
Technical Strategy: History has rhymed itself; time to buy...

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Technical Outlook

After 18 months of consolidation and a 16% correction, the index has reached **price and time wise maturity** while successfully weathering a series of headwinds ranging from geopolitical tensions to shifting tariff policies. This historical template signals a durable bottom, paving the way for the next major leg of the bull market.

The current market trajectory closely **mirrors the volatility observed during the Russia-Ukraine conflict**, exhibiting a near-identical magnitude of correction. While we remain focused on long-term trend, the immediate volatility from global trade and geopolitical tensions necessitates moderation of FY-27 target to 28,800. However, such a move would not be in a linear manner as bouts of volatility would prevail wherein strong **support is placed at 21200 levels**. Consequently, investors should view any interim market corrections as opportunities to accumulate quality stocks to strengthen their medium-term portfolios.

Our constructive bias is based on the following observations:

- ✓ Historically, **bull market major corrections** have typically bottomed out near 17% while finding strong support in the vicinity of the 200-week EMA and served as a foundation for a median 30% rally over the following nine to twelve months
- ✓ Since 1996, **four-to-five consecutive months losing streaks** have occurred only five times, garnering 30% rally over the next 6-12 months.
- ✓ Historically, **exhaustion in India Vix** paves the path to recovery, garnering 25% returns in subsequent six months
- ✓ Past 4 Decades data suggests, **six major Geopolitical escalations** have marked market bottoms once the anxiety settles down; history shows that investing during such panic yields significant long-term rewards.
- ✓ Historically, **spikes in crude oil driven by geopolitical conflict have proven to be temporary**. As oil prices retreat from these levels, the resulting market exhaustion often marks a durable bottom in equities
- ✓ **Bank Nifty**: Post-COVID, intermediate corrections have consistently stabilized near 20-22%, serving as a launchpad for subsequent 30% average gains.
- ✓ A **significant rebound in market breadth** marks a definitive turning point, setting the stage for the next major upward move
- ✓ Breakdown in US Dollar index has been boon for emerging markets on expectation of FII's inflow

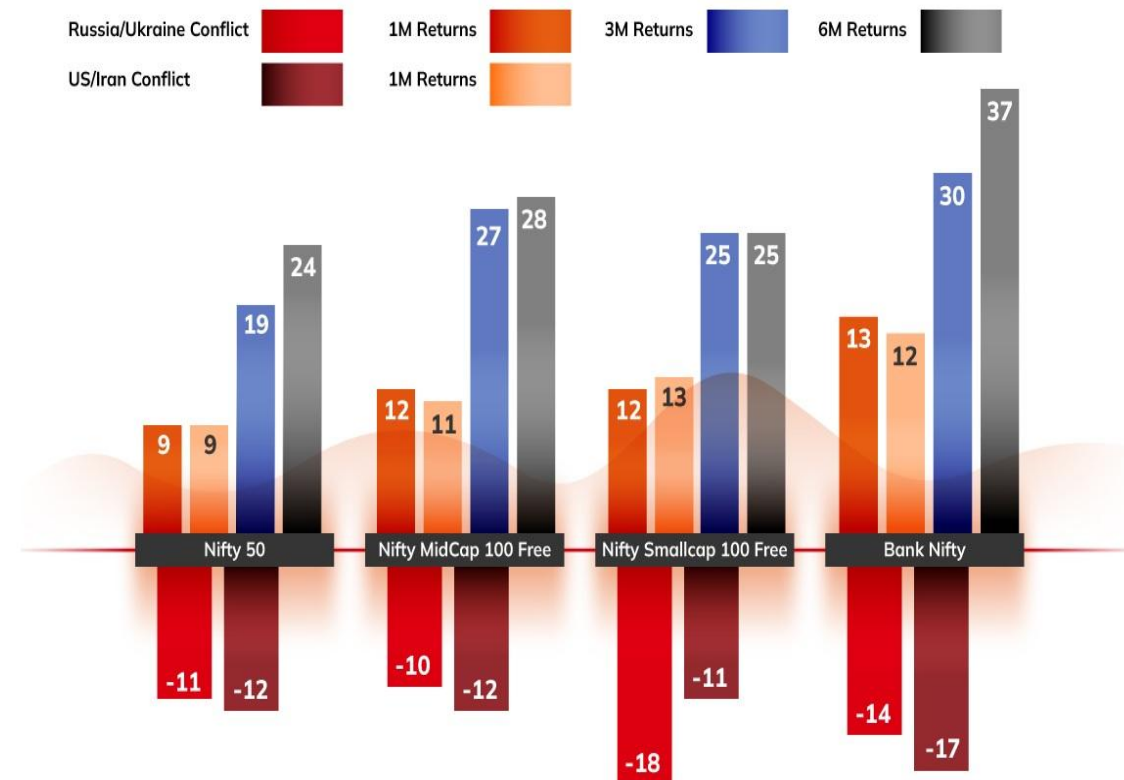
Source: Spider Software, ICICI Direct Research

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Market performance mirroring Russa/Ukraine conflict phase

In tandem with the Russia/Ukraine conflict, index appears to be **mirroring current geopolitical scenario**, wherein war induced correction arrested around 11% and subsequent one month rally was 9%



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Stocks in Focus

Outperformers

BFSI

Kotak Bank
Axis Bank
Bank of Baroda
Bajaj Finserv
South Indian Bank
NAM India

Oil&Gas , Power

Reliance Inds
HPCL
MRPL
NTPC
Tata power
JSW Energy

Other

Bhart Airtel
Indo Count
Elgi Equipment
Data Pattern
Syрма
NRB Bearings

Market Performers

Infra & Metal

Ultratech Cement
JK Lakshmi
Adani Port
Tata Steel
Hindalco
Graphite

Pharma

Dr. Reddy
Divis Labs
Aurobindo Pharma
HCG
Navin Fluroine
SRF
Sumitomo Chemical

IT

Infosys
TCS
LTM
Persistent Systems
Sagility
Latent view

Bargain Buy

Capital Goods

L&T
ABB
Thermax
Timken
Voltamp
KPIL
KSB

Real Estate

DLF
Godrej Properties
Prestige
Oberoi Reality
Kajaria Ceramics
Green lam

Auto

M&M
Ashok Leyland
Bajaj Auto
Apollo Tyres
Sansera Eng
Minda Corp

Defence

HAL
BEL
BDL
Mazgaon Dock
Azad Eng
Zen Tech
Astra Microwave

PSU

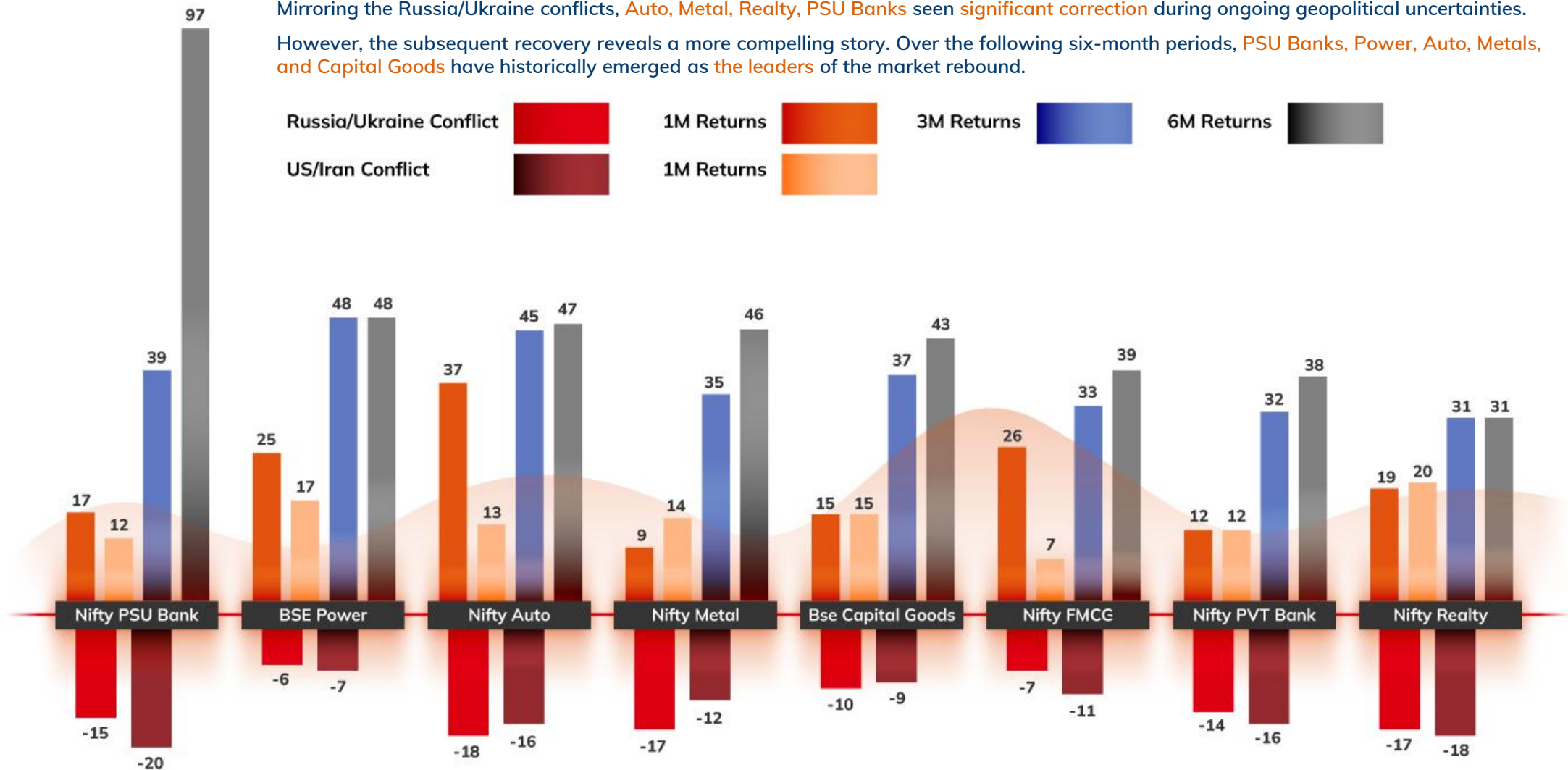
BHEL
Power Grid
Engineers India
PFC
Sail
BEML

