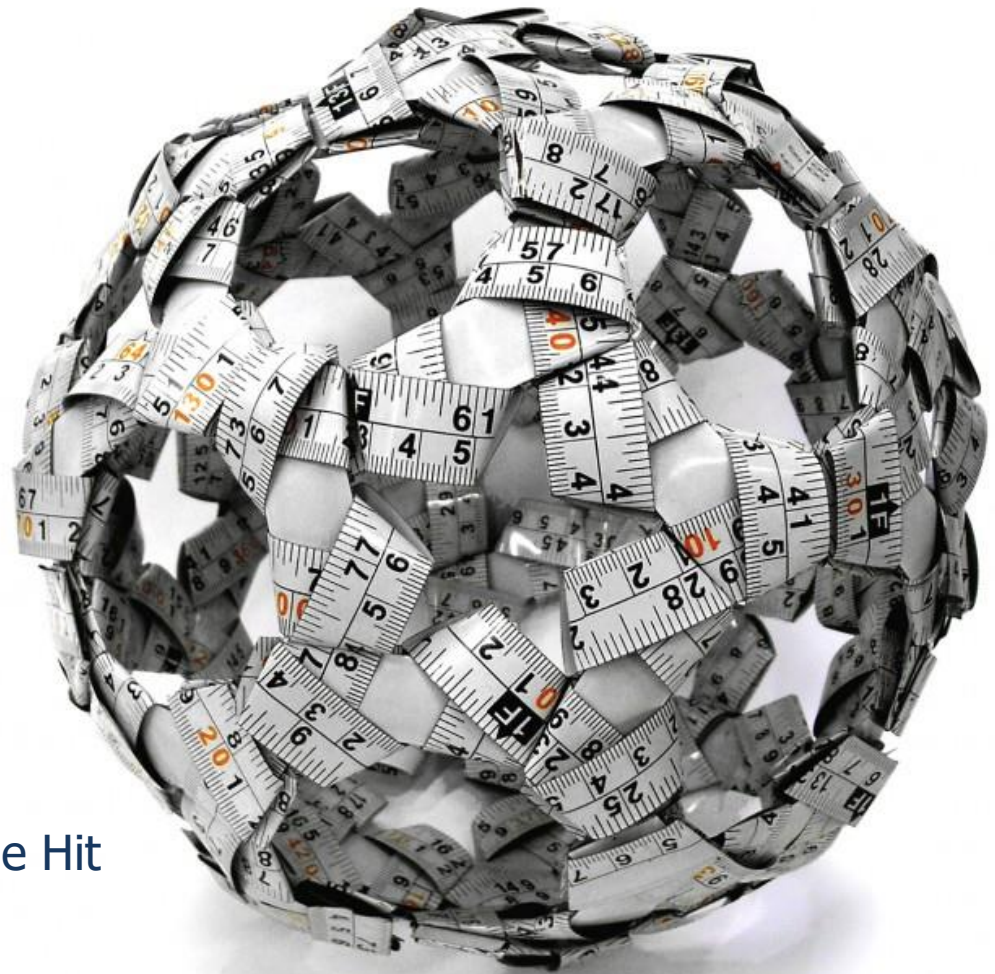


Market Internals With Biju Samuel

Sensitive Clusters Near 21200 Contain the Hit

Quantitative & Alternate Strategy

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26 January 2024

Our weekly Compendium

Our Chart of the Day (COD) weekly compendium offers insight into the macro signals, global trends, market perspectives, sector calls and actionable ideas highlighted during the week.

Big Base Breakout in NDX Projects 30%

The Nasdaq leadership of the bull market is catalyzed further with relative trends taking out the barrier that existed for more than three years. Long-term breadth indicator for the broadest segments of the US equities (NYSE Composite, Russel 3000, S&P 600 Small Cap and S&P 400 Midcap) has reverted to the "equilibrium" point.

