

NEWSLETTER

DEC 07, 2024

Market Sense

Weekly Sector Performance Review

Weekly Concept Spotlight: Shakeouts & Undercuts



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This week was characterized by significant gains in the Indian stock market, despite some profit-taking on Friday. Nifty500 closed 2.76% higher this week, reflecting strong buying interest across various segments. Both mid-cap and small-cap indices also posted substantial gains, indicating broad-based market strength. FIIs returned to the buying game, fueling a rally that saw benchmark indices rise for five consecutive sessions.

Nifty500 made new Higher High and is expected to continue forming Higher Lows, indicating a bullish trend. Last week, the index reclaimed its 20EMA, and this week it successfully reclaimed the 50EMA as well. Last week, we mentioned that a break above the declining 50EMA may happen with momentum, and that's what we saw this week. The 50EMA should soon start trending upward again. Ideally, some consolidation at current levels will allow the index to take a breather or retest its 50EMA, providing a stable foundation for further gains.

On the macro front, India's economic growth came in at 5.4%, marking a seven-quarter low. The RBI has revised its FY25 growth projection down to 6.6%, compared to an earlier estimate of 7.2%. While rates were left unchanged, the reduction in the Cash Reserve Ratio (CRR) is expected to provide banks with more liquidity for lending, potentially supporting economic activity.

Market Breadth

1 Jan 2023 - 6 Dec 2024

Percent stocks over 10/30/50 Day Moving Averages (EMAs)

6 Dec 2024 84%

6 Dec 2024 74%

6 Dec 2024 64%

[Click here to know more about Market Breadth](#)

% of Companies with DCR

DCR Range	5 Dec 2024	6 Dec 2024
< 30%	40	32
30% - 70%	42	44
> 70%	19	24

No. of Companies with Pocket Pivot Volumes

Date	No. of Companies
Dec 3	176
Dec 4	175
Dec 5	114
Dec 6	170

Nifty 500: 10EMA over 20EMA? ● Stay

Recent Crossback Dates:

Date	Signal
3 Dec 2024	Crossover
7 Oct 2024	Crossunder
19 Aug 2024	Crossover
8 Aug 2024	Crossunder
14 May 2024	Crossover
13 May 2024	Crossunder

Number of stocks with percentage change over 3%

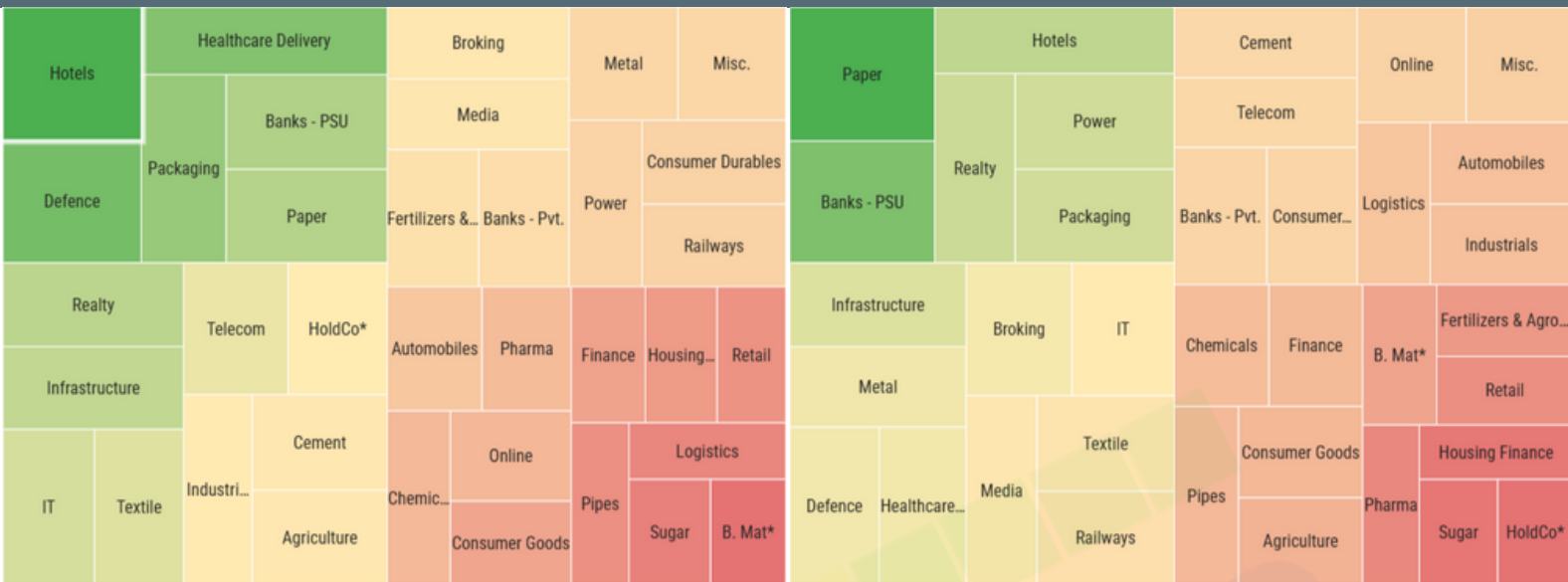
Date	No. of Cos.	>3%	<3%	% >3%	% <3%
6 Dec 2024	1,647	212	30	13%	2%
5 Dec 2024	1,644	124	39	8%	2%
4 Dec 2024	1,646	204	33	12%	2%
3 Dec 2024	1,644	242	28	15%	2%
2 Dec 2024	1,646	290	36	18%	2%
29 Nov 2024	1,643	175	40	11%	2%
28 Nov 2024	1,639	179	39	11%	2%
27 Nov 2024	1,636	177	37	11%	2%

