

Index Review:

CURRENT TECHNICAL SETUP

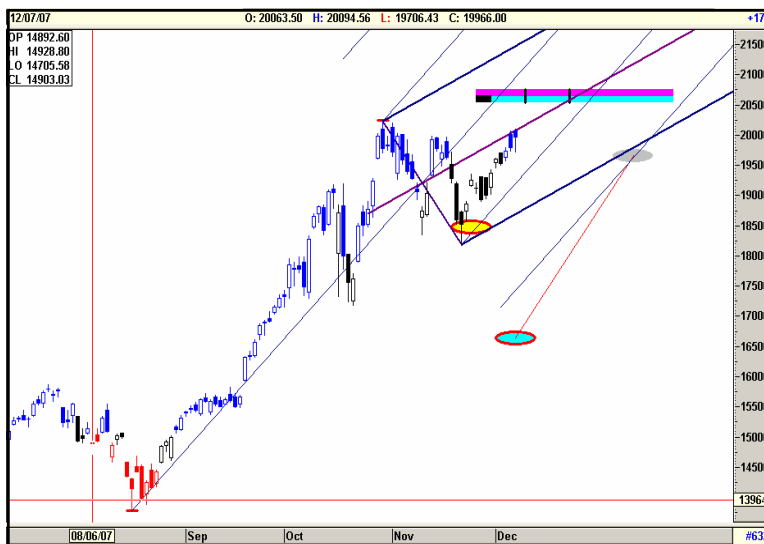
Intermediate support trend line:	Starts this week at 18527 .
200 dma level:	15488
Key swing levels :	20204 for resistance / 18884 for support
Pitchfork levels :	21300 main median line and 19300 lower channel support.
Sensex Stocks above 200dma:	24 out of 30 (Up 3).
Gains/Loss for the week:	9317 advances 4730 declines.

View in the last week's letter was clearly biased to the bullish side and they had suggested readers that they should be looking at buying the market with an expectation of a trend to emerge. This was mentioned on the back of most of the stock charts being rather well placed at the end of the week.

For the coming week too, a similar situation exists. Indeed, the situation in the index charts for this week is even better, as the nifty and nifty futures have traded up to new highs while the Sensex is placed very near to achieving a similar distinction. The strong finish by the indices in the last week coupled with an equally good showing from the large and midcap

stocks would continue to suggest that the market remains positively biased.

In addition to the strong placement of the index charts we find that the news on the sub-prime area has also turned better. With the US authorities addressing this situation in some manner, we have already seen the overseas markets rally rather firmly and this is also translated into some decent moves during the last week in our markets. We witnessed a rise on all the five trading sessions of last week and significantly on every sin-



Source : Advanced Get

Inside this issue:

<i>Index View</i>	2
<i>Sector Index Analysis</i>	3
<i>Medium Term Review</i>	4
<i>Short Term Picks</i>	6

Special points of interest:

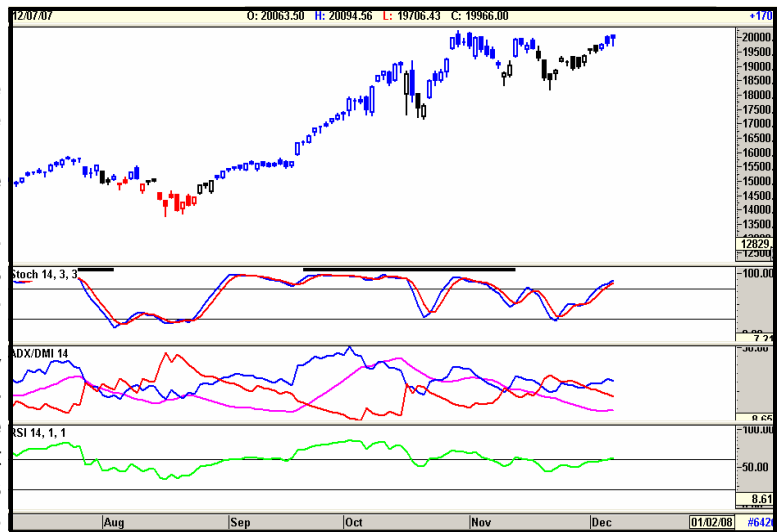
- *Indices well poised to continue higher if news feed is positive in the coming week.*
- *Main event for the week will be the Fed meet and that can influence trends here to a good extent.*
- *Overhead resistance seen at 20800.*

