Equity Report – Nifty Future

Equity Research Desk **06 Jan. 17**

Script – Nifty Future **Recommendation – Buy**

Sentiment	
Entry Above	*8300*
Stop loss	*7900*
Target	*8700+*
Add on	*Add more Lot around 8100*

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Overview

Indian equity markets showed a volte-face on the last day of the week as what started on a cheerful note ended as a dismal show. The optimism in local markets petered out completely by the end of trade and the indices even drifted in to the negative territory, despite getting off to a gap-up opening.

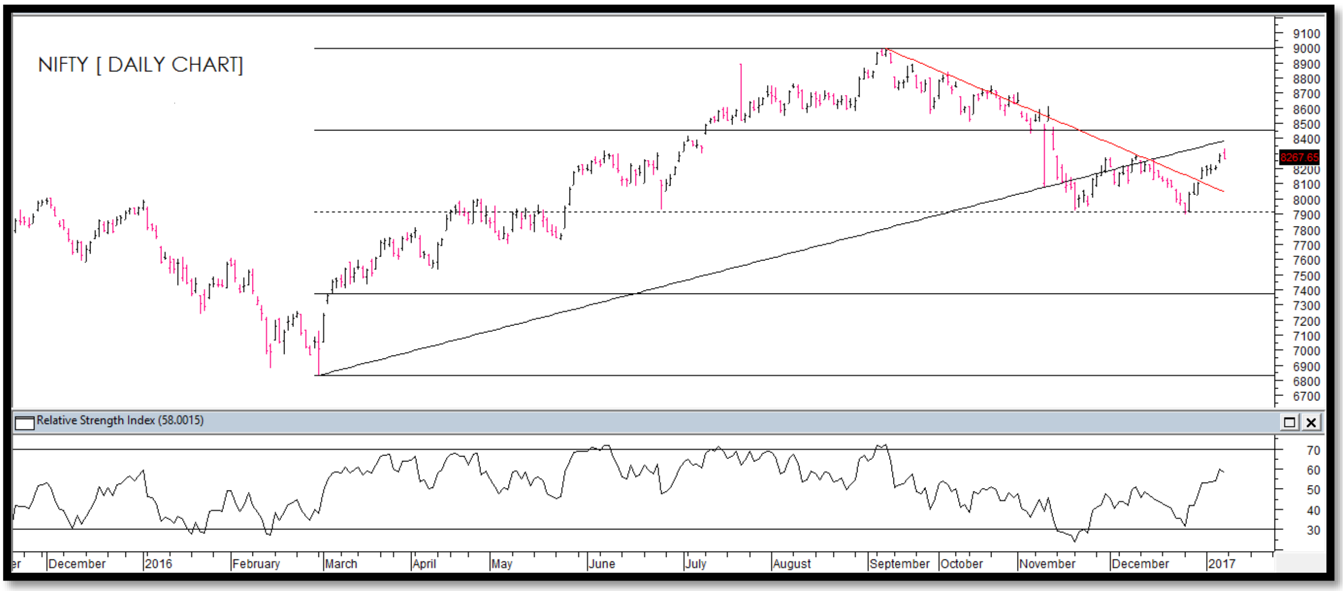
Sentiments got a hit after President Pranab Mukherjee issued a note of caution that the Narendra Modi government's demonetization decision could likely lead to a temporary slowdown in the economy and hurt the poor. The President called for policymaking that would reduce the suffering of the poor, and seemed to question the focus shift in the government's poverty alleviation programmes and policies from an entitlement-based approach to an entrepreneurial one. Furthermore, a private report highlighted that India's GDP is likely to have grown at a much slower-than-expected pace of 5 percent in the October-December period and may see a 6 percent growth in the following quarter due to a slowdown in manufacturing and services sectors post demonetization.

Besides, sharp selling in IT counter also weighed on investor sentiments. Technology stocks came under pressure on reports that two US Congressmen have reintroduced a bill to curb the use of H-1B visas, on which the Indian IT sector is particularly dependent. The new bill would require workers on the H-1B visa pay a minimum of $100,000, up from $60,000 currently. However, losses remained capped in local markets with the report of Financial Stability and Development Council (FSDC), headed by Finance Minister Arun Jaitley indicated that India appears to be much better placed with improved macro-economic fundamentals, as measures to eliminate shadow economy and tax evasion are expected to have positive impact on GDP. India expects to grow at around 7 percent in the first half of the next financial year.

Market participants got some relief with the report that Reserve Bank of India (RBI) replaced as much as 44% of the currency extinguished by demonetisation with new notes by December 30, 2016. The report also expresses hopes that India's currency supply is likely to return to near normal by February end and growth, which has been hit by the withdrawal of Rs.500 and Rs.1,000 notes, is likely to bounce back faster than earlier expected.

Back home, the benchmark got off to a positive start in the early trade as investors were largely influenced by the supportive leads from Asian markets. The indices soon gathered momentum and touched intraday highs in early hours but the optimism fizzled out sooner and the indices see-sawed around the neutral line throughout the morning session. But fresh bouts of selling pressure surfaced after weak European opening post, which the indices found it hard to claw back into the green terrain and eventually settled in the negative zone.

Technical View on Nifty



Nifty prices have elevated after three consecutive range bound session and gained more than 1% on Thursday. We have seen mind-blowing rally in nifty from 6833—8994 and now it took 50% retracement from top of 8994.

As we all know that we have seen long consolidation phase in nifty recently it made low 7896 but unable to sustain at lower level and bounced back sharply.

Now what to expect???

Nifty formed double bottom pattern in daily chart having breakout point at 8300. Three consecutive close + weekly close above 8300 will see sharp upside rally in nifty till 8600---8700 and then to 8850+ mark in day to come, else it could test its support level of 7900.

On Daily chart nifty is trading above 21 and 55 days exponential moving average which is at 8251 and 8161 while RSI and MACD too showing positive divergence which indicates that upper side seems certain in nifty. Traders don't go for aggressive or positional selling at all because trend looks positive and we expect rally to remain continue till 8850+ mark in coming weeks. For positional trade stop loss seeing at 7900 it will get positional week below 7900 which in unlikely to breach in near terms.

***Recommendation** – Buy Nifty Future only above 8300 (On closing basis) and add more lot in panic around 8100 for the initial upside target of 8600---8700 and then to 8850 with stop loss below 7900 on closing basis.*

Nimble traders can buy Nifty one lot or in multiples above 8300 (On closing basis) and add more lot in every dip of 100 points and sell on every rise of 100 points as a jobbing strategy with stop loss below 7900.

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