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## Technical Insights

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## Bulls in fast lane! Nifty to hit 13k

As we bid adieu to an eventful & volatile 2018, a look back at Nifty's journey tells us that index has managed to survive by the skin of its teeth.

However, a pause in 2018 does not undermine the fact that India is still in a larger bull market. The year 2019 promises to be an exciting time with both the key indices (i.e. Nifty & BankNifty) trading above their primary trend. Going ahead, weakness in developed equity markets could have a repercussion on Indian indices to an extent but we expect India to relatively outperform and stand out among the emerging markets basket.

Famous adage of Murphy's law which states that "Anything that can go wrong will go wrong", seemed true in the context of Indian equity markets in 2018. However, in last quarter of 2018, key indices showed signs of respite. In 2019, we expect Nifty to regain its lost impetus with BankNifty likely to lead from front, followed by strength in consumer's space & a comeback of Midcaps.

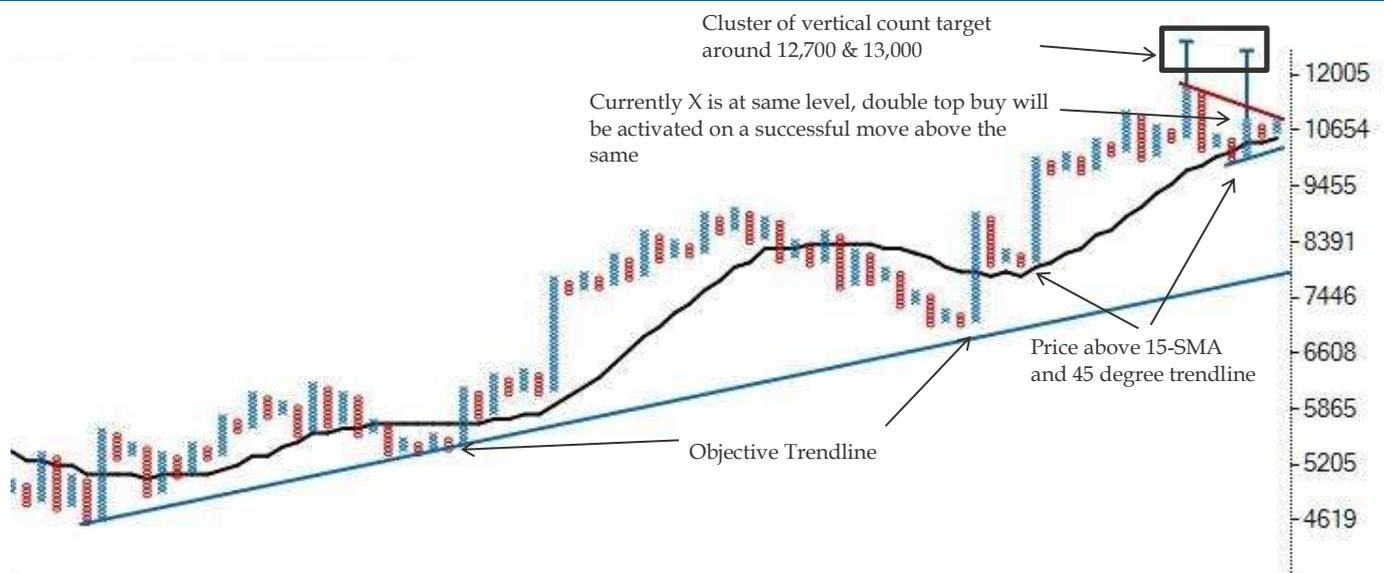
Post a period of correction from 11,700 levels, Nifty re-tested 10,000 mark. Infact in October 2018, index registered a fall of ~6% and eventually marked a low of 10,005 (placed around the previous bottom seen in March 2018). The same coincides with point of polarity, three-digit gann number of 101(00) & two-year mean. The set-up on point & figure (P&F) chart on Nifty projects a bullish picture.

