

Index Review:

CURRENT TECHNICAL SETUP

Intermediate support trend line: 14188
200 dma level: 14148
Key swing levels : 15868 resistance 15350/14592 support

Pitchfork levels : 15490 median line 16080 resistance 14960 sup
Sensex Stocks above 200dma: 19/30 (up 2)
Gains/Loss for the week: Advance — 7163 Decline — 6665

The thrust of the last week's letter was on the fact that the trends remained positive and that one should be looking for some further gains in the indices. Newer high targets were mentioned but we were not looking for those targets to be achieved during the last week! In our strategy column we had also mentioned that the action would probably continue in the small and mid cap segment while the large caps were expected to undergo some pullbacks.

This was more or less the situation. The index trends were nowhere as robust as those seen a week ago and except for Monday and Thursday we had three down days actually. The entire movement thru

the week was ranging action even as some of the stocks made hay with some good performances. Hence, for an index trader the week was pretty much a write off while for a stock trader it was a good one as there were many vehicles to move around in.

On week-on-week basis the indices showed negligible changes (around 0.1% gain only) and even the breadth figures, though positive, were still somewhat less robust compared to the earlier weeks. Even though the overseas markets were a bit fluctu-



Source : Advanced Get

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Special points of interest:

- Market almost makes it to the previous top made back in July.
- Significant event of the coming week would be the Fed meet and trends here too may be influenced to a good degree by the outcome of this meeting.

Index review continued

tuant, our markets did show some decoupling from their trends as we shrugged off some very weak moves to finish strongly here. This did raise the level of confidence in the trends here as the prices began reflecting the confidence across a wider selection of the stocks. The F&O segment was also quite active as about 14 new items were added to the list during this week.

Fill jitters were one of the reasons why the weekly gains could not be maximized. The Sensex had almost reached the previous top levels by Friday but some renewed concerns on the sub prime issue took its toll on the index as well as the stocks as people bailed out rapidly. This was not a surprise as many were in some good profits by this time and the last thing that any trader or investor holding positions in profit wants is to see the same vanish in a declining market. Hence such declines have a tendency to run away with themselves. However, the fall did not really dent the trend— all it did was erase some of the gains made during the week. The weekly candle pattern is still a bullish one. No doubt the upper shadow patterns of the last two weekly candles would imply that there is selling at the top. However, the notable lack of price damage as well as the lack of leadership on the downside is an equal positive. The monthly candle is still managing to trade above the small body of August and that again is a positive.

Momentum gains during the week have been small— not surprising considering the minimal moves that the prices have exhibited. But in so far as what is seen, it is still a positive. The RSI has taken support around the 60 levels during the minor dip of the week and that again is a positive.

The sensex has now given two weekly closes above the earlier top close back in July. If the rise continues then the higher levels mentioned in the last week’s letter viz:15812/15868 still remain valid targets. On the lower side 15300 remains the first line of defense that needs to be breached for the bears to come back into this game. Even then, 15100 will also continue to offer some good supports. Dips into these zones therefore remain buying opportunities during the days ahead. Sentiment is still positive and hence we can continue to look for some positive action ahead too.



Source : Advanced Get

Index View: Conclusion and Strategy

Though the action of the week was a rather range bound affair, the upward thrust towards the end of the week that nearly topped the highs made back in July is suggestive of continued bullish undercurrent in the market. With the trend showing no signs of exhaustion and with no evidence of any leverage position build up in the F&O segment, it does appear that we have a good money backed market. Therefore the trends are expected to sustain, barring any sudden turn of events, particularly from overseas. The big news of the next week will no doubt be the Fed meet. While some rate cut is already priced in, the actual event will dictate the trends. Market could turn cautious ahead of the event and hence the initial portion of the week may see small range moves with some possible profit taking while the balance of the week could be dictated by news and events. The bias continues to remain bullish and hence we should be looking at declines as fresh buying opportunity only.

Sector Index analysis: Realty & Metals to outperform

Realty stocks perked up last week and were the best gainers among the sector with a net gain 6.73%. Most of the stocks improved and since the index has crossed 62% retracement of the July-Aug 07 fall, we can expect the trends may continue to remain in action for some more time ahead. **DLF, Mah Gesco, HDIL** etc looks to be good picks.

Metal and Oil & Gas was back in the limelight after week's halt. Metal index is seen challenging its earlier highs. As the momentum readings being intact and as most of the component stocks being placed in a good shape, we expect this one to shine in the current week too. Stocks to watch out for are **Tisco, Sterlite, Sail** etc. **Oil & Gas** sector was powered by the great moves seen in **Reliance**. (all time high), **IPCL** (all time high). Both **Small & Mid cap** index remained an out performer across most of the week. However, on Friday it trimmed off some of its weekly gains owing to appearance of profit booking

at the higher levels. Both indices are seen placed near an important resistance on the charts. But until there is any significant evidence of weakness one should continue to ride the trend.