Consumption

Titan
Indian Hotel
Asian Paint
Voltas
Blue Stone

Identifying High-Conviction Rebounds via the Russia-Ukraine Template

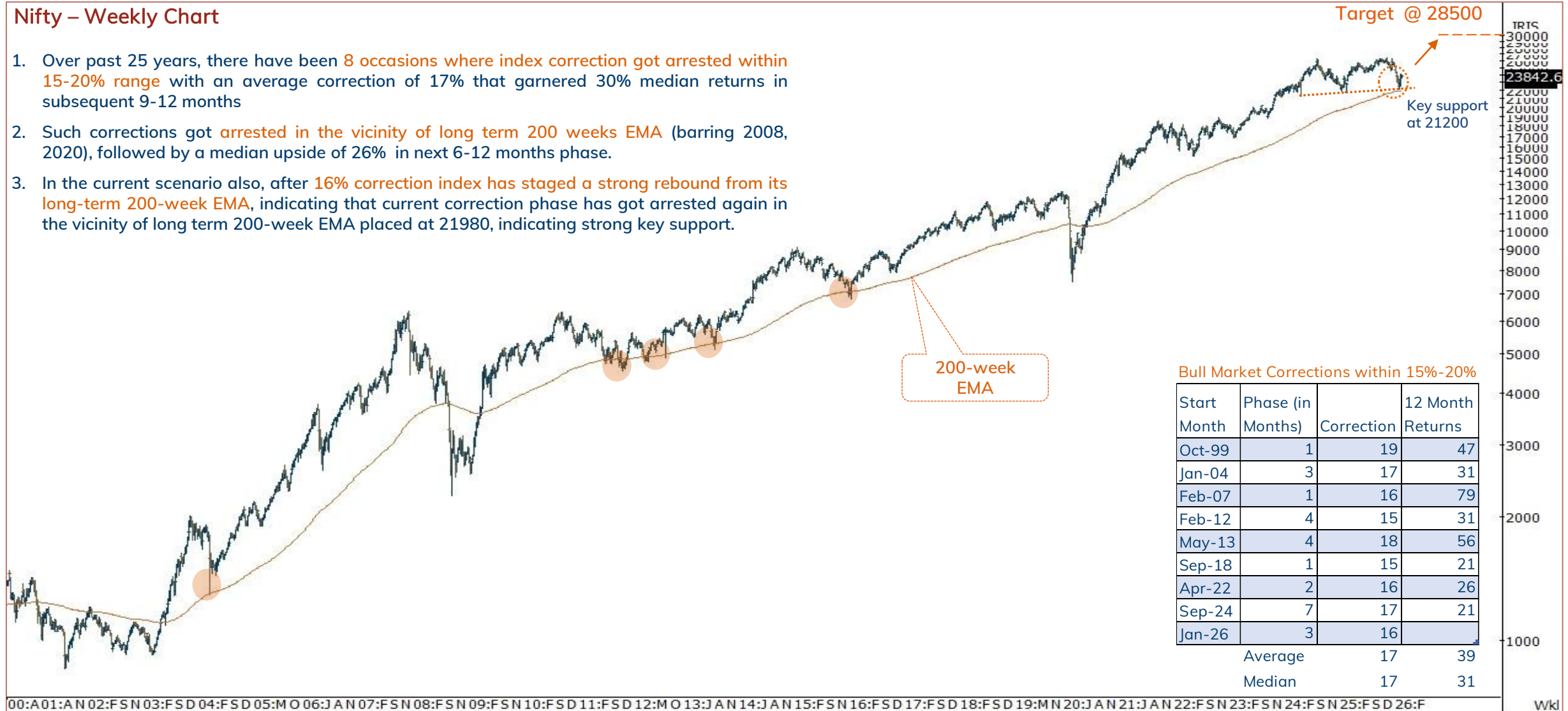
Mirroring the Russia/Ukraine conflicts, **Auto, Metal, Realty, PSU Banks** seen **significant correction** during ongoing geopolitical uncertainties. However, the subsequent recovery reveals a more compelling story. Over the following six-month periods, **PSU Banks, Power, Auto, Metals, and Capital Goods** have historically emerged as **the leaders** of the market rebound.



Nifty: Leveraging the Bull Market Major Correction for Long-Term Gains

Nifty – Weekly Chart

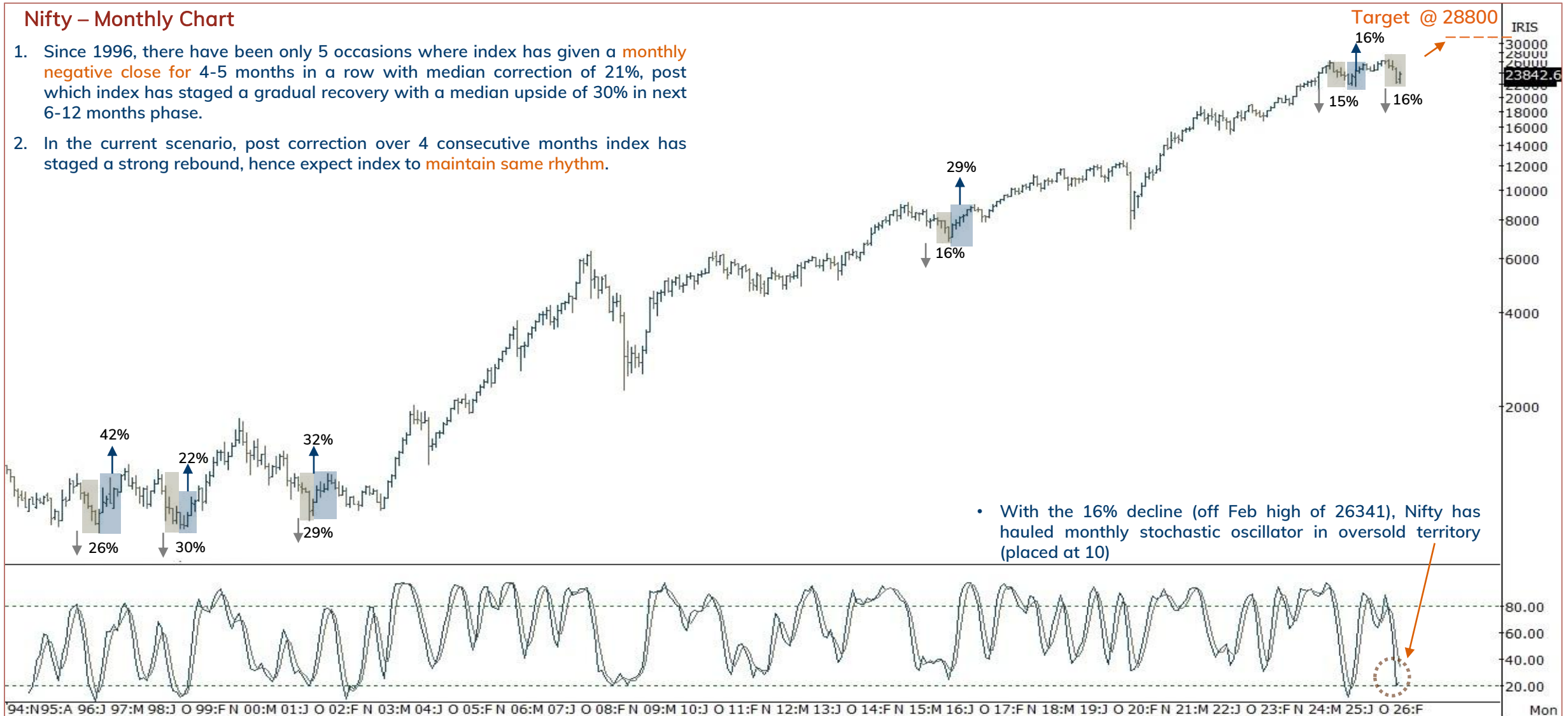
- Over past 25 years, there have been 8 occasions where index correction got arrested within 15-20% range with an average correction of 17% that garnered 30% median returns in subsequent 9-12 months
- Such corrections got arrested in the vicinity of long term 200 weeks EMA (barring 2008, 2020), followed by a median upside of 26% in next 6-12 months phase.
- In the current scenario also, after 16% correction index has staged a strong rebound from its long-term 200-week EMA, indicating that current correction phase has got arrested again in the vicinity of long term 200-week EMA placed at 21980, indicating strong key support.



