

Nifty – Approaching Support Zone Ahead of the Budget

Nifty has witnessed a 5.5% (~1,500-point) correction over the last three weeks. Meanwhile, India VIX has surged 51% since the beginning of the month and currently stands at 14.19, highlighting rising market volatility.

This correction aligns with historical seasonality, as January has been a negative month for the Nifty over the past seven years.

The key question now is: Where is the Nifty headed next, and which levels matter in the near term? The answer lies in the monthly charts.

All intermediate corrections since 2020 have found support around the 20-month Simple Moving Average (SMA). Currently, this level stands at 24,634, which implies a potential ~2% downside from current levels.

Key Levels to Watch

- Support Zone: 24,634 – 24,500
- Resistance Zone: 25,650 – 25,700

On the upside, the Nifty needs to sustain above the 25,650–25,700 zone to negate the lower high–lower low formation and signal a reversal in the short-term trend.

A positive takeaway is that the index is approaching its crucial support zone ahead of the Union Budget. The FII Index Long-Short Ratio stands at just 11% long, which leaves room for an aggressive upside reaction if the Budget delivers a positive trigger.

Near-Term Risks

- Depreciating rupee
- Continued FII cash market selling



The above chart is a monthly time frame chart of Nifty 50. The overall uptrend is still intact. All the intermediate corrections post 2020 have halted around the 20 month moving average (24,634) and resumed its primary uptrend.

Bank Nifty – Showing Resilience During the Fall

Bank Nifty led the October–December rally, posting a 12.84% gain versus 8% in the Nifty, and continues to show relative strength during the current correction.

It has corrected by 3.6% (~2,150 points), indicating outperformance compared to the broader market.

Technical Setup

The index is approaching a support cluster at 57,800 – 57,600, which aligns with:

- A medium-term rising trendline
- The 38.2% Fibonacci retracement of the 54,450 – 60,114 rally

Key Levels

- Support: 57,800 – 57,600
- Resistance: 59,500 – 59,600

A breakout above 59,500–59,600 could signal a short-term trend reversal.

PSU Banks – Sector Watch

PSU Banks have been the top performers over the last four months and continue to show strength this month.

- Support: 8,450 – 8,250
- Resistance: 9,630 – 10,000 (Fibonacci extension zone)



Nifty Auto – In Reverse Gear



The weekly chart shows that after a 51% rally from April 2025 to January 2026 (19,316 to 29,179), the index has breached its rising channel, indicating the start of a correction phase.

The RSI has slipped below 60, suggesting a loss of momentum.

Technical View

- Both price action and momentum point toward further near-term correction.
- The index is likely to move toward the 25,350 – 25,400 support zone, which aligns with:
 - The 200-day SMA
 - The 38.2% Fibonacci retracement of the 19,316 – 29,179 rally

Key Levels

- Support: 25,350 – 25,400
- Resistance: 27,700 – 27,800

Nifty IT – Back Above the 200 DMA



After staying subdued for most of 2025, the Nifty IT index has staged a smart recovery over the last three months.

The index has moved back above and is sustaining above its 200-day SMA (36,600) — a positive technical signal.

Market Structure

- Prices are moving within a rising channel
- Pullbacks are finding support at the lower end of the channel (37,500 – 37,350), indicating continued buying interest

If the channel breaks, the 200-day SMA at 36,600 is expected to act as a strong support and limit downside.

Key Levels

- Support: 37,500 – 37,350 / 36,600
- Upside Target: 40,300
- Potential Upside: ~5.5% from current levels

Nifty Metals – The New Safe Haven



Traditionally, Pharma and FMCG are seen as defensive sectors during market corrections. However, during the recent volatility, Nifty Metals has emerged as a relative safe haven.

What's Driving the Trend

- Rising base metal prices
- A subdued US Dollar Index (DXY)

The monthly RSI remains above 60, and prices continue to form a higher high–higher low structure, keeping the bullish trend intact.

Key Levels

- Support: 9,968 (December swing low)
- Upside Target: 13,700 – 13,750 (upper end of the rising channel)

Nifty FMCG – Turnaround Likely



Nifty FMCG has been underperforming since October 2024, marking nearly 15 months of relative weakness.

The recent decline was driven by a sharp fall in one of the index's heavyweight stocks. The index is now approaching a long-term support zone at 50,700 – 50,600, which aligns with the 50-month moving average.