Index review continued

gle day we had a lower shadow candle patterns, which would indicate that there was enough buying interest at the lower levels. The weekly candle pattern is rather strong and since it has come on the back of a demand candle for the previous week, one should now expect an upward thrust in the coming weeks. Once again, however, this would be enabled if we were to get some positive news triggers - either domestic or foreign. The nearest event that one can look forward to is the Fed meet schedule for 11 December and the outcome of that meeting should certainly have a big say on trends.

People might remember the outcome of the last Fed meet when the rate was cut by 50 bps (there is an expectation of a similar cut for the upcoming meet also) and they would probably expect the market to move in a similar fashion like it did in August and September. However, we would like to warn readers that the two situations are quite different. In the last occasion the Fed cut was accompanied by a fresh inflow in the FII of funds owing largely to the P-Note action. The same is not the case this time. Indeed, we actually find that the FII inflow has become rather tepid and therefore we are seeing the indices remaining rather range bound. They would require some good upward thrust to carry out of the range bound action that we have seen over the past three weeks.

Raising the possibility of such an upside breakout is the fact that the short-term oscillators have all improved in the readings as of Friday. Readers may recall that we have mentioned in our earlier letters, that the medium-term situation as far as the indicators were concerned, were all quite positive. It was only the short-term charts that were seeing indicator weakness. With the upward turn of the indicators on the daily charts also, this could well turn into a fresh buying opportunity, provided, there is some additional new trigger that can turn the sentiment towards the large cap stocks. Most of the recent up moves have been dominated by the small and mid-cap stocks and this has held back the index moves. A shift to the large caps now would trigger a much better sentiment and can lead to a sharp upside action. Leadership is paramount requirement to gather strength. Volume action is quite positive while breadth has also remain consistently positive all through the week. The stage is well set for the market to show an upward thrust and carry on towards higher targets around 20800. It only remains to be seen whether the bulls are able to take charge at this juncture and achieve the promise that they have been holding out for a while. Failure at this juncture would not be good news at all and readers should also remain alert for that.



Source : Advanced Get

Index View: Conclusion and Strategy

Even if Monday starts off well, higher levels might attract some amount of supplies as most of the traders would choose to wait for the Fed action before adding on bigger positions. It is therefore possible that the first couple of days of this week might be spent in a range bound area. But the key will be if we can push past 20K, then we would actually move past some strong resistances and this can pave the path for some good upthrust if the outcome of the Fed meeting is positive. The news flow therefore is going to be critical in the coming week to determine the trends moves. The oscillators in the short-term charts are rather well placed to continue the upward movement. Volumes and breadth action are also positive and in support of advances. If, in spite of all this positive set up, the market refuses to move up, then we should take notice of it as being a signal of a higher dimension and take quick steps to pull some money out of the market and to repair to the sidelines to watch for better signals.

Sector Index analysis: Reality & Banks take a lead

As seen from the table below, all the sectors once again ended in a positive note over the last week. This was a change in the pattern of the sectors giving a follow thru of the earlier weeks rise. Readers may recall that we had discussed in detail about the lack of follow thru in the earlier week. It is a good news and certainly signifies some change in trend, which indirectly concludes that we may see some speedier moves in the market in the coming week.