Capitalizing on Infrequent 4-5 Months Market Slumps

Nifty – Monthly Chart

1. Since 1996, there have been only 5 occasions where index has given a **monthly negative close for 4-5 months in a row** with median correction of 21%, post which index has staged a gradual recovery with a median upside of 30% in next 6-12 months phase.
2. In the current scenario, post correction over 4 consecutive months index has staged a strong rebound, hence expect index to **maintain same rhythm**.



Source: Spider Software, ICICI Direct Research

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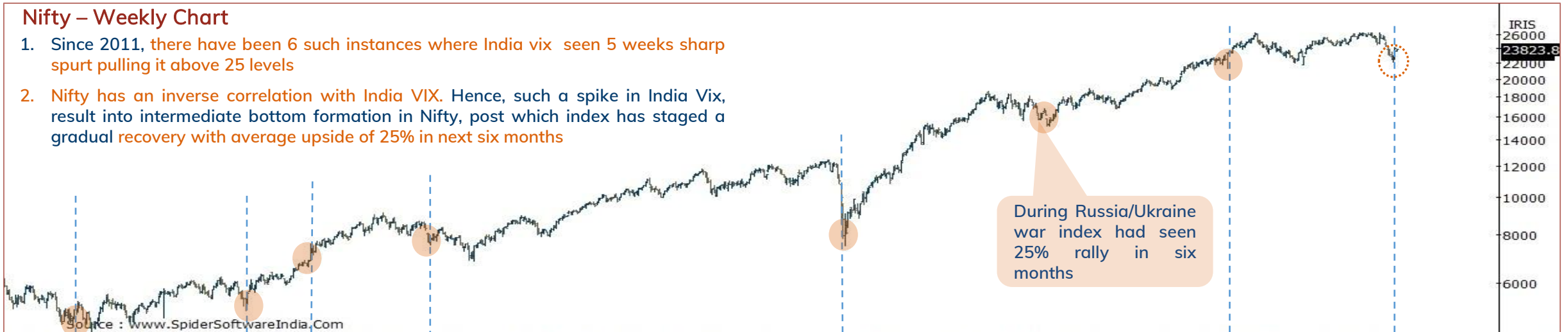
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From Volatility Exhaustion to path to Recovery in Equity

Nifty – Weekly Chart

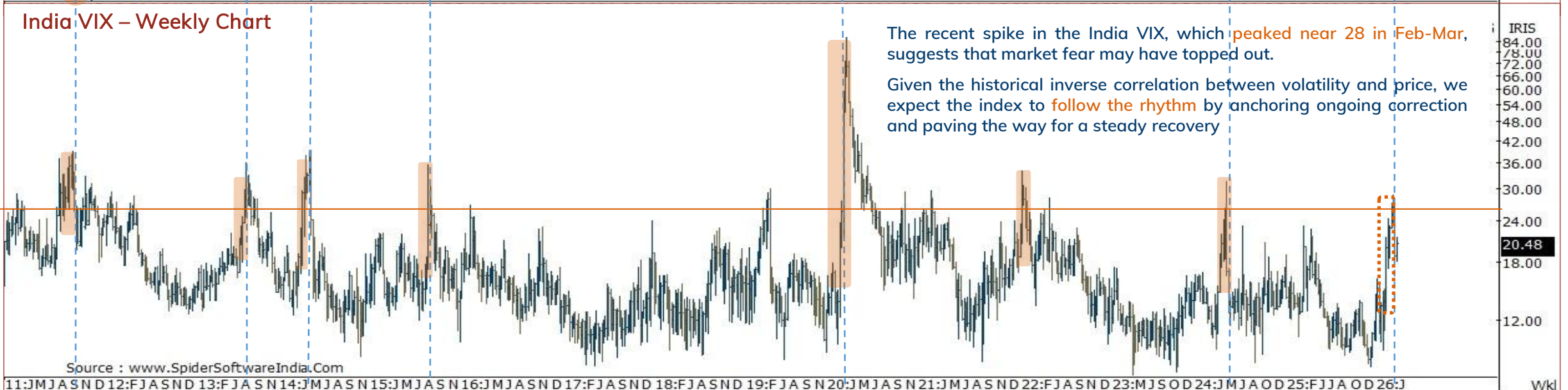
1. Since 2011, there have been 6 such instances where India vix seen 5 weeks sharp spurt pulling it above 25 levels
2. Nifty has an inverse correlation with India VIX. Hence, such a spike in India Vix, result into intermediate bottom formation in Nifty, post which index has staged a gradual recovery with average upside of 25% in next six months



India VIX – Weekly Chart

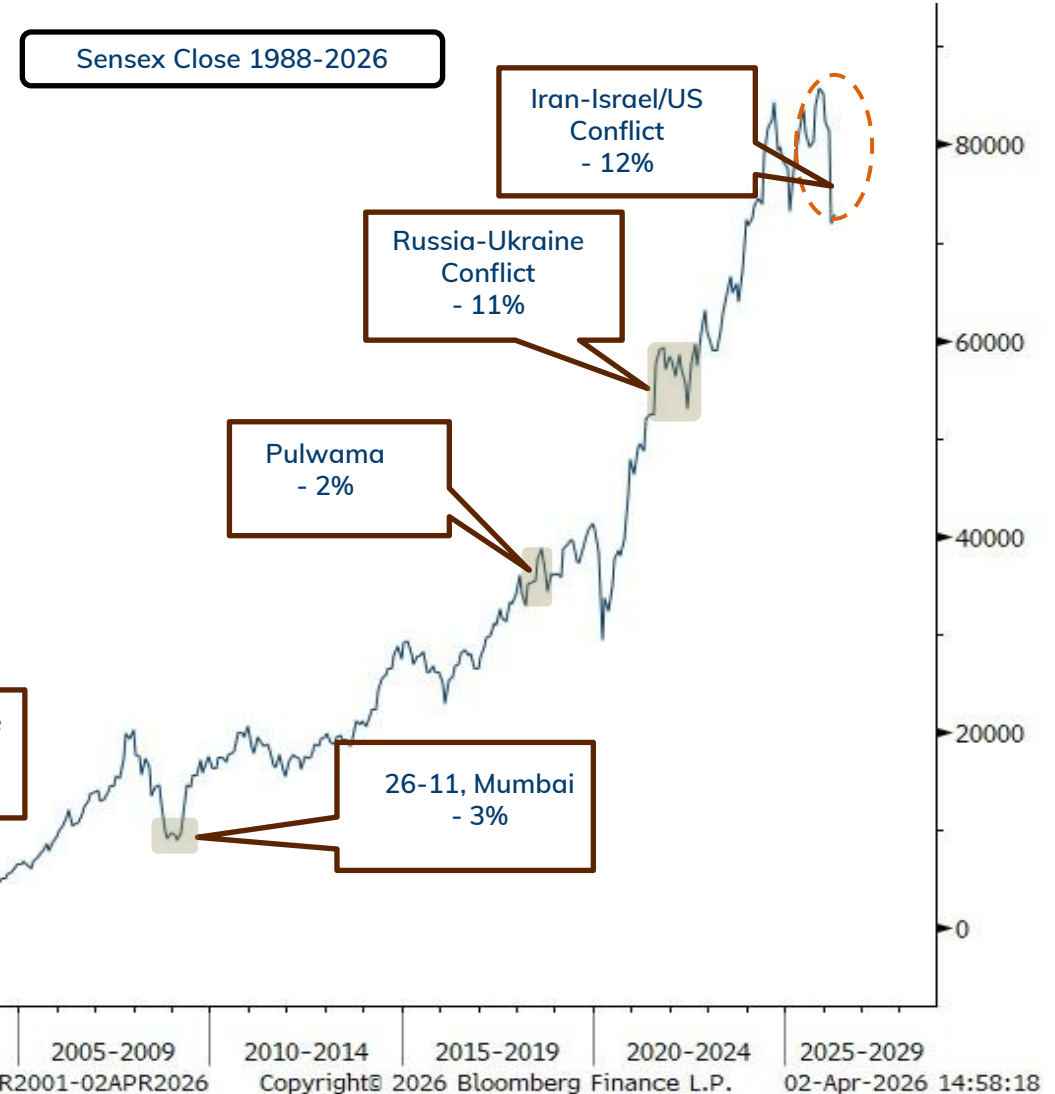
The recent spike in the India VIX, which peaked near 28 in Feb-Mar, suggests that market fear may have topped out.