### Nifty: 13k on the horizon

- ✓ Analyzing Nifty 50 P&F (1%\*3) chart, index has sustained above the objective trendline, drawn from the low of 2013. It acted as a base back in Feb & March 2016. Despite the reckoning of volatility in 2018, index is currently trading above its 15-SMA. Moreover, the 45 degree trendline marked from significant low in October 2018 also has been trending higher.
- ✓ A large bullish column of X, which began to form in January 2017 (Count 23) has not seen a strong retracement move on the downside, suggesting consolidation at the upper-end. After taking into consideration Anchor Point from Feb 2016 low to recent peak, cluster of support line is seen from 9,850-10,400.

- ✓ Pattern re-test around 10,000-10,100 zone has also contributed to recent reversal. In the current set-up, a double top breakout will come into play post a move above 10,900. The same will also result in a breakout from downward sloping 45 degree trendline.
- ✓ Sustenance above the same would see the index attempting the active vertical count of the large column of X mentioned above. Cluster of vertical count is seen between 12,700-13,000 which will come into play on confirmation of double top breakout.

**Exhibit 1: Nifty 50 - 1\*3% daily chart: Awaiting breakthrough**



Source: Tradepoint, YSL

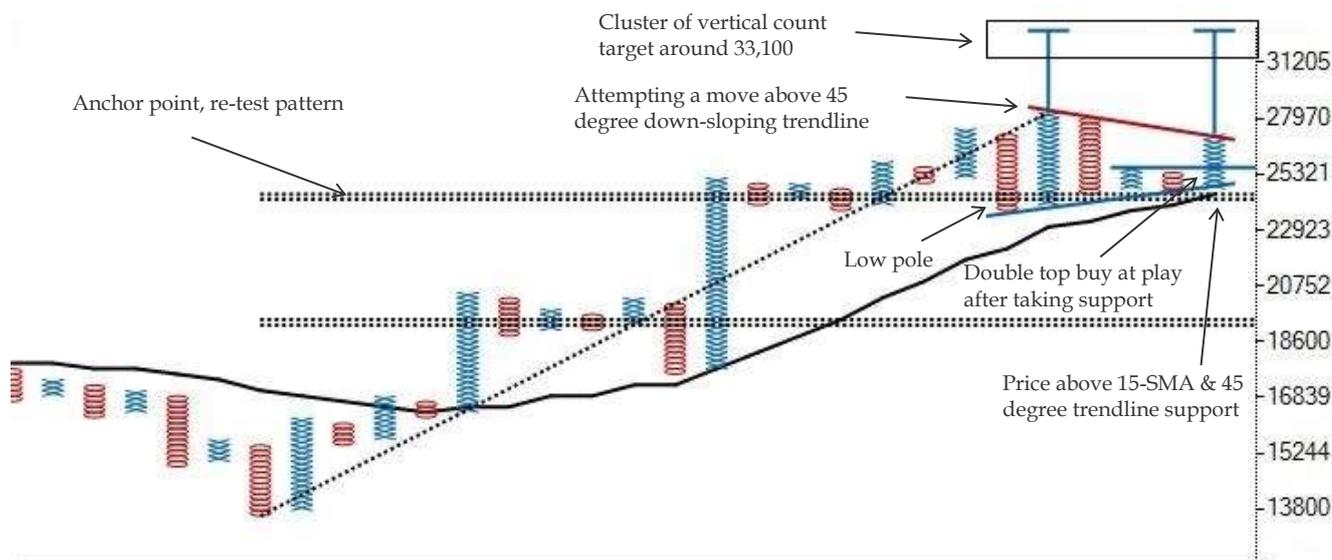
**BankNifty: Cometh the hour, Cometh BankNifty**

- ✓ This leadership sector commands more than 30% weightage in the index. Long-term chart structure suggests that it will lead from the front in 2019. Analyzing BankNifty P&F (1%\*3) chart, index has been in a strong uptrend since May 2016. On several instances, it has rebounded from the support of its 15-SMA, suggesting strong primary uptrend.
- ✓ A large bullish column of X, which began to form in January 2017 (Count 35) has not seen a strong retracement move on the downside, suggesting consolidation at the upper-end. The same coincides with Anchor point, it is defined as a zone where the price (X's & O's) has traded the most between two reference points (i.e. February 2016 & August 2018). For BankNifty, Anchor point is marked around 24,100

and 24,500 which has been acting as a strong support in 2018 as seen in P&F chart below.

