

# DAILY MARKET OUTLOOK

## Market Snapshot

Yesterday, the market edged higher as buying continued following a smooth rollover of the March 2007 derivative contracts. The Sensex was up 92 points at 13,072 while Nifty settled 23 points up to close at 3821. Domestic mutual funds were seen supporting prices today to prop up their year-end net asset values.

The NSE and BSE cash volumes were lower compared to the previous day at INR 75 and INR 35 bn respectively. The F&O volumes were also lower at INR 233 bn.

## Sentiment Indicators

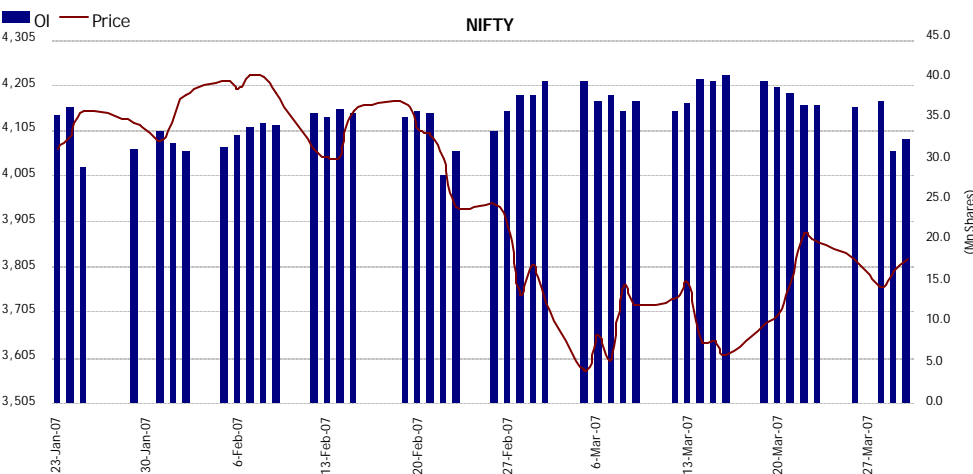
The Implied Volatility (IV) across Nifty strikes has increased to 25-26% levels. The WPCR of Nifty Options decreased to 0.62 compared to the previous day while the 5 day average is 0.98.

## Outlook

The markets are expected to open with a negative gap on the back of tightening of monetary policy by the RBI as the repo rate was hiked by 25 basis points to 7.75% and CRR rate hike by 50 basis points. We expect the Nifty may even lose 3 % led by RBI's surprise move.

We expect the FMCG, Telecom and Pharma sectors to outperform and Banking, Auto, Real Estate, Construction to under perform the broader market. One can go long on a basket of ITC, Dabur, RCOM, Ranbaxy, Aurobindo, Matrix, SAIL and short counters like ICICI bank, HDFC bank, Maruti, Tata Motors, Parsvnath, HCC, Sobha.

We believe that the gains in the last two days are just a pull back and we expect the market to fall down further. The important resistance level for Nifty is at 3832. The short term support levels are at 3780, followed by 3725.



April 2, 2007

### Market Snapshot

	30-Mar	29-Mar	% Chg
Nifty	3821.6	3798.1	0.6
Sensex	12979.7	12979.7	0.0
BSE MidCap	5319.2	5319.2	0.0
BSE SmallCap	6377.8	6377.8	0.0

### Apr Futures

	8.5%	15.0%	-43.3
Average ICC (p.a)**			

### Volume (INR mn)

	191,528	438,463	-56.3
Futures			
Call	26,668	42,236	-36.9
Put	15,294	33,120	-53.8
Total	233,490	513,820	-54.6
NSE Cash Vol	75,178	100,099	-24.9
BSE Cash Vol	36,827	36,827	0.0

### Open Interest (INR mn)

	309,219	296,303	4.4
Futures			
Call	43,571	35,649	22.2
Put	35,405	29,223	21.2
Total	388,194	361,175	7.5

### Put Call Ratios

	0.59	0.84	-29.4
PCR			
WPCR	0.57	0.82	-30.6
OI PCR	0.77	0.83	-6.4
Total OI/ Volume	1.66	0.70	136.5

Nifty IVs at 25 - 26% levels.