Given the historical inverse correlation between volatility and price, we expect the index to follow the rhythm by anchoring ongoing correction and paving the way for a steady recovery



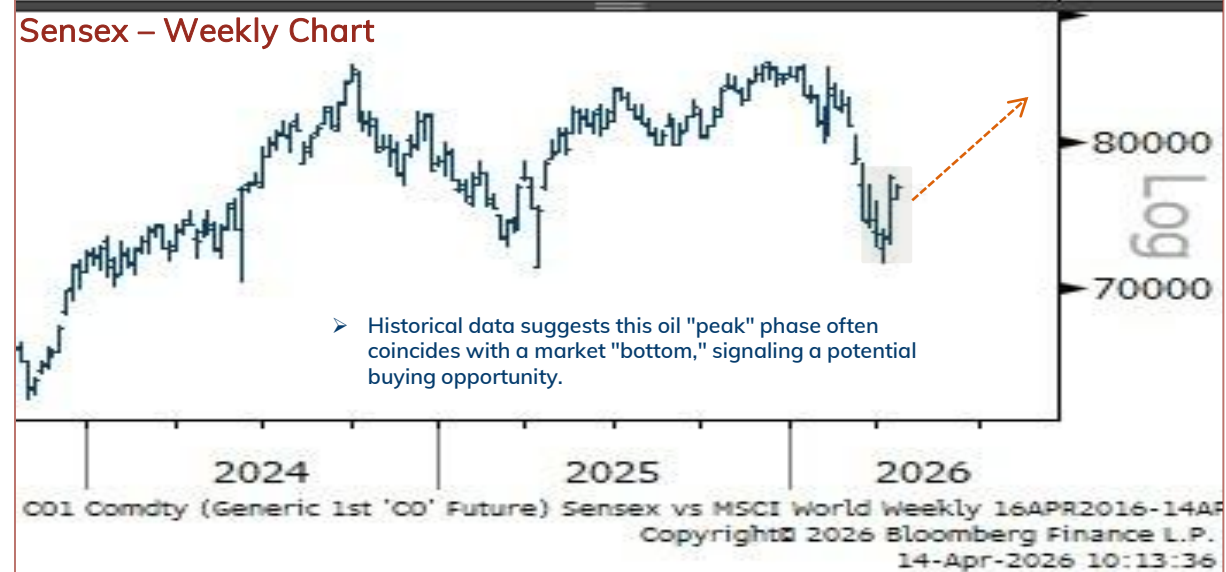
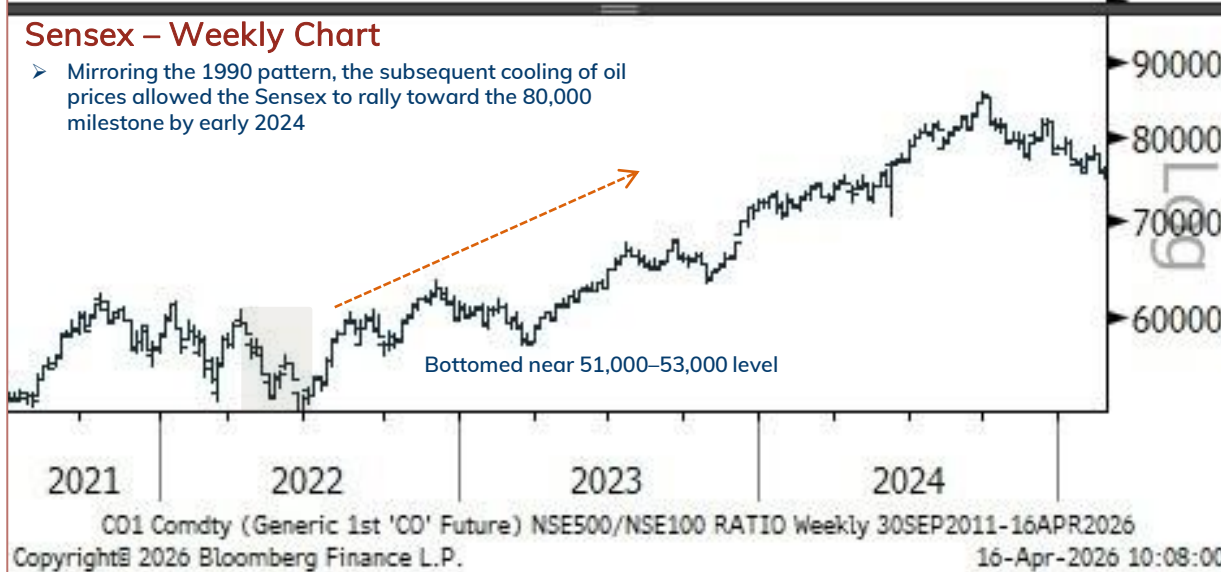
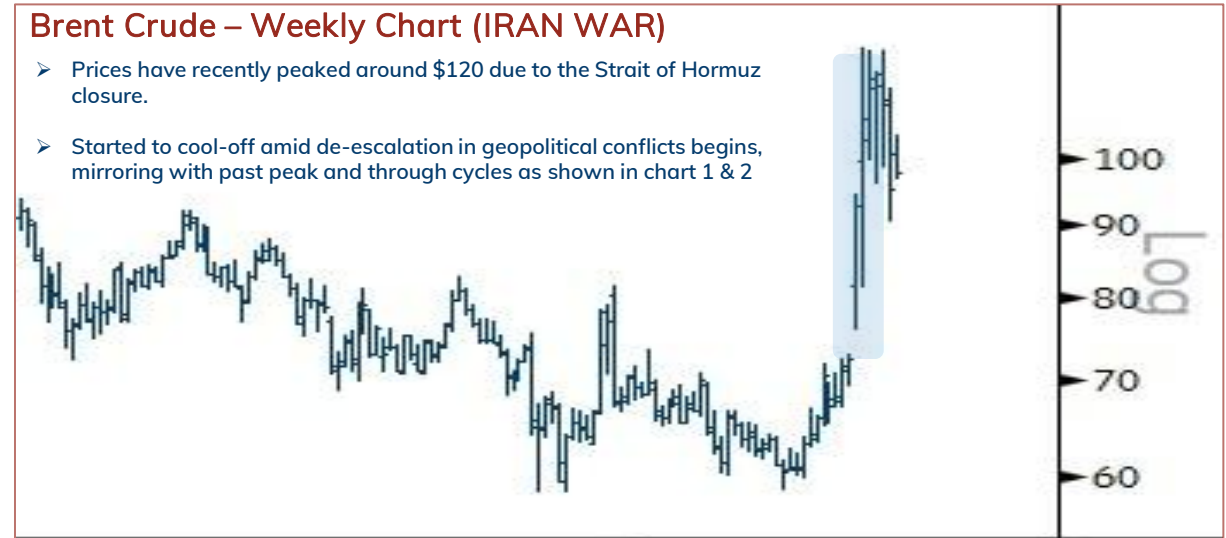
Historically, markets bottom post geopolitical events...

Geopolitical Event	Date	Correction (in %)	Correction duration (in weeks)	Forward Returns from correction low		
				1 Month (in %)	3 Months (in %)	6 Months (in %)
Iraq War	2/8/1990	-14	26	26	39	65
Kargil War	3/5/1999	-11	4	17	33	40
World Trade center	11/9/2001	-18	1	18	35	45
26-11 Mumbai Attack	26/11/2008	-3	1	20	24	36
Pulwama attack	14/2/2019	-2	1	9	12	14
Russia-Ukraine Conflict	24/2/2022	-11	16	7	19	25
Iran-Israel/US Conflict	1/3/2026	-12				
Average		-10	8	16	27	37
Median		-11	3	17	28	38



- During last 4 decades there have seen six major geopolitical escalations. Each occasion Index formed a major bottom due to anxiety.
- Investing during panic scenario with long term mind set has been rewarding. The same is true in the current scenario.
- We advise investors buying the dip to build a quality portfolio.

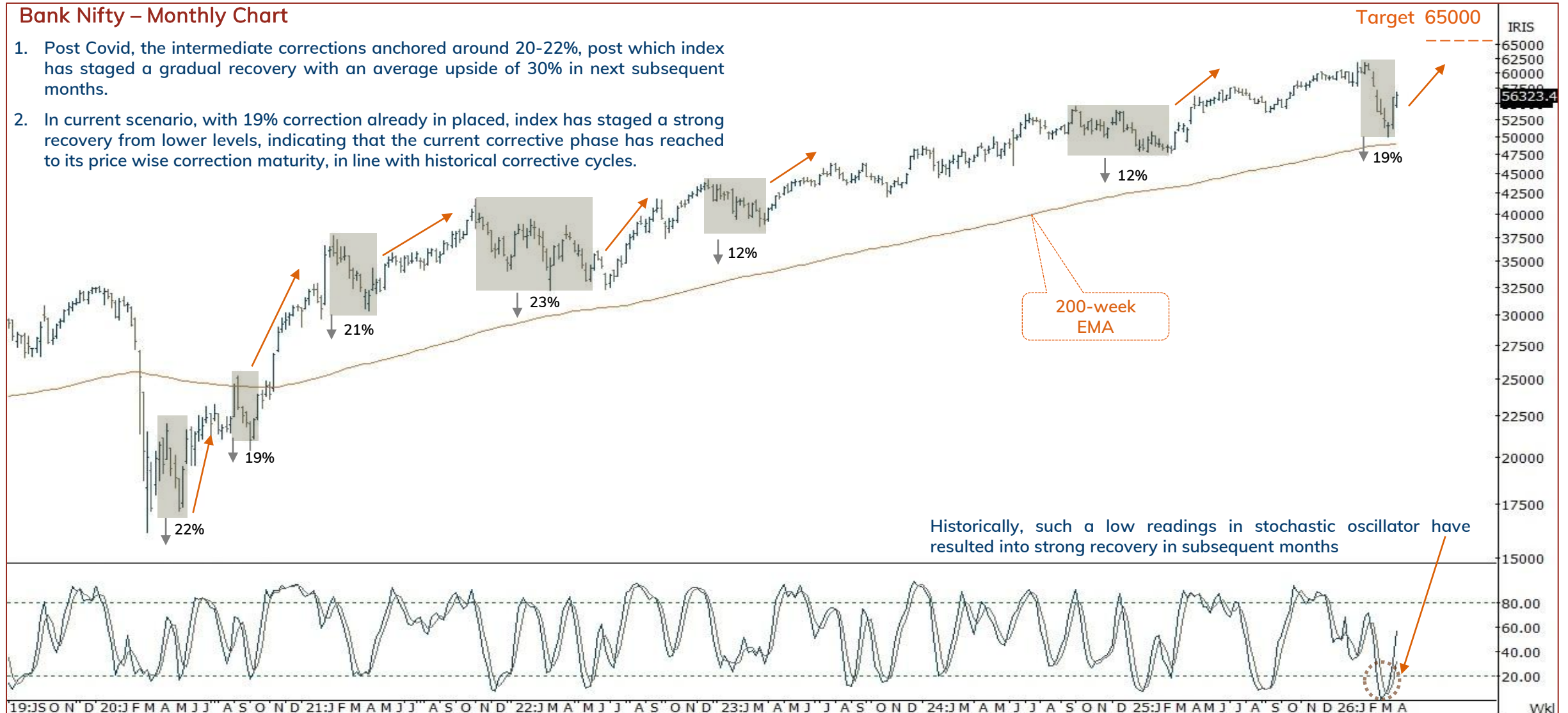
Inverse correlation Brent crude vs Sensex



