

30th July 2022

Subject: Indian market: Technical + Fundamental – Overview

Indian Market	29-Jul-22	Weekly Change	22-Jul-22
Indices	Close	Change	% Change
Nifty 50	17158.25	438.80	2.62%
BSE Sensex	57570.25	1498.02	2.67%
Banknifty	37491.40	752.45	2.05%
Nifty Mid-Cap 100	29634.25	586.40	2.02%
Nifty Small-Cap 100	9171.20	42.45	0.47%
India VIX	16.55	-0.10	-0.60%
US Market	29-Jul-22	Weekly Change	22-Jul-22
Indices	Close	Change	% Change
Dow 30	32845.13	945.84	2.97%
S&P 500	4130.29	168.66	4.26%
Nasdaq	12390.69	556.58	4.70%

Last week - review

Last week, going into trade Nifty & Banknifty witness highest closing for July 2022 and short covering rally continued as Nifty crossed 17000 convincingly.

US Fed event triggered rally, as US Fed raised interest rate by 75 bps in-line with market expectation. US Fed chair Jerome Powell guided that future rate hike will be data dependent. US advance GDP for Q2 came at -0.90, second quarter in negative territory, yet US Fed & White House believe US economy is not in recession.

Back home, HDFC twins & BAJAJ twins did the fire work as result of both BAJAJ companies had positive surprise. We are half-way down the Q1FY23 result season, so far, no major disappointment in results as expectation is down as compared to previous quarter.

Nifty 29-Jul-22 – Daily chart



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Banknifty 29-Jul-22 Daily chart



Technical Insight

- Nifty RSI @ 72.77 & RSI average @ 65.08, indicate currently in over-bought zone. Nifty 200-DMA is currently at 17025.
- Nifty immediate target comes at 17332 & support at 16991 as show in Nifty chart. Consolidation at current level could be healthy.
- Banknifty RSI @ 74.01 & RSI average @ 69, on Friday it underperformed Nifty and that trend may continue this week as RBI MPC meeting outcome is on 5-Aug-22.
- Banknifty immediate support at 36926 with upside target of 37867 & 38448.



Approach on Technical: Rally on Indices was backed by event of US Fed meeting, US advance GDP data released on Thursday and quarterly result of ICICIBANK, KOTAKBANK, AXISBANK, BAJAJ twins & HDFC released on last week.

So, question is - can this week's rally on Indices could be considered as break-out from the range where Indices trading in 15800 – 17600 range?

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Nifty range for this week 16691 to 17674 and Banknifty range for this week 36926 to 38448. We expect upper end of the range to be tested later in the week as RBI MPC policy outcome on 5-Aug-22. Indices near lower end of the range on Nifty @ 16691 & Banknifty @ 36926 would be suitable level to looking for buying opportunity based on data and factors at that point of time.

Fundamental Insight

US Fed have increased interest rate by 75 bps on 27-Jul-22 in-line with market expectation. US Fed chair J Powell guided that in next US FOMC meeting on 21-Sep-22, decision on interest rate will be based on data.

Result season for Q1FY23 have not been disappointing so far, as market went into result season with very low expectation after debacle in Q4FY22 result season where market witness major sell-off.

Since then, commodity prices have cooled-off and valuation have turned neutral, we will not say attractive because earning visibility is yet to emerge.

RBI MPC Meeting 3 – 5 August 2022 – Outcome on 5-Aug-22. Our expectation

- **RBI to increase repo rate by 25 bps to bring at 5.15%**
- **CRR rate – Unchanged as it is already above pre-pandemic level.**
- **RBI Stance: will continue to growth supportive.**

Equichain Wealth Advisors: Opinion & View

We are looking at two important factors, first is the initial signs of inflation slowing down and the second is how geo-political situation. In case tension escalates between US & China, things could get a flip to the sentiment we have seen in last 2 weeks and this may turn out to rally in bear market and opportunity to exit.

We are focusing on two statement of US Fed chair Jerome Powell; they are looking for compelling evidence of inflation coming down and full impact of interest rate hike is not seen.

Market View & Strategy

Nifty rallied from 15800 level to 17150 level in just 11 trading session, on 14-Jul-22 Nifty closed @ 15938 and low on that day was 15858.20. Indices rally almost 7% – 8% in last 2 weeks.

We would like to believe the bullish momentum to continue and our strategy will be to go long around Nifty @ 16991 & Banknifty @ 36926 and review our long position if Indices go down by 1% below this level.



Incoming US Data will, RBI MPC Meeting & on-going quarterly result season, we would prefer to have more stocks specific approach with Indices consolidating in narrow range. As VIX trading around 16 – 18 is within comfortable level. We would be looking for Mid-Cap & Small-Cap stocks which have beaten down in last 3 – 6 months but fundamentals and earnings momentum remains strong.

August 2022 could be month on Mid-Cap & Small-Cap to outperform.

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.