

Technical Nifty outlook for the year 2019

Key Highlights -

- ❑ Nifty is expected to trade between 10000 and 12300 based on rising channel that has unfolded over the last five years .
- ❑ Nifty after oscillating between 10,000 and 11,700 is ending the year near the midpoint of this range resulting into above 3% year on year growth. During 2018 calendar year, Nifty has received strong support from 10,000 levels twice once in March when initial period of sharp selling in mid and small cap stocks started and secondly during October when liquidity crisis in money market was at its peak.
- ❑ While positive divergence in MACD had created market reversal in March, strong positive divergence in RSI on daily chart has caused the recent smart bounce back in Indian market. Divergence followed by a long green (bullish) candlestick has confirmed the reversal of prices both the time. Yearly high was made when RSI showed a negative divergence on the daily chart accompanied by a large red (bearish) candlestick. Also a small zone between 10850- 11000 acted as strong supply zone during May-June and now during November- December 2018.
- ❑ Going forward for 2019, the high and low of 2018 are major support and resistance for the market. **Technically, Nifty in 2019 is expected to trade between 10,000 and 12,300 based on rising channel that has unfolded over last five years.** Key levels for the calendar year 2019 are: 10,000-10,400-10,600-11,084- 11,700 and 12,400.

Our view:

- ❑ Technical target for Nifty in 2019 is 12,300
- ❑ Nifty's short-term, mid-term & long term trend is positive, and immediate resistance is at 11,084 above which it can surge higher till 11,760/12,300 levels
- ❑ 10,600 is immediate key support for Nifty and overall movement is likely within the range of 10,000& 12,300 levels. Meanwhile, to retain bullish bias Nifty needs to sustain above 10,400, and monthly closing below it, shall set a tone for a mid-term selloff to the levels of 10,000

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Exhibit 1: Nifty trading in range of 10000-11760 in 2018



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Up-trend continuation with rising channel:

Nifty is trending in a rising channel almost from last five years, indicates uptrend unless price breaches lower trend line which is placed around 10000 marks. Market should continue its up move towards previous high (11760) and upper trend line of rising channel(12300); however rally will accelerate only above 11084 levels which is 61.8% Fibonacci retracement of recent fall and previous swing top too.

Exhibit 2: Nifty trending in rising channel in weekly chart



On contraryside, a decisive close below red trend line (10400) will push prices towards strong base of 10000.

200 DMA & 50 DMA:

Nifty is trading above 20 DMA (10780), 50 DMA (10600) and the most important 200 DMA (10775), implies short term, mid-term and long term trend is bullish. However major hurdle is supply zone & 100 DMA trading around 10950 levels, and sustaining above mentioned levels, index can extend this uptick till previous high (10760). Majority of the short term technical parameters on daily chart are indicating bullish bias whereas occurrence of Bullish crossover of 20 DMA & 50 DMA is also supportive for up move in mid-term. At the same time one of the most popular trading system Parabolic SAR has also given bullish signal.

Exhibit 15: Nifty moving averages & Parabolic SAR



Trendline support & RSI :

Intermediate supports are provided by rising support line S1 as indicated in below chart is currently placed around 10,400; however immediate resistance is last three month's high placed at 11,084 above which prices can surge higher towards 11,760/12,300 marks. Monthly RSI is trading above 50; signifies long term trend positive and a fresh rally will begin above 11,050 levels. ADX trading at 32 mark and + DI above -DI also set a positive tone for strength in bullish trend. On down side index will give a fresh break down on a decisive closing below 10,400 levels (S1 line) whereby it can extend its fall towards previous strong base of 10,000.

Exhibit 3 : Nifty monthly candlestick chart



Conclusion:

Technical target for Nifty in 2019 is 12,300

Nifty's short-term, mid-term & long term trend is positive, and immediate resistance is at 11,084 above which it can surge higher till 11,760/12,300 levels

10,600 is immediate key support for Nifty and overall movement is likely within the range of 10,000 & 12,300 levels. Meanwhile, to retain bullish bias Nifty needs to sustain above 10,400, and monthly closing below it, shall set a tone for a mid-term selloff to the levels of 10,000.

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