Bank Nifty price correction mirroring past instances ..

Bank Nifty – Monthly Chart

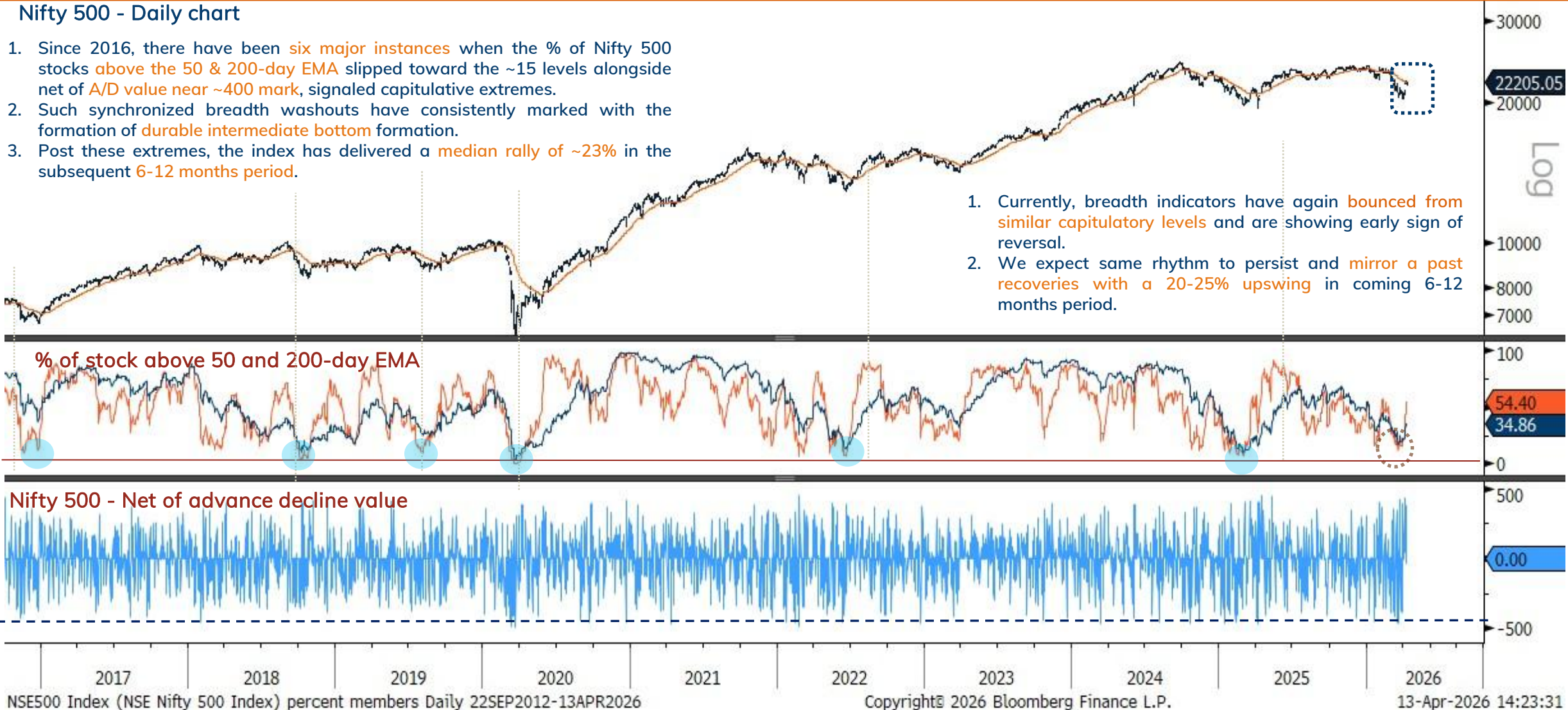
1. Post Covid, the intermediate corrections anchored around 20-22%, post which index has staged a gradual recovery with an average upside of 30% in next subsequent months.
2. In current scenario, with 19% correction already in placed, index has staged a strong recovery from lower levels, indicating that the current corrective phase has reached to its price wise correction maturity, in line with historical corrective cycles.



Market Breadth : At Capitulatory levels offers incremental buying opportunity..

Nifty 500 - Daily chart

1. Since 2016, there have been **six major instances** when the % of Nifty 500 stocks **above the 50 & 200-day EMA** slipped toward the ~15 levels alongside net of **A/D value near ~400 mark**, signaled capitulative extremes.
2. Such synchronized breadth washouts have consistently marked with the formation of **durable intermediate bottom** formation.
3. Post these extremes, the index has delivered a **median rally of ~23%** in the subsequent **6-12 months period**.

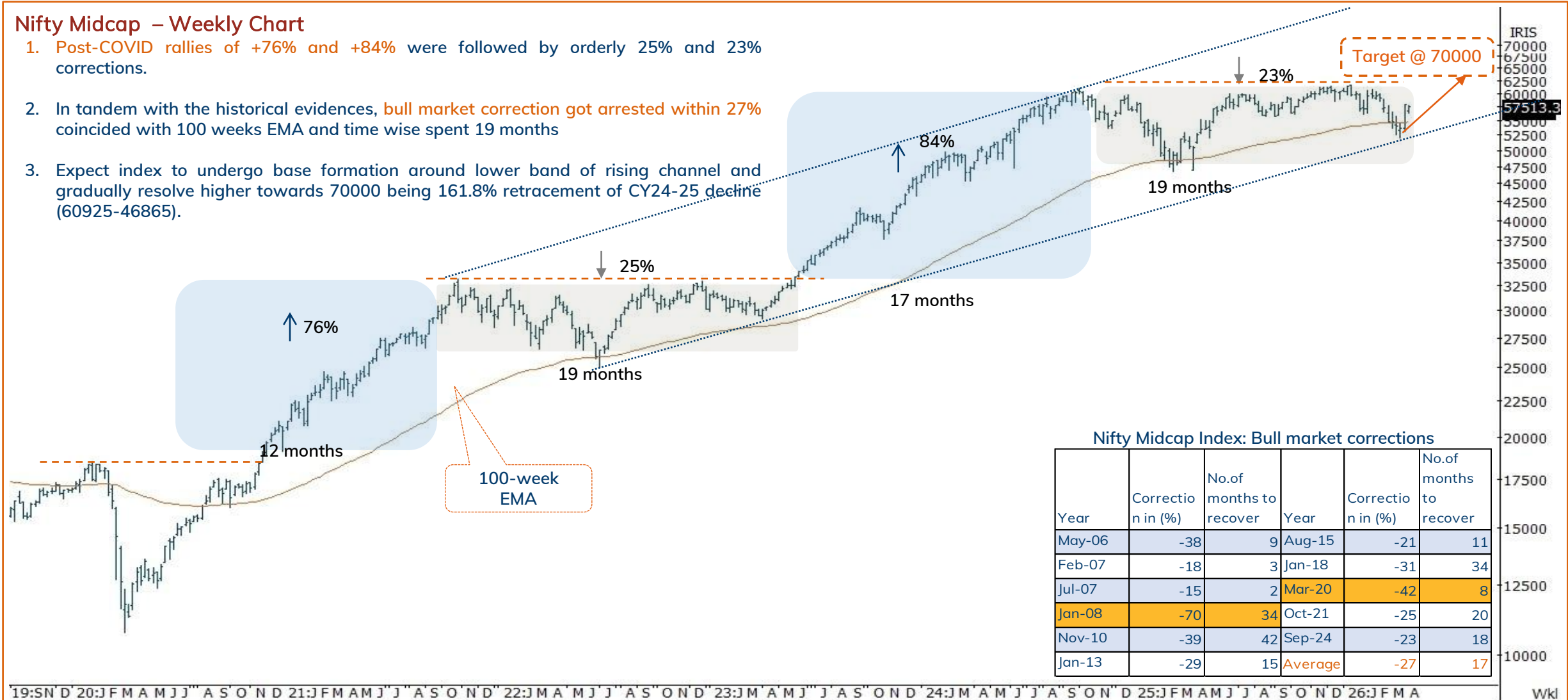


1. Currently, breadth indicators have again **bounced from similar capitulatory levels** and are showing early sign of reversal.
2. We expect same rhythm to persist and **mirror a past recoveries with a 20-25% upswing** in coming 6-12 months period.

