Index Outlook

Nifty hovers over a key support

Both the Nifty and the Sensex have begun to decline; investors should tread with caution

YOGANAND D

The bellwether indices, the Sensex and the Nifty, were choppy in the initial part of the week, but subsequently slumped on the back of selling interest and profit-taking as the Reserve Bank of India kept the key interest rates unchanged and lowered its GDP growth forecast to 5 per cent. Stocks in rate-sensitive sectors such as banks and housing finance saw strong declines in the latter part of the week. The RBI also raised its inflation forecast. In the coming week, the movements of rupee and crude oil price need to be watched.

On the global front, the Dow Jones and S&P 500 erased losses for the week and surged strongly on Friday, on blockbuster jobs data. The US-China trade talks need to be monitored closely as 2019 draws to a close.

Scan & Share

Nifty 50 (11,921.5)

After a positive start in the past week, the Nifty began to head southwards, witnessing selling pressure at higher levels and profit-booking. Testing the key resistance in the band between 12,000 and 12,100, the index retreated and slumped 134 points or 1.1 per cent last week. It closed below the 21-day moving average on Friday, showing signs of weakness. Moreover, the daily moving average convergence and relative strength indices (RSI) have been displaying negative divergence, which signals a possible trend-reversal.

The daily RSI features in the neutral region and the weekly RSI is on the brink of entering the neutral region from the bullish zone. Also, the daily price rate of change indicator is on the verge of entering the negative terrain — such an entry will imply selling interest. With the current weakness in the index, it can test an immediate support at 11,800 in the near term. An emphatic tumble below this level will confirm the trend-reversal and pull the index down to 11,700.

A further decline under 11,700 will further weaken the short-term uptrend that has been in place since early October. Subsequent supports are at 11,550 and 11,440 levels.

A strong fall below the trend-deciding level of 11,500 is needed to mar the uptrend and drag the index lower. The next key levels are at 11,350 and 11,200 levels.

On the other hand, an upward reversal from the immediate support level of 11,800 can keep the index range-bound between 11,800 and 12,100 for a while. A decisive rally above 12,100 can push the index northwards to 12,200 which could be the upside limit.

For resumption of the uptrend, the index needs to break above 12,200 decisively and that can pave the way for an up-move to 12,400 and 12,500 in the short-to-medium term.

Medium-term trend: The significant medium-term resistance in the 12,000-12,100 zone had capped the rally in the index last week. However, the medium term uptrend that has been in place from the September low of 10,670 continues to be intact. A fall below 11,500 will start threatening the uptrend and drag the index lower. In that case, it can decline to test the key trend-deciding level at 11,200.

The next vital supports are placed at 11,000, 10,800 and 10,700 levels. We reiterate that investors with a medium-term perspective can remain invested with a stop-loss at 11,200 and consider taking partial profits at this juncture as the index retreats from 12,100 levels. A strong break above 12,100 can push the index northwards to 12,300 and 12,500 over the medium term.

Market report: Week-ended December 6, 2019

The Nifty 500 tumbled almost 1.5% due to broad based selling	SENSEX	NIFTY 50	NIFTY 500
	40,445 (-0.85%)	11,921 (-1.12%)	9,669 (-1.47%)
The FTSE 100 underperformed global peers amid volatility	DOW	FTSE	NIKKEI
	28,015 (-0.13%)	7,239 (-1.45%)	23,354 (-0.26%)

Sensex (40,445.1)

The Sensex fell 348 points, or 0.85 per cent, last week on the back of selling interest. Any further decline can test the immediate support at 40,000 in the coming week. Both the daily RSI and the moving average convergence indicator are displaying negative divergence, which implies a trend-reversal. However, a decisive fall below the vital base level of 40,000 is required to confirm the trend-reversal and drag the index lower to 39,500 levels, with a minor pause at around 39,750 levels. The key support thereafter is at 39,000.

The medium-term uptrend that has been in place since late September will be under threat only if the index falls below the key support level of 38,500. Continuation of the down-move can drag the index lower to the subsequent support levels of 38,000 and 37,500 over the medium term. Conversely if the index rebounds from 40,000 it can remain sideways in the range between 40,000 and 41,000 for a while.

A strong break above 41,000 can underpin the uptrend and take the index higher to 41,500 and then to 41,700 levels over the medium term.

Nifty Bank (31,341.5)

After testing the significant resistance at 32,000, the Nifty Bank started to decline in the latter part of the week. It slumped 604 points, or 1.9 per cent, in the previous week. This fall has breached the immediate support at 31,500 which had provided base during the mid-week. The index can extend the down-move in the near term and test the next support at 31,000.

