

Monthly Technical Outlook

1st March 2021

A Chart Book

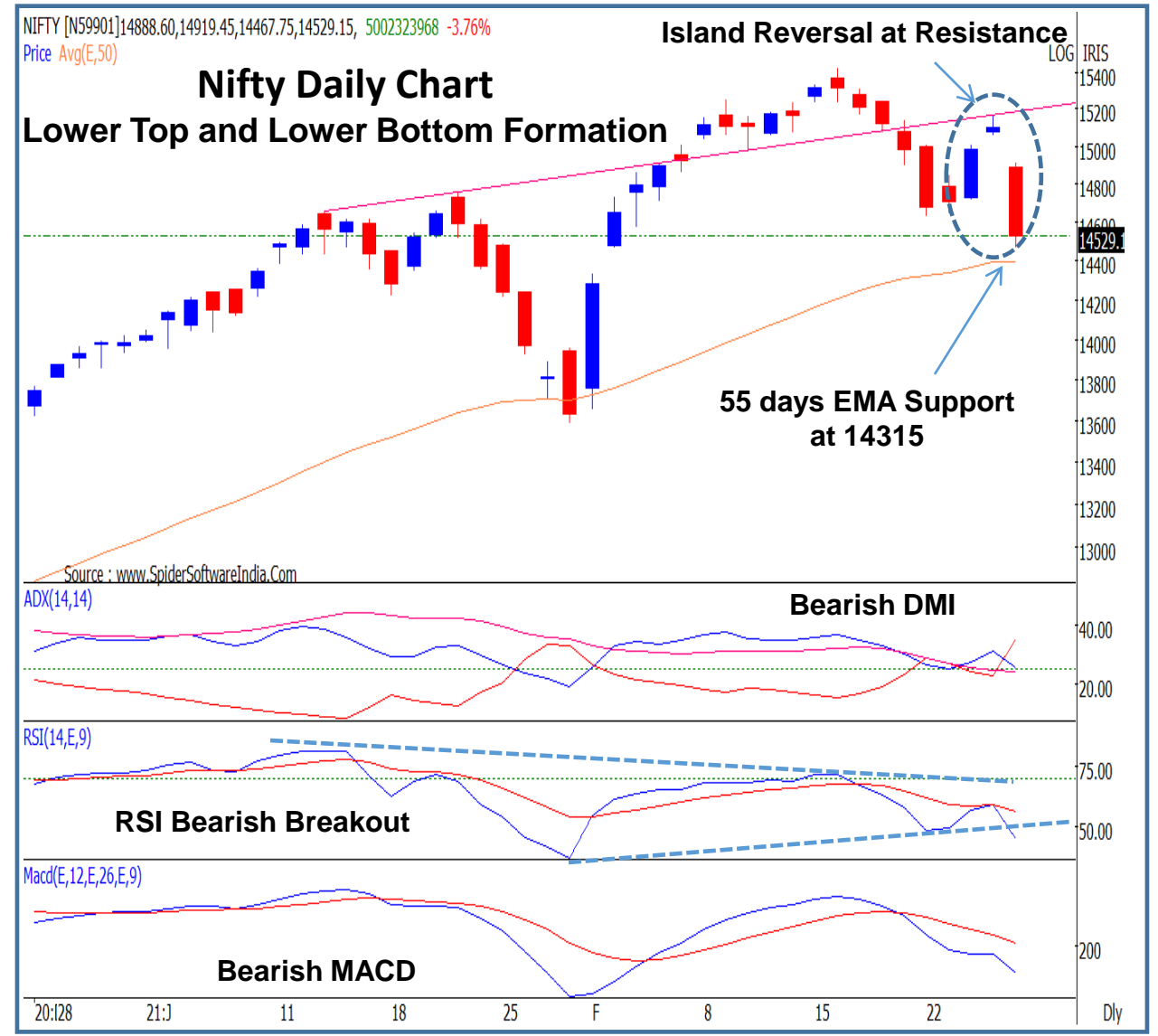
On

