

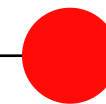
Trading Ideas for the week of 13th December 2010



Gaurav Mehta
Derivatives Analyst
Tel.: +91-22-3043 3255
gauravmehta@ambitcapital.com

Ashish Shroff
Technical Analyst
Tel.: +91-22-3043 3209-3221
ashishshroff@ambitcapital.com

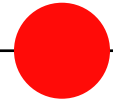
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USD/INR: INR to bounce until 46

CMP 45.10, Target 46



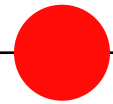
USDINR - INDIAN RUPEE (45.0570, 45.3150, 44.8900, 45.1300, +0.13000)



- INR, as mentioned last week, took support from 44.80 and bounced back above 45.
- INR could now depreciate above 46.
- This week, we expect INR to rally and target 46. On closing above 46, the next target will be at 46.8.

EUR/USD: Sell only below 1.30

CMP 1.326, Target 1.36



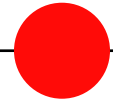
EURUSD (1.32610, 1.33220, 1.31630, 1.32420, -0.00140)



- EURUSD had a breakout from the inverted Head and Shoulder pattern with a runaway gap. This is a bullish scenario for EUR in the medium term.
- The Neckline of the Bullish pattern is at 1.30 and Euro should not break below 1.30 for this bullish move to continue.
- This week we expect the Euro to rally and target 1.34 and then 1.36

Copper: Buy

CMP \$9000, Target \$9150

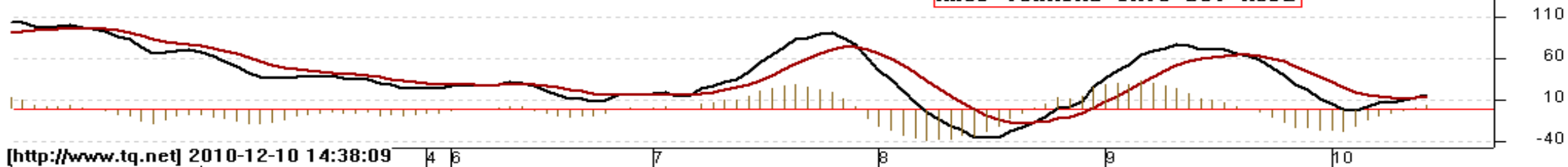


Copper TFA Best(L.SCU3)13:00 12/10 - Fully 60 Minutes B:9015.25 A:9020.00
O 9019.75 H 9026.00 L 9017.25 C 9020.00 V 110 0



DAV(9, 26, 9) 16.7398 MACD 13.4647 DIF 3.27505

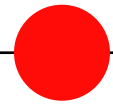
MACD TURNING INTO BUY MODE



[http://www.tq.net] 2010-12-10 14:38:09

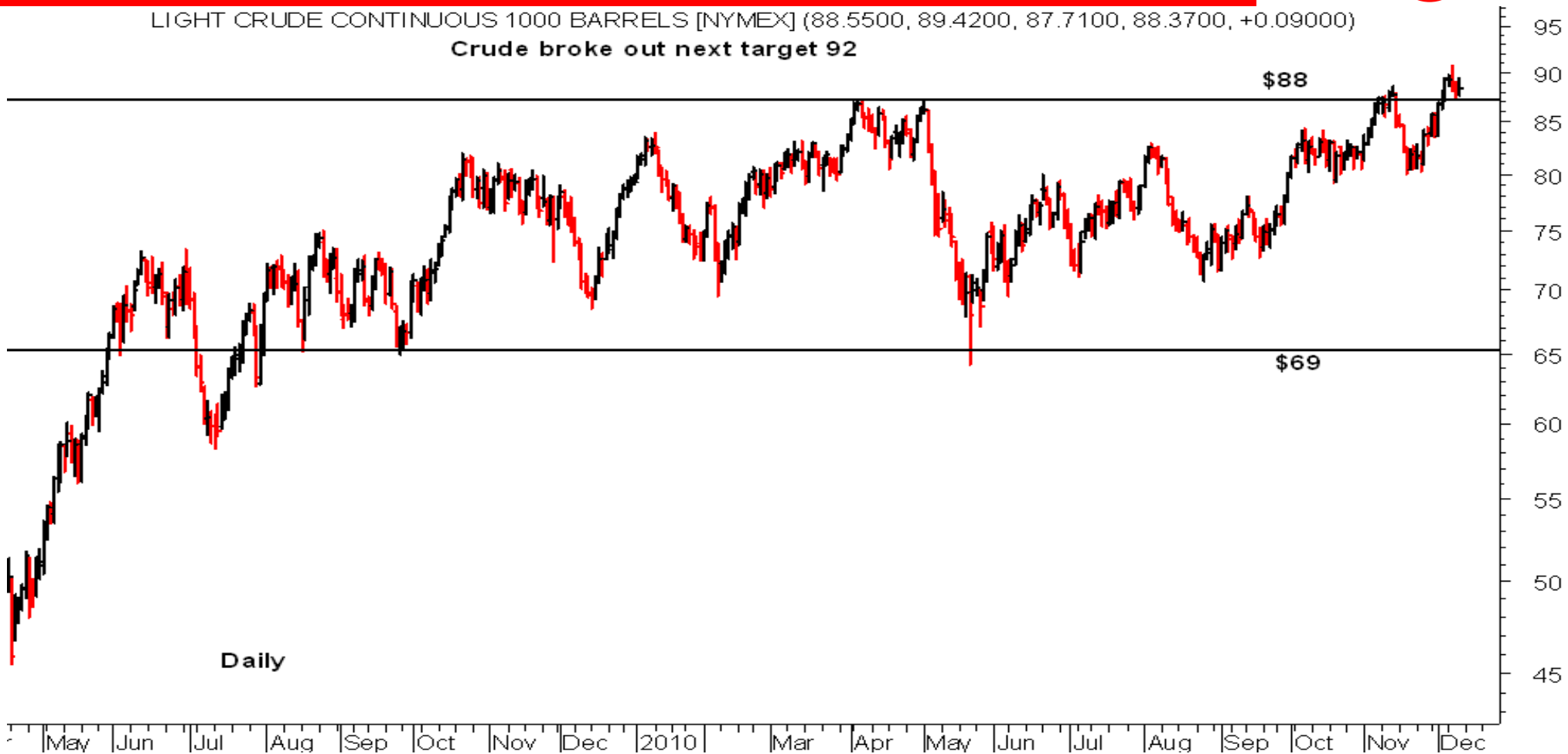
- Copper last week continued to rise and closed above \$9000 mark.
- The rally could continue this week and copper could target \$9150.
- The MACD on the hourly chart is also turning to buy mode and this should help copper to move higher.