This week, Nifty500's 10EMA crossed above its 20EMA, giving a green signal for long positions. The overall market was so bullish that the percentage of stocks above their 10EMAs quickly reached overbought zone. The % of stocks above 30 & 50EMA are also close to overbought zones now. We can expect some kind of cool off or a small consolidation here.

Weekly Sector Performance Review

Sectoral Heatmap
(based on **Monthly** Relative Strength)

Sectoral Heatmap
(based on **Weekly** Relative Strength)



Please note that you will not notice exceptionally good looking charts in most of the sectors because of their declining 50EMA until recently. But since markets have turned bullish this week, we should get back to studying sectoral rotation now if we want to play sectoral themes, something that we had been avoiding since October end.

Sectors that are dark green on both heatmaps (*top-left corner*) are the strongest sectors that have performed on both timeframes. **Hotels, Paper, Packaging** and **PSU Banks** are those sectors that are standing strong (*we tweeted about strength in Paper and PSU Banks*). **Defence** sector which had not been performing since many months is also showing strength now. Sectors that are on the left hand side of Monthly RS heatmap should be the ones to look for pullbacks as well as fresh breakouts.

When we try to identify which sector can give us *fresh* maximum move as a whole, we have to anticipate the movement from light green/yellow to darker green zone on Monthly RS Heatmap. In other words, we try to determine the sector that is not the strongest currently, but can become so in coming weeks. We do it by noticing the sectors that are strong on Weekly RS Heatmap. For fresh sectoral moves coming week, one can study strong setups in **Broking, IT, Realty** and **Infrastructure**.

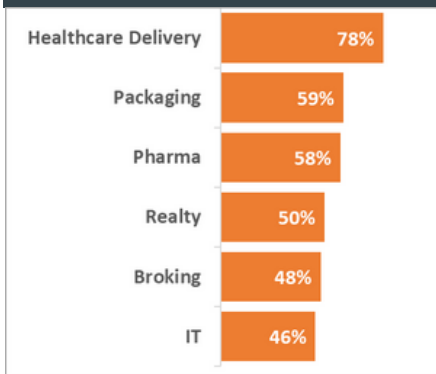
Sectors at the bottom-right (*deep red*) on both timeframes can be avoided, until they start showing signs of strength. **Sugar** and **Housing Finance** fall in this category.

Most Pocket Pivot Volumes in a week (by %)



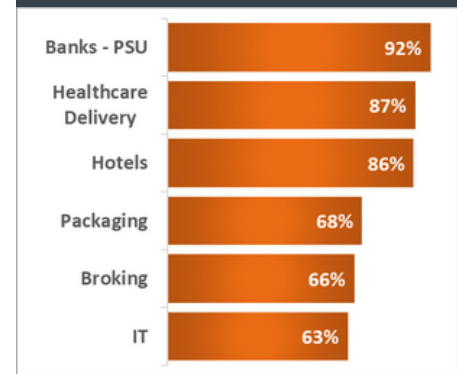
Based on the Weekly Pocket Pivot volumes we can identify that **PSU Banks, Cement, Hotels, Paper** and **Pipes** had highest number of pocket pivot volumes suggesting that more active buying is seen in these sectors.

%age of stocks within 15% of 52 Week High



Healthcare Delivery is the top sector having 78% of the stocks within 15% of their 52 Week Highs.