FII Activity\* (INR Mn) (29-Mar)

Volume	Buy	Sell	Net
Cash	40,502	44,092	(3,590)
Index Futures	44,639	44,790	(151)
Stock Futures	35,449	34,507	942
Total	120,590	123,389	(2,799)
Open Interest	29-Mar	28-Mar	% Chg
Index Futures	134,762	151,578	(11.1)
Stock Futures	125,543	163,977	(23.4)
Total F&O OI	295,495	420,096	(29.7)

Mutual Fund Activity\* (INR Mn) (29-Mar)

Volume	Buy	Sell	Net
Equity	5,221	5,821	(600)

\*FII &amp; MF Data is reported a day late

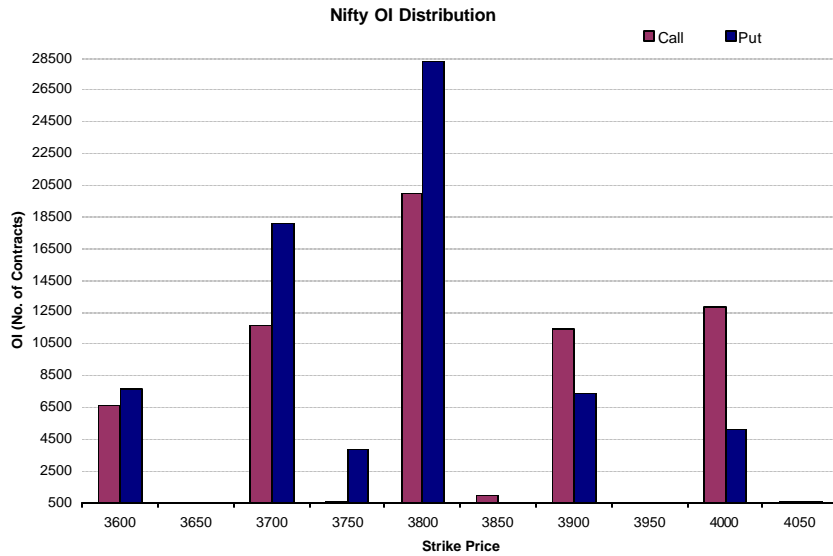
\*\* Avg of positive ICC's

## Pending Calls

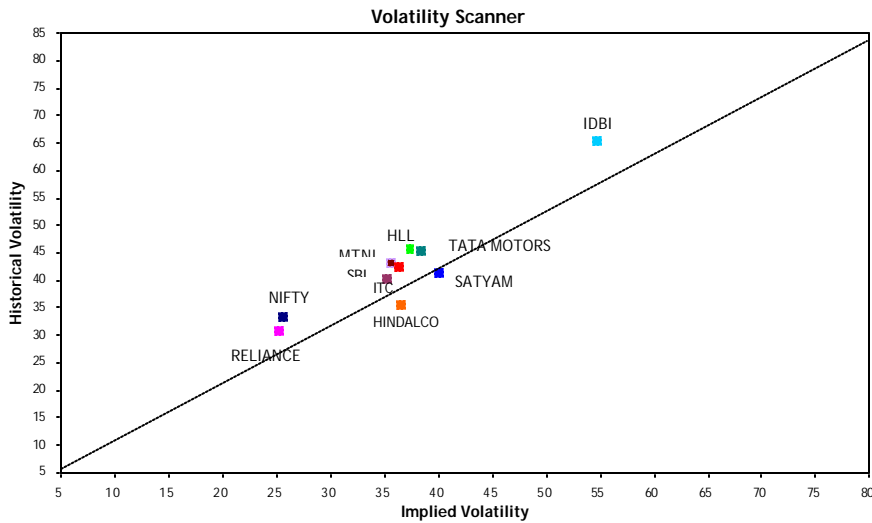
Script	Action	Date of Recommendation	Market Price	Returns	Rationale
ORIENTBANK	Closed Today	22-Mar-07	187.6	6%	The stock has moved up on good volumes and we do not expect further short covering to come in. We suggest squaring of positions here.
UnionBank	Closed Today	21-Mar-07	103.9	5%	With the announcement of CRR rahike we expect Banking Stocks to underperform the market.
ABAN	Closed Today	28-Mar-07	1915.6	5%	The Stock continues to witness build up and was up by about 5% on good volumes. We do not see much of an upside from here and suggest squaring off long positions.
Auropharma	Closed Today	29-Mar-07	648.2	5%	The company has received an approval for ceftiofur where Auro will be the only generic company with an approval. The current patented size of the product is USD 100 mn. This should act as a major positive for a stock. We suggest partial profit booking at current levels.
I-FLEX	Closed Today	28-Mar-07	1994.5	4%	With rupee remaining below 44 levels we do not expect much of an upside in the IT stocks and one can look at booking profits.
Lupin	Buy	12-Mar-07	605.7	4%	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.
Matrixlabs	Buy	29-Mar-07	168.8	4%	The stock gained close to 4% on Friday. We remain bullish on the pharma sector and suggest staying invested.
RCOM	Buy	22-Mar-07	420.0	2%	With the reduction in ADC by 37% and expected short covering make this stock an attractive BUY at current levels.