Decadal breakout in ICICIB-HDFCB Ratio

The recent turbulence has reiterated the long-term big picture of ICICI Bank leadership over HDFC Bank. The big milestone here is indicated through a decadal breakout in the ratio projecting 40% long-term target for the ratio (mostly 12-18 months or 18-24 months)

Sensitive Clusters Near 21200 Contain the Hit

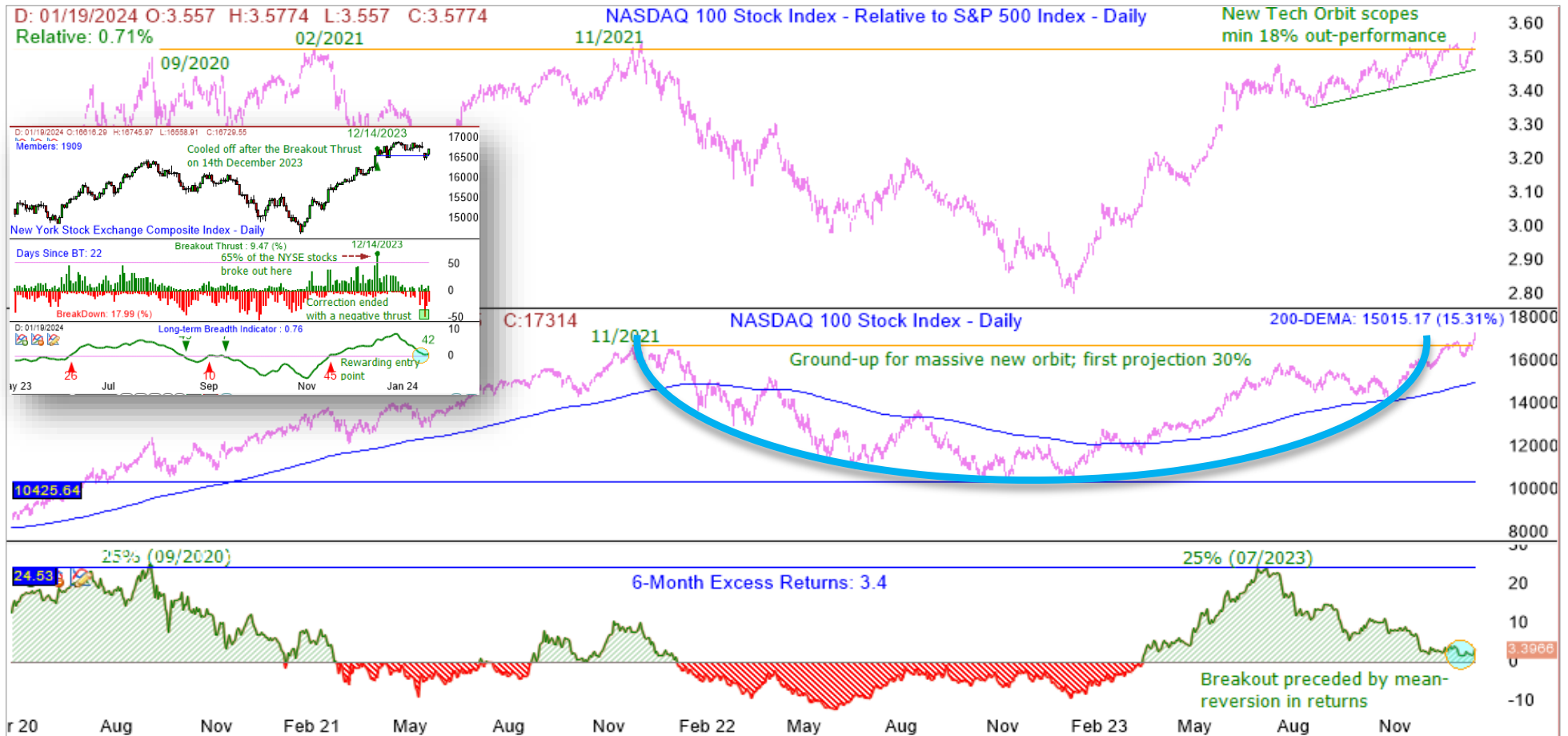
In this edition, we are showing a sensitive point for Nifty at 21214. This is the average of the Nifty since the market entered a decisive long bias. The latest dips are getting contained around an important channel breakout point near 21200. Last panic was 20 December toward the low of 20976. We expected the current shakeout to be contained above it. A negative surprise would be toward 20600; the probability for that is low.