Crude Oil: Finally had an upside breakout CMP \$88.5, Target \$92



LIGHT CRUDE CONTINUOUS 1000 BARRELS [NYMEX] (88.5500, 89.4200, 87.7100, 88.3700, +0.09000)

Crude broke out next target 92

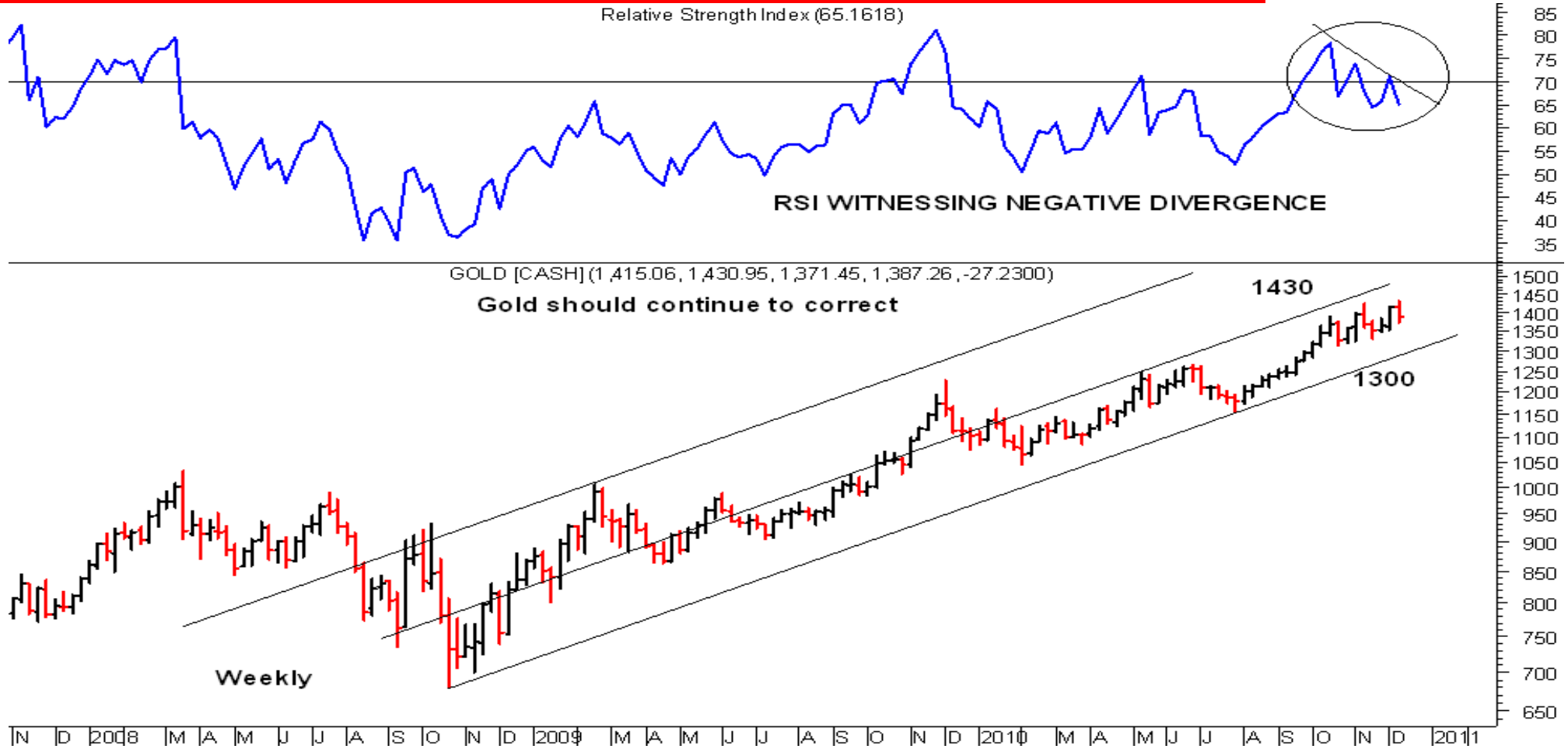
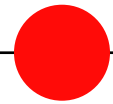


