

29th January 2021

## Traders lightened their positions ahead of Mega Event - Union Budget 2021

- ✓ Market started the new calendar year 2021 on a bullish note. Nifty sustained above 14000 mark from initial sessions of January series and continued its bullish momentum towards 14750 levels. Sensex also touched new milestone of 50000 mark in January. However, the rally of first three weeks got engulfed with sharp sell-off in last five sessions. Nifty fell by more than 1000 points from its all-time high of 14753 and concluded the January series a tad above 13800 levels, which loss of 1.17 on expiry-to-expiry basis. January series started with long positions in the system and Bulls kept on adding fresh longs in first fortnight of the series. However, most of these longs are out of system as open interest of Nifty has decreased by 19.76% on month-on-month basis. Rollover in Nifty stood at 77.28%, which is in line with its quarterly average of 77.36%. Market breadth has also turned in favour of declining counter and structure of many large-caps got dampened in recent fall. Due to sharp sell-off in last few sessions, more than 40% of the NSE 500 stocks fell below their respective 50 Days Exponential Moving Average (DEMA) while 15% of the NSE 500 stocks moved below 200 DEMA. On sectoral indices front, Auto, IT and Infra sector witnessed buying interest in January. While Pvt Banking, Financial Services, Pharma, Metal indices were major underperformers.
- ✓ India VIX moved up by 15.12% from 21.10 to 24.29 levels. Surge in volatility due to selling pressure and ahead of the Budget 2021, could keep volatile swing with limited upside in the market. FIIs exited some of their long positions in index futures in January series and as a result, their 'Long Short Ratio' has come down from 75.64% to 61.87% on series-on-series basis.
- ✓ On option front, Maximum Put OI is at 14000 followed by 13000 strike while maximum Call OI is at 14500 followed by 15000 strike. Option data suggests a wider trading range in between 13500 to 14500 zones ahead of Budget event. At current juncture, bulls are losing their grip and market slipped into a corrective phase. Currently, Nifty is light on positions and further build-up in coming days will decide directional move for market. The undertone of the market has turned bearish for short-term and traders are advised to use caution ahead of the Budget 2021 event and stay light on positions. As far as levels are concern, support for Nifty is placed at 13500 and below that 13200 levels. On the flipside, resistance can be seen at 14500 then 14700 zones.
- ✓ The Bank Nifty relatively underperformed the benchmark indices as it fell by around 3% in January series. The banking index crossed its previous swing high and made a new all-time high of 32842 levels; but follow-up buying was missing and index nosedived by more than 2500 points in last five trading sessions. We witnessed good amount of short build-up in recent sell-off and most of these positions got rolled to February series as open interest has increased by 21.82% on M-o-M basis. However, rollover in BankNifty stood at 74.55%, which is lower than its quarterly average of 77.02%. At current juncture, some shorts are there in the system and traders should remain cautious in market. Going forward, crucial support for banking index is placed at 29000 and 27700 zone. On the flipside, immediate resistance can be seen around 31600 and then 32800 zone.
- ✓ Since most of the stocks from derivatives space ended in negative territory in January, very few stocks witnessed noticeable long build-up. Some stocks which had long rollovers are Havells, Bajaj Auto, IDFC First Bank, MRF, Apollo Tyre, PVR, Cummins, TVS Motors, etc. While stocks like Bandhan Bank, Biocon, Coforge, ICICIGI, RBL Bank, Motherson Sumi, Divis Lab, Godrej Prop, NTPC, etc had short rollover.

*Note : This note is just an interpretation of derivatives data and not a trading advise.*

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