

# DAILY MARKET OUTLOOK

## Market Snapshot

On Tuesday the Sensex opened with a positive gap of 102 points at 12,747. The index pared gains in early noon deals, and dropped to a low of 12,675. A fresh round of buying, thereafter, saw the index rally to a high of 12,799 - up 154 points from its previous close. The index, however, pared gains towards the close and finally settled with a gain of 61 points at 12,706. Nifty settled with a gain of 19 points to close at 3697.

The NSE and BSE cash volumes were significantly higher compared to the previous day at INR 60 bn and INR 29 bn respectively. The F&O volumes were also higher at INR 275 bn.

## Sentiment Indicators

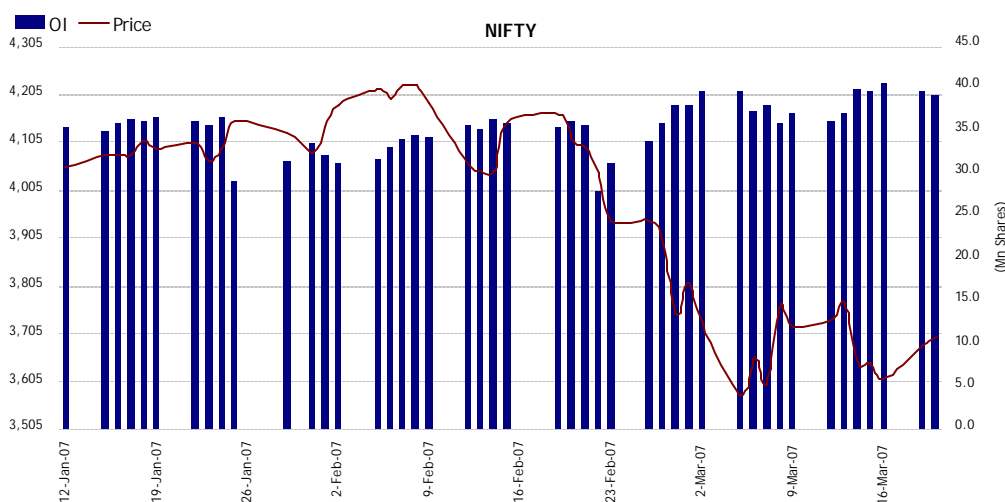
The Implied Volatility (IV) across Nifty strikes has slightly decreased to 28-29% levels. The WPCR of Nifty Options decreased to 0.96 compared to the previous day while the 5 day average is 1.04.

## Outlook

The markets are expected to open slightly positive gaining strength from positive global cues and promising US housing starts data. We expect that still lot of short positions is in the system, which will accentuate the rally further, if NIFTY stabilizes at these levels. A clear bullish signal however requires a close above 3721.

The cement stocks rallied yesterday after positive news concerning tax breaks came in. We expect the cement counters to gain further as more short covering will come in at current levels. Metals stocks can see some buying lead by Hindalco and, Sterlite as metals prices were up at LME. The strengthening of rupee might raise concerns for IT stocks however we continue our long term view on Infosys, Satyam to be strong.

As we mentioned yesterday the 13 DMA at 3721 acted as a major resistance to the Nifty. We maintain that clear resistance would emerge only if the Nifty closes above that level. As long as the Nifty sustains above 3675 the bulls have a chance to stage a pullback. The immediate support for the Nifty is at 3675 and 3648. Nifty faces an resistance at levels of 3725 and 3750.



March 21, 2007

### Market Snapshot

	20-Mar	19-Mar	% Chg
Nifty	3697.6	3678.9	0.5
Sensex	12705.9	12645.0	0.5
BSE MidCap	5331.4	5286.7	0.8
BSE SmallCap	6355.2	6335.1	0.3

### Mar Futures

Average ICC (p.a)**	11.1%	13.2%	-15.9
---------------------	-------	-------	-------

### Volume (INR mn)

	227,299	195,511	16.3
Futures			
Call	26,548	24,581	8.0
Put	21,973	24,454	-10.1
Total	275,819	244,546	12.8
NSE Cash Vol.	60,563	49,651	22.0
BSE Cash Vol.	29,095	26,757	8.7

