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Nifty Outlook

22nd September 2025



Market showing resilience with a higher high in Monthly chart

Nifty has resumed its upward trajectory following a two-month corrective phase, registering a higher high on the monthly chart for the first time in three months. Despite a slew of macro headwinds—including escalating geopolitical tensions and tariff-related developments—the Indian equity markets have demonstrated remarkable resilience. The recent consolidation phase appears to have served as a healthy retracement within a broader bullish structure, with price action reaffirming the underlying positive sentiment and risk appetite among market participants.

Looking ahead, we anticipate Nifty to sustain its bullish momentum and make a decisive move toward retesting the all-time high of 26,277 in the coming months. A breakout above the same will open the gates for a rally towards our projected target zone of 26,800–27,000 by March 2026. In this context, a 'buy-on-dips' approach remains strategically sound, with strong support is placed near the 24,400–24,300 levels, which we do not foresee being violated in the near term.

Target of 26,800–27,000 based on the 123.6% external retracement of the entire decline (26,277–21743) and measuring implication of the recent range (25,669–24,337)

Short term support at 24,400–24,300 based on the 20 weeks EMA and the almost identical low of the last two months.

Immediate support at 24,800–24,700 levels being the confluence of the 20- & 50-days EMA and the rising trendline support joining the major lows of CY25.

Sectors to watch out:

Relative Strength: Banks, Auto, Metals and Consumption

Bargain buy opportunity: PSU, Telecom, Capital Goods





Nifty has already taken 12 weeks to retrace just 38.2% of its preceding 12 weeks rally (21744-25669). A shallow retracement signals overall strength.

Index has key support at 24,400-24,300 levels which we do not expect to breach. While short term support is placed at 24,800-24,700 levels.

We believe dips provide buying opportunity in quality large and midcap stocks.

We expect the index to gradually head higher towards 26,800-27,000 in the coming two quarters.

Bullish Crossover of 20- & 50-days EMA

Nifty has witnessed a bullish crossover, with the 20-day Exponential Moving Average (EMA) crossing above the 50-day EMA—a classic trend-following signal that typically indicates a strengthening of upward momentum. This crossover reflects a shift in medium-term market sentiment, suggesting that buying interest is gaining traction. Such a development often marks the early stages of a sustained uptrend. As long as the shorter-term EMA continues to trend above the longer-term EMA, the near-term bias is expected to remain constructive.

On 12th September 2025, Nifty triggered a bullish crossover as the 20-day Exponential Moving Average (EMA) crossed above the 50-day EMA, signaling a potential trend reversal to the upside. Historically, such crossovers have acted as reliable trend-confirmation signals, often leading to sustained rallies in the index.

An analysis of the past 10 years reveals that this technical event has occurred 12 times. Notably, post-crossover performance has been robust, with the index continuing to trend higher in all the instances.

Here's a statistical snapshot of these occurrences:

- ✓ Number of bullish crossovers (last 10 years): 12
- ✓ Average return post-crossover: +20% → Implying a potential target of ~30,136 from the current crossover level of 25,114
- ✓ Minimum observed return: +3% → Targeting ~25,867
- ✓ Median return: +12% → Targeting ~28,127

This historical pattern suggests that the current setup could mark the beginning of a strong upward move, making it a technically favorable environment for positional long trades. The details of the past 10-year bullish crossover of 20- and 50-days EMA are highlighted in the table next page.