Ranbaxy	Buy	29-Mar-07	345.1	2%	The stock gained 2% on Friday coupled with a 2% fall OI. We remain bullish on the pharma sector and suggest staying invested.
RPL	Closed Today	28-Mar-07	74.0	-3%	The stock has seen significant build up of short positis on Friday on substantial volumes. Hence we suggest booking losses.

## Closed Calls

Script	Recomm	Date of Recommendation	Initiated Price	Date of Closing	Closing Price	% Return
IFCI	Buy	22-Mar-07	26.8	28-Mar-07	32.5	21%
SesaGoa	Buy	15-Mar-07	1586.5	28-Mar-07	1746.4	10%
Nagarconst	Buy	15-Mar-07	158.9	28-Mar-07	165.3	4%
IDEA	Buy	22-Mar-07	93.0	26-Mar-07	96.5	4%
Indiacem	Buy	15-Mar-07	159.3	28-Mar-07	163.7	3%
Suzlon	Sell	16-Mar-07	1015.8	22-Mar-07	994.4	2%
RelCapital	Buy	26-Mar-07	670.8	30-Mar-07	662.8	-1%



- Maximum OI increase was in the 3800 Call [increase of 31.6%], 4000 Call [increase of 25%], 3800 Put [increase of 16.5%], 3700 Put [increase of 20.3%].
- Maximum Volumes were witnessed by 3800 & 4000 Call and 3700 & 3800 Put.



Nifty IVs at 25-26% levels

High IVs

- Hindalco IV's are quoting at 36% as against HV's of 35%.

Sectoral Open Interest Build Up (Contracts) for 1 days				
Sector	OI	OI -D	% OI Chg	% Prc Chg
Cement	40933	38207	7.13%	1.4%
Auto	48208	45421	6.14%	1.2%
Oil & Gas	108964	102666	6.13%	0.3%
Power	27114	25879	4.77%	1.8%
FMCG	30691	29440	4.25%	1.8%
Pharma	34723	33446	3.82%	3.1%
Telecom	55496	53586	3.56%	0.0%
Construction	31311	30475	2.74%	0.9%
Textile	17779	17305	2.74%	2.3%
IT	79684	77798	2.42%	0.9%
Chemicals	8854	8648	2.38%	1.5%
Engineering & Capital Goods	58241	56911	2.34%	1.9%
Banking	134787	132118	2.02%	1.0%
Metals & Mining	77839	76653	1.55%	1.7%

- In the Pharma Sector, Wockhardt was up 3% with a 21% change in OI, followed by Orchid Chemicals and GSK which were up 5% and 4% with 9% and 7% change in OI.
- In the Textile space, Alok Industries was up 4% followed by Century Textiles which was up 3%.
- In the Engineering & Capital Goods Space, BEML was up 4 with a 27% change in OI followed by Triveni and Cummins which were up by about 3.5% each.