Benchmark and Sectoral Indices



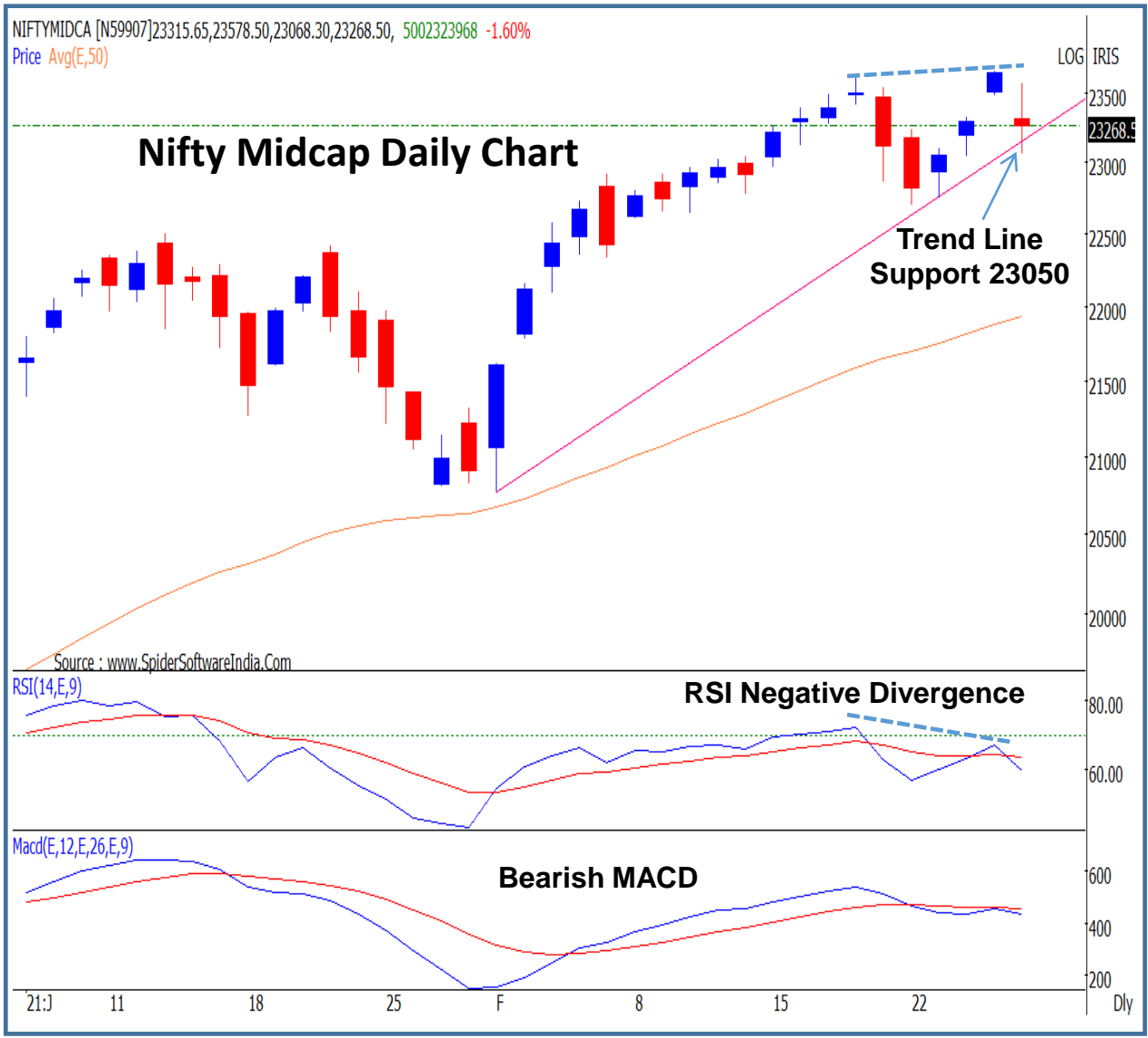
Nifty : Utilize Pullbacks to Exit Trading Long Positions