Tale of Two Triangles: Ujjivan and AIA Engineering

Two triangles evince interest from the way they broke in opposite directions on 24 January. Both are Ascending Triangles with Ujjivan resolving on the negative and AIA Engineering resolving bullishly. The result and extent of triangle breakouts or breakdowns in individual stocks are guided by the main market trends. Post pattern implications for both these stocks are discussed from that perspective.

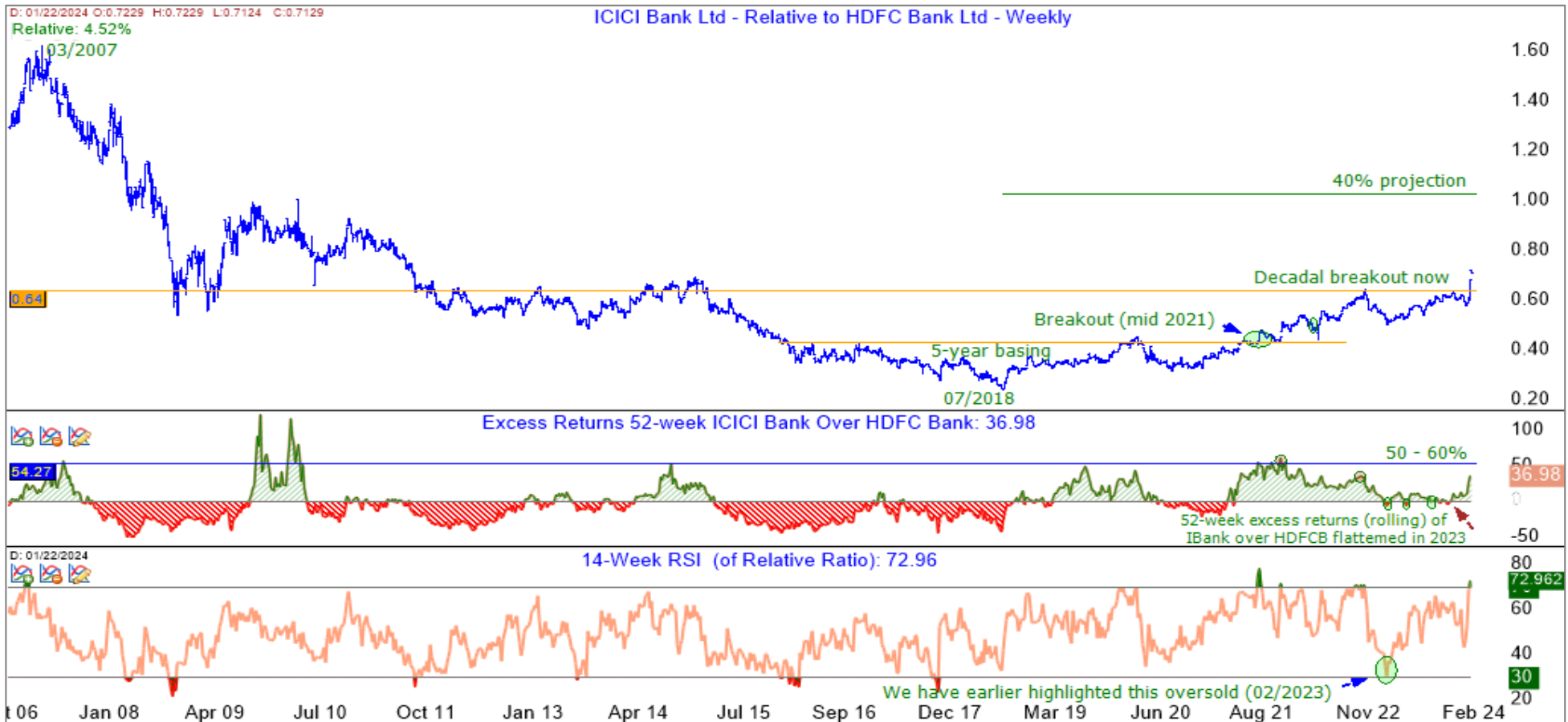
We do note writings in the subsequent slides are as per previously published COD during the week.