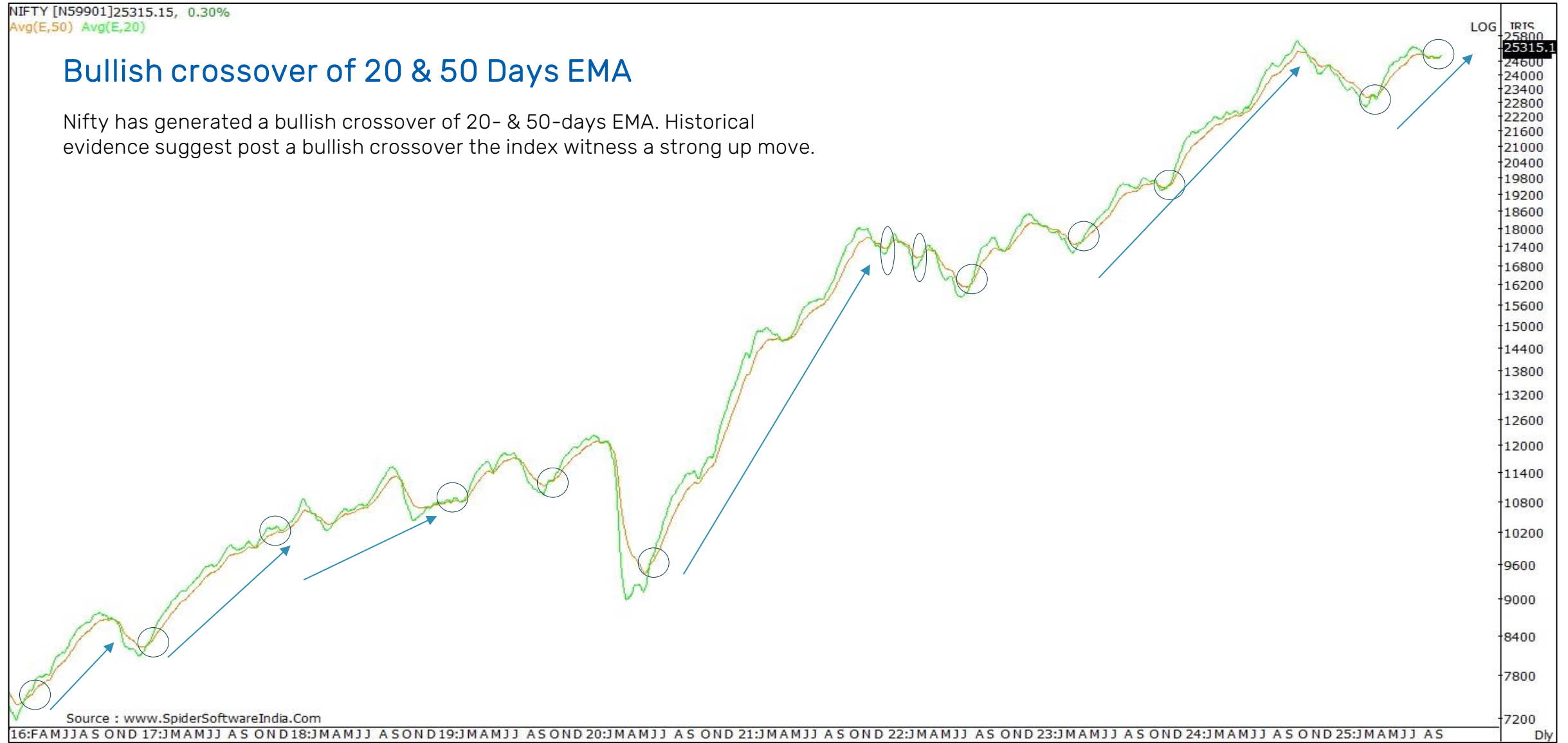
Historical Bullish Crossover of 20- & 50-days EMA of last 10 years

Date	Nifty	Date	High post crossover	Gain	Days Taken
12-Sep-25	25114	?	?	?	?
17-Apr-25	23851.65	30-Jun-25	25669.35	8%	74
17-Nov-23	19731.8	27-Sep-24	26277.35	33%	315
25-Apr-23	17769.25	15-Sep-23	20222.45	14%	143
25-Jul-22	16631	14-Dec-22	18696.1	12%	142
01-Apr-22	17670.45	04-Apr-22	18114.65	3%	3
07-Jan-22	17812.7	18-Jan-22	18350.95	3%	11
08-Jun-20	10167.45	19-Oct-21	18604.45	83%	498
27-Sep-19	11512.4	14-Jan-20	12374.25	7%	109
17-Dec-18	10888.35	03-Jun-19	12103.05	11%	168
19-Apr-18	10565.3	29-Aug-18	11753.2	11%	132
17-Jan-17	8398	29-Jan-18	11171.55	33%	377
14-Mar-16	7538.75	22-Sep-16	8893.35	18%	192
			Average	19.70%	180