Below 14300, Nifty Could Move to 13600; Resistances 14900 & 15180



Midcaps And Smallcap Outperformance Continues

However, Break Below Support Levels could Result in Trend Reversal

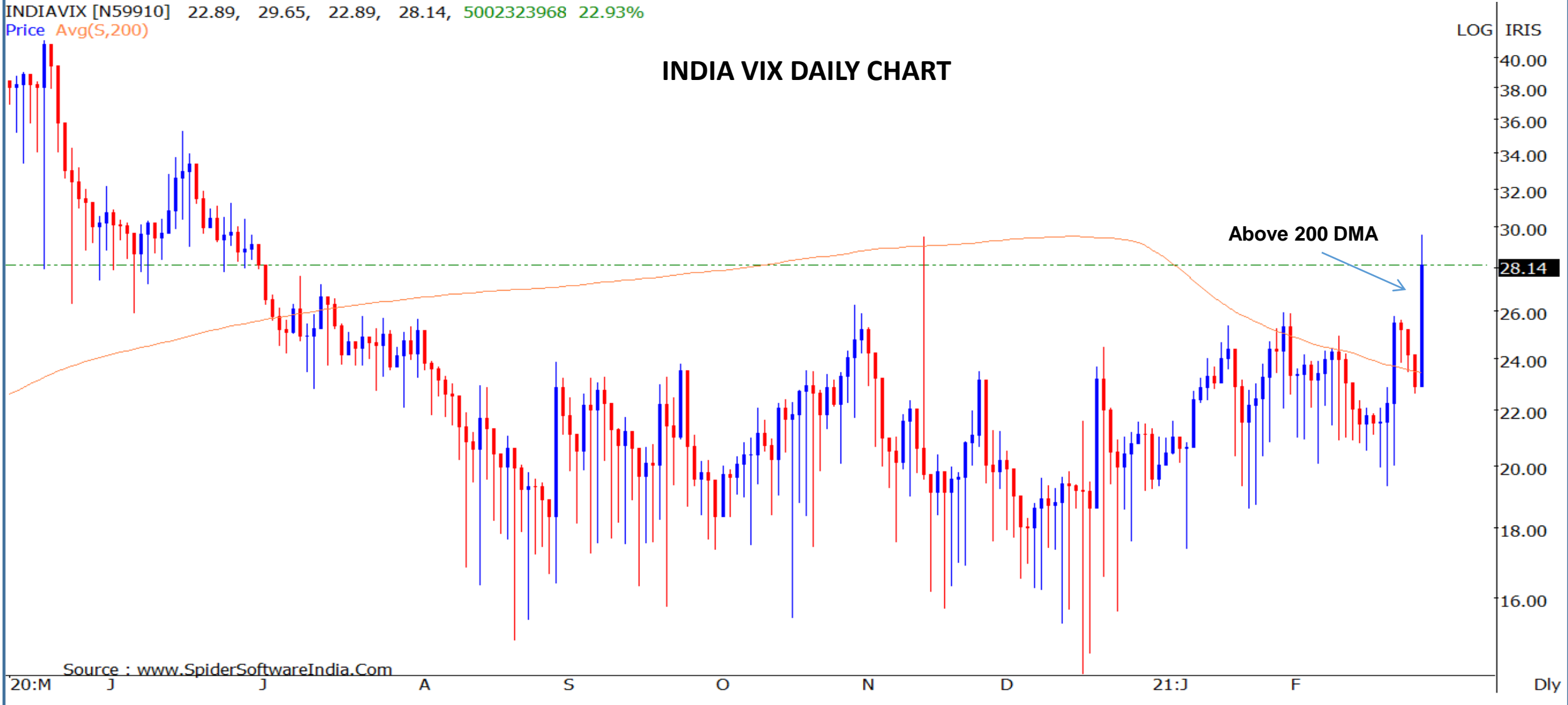


India VIX: The Fear Index is at 8 Month high Sustaining Above 200 DMA indicates Bearishness in Market to Continue



