Twitter Thread by Jagandeep Singh



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So, this is going to be a longish thread on the NIFTY.

In my last analysis, had mentioned that there wasn't enough data to analyze the NIFTY yet. In 2 weeks we now have more data to analyze.

Weekly Charts first:
1. The NIFTY rebounded in March - Spril from > -3SD & has now tagged and exceeded the +2SD for Six Consecutive weeks.

2. There have been 12 prior instances since 1998 when it has tagged or exceeded the +2SD for >= 5 weeks.

3. 11 prior instances. This is the 12th. 4 streaks ended @ 5 weeks, 3 streaks at 6 weeks, 2 streaks at 7 weeks, 1 at 8 weeks and the last one @ 12 weeks.

We have already done 6 cons. weeks this rally. That means good chance we stop tagging the +2SD in the next couple of weeks.

4. There is an outside chance - say 10% - we do a blowout, but we'll come back to that.

5. What happens when the NIFTY stops tagging the +2SD? Either a mild consolidation to + 1 SD [currently @1263 and rising] or a pretty decent correction. Mild Correction happened 4/11 times.

6. The pretty decent correction happened to either of
-2SD 5/11 times [currently @ 10500] Or to
- 20WSMA 2/11 times [currently @ 11800]

7. Why am I not sure of the timing? RSI can go up another 2 - 3 points. Weekly RSI tends to reverse from 76 - 77 or higher levels. BUT

8. Daily RSI has hit 79ish. Something the NIFTY has done at all the wrong points in history.

9. If you take the two data points together. Untag of the +2SD on the Weekly charts and the movement of the Daily RSI, THEN ....

..... the result is the following correction caused the Daily RSI to fall below 30 8/11 times and below 40, 10/11 times.

10. When we go to the Monthly charts, it is as bullish as they come and the RSI is also only @ 66 BUT

Whenever the NIFTY has reversed from below -2SD, it has never done a multi-month tag of +2 SD at the first shot. We still have three weeks of December to go, but it doesn't look to me that it will be bullish.

If I have to expect something in the next few days, it will be a loss of momentum, before we hit a really rough patch in the first few weeks of 2021.

Q. Are we done with the rally?
A. No we're just starting out on one of the biggest multi-year rallies BUT

There is a good chance that a pause is coming. Where does the pause take us? If we're lucky then maybe 12700 although I'll be inclined to think low 12Ks is more likely. Beyond that we see when we reach those levels.

The Good, The Bad and the Ugly on the Sectoral indices:

1. UGLY --> CNX IT. Exceeded +3 SD on the Monthly charts. Losing momentum on the BB charts & Monthly RSI at the highest level since December 2010 [10 years ago].

2. The Fine Ones --> CNX Energy, CNX Finance, CNX Infra ...

..... CNX MNC, CNX Pharma, Bank NIFTY and CNX Service.

3. The dark horses [These are really multi-decade turnarounds so hard to say yet] - CNX Realty and any PSU Index.

4. The one that concerns me: CNX FMCG

5. The one I'm not sure about is CNX Autos.

As for Midcaps & SmallCaps. They take cues to a major extent from the main indices. Between the two CNX Midcap does look much better.

None of the above should be considerered as Financial or Investment advice.

End of Thread

#JDSDec20.