

The Spring is Loaded

Verdict: A High-Confluence Reversal Zone Is Emerging

Nifty is sitting on a multi-month support zone (21700–22,200), and eight independent measures are at historically stretched levels. **The setup favours a basing process and a relief rally; price and breadth confirmation is the next step.**

1 200-Week EMA

22,381

Nifty is 0.2% above it. 7 of 10 past tests held.

2 50-Month EMA

22,068

Nifty is 1.6% above it. 6 of 9 past tests held.

3 Price-Support Zone

Demand Zone

Multiple weekly lows inside 21,700–22,200 since March 2024.

4 Daily RSI

22.6

Only 0.4% of days since 1997 were lower. Weekly RSI 30.8.

5 Breadth

16%

of Nifty 50 stocks above the 200-day SMA; only 6% above the 20-day.

6 Weekly Losing Streak

8 weeks

Second-longest run since 1996 (–8.7%).

7 Valuation (Trailing PE)

19.26x

Lowest since April 2021; 6.8% below the 20-year mean.

8 FII Positioning

8.01%

FII index-futures long, near the ~6% record low. Retail ~84% long.

52-Week Range: Nifty Is Trading Near the Bottom of Its Range



What History Says After Similar Setups (Win Rate)

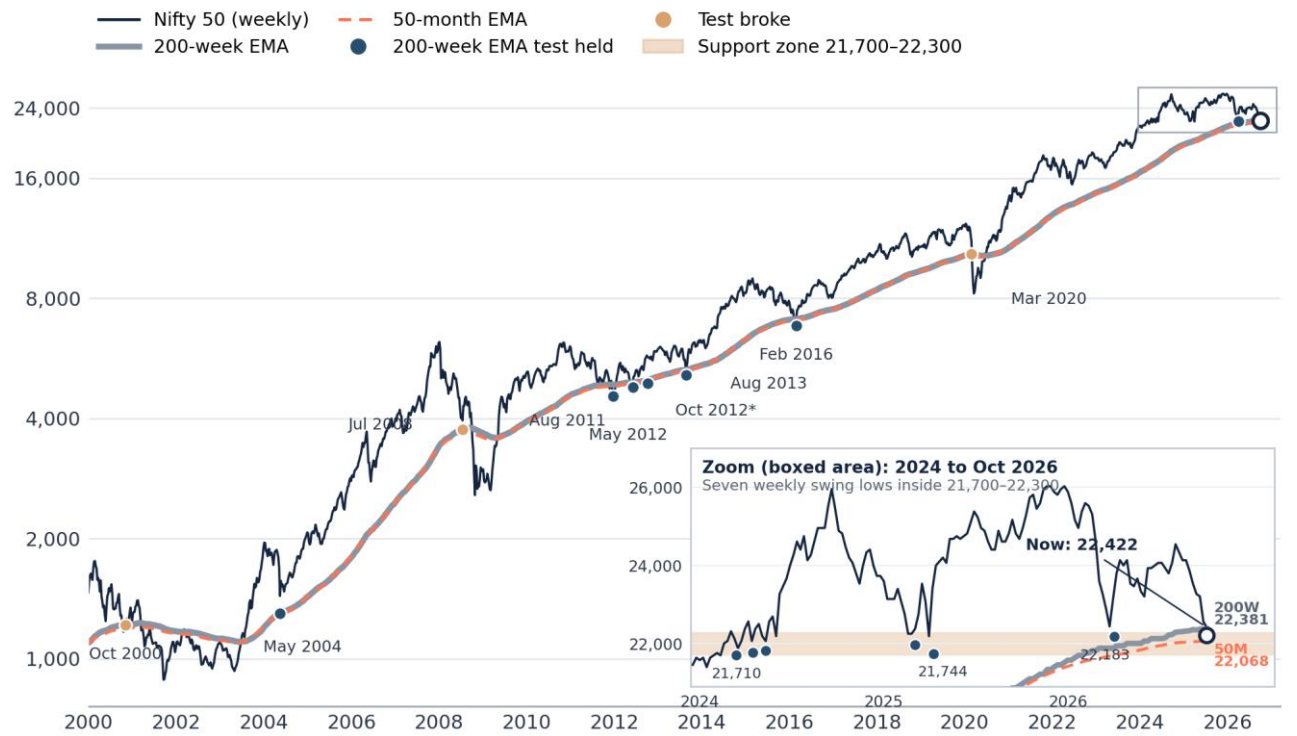
Signal (past cases)	Higher 3m later	Higher 6m later	Higher 12m later	mean 12m return
Triple confluence (6)*	50%	83%	83%	+13.7%
7+ week losing streak (4)	75%	50%	100%	+12.7%
Daily RSI below 25 (22)	67%	67%	80%	+13.0%

*Triple confluence- Daily RSI below 25 + weekly RSI below 35 + Nifty within 3% of the 200-week EMA, all at once.

