

Equity & Currency Strategy

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INDEX
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Nifty View

We believe 4 month phase of absurd volatility could be finally coming to an end as Nifty 50 index (Nifty) has managed to close above 10,580 for 8 consecutive weeks. The larger setup for Nifty suggest that we are about to come out from triangle consolidation and this move should end at least towards 11,500 in the near term.

Such triangle consolidation is an outcome of shift of fund flows from broader index like Nifty 500 towards Nifty 50. This could be reason why we have seen drastic under performance from Nifty midcap and small index. Despite continuous selling from foreign investors, we have seen Nifty 50 holding up higher levels as more funds gets accumulated in mega-cap Nifty 50 stocks which are yet to see major rally.

Nifty 50 Index



The trading range of 9,950-10,580 (i.e. of 630 points) in Nifty denoted under the dotted line signifies area where maximum bearish positions were built into. These positions will be forced to close above 10,830 providing target of $10,830 + 630 = 11,460$. The BSE Finance index has seen formation of symmetrical triangle with trading range of 13%. Most of time symmetrical triangle are bullish unless they appear after extended bear market.

Sector Trend

Nifty Energy	Upside minimum 11%
BSE Finance	Upside minimum 14%
Nifty Commodities	Upside 8%*
Nifty MNC	Upside 9%

*Commodities generally rally with weak dollar

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BSE Finance index



Nifty 50- Nifty 500 spread Index



Currency Trend

EURINR seen base buildup at 78.80	Expected target 81.5
GBPINR seen base buildup at 89-89.5	Expected target 93
JPYINR potential around 61.7-62	Expected target 58.5
USDINR seen toppish around 68-68.3	Expected target 66.70

Dollar Index



In the last two months, the Dollar index has been showing signs of topping out and weakness in dollar against GBP and EUR is expected to stimulate demand for commodities. In the past four months, rise in dollar has contributed to major selling in commodities related stocks which should now see a strong rally.

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