

# DAILY MARKET OUTLOOK

## Market Snapshot

The Sensex opened marginally (26 points) higher at 14,293, and then did not bother to look back. Unabated buying saw the index rally to a new all-time intra-day high of 14,463. The Sensex finally settled with a gain of 137 points at 14,404 while the NSE Nifty settled with a gain of 47 points at 4184.

The NSE & BSE cash volumes were significantly higher compared to the previous day at INR 102 bn and INR 56 bn. The F&O volumes were also lower compared to the previous day at INR 296 bn.

## Sentiment Indicators

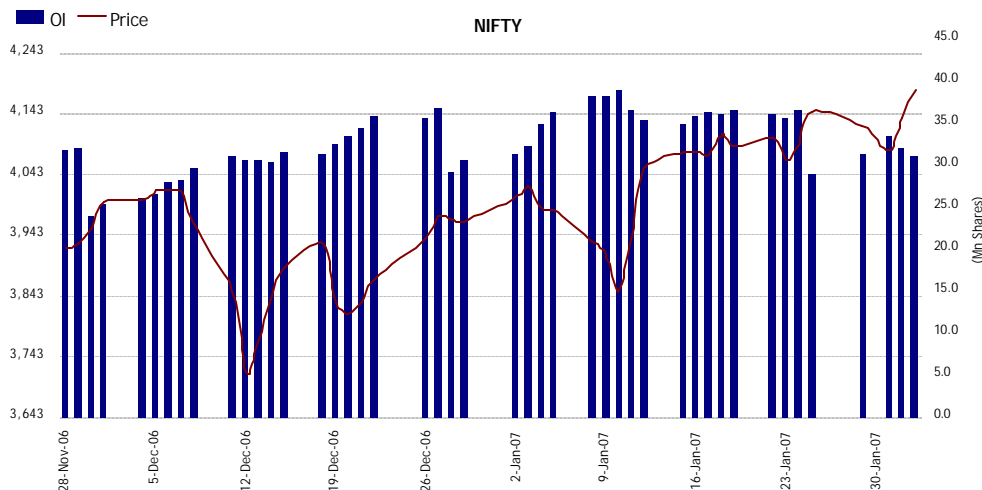
The Implied Volatility (IV) across Nifty strikes has decreased to 20-22% levels. The WPCR of Nifty Options increased to 1.66 compared to the previous day while the 5 day average is 0.92. The January futures are now trading at 9 points discount. The Nifty Futures OI has decreased by 3%.

## Outlook

The markets continued with their rally on Friday aided by short covering. We expect the markets to open on a soft note in line with its Asian peers and also due to weak closing of base metal prices on the LME. However we believe downside will be limited as there were incremental short positions created on Friday as the Nifty CoC again moved to into a discount of 9 points from a premium of 1 point at the close of the previous trading session. These short positions will provide cushion to Nifty.

The banking sector should continue to witness action with buzz around public sector banks looking to sell their stake in the NSE. We believe that Telecom will be a strong relative play to the broader market. Non-ferrous stocks are expected to be weak following weak closing of most of the base metal prices on the LME. With crude inching back, oil marketing companies will continue to be under pressure.

Nifty has an immediate support at 4162 followed by 4132 and on the upside Nifty will face an immediate resistance at 4199 followed by 4224.



February 5, 2007

### Market Snapshot

	2-Feb	1-Feb	% Chg
Nifty	4183.5	4137.2	1.1
Sensex	14403.8	14267.2	1.0
BSE MidCap	6118.2	6076.8	0.7
BSE SmallCap	7560.7	7532.5	0.4

### Feb Futures

Average ICC (p.a)**	12.5%	14.3%	-12.5
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### Volume (INR mn)

	252,945	260,586	-2.9
Futures	252,945	260,586	-2.9
Call	22,260	23,478	-5.2
Put	21,117	18,633	13.3
Total	296,322	302,697	-2.1
NSE Cash Vol.	102,576	80,337	27.7
BSE Cash Vol.	56,296	40,081	40.5

### Open Interest (INR mn)

	412,306	409,922	0.6
Futures	412,306	409,922	0.6
Call	59,188	55,105	7.4
Put	71,969	65,062	10.6
Total	543,463	530,090	2.5

### Put Call Ratios

	0.93	0.80	16.3
PCR	0.93	0.80	16.3
WPCR	0.91	0.76	20.2
OIPCR	1.17	1.14	2.5
Total OI/ Volume	1.83	1.75	4.7