Daily

- Last week, crude oil rallied and had an upside breakout from the consolidation channel.
- The next level to watch out is \$92.
- As crude oil broke above \$88, in medium term we expect it to target \$105.

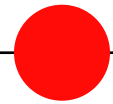
Gold: Continue to sell

CMP \$1390, Target \$1300



- Last week gold corrected from \$1410 to \$1371.
- The momentum oscillator, RSI, remains in the Overbought zone. Moreover, RSI is also witnessing negative divergence indicating that Gold would continue its downward journey and target \$1300.
- Strong support for gold is in the range US\$1,250-\$US1,300 and around this level new buying in gold would emerge.

Shanghai Comp: Sell below 200DMA. CMP 2841, Target 2800



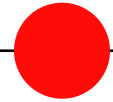
SHANGHAI COMP (2,837.61, 2,854.70, 2,808.51, 2,810.95, -37.6001)



- Last week, China took support at 200DMA and bounced back to close the week on a flat note.
- On the downside, the index retested the neckline of the bullish Head and Shoulder pattern, and also the 200DMA.
- The daily chart is deteriorating and if China breaks its 200DMA (2800), the Index could witness a sharp fall. On the upside, the Index would find resistance at around 2920.

NIFTY: Sell on bounce

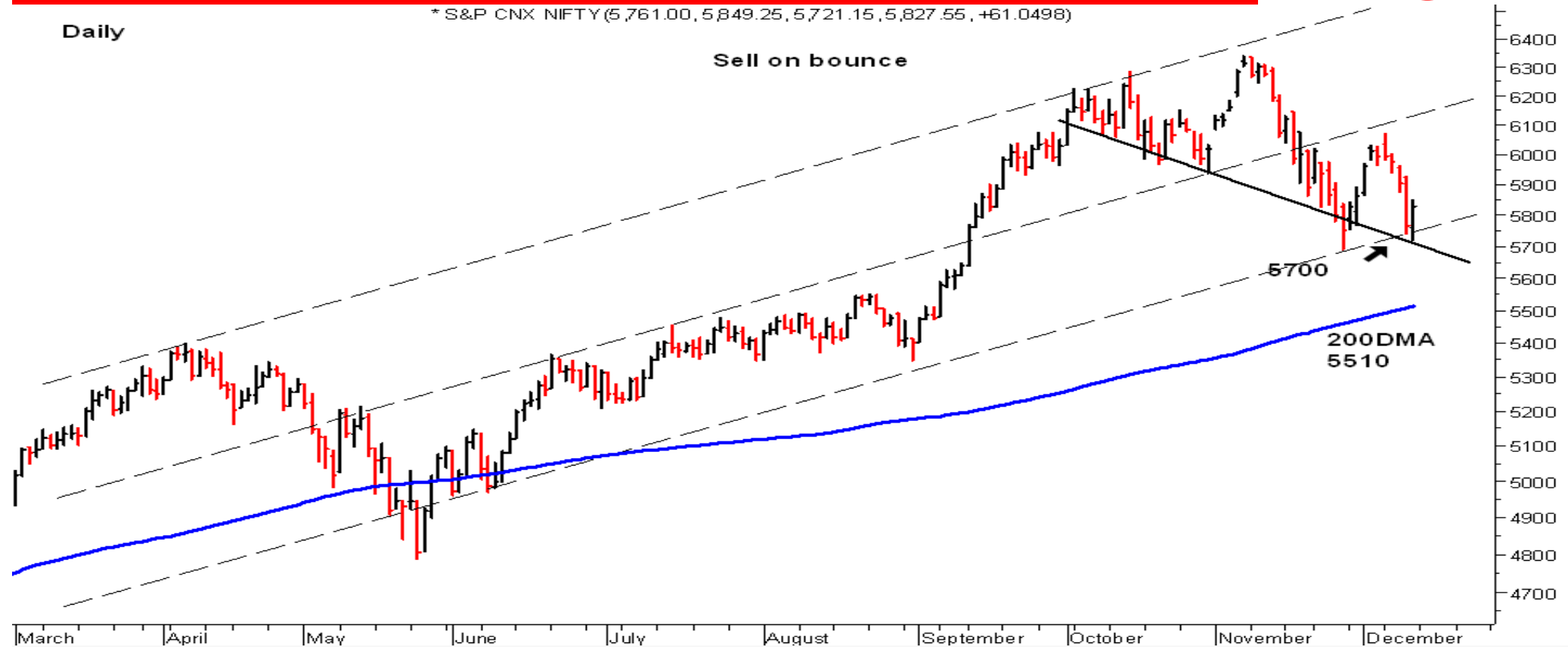
CMP 5857, Target 5690



Daily

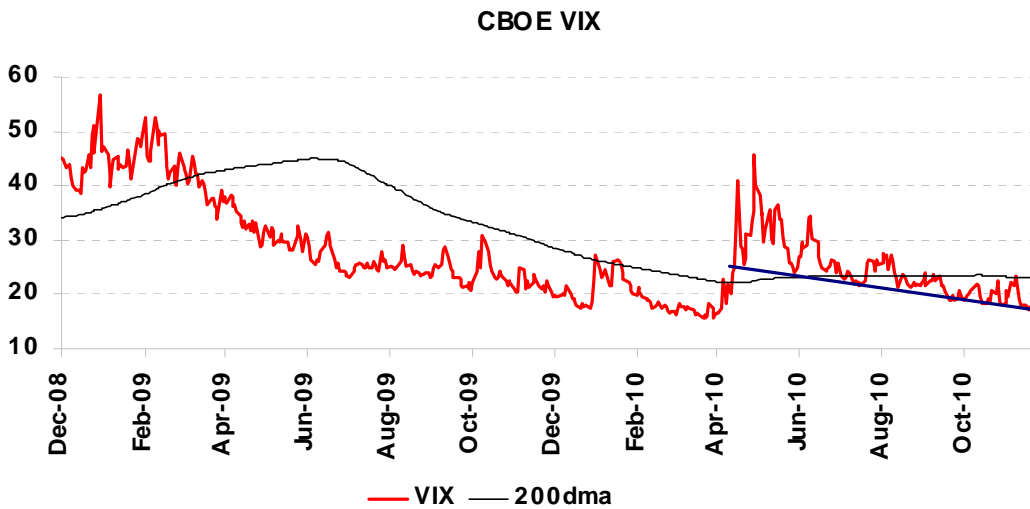
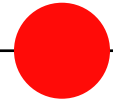
* S&P CNX NIFTY (5,761.00, 5,849.25, 5,721.15, 5,827.55, +61.0498)

Sell on bounce



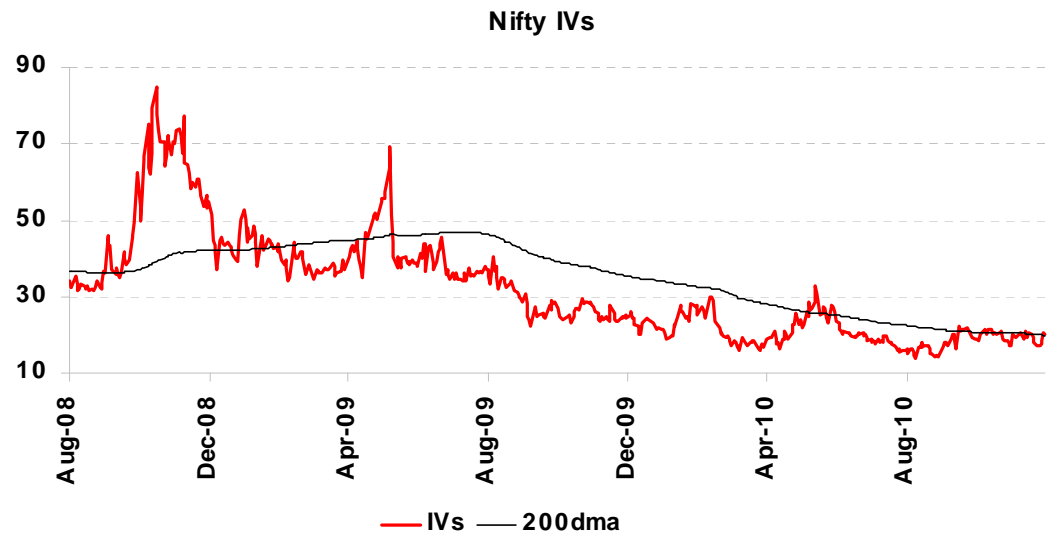
- Last week the Nifty achieved our short term target of 5900 but continued its fall and took support around 5700.
- On a week-on-week basis, the index closed in the red (loss of more than 2%) and wiped out half of the earlier week's gain to close the week above 5850.
- We continue to remain bearish on the Nifty and any bounce until 5910-5940 should be used as a selling opportunity.
- On breaking 5700, Nifty could test its 200DMA which is at 5510. We advise clients to remain Short with stop loss above 6000.

Volatility Measures— Indian volatility rises, US VIX falls

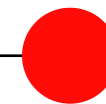


- With the S&P500 posting new closing highs, the US VIX has come down to stand at 17.6 now
- The VIX is back at the lower support line (as seen in the graph). A break below this would be extremely positive for equities.

