

# PRE-BUDGET TECHNICAL OUTLOOK

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CMP : 14372

Resistance : 14700|14980-15200

Support : 14200-13800-13100



**Trend** – The index has seen a strong rally in the month of January registering a new all time high of 14753 levels and closed at 14372. Since March 20, the index surged almost 96% in past ten months making it one of the strongest gains in recent times.

**Pattern** – Since past two consecutive weeks index continue to form “Spinning Top” candlestick pattern which signals a short term pause in the recent uptrend or traders indecision at current juncture. However index manage to hold and sustain above its ten months Up-Sloping Trendline indicating trend is still intact and any pullback (if any) should be used as a buying opportunity. Going forward Major support is at 14000-13700 levels .

**Momentum** – On the weekly and monthly chart, the RSI has entered the overbought territory which saying that the momentum is very strong as of now. Good bullish momentum build-up was seen across all the sectors

**Direction** – The index is expected to trade in positive territory until it breaks 13100 on the downside.

**Our take** – Nifty has closed at all time high indicating strong and sustained up trend across all the time frames. Though our bias still remains positive, we observed some early signs of profit booking in this overstretched rally, hence traders are advised to wait and watch for short term corrections to create fresh longs. As the Union Budget is near, we can expect good volatility into various stocks which can trigger violent moves on either sides. From current levels, the short to medium term trend still remains intact and the bulls to continue their bullish command into the markets towards 14800-15300 levels. On the downside an immediate support is placed around 14000 levels however any violation of this support zone on closing basis may cause short term correction towards 48000 levels. Major support zone is around 13700-13100 levels.

\*Charts and levels are as per the last working day of the week.

CMP : 31167

Resistance : 32300-33400-34000

Support : 30580-30000-28850



**Trend** – The index has seen strong rally in the month of January registering a new all time high of 32842 levels and closed at 31167. Since March 20, the index surged almost 104 % in past ten months making it one of the strongest gains in recent times.

**Pattern** – Since past two consecutive weeks index continue to resist around its multiple supply zone of 32600-32800 levels indicating cautious approach at current levels. Major trend still remains intact and any pullback (if any) should be used as a buying opportunity. Going forward Major support is at 30000-28900 levels .

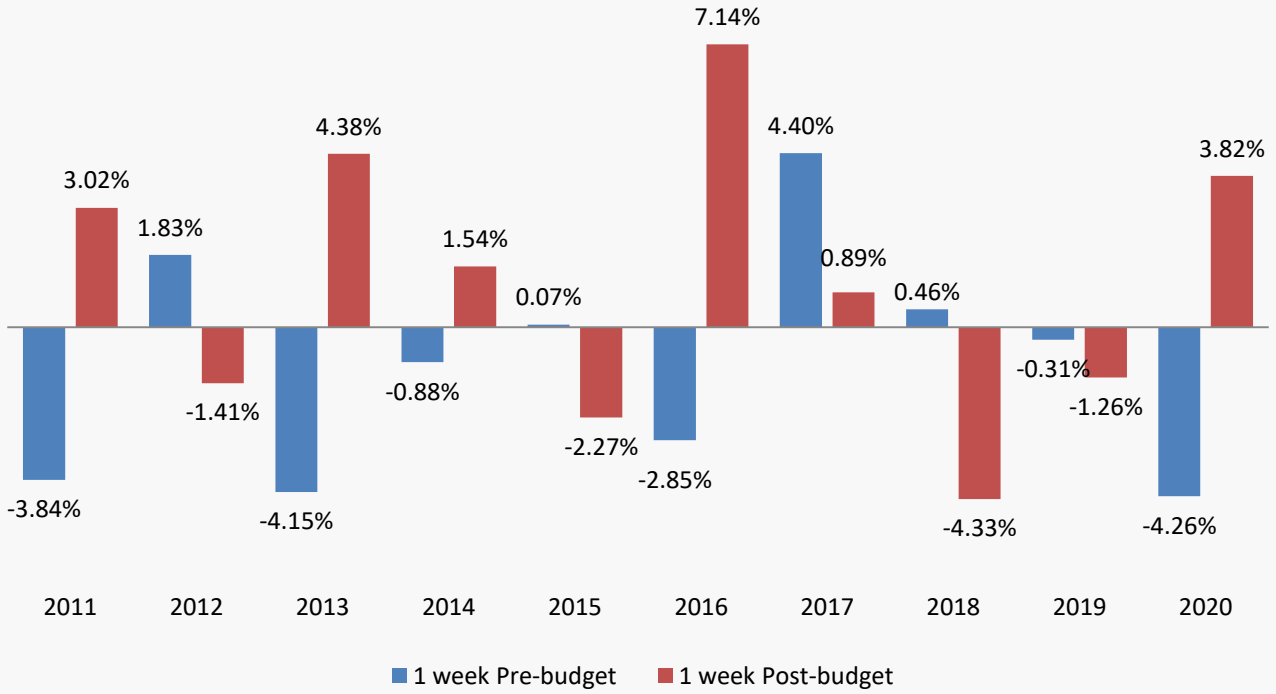
**Momentum** – On the weekly and monthly chart, the strength indicator RSI and the momentum indicator stochastic both have turned negative from overbought territory which saying that the momentum has slow down along within losing strength.