200-Week and 50-Month EMAs: 26 Years of Tests

Both long-term EMAs sit about 300 points apart, and a price zone tested seven times since 2024 overlaps them. **Most past tests held, often after a brief dip below the line.**

Nifty 50 vs 200-Week and 50-Month EMAs, 2000–Oct 2026 (log scale)



7 of 10

200W EMA tests held

6 of 9

50M EMA tests held

~3%

typical dip before recovery

+24.9%

mean 12m gain after a held test

0.8%

current dip below 200W EMA

Level	What it is	Role now
22,381	200-week EMA	Primary long-term support; the close is 0.2% above it
22,217	October 2026 low (1 Oct)	The current retest
22,183	April 2026 low (2 Apr)	Preceded a 7.4% rally in April
22,068	50-month EMA	Second long-term support

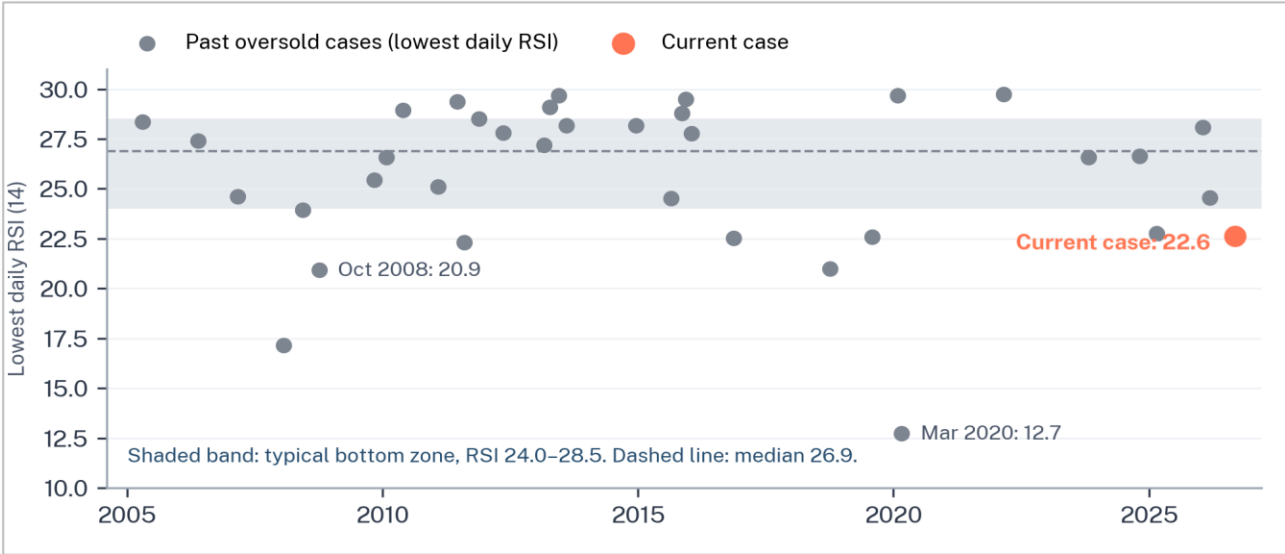
Takeaway

The October test sits inside the range of past successful tests (**typical dip ~3%, deepest 6.6%**). A weekly close back above ~22,600 would confirm it held.

RSI at Extremes, Plus a Rare Triple Confluence

Daily RSI is 22.6 and weekly RSI 30.8, deeply oversold on both. Bottoms form in zones rather than at one threshold, and Nifty is now inside or at the deep end of all three timeframes.

Lowest Daily RSI in Each Oversold Case Since 2005: Bottoms Cluster in a Zone



Source: NSE, Spark PWM.

Where RSI Is Now, and What Happened Next

Signal	Now	Past cases	Higher 12m later	mean 12m return
Daily RSI below 30	22.6	35	84%	+13.8%
Daily RSI below 25	22.6	22	80%	+13.0%
Weekly RSI below 30	30.8	6	5 of 5	+24.5%
Monthly RSI below 45	43.8	6	80%	+27.1%

Triple Confluence: Only the 7th Time Since 1996

Daily RSI below 25 + weekly RSI below 35 + Nifty within 3% of the 200-week EMA, all at once.

