

TECHNICAL VIEWS

Market Rebound Could Hit Fed Bump

Last week's rebound in Indian equities – the first in five weeks – could face hurdles in the days ahead as global markets await the US Federal Reserve's decision on interest rates. With US consumer inflation in February jumping to the highest in 40 years, investors will watch out for the US central bank's commentary on monetary policy tightening. The Nifty gained 2.4% last week and outperformed all regional peers, but analysts are uncertain if the bounce can sustain with the war in Ukraine showing no signs of abating and Western powers ramping up sanctions on Moscow. The Nifty, which closed at 16,630.45 on Friday, is likely to find resistance at 16,850 and 17,000. If the bullish momentum reverses, analysts see the index finding support at 16,200.

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Where is the Nifty headed?

Nifty formed a Bullish engulfing candle on weekly charts, bouncing from the major consolidation support area of 15,500-15,950 and closed above the resistance of 16,500. A new breakout is expected if we take out the resistance level of 16,700. Intermediate resistance is expected at 16,815, however, Nifty can test 17,000 given the current setup. Options data is suggesting Nifty has support at 16,500 and should aim for 17,000 shortly. Bank Nifty remains a relatively underperforming index and

was unable to close above its resistance level of 35,000. From the sectoral indices, metals, mid & small-cap & IT indices look good for more upside in short term.

What should investors do?

Nifty March futures can be bought upon successful breach of 16,700 resistance for targets of 16,815 and 17,000 (spot levels). Alternatively, dips can be bought around 16,550 with stop loss at 16,450 and similar targets. On the flip side, puts can be bought if 16,500 is broken on a closing basis for a downside target of 16,200. Traders can look to trade long in JSW Steel March 680 call options around ₹20 with stop loss at ₹14 and target of ₹35.

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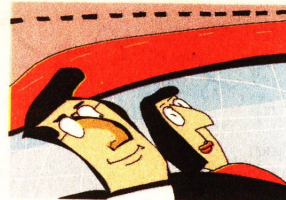
Where is the Nifty headed?

Nifty started last week on a negative note but managed to hold near 15,700-15,800 zones and recovered sharply by around 1,000 points towards 16,750 zones. It witnessed a bullish crossover on the daily scale along with higher lows from the last three sessions. It formed a bullish candle on the daily scale but still forming lower high - lower lows for the past five weeks. After the recent price setup, it seems that the short-term bottom is being formed and the base of the index is shifting higher. Now, it has to hold above 16,500

zones to witness an up-move towards 17,000 and 17,200 zones while key support exists at 16,350 and 16,161 zones.

What should investors do?

It is a good time to accumulate quality stocks and top up the portfolio as it seems that volatility may cool off along with the process of bottom formation. India VIX fell sharply by 9.37% from 27.96 to 25.34 levels. The fall in volatility has given some support to the market but overall a higher VIX could continue to give wider swings in the market. Investors and traders can be with long bias in Cipla, Sun Pharma, Jindal Steel, Balrampur Chini, Chambal Fertilisers, HPCL, Trent, PVR, GNFC etc.



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Where is the Nifty headed?

Wild gyrations among major asset classes was the theme over the past couple of weeks, Indian markets staged a sharp recovery as Nifty swiftly moved from 15,700 lows to 16,700 highs in three days. Falling volumes in options indicates a trading band of 16,200 to 16,850 in the near term for Nifty. We expect markets to face significant headwinds and profit booking at higher levels near the 16,850 mark.

What should investors do?

We recommend buying Sun Pharma for a target of ₹960 with a stop loss at ₹868. Select pharma stocks are showing positive divergence. We have a long call on shares of GNFC. We recommend buying 700 call option at ₹35-38 with a target of ₹70 with stop loss at ₹18. Aggressive long buildup with price and volume breakout is being seen on the