



# **Impact of Union Budget 2018**

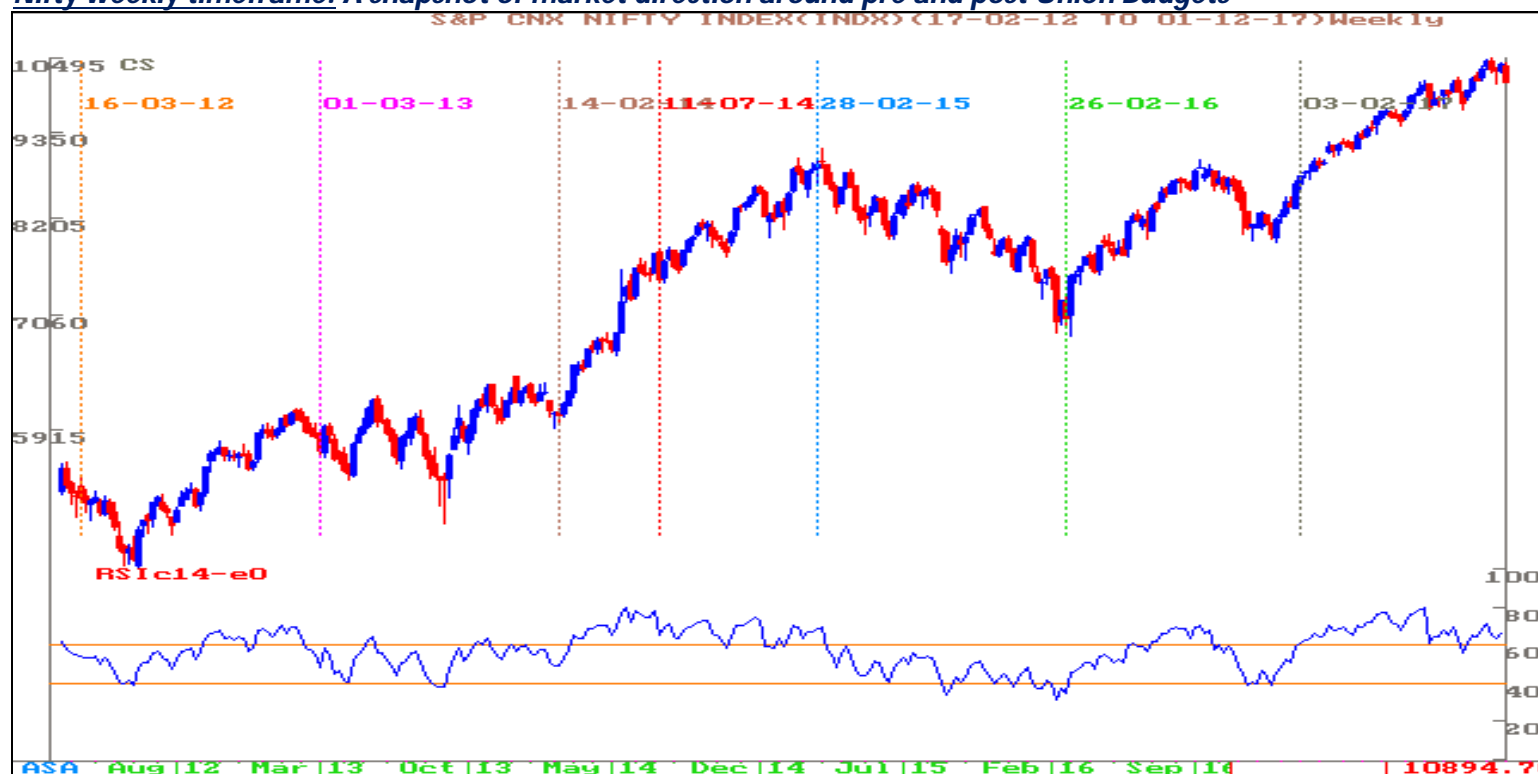
A special technical report on Union Budget 2018 - Expected moves in Nifty & Sectors