INDIAVIX [N59910] 22.89, 29.65, 22.89, 28.14, 5002323968 22.93%
Price Avg(S,200)

INDIA VIX DAILY CHART



Source : www.SpiderSoftwareIndia.Com

Technical Observations

- Nifty plunged more than 3% in the week gone by, while in for the month of February, Nifty registered the rise of 6.5%. Nifty hit an all time high at 15432 on 16th Feb and turned southward. From the recent top, Nifty has witnessed a fall of more than 6%, to close at 14529.
- PSU Bank, Metal, PSE, Energy and Commodity indices outperformed the Nifty and other sectoral indices. FMCG, IT, Pharma and Media Indices underperformed and closed in the red for the month of February 2021.
- After the recent fall from the highs, Nifty is now trading below its 5, 10 and 20 days EMA. By breaching the crucial support of 14635, Nifty has also confirmed the bearish formation of lower top and lower bottom on the daily chart.
- On 26th Feb 2021, Nifty formed bearish island reversal pattern on the daily charts. This formation usually leads to the sharp downside post breaking the low of the candle.
- Nifty is yet to break below the support of 55 days EMA, placed at 14315 odd levels. 55 DEMA acted as a bullish reversal during the correction seen before budget. There has also been the support derived from the upward sloping trend-line adjoining the major bottoms since March 2020 bottom on Nifty weekly charts. Trend-line support is currently placed at 14350 odd levels, which also coincides with the partially filled gap support placed between 14336 and 14469.
- India VIX has reached above 28, highest level for last eight months. VIX index has also started sustaining above its 200 DMA, which is bearish sign for the markets.
- RSI oscillator has given breakdown on the daily charts, while on the weekly charts it has developed big negative divergence. MACD has also given the bearish sign on daily and weekly time frames.

Technical Observations

- Despite the ongoing weakness in the benchmark indices, Midcap and Small cap indices have not turned weak on any time frame till now. However, it would be advisable to remain cautious while taking long bets on smallcap and midcap stocks, as Benchmark indices have turned weak.
- BankNifty has formed bearish head and shoulder pattern on the daily chart, which projects the downside target of 32200 in the Index, which is more than 7% down from the current levels. Therefore, we expect financial sector to remain under pressure in the coming times. However, PSU banks are expected to remain resilient as compared to private banks and NBFCs
- Nifty PSE and CPSE Indices looks the strongest on the chart and stocks from these sectors can be accumulated on dips for generating yield over medium term.
- FMCG Index has shown healthy correction in last two months and now seems to be hovering at the long term trend line support. The index is likely to see relief rally from the current levels. Many FMCG stocks turned oversold on the weekly charts and can be accumulated at current levels.
- Nifty has entered the downward trend and expected to remain under pressure in the coming weeks too. There is a short term support which is placed in the zone of 14300-14350. However below 14300, we could see, Nifty accelerating the downward momentum towards the positional support of 13600, which happens to be the intermediate bottom on weekly charts.
- Strategy for the March month should be to adopt conservative approach in long positions. We expect Markets to remain in the bearish trend. Every bounce should be utilized to lighten the long commitments and initiate fresh short positions in Nifty. Below 14300, Nifty could slide towards 13600. Resistances for the Nifty are seen at 14900 and 15180 levels.

Sectoral View: FMCG, PSU and BankNifty



NSE FMCG(CMP:32443): Approaching Strong Support

For last two months , FMCG sector has been outperforming and has witnessed a fall of almost 8% from the recent top. In the Month of December 2020, Index broke out from the crucial trend line resistance on the monthly chart

Post breakout in December Index rose initially but fell in the correction mode for next two months.

Correction has taken the Index levels very near to the previous breakout levels, which can act as a support. The level of 32000-32100 could act as bullish reversal level for the Index.