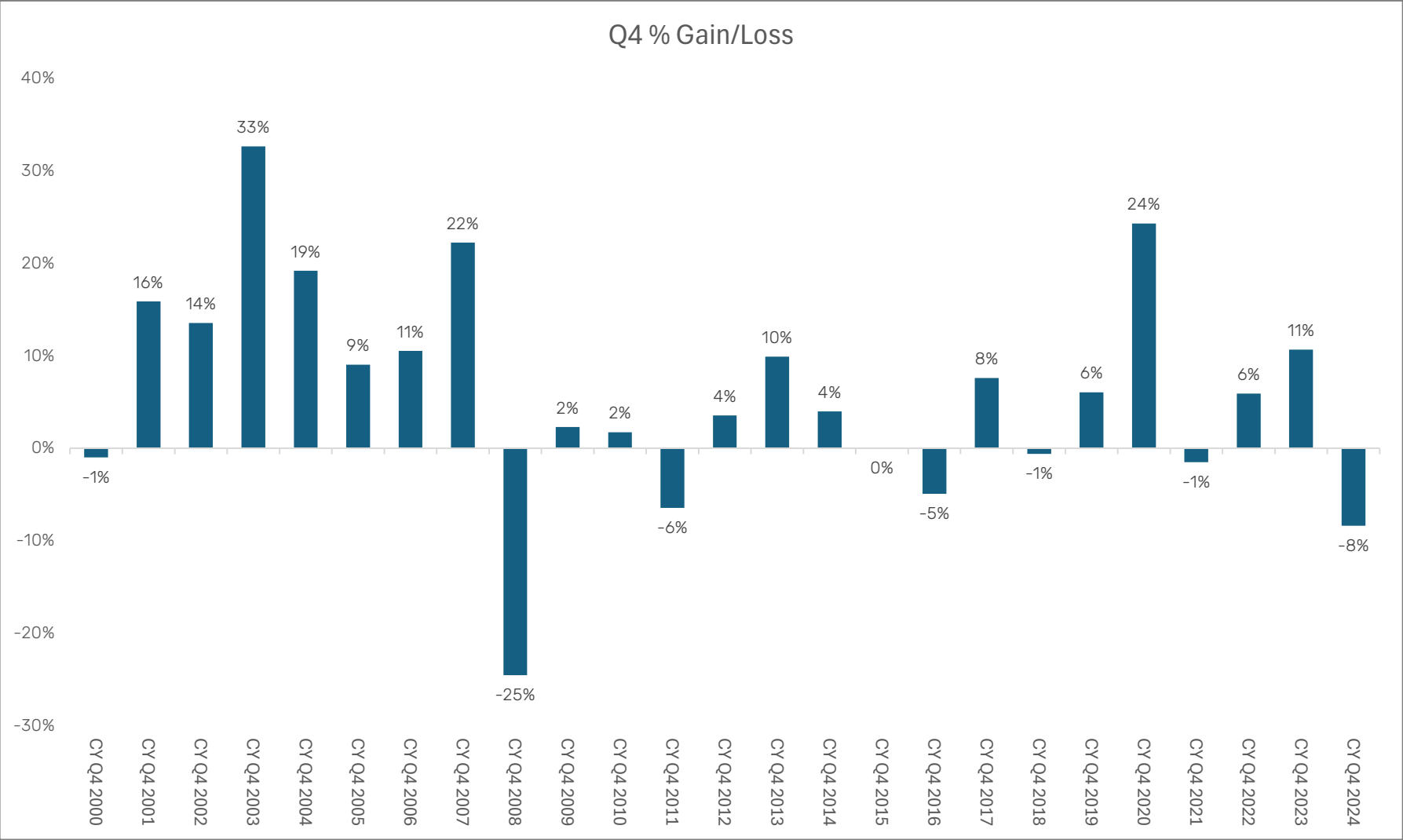
Post the crossover of 20 & 50 Days EMA. We have taken the levels only if the bullish crossover sustained for more than 4 days.

The latest bullish crossover of 20 & 50 Days EMA has taken place on 12 September 2025 and in the last four sessions the crossover is intact.

Maximum drawdown post the crossover was 4% while the average drawdown is 2.2% post the bullish crossover of 20 & 50 days EMA.