Consumers Durable were in good form but real action was seen in **Reality, Banks & IT**. **Reality** Index has shown a strong breakout from the intermediate trend line resistance powered by some great moves in **DLF, Unitech** and other mid cap stocks like **Mahindra Gesco, Omaxe, Indiabulls realty** etc. With lots of potential being present on the higher side one should keep track. **JSW Steel, Jindal Steel, Sterlite etc** from the **Metals** pack has performed well on vol-

umes. Stocks from **IT** pack fared well as expected but more action was in **Telecom & Media** and thus **Bse Tech** index managed to outperform here. Outlook appears to be bright and therefore one could look at the **Tech index** to be one of the gainers in the coming week.

Small and Mid cap stocks continue to be the flavors with lots of “kabars” floating in the street. The trends continue to be strong and therefore suggests to hold on and also recommend short-term investments as well. **FMCG & Pharma** has shown some renewed strength and could see stocks from it faring well in the coming week. **Sugar, Textiles, Steel, Cement, Hotel etc** kept the flag flying with strong spurts in the mid caps ones. Keep Track. **Oil & Gas & Capital Goods** are seen moving in a sideways phase. With trends being intact, one should use dips as a buying opportunity.

SECTOR INDEX	CLOSE	WKLY CHG	PIVOT	SUPPORT	RESISTANCE
BSE CONS.DURABL INDX	5929.88	10.51	5917.67	5483.95	6363.61
BSE REALITY INDEX	11576.63	8.94	11327.94	10942.51	11962.05
BSE SMALL-CAP INDEX	11342.27	7.75	11170.81	10783.58	11729.50
CNX IT INDEX	4711.45	6.33	4623.17	4522.88	4811.73
BSE METAL INDEX	18738.08	5.68	18706.76	17994.06	19450.79
BSE TECK INDEX	3873.00	5.58	3814.23	3744.27	3942.95
BSE MID-CAP INDEX	9021.96	5.48	8955.79	8707.76	9270.00
BSE I.T. SECTOR INDX	4424.57	5.41	4356.64	4277.74	4503.46
BSE HEALTHCARE INDEX	4007.37	4.83	3960.65	3875.59	4092.42
BSE BANKEX INDEX	11377.96	4.66	11175.91	10964.70	11589.17
NSE BANK NIFTY	9796.10	4.48	9647.23	9489.92	9953.42
CNX NIFTY JUNIOR	11944.95	4.49	11867.00	11549.55	12262.40
BSE AUTO INDEX	5651.30	3.32	5646.96	5518.00	5780.27
BSE OIL & GAS INDEX	12735.33	3.04	12780.42	12394.49	13121.25
BSE CAP.GOODS INDEX	20218.88	2.96	20227.47	19739.40	20706.96
BSE PSUS INDEX	9869.34	2.66	9927.70	9586.51	10210.53
BSE FMCG SECTOR INDX	2177.25	1.04	2185.15	2139.16	2223.25

Sector Watch: Healthcare— Is it time to Run?

After a prolong down to sideways phase where the stocks from the health care sector were an underperformers perked up smartly in the last week. They were one of the smart movers and the sector index have triggered a strong breakout from the valuation hurdles. See chart attached here. Almost all the stocks took part in this rise and with good volumes coming in we can expect that the trends may remain in action for some more time ahead. Hence trading and investments are recommended now. **Glenmark, Divi’s, Ranbaxy** etc has shown good strength in prices and should be main stocks on choice in the sector. Among sidelines, **FDC** is best performers of the sector followed by **Pfizer, Novartis, Nicholas**. Long positions can be held there at current and on dips if any.