Stocks with positive bias are Colpal, Tataconsumer and Jublfood.

BSE PSU(CMP:7013): Accumulate on Dips

Index surged more than 22% in the month of Feb 2021 and outperformed the Nifty with a huge margin. Index has broke out from the long term trend line on the monthly chart.

Index has formed “Doji” candlestick pattern on the weekly chart, which indicates indecision after prolonged uptrend. On Weekly time frame Index RSI has entered the overbought zone, which indicates chances of probable profit booking.

However, looking at the primary trend, overall view remain bullish and accumulate on dips should be the ultimate view.

Stocks with Positive bias are Bhel, Coal India, NTPC, ONGC, BPCL, Nalco, SAIL, BEML, RCF and SCI.

BankNifty(CMP: 34803): Headed Down

Though Index surged more than 13% in the month gone by, close has not turned out to be convincing enough, which can give confidence to create longs. Index saw a selling from the higher levels and ended up forming bearish head and shoulder pattern on the daily chart

50 days EMA support comes in at 33340 odd levels. Previous top support for the Index is seen at 32850 odd levels. Index has breached the crucial support of 20 days EMA. Rallies should be sold in to.

Stocks with negative bias are Kotak Bank, ICICI Bank and Axisbank.

Disclaimer: Please Check with your RM/Analyst beforehand for Entry, Target and Stoploss levels in case you wish to act on any of the above recommendations.

Sectoral View: Pharma, Metal and Auto



Metal index closes at a 52-week high and is now headed towards its life highs

Auto index showing signs of weakness as price falls with a breakdown in momentum readings

NSE Pharma: Breakdown

The Pharma index has provided a trend line breakdown. The double top formation has resisted the index and started to push down the index. In addition index has formed lower top and lower bottom on daily chart. Index is trading below 21 & 50 Day EMAs. Key supports are placed at 11600 – 11450 while resistances are placed at 12350 – 12650. Stocks with negative bias are Sunpharma, Biocon, Lupin, Divis Lab and Cipla

Nifty Metal: Heading to life highs

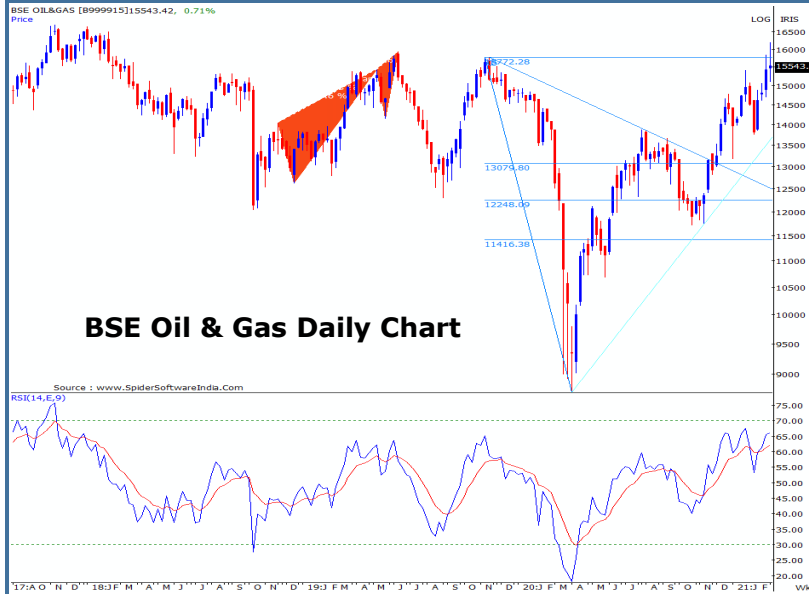
The NSE Metal index was one of the top sectoral gainers this month as it gained 24.2%. Zooming into the monthly charts, we can see that the Metal index has been continuously rising after breaking out of a downward sloping trend line that held down the highs of the last few years. With the index closing at a 52-week high and long term momentum readings like 14-month RSI still not overbought, the index could now be headed towards its life highs of 4256 in the coming months. Any short term corrections could find support around the 50 day SMA at 3402. Metal stocks looking positive for the coming months are Coal India, Hindalco, JSPL, Nalco and Tata Steel.