**Direction** – The index is expected to trade in positive territory until it breaks 29000 on the downside.

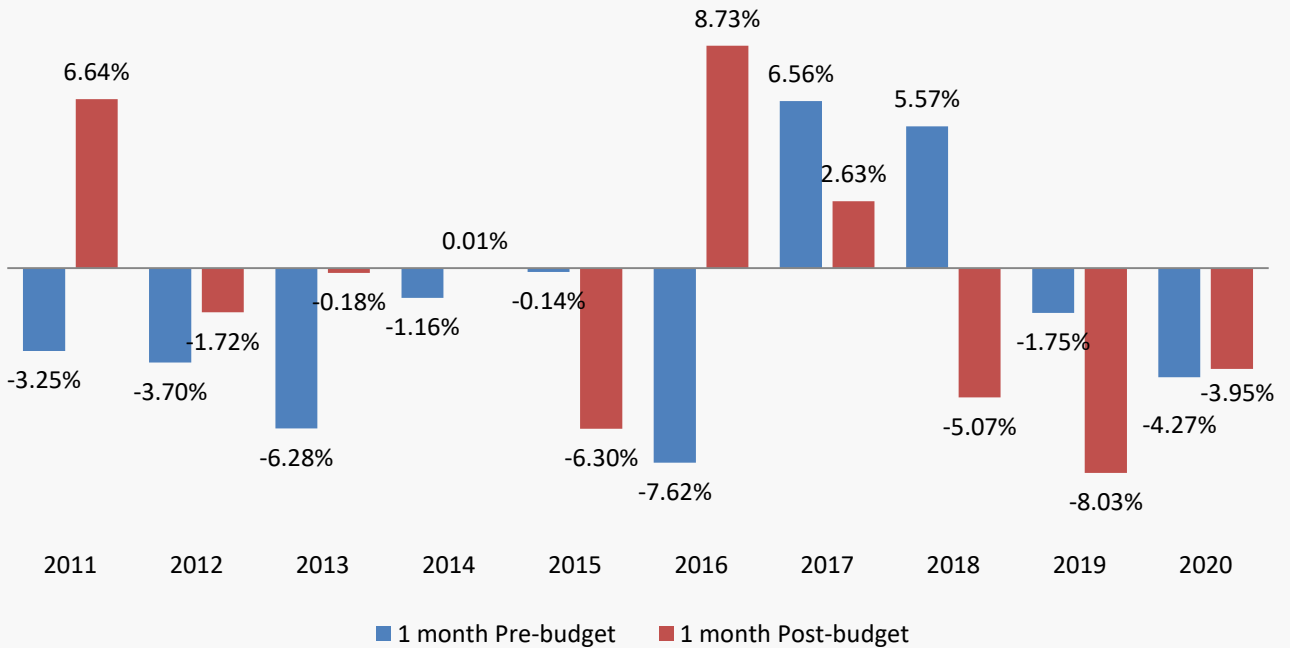
**Our take** – Bank index has closed at all time high indicating strong and sustained up trend across all the time frames. Though our bias still remains positive, we observed some early signs of profit booking in this overstretched rally, hence traders are advised to wait and watch for short term corrections to create fresh longs. As the Union Budget is near, we can expect good volatility into various stocks which can trigger violent moves on either sides. From current levels, the short to medium term trend still remains intact and the bulls to continue their bullish command into the markets towards 32800-35000 levels. On the downside an immediate support is placed around 30600 levels however any violation of this support zone on closing basis may cause short term correction towards 28900 -28000 levels

\*Charts and levels are as per the last working day of the week.

1 week pre / post returns of Nifty 50 index



1 month pre / post returns of Nifty 50 index



\*Charts and levels are as per the last working day of the week.



**Auto sector** has been one of the best performers and still continues to outperform most of the other sectors. It has recently recaptured the 2019 highs indicating strong bullish sentiment amongst the market participants. Major support for BSE AUTO index is around 20000 levels and major resistance is around 26000 levels.



**Pharma sector** has been one of the most controversial sectors. Rising healthcare needs and urgency for COVID-19 vaccine has caused prices to behave dramatically since March'20. The sector continues to make a series of higher highs and higher lows indicating sustained bullish trend. Major support for BSE HEALTHCARE index is around 20000 levels and major resistance is around 23000 levels.



**FMCG sector** has given a long term breakout and is currently trading near all-time highs. Since last 3 years, the sector has been trading near the 13000 levels and any above the same can trigger further upside into the stock. Major support for BSE FMCG index is around 12000 levels and major resistance is around 13000 levels.



