

Market Outlook

Sensex likely to test its all time high

In the month of April, Sensex initially formed consolidation zone between 12,400 (3560) and 13,400 (3900) and then gave upward breakout crossing the 14,000 (4200) mark. The month saw more than 1900 points uptrend from 12,426 (3617) to 14,384 (4218) in just 18 trading sessions. Backed by strong global markets and good liquidity inflows, Sensex is likely to test its previous high in the short-term. There may be a sideways consolidation movement in Sensex before it starts the fresh up move.

Considering current uptrend, the strong support levels are placed at 13,630 (3990) and 13,400 (3920). The crucial support level for maintaining the uptrend is at 13,000 (3850). The upward resistance levels are at 14,400 (4220) and 14,723 (4245), which is the all time high. A profit booking may be seen near all time high level of 14,723 (4245). A convincing crossover above its all time high may lead to extension of the uptrend to 15,400 (4400) levels. This level is derived from joining the earlier highs of 12,671 (3774) and 14,723 (4245) respectively as shown in the chart.

As the indices are nearing its all time high levels, we recommend cautious trading approach as the entire movement of Sensex is showing 'Rising Wedge Structure'. A sharp intermediate downtrend is generally observed after completion of the upward target in the above-mentioned structure. In the current phase, scrip specific movements are seen where buying is recommended with tight stop losses. Partial profit booking is advisable at every resistance levels considering the overbought stage of oscillators on daily chart.

ACTIONABLE:

- 1) Selective trading buying positions can be initiated near 13,700 (4025) during deep corrections with the stop loss of 13,400 (3920)
- 2) Partial profit booking of trading positions is recommended at 14,400 (4220) and near 14,700 (4240), which is All Time High.
- 3) On the down side, stop loss for trading buying positions should be kept at 13,400 (3920) (closing level).

(All the levels in bracket are of Nifty Cash).



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MOST

Momentum

A Technicals & Derivatives Newsletter

MAY 2007

TRADING THOUGHT

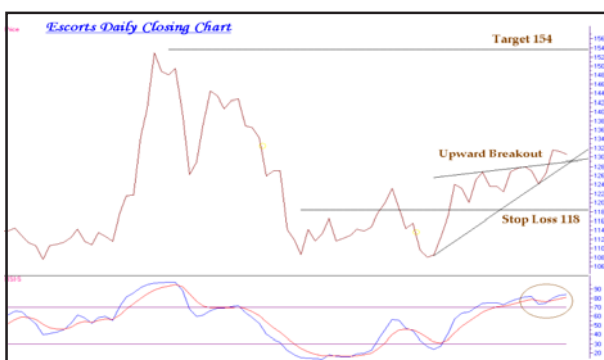
Managing money requires
more skill than making it

As Sensex is hovering near 14,000 level, a cautious approach is recommended towards fresh buying positions. The stocks, which are in intermediate uptrend and also looking positive on weekly chart, are selected for buying with appropriate stop losses. The targets are also selected at nearest resistance levels considering the short-term trend. Keeping in line with this broad view, we have recommended stocks from Auto, Capital Goods and Liquor industries for buying. On the sell side, we recommend stocks, which are likely to under perform in short-term and initiate sell when they fall below the crucial support levels.



BEML - BUY

- After a downtrend from Rs1270 up to Rs902 level, the stock has taken support at 900 levels.
- The stock is moving upwards with the volume support and has breached the falling trendline.
- The RSI Oscillator on daily chart is also suggesting up move to continue.
- The scrip can be bought near Rs1000 with stop loss of Rs960, and the target of Rs1100.



ESCORTS - BUY

- The stock has moved up Rs. 26 from the low of Rs106 to Rs130.
- This uptrend is consolidating between Rs130 and Rs118 showing trend continuation pattern.
- The upward breakout is seen on daily closing chart and OBV (On Balance Volume) oscillator is supporting the uptrend.
- The scrip can be bought near Rs. 131 with stop loss of Rs118, and the target of Rs154.



MCDowell - BUY

- After a sharp fall from the high of Rs967, the stock formed low at Rs662.
- The uptrend started from the level of Rs662 and the stock moved up to Rs870 levels.
- A parallelogram structure is seen in the form of a correction and the upward breakout is at Rs885 on closing basis.
- The scrip can be bought near Rs880 with stop loss of Rs840 and the target of Rs950.

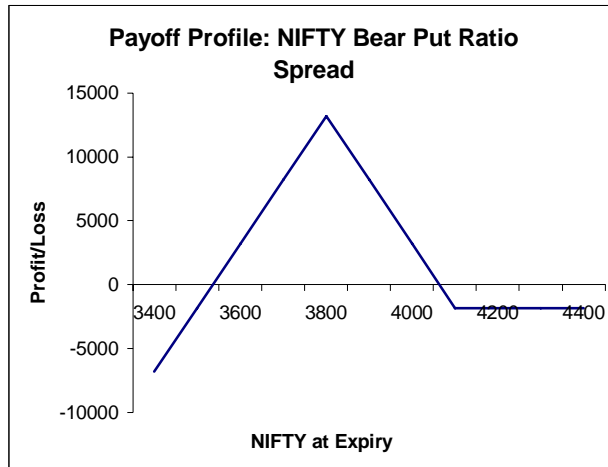


Mah. Seamless - EXIT BELOW Rs.550

- After the uptrend of 160 points from the low of Rs435 to the high of Rs595, the stock is showing sideways movement.
- The stock has bounced back from the low of Rs550 showing a strong support.
- If the support of Rs550 is breached downwards on closing basis then intermediate downtrend may be seen in the stock.
- The exit is recommended in the stock if stock breaches Rs550 on closing basis.