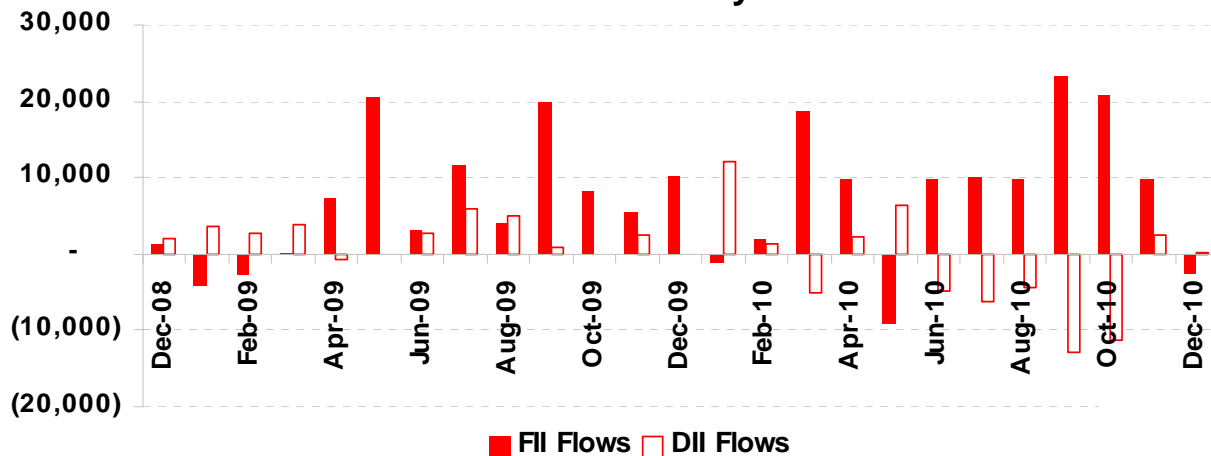
- From 17% last week, Nifty at-the-money implied volatility moved up to 20% this week as markets corrected
- Nifty IVs are back at their 200 dma; we think that this is a good resistance area and hence IVs are likely to move lower from hereon



Flows— DIIs buy into the fall as FIIs sell



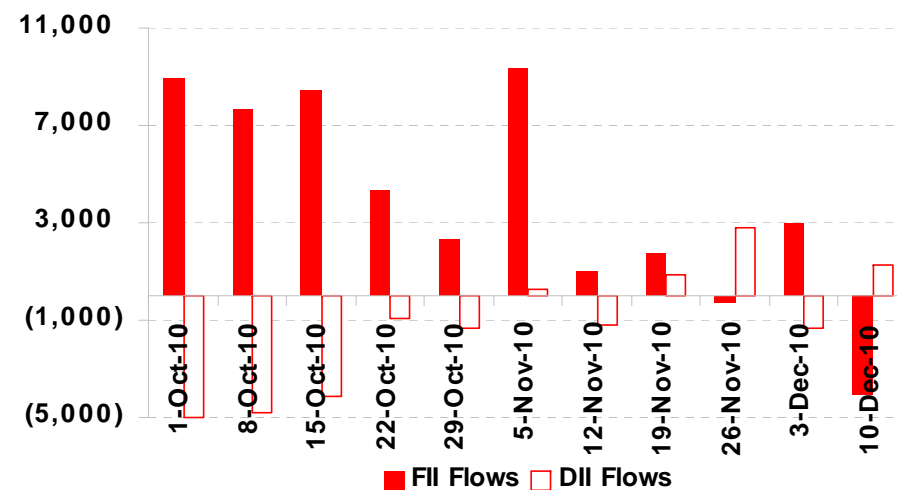
Flows- Monthly



■ FIIs have turned net sellers for the month after a long time; DII figures for the month are marginally in the black

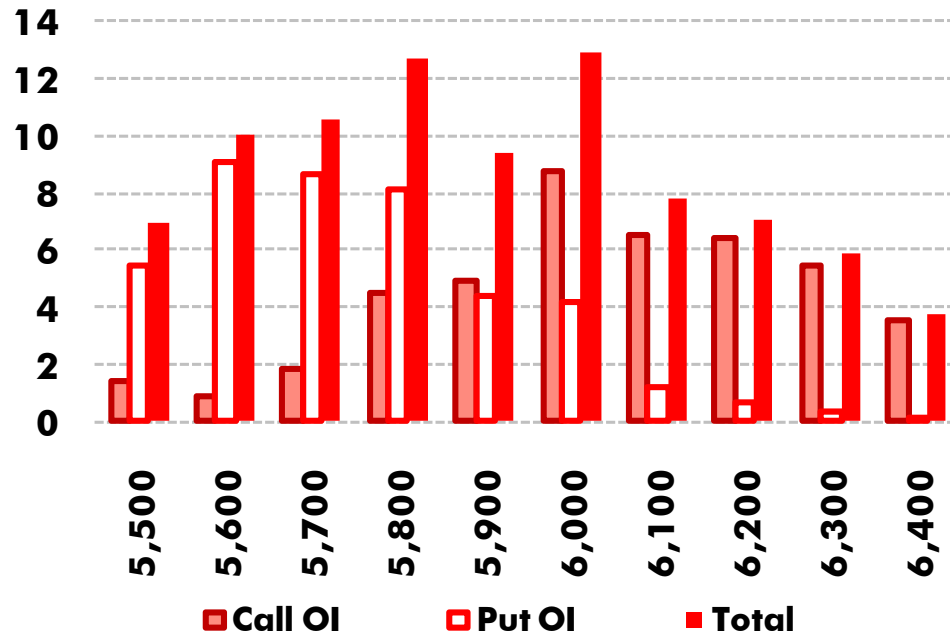
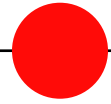
■ DIIs once again took to bargain buying utilizing the fall to post inflows of Rs.1244 cr for the week; FIIs posted an outflow of Rs.4077 cr for the week