- ✓ Around the Anchor point, Low Pole pattern is also observed. Post the formation of a long column of O's, sellers are caught off-guard, when buyers push the price higher by more than 50% of the long O column, resulting in a fast rebound.
- ✓ Interestingly, Pattern re-test is seen around 24,500 (marked near Anchor point). Also, Double top pattern is observed after taking support (same level of O's), taking support of its 45 degree trendline. In an uptrending market, it is a reliable pattern.
- ✓ In the current scenario, it is attempting a breakout above the downsloping 45 degree trendline. A move above four-digit gann number of 2757(0) would see BankNifty attempt a target of ~33,100.

**Exhibit 2: Bank Nifty - P&F set-up suggests BankNifty is knocking on the door of resistance**



Source: Tradepoint, YSL

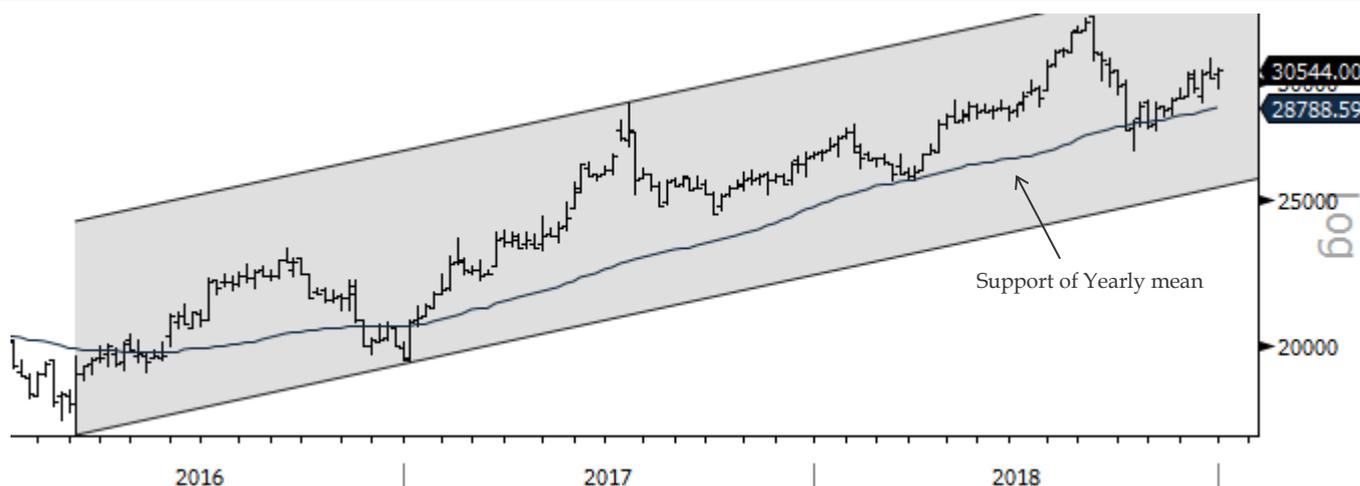
**Nifty FMCG: Gradual outperformance is likely**

- ✓ Nifty FMCG index has registered gains for ten consecutive years. During September 2018, it made a record high of 33,168, and since then it's been trading at higher zone with sustained move above its important long-term averages.
- ✓ FMCG index, however when compared with Nifty index, (its ratio chart i.e. FMCG index/Nifty) is yet to surpass its multi-year peak

level which it made during September 2013, which means that in previous five years, FMCG index has underperformed.

- ✓ Recent price structure of FMCG index shows ~19% price correction from its record high followed by renewed buying interest near its yearly mean. It reclaimed levels of 30,000 with most of its component trading above their 50-day EMA. From long term perspective, we believe FMCG stocks could outperform in a gradual manner, hence any corrective decline should be considered as a buying opportunity.
- ✓ Stocks near 52-week higher level like HUL, Marico could continue to outperform; while some traction is possible in ITC and Godrej Industries.