Seasonality supports the Bull

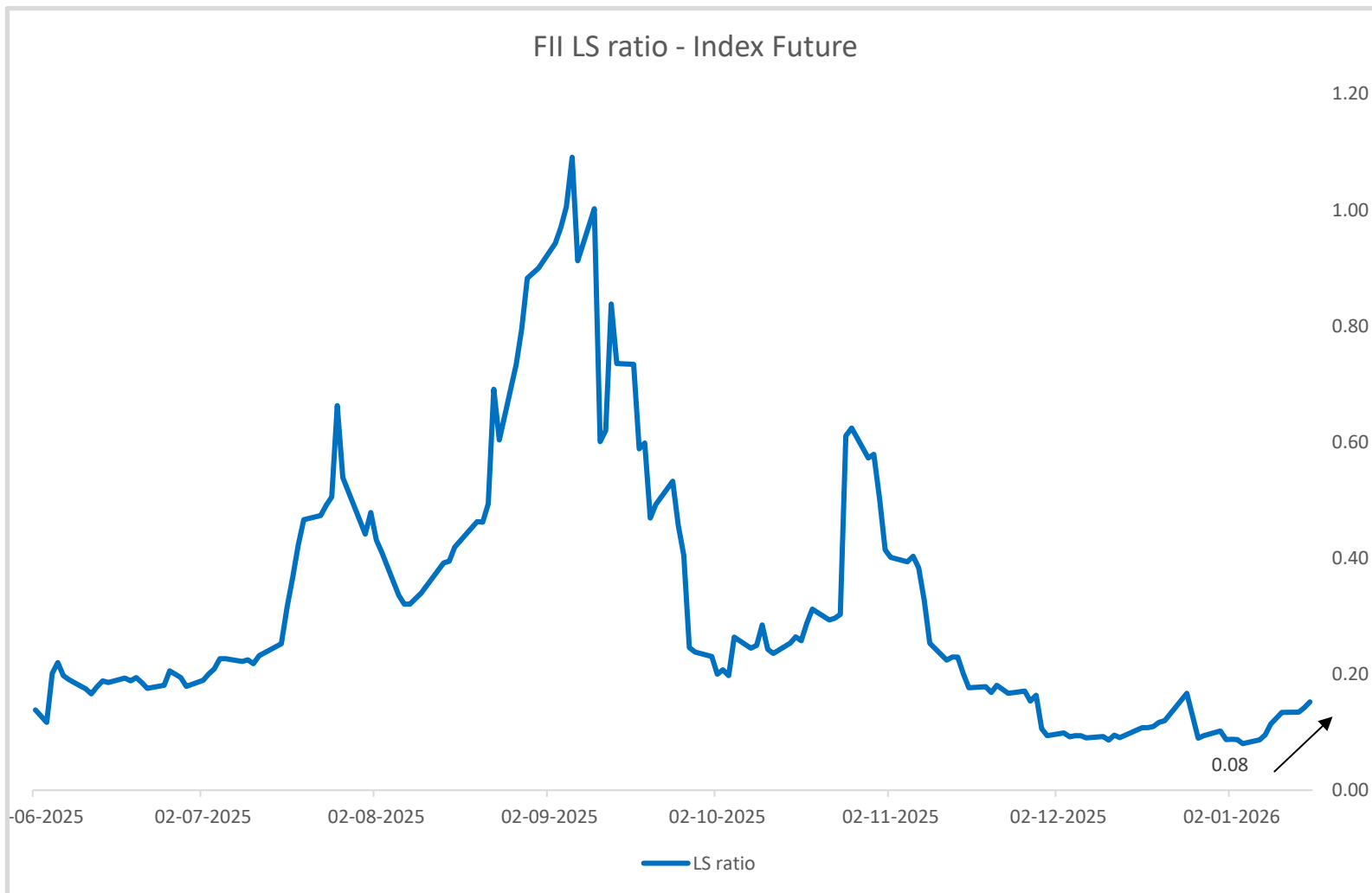


The last quarter of the calendar year has been generally positive for the Indian market.

The study of the last 25 years shows a healthy strike rate of 72% in the last quarter

The Average return for the last 25 years in the last quarter of the year is 4%

Early signs of FII short covering



FII Positioning

FII's exited 8,267 short contracts in Index Futures in yesterday's session and created fresh longs of 634 contracts.

They have been covering shorts since 12th September and have covered ~32,340 short contracts while adding just 3140 long contracts in the same period.

FII Long-Short Ratio has bounced sharply from all-time low of 0.08 to 0.15.

On that day (05 Sept), FIIs held only 16,715 longs vs. a massive 2,08,130 shorts in Index Futures – the lowest ratio in recent history.