Nifty Midcap : Time wise correction approaching maturity...

Nifty Midcap – Weekly Chart

1. Post-COVID rallies of +76% and +84% were followed by orderly 25% and 23% corrections.
2. In tandem with the historical evidences, bull market correction got arrested within 27% coincided with 100 weeks EMA and time wise spent 19 months
3. Expect index to undergo base formation around lower band of rising channel and gradually resolve higher towards 70000 being 161.8% retracement of CY24-25 decline (60925-46865).



Nifty Midcap Index: Bull market corrections

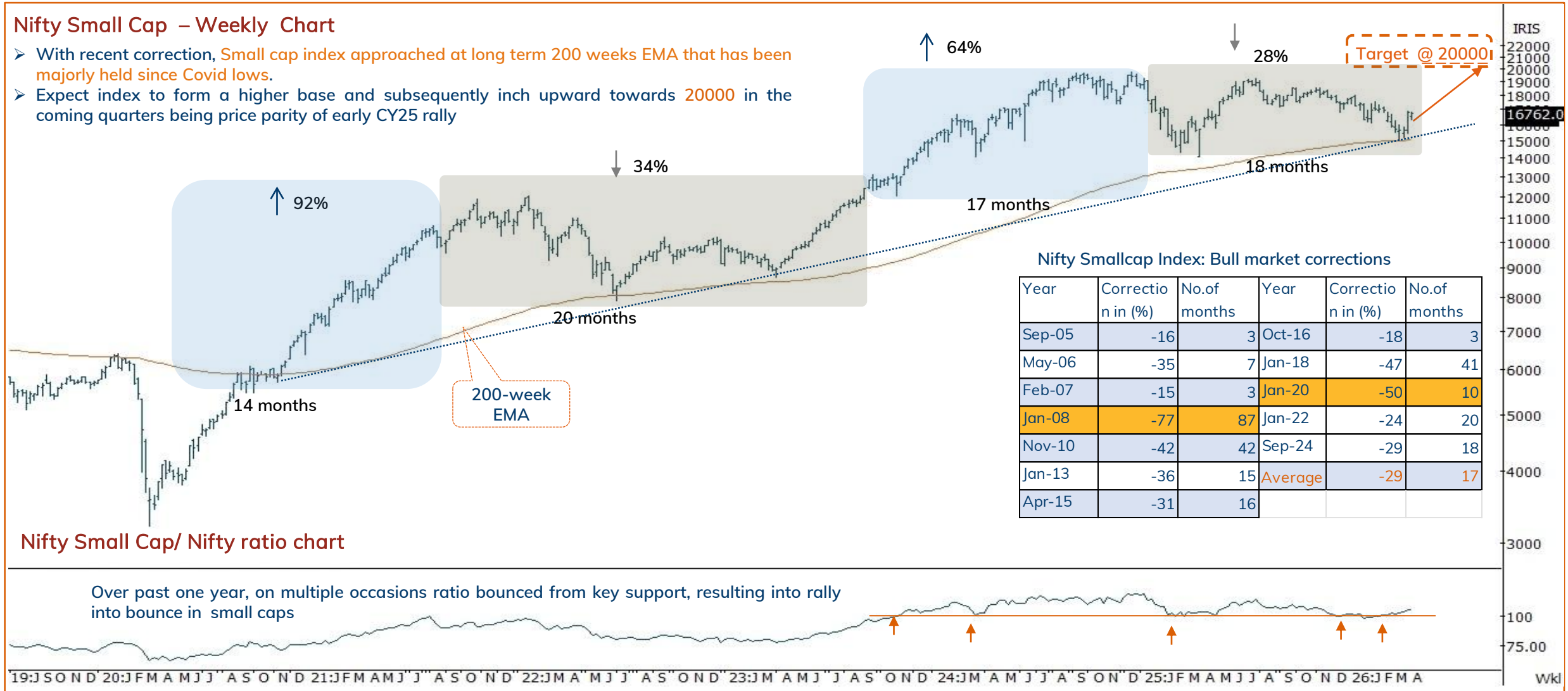
Year	Correction in (%)	No. of months to recover	Year	Correction in (%)	No. of months to recover
May-06	-38	9	Aug-15	-21	11
Feb-07	-18	3	Jan-18	-31	34
Jul-07	-15	2	Mar-20	-42	8
Jan-08	-70	34	Oct-21	-25	20
Nov-10	-39	42	Sep-24	-23	18
Jan-13	-29	15	Average	-27	17

Source: Spider Software, ICICI Direct Research

Small Cap: Corrections part of bull market; ignore noise and start accumulating..

Nifty Small Cap – Weekly Chart

- With recent correction, Small cap index approached at long term 200 weeks EMA that has been majorly held since Covid lows.
- Expect index to form a higher base and subsequently inch upward towards 20000 in the coming quarters being price parity of early CY25 rally



Nifty Small Cap/ Nifty ratio chart

Over past one year, on multiple occasions ratio bounced from key support, resulting into rally into bounce in small caps

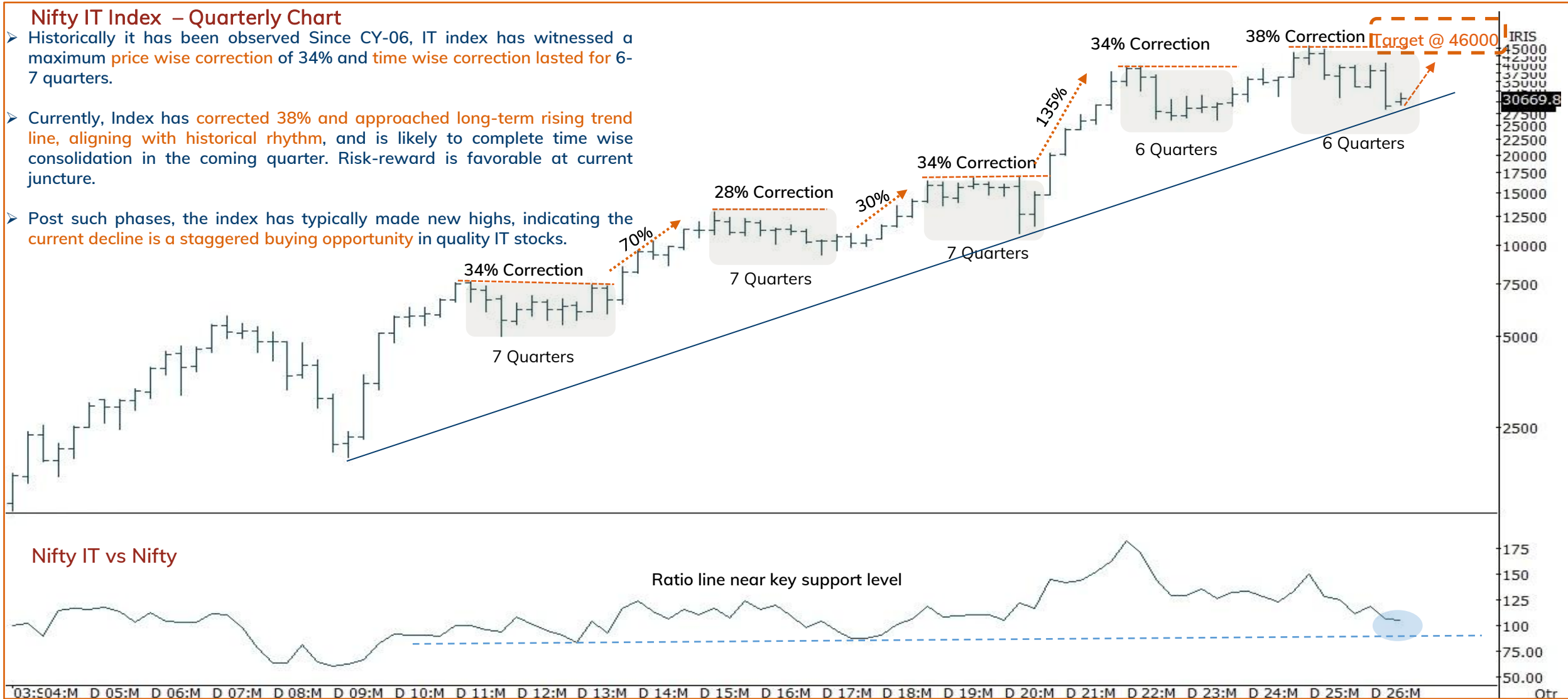


Sectors in focus

IT Sector: Completing Classic Correction Cycle, Prepping for Next High..