The May series began with Total Open Interest (OI) of Rs. 41891 Crs., which was 18% higher than the OI at the beginning of the previous series. Higher OI coupled with high rollover in specific stocks indicate continued momentum and high speculative interest at the beginning of the month. The positive momentum is also backed by good corporate results and strong global markets. Nifty is likely to test the all time high level of 4245 in the short term.

We recommend the following option strategies viz. Bull spread TCS and Nifty Bear Put Ratio spread.



NIFTY

Contract Size 50

View Portfolio Hedging

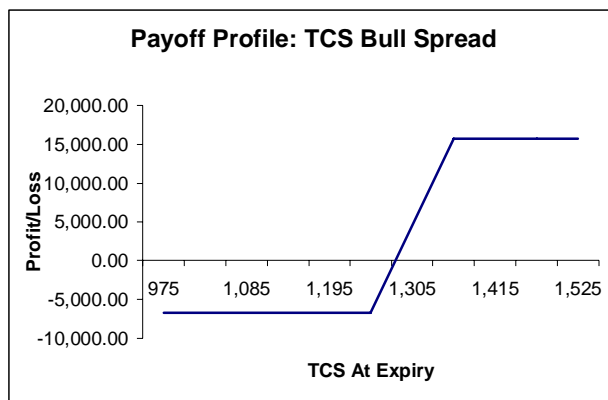
Strategy Nifty Bear Put Ratio Spread
Buy one Nifty 4100 May PE @ 80 - 85 levels
Sell two Nifty 3800 May PE @ 21-23 levels

Rationale The market can witness some profit booking at these levels & one should hedge his portfolio against the intermediate downtrend for the short term.

Pay off The net premium outflow is 1900/-
If Nifty lies between 3538 and 4062 our strategy is **profitable**
Maximum profit would be at 3800 i.e. **Rs.13,100/-**

If Nifty is **above 4052** loss is only premium outflow of **Rs.1900/-**

Loss starts only if Nifty moves below the level of 3538



TCS

Contract Size 250

View Moderately Bullish

Strategy Bullish Call Spread
Buy TCS May 1260 CA @ Rs.40-42
Sell TCS May 1350 CA @ Rs. 14-16

Rationale Post results, the TCS has shown positive breakout. One can expect price level of Rs. 1350 in the near term

The premiums mentioned above have been derived using Black and Scholes Model for options. In case of actively traded options the traded prices of 1st week of April 2007 have been used.

We will be giving updates on the above strategies in our daily product derivatives strategies which is available on the web.

For further inputs on derivative strategies contact: Vijay K Bathija, (vijaybathija@motilaloswal.com) Tel.: +91 22 39804358.

Derivatives as on 3 May 2007

Name of the Stock	Lot Size	Buy/Sell	C/F Date	C/F Price	First Reco.	
					Date	Price
JP ASSOCIATES	300	Buy	16.04.07	560.0	16.04.07	560.0
REL May	550	Buy	23.04.12	522.0	23.04.12	522.0
HDFC Bank	200	Buy	25.04.14	1017.0	25.04.14	1017.0
Hcc	1400	Buy	30.04.14	95.3	30.04.14	95.3
Satyam	600	Buy	03.05.14	478.0	03.05.14	478.0

Cash Market as on 3 May 2007

Name of the Stock	Wtg. %	Buy/Sell	C/F Reco. Date	C/F Price	First Reco.	
					Date	Price
Sonata Software	10	Buy	24.04.13	63	24.04.13	63
Ansal Property	10	Buy	25.04.13	270	25.04.13	270
Dena Bank	10	Buy	26.04.13	37	26.04.13	37
Bank of Maharashtra	10	Buy	03.05.14	43	03.05.14	42.7
Cash	60					
Total	100					

MOST focus

Script Name	MBP (Rs)	Script Name	MBP (Rs)
Amtek Auto	400	Taj GVK Hotels	240
Nestle India	1050	IOC	515
Blue Star	190	Nicholas Piramal	275
Hero Honda	750	Pfizer	900
Maruti	975	Man Industries	230
M&M	900	Navneet Publications	64
IOB	130	NIIT Technologies	480
Andhra Bank	95	Infosys	2000
Manglam Cement	205	Satyam	475
Kesoram	580	Helios Matheson	170
JP Associates	650	Reliance Communication	425
Tata Chemicals	270	G M R Infrastructure	385
Era Construction	500	Apollo Tyres	360
Goldiam International	140		

We recommend to buy the above mentioned scrips (MOST Focus Top 30) for investments.

For latest investment ideas and trading calls please call your **Equity-Advisor** OR **MOST Franchisee**. The reports will be available after a week on our web-site <http://www.motilaloswal.com>. Log on to the site with your User ID and Password to access the same.

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The markets have moved beyond 13500 levels and may be headed towards a new high thanks to the rupee appreciation and robust capital inflows into the country. The results for the fourth quarter have also been satisfactory.

One should remain light after levels of 14500 on the sensex, as valuations would start to become overstretched. The real impact of rising interest and depreciation costs would be felt in the coming quarters and hence some sort of caution is warranted beyond those levels.

Inflation is supposed to come down in the days to come. The second week of May should see the high base effect of the last year kicking in and we could see inflation falling to the projected levels of 5-5.5% by the government.

The sensex and the nifty have given us a return of 6.84% and 7.99% between the period 09.04.07 till 03.05.07. Our trading portfolios have given us a return of 16.1% and we have booked in total a profit of Rs 3,23,923 during that period.

Additions or deletions of stocks are being communicated through our morning conference calls, Most Market Action emails or on 'AWACS' during market hours