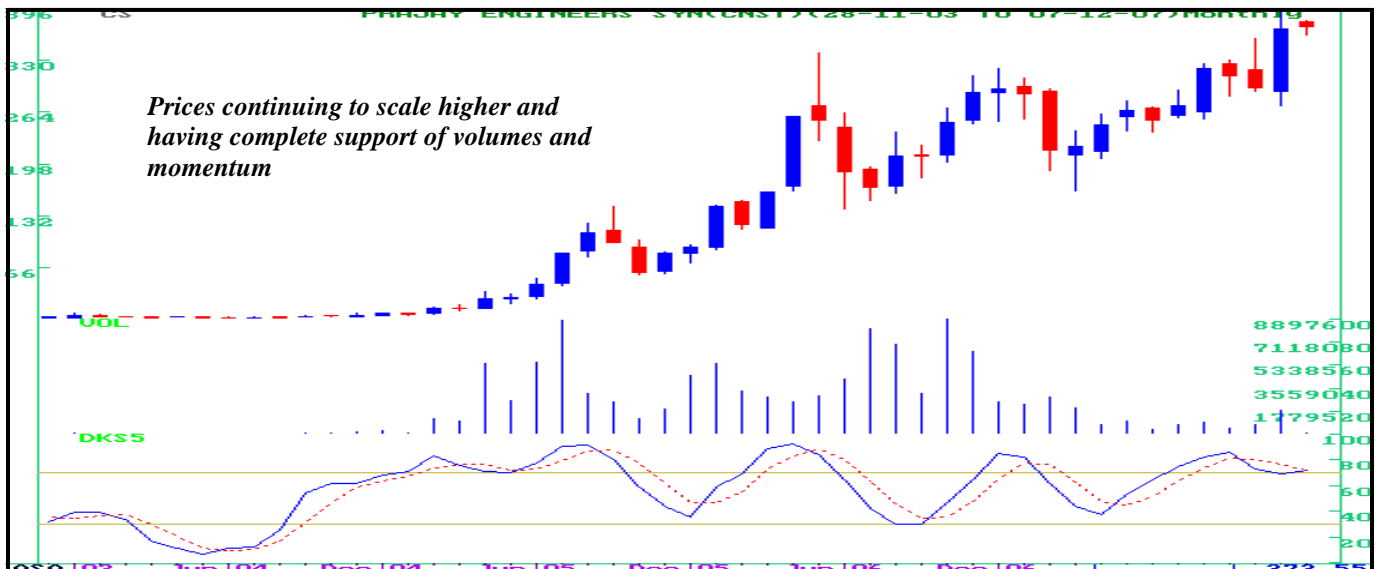
Medium Term Investment: Prajay Engineers (372.55)

The stocks recommended under this section has a maturity period of around 3 months to 1 year.

Prajay Engineers Syndicate Limited, a small cap Construction sector company, began operations in 1986 with the construction of apartment complexes for the middle and lower income groups in Hyderabad, on a EMI-payment basis. Prajay's current portfolio includes gated communities, luxury residences, retail malls, star hotels, clubs, IT parks, and commercial buildings. The company seems to have come a long way since then.

Appended below is the monthly chart of this counter where we see that prices have been on an ascent since the past two years. The consistent higher bottom series since the start of the rise during 2005 had kept the trend reaching out to newer peaks. However we find that after having touched a high of 339 during May 2006, prices slipped into a corrective session for the next three months. Having retraced about 50% of the entire primary rise, prices managed to bounce back well owing to fresh buying around the support region. Though prices rallied back near the prior top region, the buying was not strong enough to push prices to new highs this time around. The following months saw the trend turn out to be quite range bound as prices kept putting in efforts to breakout from its formed valuation resistance around 325 and prior top around 338. Though prices kept topping out around the resistance, the higher bottom formation during each dip from the resistance showed that there are consistent buyers at every stage. This positive development in prices finally led prices to breakout sharply from the said resistance during November 2007. The smart rise last month could be possibly attributed to the fact that Prajay Holdings, a 100% subsidiary of the company, had received a commitment of foreign direct investment (FDI) to the tune of Rupee equivalent of USD 36 million for one of its prime projects at Hyderabad, where a development of around 40 lac square ft had been planned by the company. We see that this rise was well accompanied by volumes and also the Stochastic oscillator on the charts show how prices refused to get down from the overbought zone and even now continues to hover within it. This further highlights the strength of the trend.