Nifty IT Index – Quarterly Chart

- Historically it has been observed Since CY-06, IT index has witnessed a maximum price wise correction of 34% and time wise correction lasted for 6-7 quarters.
- Currently, Index has corrected 38% and approached long-term rising trend line, aligning with historical rhythm, and is likely to complete time wise consolidation in the coming quarter. Risk-reward is favorable at current juncture.
- Post such phases, the index has typically made new highs, indicating the current decline is a staggered buying opportunity in quality IT stocks.



BSE Oil & Gas: Higher base formation reinforces long-term uptrend

BSE Oil & Gas – Monthly Chart

- The index is firming a higher low after rebounding from its prior breakout zone formed during December 2022
- In current scenario Index is establishing a **higher base in vicinity of 24-month EMA**, signalling sustained trend strength and positive price structure.
- The prevailing setup underscores a continuation of **the primary uptrend, supported by rising momentum** conditions.
- **The upper band of the rising channel positions the next structural target at 33,000.**

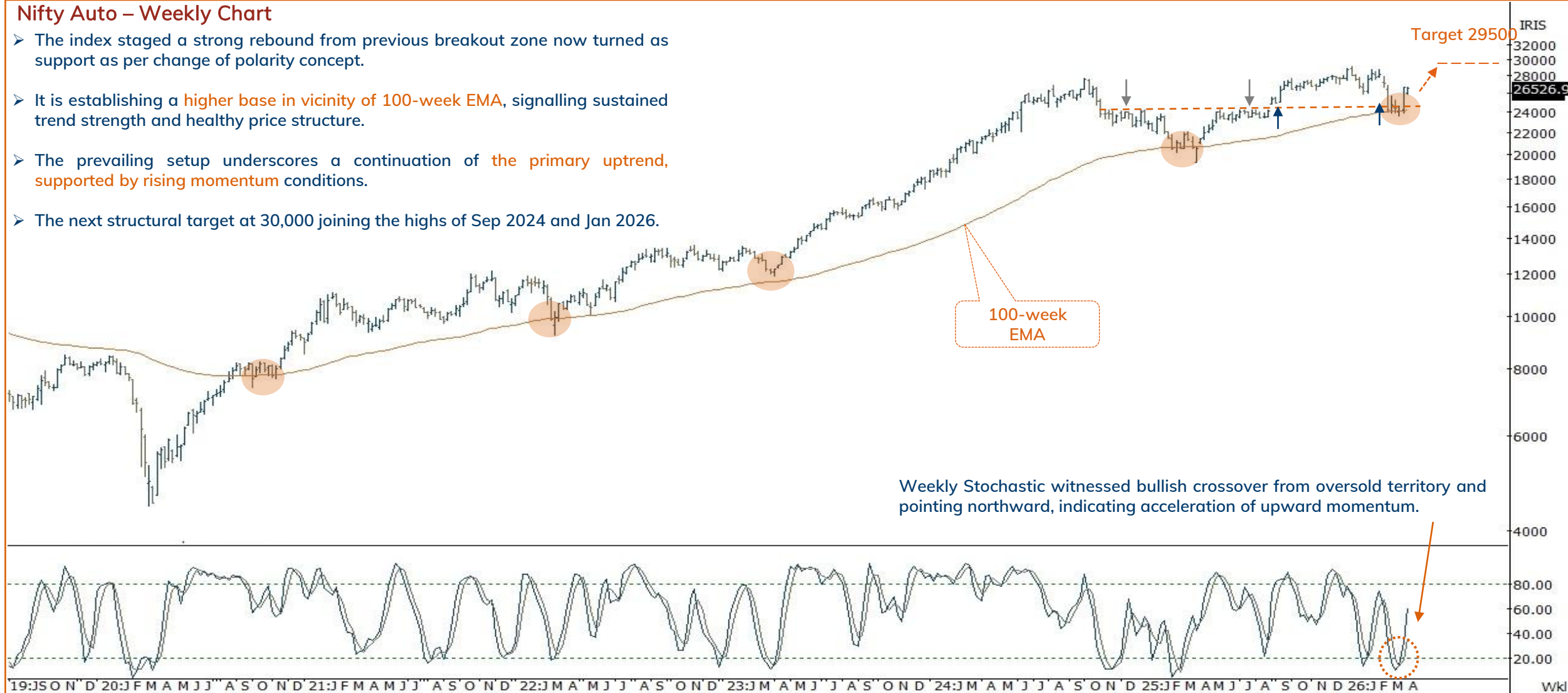


Source: Spider Software, ICICI Direct Research

Nifty Auto: Completing Classic Correction Cycle, Prepping for Next High..

Nifty Auto – Weekly Chart

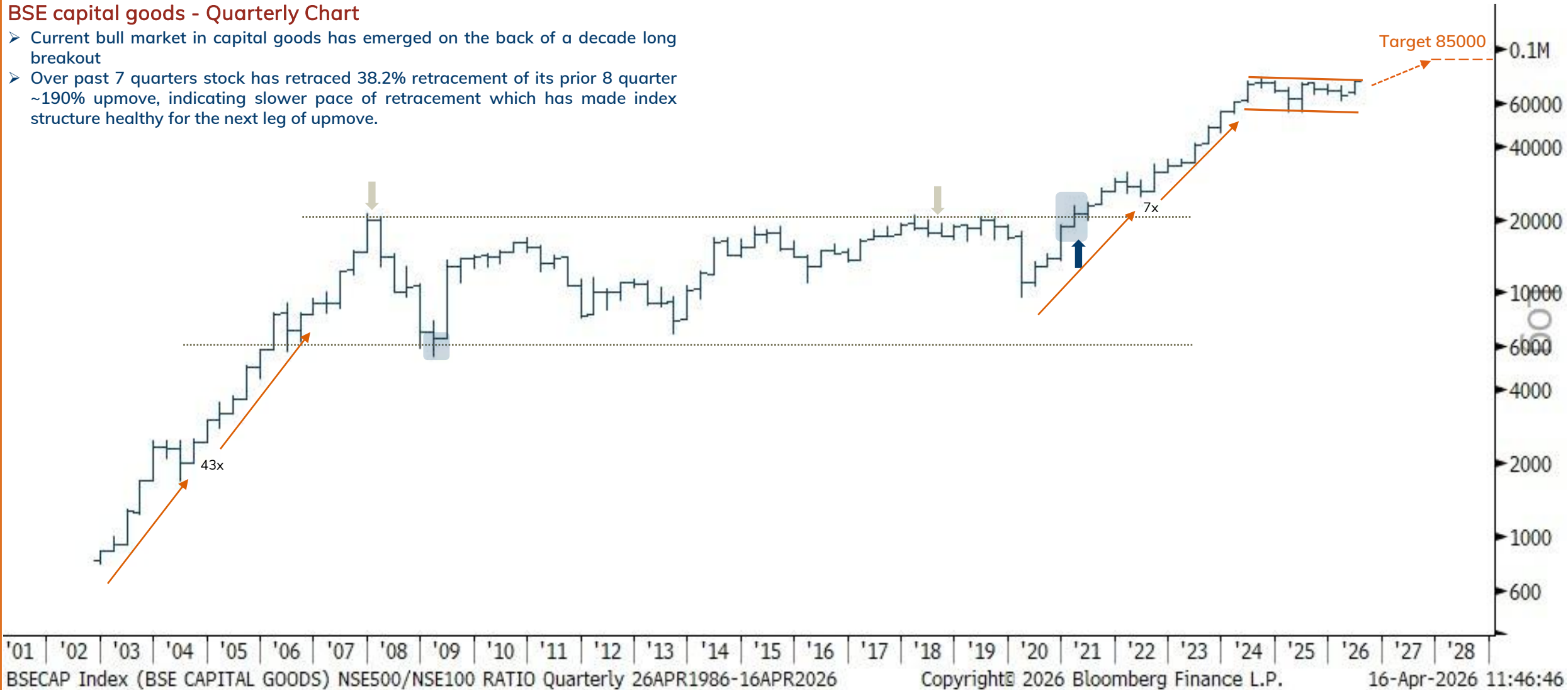
- The index staged a strong rebound from previous breakout zone now turned as support as per change of polarity concept.
- It is establishing a **higher base in vicinity of 100-week EMA**, signalling sustained trend strength and healthy price structure.
- The prevailing setup underscores a continuation of **the primary uptrend, supported by rising momentum** conditions.
- The next structural target at 30,000 joining the highs of Sep 2024 and Jan 2026.



BSE Capital Goods: Completing Classic Correction Cycle, Prepping for Next High..

