



Technical View: Nifty forms a small bull candle; book profits at higher levels

The index which opened at 11,069.35 slipped marginally to hit its intraday low of 11,046.15. Bulls took charge and pushed the index to record highs of 11,110.10 before closing the day 2.3 points up at 11,086.

The momentum remains fairly strong on D-Street as bulls managed to pull the index to record highs after slipping in red in morning session on Wednesday. The index rose to a fresh record high of 11,110.10 and made a small bull candle on daily charts.

The index ended slightly in green which was a fresh closing high for the index, supported by gains in PSU and IT stocks in particular.

The momentum remains fairly strong and short-term traders could look at booking partial profit at higher levels. The next crucial target for the index stands at 11,150-11,200 while a stop loss should be maintained 10,975 for all long positions.

The index which opened at 11,069.35 slipped marginally to hit its intraday low of 11,046.15. Bulls took charge and pushed the index to record highs of 11,110.10 before closing the day 2.3 points up at 11,086.

“It was a day of consolidation on the bourses as Nifty50 registered a small bullish candle after moving in a narrow range of around 60 points. This kind of price action is quite common after bigger moves, especially the ones which are registered in last 5 trading sessions and can also be hinting towards a pause or correction in next couple of trading sessions,” Mazhar Mohammad, Chief Strategist – Technical Research & Trading Advisory, Chartviewindia.in told Moneycontrol.

“Technically speaking, more weakness in the indices shall emerge on a close below 10975 levels as a breach of which shall drag it down initially towards 10,820 levels. Hence, short-term traders are advised to book profits and remain neutral for time being,” he said.

Mohammad further added that expiry and budget-related factors may drive the markets in next couple of trading sessions. For any reason, if the market gets past 11,110 then logical targets to be expected is close to 11,500 levels.

India VIX moved up by 11.15 percent at 18.04. On the options front, maximum Put open interest was seen at 10500 followed by 10700 and 10600 strikes while maximum Call OI is shifted to 11,200 and 11,100 strikes.

Fresh Put writing was seen at 11100, 11050 and 11000 strikes which are shifting its support to higher levels whereas Call writing is seen at 11150, 11100 and 11300.

“Option band signifies a trading band between 11000 to 11250 zones. The Nifty50 formed a small-bodied candle on the daily scale. It managed to hold 11050 zones during the sessions and supports are gradually shifting higher from last four weeks,” Chandan Taparia, Derivatives, and Technical Analyst at Motilal Oswal Securities told Moneycontrol.

Taparia further added that the index has to hold above 11050 zones to extend its move towards 11150-11200 zones while on the downside major support exists at psychological 11000 zones.

The index is up by nearly 6 percent in January series and trading higher to its volume weighted average which indicates that overall longs are holding the grip on the market. The index continued its trend of forming higher highs and higher lows.

“The Nifty has moved up sharply in January and breached 11000. This is backed by strong earnings especially in IT and Banking stocks. Going ahead Nifty will see some correction post budget and markets to remain sideways in Feb and March,” Pankaj Karde of Systematix shares told Moneycontrol.

“My belief is that Nifty can hit 11150 and then a correction up to 10800 is possible. Broader outlook is positive, but the immediate upside is limited. Midcaps have underperformed and they will continue for some more time,” he said.