Big Base Breakout in NDX Projects 30% Minimum



The bull market in US equities reasserts brilliantly with the S&P500 (SPX) taking out the January 2022 high. The Nasdaq leadership of the bull market is catalyzed further with relative trends taking out the barrier that existed for more than three years. Nasdaq 100 (NDX) has a huge ground-up with the first projections near 30%. After clocking in 25% during mid-2023, excess six-month returns of NDX over SPX has nearly flattened. Most probably, this was the bull market consolidation that was needed for the next runaway boom stage. Long-term breadth indicator for the broadest segments of the US equities (NYSE Composite, Russell 3000, S&P 600 Small Cap and S&P 400 Midcap) has reverted to the "equilibrium" point. The robust response to this "equilibrium" point suggests bull market conditions flourishing, creating further supportive background for global equities

Decadal Breakout in ICICI Bank-HDFC Bank Ratio



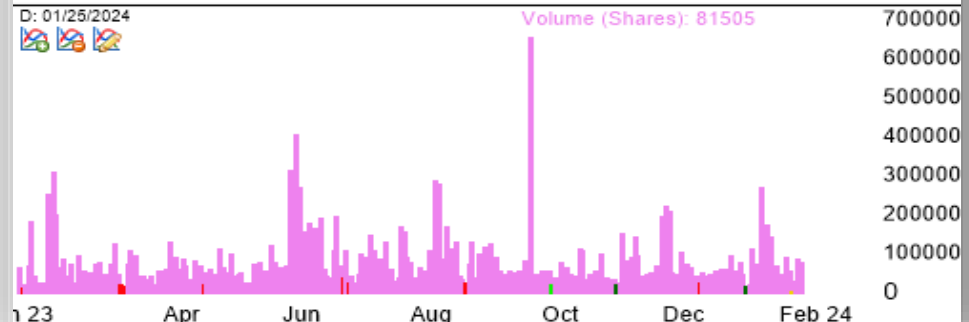
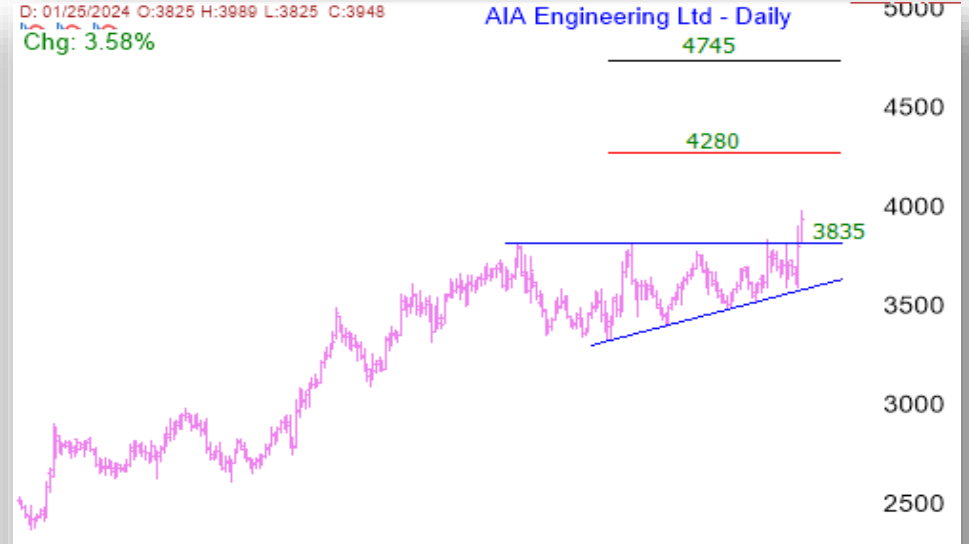
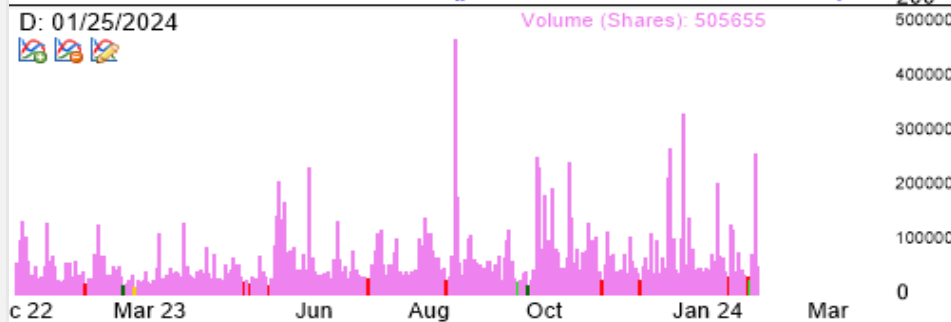
We have presented this long-term chart of ICICI Bank relative to HDFC Bank ratio during early last year (<https://www.elaracapital.com/researchpdf/COD15Feb2023.pdf>). The first major breakout confirming ICICI Bank's dethroning of HDFC Bank emerged during mid-2021. The base was built over five years, and the minimum target of the breakout was met by late 2022. The recent turbulence has reiterated this long-term big picture of ICICI Bank leadership over HDFC Bank. The big milestone is indicated via a decadal breakout in the ratio. We note ICICI Bank had a decadal bear market relative to HDFC Bank during 2007-18. The current decadal breakout projects 40% long-term target for the ratio (mostly 12-18 months or 18-24 months). Last coverage: <https://www.elaracapital.com/researchpdf/COD23Aug2023.pdf>