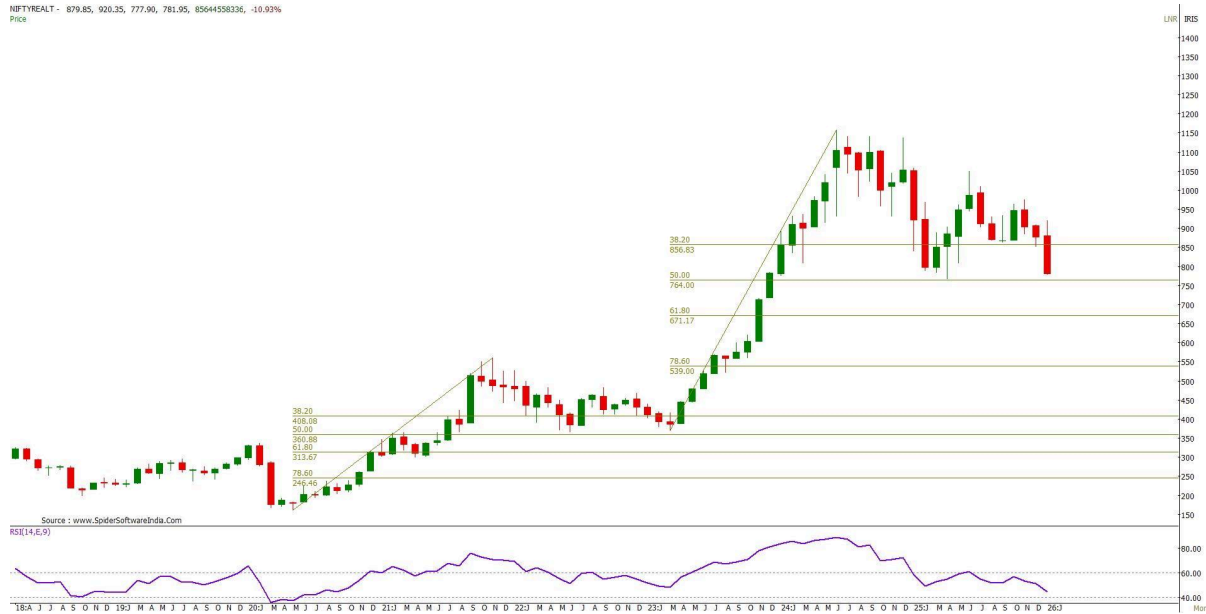
Technical Signals

On the weekly chart, a small-bodied candle with long wicks on both sides suggests a tug-of-war between buyers and sellers. This pattern, after a sharp decline, often signals exhaustion of selling pressure.

With prices near a crucial support zone and selling pressure easing, there is a higher probability of a near-term turnaround.

Nifty Realty – Fibonacci Holds the Key

NIFTYREALTY - 879.85, 920.25, 777.90, 781.95, 8564458336, -10.03%
Price



Nifty Realty has corrected sharply over the last three months and is now approaching the 50% Fibonacci retracement level at 764.

This level previously acted as a trend reversal point in March 2023, after which the index rallied nearly 200% over the next 16 months.

Key Zone to Watch

- Support: 764 – 750

While the current price and momentum setup does not yet support a bullish view, historical evidence suggests this is a crucial area to monitor for a trend reversal pattern.

Nifty Midcap 100 – Engulfing Bear



The index formed a Bearish Engulfing candlestick pattern near the previous swing high zone of 61,000 – 61,500, followed by a sharp decline.

It has:

- Broken down from a bearish wedge pattern
- Closed below the 200-day SMA (58,100), a sign of weakness

Key Levels

- Current Correction: ~8% (~4,870 points) in three weeks
- Next Support Zone: 55,980 – 55,660
- Aligns with the August 2025 swing high/low
- 38.2% Fibonacci retracement of the 46,966 – 61,549 rally

Nifty Small Cap 250 – In Free Fall



The Nifty Small Cap 250 index has been the weakest segment of the broader market, reflecting fragile investor sentiment.

It has corrected by ~9% (~1,600 points) over the last three weeks and closed near the weekly low, indicating that weakness may persist.

Key Levels

- Next Support Zone: 16,050 – 16,000
- Corresponds to the 61.8% Fibonacci retracement of the 14,084 – 19,225 rally

Given the current sentiment, bottom fishing should be avoided until there is clear evidence of a trend reversal.

Conclusion

The Nifty and broader market are undergoing a meaningful correction ahead of the Union Budget. Historically, January has been a volatile and weak month, and this softness can extend into the first half of February.

2025	-58	-5.89	6.30	3.46	1.71	3.10	-2.93	-1.38	.75	4.51	1.87	-.28
2024	-.03	1.18	1.57	1.24	-.33	6.57	3.92	1.14	2.28	-6.22	-.31	-2.02
2023	-2.45	-2.03	.32	4.06	2.60	3.53	2.94	-2.53	2.00	-2.84	5.52	7.94
2022	-.08	-3.15	3.99	-2.07	-3.03	-4.85	8.73	3.50	-3.74	5.37	4.14	-3.48
2021	-2.48	6.56	1.11	-.41	6.50	.89	-.26	8.69	2.84	.30	-3.90	2.18
2020	-1.70	-6.36	-23.25	14.68	-2.84	7.53	7.49	2.84	-1.23	3.51	11.39	7.81
2019	-.29	-.36	7.70	1.07	1.49	-1.12	-5.69	-.85	4.09	3.51	1.50	.93
2018	4.72	-4.85	-3.61	6.19	-.03	-.20	5.99	2.85	-6.42	-4.98	4.72	-.13
2017	4.59	3.72	3.31	1.42	3.41	-1.04	5.84	-1.58	-1.30	5.59	-1.05	2.97
2016	-4.82	-7.62	10.75	1.44	3.95	1.56	4.23	1.71	-1.99	.17	-4.65	-.47

However, seasonality data suggests that after the initial shake-off, market conditions tend to improve. While the current phase is a testing period for equities, historical trends indicate a more constructive outlook as the weeks progress.

Note: All images sourced from Spider Software India.

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