Flows- Weekly



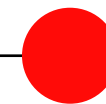
■ While the DII figures are heartening, FII outflows after a long time is cause for concern

Nifty options build up – Strong support at 5700



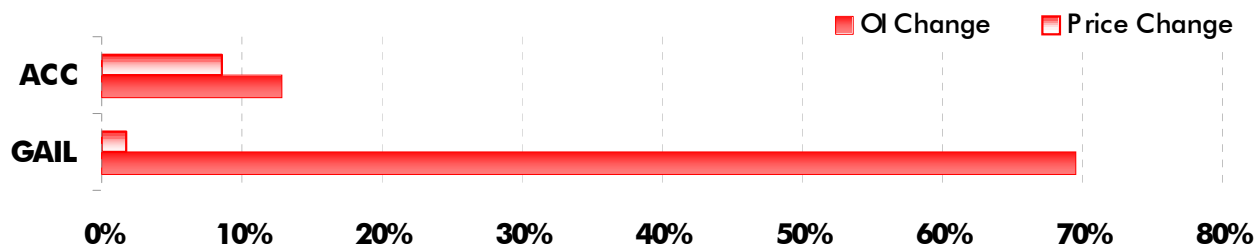
- As anticipated last week, 6000 proved to be a stiff resistance level and the index faltered from those levels.
- The options build-up currently suggests good support at the 5700 mark. We did come close to those levels on Friday before staging a smart recovery.
- We think that downsides should remain limited to 5700 levels and expect the current bounceback to continue till 6000 levels; aggressive longs should be initiated only on a break above 6000.

Top open interest activity

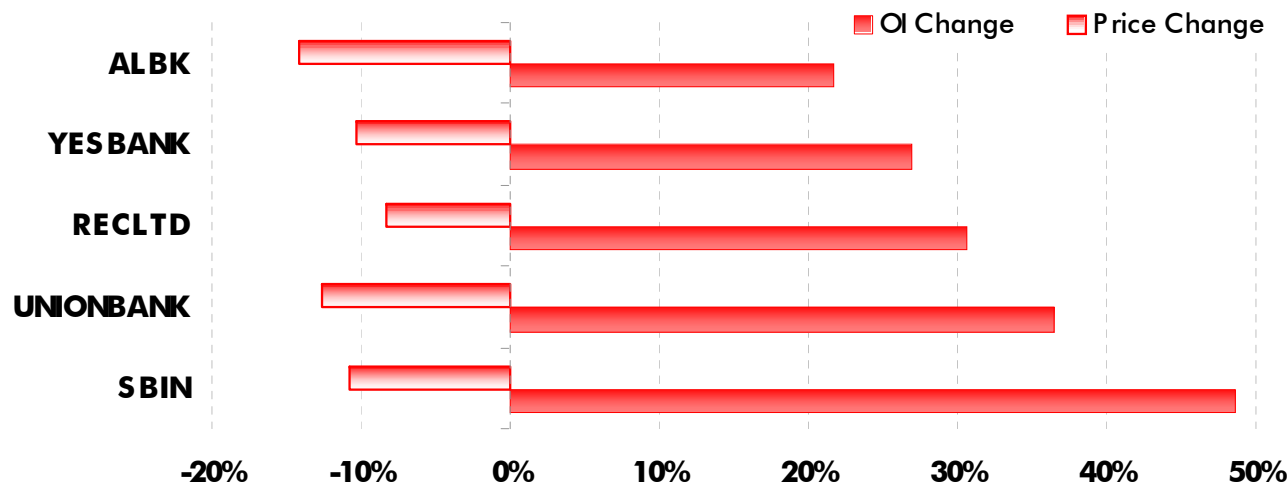


- On the long side, ACC was one of the few counters that managed good long positions in a rough week
- Banking and Financial sector stocks continued to witness aggressive short build-ups this week
- Friday's session saw some short covering led bounce in banks especially the frontline private banking stocks like Axis Bank and ICICI Bank. Moving into the new week, we expect this bout of short covering to continue