The daily price rate of change indicator displays a prolonged negative divergence, implying trend-reversal. The daily RSI has entered the neutral region and the weekly RSI is likely to enter this region from the bullish zone.

A further plunge below 31,000 can pull the index down to 30,500 and then to 30,000 over the short term. We restate that only a strong decline below the key base level of 30,000 will start threatening the short-term uptrend. Subsequent key supports are pegged at 29,500 and 29,000 levels. Traders with a short-tem perspective can initiate fresh short positions if the index fails to move beyond 31,500 with a fixed stop-loss.

On the upside, the key resistances at 31,500 and 31,700 need to be surpassed, so that the index can retest a crucial barrier at 32,000 in the short term. A clear breakthrough of this barrier will take the index northwards to 32,500 and then to 33,000 over the short-t- medium term.

Global cues

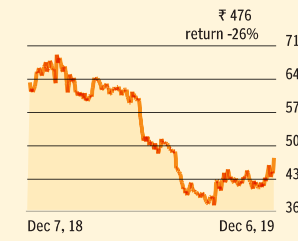
Last week, the Dow Jones Industrial Average was once again choppy — after declining initially, it bounced back strongly to end the week almost flat. It has fallen marginally by 34 points, or 0.15 per cent, to 28,015.

It can continue to trade sideways if it fails to move beyond 28,100 levels. The index can be range-bound between 27,500 and 28,100. The immediate support is at 27,750. A strong break above 28,100 can take the index northwards to 28,250 and 28,500 levels in the short term.

What to watch

- Rupee movement
- Crude oil price
- US-China trade talks
- Fed meeting

Chart Focus



Eris Lifesciences (476.9): Buy

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Investors with a medium-term perspective can buy the stock of Eris Lifesciences at current levels. On Friday, the stock jumped 7.8 per cent, accompanied by good volume, breaking above a key resistance as well as the horizontal line of ascending triangle pattern. Generally, the ascending triangle pattern in an uptrend is a continuation pattern. But when the ascending triangle pattern forms at the end of a downtrend, it is a reversal pattern. In this case, the ascending triangle pattern had been in formation since early September.

The top horizontal line at ₹450 had capped the upside until last week. The recent break above the key level of ₹450 confirms the pattern. Following an intermediate-term downtrend, the stock recorded a 52-week low at ₹357 in late August and began to trend upwards. Since then, the stock has been in a medium-term uptrend. In late November, it breached its 21- and 50-day moving averages and continued to trend upwards. The daily relative strength index (RSI) has entered the bullish zone from the neutral region, and the weekly RSI features in the neutral region. Further, the daily as well as the weekly price rate of change indicators are hovering in the positive terrain, implying buying interest.

The recent pattern break-out has strengthened the medium-term uptrend, and the stock has the potential to trend upwards in the ensuing weeks.

With a minor pause at ₹520, it can reach the price target of ₹550 in the medium term. Traders can buy with a stop-loss at ₹442.

Go Figure

This CEO of a global commodities trading company recently hinted that he might step down sooner than expected, even as the company continues to be the subject of multiple legal investigations. Name the personality.

Send your response to blgofigure@gmail.com. One correct response received before Wednesday wins ₹2,000. The winner's name will be published next week.

Last week's question: This scion of a multi-industry business dynasty is proposing to buy one of his country's famous media companies.

Last week's answer: John Elkann, Chairman, Fiat Chrysler Automobiles, and scion of Italy's Agnelli family

Winner: Shyam NA

Your Stock Portfolio

Bank of India in a sideways movement

Could continue to remain range-bound between ₹60 and ₹75 in the short to medium term

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Here are the answers to readers' queries on the performance of their stock holdings.

Please throw some light on Bank of India. For a long time, it has been hovering between ₹60 and ₹70. Is it a good time to buy this stock?

Pradeep Kumar

Bank of India (₹68.3): The stock of Bank of India is in a downtrend across all-time frames — long, medium and short term.

After registering a 52-week low at ₹57 in early October, it started to move sideways in a wide range between ₹60 and ₹75. Recently, the stock had encountered a key long-term resistance at around ₹75 and began to decline.

On Friday, it tumbled 4.4 per cent, breaching its 21-day moving average. With this fall, the short-term trend has turned bearish for the stock. The daily relative strength index (RSI) is on the brink of entering the bearish zone from the neutral region, and the weekly RSI features in the neutral region.

