श्री LAKSHMISHREE

Gateway to your Financial Goals

Weekly Outlook: 2nd June — 8th June 2024

Calm Before The Storm..!

NIFTY OUTLOOK

The Nifty index closed the month with a doji candlestick pattern, indicating market indecision. Over the past five months, the momentum has noticeably waned on the monthly charts, as evidenced by the diminishing intensity of close-to-close gains. This doji formation was anticipated given the market's positioning ahead of a major upcoming event, likely influencing investor sentiment and trading behavior.

From a technical perspective, the doji is a significant sign of indecision in the market, reflecting a balance between buyers and sellers. This pattern often precedes a directional move, underscoring the importance of closely monitoring key support and resistance levels. For the upcoming month, critical support is identified at the three-month low of 21800. Should the index breach this level, it could signal a shift in market sentiment and potentially lead to further downside.

On the upside, the Nifty will encounter significant resistance in the 23000-23100 range. A rally into this zone may face selling pressure, making it a crucial level to watch for potential reversals or consolidation. Despite the current technical outlook appearing bullish as long as the index remains above 21800, the market's direction will be heavily influenced by the results of the impending elections.

Investors should stay vigilant and consider the broader political and economic context when making trading decisions. The election results could act as a catalyst, either reinforcing the bullish sentiment or triggering a bearish reversal. In conclusion, while the technical indicators suggest a cautiously bullish outlook above 21800, the market's reaction to the election outcomes will be pivotal in determining the Nifty's trajectory in the near term.

Anshul Jain

Sr. Research Analyst

BANK NIFTY OUTLOOK

The Bank Nifty index has formed an inside bar pattern on the monthly chart, indicating a period of consolidation within the previous month's range. This pattern often suggests a pause in the prevailing trend, but given the context, it might also signify the building of momentum for a potential breakout. On the weekly charts, the index appears to be forming a base-on-base pattern, highlighting its relative strength in comparison to other market segments.

From a daily perspective, major moving averages such as the 20-day and 50-day are trending upwards, offering a robust safety net on any retracement. These rising moving averages suggest that the underlying trend remains bullish and provide support during pullbacks. The Relative Strength Index (RSI) on both weekly and monthly charts is also bullish, reinforcing the positive outlook for Bank Nifty.

Despite the bullish technical indicators, trading volumes have remained lower during this consolidation phase. However, volumes are expected to expand significantly upon a breakout, confirming the strength of the move. The 49700-49950 range is identified as a major supply area. A breakout above this resistance zone could lead to a swift move towards the target of 52000, driven by increased buying interest and volume expansion.

On the downside, key support levels are situated at 48400 and 47900. These levels are critical to maintaining the bullish outlook; a breach below these supports could signal potential weakness and a shift in market sentiment.

In conclusion, Bank Nifty exhibits a bullish technical setup, supported by rising moving averages and strong relative strength. While the current consolidation phase has kept volumes low, a breakout above the 49700-49950 resistance range could propel the index towards 52000. Traders should monitor these key levels closely, as well as any changes in volume dynamics, to capitalize on the anticipated move.

Wealth Bagger Stock Picks For The Week

VTL

VTL is currently forming a 16-week long flat base pattern characterized by multiple tight closes, indicating a potential period of consolidation. This pattern suggests that the stock is preparing for a significant move. The entry point for a potential breakout is identified at 465. A buy signal is generated if the stock price surpasses this level, supported by increased trading volumes. The optimal stop-loss level is placed below 430 to mitigate downside risk.

The target price for this breakout move is set at 565, reflecting a substantial upside potential from the breakout point. Notably, volumes have significantly dried up during the base formation, a typical precursor to a breakout. A significant increase in volume upon breaking 465 would confirm the strength of the move. Traders should monitor this stock closely for a breakout above 465 with expanded volumes to capitalize on the potential upside.

NLC INDIA

NLC India is currently exhibiting a 50-day flat base pattern, defined by a consolidation phase with significantly dried-up trading volumes. This pattern's boundaries are set between 255 and 210, with the upper limit marking a critical resistance level. A breakout above 255 will generate a strong buy signal, indicating the potential for a new upward trend.

The recommended stop-loss for this trade is positioned at 230 to manage downside risk effectively. The target price for this breakout is projected at 315, suggesting a considerable upside from the breakout point. The drying up of volumes within the base is a typical characteristic before a significant price movement, reinforcing the anticipation of a strong breakout. Traders should closely monitor NLC India for a breakout above the 255 level, accompanied by increased trading volumes, to validate the strength of the move and capitalize on the potential gain.

J K PAPER

JK Paper is currently forming a 65-day long cup and handle pattern, which is a bullish continuation pattern indicating a potential upward move. The base of this pattern has experienced significantly dried-up volumes, typical of consolidation phases. As the stock approaches the neckline at 390, there has been a noticeable increase in trading volume, suggesting growing investor interest and momentum.

A breakout above the 390 level will signal a buy, projecting a strong bullish move towards the target price of 550. To manage risk, the recommended stop-loss level is set at 360. This setup provides a favorable risk-reward ratio, making it an attractive opportunity for traders. The increasing volume as the stock nears the breakout point further confirms the potential strength of this move. Investors should watch for a decisive breakout above 390 with expanded volumes to confirm entry and capitalize on the anticipated upward trend.

SANOFI

Sanofi is forming a 15-week long cup and handle pattern, a bullish formation that often precedes significant price advances. The stock is currently on the verge of a breakout above the critical resistance level of 8700. This potential breakout presents a compelling buying opportunity.

The recommended entry point is above 8700, with a stop-loss placed below 8550 to effectively manage risk. The target price for this breakout is set at 9100, indicating a substantial upside from the breakout level. The cup and handle pattern is reinforced by the consolidation phase, which suggests the stock is gathering momentum for a bullish move.

Traders should closely monitor Sanofi for a breakout above 8700 with increased trading volumes, which would validate the strength of the move. This setup offers an attractive risk-reward ratio, making it a favorable opportunity for investors looking to capitalize on the anticipated upward trend.

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