

6<sup>th</sup> August 2022

# Subject: Indian market: Technical + Fundamental – Overview

Indian Market	05-Aug-22	Weekly Change		29-Jul-22
Indices	Close	Change	% Change	Close
Nifty 50	17397.50	239.25	1.39%	17158.25
BSE Sensex	58387.93	817.68	1.42%	57570.25
Banknifty	37920.60	429.20	1.14%	37491.40
Nifty Mid-Cap 100	30258.35	624.10	2.11%	29634.25
Nifty Small-Cap 100	9318.00	146.80	1.60%	9171.20
India VIX	18.92	2.37	14.32%	16.55
US Market	05-Aug-22	Weekly Change		29-Jul-22
Indices	Close	Change	% Change	Close
Dow 30	32803.47	-41.66	-0.13%	32845.13
S&P 500	4145.19	14.90	0.36%	4130.29
Nasdaq	12657.55	266.86	2.15%	12390.69

## Last week - review

Nifty range for this week was 17155 to 17490. Banknifty traded in range of 37249 to 38231. Indices remain in range, but did not test the lower or upper end of the range mentioned in weekly report.

Indices ended the week with around 1% - 2% gain on weekly basis. VIX @ 18.92, tested above 20 on Thursday when Indices witnessed sharp fall, but recovered later in the session.

Bank of England increase interest rate by 50 bps to 1.75%, highest increase in 27 years. RBI MPC meeting outcome on 5-Aug-22: RBI raised repo rate by 50 bps to 5.40%. Repo rate above pre-pandemic level. US Market ended the week flat after strong jobs data and average hourly earnings.

## Nifty 5-Aug-22 – Daily chart



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### Banknifty 5-Aug-22 Daily chart



### Technical Insight

- Nifty RSI @ 75.92 & RSI average @ 72.23, continues to trade above 70 – overbought zone.
- Nifty broad range remains at 16691 to 17674. Nifty 200-DMA @ 17002.
- Banknifty RSI @ 73.10 & RSI Average @ 72.65. RSI was below its average on Thursday is showing first sign of consolidation.
- Banknifty broader range remains at 36926 to 38448. Banknifty will react to SBIN numbers on Monday and could test upper end of the range, reaction to SBIN result will be key event to watch out for..



**Approach on Technical:** On Thursday, sharp fall in Indices did not witness follow-through selling. We expect upper end of range that is Nifty @ 17674 & Banknifty @ 38448 could be tested.

We would remain sell-on-rise as the pace of the rally was too fast, any consolidation / correction would be healthy. Indices rallied around 8% - 9% in last 3 – 4 weeks. VIX on Thursday was trading above 20 level

after sharp fall in indices but recovered by end of session and VIX closed below 20.

## Fundamental Insight

Quarterly result season is near to conclusion, this rally was supported by better than estimate result or we could also define this as not bad result. SBIN will declared its result on 6-Aug-22, market will react to it on Monday.

Bank of England raised interest rate by 50 bps to 1.75%. BOE warned of further rate hike in upcoming meetings. BOE expected inflation to peak at around 13% in October 2022 on rising Natural gas prices. BOE warns of long recession for Q4 2022 to Q4 2023, 5 straight quarter of contraction.

## RBI MPC Meeting outcome – Key Points

- RBI Increase repo rate by 50 bps to 5.40% above pre-pandemic level. (Our expectation was 25 bps)
- CRR rate: Unchanged (as per expectation).
- Inflation projection retain at 6.7% in FY23 (considering Indian crude basket @ \$105 per barrel).
- Real GDP growth forecast for FY23 retained at 7.2%.
- The MPC also decided to remain focused on withdrawal of accommodation to ensure that inflation remains within the target going forward, while supporting growth.

## US Economic data

US Economic data released on 5-Aug-22, average hourly earnings growth came at 0.5% Vs expectation of 0.3%. Non-farm payroll data came at 528k Vs expectation of 250k.

Strong economic data from US will push US Fed for more aggressive rate hikes. After yesterday's data Fed rate monitor tool indicated 52% chances of another 75-bps hike in September 2022 FOMC meeting. US CPI & Core CPI data to be released on 10-Aug-22.

## Equichain Wealth Advisors: Opinion & View

This rally has started on back of US Fed managing soft landing, growth will not be impacted hence corporate earnings will have limited impact. It is change in narrative which have led to 8% to 9% rally in Indian market and Wall Street rallied 10% & above. Next US Fed meeting is more than 6 weeks away, market will continue its zig-zag move.

## Market View & Strategy

We will continue to focus on Mid-cap & Small-cap stocks with better corporate earnings and better visibility. As earnings session is near to an end, many Mid-cap & Small-cap companies are due to announce result next week.

RBI MPC meeting outcome was surprising for us with minor disappointment. RBI don't expect inflation to witness considerable down-tick. We expect RBI to increase interest



rate in upcoming meeting to keep in tandem with global central banks. We will prefer to go long only after correction and indices near lower end of the range.

**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.