

TECHNICAL VIEWS

Nifty may Breach 17,500 if it Fails to Trade Above 17,700

Technical and derivative analysts expect the Nifty to fall further to 17,500 levels if the index fails to sustain above the 17,700-mark this week. The Nifty has slipped below its 20- and 50-day simple moving averages which indicates near-term bearishness, they said. The index fell 1.9% last week, underperforming all regional peers. On Thursday, it had closed 133.85 points lower at 17,764.80.

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Where is Nifty headed this week?

On weekly chart, the index has formed a sizable bearish candle and also closed below the previous week low, indicating further weakness. Nifty has given breakdown from its up sloping channel on weekly chart indicating more weakness ahead. Chart pattern suggests that if Nifty breaks below 17,700 level it would extend the selling pressure

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Where is Nifty headed this week?

Nifty will continue to see incremental volatility as it continued to trade in the 17,600-18,200 range

towards 17,500-17,600 levels. However, if the index manages to cross and sustains above 17,800 level, it could witness buying which would lead it towards 17,900-18,050. Until unless the Nifty crosses and sustains above 18,100 one should use any minor pullback as a shorting opportunity.

What should investors do?

We are suggesting a Call Ladder strategy for monthly expiry of November 25, which involves buying one lot of Nifty 17,800 Call at ₹119 and selling of one lot

for the last few days. Going ahead, 17,600-17,650 is going to be a key zone as the last panic low as well as 55-EMA support are placed at these levels. The undertone of the index is cautious at this stage as every rise toward 18,000-18,100 is witnessing

each of 18,000 Call at ₹45 and one lot of 18,200 Call at ₹15. The maximum profit of ₹7,050 will be at 18,000, while the strategy will start making loss above 18,350. The cost involves outflow of ₹2,950, which is the maximum loss if Nifty trades and remains below 17,850 at expiry. However, above 18,350, it is advisable to exit the strategy in total to avoid unlimited losses. Breakeven points of the strategy are 18,341 on upside and 17,859 on the lower side.

strong pressure.

What should investors do?

One can create long positions around 17,600-17,650 for a bounce till 17,900-18,000 with negation below 17,525.

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Where is Nifty headed this week?

Nifty formed a bearish candle on the weekly charts following the dragon fly doji formed in the week previous to the last one. We remain bearish below 17,961 and can expect fresh weakness if 17,711 is broken. Next supports are at 17,613 and 17,500; with resistance at 17,798 and 17,900. Nifty has not broken its 50-day EMA since the second wave of Covid; and if broken this time, it may call for a structural weakness which can open the way for a fresh down move.

What should investors do?

The current setup in Nifty remains a "sell on rise" unless 18,100 is negated on a closing basis and investors are advised to wait for the current correction to play out completely. Traders can look to short Nifty Nov Futures if 17,711 spot is breached for downside targets of 17,613 and 17,500 along with stop loss of 17,798. Alternatively, they can look to add longs only if 17,832 is breached for an immediate target of 17,961 with stop loss at 17,798. Bearish weekly setups have been formed in midcaps, smallcaps, PSE and metal indices. Some FMCG names with bullish setups are ITC, Nestle, Hindustan Unilever and Dabur.