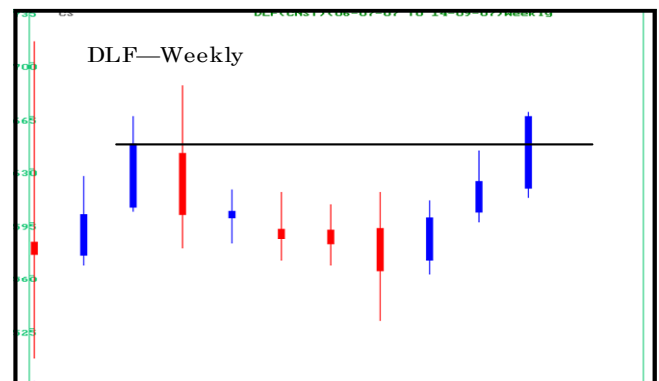
Capital Goods and **Banking** are seen moving in a sideways zone and remained subdued. **PSU Index** has given away important supports zones and as it is comprised of several bank stocks, we may see public sector banks remain weak.

Technology was the worst performer of the week. In last letter we had indicated that this sector will be under pressure. Heavy weights witnessed severe damage. However, with the second rung showing signs of bottoming out, downside in the index may be limited here. **Healthcare Sector** is placed in a poor shape and expect to be weak in the coming days too.

SECTOR INDEX	CLOSE	WKLY CLOSE	PIVOT	SUPPORT	RESISTANCE
BSE REALITY INDEX	7470.27	6.73	7809.75	7910.02	8624.88
BSE METAL INDEX	11609.08	3.19	11871.08	11899.27	12575.08
BSE OIL & GAS INDEX	8185.77	2.46	8338.88	8329.89	8756.4
BSE CONS.DURABL INDX	4479.7	1.96	4551.99	4536.01	4724.53
BSE SMALL-CAP INDEX	8433.52	1.65	8572.18	8508.87	8854.3
BSE FMCG SECTOR INDX	2046.63	1.28	2070.88	2047.66	2142.4
NSE BANK NIFTY	6842.95	1.01	6905.25	6852.93	7175.13
BSE MID-CAP INDEX	6851.65	0.66	6905.96	6845.37	7063.78
BSE CAP.GOODS INDEX	13613.24	0.65	13684.07	13593.72	14054.16
BSE BANKEX INDEX	8095.69	0.5	8130.2	8075.99	8396.15
BSE PSUS INDEX	7288.49	0.16	7316.17	7229.37	7517.7
BSE AUTO INDEX	4889.83	-0.09	4908.6	4845.23	4991.33
BSE HEALTHCARE INDEX	3705.68	-1.08	3693	3613.83	3710.67
BSE TECK INDEX	3642.3	-3.09	3560.15	3471.4	3581.43
BSE I.T. SECTOR INDX	4659.7	-4.52	4506.6	4312.71	4507.57
CNX IT INDEX	4866.25	-4.62	4710	4474.92	4704.82

Sector Watch: Realty – Star Performer

The only sector which was in a strong positive play last week was **Construction**. Huge volumes accompanied the move showing active participation by traders. **Unitech** cheered the sentiment as it is to be added in the Nifty. Stocks like **DLF, Mahindra Gesco, HDIL** pushed strongly and should continue to remain the main choice of the sector. All of them have good potential on the upside. Other new listings such as **Omaxe, Puruvankara** has tended to recover after some initial weakness. **Sobha, Parsavnath** are the underperformers and any rally seen here should be used as a exit opportunities and switch to the out performers.



Source : ASA

Medium Term Investment: Aksh Optifibre (57.10)

Small caps stocks are on an overdrive. Stocks of all hues, colors, sizes, shapes and sub sectors are on the move. Many are seen getting out from their intermediate corrective phase and spurting on huge volumes. Interestingly, these sharp moves in most of them has been accompanied with the positive news and that is suggest that the some serious turnaround is happening here. Many of the funds are also getting active here and that is also good news as it will power the recently launched rally in many of them to last for a while. Among those seems to figure is Aksh Optifibre, which joined the party last week.. It is an optic fiber and optic fiber cables manufacturing company and also has plans in making set-top boxes in India this year and expand Internet Protocol Television (IPTV) operations to metros in the next couple of years.

Technically, the monthly charts plotted here show that prices after topping out in the year 2001 slipped in to dark shadow of long-term downtrend. It eroded completely the gains made during 2000-2001 and went down all the way from 173 to around 10 in 2004. After the low, the launched its first rising leg and moved up to 81 level, where it retraced almost 50% of its earlier price damage. It then slipped into sideways zone for next couple months where prices was seen struggling to clear the long-term trend line resistance and retracement hurdles and formed multiple upper shadows. Topping out from here May 2006, this stock has been again going thru corrective phase. On the chart, we have shown the support of 61.8% retracement level of its above mentioned rising leg and has been consolidating and continued to confront the trend line resistance. The trend would now start to change and prices will move out of the corrective mode only if its scales past the trend line hurdle decisively.