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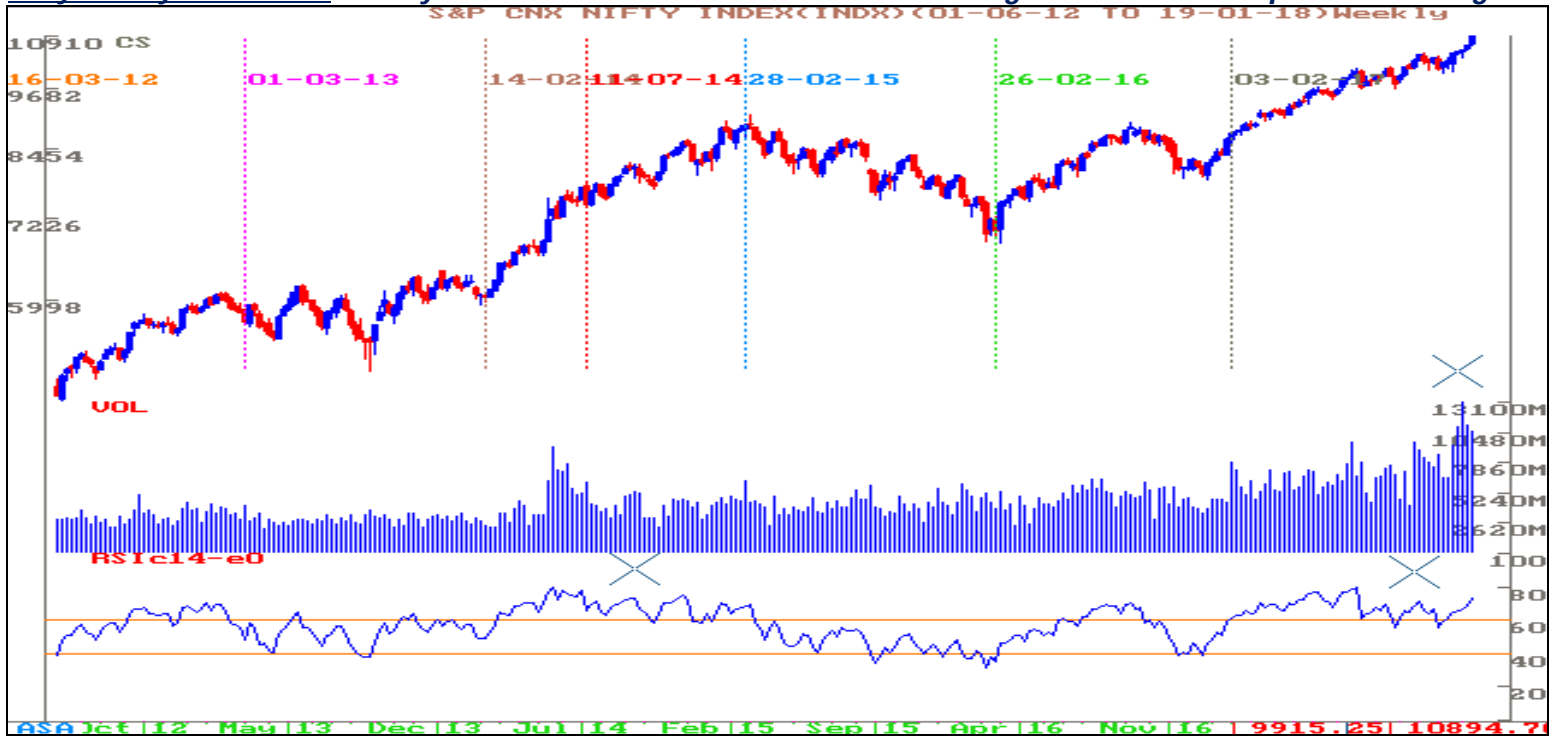
### *Nifty weekly timeframe: A snapshot of market direction around pre and post Union Budgets*



