

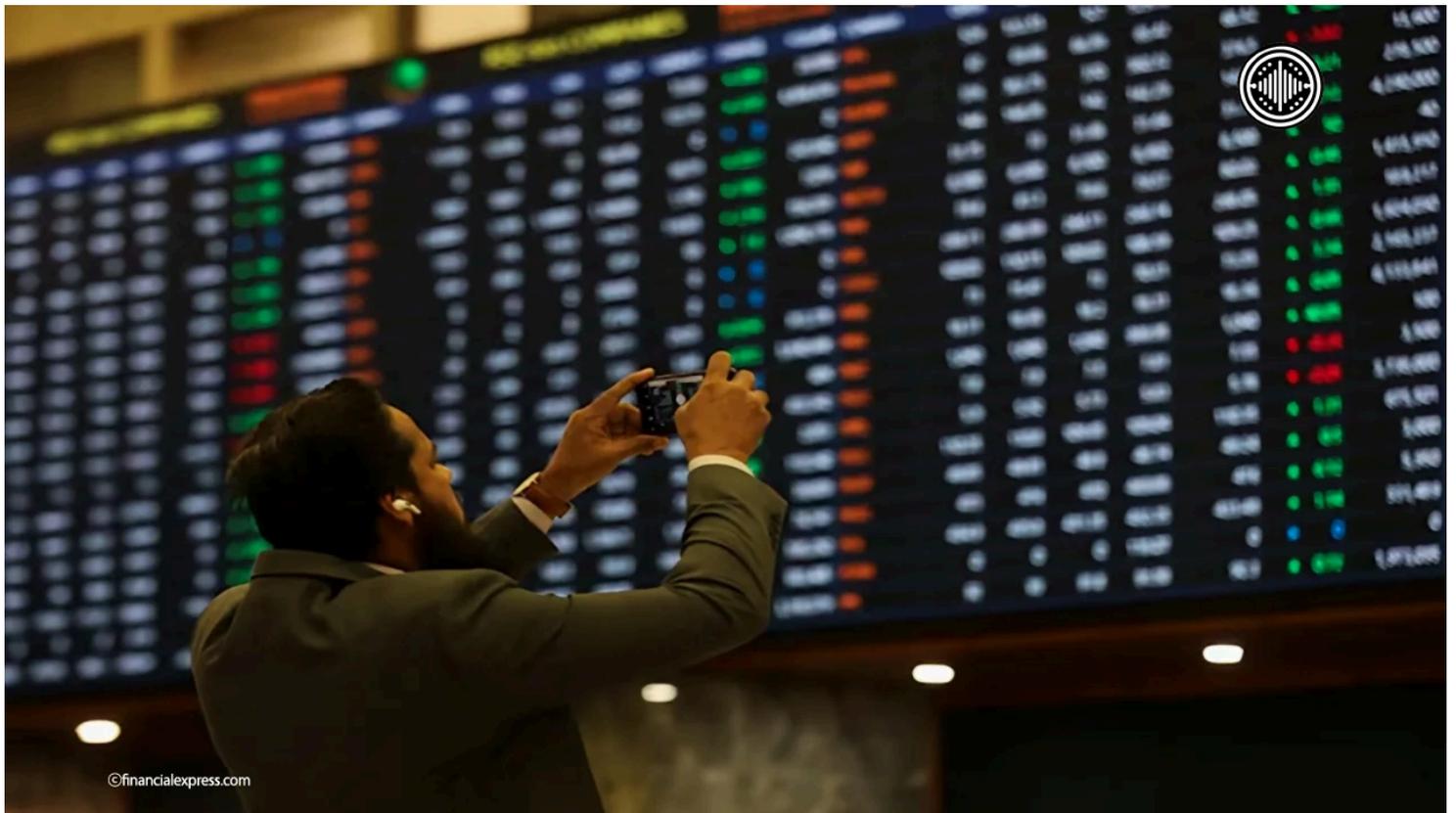
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## FIIs Increase Short Positions, Signalling Downside Risk for Defence and Financial Stocks

July 22, 2025

– Categories: Finance



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Foreign institutional investors (FIIs) have sharply increased short bets in Indian markets, particularly targeting defence and financial stocks. Market data shows FIIs raised their short position in index futures by nearly 6% last Friday, while reducing long positions by 6.7%, leaving their net long exposure at its lowest this year.

This pattern coincides with key technical levels being breached. The Nifty index has hovered near its lower Bollinger Band and edged closer to the 200-day moving average around 24,000 points, fueling expectations of further declines.

Several large defence stocks are under pressure. Bharat Dynamics Ltd (BDL) and Bharat Electronics Ltd (BEL) have seen rising short interest. The Nifty Defence Index dropped below a key technical level (23.6% Fibonacci retracement), indicating potential downside toward 7,650 points. Technical indicators across the sector, which includes bearish MACD crossovers and weekly chart breakdowns, suggest continued weakness.

Financials are also showing signs of vulnerability. The Nifty Financial Services Index fell below its 50-day moving average for the first time since March. Stocks like HDFC Bank, Axis Bank, HDFC Life, SBI Life, ICICI Prudential, and ICICI Lombard are among those seeing increased short activity. Analysts say sectoral support levels could fall further, possibly between 25,900 and 26,150. However, Bajaj Finance and Bajaj Finserv have held up, providing some cushioning for the broader financial index.

The ramp-up in short positions by FIIs suggests mounting bearish sentiment in select sectors. With multiple technical support levels broken, further downside in defence and financial stocks is possible. A broader market decline of around 4% could see the Nifty retest the 200-day moving average near 24,000.

Market watchers recommend reviewing existing exposures in BDL, BEL, and major financial stocks. Portfolio adjustments, or hedging strategies, may be needed to manage elevated downside risk.