5 of 6

past cases higher 12 months later
(mean +13% for RSI below 25)

3 of 6

higher after 1 and 3 months: short-term timing is noisy

-12.7%

mean further fall before the eventual low

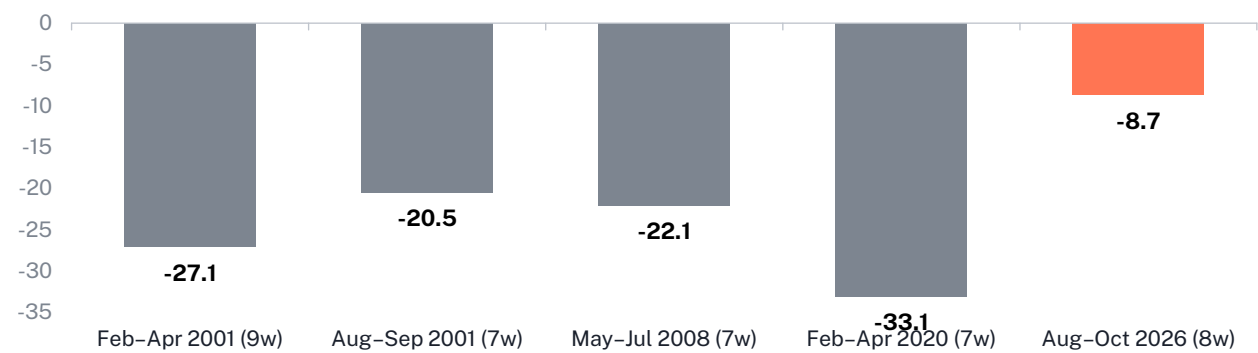
Conclusion

RSI marks a reversal zone, not the exact day. Nifty has already fallen 5.2% since this oversold run began, beyond the 3.5% historical mean. The 6–12 month record is favourable, though the short-term path is often volatile.

Losing Streak and Breadth: Selling Is Prolonged and Broad

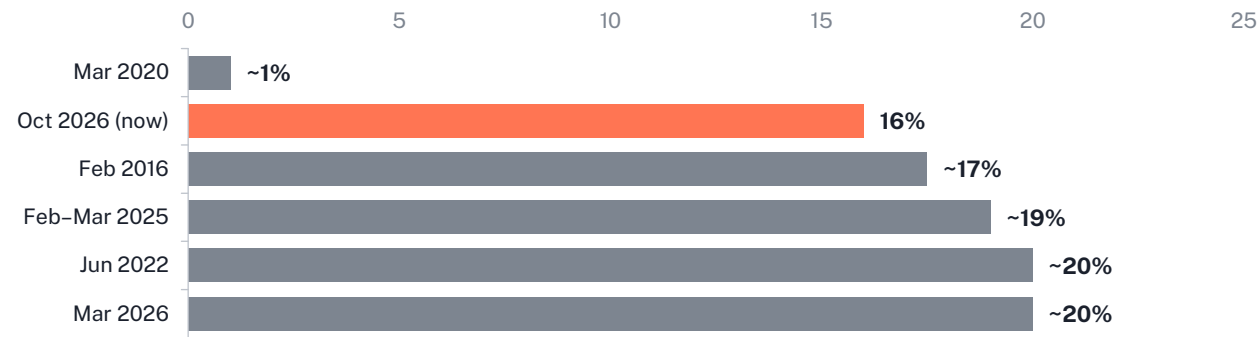
Nifty has fallen for eight straight weeks, and selling has spread to almost every stock. Both readings have historically appeared near market lows.

Fall During Each 7+ Week Losing Streak (%): The Current Run Is Long but Shallow



After 4 earlier 7+ week streaks	1 month	3 months	6 months	12 months
Cases higher	4 of 4	3 of 4	2 of 4	4 of 4
mean return	+12.8%	+15.7%	+13.5%	+12.7%

% of Nifty 50 Stocks Above Their 200-Day SMA at Past Market Lows



Source: . NSE , Spark PWM , AMI Dashboard..

16%

of stocks above the 200-day SMA, lowest since March 2020

6%

of stocks above the 20-day SMA: a washout

4 of 4

% of stocks below 20 , 50, 100 and 200 SMA are lower than 20% threshold

Conclusion

Selling looks exhausted rather than fresh. The streak is the shallowest of its length (~8.7%), and breadth is weaker than at every recent low except 2020. The missing piece is improvement: a breadth thrust, with the 20-day measure moving from below 10% to above 50%.