#### **Observation:**

- On the weekly timeframe chart we are presenting previous Union Budgets since 2012 and its pre and post budget impact (different year's indicative of multi colour dashed vertical lines). **The Union Budget of 2018 is scheduled on 1<sup>st</sup> Feb 2018.**
- Beginning from the left, **Union Budget of 2012 (orange vertical line)** is indicating no change post the event as the market shifted into down trend continuation for the next couple of months.
- The **Union Budget of 2013 (pink line)** has led to a minor upward reversal post the event, but the market was not able to sustain the reversal and later witnessed downtrend continuation for the next 4-5 weeks.
- The **interim Union Budget of 2014 (brown line)**, which was of outgoing UPA Govt has set the new milestone for the market as the Nifty shifted into a sharp bottom reversal pattern around 6,000 levels in Feb-14, which has set the foundation for the sharp intermediate upmove in the next 3-4 months.
- The **main Union Budget of 2014 (red line)** of then newly elected PM Narendra Modi's NDA Govt has resulted in a continuation of upside momentum in the market for the next 5-6 months, as Nifty advanced consistently as per the positive sequence of higher tops and bottoms.
- The **Union Budget of 2015 (blue line)** has been one of the important events for the market as Nifty formed an intermediate top around 9119 levels, which has ultimately led to a beginning of intermediate down trend, as per the negative sequence of lower tops and bottoms.
- The **previous year's Union Budget of 2016 (green line)** has also been an important event for the market as the Nifty witnessed a sharp intermediate bottom reversal around 6825 levels post Union Budget in later Feb. This pattern led to a sharp upside move for the next 6 months.
- A **last year's Union Budget of 2017 (grey line)** has led to an excellent intermediate uptrend in Nifty in the last one year, which has started from the low of 8600 levels and the move is still on near 11k mark.