### Open Interest (INR mn)

	367,041	367,351	-0.1
Futures			
Call	114,151	111,076	2.8
Put	88,928	86,176	3.2
Total	570,120	564,603	1.0

### Put Call Ratios

	0.84	1.02	-17.2
PCR			
WPCR	0.82	0.98	-16.0
OI PCR	0.80	0.79	0.4
Total OI/ Volume	2.07	2.31	-10.5

### Nifty IVs at 28 - 29% levels.

### FII Activity\* (INR Mn) (19-Mar)

Volume	Buy	Sell	Net
Cash	10,566	13,065	(2,499)
Index Futures	14,438	10,915	3,523
Stock Futures	6,178	4,854	1,324
Total	31,182	28,834	2,348

### Open Interest

	19-Mar	16-Mar	% Chg
Index Futures	145,737	147,623	(1.3)
Stock Futures	159,172	155,762	2.2
Total F&O OI	394,249	389,496	1.2

### Mutual Fund Activity\* (INR Mn) (19-Mar)

Volume	Buy	Sell	Net
Equity	2,419	2,087	332

\*FII & MF Data is reported a day late

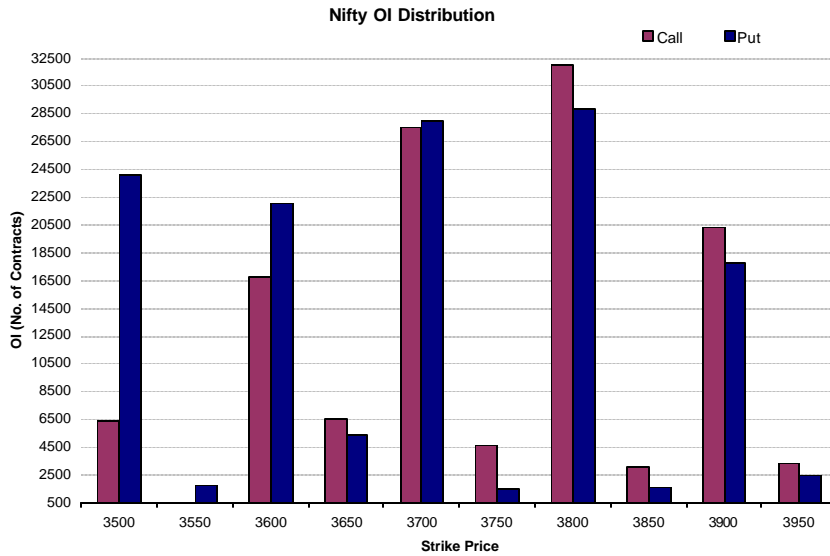
\*\* Avg of positive ICC's

## Pending Calls

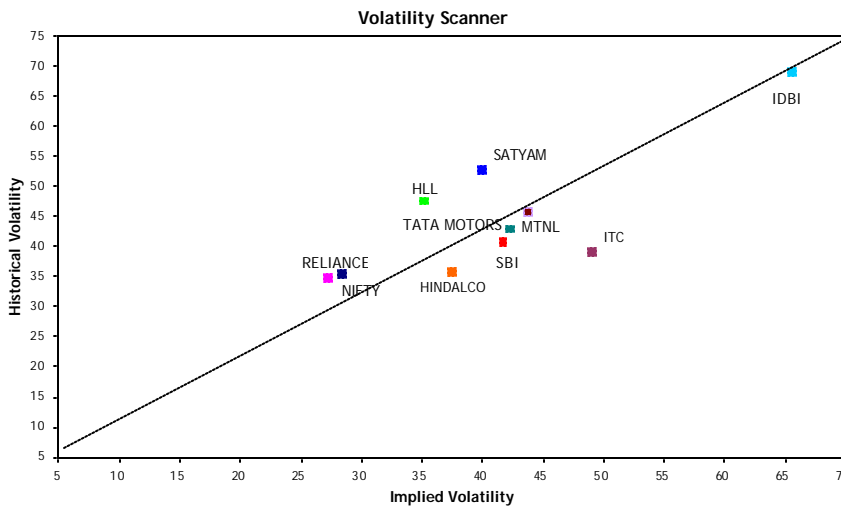
Scrip	Action	Date of Recommendation	Market Price	Returns	Rationale
Union Bank	Buy	21-Mar-07	98.6	-	The stock looks good at current levels and is fundamentally strong. The P/BV ratio is close to 1 and we expect short covering in the counter. We initiate a buy.
IVRCL	Buy	21-Mar-07	294.0	-	The stock has been hammered pretty strongly over the last two weeks and with renewed buying having emerged in the sector, we expect this counter to outperform others. Yesterday the stock has risen by 5% on good volumes.
Indiacem	Buy	15-Mar-07	172.8	8%	The stock continued to witness a lot of buying pressure and was up 7% on huge volumes. We expect the momentum to continue and pick this scrip as the relative outperformer in the sector for the short term.
SesaGoa	Buy	15-Mar-07	1676.2	6%	The stock gained more than 3% on good volumes with a 6% fall in OI. While the revised bid of Mittal Arcelor for the company stands at 2050, there are rumors of a bid from the AB group at around INR 2250.
Satyamcomp	Closed Today	7-Mar-07	445.7	3%	The stock witnessed huge buying and was up 2% on high volumes. However we don't see further upside for the time being and suggest booking profits.