Nifty Auto: Could correct in short term

Auto index under performed the Nifty this month as it gained 3.64%. The index has made a shooting star like candlestick pattern on the monthly chart which indicates a possible temporary top. The weekly charts are also showing weakness with the price coming down for the last two weeks accompanied with falling momentum as evidenced by the 14-week RSI breaking its recent lows. We therefore expect Auto index to correct further in the coming month towards the recent intermediate lows of 9726. Auto stocks looking weak for coming month are Bajaj Auto, Hero Moto Corp, M&M & MRF.

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Sectoral View: Oil & Gas, IT and Realty



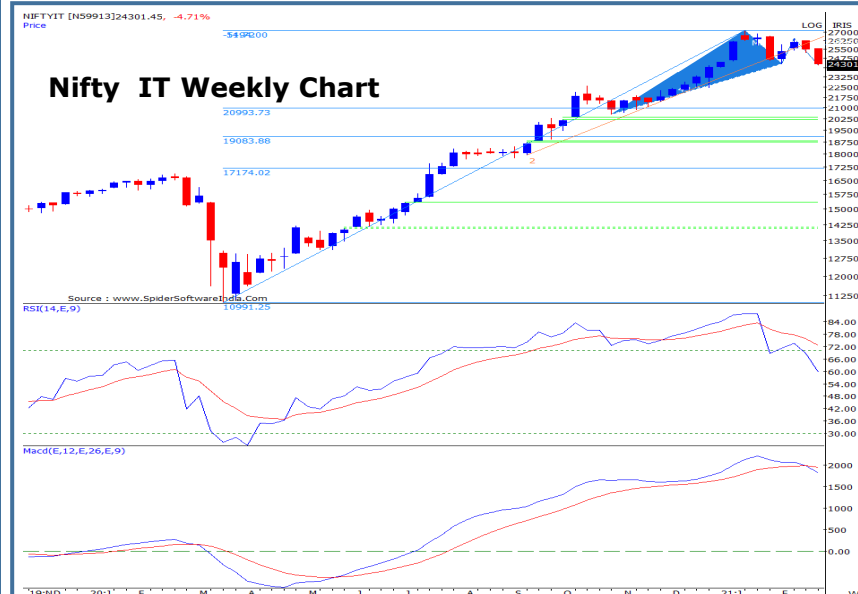
BSE Oil & GAS: Watch for 15800 level to create longs

On weekly chart Index is currently facing resistance at its earlier high level by making double top formation .

Momentum oscillators like RSI is currently entering in to over bought level. So unless Index closes above 15800 level traders should avoid creating long position in the Index.

If Index trades above 15800 level in coming sessions then traders may see upside bounce otherwise Index fall may start towards 14000 level.

Stocks with positive if Index trades above 15800 level are BPCL & Reliance.



NSE IT : Index may continue its downward journey

Index is making lower top lower bottom formation on weekly charts suggesting bearishness in the Index.

This down move in the Index may continue towards 100% extension on the previous move, which comes out at 23677 level.

Momentum oscillators like RSI and MACD is also giving bearish indication, which suggests Index may fall further.

Currently traders can create short positions by keeping stop loss at 25200 level.

Stocks with negative bias are TCS, and Infy if Index sustains below 25200 level.



NSE Realty : At monthly median

The Realty index has reached the pitchfork's median line resistance.

Index rallied continuously and no signs of weakness on monthly chart.

Index could start to retrace the last rise, further upside is likely only on move above 365. Supports are placed at 335 – 316 and resistances are placed at 365 - 380 levels.

Stocks with negative bias are DLF, PRESTIGE, GODREJPROP, OBEROIRLTY & SOBHA.

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