### *Nifty weekly timeframe: A study of Volume & Momentum oscillators leading market directions post Union Budgets*

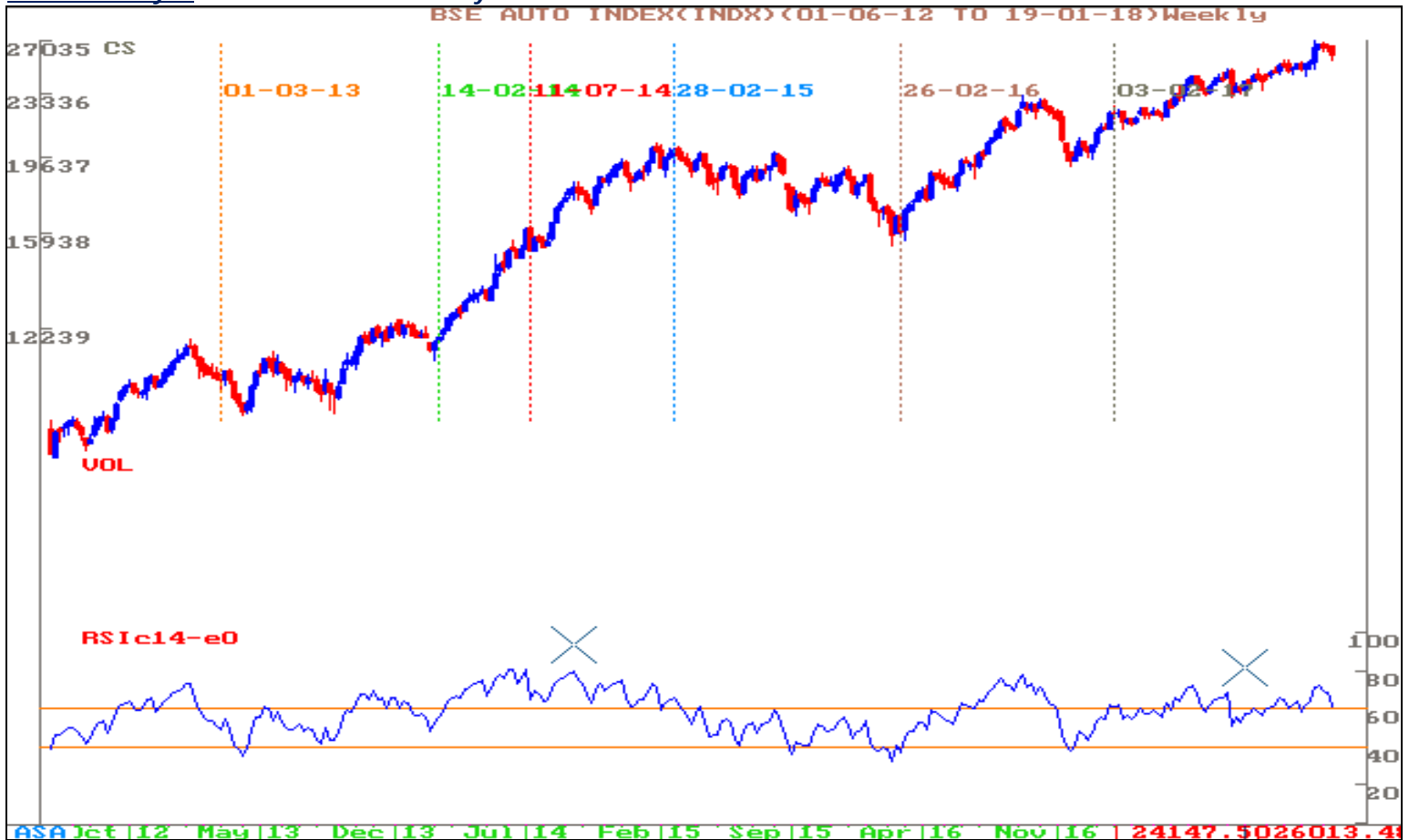


- The above weekly chart indicates the study of Volume (blue vertical volume bars) and weekly momentum oscillator (14 period RSI) and its impact on the Nifty post Union Budgets since 2013.
- We have seen volume spikes during Budgets due to excessive buildup of expectations and unwinding thereof. The volumes **during 2013 Budget (pink)** was normal, but the volume pattern of **2014 Budget (brown)** set the tone for the expansion for the next few months along with the sharp upmove in the market.
- **The Union Budget of 2015 (blue)** indicated a volume peak along with the important top formation and the **Union Budget of 2016 (green)** indicated the average volume period witnessing formation of crucial bottom reversals in the market.
- **The Union Budget of 2017 (grey)** has set milestone for the record increase in the volume pattern, which is currently at its record peak (marked in X). This has led to a sharp buying enthusiasm in the market over the last one year.
- The weekly momentum oscillator like 14 period RSI has maintained positive high low range (of 75-80 at the highs and 40-35 at the lows) for most of the time since 2013, except couple of occasions below 35 levels (around 2016 Budget).
- Series of negative divergence pattern occurred in Nifty/RSI during **2014 (red) and 2015 (blue) Budget periods** and that led to sharp trended decline for the next one year. Similar type of series negative divergence is now unfolding from Aug 2017 onwards (marked in X on RSI), which is indicating a possibility **similar weakness post 2018 Union Budget**.

#### Summing Up:

- The detailed study of Union Budgets since 2012 onwards is signaling that this key economic event has turned out to be an important event for the Nifty and led to sharp turnarounds. The upcoming Union Budget of 2018 (1<sup>st</sup> Feb) could possibly set tone for another important top reversal in Nifty in coming months.
- The historical clues of volume pattern and momentum oscillators and its present behavior are all suggesting a formation of an important top reversal pattern in Nifty between 11000-11200 levels in the next 1-2 months. Though, there is no indication of any reversal yet at the highs, the confirmation of the reversal pattern could set the tone and the quantum of market weakness for the next 5-6 months.

### Sectoral Analysis: BSE Automobile - Weekly timeframe



#### Observation:

- The weekly timeframe chart of BSE Automobile sector is showing movements in the sector pre and post Union Budgets since 2013 onwards (colored vertical lines).
- The historical Union Budgets of 2014 (both Feb and July 2014-red and blue lines) and the Union Budgets of 2017 (grey lines) have led to uptrend continuation pattern for the next few months.
- The Budgets of 2014, 2015 and 2016 (green, blue and brown lines) have led to a sharp reversal in the automobile sectors (bottom reversal for two occasions and top reversal for one occasion).
- The weekly momentum oscillator like 14 period RSI has maintained positive high low range (of 75-80 at the highs and 40-35 at the lows) for most of the time since 2013, except one occasion below 35 levels (around 2016 Budget).
- Series of negative divergence pattern occurred in Nifty/BSE Automobile sector during **2014 (red) and 2015 (blue) Budget periods** and that led to sharp trended decline in the sector for the next one year.
- Similar type of series negative divergence is now unfolding from June 2017 onwards (marked in X on RSI), which is indicating a possibility **similar weakness in the sectors post 2018 Union Budget**.