### Nifty IVs at 20 - 22% levels.

### FII Activity\* (INR Mn) (1-Feb)

	Buy	Sell	Net
Cash	-	-	-
Index Futures	8,232	4,047	4,185
Stock Futures	3,740	4,620	(880)
Total	11,972	8,667	3,305
Open Interest	1-Feb	31-Jan	% Chg
Index Futures	122,449	122,733	(0.2)
Stock Futures	165,496	158,813	4.2
Total F&O OI	344,643	336,256	2.5

### Mutual Fund Activity\* (INR Mn) (1-Feb)

	Buy	Sell	Net
Equity	5,123	4,045	1,078

\*FII &amp; MF Data is reported a day late

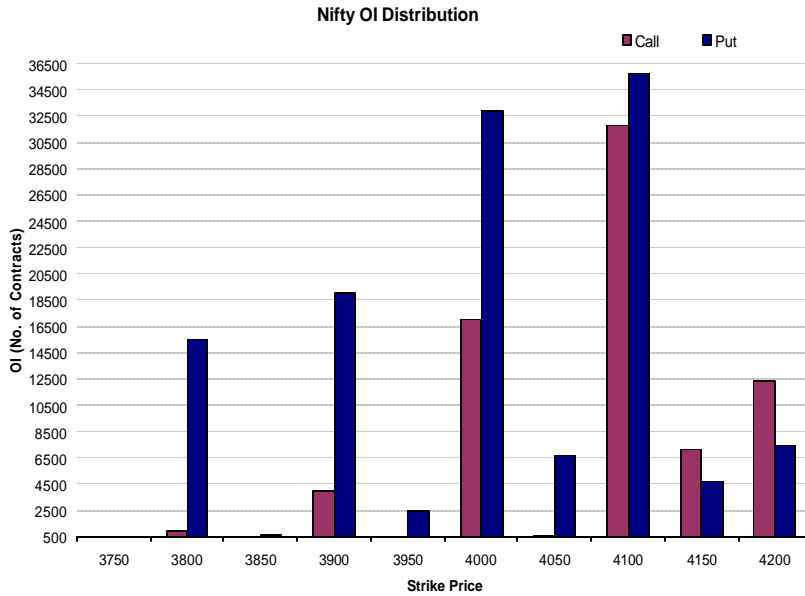
\*\* Avg of positive ICC's

## Pending Calls

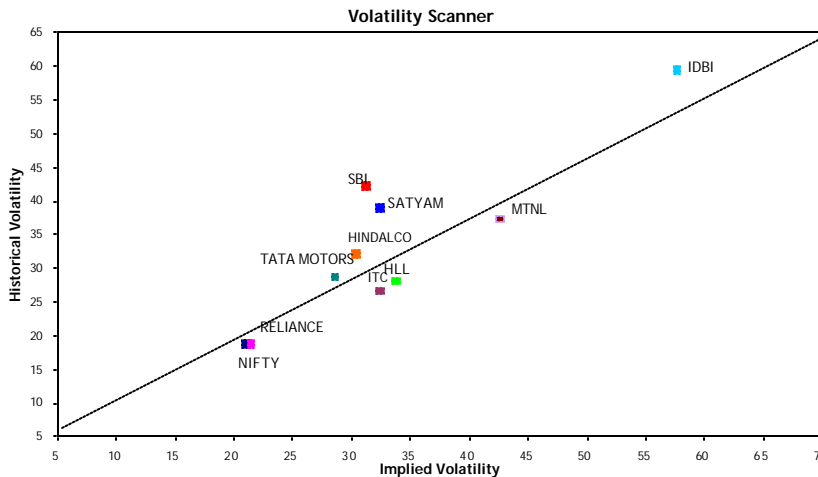
Scrip	Action	Date of Recommendation	Market Price	Returns	Rationale
RelCap	Buy	5-Feb-07	658.9	-	The stock has witnessed tremendous buying on Friday and was up close to 5% on high volumes. The OI also increased by 6%. We initiate a buy at these levels.
A BirlaNuvo	Buy	5-Feb-07	1273.6	-	With the Idea IPO analyst meet scheduled for tofday, we expect the stock to run up as the company has a stake in Idea. We remain positive on the scrip.
BPCL	Sell	5-Feb-07	352.5	-	The stock has shown weakness on Friday and was down more than a percent. Also with crude touching \$59/bbl, we expect OMC's to underperform the broad market.
Nationalum	Closed Today	24-Jan-07	237.0	7%	The stock witnessed some profit booking with a 4% fall in price and OI. We suggest suaring off long positions on account of weal metal prices on the LME.
REL	Buy	31-Jan-07	534.1	6%	The counter was up by another 2% on high volumes. The company has won an engineering procurement & construction contract to build a 1200 MW power plant in Haryana. We remain postive.
MTNL	Buy	19-Jan-07	169.2	5%	The counter closed on a flat note with a 4% rise in OI. The company is in talks with builders to develop commercial property on land it owns in Mumbai & Delhi which will lead to windfall gains for the company.
MphasisBFL	Buy	2-Feb-07	302.6	4%	The stock was up 4% on high volumes. It has shown a bullish engulfnmet pattern on decent volumes and is also supported by a positive cutting in its Rsi oscilator.
DivisLab	Closed Today	1-Feb-07	3356.7	4%	The stock was up about half a percent on low volumes. We suggest booking profits for now as don't much much of upside from here.
Lupin	Closed Today	23-Jan-07	618.1	4%	The stock continues to recover and was up by yet another percent on Friday. We suggest booking profits at these levels.