Sensitive Clusters Near 21200 Contain the Hit



With 23 January's hit creating heightened concerns among market participants, we would have thought it poignant to give an update on our Nifty picture. We have highlighted the Nifty average since 4 December (State Election results). This is at 21392 on the hit day (box3). In this edition, we also show another sensitive point at 21214 (main chart). This is the average of the Nifty since the market entered a decisive long bias. The long and short regimes in positional bias in stock futures is shown in the last subgraph. An important channel breakout is shown in Box1. The latest dips are getting contained around that channel point near 21200 (box2). As we have mentioned earlier, the last panic was 20 December toward the low of 20976. We expected the current shakeout to be contained above it. A negative surprise would be toward 20600; the probability for that is low. To conclude, we find higher probability for the shakeout to be contained around the current sensitive cluster around 21200.

Tale of Two Triangles: Ujjivan and AIA Engineering



These two triangles evince interest from the way they broke into opposite directions on 24 January. Both are Ascending Triangles with Ujjivan resolving on the negative and AIA Engineering resolving bullishly. The bearish break in Ujjivan unfolded near 567 while the bullish breakout in AIA was from 3835. Minimum projection based on the triangle size works out to be 453 for Ujjivan and 4280 for AIA. When the main market is not in a bull market, triangle tops in individual stocks can become nasty. In the current context, as we read the main market trend as bullish, we do not accord large downside implications for the bearish resolution. From this perspective, we are more inclined to look at aggressive upside targets for AIA with minimum visibility extending toward the second level of 4745. Bounces in Ujjivan will have first resistance near 567 and last resistance near 605. Dips in AIA is likely to find support near 3835, the breakout point. To conclude, the result and extent of triangle breakouts or breakdowns in individual stocks are guided a lot by the main market trends.

25 January 2024

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