Shift in Trend

Since 05 Sept, Nifty Futures have rallied 700+ points, and FIIs to begin covering shorts.

As a result, the Long-Short Ratio has improved from 0.08 → 0.15 today.

Current FII positioning: 1,77,724 shorts, down sharply from 2,08,130 shorts on 05 Sept.

This reflects early but significant signs of short covering by FIIs.

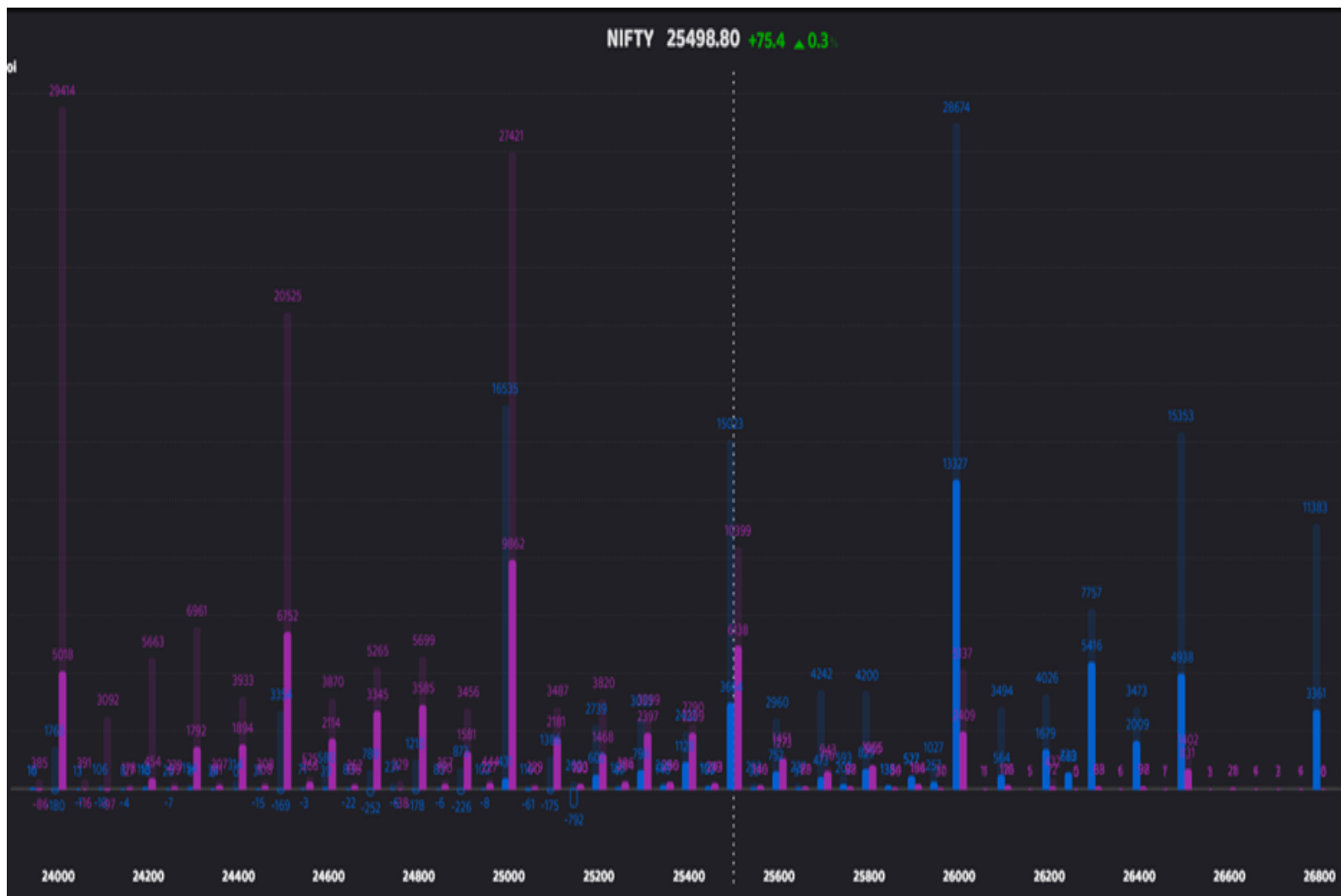
Historical Context

Analysis of past cycles shows that a Long-Short Ratio above 0.30 is the threshold for confirmation of a sustainable FII-led short covering rally.