On the short-term charts we see that the current month start has been a bit hesitant, as prices seem to be taking a breather near the new formed highs of 394. However with the trend continuing to look bullish and the stock having consistently enjoyed buying all along, chances are good that prices may continue moving from current levels or even from any dip. Therefore one may keep looking for all levels to buy and get into the stock for some good profits in the future. The targets to look at is around 475-80 / 560 / 695.



MEDIUM-TERM: Cipla (196.80)

During the boom time in the pharma sector, this leader was one which created quite a flutter. But with the sector as a whole getting into a trouble and being a laggard in the current bull run, this too was not spared and was beaten down in the recent months. But if we put this downtrend in context of the higher degree charts, we find that the long-term health of this stock is quite good and recent declines is actually a intermediate downtrend in the long-term up trend. This has been confirmed by the consistent formation of higher tops and bottoms on prices since 1993-94. It is interesting to see that out of the three major declines, we saw last two of them managed to hold on the support of the retracement and this kind of action is typical in any stock where the long-term trend is in full force. The decline from its all time highs of 305 in April 2006 brought prices down to 160 in August 07. Presence of good support in the form of 50% retracement of its prior rising leg from its low of 44 (cum bonus) to high of 305 led prices to halt its decline. This bottom was accompanied by the formation of higher bottoms and tops on the lower degree chart and that came in as further confirmation of the beginning of fresh uptrend. However on the higher side, it needs to clear lots of resistance in the form of various moving average and Gann line on the lower time frame to gain strength in the short-term trend.

With the prices reviving from an important support, we also saw lots of positive news coming in and that has is an good sign of bottom being made. The company received tentative USFDA nod for Cetirizine hydrochloride tablets. IT also signed a 10 year agreement with UK based Akom for an inhalation drug product. All these seems to have acted as a important trigger to plant the seeds for a rise. Prices are now seen making an attempt to move above 38.2% level around 190, adding more evidences to the strength. Giving a monthly close above it will be an additional confirmation of bullishness to the trend. Momentum readings on all time horizons are striving to be in step with price action. We have overlaid here is the monthly RSI oscillator which picked up from an important support of 40. This positive action suggests that the long-term trend continues to have a clear bullish bias. Now with the latest upward thrust the trend seems to be getting ready to launch the next leg of advance.

Given the fact that the overall sector is also making a nice come back after a brief corrective phase, one should have a look at this leader as a investment candidate from the medium term perspective along steady news flows. If it continues to happens then chances of prices getting back its status of an out performer are very bright. Hence we recommend a buy at current and on dips if any for the target of 255-71 and above it prices will challenge its all time highs of 304.



SHORT-TERM INVESTMENTS

The stocks recommended under this section has a maturity period of around 1-3 months.

HCL Infosys. (255)

The sharp drop from Dec 05 top of 278, damaged and pressured the stock lower. However obliging some important supports on the monthly charts around 125, the stock formed a good base and tried save the prices from the further decline. The demand at lower levels seems to have materialized as the stock moved up piercing through the resistances. The recent rise was an indication of the aggressive buying interest seeping into the counter and also led the prices to come near the important level of the all time high that comes around 278. In sync with this rise we see monthly RSI, which has picked up afresh from the 60 zones after a lots of efforts-Bullish sign. The weekly close is a strong one and holds out the promise to drive the prices at a further high. So buy at current to get the run extended till 290 and then 319, with a stop 235.

