

## TECHNICAL VIEWS

# 17,600 Could be Stiff Resistance for Nifty

Technical and derivatives analysts expect the Nifty to find support at 16,800-17,000 in the week ahead. While the Union Budget on Tuesday could drive the market, some analysts say the Nifty may not rise beyond 17,600 without participation from foreign institutional investors. The Nifty ended 8.2 points lower at 17,101.95 and the Sensex 76.71 points or 0.13% weaker at 57,200.23 on Friday. The Nifty fell 2.9% last week, underperforming all Asian markets except South Korea, China and Hong Kong.

**CHANDAN TAPARIA**  
DERIVATIVE ANALYST,  
MOTILAL OSWAL

**Where is the Nifty headed in the Budget week?**

Nifty has recently corrected by around 1,500 points and bounces from key supports are not being respected which is a cause for concern for the next leg of the rally. It is trading below its 50-DEMA (day exponential moving average) and follow-up action is missing even after the huge

outperformance of the banking index in the last series due to weakness in global markets and FI selling. Now it has to hold above 17,000, to start the next leg of bounce towards 17,350 and 17,500 zones whereas support exists at 16,850 zones.

**What should investors do?**

Investors are suggested to use dips for buying opportunity and get bargain hunting in selective private banks, auto, consumption, energy and oil and gas. Index traders can initiate a Bear Put spread in the

monthly series by buying 17,200 Put and selling 16,500 Put with premium cost of around 200 points to hedge the downside towards 16,500 zones. Stock specific positive setup could be seen in NTPC, ONGC, Cipla, Sun Pharma, Tata Elxsi, Tata Chem, AU Small Finance Bank and Maruti while weakness in TVS Motor, Tech Mahindra and Voltas.

**RAHUL SHARMA**

DIRECTOR & HEAD- TECHNICAL  
DERIVATIVES RESEARCH, JM  
FINANCIAL SERVICES

**Where is the Nifty headed in the Budget week?**

In the last seven Budgets, Nifty has seen an intraday swing of around 3% while India VIX has melted by an average of 9.43%. Nifty found support around 16,800 and a smart recovery was seen in the last three sessions. If the index manages to sustain Tuesday's panic low of 16,836, expect a rebound until 17,500 and 17,780. On the contrary, if 16,836 is broken, we expect a new round of weakness which can push the index lower to

test the December low of 16,410. Bias remains for buy on dip as long as Nifty sustains above the 16,836 mark.

**What should investors do?**

Traders are advised to avoid vanilla option buying strategies as it can result in premium decay after the event (budget). It would be advisable to short deep out of the money strangles in Nifty for weekly expiry. One can look to sell Nifty Feb 3, 16,400 Puts at ₹22 and sell Feb 3, 18,000 Calls at ₹45. Total premium is trading at ₹67. One can also buy Nifty futures around 16,950-17,000 with stop-loss at 16,851 and targets at 17,350-17,500. Nifty PSU Bank Index remains the strongest of the sectoral indices followed by private banks. Weak setups are seen in IT and pharma.

**ABHILASH PAGARIA**  
HEAD, EDELWEISS ALTERNATIVE  
AND QUANTITATIVE RESEARCH

**Where is the Nifty headed?**

It will be difficult for the Nifty to sustain above 17,600. In the budget week, we expect volatility to prevail and Nifty can trade in a broader range of 16,600 to 17,600 levels.

**What should investors do?**

Positional traders can look to go long on potential Nifty indices entrants Apollo Hospitals and Bank of Baroda with 5% stop loss. Retail can buy TCS with a 3-month holding period for buyback opportunity with expected acceptance of 45-50%. The banking Index can lose the momentum until it decisively closes above 38,450 and higher levels should be used to short.