

## Breakout move. After weeks of Adani crisis, FPIs cut bearish bets on Indian markets

Sensex and Nifty surpassed and closed at 61,275 and 18,015, respectively — above the highs recorded on Feb 1



After the crash in Adani share prices, market regulator SEBI had informed the Supreme Court that it was investigating both short-selling activity in Indian markets and allegations of Hindenburg against the Adani Group | Photo Credit: SHASHANK PARADE

After three tumultuous weeks since the Hindenburg report against the Adani Group came out, the extreme bearish sentiment in India's stock market is showing signs of receding. Data show the short positions of foreign portfolio investors (FPIs) have halved from last week's and also from the peak of February 1.

As a result, on Wednesday, Sensex and Nifty surpassed and closed at 61,275 and 18,015, respectively — above the high levels of February 1, which they couldn't sustain that day on the back of a major crash in the Adani shares.

### Paring positions

Net short position of FPIs in the index futures, consisting mainly of Nifty and Bank Nifty, had touched 112,699 contracts on February 1. The same stood at 105,540 contracts net short as on February 10. On Tuesday, these FPI net short contracts fell to just 63,675 and rose marginally to 66,257 on Wednesday. Further, the FPIs reduced index puts (short selling instruments) to around ₹22,494 crore as on Tuesday compared to ₹35,461 crore on Monday.

Simply put, the data indicate that FPIs cut their net short positions in index futures by 45-50 per cent and were swiftly reducing their options shorts too. Data also show that on Tuesday, the FPIs added calls (instruments for taking a positive bet) worth ₹2,800 crore in the index segment.

"FPIs added large short positions in the wake of the Adani crisis but a reduction in such bets now indicates waning of the risk perception. Also, steady buying in cash markets indicates return to risk taking by FPIs," said Rohit Srivastava, Strategist, Indiacharts.

### Around the corner

The Nifty on Wednesday gave a breakout indicating new highs are in the offing in the market, he said, adding: "Nifty broke out of the falling trendline from the December top at 17,960 and closed above the Budget day high of 17,972. This should spur further short covering as sentiment improves and take the markets towards a new high."

"Nifty has closed above key resistance of 17,950-18,000 driven by FPIs reducing short bets. in derivatives. In the past two days, FPIs were net buyers in single stock futures, covered shorts in index futures, bought index calls and sold index puts. This breakout happening post the consolidation and tight movement of the last 7-8 days is bullish for markets," said Rishi Kohli, Managing Partner & CIO, InCred Alternatives.

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