TOP LONG ADDITIONS

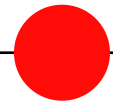


TOP SHORT ADDITIONS

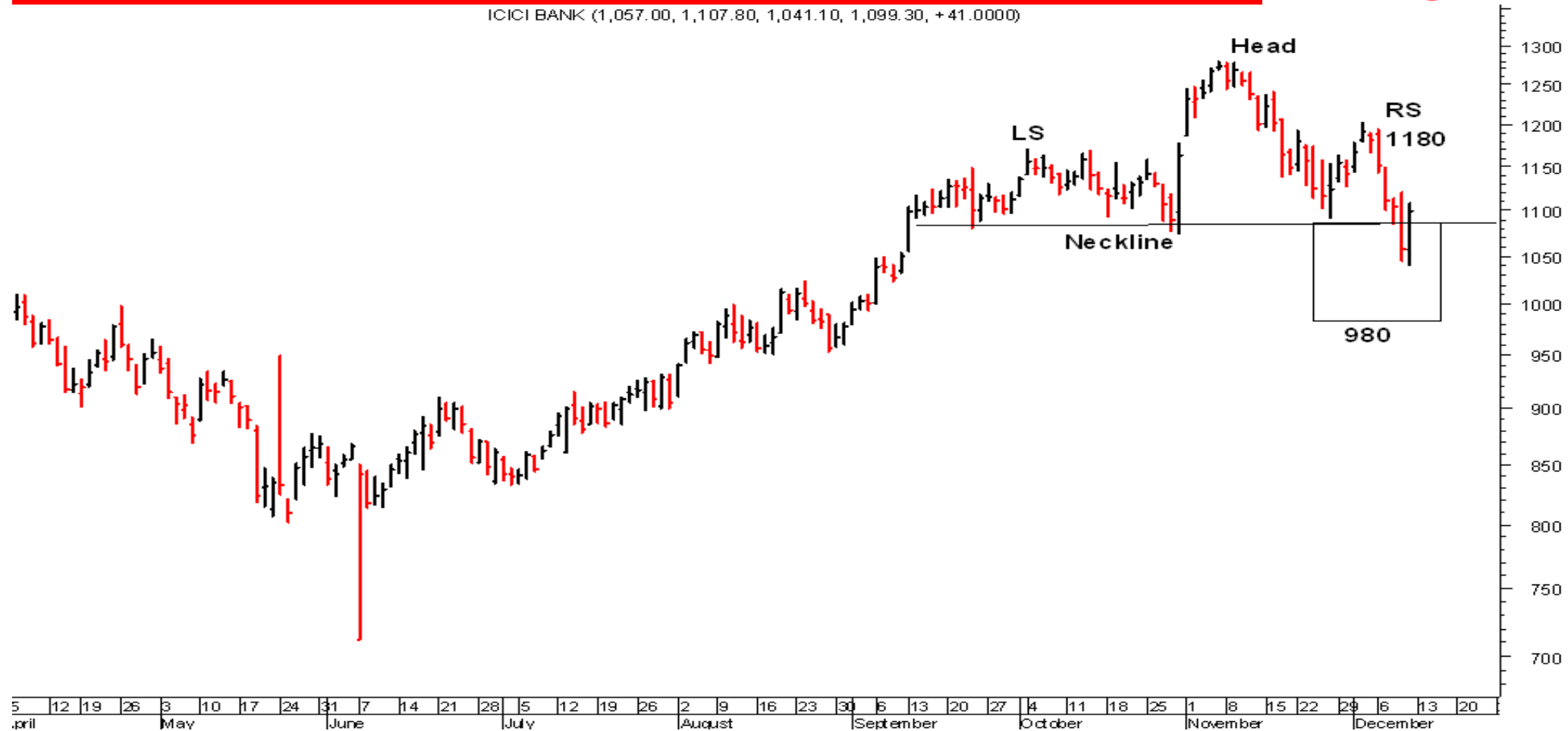


ICICI Bank – Sell

CMP 1120, Target 980

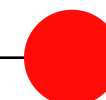


ICICI BANK (1,057.00, 1,107.80, 1,041.10, 1,099.30, +41.0000)