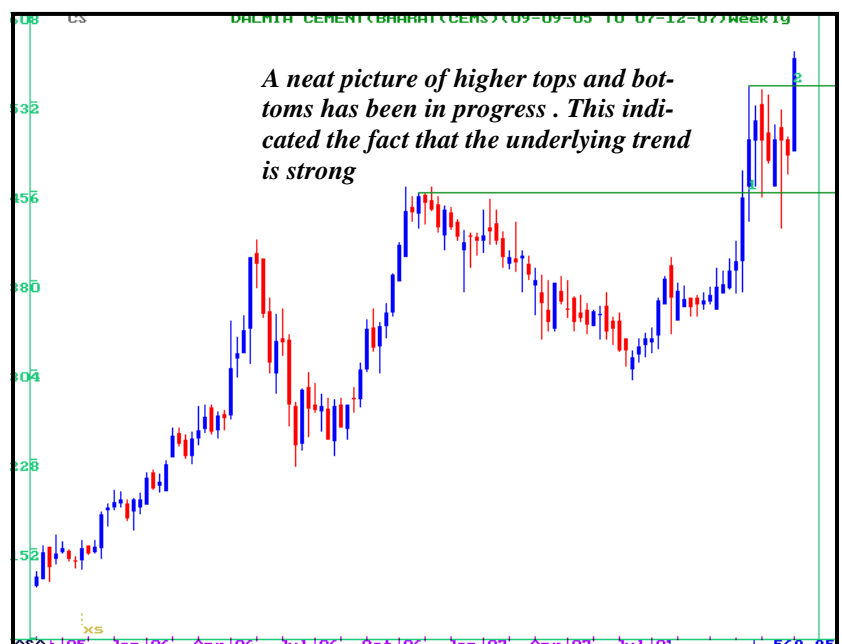


Source : ASA

Dalmia Cement. (568)

The drop from the Nov 06 top was sharp but did not dent the neat picture of higher tops and higher bottoms. The recent optimism was reflected when the prices managed to bounce back from the support of 38% retracements and prior tops placed at 447-450. We have continued with the weekly charts where we can see that currently the stock has moved past the prior top resistance and gone beyond it.

The reason why the prices are trading above its prior top is that the buying pressure has overwhelmed the selling pressure and there are some buyers who would like to take the stock to the newer heights. The uptrend is strong and the momentum in the cement sector is picking up well thus we think this stock is buy at current levels for a rise towards 632/660. Stop 510.



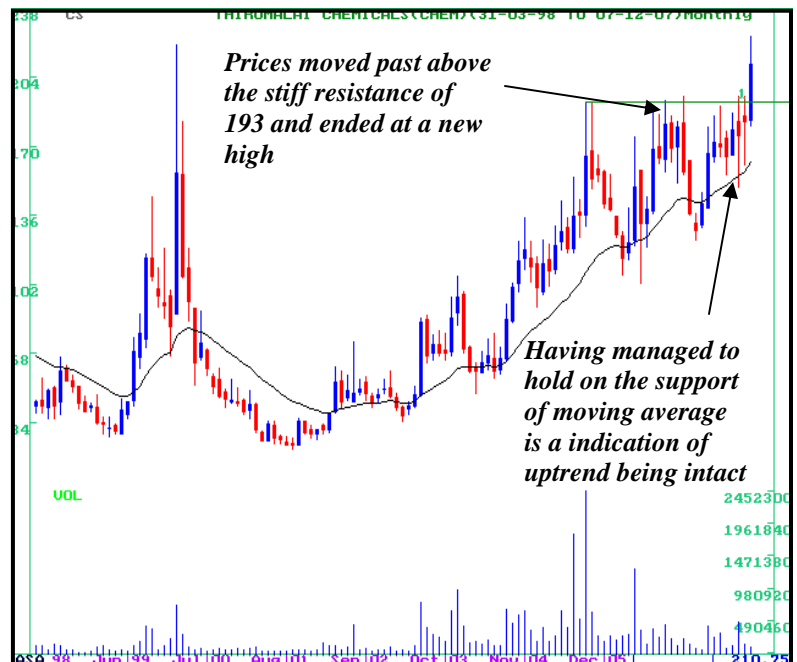
Source : ASA

SHORT-TERM INVESTMENTS

Thirumalai Chem. (210)

The stock was trapped in a sideways phase and was moving largely sideways for several weeks. It was actually trying to cross a stiff resistance of a valuation area around 193 levels. With the last week's rise, the stock sported a huge jump over this hurdle and lunched a fresh new trend. This rise was swift and decisive and also led the prices to complete an accumulation pattern on monthly charts which further suggests that the future of this stock is pretty bright.