#### Conclusion

- The BSE Automobile sector is in positive trend and still there is no indication of any reversal yet at the highs. The indications of momentum oscillator could signal possibility of downward correction in the sectors post 2018 Union Budget.

### Sectoral Analysis: BSE Oil & Gas - Weekly timeframe



#### Observation:

- The attached weekly chart of BSE Oil & Gas index is indicating that the previous Union Budgets since 2013 (pink) has impacted the sector in a mixed way.
- The Union Budgets of 2013 (pink), July 2014 (red) and 2015 (blue) have impacted trend continuation pattern for this sector (down trend continuation pattern in most cases). The Union Budgets of Feb 2014 (green) and 2016 (brown) have witnessed an important bottom reversal patterns.
- We observe a sharp upside bounce back in the sector over since bottom reversal after the Union Budget of Feb 2016 (brown) and a fine uptrend continued since past two Union Budgets (2016 and 2017). Presently the BSE Oil & Gas sector is showing consolidation/minor weakness in the last one month.
- The momentum oscillator like 14 period RSI has been showing sharp negative divergence (higher highs in the sector and the lower highs in the oscillator) in the last one year. This could be viewed as a halt in upside momentum, but still there is no indication of any reversal yet at the highs.

#### Conclusion

- The indications of previous Union Budgets are signaling an intermediate uptrend with downward corrections in between. Negative divergence formation in the momentum oscillator is calling cautious approach at the highs.
- There is a consolidation in the sector in the last couple of months, but the trend strength has not damaged by this consolidation. The confirmation of reversal post 2018 Union Budget could confirm the further trend in the sector.

### Sectoral Analysis: BSE Metal - Weekly timeframe



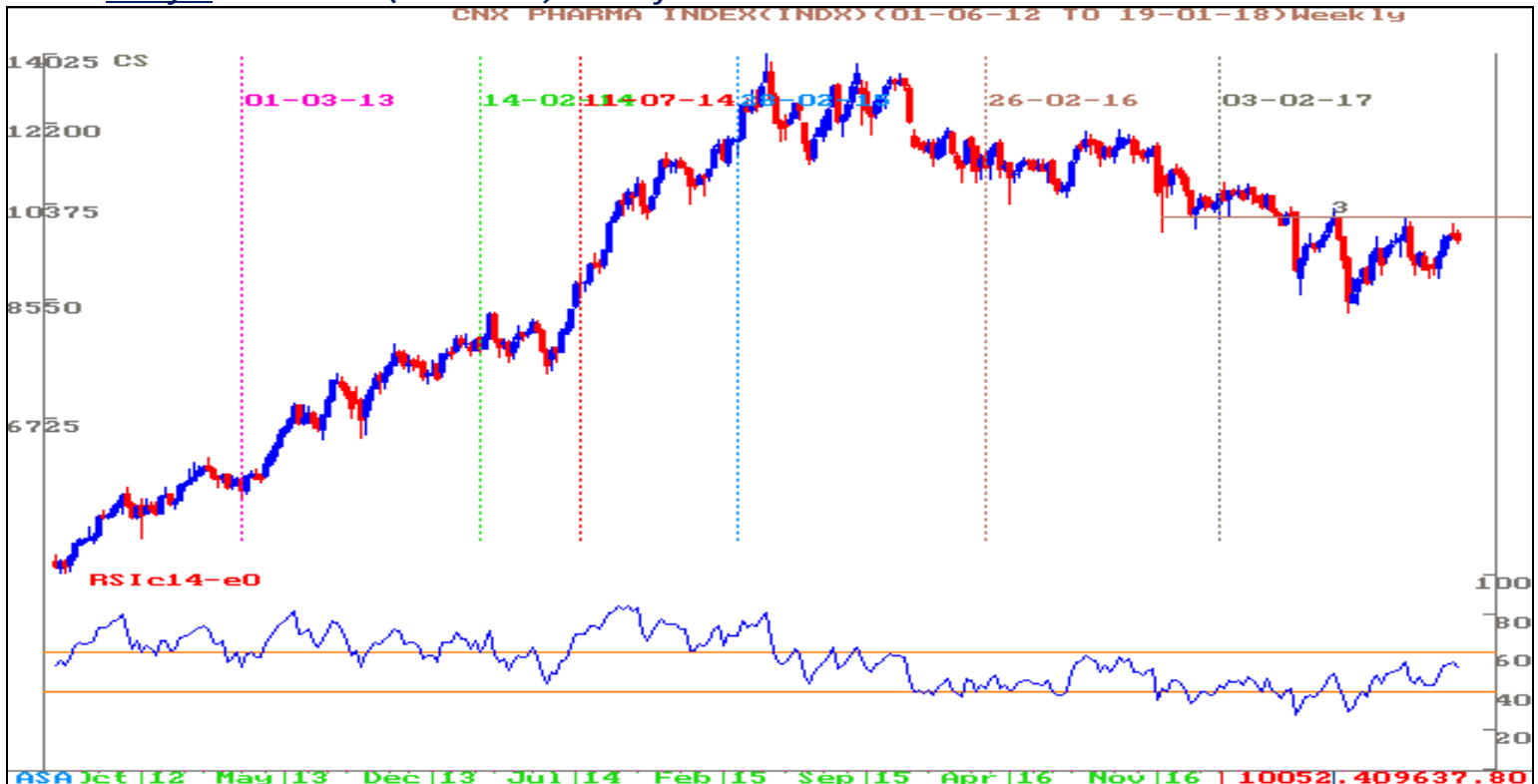
#### Observation:

