

7<sup>th</sup> May 2022

**Subject: Indian market: Technical + Fundamental – Overview**

Indian Market	06-May-22	Weekly Change	
Indices	Close	Change	% Change
Nifty 50	16411.25	-691.30	-4.04%
BSE Sensex	54835.58	2225.29	-3.90%
Banknifty	34591.2	1496.95	-4.15%

Indian Market	06-May-22	Weekly Change	
Indices	Close	Change	% Change
Nifty Mid-Cap 100	28584.2	1296.15	-4.34%
Nifty Small-Cap 100	9559.15	-697.80	-6.80%
India VIX	21.25	1.83	9.42%

**Nifty 6-May-22 – Daily chart**





### Technical Insight

- Nifty tested 16617 level moving towards 16124 level. Banknifty tested 35158 on Thursday and was near to 34073 level.
- Last week we said, indices are headed lower and this trend may continue, on Friday both Nifty & Banknifty have formed DOJI pattern on daily chart, which have potential of trend reversal in short term.
- Nifty RSI @ 35.29 & RSI average @ 42.78. RSI near 30 level could be considered as oversold zone, Nifty expected to remain with negative bias.
- Banknifty RSI @ 34.52 & RSI average @ 42.45. Banknifty on Friday closed at 34591 and low was 34353, near to our 2<sup>nd</sup> target of 34073.
- VIX @ closed above 21.25, we turn cautious and in case VIX goes above 25 level – it could result in a highly volatile move on Indices.
- Support & Resistance level on Nifty: Support @ 16124 & resistance @ 167363. Banknifty: Support @ 34073 & resistance @ 35256.

**Next week could give a surprise short covering bounce, only to move lower again. This view may not happen in a week and this week we may remain or close in a green. Broader trend remains downward.**

### Banknifty 6-May-22 Daily chart





### Fundamental Insight

This week was an eventful, US FOMC & BOE meeting was scheduled and RBI MPC's surprise meeting on 4-May-22. Reliance came out with numbers on Friday evening which will react to it on Monday.

- RBI MPC policy: Increase repo rate by 40 bps & CRR by 50 bps.
- US FIMC Meeting: Increase interest rate by 50 bps & Balance sheet downsizing starting with \$47.5 billion per month from 1-Jun-22 & to reach maximum limit of \$95 billion per month by September 2022.
- BOE increase interest rate by 25 bps and in a hawkish policy guided for further tight monetary policy.
- BOE raised inflation target for 2022 to 10% from earlier of 5.75%, as energy prices have risen in European countries.
- Corporate result season for Q4FY22 continues with Sell-on-Rise approach. In any case of outcome – stock price has reacted negatively.

We are in for extremely volatile movement for the month of May and we continue to remain highly cautious. Last week, Indices was down by 4% on major indices and Small-Cap 100 was down by 6.80%. We do expect short covering bounce on Nifty could test 16736 & 16981 & on Banknifty could test 35256 & 35815.

### Market View & Strategy

Market entering critical phase reaction to result is down heavily in case of disappointing result and muted correction in case of result is in-line with expectation. It is always current performance as well as future outlook that market is looking for. Reliance Q4FY22 numbers were mostly in line with expectation.

This week could provide much needed short covering bounce and we believe to follow capital allocation strategy. Bring cash level anywhere between 20% - 50% as per conviction. By the end of May month or 1<sup>st</sup> half of June – Indices could be trading at lower level from Friday's closing.

**We remain highly cautious and would follow strategy – “Sell on Rise” & bring exposure level around 50% of lower as we see major correction even from current level with next 1 – 3 months view which also includes Q4FY22 earnings season. Is it at time for fresh review of portfolio and change in leadership as we have seen post COVID-19;**

Central bankers are now taking and this week selling was mainly triggered by selling due to valuation reset and we define this trend as – “Surprise end – Action begins”.



**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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