%age of stocks with Rising 50EMA



PSU Banks, Healthcare Delivery and **Hotels** are top 3 sectors where more than 80% stocks have rising 50EMAs.

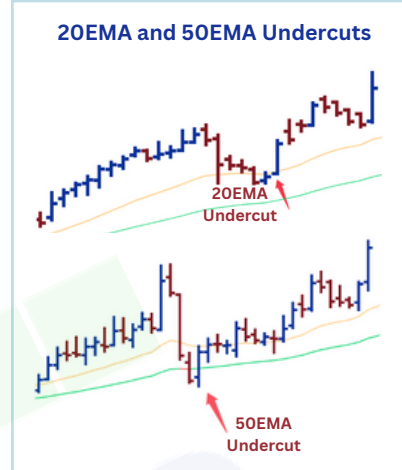
Fake Breakdowns with Shakeouts and Undercuts

Shakeouts are market's technical test to shake out the weak hands before confirming the strong setup.

A fake breakdown or a shakeout occurs when the market briefly dips below a key support level or consolidates in a way that triggers stop-loss orders, only for the price to quickly reverse and move back above that level. This often traps weak traders who react impulsively.



Pro-Setups
identifies 3 types of fake breakdowns for you.



The Biggest Pump Comes AFTER THE SHAKEOUT

While shakeouts can create short-term volatility and uncertainty, they often play a crucial role in shaping long-term market trends by purging weak participants, facilitating institutional accumulation, and setting the stage for renewed growth phases.



Market Manipulation:
Large institutional players may intentionally create shakeouts by pushing prices through key levels to trigger stop-loss orders from retail traders. This manipulation can lead to a quick reversal as the larger players capitalize on the resulting liquidity.

Impact

An undercut that quickly reverses, signals that **weak hands have exited**, paving the way for a cleaner uptrend.

The ability of institutional investors to absorb sell-offs and push prices back up can set the stage for sustained bullish trends following a shakeout.

Breakout Confirmation: If the undercut rally leads to a **breakout above a prior swing high**, it strengthens the case for continued upside.

Aggressive traders might re-enter positions if the stock **regains key EMAs** such as 20/50EMA with strong momentum.

Points to remember

If the broader market is in an **uptrend**, shakeouts tend to have higher success rates.

Institutional Clues: Fake breakdowns accompanied by **high volume** often indicate smart money accumulating shares.

Focus on significant support and resistance levels.

Be Patient: Wait for confirmation of a reversal, such as a close above the broken support level, before making a decision

Keep an eye on **broader market conditions and news** that could influence trader behavior and sentiment, as these factors can contribute to shakeouts.

How can Pro-Setups help you?

Real-time Alerts sheet & Telegram Alerts group notifies you for shakeouts as and when they happen during the market hours.

Shakeouts	Low Chest Breakouts	Chest Breakouts	Swing High / Pivot Point Breakouts
NSE-3GHL	NSE-ARKADE	NSE-RAITEL	NSE-PLATIND
NSE-SOFTTECH	NSE-ABDL	NSE-LIKHITHA	NSE-SUNCLAY
NSE-DPARHUSHAN	NSE-FLAIR	NSE-INDOSTAR	NSE-DRCSYSTEMS
NSE-SUNDARMEIN	NSE-BOROBRENEW	NSE-NEWGEN	NSE-MARINE
NSE-MODIRUBBER	NSE-IRCON	NSE-HUDCO	NSE-CREATIVE
NSE-SCHAND	NSE-VBL	NSE-SKIPPER	

Volume Alerts 15:29
Pro-SetupsBot: Pocket Pivot Volume: ...

Breakout Alerts 15:16
Pro-SetupsBot: IV Breakouts: CREDIT...

Other Alerts (Shakeouts, Gap Ups) 15:23
Pro-SetupsBot: Shakeouts: STYLEBAAZA

20EMA & 50EMA Undercuts 15:05
Pro-SetupsBot: Undercuts 50EMA: MANY...

GMMA Cloud Alerts 14:33
Pro-SetupsBot: Blue dots in Uptrend yest...

Our **Pro-Setups Dashboard** lets you scan for Shakeouts in just one click.

Chart / Candlesticks Patterns

Probable VCP Minervin's TTC
3WTC Inside Bars / Mini Coil
123 Shaper

Flags

Undercuts & Shakeouts

Undercuts & Shake...	Record Count
✓ Shakeouts	2
✓ 50EMA Undercuts	2
✓ None of the above	1.6K

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