Historically, once FIIs' ratio crosses 0.30, every time Nifty has delivered average positive returns of 8.2% in subsequent 3 months.

Today's level of 0.14 suggests that the process has begun but full confirmation is still awaited.

Nifty option chain analysis



October Series Nifty Option Chain: Analyzes open interest (OI) changes over the past week, indicating a bullish trend.

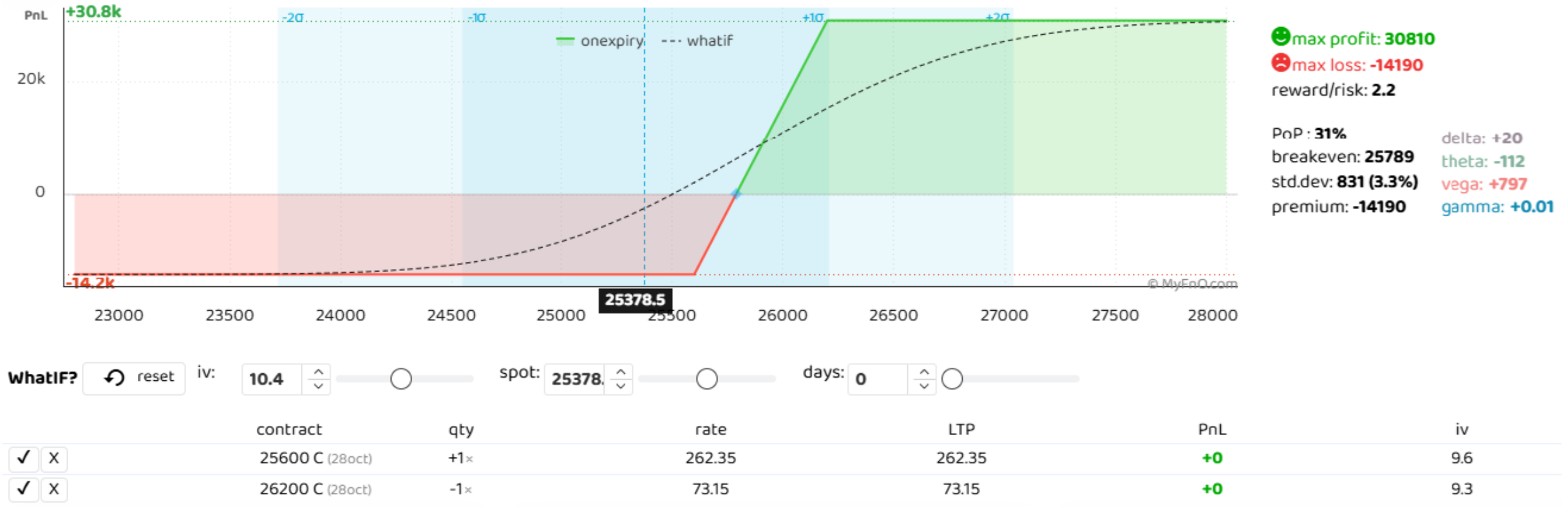
Range: Covers strikes between 25,000 and 26,000.

Bullish Signal: Significant put writing at in-the-money strikes, especially at 26,000 and 26,500.

Put Writing Significance: Reflects strong confidence among put writers that Nifty will exceed these levels, supporting a bullish outlook.

Call OI Addition: Increased call OI above 26,000 is less relevant, as out-of-the-money call writing is not very significant indicator.

Nifty option strategy – Bull call spread (Oct Series)



Based on the bullish outlook outlined in this report, we suggest implementing a bull call spread strategy for the Nifty October series. We anticipate Nifty surpassing its all-time high of 26,277 in the near term. The October series Nifty Future is currently trading around 25,500. This strategy offers limited risk with a favourable risk-reward ratio of 1:2, with strike prices selected to optimize potential returns.

Strategy
 Buy 1 lot 25600 CE (28th Oct) @ 262.35
 Sell 1 lot 26200 CE (28th Oct) @ 73.15
 Max Risk: 14,190
 Max Profit: 30,810
 Risk Reward: 1:2

Breakeven: 25,789
 Margin required: 1,50,000



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