

21st May 2022

Subject: Indian market: Technical + Fundamental – Overview

Indian Market	13-May-22	Daily Change		13-May-22
Indices	Close	Change	% Change	Close
Nifty 50	16266.15	484.00	3.07%	15782.15
BSE Sensex	54326.39	1532.77	2.90%	52793.62
Banknifty	34276.4	1155.05	3.49%	33121.35
Nifty Mid-Cap 100	27872.2	786.55	2.90%	27085.65
Nifty Small-Cap 100	9136.1	339.45	3.86%	8796.65
India VIX	23.10	-0.39	-1.66%	23.49

US Market	13-May-22	Daily Change		13-May-22
Indices	Close	Change	% Change	Close
Dow 30	31261.9	-934.76	-2.90%	32196.66
S&P 500	3901.36	-122.53	-3.05%	4023.89
Nasdaq	11354.62	-450.38	-3.82%	11805

Last week - review

Indices witness highly volatile week in recent times, but most of the volatility was in range of 15750 – 16400. Indices have gained on weekly basis around 3% - 4% and VIX was down 1.66% but continues to trade at 23.10, which is above comfort level of 20.

Wall Street ended another down week with 2.90% - 3.82% cut on major indices. Late recovery in US market on Friday by at least 1% - 1.5% have limit the weekly loss. US market are back at November 2020 level.

Nifty 20-May-22 – Daily chart



Banknifty 13-May-22 Daily chart



Technical Insight

- Nifty: RSI @ 44.36 & RSI average @ 37.13. Nifty took support around critical support level of 15780 & found resistance at 16362 level – 38.2% retracement level of fall from 17377 to 15735.
- Nifty immediate support remains at 15780 level and resistance at 16362.
- But considering last week volatility – Nifty would give break-out on either and may test 15318 & 14800 in case lower level are broken. Nifty above 16362 could test 16750 – that is 61.8% retracement of recent correction.
- Banknifty: RSI @ 44.13 & RSI average 38.30. Banknifty 20-DMA @ 34904 remain key level above 34421.
- Chart shows RSI moving upward in a volatile move. If we refer to Wednesday & Thursday's move – RSI was trending downward sharply.
- Indices lower level twice this week and closed around upper end of the range which is 2nd time in this week.
- VIX @ 23.10 – trading above 20 comfort level & in case moves above 25 – volatility could even get ugly.



Daily volatility of 400 points on Nifty was 3 out of 5 trading days. It is not a normal scenario and technical indicators change too fast and at times be misleading.

Increase in VIX above 25 – indicates fear and that would normally come in a falling market.

We are entering very critical week & final F&O expiry for May 2022 series this week.

Probable Negative play: Nifty below 15782 & VIX above 25

Probable Positive play: Nifty above 16362 & VIX below 20

Please note: We would prefer hedge position / options only strategy with a limited loss to play short term move & may prefer to buy around 15000 level on Nifty in equity market. Some of the views are based on our past experience and we are not in a position to predict bottom and nor we are doing it. Nifty could go below to mention level also.

Fundamental Insight

Result season in India will conclude by 30-May-22, most of companies have declare their Q4FY22 result. So far major trend has been **“Sell-on-Rise”** and this may soon change to **“Accumulate Gradually”** level.

Why market was volatile this week?

- This week US market was down around 3% - 5%, where as Indian market was up around 3% - 4%. Corporate earnings for US major retailer – Walmart & Target came this week. Future guidance given by this companies were weak.
- Inflation remains a major concern and globally central banks is clearly focused on bringing inflation under control even at cost of growth – next quarter result for all major companies is expected to be very weak.
- LIC IPO listing this week was weak, price discovered at 872, even below discounted rate at which Policy holder @ 889 & Retail @ 904 were allotted.
- RBI MPC meeting held on 2 – 4 May 2022, minutes were released this week – indicated 1 month wait could be lost of significant time to fight war-related to inflationary pressure.
- RBI MPC Meeting outcome on 4-May-22: guided for removal of COVID-19 related accommodative stance & support measure taken.

Market View & Strategy

Going into final F&O expiry for May 2022 series, our market moving in line with global tandem. No major corporate result on scheduled fundamental event in India for this week.

Market will focus on news from global market F&O expiry position will play its role in roller-coaster ride this week. **We certainly see high volatility to continue unless VIX goes below 20.**



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For short term: Play via hedge position & in equity market – prefer to buy as per conviction in case of huge fall this week with medium to long term view. Market may give healthy bounce back. **We are looking at 15300 & 14800 level closely and we would start deploying around 15000 level as per our capital allocation policy.**

Disclosure & Note: Investor need to understand risk associated with F&O strategy, technical & other trading strategy before implementation and due risk assessment is required from client's end and prefer professional advice before executing.

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