inflation rose marginally to 5.77 per cent in June compared with 5.76 per cent in April, on higher food prices. The Index of Industrial Production (IIP) increased 1.2 per cent in May, compared with decline of 1.3 per cent in previous month, on the back of a pick-up in manufacturing activity.

Markets keenly await the monsoon session in Parliament that starts on Monday. There is a high expectation of the Goods and Services Tax (GST) Bill being passed in the session.

The Nifty added 218 points and

gained 2.6 per cent and the Sensex advanced 709 points or 2.6 per cent last week.

Nifty 50 (8,541.4)

The Nifty index commenced the week with a gap-up opening and extended its rally. It registered an intra-week high at 8,594.8 on Friday.

The week ahead: The Nifty 50 resumed its rally, backed by positive global cues, and decisively breached the key resistance at 8,300 last Monday. This move has altered the intermediate-term downtrend and strengthened the progressing uptrend and pushed the index higher to nearly 8,600 levels.

Currently, the index faces a key resistance at around 8,600 levels from which it had reversed lower last August. Moreover, the indicators in the daily chart feature in the over bought levels, implying a near-term correction. Profit-booking could also emerge at the resistance level following a sharp rally over the past three weeks.

So, traders with a short-term perspective should tread with caution in the coming week. Consider taking fresh long positions on a strong rally beyond 8,600 with a fixed stop-loss. The index can accelerate to 8,700 and 8,800 levels thereafter.

Market report: Week ending July 15, 2016

The Sensex jumps 2.6 per cent last week to close just below the 28k-mark	SENSEX ↑ 27,837 (2.62%)	NIFTY 50 ↑ 8,541 (2.62%)	NIFTY 500 ↑ 7,194 (2.20%)
Japanese Nikkei 225 index leads weekly gains in global markets, by surging 9 per cent	DOW ↑ 18,517 (2.04%)	FTSE ↑ 6,669 (1.19%)	NIKKEI ↑ 16,498 (9.21%)

On the other hand, a decisive fall below the immediate support at 8,400 can increase selling pressure and pull the index down to 8,300 which is a crucial base now.

Medium-term trend: In the previous week, the index almost reached the medium-term target level of 8,600. Only a decisive breakthrough of the resistance at 8,600 will strengthen the uptrend and take it higher to 8,800 levels. Significant medium-term supports are at 8,300, 8,100 and 8,000.

Strong fall below 8,000 will start threatening the uptrend that has been in place since late February. Next key support for the index is in the band between 7,800 and 7,700. Investors with a medium-term outlook can hold the long positions with a revised stop-loss at 7,900.

low 25,500 will alter the bullish outlook. Key supports are placed at 27,500 and 27,000. A slump below 27,000 can mitigate the short term and pull the index down to the 26,400-26,500 band.

Bank Nifty (18,953.6)

The Bank Nifty jumped 937 points or 5.2 per cent, breaching a key resistance at 18,500. Nevertheless, the index has met with a significant resistance at 19,000. Strong rally above 19,000 can keep the momentum going and take the index higher to 19,500 and then to 20,000 in the coming weeks.

So traders with a short-term view should initiate fresh long positions above 19,000 levels with a fixed stop-loss in place. Inability to move beyond 19,000 can pull the index down to 18,500 and then to 18,300 levels. Only a decisive plunge below the key support at 18,000 will alter the short-term uptrend. Subsequent supports are at 17,830 and 17,600.

Global cues

The Dow Jones Industrial Average extended its uptrend that commenced in late June, by rallying another 2 per cent last week to close at 18,516.5. It has breached a key resistance at 18,300 which can act as key support now. The index can extend its rally to 18,700 or 18,800 levels in the near term. Support below 18,300 is at the 18,000-mark.

What to look for

- Monsoon session of Parliament
- Quarterly results of Hindustan Unilever, HDFC Bank, Axis Bank
- Movement of crude oil