

24th December 2022

Subject: Indian market: Technical + Fundamental – Overview

Indian Market	23-Dec-22	Weekly Change		16-Dec-22
Indices	Close	Change	% Change	Close
Nifty 50	17806.80	-462.20	-2.53%	18269.00
BSE Sensex	59845.29	-1492.52	-2.43%	61337.81
Banknifty	41668.05	-1551.45	-3.59%	43219.50
Nifty Mid-Cap 100	30157.65	-1852.45	-5.79%	32010.10
Nifty Small-Cap 100	9182.55	-834.90	-8.33%	10017.45
India VIX	16.16	2.09	14.85%	14.07
US Market	23-Dec-22	Weekly Change		16-Dec-22
Indices	Close	Change	% Change	Close
Dow 30	33203.93	283.47	0.86%	32920.46
S&P 500	3844.82	-7.54	-0.20%	3852.36
Nasdaq	10497.86	-207.55	-1.94%	10705.41

Last week - review

We were cautious going into trade this week with Nifty @ 18133 & Banknifty @ 42937 could be tested and below this level, market have seen selling accelerated.

Bank of Japan policy surprise to allow upper limit of JGB 's yield curve from 0.25% to 0.50% was indication of shift in BOJ policy change. China 's rise in COVID and fear of its spread to other countries and its impact due to disturbance in supply chain triggered market correction. Major indices were

down in range of 2.43% to 3.59%. Mid-cap 100 down by 5.79% & Small-cap 100 down by 8.33% this week.

Nifty 23-Dec-22 – Daily chart



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Banknifty 23-Dec-22 Daily chart



Technical Insight

- Nifty RSI @ 32.38 & RSI average @ 46.4. Gap between RSI & average is around 14 points due to sharp move. Extension of correction from 18887 to 18345 is now completed at 17819.
- Nifty rally from 18133 started from last week of November is now corrected below this level – indicates reversal in uptrend. Nifty now 18133 will act as strong resistance level & free fall below 17667.
- Banknifty RSI @ 34.01 & RSI average @ 52.25. Gap between RSI & average is around 18 points due to sharp sell-off. Banknifty fall is sharper than in September 2022.
- Banknifty next major support at 40819 levels seen in early November before major up move seen.



Approach on Technical: Sharp correction this week can be termed as free fall or massive sell-off as gap between RSI & its average increased beyond normal level. Now this free fall could continue for 1 or 2 days more, we expect sharp reversal from oversold zone.

Indices are trading below its normal logical support level, Nifty below 18133 could test 17667 & 16912. Banknifty below 42937 has seen sharp fall which could

test lower level up to 40819 in case of worst case. Nifty @ 17667 & Banknifty @ 41245 / 40819 critical support.

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Fundamental Insight

PMGKAY: Pandemic-Era Food Scheme Ends, Subsidized Grains For Poor Now Free

The central government discontinued the Pradhan Mantri Garib Kalyan Anna Yojana scheme introduced during the pandemic. Instead, it will provide free food grains under the National Food Security Act, 2013 to eligible beneficiaries.

This will cover 81.35 crore beneficiaries and the extension will cost the government Rs 2 lakh crore, Union Minister Piyush Goyal said at the Cabinet briefing on Friday.

China Estimates Covid Surge Is Infecting 37 Million People A Day

Nearly 37 million people in China may have been infected with Covid-19 on a single day this week, according to estimates from the government's top health authority, making the country's outbreak by far the world's largest.

As many as 248 million people, or nearly 18% of the population, likely contracted the virus in the first 20 days of December, according to minutes from an internal meeting of China's National Health Commission held on Wednesday, confirmed with people involved in the discussions

MPC Minutes: Members In A Tug Of War Over An Early Pause

While some members cautioned against a premature pause in monetary policy, others were against excessive tightening amid a weakening global growth outlook.

"There is no room for complacency, and the battle against inflation is not over," said Shaktikanta Das, governor of the Reserve Bank of India. This necessitates a constant vigil on prices.

Given the elevated inflation levels, particularly the stickiness of core inflation, more calibrated monetary policy action is required to contain the build-up of underlying inflationary pressures, anchor inflation expectations, and bring inflation closer to the target rate of 4% in the medium term.

India's Forex Reserves Decline \$571 Million To \$563.5 Billion

After rising for five consecutive weeks, India's forex kitty dropped \$571 million to \$563.499 billion for the week ended Dec. 16, according to RBI data released on Friday. In the previous reporting week, the overall reserves had swelled \$2.91 billion to \$564.06 billion, making it the fifth straight week of an increase in the kitty after a protracted decline.

Surplus Tax Revenue To Keep Expenditure Bill In Check In FY23, Say Economists

With three months to spare, the government's direct tax mop-up has touched 80% of its budget estimate at Rs 11.35 lakh crore.

The tax collection expectations have been called 'conservative' by economists ever since the budget was announced earlier this year. With the government expected to surpass the forecasts now, these 'conservative' estimates may help bridge the difference in expenses brought on by a growing subsidy bill.

Market View & Strategy

This week Indian market underperformed global market on two reasons as we believe, first one is change in Bank of Japan policy which was signaling JGB could trade is positive territory and second is sudden rise in China's COVID cases and alert raised by Government of India on an utmost urgent basis. Government announced free ration up to December 2023 and increase COVID guidelines.



We believe, recent fall on Thursday Friday may be over reaction to this news and it would rather provide opportunity to add fresh at current level with view of Budget + 2023-year end view. We assume there will be no further lockdown as we have seen in 1st phase / March - April 2020, even in 2nd phase there was no complete lockdown and Indian COVID vaccine have yielded far better result compared to US & China's vaccine as per expert's view.

Indian government announce mandatory RT-PCR test for international arrivals from China, Japan, South Korea, Hong Kong & Thailand.

We believe, recent sell-off does show panic selling could be overdone but we would also be watchful to market behavior. Near term movement will all be about these factors as we see there is no major change as per company fundamentals in concern.

- 1) F&O expiry for December series,
- 2) Technical indicate oversold zone,
- 3) Expectation of year-end rally as we go in trade for last week of 2022.

Historically, buying any sharp fall have yielded positive return with a holding period of 6 to 12 months. Nifty around 16900 & Banknifty around 39700 would provide such entry opportunity if panic selling continues in last week of 2022.

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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