Recent set of advances seems to be one more strong efforts to get out of the said resistance region around 52. What is more interesting development that the RSI oscillator successfully managed to hold support of 40 and is picking afresh. Trends are further boosted by the last weeks strong rise in the volumes and also with the recent positive news of company raising USD 40 mn via stake sale. Now a decisively monthly closing above 52 will further confirmed the major turnaround in this stock. This may them cruise the prices to 81 and above possibly towards 111 levels in the coming months. However on the short-term charts (not shown here), it indicates that the trends have run up a bit and have come near the important pitchfork resistance. Hence, we may see some rounds of pullbacks before moving up further. A cluster of supports comes to around 48-50 levels, where could look to buy as long-term story looks good. Targets on the higher side comes to around 81/111.



MEDIUM-TERM: CUBIX TUBING (74.80)

Small and mid caps stocks are going great guns in the current bull market. Most of them are bursting with activity along with lots of tips and news floating around it. Along with the retail investors, we also hear that funds and big players are also getting active here and that is actually an encouraging sign for the current boom to last for a while now. There are some stocks which have spurted much ahead of the cycle while the poorer cousins are making attempts to move up. Among those seems to figure is Cubix Tubing. This stock has been building up for a while now and therefore it is not as though it is joining party late. Possibly it could have only be waiting for some positive trigger till now. This view can be clearly confirmed from the volumes which has been quite huge in last several months.

The company is basically engaged in the manufacture and sales of copper and copper alloy products and sells its products to the various electrical equipment makers, white goods makers, automobile companies. In its recent development, the company has received order worth 60 million from National Thermal Power Corporation. It has also registered a 23.29% of net profit to Rs 25.20 million for the quarter ended in June 2007 from a profit of Rs 20.44 million for the quarter ended in June 2006. The above data concludes that the company has sounds fundamentals.

Moving to the Technical front, we see that prices are in the process of completing a rounding pattern which is a disturbed on the monthly chart since June 2005. It means that some patient investor has been at work over for past several years. Prices have now progressed to the breakout region of its pattern. Current month's move has further given an indication that the stock could begin to accelerate and possibly join the list of an out performers. Hence the key level to watch out is the breakout area of the pattern which comes to around 99. A successful push past from 99 with volumes will lead the stock to explode from the long-term pattern and head towards the target around 200 in the coming months. Momentum readings in the form of the monthly RSI oscillator are in a bullish mode on all time frames and that is may be further supportive to show best moves in the future.

With the good setup on the larger degree charts, strong fundamentals and outlook on the mid and small cap going gung ho, we suggest buying at current as well as on declines down to 61. One may add on positions on a decisive breakout above 99.



SHORT-TERM INVESTMENTS

Cambridge Solution (59.15)

In the last week prices witnessed nice rise, raising visions of renewed strength. On the weekly chart appended aside, we note that were struggling to clear the trend line resistance and multiple tops near it. Last week's smart rise triggered a strong breakout from the crucial trend line hurdle and closed well above it. Closing strongly for the week, we can see upward continuation in the current week also. This upward thrust last week has been well accompanied by a good increase in the volumes and has also flashed buy signal on most of the momentum indicators. This now opens room for higher targets of 71/89 in the current round of its move.

Buy at current and on dips down to 54 with stop of 50.



Source : Advance Get

Mahindra Gesco (578.60)

Realty stocks witnessed nice action packed movements in the last week. One of them to highlight here is Mahindra Gesco.

From the chart aside, we note prices was going thru intermediate corrective phase since Jan 2006. After a low in March 2007, prices moved in a sideways phase and struggling to clear strong valuation area (marked in ellipse) around 645. In its recent decline, prices tested the March low again. Interesting to note that the rise from there was quite powerful, which triggered a breakout from the Gann line on good momentum. Giving a strong closing above it is an indication of the end of the down trend. Trends will get further boost if prices hold above 645 region. This will then open higher targets in the coming time frames.

Buy now and on dip down to 547 for rise to 645/702 with stop of 540.



Source : ASA

SHORT-TERM INVESTMENTS

Alok Inds (73.50)

Textile sector was in demand in the last week. Alok was among the one which saw a sudden spurt on Friday session. This rise was on back of approval of the SEZ proposal to set up a textile unit at Silvassa, Gujarat.

From the technical structure attached aside, we note that last week's jump led the stock to clear various set of resistance in the form of trend line, Gann line and also gave a closing above its prior swing high. This is a positive signal. In sync with prices, we also see the RSI oscillator moving above 60 after a long-time, adding more strength to the trend. This kind of positive development on both price and momentum supportive with news indicates that stock has bright prospects ahead.

Look to buy at current and on dip down to 68 for rise to 89/101 with stop of 62.



Source : ASA

RDB Industries (193.70)

Prices launched its short-term up trend in the last month. This led the stock zoom from around 114 to around 199 levels. Finding strong resistance of the Gann line, prices slipped into a reaction phase. The magnitude of price damage was minimal as compare to the rise and this indicated that the dip was just a profit booking in the recently launched rise.

With last week's rise, we saw prices resuming back its trended run. This upward thrust pushed past the prices beyond the Gann line resistances and has again flashed buy signal. Also, we note the price ROC turning up afresh on the weekly time frame. All this should enable the stock to achieve the target of 226/ 253.

Buy at current and on dip down to 171 with stop of 168.



Source : ASA

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