**Exhibit 3: Nifty FMCG - Bouncing off yearly mean**



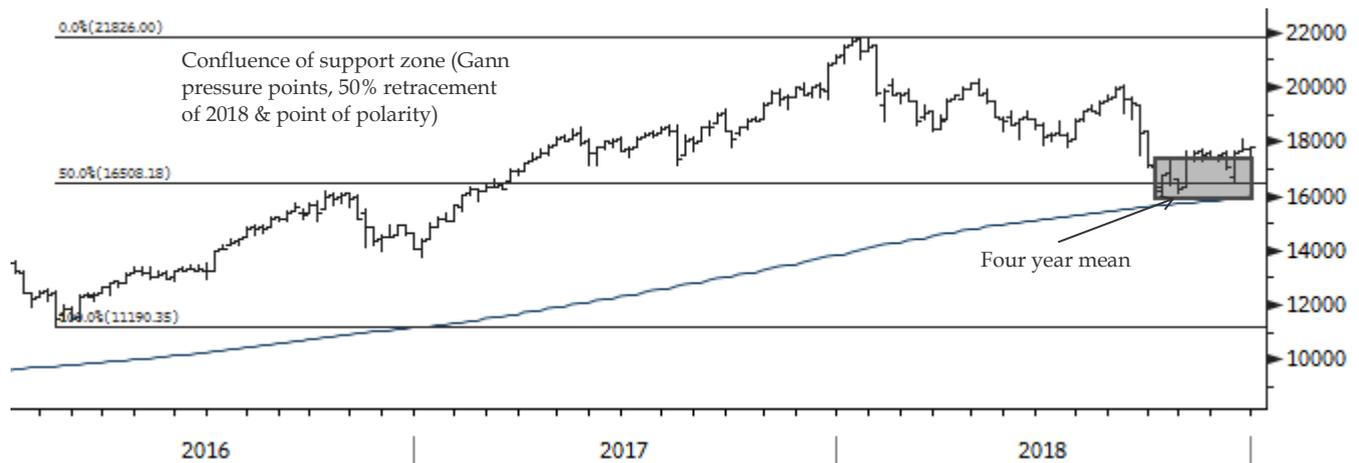
Source: Bloomberg, YSL

**Nifty Midcap 100 Index: Midcaps to be in reckoning**

- ✓ After year-long correction, confluence of support is observed in Nifty Midcap 100 index. Recent bottom marked around 15,800 coincides with 50% retracement of the entire move from 11,190 to 21,826. It is placed near point of polarity support, gann vibration zone and four-year mean.

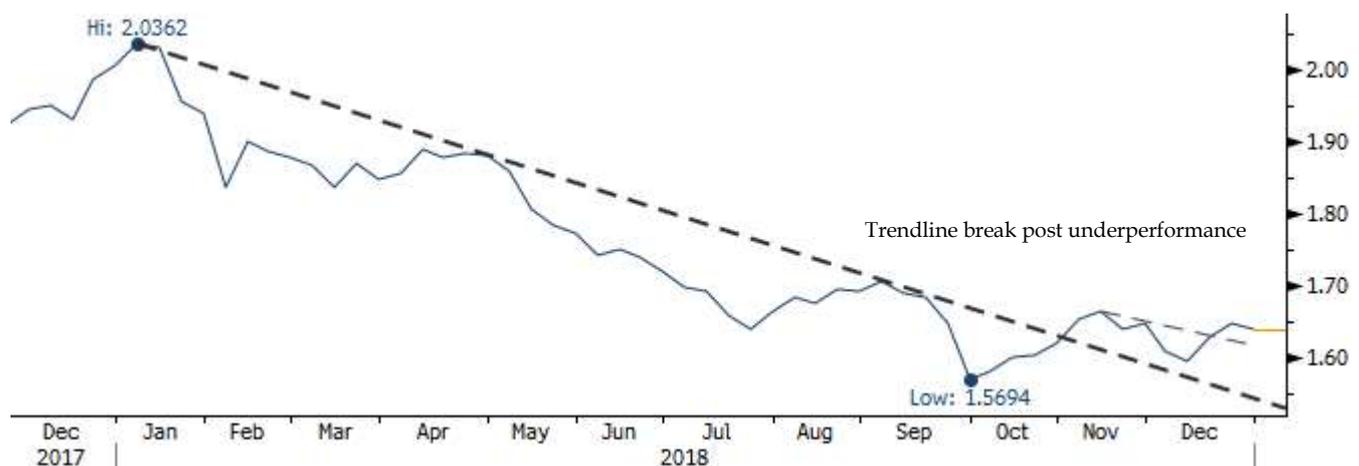
- ✓ Cluster of support zone post a year of under-performance in 2018, could act as a base for Nifty Midcap 100 index to begin an uptrend.
- ✓ Ratio chart of Nifty Midcap 100 index against Nifty displays a breakout from year-long down-sloping trendline, which suggests that midcaps could make a comeback in 2019.