RCom	Buy	2-Feb-07	490.6	3%	The company has announced mega expansion pland over the next one year. Also there was renewed buying seen across telecom stocks yesterday. We suggest R Com as our best pick.
Gujambcem	Buy	2-Feb-07	142.8	3%	The stock was up more than 2% on very high volumes on account of good consolidated profits announced by the company on Friday.
GMRInfra	Buy	31-Jan-07	395.0	2%	The stock was up by 3% on friday. The stock broke an intermediate resistance at INR 384 with a strong volume build up. It also has a strong support at its 13 DMA.
Hindalc0	Closed Today	31-Jan-07	183.0	1%	The stock showed some weakness and was down about half a percent. We suggest squaring off positions due to weal metal prices on the LME.
ICICIBank	Sell	1-Feb-07	944.6	0%	The stock was down about a percent with a 8% rise in OI. We expect the weakness to continue and remain bearish on the counter.
Centurytex	Buy	2-Feb-07	709.0	-1%	The stock close half a percent negative with a 2% rise in OI. We remain positive on the scrip.
ONGC	Buy	31-Jan-07	903.4	-1%	The stock closed on a flat note on low volumes. The company has come out with good results for the third quarter and we expect the stock to move up from here.
EssarOil	Closed Today	29-Jan-07	60.3	-5%	The stock was down more than 2% with a 3% fall in OI. We suggest booking losses as the stock has hit the stop loss.

## Closed Calls

Scrip	Recomm	Date of Recommendation	Initiated Price	Date of Closing	Closing Price	% Return
Rolta	buy	8th Jan, 2007	267.0	25-Jan-07	335.3	26%
Suzlon	Sell	29-Jan-07	1285.2	1-Feb-07	1142.4	13%
BHEL	Buy	15-Jan-07	2248.0	31-Jan-07	2505.8	11%
Cumminsind	Sell	29-Jan-07	280.5	1-Feb-07	272.7	3%
Hindpetro	Buy	18-Jan-07	314.2	24-Jan-07	318.2	1%
INDHOTEL	buy	02nd Jan, 2007	154.7	31-Jan-07	154.7	0%
VSNL	Buy	17-Jan-07	473.6	1-Feb-07	462.3	-2%
PNB	Buy	18-Jan-07	525.1	1-Feb-07	508.2	-3%
SBIN	Buy	18-Jan-07	1222.6	24-Jan-07	1174.0	-4%
TataMotors	Buy	23-Jan-07	963.3	25-Jan-07	916.2	-5%



- Maximum OI was added to 4200 call [increase of 13.5%], 4150 call [increase of 7.4%] and 4000 put [increase of 2.1%]
- Maximum Volumes were witnessed by 4200 & 4100 Call and 4100 & 4200 Put.



Nifty IVs at 20%-22% levels

High IVs

- HLL IVs are quoting at 34% as against HV's of 28%
- MTNL IVs are quoting at 43% as against HV's of 37%.
- ITC IVs are quoting at 32% as against HV's of 27%.