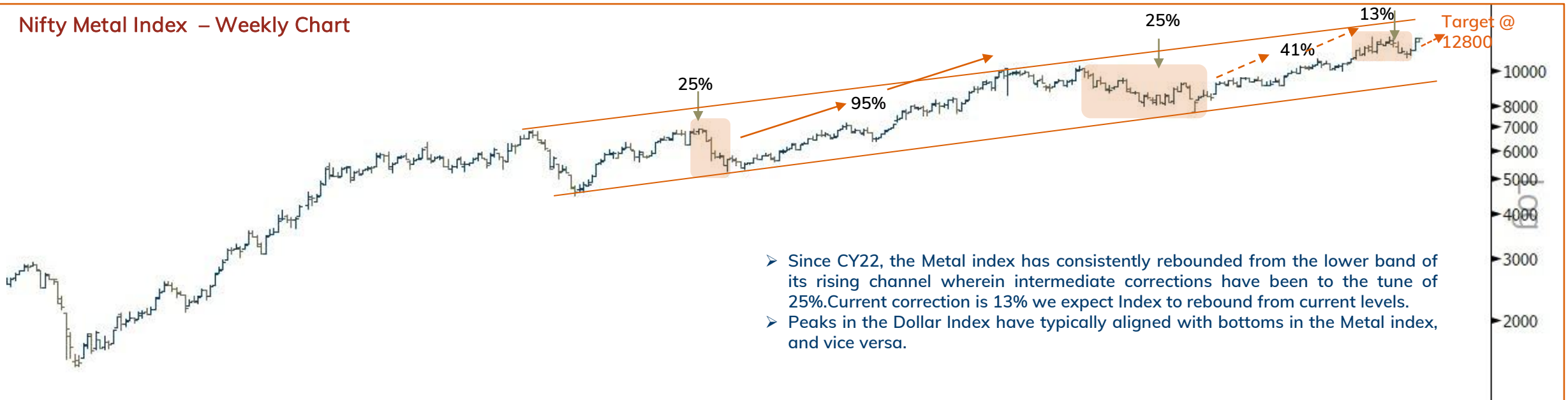
BSE capital goods - Quarterly Chart

- Current bull market in capital goods has emerged on the back of a decade long breakout
- Over past 7 quarters stock has retraced 38.2% retracement of its prior 8 quarter ~190% upmove, indicating slower pace of retracement which has made index structure healthy for the next leg of upmove.



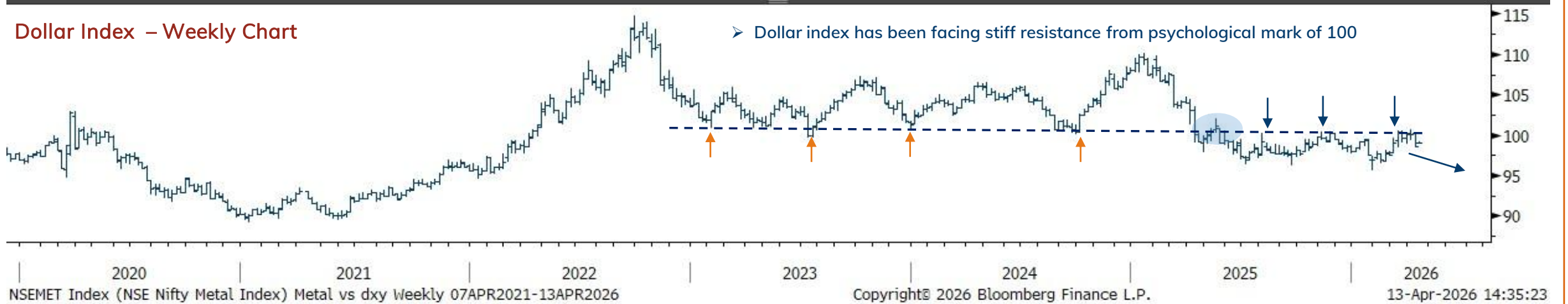
Metals: Channel Support Rebounds & Dollar Cycle Tailwinds

Nifty Metal Index – Weekly Chart



- Since CY22, the Metal index has consistently rebounded from the lower band of its rising channel wherein intermediate corrections have been to the tune of 25%. Current correction is 13% we expect Index to rebound from current levels.
- Peaks in the Dollar Index have typically aligned with bottoms in the Metal index, and vice versa.

Dollar Index – Weekly Chart



➤ Dollar index has been facing stiff resistance from psychological mark of 100

NSEMET Index (NSE Nifty Metal Index) Metal vs dxy Weekly 07APR2021-13APR2026

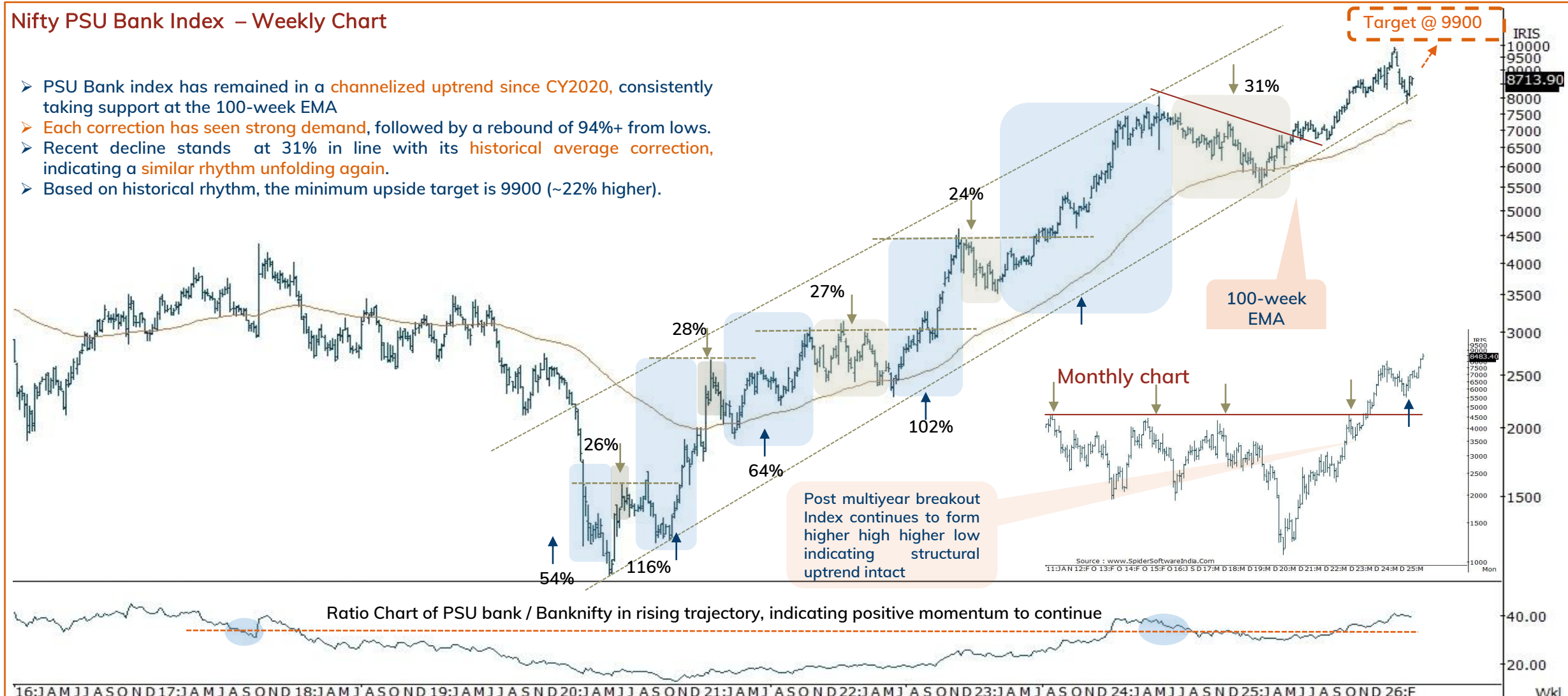
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PSU Banks: Structural Uptrend With Historical Rhythm Intact

Nifty PSU Bank Index – Weekly Chart

- PSU Bank index has remained in a **channeled uptrend** since CY2020, consistently taking support at the 100-week EMA
- Each **correction** has seen **strong demand**, followed by a rebound of 94%+ from lows.
- Recent decline stands at 31% in line with its **historical average correction**, indicating a **similar rhythm unfolding again**.
- Based on historical rhythm, the minimum upside target is 9900 (~22% higher).



Source: Spider Software, ICICI Direct Research

Forthcoming Economic Event Calendar

Date	Event	Date	Event
US		China	
15-Apr	Industrial Production MoM	16-Apr	GDP YTD YoY
16-Apr	S&P Global US Services/composite PMI	27-Apr	Industrial Profits YoY
29-Apr	FOMC Rate Decision (Upper/lower Bound)	11-May	CPI YoY
5-May	S&P Global US Services/composite PMI	18-May	Retail Sales YTD YoY
12-May	CPI MoM	18-May	Industrial Production YoY
15-May	Industrial Production MoM	20-May	5-Year Loan Prime Rate
20-May	FOMC Meeting Minutes	20-May	1-Year Loan Prime Rate
26-May	ADP Weekly Employment Change	21-May	Swift Global Payments CNY
28-May	PCE Price Index MoM	27-May	Industrial Profits YTD YoY
29-May	Wholesale Inventories MoM		
29-May	MNI Chicago PMI		
India		UK	
24-Apr	Foreign Exchange Reserves	16-Apr	Industrial Production YoY
28-Apr	Industrial Production YoY	22-Apr	CPI MoM
6-May	HSBC India PMI Services/Composite	6-May	S&P Global UK Services PMI
12-May	CPI YoY	14-May	Industrial/Manufacturing Production MoM
15-May	Exports/Imports YoY	18-May	CBI Trends Total Orders
29-May	GDP YoY	21-May	Markit/CIPS UK Services PMI
29-May	Fiscal Deficit YTD INR	21-May	Markit/CIPS UK Composite PMI
29-May	Foreign Exchange Reserves	22-May	Retail Sales Ex Auto Fuel MoM
		29-May	Lloyds Business Barometer

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