**Exhibit 4: Weekly chart of Nifty Midcap index- Confluence of support at play**



Source: Bloomberg, YSL

**Exhibit 5: Weekly ratio chart of Nifty Midcap 100 index/ Nifty - Revival sets in after under-performance in 2018**



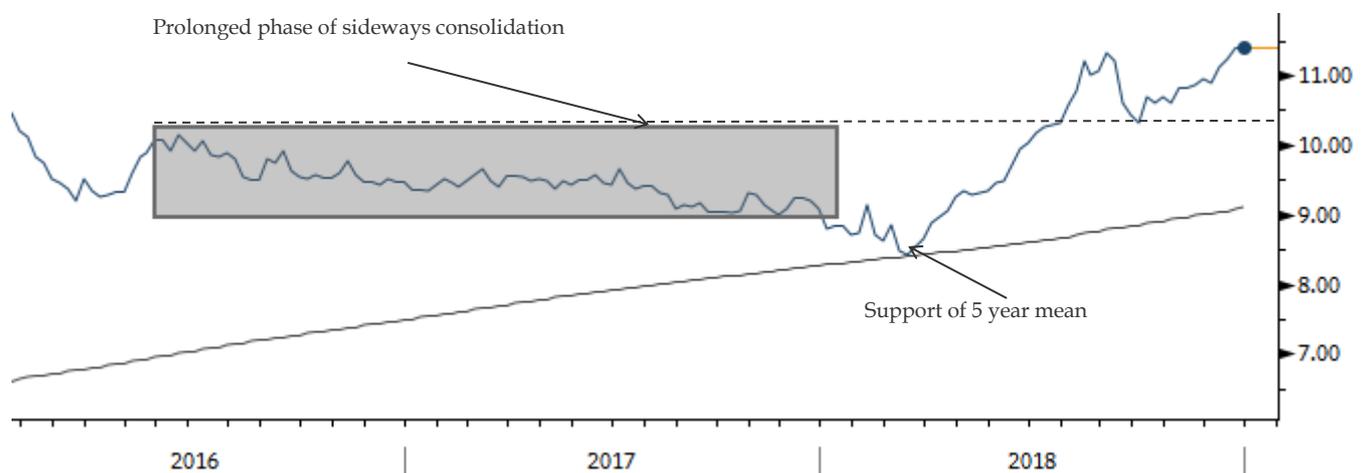
Source: Bloomberg, YSL

**Nifty/MSCI EM index - Relatively unscathed despite recent turmoil**

- ✓ Nifty has displayed immense relative strength in comparison with other emerging markets. The ratio line chart shows a rising trend. An increasing ratio indicates that Nifty is outperforming MSCI

emerging market index. The uptrend is in place since 2012. On several occasions, it took support at the rising trendline, keeping the uptrend intact. Also, it tends to fetch support around its 5-year mean (May 2012 & March 2018). Interestingly, ratio line showed a downward trajectory from January 2016 to March 2018. During the same period, Nifty index had staged a massive rally, which showed period of underperformance for India against the MSCI emerging markets index.

**Exhibit 6: Weekly Ratio chart of Nifty/MSCI Emerging markets index - Outperformance likely to continue**



Source: Bloomberg, YSL

- ✓ In the current scenario, while MSCI emerging markets index is consolidating, ratio line of Nifty/MSCI EM index has outperformed. After marking a peak of 11.33, it came back to its earlier breakout level. It is a classic case of previous resistance acting as support, resulting in a sharp rally. Sustenance above 11.33 would result in an upside breakout which indicates that Nifty could continue outperforming emerging markets.

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