Sectoral Open Interest Build Up (Contracts) for 1 days				
Sector	OI	OI -D	% OI Chg	% Prc Chg
Chemicals	11198	10529	6.35%	0.8%
Banking	93246	88327	5.57%	0.4%
Metals & Mining	103234	99120	4.15%	0.1%
Telecom	58870	57467	2.44%	3.4%
Textile	18091	17788	1.70%	0.3%
Oil & Gas	93448	92387	1.15%	0.0%
Engineering & Capital Goods	61856	61226	1.03%	1.6%
Construction	46943	46492	0.97%	2.4%
Pharma	45136	44971	0.37%	0.9%
FMCG	44518	45178	-1.46%	0.6%
IT	62976	64176	-1.87%	1.3%
Cement	34110	34793	-1.96%	1.3%
Auto	51023	52868	-3.49%	0.9%
Power	34093	35612	-4.27%	1.1%

- Amongst all the sectors, the Telecom sector was up the most. VSNL was up 6% with a 9% increase in OI followed by Bharti which rose by 5% on high volumes.
- In the Construction space, Sobha was the major gainer with a rise of 6% followed by LITL which witnessed a huge long build up as the OI was up 11% coupled with a 4% rise in price..
- Amongst engineering stocks, L&T was up 5% on high volumes.

## Futures Snapshot

## Top OI Rises

Scrip	% OI Chg	OI	% Price Chg	% Future Vol Chg
UTI Bank	78	685	8.4	416
Amtek Auto	48	349	2.2	71
I-Flex	30	299	0.7	382
Kotak Mahindra Bank	26	821	5.2	570
Shree Renuka Sugars	18	894	2.5	31
Bharat Earth Movers	17	276	1.0	189
Sesa Goa	15	1,040	(2.0)	(13)
Bajaj Hindustan	14	7,385	(2.6)	60

## Top Price Change

Scrip	% Price Chg	% OI Chg	OI	% Future Vol Chg
UTI Bank	8.4	78	685	416
VSNL	6.3	9	3,502	231
Sobha Developers	6.2	(2)	1,293	259
Karnataka Bank	5.9	13	3,493	161
Jindal Steel & Power	5.7	10	337	116
Bharti Airtel	5.3	4	8,489	115
Kotak Mahindra Bank	5.2	26	821	570
Federal Bank	5.0	12	1,024	392

## Top OI Falls

Scrip	% OI Chg	OI	% Price Chg	% Future Vol Chg
Escorts India	(25)	6,787	4.7	(72)
Ultratech Cement	(24)	267	3.0	(11)
Gujarat Amb	(20)	8,073	2.5	38
Suzlon	(13)	2,068	3.8	32
Titan Industries	(12)	1,801	2.2	(2)
IRCL	(11)	10,757	1.8	(15)
Tata Motors	(10)	3,821	0.4	13
CNX IT	(8)	5	1.2	(3)

## Top Volume Rises

Scrip	% Price Chg	% OI Chg	OI	% Future Vol Chg
Lanco Infra	860	4,773	4.0	11
Kotak Mahindra Bank	570	1,750	5.2	26
UTI Bank	416	4,469	8.4	78
Federal Bank	392	1,843	5.0	12
I-Flex	382	285	0.7	30
Reliance Capital	278	9,103	4.7	6
Indian Hotels	268	3,036	2.3	(8)
Sobha Developers	259	1,041	6.2	(2)

## F&amp;O CROSSOVER: -

## Focus Stocks

- Positives: GAIL, Infosys, NTPC, ONGC, Reliance.
- Negatives: Nifty, HLL, IPCL, Tata steel

