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Weekly Outlook: 7th July — 13th July 2024



Exhaustion...

NIFTY OUTLOOK



Nifty closed the week on a bullish note, near the highs of the week, extending an 11-day rally—an extreme move in the short term. Typically, rallies last between 3 to 5 days, with extended moves reaching up to 8 days. Friday's opening was lower, with a flat close, indicating exhaustion among bears. The index stands 5.5% above its 20-day moving average, another sign of exhaustion. The daily RSI is at 80, suggesting overbought conditions, though price momentum remains intact. A visible shortening of thrust suggests waning strength.

To call a short-term top, we need to see a lower high and a lower low on the 75-minute charts, which has yet to occur. Therefore, we remain cautiously bullish on the index. For the upcoming week, we have an eye on 24,500 as a potential target, with immediate support at 24,200. If the index falls below this level, the next logical target would be 23,900.

Overall, while the technical indicators show signs of exhaustion, the price action suggests that momentum is not yet lost. Traders should watch for confirmation of a lower high and lower low to signal a potential short-term top.



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BANK NIFTY OUTLOOK



Bank Nifty has shown signs of exhaustion after rejecting its swing low with an open-equals-high formation on the daily charts last Thursday, followed by a confirmation move on Friday. This action has created a bearish evening star pattern on the daily chart. On the weekly chart, Bank Nifty swept the previous week's high and closed below it, further indicating potential exhaustion. Any breach below the weekly low of 51,996 will likely trigger a fresh round of selling.

We advise against preempting a top and recommend waiting for support levels to be taken out before initiating short positions. The daily RSI is showing negative divergence, and the monthly RSI is overheated, both indicative of exhaustion, although no clear reversal signals are visible on the price charts yet.

For the week ahead, 51,995 will act as major support. If this level is breached, Bank Nifty could test 51,400. Conversely, rallies will face significant resistance in the range of 53,180-53,350, which corresponds to the highs of the past two weeks.

In summary, while technical indicators are flashing signs of exhaustion, traders should wait for confirmation of a breach below support levels before taking bearish positions. This cautious approach helps avoid premature entries and aligns with the observed market behavior.



WEALTH BAGGER STOCK PICKS FOR THE WEEK



LAURAS LABS



Laurus Labs has exhibited a robust technical formation on the weekly charts, having developed a 34-week Volatility Contraction Pattern (VCP). This pattern saw a significant breakout during the trading week of April 1, 2024. Following this breakout, the stock consolidated further, forming another 12-week base, resulting in a base-on-base pattern—a highly bullish signal in technical analysis.

In the past week, Laurus Labs broke out of this entire structure around the 470 level, accompanied by a surge in trading volumes, indicating strong buying interest and renewed upward momentum. This technical setup presents an attractive buying opportunity at the current market price of 475.

Traders and investors can consider entering at this level with a closing stop loss placed below 425 to manage risk effectively. The immediate target for Laurus Labs is set at 675, reflecting the potential for a significant upside move given the robust technical foundation and bullish breakout patterns observed.

SUVEN LIFE SCIENCES



Suven Life Sciences has displayed a significant technical setup on the weekly charts. The stock took 23 weeks to retest the breakout of a substantial 165-week-long cup and handle pattern. Throughout this retest phase, the price action was notably choppy and accompanied by lower volumes, signaling accumulation on every dip. This is a positive indicator of underlying strength and investor confidence.

Last week, Suven Life Sciences successfully broke out of this base-on-base pattern, confirming a bullish trend continuation. The breakout was accompanied by a surge in volumes, further validating the upward momentum. Currently, the stock is a buy at the current market price of 125. Investors should place a closing stop-loss below 100 to manage risk effectively. The immediate target for this breakout is 225, offering a substantial upside potential.

This robust technical setup suggests that Suven Life Sciences is well-positioned for a strong rally in the coming weeks.

KELLTON TECH



Kellton Tech Solutions (Kellontec) has been forming a massive 433-week IPO base since its inception. The stock has experienced two bull market pullbacks (BPLs) and several failed breakout attempts. However, it has recently tightened at the breakout point, indicating a potential significant move. A sustained move above 120 will mark a huge breakout, as such extensive bases often lead to a J-curve move, driving the stock sharply higher.

Currently trading at 115, Kellontec is a buy with a stop-loss set below 95 on a closing basis. The initial target for this breakout is set at 200. The tightening of the base and the potential breakout suggest renewed investor interest and accumulation, setting the stage for a substantial upward movement. Keep a close watch on this stock, as the breakout could lead to significant gains.

INDIA GLYCOLS



India Glycols is forming a 101-week-long cup and handle base on the weekly charts and is on the verge of a breakout. A close above 960 will confirm the breakout, signaling a strong upward trend. The stock is a preemptive buy at the current market price (CMP) of 925. Traders can consider adding more positions above 960, with a closing stop-loss set below 875. The initial target for this breakout is 1300.

The cup and handle pattern is a reliable bullish continuation pattern, and the length of this formation suggests a significant move once the breakout is confirmed. The stock has been consolidating, and the handle formation indicates a healthy correction, setting the stage for a strong rally. The breakout will likely attract more buying interest, leading to higher volumes and further price appreciation. Keep an eye on this stock as it approaches the critical breakout level of 960, as it presents a promising buying opportunity.

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