

Wealthstreet House View

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Wealthstreet

The Financial Engineers

THE WEEK THAT WAS

- The Nifty50 recouped after initial hour sell-off and gained strength in the afternoon session to reclaim 10,800 levels on August 23, backed by the hope of stimulus measures and rollback of FPI surcharge from government later in the day. The index snapped three-day loss and formed bullish candle which resembles a Piercing kind of pattern on daily charts, but for the week the index lost 2 percent and formed bearish candle on the weekly scale.
- In Piercing pattern formation the index opens gap down below preceding sessions low but sharply recoils to close above the mid point of preceding sessions candle body. Hence, it is considered as a bullish reversal sign.
- Experts feel the follow-up buying if happens then the Nifty could reclaim psychological 11,000 levels, otherwise the consolidation may continue in coming sessions. The Nifty50 after opening lower at 10,699.60 plunged to hit an intraday low of 10,637.15, but recouped losses in the morning itself and gained strength in the afternoon to touch a day's high of 10,862.55. The index closed 88 points higher at 10,829.40.
- Nifty50 registered a Piercing pattern which should have bullish connotations going forward provided the index attracts follow-through buying. However, on some of the key momentum oscillators, which we consider as leading indicators, failed to generate buy signal despite this kind of strong recovery which can be a cause for concern going forward.
- If this rally sustains then initial targets are placed around 11,059 kinds of levels whereas on the downsides Friday's low of 10,637 shall assume importance as critical support. Breach of this support can resume the downswing and drag down the index further towards 10,524 kinds of levels
- India VIX fell by 2.82 percent to 17.34 levels.
- On the Options front, maximum Put open interest is at 10,700 followed by 10,500 strike while maximum Call open interest is at 11,000 followed by 11,100 strike.
- Put writing is at 10,600 followed by 10,700 strike while Call writing is at 10,700 followed by 10,800 strike. Option data suggests the Nifty could trade between 10,650 to 11,000 zones in coming sessions.
- Bank Nifty opened gap down but recovered sharply from lower zones to close near 27,000 levels. The index closed 75.55 points lower at 26,958.65 and formed a small-bodied candle on the daily scale while bearish candle on the weekly scale which suggests that supply is visible at higher levels. It shed 4.5 percent for the week.
- SGX Nifty closed at 10865.50