On the other side we note that the uptrend is supported by the 21 period MA signaling that active buying continues to exist during all the corrective dips. A successful breakout from this level can lead to the substantial gains in future. With the technical picture being so encouraging, we recommend buying this stock at current and on subsequent dips. Short term target to be viewed is around 270. Stop 180.

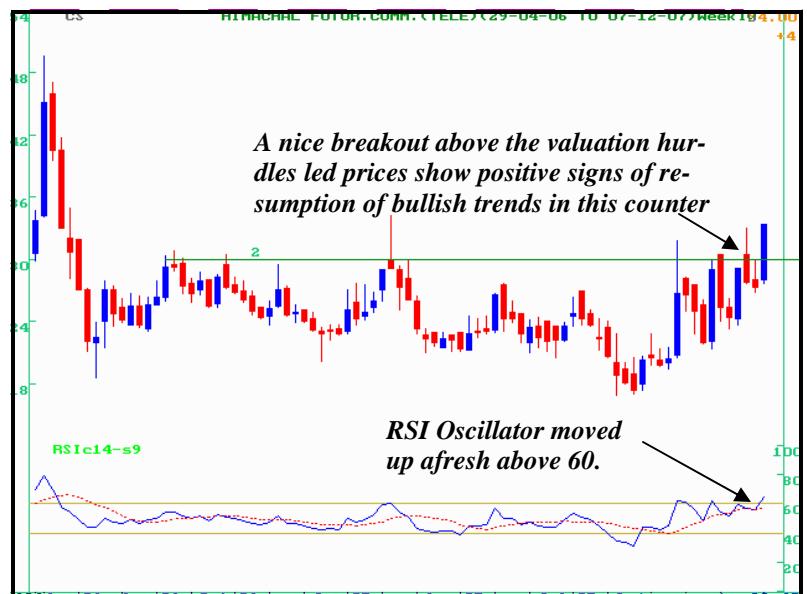


Source : ASA

Himachal Futuristic (33.40)

We can see that this stock has been struggling to clear strong valuation area around 30 and formed several tops near it. Recent set of rise seems to be very consistent by hitting circuit filters and forming a chain of higher tops and bottoms. This clearly indicated the fact that the buyers are serious this time and hence the chances of overcoming the hurdle of 30 were fairly brighter. Last week's rise led prices to close above the said resistance hurdle.

Along with this fresh moves in prices we also saw momentum boosting up as well. Highlighted here is the RSI oscillator which mounted above 60. It is a bullish signal as it has happened after a while. Hence current move may resume the bullish trends in this counter. Look to buy in at current and on dip for target of 40-42/50/58. Stop 24.



Source : ASA

Disclaimer

This document has been sent by IDBI Capital Market Services Ltd (IDBI Capital) and is meant for the recipient for use as intended and not for circulation. This document should not be reported or copied or made available to others. The information contained herein is from the public domain or sources believed to be reliable. While reasonable care has been taken to ensure that information given is at the time believed to be fair and correct and opinions based thereupon are reasonable, due to the very nature of research it cannot be warranted or represented that it is accurate or complete and it should not be relied upon as such. IDBI Capital, its directors and employees, will not in any way be responsible for the contents of this report. This is not an offer to sell or a solicitation to buy any securities. The securities discussed in this report may not be suitable for all investors. Investors must make their own investment decision based on their own investment objectives, goals and financial position and based on their own analysis. IDBI Capital, its directors or employees, may from time to time, have positions in, or options on, and buy and sell securities referred to herein. IDBI Capital, during the normal course of business, from time to time, may solicit from or perform investment banking or other services for any company mentioned in this document.