



Apna Time Aayega

Financial Service

Spotlight on Financial Service Index for next couple of quarters

The talk of the town is can bulls have fireworks this Diwali with new all-time highs and turn 2020 to one of the best year for investors. It may or may not is not the point we are discussing in this article. We will be discussing where's the new opportunity to invest even as Nifty is approaching 12,000 mark.

You might have seen people discussing Bank Nifty to Nifty ratio chart many a times and we will also throw some lights on it. Basically, the ratio chart explains the outperformance or underperformance of security over other. If you look at the chart below, the shakeout we had seen in Bank Nifty to Nifty ratio chart in second half of September 2020 and reversal in October 2020 indicates the strength banking stocks has shown in last few trading days. The lower low on ratio and higher low on RSI (Relative Strength Index) is sign of positive divergence signaling the bank index is still bulls favorite.

BANKNIFTY/NIFTY, 1D, NSE



Let's move the focus from Bank Nifty vs Nifty ratio to **Nifty Financial Services vs Nifty ratio chart**.

We have analyzed the price action of Nifty Financial Services to Nifty ratio chart since 2012 and only twice we are witnessing the fall of more than 20%, in 2013 and 2020 respectively. It means that the rally in Nifty is not supported by Financial Service stocks and Financial Service sector as underperformed over benchmark indices. *Does it mean that Financial services can't outperform?*

Well it is a common say in Technical Analysis, *history repeats itself*. Looking at the history, the 20% fall in 2013 took nearly 38 weeks and if we look at the fall in 2020, it is nearly 30 weeks. If we compare 2013 fall with 2020 with Fibonacci time, the 2020 fall is exactly the 78.60% Fib time of 2012 with nearly equal percent fall. This indicates **Apna Time Aayega for Financial Services sector**. Now if we look at the 50WEMA (Weekly Exponential Moving Average) on ratio chart, whenever ratio has deviated more than 10% from moving average, we are witnessing pullback or reversal. The recent fall was around 11% from moving average and we are witnessing the beginning of an up move.

CNXFINANCE/NIFTY, 1W, NSE
EMA



Is it just a bounce or reversal?

We have discussed the ratio chart with time reversal supported by large moves with moving average. Let's look at the same chart with plotting RSI (Relative Strength Index) on it. So basically, when RSI moves below 30, it is termed as oversold zone and 70 as oversold zone. Looking at the chart below, the RSI has moved below the 30 mark for the third time since 2013 and whenever it moves below 30, we are witnessing the bottoming formation in ratio chart. In 2018, it made a low of ~31 and reversed. Adding the fuel on oversold zone, we are also witnessing the positive divergence in 2020 (marked pink) where ratio have made lower low and RSI have made higher low.

We believe Financial Service index may outperform for next couple of quarters with an expected returns of 6-10% on ratio.

CNXFINANCE/NIFTY, 1W, NSE
EMA



NSE:LICHSGFIN, 1D 306.05 ▲ +19.30 (+6.73%) O:290.90 H:317.60 L:290.00 C:306.05



On daily scale LICHSGFIN has performed resistance breakout with volume, stock is trading along with rising trendline, indicating continuation of bullish momentum. RSI is moving towards north direction, indicating good strength in stock, we expect stock to remain in bullish momentum until it holds the support of trendline, **Buy LICHSGFIN around 306-310 with the stop loss of 268 for the target of 380-400.**

NSE:MANAPPURAM, 1D 166.15 ▲ +1.80 (+1.1%) O:165.30 H:168.15 L:164.50 C:166.15



On daily scale MANAPPURAM has descending channel breakout, stock has breached the horizontal resistance and continue to hover above it. RSI is holding the support level and gradually moving towards north direction, stock continue to trade above 20 EMA indicating continuation of bullish momentum, **Buy MANAPPURAM around 169-170 with the stop loss of 155 for the target of 200-220.**

NSE:HDFC, 1W 1987.50 ▲ +29.85 (+1.52%) O:1965.00 H:1998.95 L:1963.35 C:1987.05



On weekly scale HDFC has breached the horizontal resistance , rise of volume on bullish candle indicating accumulation of stock. RSI is moving towards north direction indicating good strength in stock. Stock continue to trade above 20 EMA for second week indicating continuation of bullish momentum, **Buy HDFC around 1980-2000 with the stop loss of 1900 for the target of 2160-2200.**

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