Suzlon	Sell	16-Mar-07	990.5	3%	The stock gained more than a percent on good volumes. The company has put in a revised bid for R E Power at euro 160 which is 33% higher than its original bid of euro 105. This should act as a major negative trigger since the price is considered too expensive.
Lupin	Buy	12-Mar-07	591.7	2%	The stock looks attractive at these levels as the company's US generic business is going to drive growth with the launch of Cefdinir in FY 08. Also the company's domestic formulation division has grown by 20% in past 3 years and we expect it to continue.
Nagarconst	Buy	15-Mar-07	160.4	1%	The stock closed marginally negative with a 4% rise in OI. The company has bagged various orders totalling to INR 3.48 bn, the biggest coming from the A P Government which is a major positive for the company.
Hindlever	Closed Today	14-Mar-07	184.0	-2%	The stock has gained more than 4% in last two sessions on good volumes. We suggest squaring off short positions for now.
SBIN	Closed Today	16-Mar-07	952.6	-3%	The stock gained close to 3% on high volumes. The stock has gained about 5% in last two sessions and we suggest squaring off short positions.

## Closed Calls

Scrip	Recomm	Date of Recommendation	Initiated Price	Date of Closing	Closing Price	% Return
Litl	Sell	14-Mar-07	194.2	15-Mar-07	178.6	9%
ICICBank	Buy	3-Mar-07	842.9	13-Mar-07	869.7	3%
bharatfmg	Buy	7-Mar-07	307.6	14-Mar-07	315.5	3%
Rcom	Sell	16-Mar-07	397.1	20-Mar-07	390.4	2%
ITC	Buy	16-Mar-07	147.3	19-Mar-07	141.0	-2%
LITL	Sell	16-Mar-07	167.9	20-Mar-07	176.3	-5%
INFOSYSTCH	Buy	2-Mar-07	2159.2	15-Mar-07	2019.1	-6%



- Maximum OI increase was in the 3700 call [increase of 2.1%], 3600 call [increase of 8.7%] and 3600 Put [increase of 15.3%].
- Maximum Volumes were witnessed by 3700 & 3600 Call and 3700 & 3600 Put.



Nifty IVs at 28- 29% levels

**High IVs**

- ITC IV's are quoting at 49% as against HV's of 39%.
- SBI IV's are quoting at 42% as against HV's of 41%.
- Hindalco IV's are quoting at 368% as against HV's of 36%.

