



First up, "What is a Doji?"

The Doji is a session in which both the opening and closing prices are the same. The dragonfly Doji is named such because it resembles a dragonfly with a long tail and wings at the top. For the Doji to be of any relevance, its occurrence needs to be rare. In the case of Nifty, this formation is rare - the last significant occurrences on the weekly charts were in April 2021 and then in December 2020.

Exhibit 1: Doji pattern observed on Tata Consultancy Services



What does it indicate?

A Doji indicates that the demand and supply in the market is completely in balance and as such represents a market that is at a juncture of indecision. There are several ways to interpret the occurrence of a Doji:







More importantly, a
Doji at a market top
followed by a close of
the Doji's high could
indicate that the bulls
have regained control
and that the bullish
trend is likely to
continue

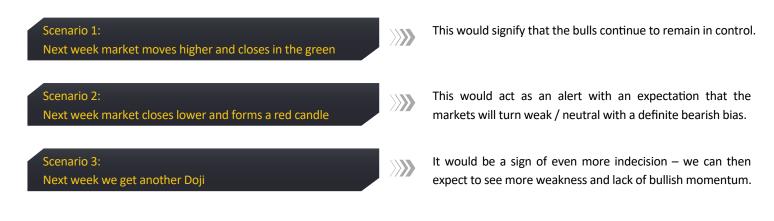


Further, the Dragonfly
Doji emits bullish
implications – its long
lower shadows show
that the market fell
sharply during the
session, but buying
pressure pushed the
price back up to close
at or very near the
session's high



Our analysis of the occurrence

Basis our analysis, the occurrence of the Dragonfly Doji could develop into one of the following 3 scenarios:



What happened in the following week, i.e., from the 10th of June to the 14th of June, 2024

Scenario 1 played out. The Nifty moved higher and closed the week above the previous week's high, closing at 23465.60.

Accordingly, our view based purely on the technical charts is that the bullish sentiment is still in place and the weekly bullish trend still stands.

Further analysis of the daily charts indicates that the momentum during the week ended 14th June 2024 seems to have been muted.

- The first three days of the week saw long (~100 points) upper shadows meaning that buying action was not sustainable
- The fourth day was a gap up that closed in the red, close to the day's low
- More importantly, the close on Friday, i.e., 14th June, was another Doji more indecisiveness evident on the charts

What happened next, i.e., from the 17th of June to the 21st of June. 2024

The following week that ended on 21st June told a similar story, Monday was a market holiday and the 4 trading sessions after that saw markets open high and close in the red, further endorsing the market participants' indecision.

Even though the weekly charts endorse the bullish momentum, they seem to be hiding the lack of momentum that is seeping into the market as evidenced by the daily charts. Thus, while we would still classify the weekly trend as bullish, we would suggest that investors err on the side of caution and be alert to changing market sentiment.

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