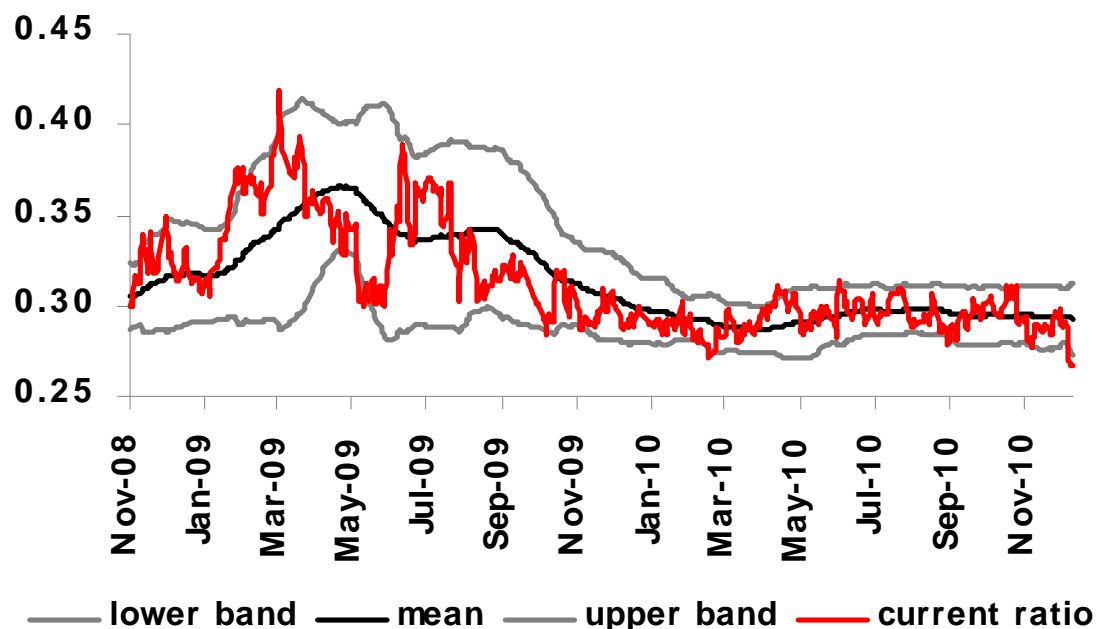


- For the next couple of weeks we recommend a sell on ICICI Bank with a downside target of Rs980.
- The stock had witnessed a bearish Head and Shoulder pattern and broke its neckline indicating upside for the stock is limited and that on the downside the stock could target Rs980.
- Hence we recommend going short with a stop loss at Rs1180 and downside target of Rs980.

Pair Idea – Long Union Bank, Short PNB

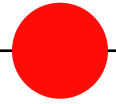


- The price ratio (UnionBank over PNB) currently trades at 0.2676
- ZScore at current prices is -2.68 indicating good levels to play for a reversion
- The stocks share a return correlation of 62% over the last 60 days and the pair is cointegrated as well
- This strategy is consistent with our analyst ASV Krishnan's fundamental view; he has a buy on both the stocks with greater upside for Union Bank



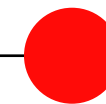
	Stock	CMP	Current Ratio	Target Ratio	Stop Loss Ratio	Target Return	Stop Loss
Long	UnionBank	320.95					
Short	PNB	1199.15	0.2676	0.2935	0.2540	9.66%	-5.10%

Audit for Last Week



USD/INR:	INR took support from 44.80	✓
EUR/USD:	Euro trading above 1.30	✓
Copper:	Rallied against our view	✗
Crude Oil:	Had an upside breakout	✓
Gold:	Corrected as expected	✓
Shanghai Comp:	Bounced from 200 DMA	✓
Nifty:	Achieved our target	✓
Derivatives View:	6k proves to be a stiff resistance as anticipated	✓
Stock Idea:	Educomp achieved our target; Returned 12.28%	✓
Reliance Trade:	Outperforms Nifty by 4.1% for the week; Expect outperformance to continue	✓

Institutional Equities Team



Saurabh Mukherjea — Head of Equities (+91 22) 30433174

Research

Analysts	Industry Sectors	Desk-Phone
Amit Ahire	Telecom / Media & Entertainment	(+91 22) 30433202
Ankur Rudra	IT/Education Services	(+91 22) 30433211
Ashish Shroff	Technical Analysis	+91 22) 30433209/3221
Ashvin Shetty	Consumer	(+91 22) 30433285
Bhargav Buddhadev	Power/Capital Goods	(+91 22) 30433252
Chandrani De	Metals & Mining	(+91 22) 30433210
Chhavi Agarwal	Infrastructure	(+91 22) 30433203
Gaurav Mehta	Derivatives Research	(+91 22) 30433255
Krishnan ASV	Banking	(+91 22) 30433205
Nitin Bhasin	Infrastructure	(+91 22) 30433241

Sales

	Designation	Desk-Phone
Deepak Sawhney	VP - Ins Equity	(+91 22) 30433295
Dharmen Shah	VP - Ins Equity	(+91 22) 30433289
Dipti Mehta	Senior Manager Equities	(+91 22) 30433053
Alok Doshi	Manager Sales	(+91 22) 30433229

E-mail: Analystname@ambitcapital.com

UK/US Sales

Sarojini Ramachandrar Director - Sales +44 (0) 20 7614 8374
sarojini@panmure.com

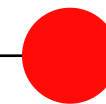
Research

Analysts	Industry Sectors	Desk-Phone
Pankaj Agarwal	NBFCs	(+91 22) 30433206
Parikshit Kandpal	Construction / Real estate	(+91 22) 30433201
Poonam Saney	Banking	(+91 22) 30433216
Puneet Bambha	Power/Capital Goods	(+91 22) 30433259
Rajesh Kumar Ravi	Cement	(+91 22) 30433274
Ritika Mankar	Economy	(+91 22) 30433175
Ritu Modi	Metals & Mining	(+91 22) 30433292
Subhashini Gurumurthy	IT/Education Services	(+91 22) 30433264
Vijay Chugh	Consumer (incl FMCG, Retail, Automobiles)	(+91 22) 30433054

Sales trading

	Designation	Desk-Phone
Jaideep Anand	Vice President - Sales Trading	(+91 22) 30433296
Soumen Chatterjee	AVP Sales Trading	(+91 22) 30433039
Ketan Chaurasia	Senior Trader - Sales	(+91 22) 30433269

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