Sectoral Open Interest Build Up (Contracts) for 1 days				
Sector	OI	OI -D	% OI Chg	% Prc Chg
Auto	54050	53314	1.38%	0.2%
IT	103466	102217	1.22%	0.7%
Telecom	72192	71695	0.69%	0.1%
FMCG	46788	46580	0.45%	1.1%
Oil & Gas	154526	154045	0.31%	1.4%
Metals & Mining	92035	91818	0.24%	1.2%
Pharma	42715	42665	0.12%	0.9%
Construction	37525	37518	0.02%	1.1%
Engineering & Capital Goods	46002	46132	-0.28%	1.0%
Chemicals	10330	10376	-0.44%	1.5%
Textile	23128	23267	-0.60%	1.3%
Banking	146868	148869	-1.34%	2.6%
Power	30536	31069	-1.72%	0.8%
Cement	48154	49520	-2.76%	3.6%

- Amongst all the sectors, the Cement sector was up the most. India cement gained 7% on high volumes followed by Grasim which surged by 4% with a 7% fall in OI.
- In banking space, Corporation Bank saw a huge build up and was up by 13% with a 8% rise in OI followed by Union Bank and BOI which rose by 6% each.
- In the Oil & Gas segment, Gail, BPCL and IOC surged by 4% each.

## Futures Snapshot

### Top OI Rises

Scrip	% OI Chg	OI	% Price Chg	% Future Vol Chg
Chennai Petroleum	709	248	0.1	206
Orchid Chemicals	19	4,364	(0.9)	33
Canara Bank	18	2,755	3.5	308
Crompton Greaves	15	753	0.7	75
Kotak Mahindra Bank	14	833	(1.1)	23
Triveni Engineering	12	1,505	(0.1)	413
Tata Chemicals	10	1,601	1.0	423
Polaris	10	3,770	4.9	188

### Top OI Falls

Scrip	% OI Chg	OI	% Price Chg	% Future Vol Chg
Power Finance Corp	(11)	3,334	0.1	19
Reliance Capital	(10)	3,073	4.6	53
Bank of India	(9)	5,001	6.3	102
BPCL	(8)	1,953	3.9	7
Jet Airways	(8)	1,580	8.4	237
Bajaj Hindustan	(7)	4,000	0.5	47
J & K Bank	(7)	152	(1.2)	402
Grasim	(7)	1,066	4.0	129

### Top Price Change

Scrip	% Price Chg	% OI Chg	OI	% Future Vol Chg
Corporation Bank	12.8	8	718	440
Jet Airways	8.4	(8)	1,580	237
India Cements	6.5	(2)	16,105	70
Union Bank	6.3	3	10,893	274
Bank of India	6.3	(9)	5,001	102
Ranbaxy	6.1	(6)	6,006	346
NRCL	5.4	(4)	7,090	157
Gujarat Alkalies	4.9	(3)	1,490	190

### Top Volume Rises

Scrip	% Future Vol Chg	Future Vol	% Price Chg	% OI Chg
GTL Ltd	1793	2,130	0.9	(0)
MRPL	527	1,451	0.9	(1)
Indian Bank	446	288	2.8	(6)
Corporation Bank	440	1,386	12.8	8
Tata Chemicals	423	494	1.0	10
Triveni Engineering	413	612	(0.1)	12
J & K Bank	402	78	(1.2)	(7)
IOB	394	233	3.3	(7)

## F&O CROSSOVER: -

### Focus Stocks

- o Positives: GAIL, HPCL, MTNL.
- o Negatives: Nifty, ICICI Bank, Infosys, NTPC, ONGC, SBI, Tata steel