## Portfolio Tracker

2-Feb-07

Scrip	Reco	2-Feb-07 Score	1-Feb-07 Score	Reco Date	Reco Price	Current Price	No of days running	Retn since Reco	Stop Loss*
Nifty	Sell	(1)	3	2-Feb	4,184	4,184			4,393
ACC	Buy	1	1	1-Feb	1,035	1,041	1	0.6%	989
GAIL	Buy	1	(1)	2-Feb	292	292			277
HLL	Sell	(5)	(5)	29-Jan	215	209	4	2.7%	218
HPCL	Sell	(1)	(1)	29-Jan	314	303	4	3.6%	318
ICICI Bank	Sell	(3)	(3)	29-Jan	956	945	4	1.2%	988
Infosys	Buy	5	5	24-Jan	2,234	2,266	9	1.4%	2,156
IPCL	Sell	(5)	(5)	25-Jan	283	282	8	0.4%	291
Maruti	Buy	3	3	1-Feb	940	945	1	0.5%	897
MTNL	Buy	1	1	22-Dec	139	169	42	21.5%	164
NTPC	Buy	3	3	17-Jan	140	142	16	2.1%	138
ONGC	Buy	3	3	29-Jan	917	906	4	-1.2%	871
Polaris	Neu**	3	3	31-Jan	226	230			
Reliance	Buy	1	(1)	2-Feb	1,375	1,375			1,306
Satyam	Neu**	(1)	(1)	2-Feb	491	491			
SBI	Neu**	(1)	(5)	1-Feb	1,203	1,181			
SCI	Buy	5	5	31-Jan	178	179	2	0.8%	170
TCS	Buy	1	1	31-Jan	1,278	1,301	2	1.8%	1,235
Tata Motors	Sell	(1)	(3)	31-Jan	878	910	2	-3.6%	922
Tatasteel	Sell	(1)	(1)	31-Jan	465	463	2	0.5%	480

Buy/ Sell/ Neutral = 10/7/3

Trailing Stop Loss at 5% i.e. 5% below the peak price since the recommendation date in case of a Buy and 5% above the lowest price since recommendation date in case of a Sell. Once the stop loss is hit the recommendation will become neutral and will be reviewed only after 3 trading days. In the event of a whipsaw also the recommendation will become neutral and will remain so for a period of 3 days.

Blue Nos. indicate increase over last day, Red Nos. indicate decrease over last day

## Edelweiss Securities

14<sup>th</sup> Floor, Express Towers,  
Nariman Point, Mumbai – 400 021  
Board: (91-22) 2286 4400  
Email: research@edelcap.com



Naresh Kothari – 2286 4246

Head, Institutional Equities

Vikas Khemani – 2286 4206

Head, Institutional Equities

### INDIA RESEARCH

### SECTOR

### INSTITUTIONAL SALES

Shriram Iyer - 2286 4256

Head – Research

Nischal Maheshwari - 2286 4205

Gautam Roy - 2286 4305

Airlines, Textile

Rajesh Makharia - 2286 4202

Ashutosh Goel - 2286 4287

Automobiles, Auto Components

Shabnam Kapur - 2286 4394

Vishal Goyal, CFA - 2286 4370

Banking & Finance

Amish Choksi - 2286 4201

Revathi Myneni - 2286 4413

Cement

Balakumar V - (044) 4263 8283

Sumeet Budhraj - 2286 4430

FMCG

Monil Bhala - 2286 4363

Harish Sharma - 2286 4307

Infrastructure, Auto Components, Mid Caps

Ashish Agrawal - 2286 4301

Priyanko Panja - 2286 4300

Infrastructure, Engineering, Telecom

Nikhil Garg - 2286 4282

Hitesh Zaveri - 2286 4424

Information Technology

Swati Khemani - 2286 4266

Parul Inamdar - 2286 4355

Information Technology

Neha Shahra - 2286 4276

Priyank Singhal - 2286 4302

Media, Retail

Priya Ramchandran - 2286 4389

Prakash Kapadia - 2286 4432

Mid Caps

Anubhav Kanodia - 2286 4361

Niraj Mansingka - 2286 4304

Oil & Gas, Petrochemicals

Tushar Mahajan - 2286 4439

Nimish Mehta - 2286 4295

Pharmaceuticals, Agrochemicals

Harsh Biyani - 2286 4419

Manika Prem Singh - 4019 4847

Economist

Nirmal Ajmera - 2286 4258

Sunil Jain - 2286 4308

Alternative & Quantitative

Ankit Doshi - 2286 4671

Yogesh Radke - 2286 4328

Alternative & Quantitative

Ravi Pilani - 4009 4533

Dipesh Shah - 2286 4434

Email addresses: [firstname.lastname@edelcap.com](mailto:firstname.lastname@edelcap.com)

e.g. [naresh.kothari@edelcap.com](mailto:naresh.kothari@edelcap.com)

unless otherwise specified

### RATING INTERPRETATION

Buy	Expected to appreciate more than 20% over a 12-month period	Reduce	Expected to depreciate up to 10% over a 12-month period
Accumulate	Expected to appreciate up to 20% over a 12-month period	Sell	Expected to depreciate more than 10% over a 12-month period
Trading Buy	Expected to appreciate more than 10% over a 45-day period	Trading Sell	Expected to depreciate more than 10% over a 45-day period

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