**Realty sector** has been in a very long term consolidation but the recent rally seems to be one of the fast recovery since last 10-11 years. Due to the new "work from home" culture, the real estate sector has been the most hit sector. Currently 2700 to 2800 remains an important resistance to watch for. Also, any relief for the Realty sector in the upcoming Union Budget will boost some confidence with the sector,



**Capital goods sector** has doubled from the March' 2020 lows and is currently facing resistance near the 21000 levels. The resistance is very strong near the 21000 levels as it is a 3 year long resistance. Major support for BSE CAP GOODS index is around 18000 levels and major resistance is around 21000 levels.



**Power sector** has given a non-stop rally from 1700 levels indicating major shift in uptrend. Currently it is facing major resistance near the 2100 levels which has been a hurdle since last 3 years. Major support for BSE POWER index is around 2000 levels and major resistance is around 2100 levels.

**NIFTY CALENDAR SPREAD (CALL)**

The upcoming Union Budget on 1st February 2021 will be an important event which will define the future trend in the market particularly because of the disruption caused by COVID19. With market sentiment being sanguine the strategy traders could initiate is a Weekly Calendar Spread Strategy using CALL options of Nifty which involves the Selling of 14,400 Call option expiring on 28th January 2021 and simultaneously Buying 14,400 Call expiring on 4th February 2021. The objective of the strategy is to reduce the cost of the long dated Call option (4th Feb Expiry) and also take advantage of expected differences in volatility and accelerating time decay of short dated Call (28th Jan Expiry). The strategy is a play on volatility & theta wherein the price of the sold option is expected to decline by 28th January as Nifty is most likely to trade in range of 14,200 to 14,600 levels till Jan expiry, while post budget the expectation is that Nifty will trade in new territory which eventually will lead to rise in the price of the purchased option giving traders an opportunity to realize profit on upside.

On 28th Jan expiry if Nifty closes below 14,400 the sold option will expire worthless gaining Rs 100 & the next week price option will fall by approximately Rs 50 netting off with gains of Rs 50, And if Nifty stands to close above 14,400 then the losses in current week expiry will be more or less mitigated by the Long 14,400 Call option of next week. While on the expiry of 4th February if Nifty remains below 14,400, the loss to the trader will be limited to the outflow for the strategy amounting to Rs 9,975. Normally whenever there is a big important event there is a very good probability of volatility to increase just around the event which will further augment to higher price of the Long option. However as anticipated if Nifty starts its upward movement and closes above 14,533 then the Long option will start generating profits.

\*Charts and levels are as per the last working day of the week.



**NIFTY Calendar Spread (Expiry: 28th Jan & 4TH Feb 2021)**

ACTION	OPTION TYPE	STRIKE PRICE	PRICE
<b>Buy (4<sup>th</sup> February)</b>	Call	14,400	233
<b>Sell (28<sup>th</sup> January)</b>	Call	14,400	100
Break-even		14,533	
Max Risk		Rs -9,975/-	
Max Reward		Unlimited	

• **View - Neutral to Bullish** :- Expecting Nifty to trade with positive bias and likely to test higher and new trading range above 14,500 level post Budget Event, Hence we have suggested Selling one lot of ATM Call option (At the Money) (14,400 CE expiry 28th Jan 2021) & simultaneously Buying further OTM Call option (14,400 expiry 4th Feb 2021) to minimize the Net Premium outflow and increase gains with limited risk. Traders could initiate this spread strategy to make modest returns out of expected range in Nifty from 14,200 to 15,000.

• Highest Open Interest Concentration in current expiry on Put front is at 14,200 Strike followed by 14,000 Strike to the tune of 25.83 lakhs shares & 36.22 lakh shares respectively while on the Call front highest open interest concentration is seen at 14,700 strike followed by 15,000 Strike to the tune of 45lakh & 52.18lakh shares respectively, Thus indicating the range of 14,000 – 14,700 for the stock as per current data analysis.

**\*Kindly enter & exit all the legs in strategy together and square-off the strategy before session closes.**

Strategy Payoff of Short 14,400 strike Call on 28th Jan Expiry

Nifty Close	13,900	14,000	14,100	14,200	14,300	14,400	14,500	14,600	14,700	14,800	14,900
Profit/Loss (Rs)	7,500	7,500	7,500	7,500	7,500	7,500	0	-7,500	-15,000	-22,500	-30,000

Strategy Payoff of Long 14,400 strike Call on 4th Feb Expiry

Nifty Close	14,200	14,300	14,400	14,500	14,600	14,700	14,800	14,900	15,000	15,100	15,200
Profit/Loss(Rs)	-17,475	-17,475	-17,475	-9,975	-2,475	5,025	12,525	20,025	27,525	35,035	42,525

Note : Kindly consider the above individual evaluation(Payoff) together to get the net off effect till 28TH January 2021(Expiry day), Post 28TH Jan Only the 2nd table(Long 14,400 Call) will have the individual effect and validation till 4th Feb 2021(Weekly Expiry).

\*Charts and levels are as per the last working day of the week.

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