### Portfolio Tracker

20-Mar-07

Scrip	Reco	Score	20-Mar-07 Score	19-Mar-07 Score	Reco Date	Reco Price	Current Price	No of days running	Retn since Reco	Stop Loss*
Nifty	Sell	(5)	(5)	(5)	9-Mar	3,718	3,698	11	0.5%	3,789
ACC	Neu**	(5)	(5)	(5)	16-Mar	723	749			
GAIL	Buy	1	(1)	(1)	20-Mar	282	282			268
HLL	Sell	(3)	(1)	(1)	13-Mar	181	184	7	-1.6%	186
HPCL	Buy	3	3	3	19-Mar	258	264	1	2.5%	251
ICICI Bank	Sell	(3)	(3)	(3)	9-Mar	859	824	11	4.0%	851
Infosys	Sell	(5)	(5)	(5)	9-Mar	2,121	2,056	11	3.1%	2,121
IPCL	Buy	3	3	3	13-Mar	265	265	7	-0.1%	252
Maruti	Neu**	3	1	1	16-Mar	780	790			
MTNL	Buy	5	3	3	16-Mar	142	145	4	2.2%	140
NTPC	Sell	(3)	(3)	(3)	14-Mar	139	143	6	-2.9%	146
ONGC	Sell	(1)	1	1	20-Mar	791	791			830
Polaris	Buy	1	1	1	16-Mar	169	182	4	7.7%	173
Reliance	Sell	(5)	(5)	(5)	13-Mar	1,327	1,323	7	0.3%	1,348
Satyam	Sell	(1)	(1)	(1)	16-Mar	430	445	4	-3.6%	451
SBI	Sell	(5)	(1)	(1)	12-Mar	974	952	8	2.2%	959
SCI	Buy	3	1	1	12-Mar	160	167	8	4.2%	158
TCS	Neu**	(1)	1	1	20-Mar	1,253	1,253			
Tata Motors	Neu**	(5)	(5)	(5)	19-Mar	772	769			
Tatasteel	Sell	(5)	1	1	20-Mar	423	423			445

o GAIL moves into Buy Mode due to its Price Indicator turning Positive.

o ONGC moves into Sell Mode due to its Price indicator turning Negative.

o TCS moves into Neutral Mode due to Whipsaw.

o Tatasteel moves into Sell Mode due to its Price, Volume & OI indicators turning Negative.

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 Shakra - 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 Preamsingh - 4019 4847	Economist	Nirmal Ajmera - 2286 4258
Sunil Jain - 2286 4308	Alternative & Quantitative	Ankit Doshi - 2286 4671
Yogesh Radke - 2286 4328	Alternative & Quantitative	Dipesh Shah - 2286 4434

Email addresses: firstname.lastname@edelcap.com

e.g. 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

This document has been prepared by Edelweiss Securities Private Limited (Edelweiss). Edelweiss and its holding company and associate companies are a full service, integrated investment banking, portfolio management and brokerage group. Our research analysts and sales persons provide important input into our investment banking activities. This document does not constitute an offer or solicitation for the purchase or sale of any financial instrument or as an official confirmation of any transaction. The information contained herein is from publicly available data or other sources believed to be reliable, but we do not represent that it is accurate or complete and it should not be relied on as such. Edelweiss or any of its affiliates shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. This document is provided for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The user assumes the entire risk of any use made of this information. Each recipient of this document should make such investigation as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult his own advisors to determine the merits and risks of such investment. The investment discussed or views expressed may not be suitable for all investors. We and our affiliates, officers, directors, and employees may: (a) from time to time, have long or short positions in, and buy or sell the securities thereof, of company (ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as advisor or lender / borrower to such company (ies) or have other potential conflict of interest with respect to any recommendation and related information and opinions. This information is strictly confidential and is being furnished to you solely for your information. This information should not be reproduced or redistributed or passed on directly or indirectly in any form to any other person or published, copied, in whole or in part, for any purpose. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject Edelweiss and affiliates to any registration or licensing requirements within such jurisdiction. The distribution of this document in certain jurisdictions may be restricted by law, and persons in whose possession this document comes, should inform themselves about and observe, any such restrictions. The information given in this document is as of the date of this report and there can be no assurance that future results or events will be consistent with this information. This information is subject to change without any prior notice. Edelweiss reserves the right to make modifications and alterations to this statement as may be required from time to time. However, Edelweiss is under no obligation to update or keep the information current. Nevertheless, Edelweiss is committed to providing independent and transparent recommendation to its client and would be happy to provide any information in response to specific client queries. Neither Edelweiss nor any of its affiliates, directors, employees, agents or representatives shall be liable for any damages whether direct, indirect, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.