- The attached weekly chart of BSE Metal sector is indicating a sector movement's post Union Budgets (indicative of vertical lines).
- The Union Budgets of 2014 and 2016 (red and brown lines) have resulted in an important reversals in the sector (both top and bottom reversal).
- The remaining Union Budgets of 2014, 2015 and 2017 have witnessed in minor trend reversal. During these periods the Metal sector has witnessed minor trend reversal.
- Since Union Budget of 2016, the Metal sector has witnessed an intermediate upmove in the last two years with interim downward corrections in between.
- The weekly 8 period MACD was showing normal movement and we haven't observed any significant move in the oscillator, except peak in 2014 and 2017 Union Budgets.

#### Conclusion

- The previous Union Budgets have impacted the BSE Metal sector for some extent and the reversals have been observed post Union Budgets in past.
- As per previous study, there is a possibility of downward correction after 2018 Budget (1<sup>st</sup> Feb) and the confirmation of a sharp reversal could set the direction in the sector for the next few months. Presently, the sector is showing weakness from the highs and immediate support is now placed around 14000 levels.

### Sectoral Analysis: CNX Pharma (NSE Pharma) - Weekly timeframe



#### Observation:

- The NSE Pharmaceuticals sector has been underperforming over the last one year as the sector has been declining as per the negative sequence of lower tops and bottoms. Presently showing positive trend and forming higher lows, as per weekly timeframe.
- The historical Union Budgets since 2013 have acted as a mixed impact on the Pharma sector post events. The Union Budgets of 2014 (both green and red), 2015 (blue) and 2016 (brown) display trend continuation pattern, as the sector has shifted into either up or down trend, post events.
- The Union Budgets of 2013 (pink) have impacted with the sharp trend reversal, where the NSE Pharma sector has formed an important bottom reversal and showed upmove.
- The underlying trend of Pharma sector as per larger timeframe like weekly and monthly is range bound with minor positive bias. This is could mean possibility of strong resistance at 10088 levels (brown line) for near term.
- The minor upside bounce back seems to have completed presently and the sector is now ready to show further weakness from near the strong hurdle, as per the concept of change in polarity.
- Weekly 14 period RSI has been moving in a bearish high low range of 60-30 levels and is now showing resistance near 50-55 levels. This pattern of momentum oscillator is suggesting a possibility of end of upside momentum for near term in the sector.

#### Conclusion

- The NSE Pharma sector is in a larger range bound action and further weakness is likely post Union Budget of 2018 (1<sup>st</sup> Feb). The next potential downside could be around 8900 levels in the next 2-3 months. Previous Union Budgets are showing mixed trend movements in the sector post events.

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