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Quote by Shravan Shetty, Managing Director, Primus Partners

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Nifty falls 1.7% in 4 days: Does the bear run have more legs? Trump's 500% tariff Bill a big negative for bulls

As long as Nifty manages to hold above 25,850, buying interest may emerge at lower levels, an analyst said.

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Article Content:

Sensex and Nifty recorded a notable decline on January 8 amid Trump's higher tariff threat and other factors. The benchmark indices have now extended losses for the fourth consecutive session, leading investors to think if markets have hit a short-term low or more downside lies ahead.

Sensex dropped more than 780 points (0.92 percent) to close at 84,180.96. The index has now fallen more than 1,581 points (over 1.8 percent) this week so far.

Nifty 50 fell around 264 points (1.01 percent) to end the session at 25,876.85. Notably, this marks the first time the index has closed below the key psychological mark of 26,000 this year so far. This also marks a fall of nearly 452 points (over 1.7 percent) over four consecutive sessions.

Why markets declined today?

The market faced strong selling after U.S. President Donald Trump approved moving forward with a bipartisan sanctions bill that proposes a whopping 500 percent tariff on countries continuing to do business with Russia, including India.

Republican Senator Lindsey Graham said that the bill would give US an added leverage over countries "fueling Putin's war machine" by purchasing Russian oil. "This bill would give President Trump tremendous leverage against countries like China, India, and Brazil to incentivise them to stop buying the cheap Russian oil that provides the financing for Putin's bloodbath against Ukraine," Aljazeera quoted Lindsey Graham, a senator for the US state of South Carolina as saying.

Apart from this, continued selling by FIIs, weekly Sensex expiry, and sharp weakness in metal stocks further dampened investor sentiment.

When can Nifty move above 26,200?

However, despite the sharp fall, the Nifty is still trading above its 55-day EMA, which has acted as a strong support level in the past, noted Vishnu Kant Upadhyay, AVP -Research & Advisory, Master Capital Services.

As long as Nifty manages to hold above 25,850, buying interest may emerge at lower levels, he said, adding that if this support is sustained, Nifty could move higher towards the 26,200–26,300 zone.

External trigger needed for reversal

Shravan Shetty, Managing Director at Primus Partners, noted that the markets look weak technically, so they would require an external trigger in terms of positive data or very optimistic narrative from the government, especially the Finance Minister, to see a trend reversal.

He noted that markets are facing a negative hangover in terms of higher tariffs on India by the US which could lead to further drop, along with continued selling by FIIs. This sell off may continue leading to further downward pressure, the analyst said.

Nifty is close to its resistance level of 25,900, and investors should expect slight resistance at this level given a bearish put call ratio at 25,900, Shetty said. "If it does breach 25,900, we could see more downward pressure due to unwinding of positions," he added.

Early to say markets have hit a short-term low:

The weakness in the market, as evident through multi-day corrections and pulling back of profits, indicates that although certain indices are possibly resting on support levels, it is still early to conclude whether an absolute short-term low has been reached, said Siddharth Maurya, Founder & Managing Director, Vibhavangal Anukulakara.

This is because market trends are still impacted by various international developments, and without noticing overall participation, volatility in the short term cannot be ruled out, the analyst concluded.