Besides, the daily as well as the weekly price rate of change indicators are featuring in the negative territory, implying selling interest. The stock can continue to remain range-bound between ₹60 and ₹75 in the short- to-medium term.

ISTOCK.COM/SJPAILKAR

A fall below the immediate support level of ₹65 can pull the stock down to the lower boundary at ₹60. An emphatic fall below this level can drag the stock lower to ₹55 and then to ₹50 in the medium term. On the other hand, a strong rally above the upper boundary of ₹75 can pave way for an up-move to ₹85 and then to ₹90.

A strong break above ₹90 can accelerate the stock higher to ₹100 or ₹105 levels in the long term. You can avoid taking fresh positions as long as the stock is range-bound between ₹60 and ₹75.

Probably, you can consider buying above ₹75 with a long-term stop-loss at ₹65.

I hold shares of NBCC. I want to exit at an opportune moment by minimising the loss to the extent possible.

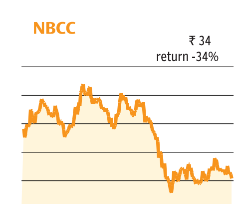
S Natarajan

NBCC India (₹34.3): Since marking a 52-week low at ₹28.5 in late August, the stock has been in a sideways consolidation phase in a broad range between ₹30 and ₹40. On Friday, it tumbled 4 per cent with good volume. As the short-term outlook is bearish, you can consider exiting in rally. The stock has the potential to trend downwards and test the key support at ₹30.

A further decline below ₹30 can drag the stock to ₹26 and then to ₹22 in the medium term.

The key resistances above ₹40 are at ₹45 and ₹50.

Send your queries to techtrail@thehindu.co.in



Quickly

- Short-term trend is down
- Key support at ₹30
- Key resistance at ₹40

Global View

Stocks rally, dollar gains on robust US jobs data

The dollar rose and global equity markets jumped on Friday after data showed US job growth increased by the most in 10 months in November, putting to rest recession fears and briefly taking the spotlight off contentious US-China trade talks.

US Treasury yields rose, while gold slipped more than 1 per cent, reflecting a rebound in investor appetite for risk as US unemployment dipped to 3.5 per cent, the lowest in nearly half a century.

Stocks on Wall Street neared record highs, with the benchmark S&P 500 closing within 0.24 per cent of its peak set nine days ago.

MSCI's All-Country World Index, a global benchmark, closed less than 3 points shy of its all-time high of 550.63.

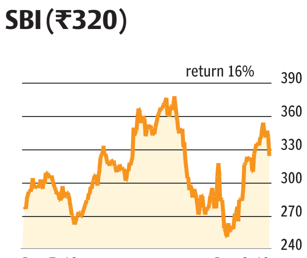
The stronger-than-expected US Labor Department data showed steady wage gains remained near their strongest in a decade, suggesting consumers will continue to drive the longest economic expansion in US history, now in its 11th year.

The improving data would appear to validate the US Federal Reserve's decision in October to signal, after three interest rate cuts this year, that no more are needed for now.

"This certainly contributes to the idea that the US economy is doing better than most folks would give it credit for," said Michael Arone, Chief Investment Strategist at State Street Global Advisors in Boston. "This was a very solid report, and should put those fears of recession firmly in the rear view." REUTERS

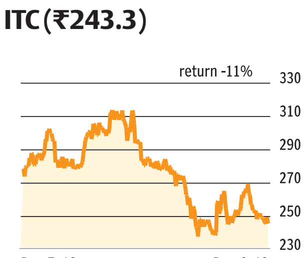
Bellwethers

SBI (₹320)



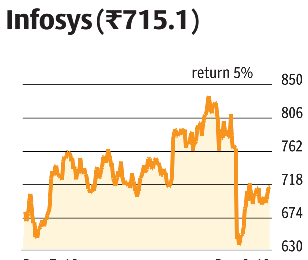
The resistance band between ₹347 and ₹351 in the weekly chart proved strong for the stock of SBI, making it witness selling pressure last week. It breached an important support at ₹335, and the outlook has become weak. The daily relative strength index has dipped below the midpoint level of 50 and the moving average convergence divergence indicator has entered negative region, both corroborating the weakness. However, ₹320 is a good support and there are chances for the stock to consolidate between ₹320 and ₹340. But if the stock continues to face selling pressure and breaks below ₹320, it has a minor support at ₹315. Hence, the price range between ₹315 and ₹320 will act as a support band. Below those levels, it has a solid support at ₹298. This level coincides with the 50-day moving average and 50 per cent Fibonacci retracement level of the previous uptrend. Alternatively, if the stock takes support at the current levels and appreciates, it will face a hurdle at ₹335, beyond which the stock has a resistance band between ₹347 and ₹351.

