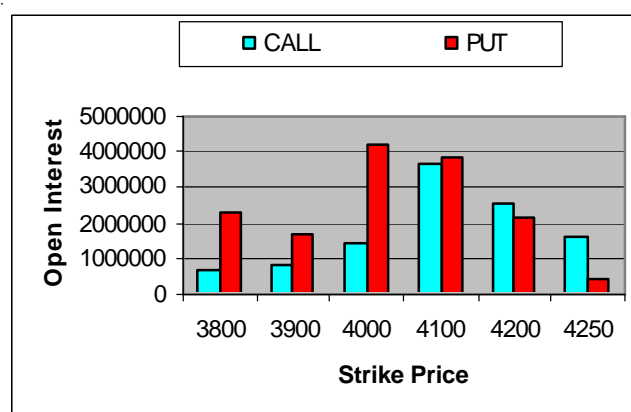


19th May, 2007

Indices' Snapshot

	Previous week	This week	Change	%Chg
Nifty	4076.65	4214.50	137.85	3.38
Sensex	13796.16	14303.41	507.25	3.68
Bank Nifty	5682.45	6290.80	608.35	10.71
CNX IT	5286.45	5305.60	19.15	0.36
Futures LTP (May)				
Nifty	4084.50	4229.70	145.20	3.55
Bank Nifty	5740.00	6322.00	582.00	10.14
CNX IT	5319.00	5347.00	28.00	0.53
Open Interest (OI)				
Nifty	36002250	31925400	-4076850	-11.32
Bank Nifty	167000	288300	+121300	+72.63
CNX IT	43050	126600	+83550	+194.08
Cost of Carry (% annualized)				
Nifty	-0.74	+8.91	+9.65	
Bank Nifty	+12.87	+4.89	-7.98	
CNX IT	+9.47	+28.31	+18.84	

Nifty Options OI Distribution



Nifty Put Call Ratio (OI)

	Last Week	This Week	Change	% Change
Call OI	13383550	12983050	-400500	-2.99
Put OI	15315100	18802000	+3486900	+22.77
PCR	1.14	1.45	+0.31	

FII's Weekly Derivative Statistics 17.05.07

	Buy		Sell		Open Interest as on 17.05.07		Open Interest as on 10.05.07		Change in FIIs Open Interest (W-o-W)	
	No. of Contr.	Amt in Crs.	No. of Contr.	Amt in Crs.	No. of Contr.	Amt in Crs.	No. of Contr.	Amt in Crs.	No. of Contr.	Amt in Crs.
Index Futures	308939	6430.97	206307	4274.72	661591	14014.96	754343	15296.07	-92752	-1281.10
Index Options	56386	1150.65	31382	638.97	282067	5950.98	281245	5718.84	822	232.14
Stock Futures	94595	2739.01	142150	3692.25	646160	17865.59	574849	15327.28	71311	2538.31
Stock Options	183	4.77	853	25.00	3400	92.81	2699	67.49	701	25.32
TOTAL						37924.34		36409.68		1514.66

Source: NSE

Market Activity

Nifty remained extremely strong throughout the week and has closed with a gain of 137 points at 4214. The banking stocks remained in limelight and the Bank Nifty index gained 10.7% during the week. Major gainers during the week, in terms of price, were McDowell, OBC, Can Bank, Matrix Labs, SBI, Rel Capital, Nagarjun Fert, ICICI, Titan, GMR, LIC, Parsvnath, Patni, GTL, Bongaigaon Refn, NDTV, IOC etc. Major losers were Bajaj Auto, Suzlon, I-Flex, Sun TV, SCI etc. Huge short covering was seen by the FIIs in Index futures as they remained net buyers and OI decreased significantly. However, in Stock futures build up of short positions was seen.

Market Outlook

We continue to maintain our positive view on Nifty for the coming days as short covering was seen in Nifty and it has also consistently sustained above 4200 levels. Importantly, the Implied Volatility of Nifty dropped to 20-21% levels from high levels of 24-25% earlier which is a very positive development and suggests decline in ambiguity regarding sustainability of Nifty at current levels. We have also seen remarkable support developing near 4200 levels given huge build up seen in Nifty 4200 Put options; build up with declining IV suggests Put writing activity. However, one shall aggressively go long on Nifty only on a closing above 4250 levels.

Open Interest (OI) Analysis

BULLISH: IT & Telecom: Patni (229%), IDEA (71%), HCL Tech (21%);

Banking: Vijaya Bank (36%), Syndicate Bank (34%), Karnataka Bank (27%)

Others: Tata Tea (39%), GMR Infra (31%), Cairn (30%)

Long positions are seen in abovementioned stocks as OI has built up during the week with upside move in stock price and positive CoC and therefore we remain bullish on these stocks. **CNX IT** futures added remarkable long positions as OI increased by nearly 83500 shares (194%) with positive CoC and therefore one shall keep a close watch on IT stocks for a bounce back. We expect a bounce back in **Infosys (33%)** as OI has increased remarkably with positive CoC during the week. Short covering activity was seen in sugar stocks like **Bajaj Hind (22%) & Balrampur Chini (25%)** as OI has decreased with upside move in stock price and positive CoC; thus we may see strength in these stocks. On Friday, remarkable build up was seen in stocks like IDFC & Nagarjun Fertilizers and we maintain our bullish view on these stocks.

Put-Call Ratio (PCR) Analysis

- Nifty PCR (OI) moved up to 1.45 against 1.14 last week.
- Nifty Call options shed 4 lakh shares (-3%) & Put options added 34.8 lakh shares (+22.8%) in OI.
- Nifty 4200 Put options added 17.5 lakh shares in OI during the week as Nifty sustained above 4200 levels consistently. This indicates build up of support near 4200 levels on Nifty for immediate term.
- Extremely strong support exists near 4000 levels on Nifty as Nifty 4000 Put options hold nearly 41.8 lakh shares representing 22.25% of total Put OI.
- Nifty 4100 Put options added 9.5 lakh shares in OI during the week.
- OI in Nifty 4200 Call options decreased by 4.9 lakh shares indicating profit booking on long positions as the Implied Volatility also dropped from 23-25% levels to 20-21%.

Cost of Carry (CoC)

Turned Positive: ACC, BPCL, Grasim, Jindal Stainless, SAIL.

Turned Negative: Canara Bank, IndusInd Bank, RIL, TataSteel.

Derivative Strategy

Scrip: CAIRN		Spot Price: 144.55		Mkt Lot : 2500			Expiry Date (F & O): 31ST MAY 2007	
View: Bullish				Strategy: Buy Call Option			Expected Payoff	
Buy/Sell	Oty.	Scrip	Strike Price	Series	Option Type	Mkt Price (Rs.)	Closing Price	Expected Profit/Loss (Rs)
BUY	2500	CAIRN	150	MAY	CA	2.75		
Maximum Risk: Limited to Rs.2.75 (Rs.6,875.00 per contract) If CAIRN closes at 150 or below on expiry of May series. Maximum Profit: Unlimited Expected Profit: Rs.6.00 (Rs.15000.00 per contract) at expected target price of 155. Break Even Point : Rs.152.75							150 or below	(2.75)
							152	(0.75)
							154	1.25
							156	3.25
							158	5.25
							160	7.25

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Analyst's holding in the stocks mentioned in the report: **NIL**

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