Valuation Has Turned Supportive; FIIs Are Extremely Short

Valuation: Below Its 5-, 10- and 20-Year Mean PE

19.26x

current trailing PE, lowest since April 2021

22.0x

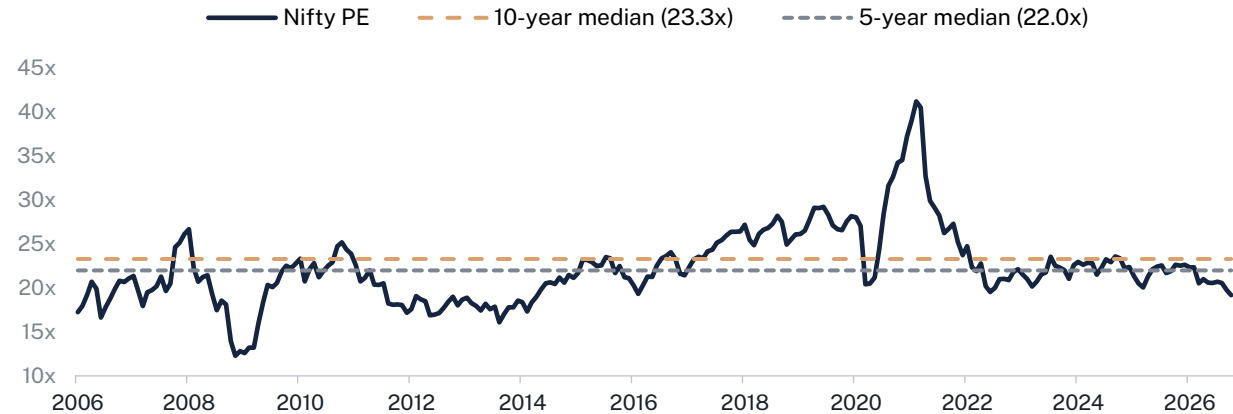
5-year mean (current PE is at 12% discount)

23.3x

10-year mean (current PE is at 17% discount)

20.68x

20-year mean (current PE is at 6.8% discount)



Source: . Trendlyne , Spark PWM

Positioning: FIIs Heavily Short, Retail Still Long

8.01%

FII index-futures long (record low ~6%)

~84%

retail (client) index-futures long

-3.10 lakh

FII net index-futures contracts (net short since May 2025)

FII long positioning stands at just 8%, indicating an extremely oversold positioning level. From a contrarian perspective, such depressed long exposure leaves scope for short covering and a gradual rebuilding of long positions over the coming months, which could provide a potential tailwind to the market.

Actionable

FOR TRADERS	NIFTY 27 Oct Futures	FOR INVESTORS	NIFTYBEES
Buy range	22,300–22,700	Buy range	252–257
Stop loss	21,900	Stop loss	247
Target	23,900–24,500	Target	275–280

Rollover required for 2–3 series

Disclaimer (1/2)

Absolute Rating Interpretation

BUY	Stock expected to provide positive returns of >15% over a 1-year horizon	REDUCE	Stock expected to provide returns of <5% – -10% over a 1-year horizon
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Our Offices



Chennai

No. 1, 3rd Floor,
First Crescent
Park Road,
Gandhi Nagar,
Adyar,
Chennai – 600 020



Mumbai

Unit – 301, 302, 11th floor, C Wing, ONE
Windsor House, BKC, Unit Nos. 1116,
2, Kolivery Village, Bandra Kurla
MMRDA Area, Kalina, Complex,
Santacruz East, Bandra East,
Mumbai – 400 098 Mumbai – 400 051



Delhi

No. 23, 1st Floor,
Community Centre,
Basant Lok,
Vasant Vihar,
New Delhi – 110 057



Bengaluru

No. 2, 3rd Floor,
Prestige
Emerald,
Lavelle Road,
Bengaluru – 560 001



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No. 25 & 42, 3rd Floor,
Lumbini Avenue,
Near Preston Prime Mall
Main Road, Gachibowli,
Hyderabad – 500 032



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No. 7/352 1st Floor,
Elbee House,
Boat Club Road,
Sangamvadi,
Pune – 411 001



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No. 409, 4th Floor,
Venus Amadeus,
Near Jodhpur Cross Road,
Satellite,
Ahmedabad – 380 015



Kolkata

No. 9A-1 & 9B-1,
9th Floor,
No. 95A,
Park Street,
Kolkata – 700 016



Kochi

No.1285 F1, Ground
floor,
The Quadrant, MP
Pylee Road,
Jawahar Nagar
Avenue,
Kadavanthra P O,
Ernakulam – 682 020



Thiruvananthapuram

2nd Floor,
Mankulangara
Tower,
Kuravankonam,
Pattom P.O.,
Thiruvananthapuram – 695 004



Lucknow

Unit No.6, 3rd Floor
Marigold Building,
Sapru Marg Shahnajaf
Road,
Hazratfang,
Lucknow – 226 001



Kanpur

Unit No 205,
2nd Floor,
Imperial Square,
16/105,
MG Road,
Kanpur – 208 001



Spark Global PWM Private Limited

Unit number- GV-00-04-03-BC-24, Gate Village Building
04, Dubai International Financial Centre (DIFC), Dubai, UAE