ITC (₹243.3)



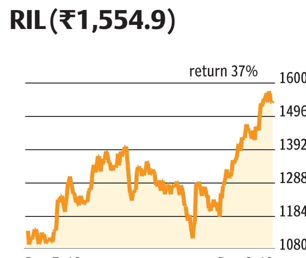
After inching below a support at ₹245, the stock of ITC bounced from ₹242. But it was unable to build a rally, and the price action suggests a bearish bias. However, the stock managed to hold on to the support at ₹242. On the upside, ₹250 is a key resistance, and for the stock to chart a sustainable rally, it must break out of ₹250. Thus, the price levels of ₹242 and ₹250 hold the key for the next leg of the trend. As we can notice, there are certain hints that indicate a bearish bias. The 21-day moving average has crossed below the 50-day moving average, the daily relative strength index remains below the midpoint level of 50 and the moving convergence divergence indicator is in the negative territory. But fresh short positions are advised only if the stock slips above ₹242. In such a scenario, the stock can fall to ₹234 — its 52-week low. Below that, the stock could attract more bears, dragging the price to ₹223 over the medium term. On the other hand, if the stock rises from the current level, it will face resistance at ₹250 and ₹258.

Infosys (₹715.1)



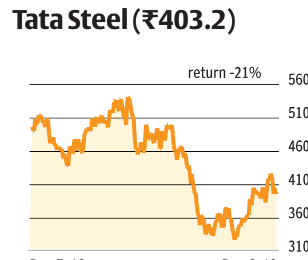
Though the stock of Infosys closed the week on a positive note, it continues to oscillate within the range between ₹690 and ₹725. The consolidation phase has been in place since the beginning of November. But there are certain factors that indicate creation of positive momentum in the stock. The daily relative strength index is showing an uptick and has crossed above the midpoint level of 50. Also, the moving average convergence divergence indicator is recovering and has already entered the positive territory. But unless the stock breaks out of the upper limit of the range, ie, ₹725, where the 50-day moving average lies, the bullish trend cannot be confirmed. If the stock breaks out of that level, it can advance to the resistance at ₹760. This is a critical level as the 61.8 per cent Fibonacci retracement of the previous bear trend coincides with it. Any further appreciation will take the stock price to ₹800. Alternatively, if the stock breaks below the lower limit of the range, it could slump to ₹665, below which the support is at ₹620.

RIL (₹1,554.9)



The stock of Reliance Industries opened the week on a positive note and registered a fresh lifetime high of ₹1,614.45. But the price reversed immediately and the stock started to moderate. It took support at ₹1,534 levels last week before closing at ₹1,554.9. Thus, ₹1,534 is acting as a good base, and until the stock trades above it, the bullish bias will remain. However, the upward momentum appears to be losing steam as one can observe a few indications of weakness. This might also result in a prolonged period of consolidation as the stock might be caught between the bulls and the bears. The daily relative strength index is showing a bearish divergence, an indication of a trend-reversal. The moving average convergence divergence indicator has slipped into the negative territory. On the back of these, if the stock breaks below the support at ₹1,534, it will most likely decline to ₹1,500. Below that, the medium-term trend of the stock could turn negative. However, if the stock rebounds, it can be expected to retest its lifetime high. Beyond that level, ₹1,665 can act as a resistance.

Tata Steel (₹403.2)



The stock of Tata Steel could not continue its rally after the breakout and weakened during the past week. It has closed below the 21-day moving average, a bearish indication. But the stock has a support band between ₹395 and ₹400 that can effectively limit the decline. The 38.2 per cent Fibonacci retracement level of the previous trend coincides with ₹395, making the support more significant. The daily relative strength index is exhibiting a bearish divergence and the moving average convergence divergence indicator has slipped into the negative territory, indicating that the stock is facing a downward pressure, and so if it breaks below the support band, it will decline to ₹380. This level coincides with the 50-day moving average and the 50 per cent Fibonacci retracement level. Hence, it can act as a strong support, below which the support is at ₹360. On the other hand, if the stock regains bullish momentum and advances, ₹415 will be a resistance. Beyond that level, the recent high at ₹434 might cap the gain.

AKHIL NALLAMUTHU

Snapshot

1. Bearish bias in SBI
2. ITC tests a key support
3. Infosys consolidates with a positive bias
4. RIL might move into sideways trend
5. Tata Steel faces downward pressure