## Futures Snapshot

### Top OI Rises

Scrip	% OI Chg	OI	% Price Chg	% Future Vol Chg
Chennai Petroleum	59	24	4.6	14
CNX IT	50	5	0.0	(89)
Shree Renuka Sugars	43	453	9.1	45
J & K Bank	34	71	(2.3)	(92)
Bharat Earth Movers	27	100	4.0	(38)
Wockhardt	21	550	3.1	(5)
Bajaj Hindustan	21	2,218	7.2	(1)
GE Shipping	21	646	0.6	(79)

### Top OI Falls

Scrip	% OI Chg	OI	% Price Chg	% Future Vol Chg
Indian Bank	(26)	147	3.7	(83)
Crompton Greaves	(10)	255	2.9	(61)
Sobha Developers	(5)	461	1.3	(16)
M&M	(5)	1,406	3.0	(24)
Infosys	(4)	2,838	1.4	(64)
Cummins India	(4)	828	3.4	(78)
Bharat Forge	(3)	2,767	2.9	(78)
Sun Tv	(3)	392	0.5	(86)

### Top Price Change

Scrip	% Price Chg	% OI Chg	OI	% Future Vol Chg
Shree Renuka Sugars	9.1	43	453	45
Bajaj Hindustan	7.2	21	2,218	(1)
Indusind Bank	6.6	1	13,910	(50)
Orchid Chemicals	5.0	9	5,165	(44)
Lupin	4.9	3	764	(67)
Dabur India	4.8	6	5,486	(61)
Aurobindo Pharma	4.7	2	473	(25)
Chennai Petroleum	4.6	59	24	14

### Top Volume Rises

Scrip	% Future Vol Chg	FutureVol	% Price Chg	% OI Chg
Shree Renuka Sugars	45	5,998	9.1	43
Chennai Petroleum	14	1,427	4.6	59
Bajaj Hindustan	(1)	9,134	7.2	21
Wockhardt	(5)	583	3.1	21
I-Flex	(11)	254	4.0	11
CESC Ltd	(11)	2,078	3.3	16
Sobha Developers	(16)	1,289	1.3	(5)
NTPC	(17)	5,832	3.3	13

## F&O CROSSOVER: -

### Focus Stocks

- o Positives: Nifty, IPCL, NTPC, Reliance, Tata Motors, Tatasteel.
- o Negatives: ACC, Infosys, ONGC, SBI, TCS.

### Portfolio Tracker

30-Mar-07

Scrip	Reco	30-Mar-07		Reco Date	Reco Price	Current Price	No of days running	Retn since Reco	Stop Loss*
		Score	Score						
Nifty	Buy	3	1	28-Mar	3,761	3,822	2	1.6%	3,630
ACC	Sell	(3)	(5)	21-Mar	753	735	9	2.3%	770
GAIL	Sell	(3)	(1)	22-Mar	277	265	8	4.4%	277
HLL	Sell	(1)	(1)	26-Mar	198	205	4	-3.6%	208
HPCL	Neu**	(3)	1	29-Mar	249	248			
ICICI Bank	Buy	1	1	29-Mar	855	853	1	-0.2%	813
Infosys	Sell	(5)	(5)	9-Mar	2,121	2,019	21	4.8%	2,090
IPCL	Buy	3	5	13-Mar	265	271	17	2.1%	257
Maruti	Sell	(1)	(1)	23-Mar	841	820	7	2.4%	836
MTNL	Neu**	3	3	28-Mar	148	147			
NTPC	Buy	5	5	28-Mar	143	150	2	4.9%	143
ONGC	Sell	(1)	(1)	26-Mar	850	881	4	-3.6%	893
Polaris	Neu**	5	5	28-Mar	178				
Reliance	Buy	5	5	28-Mar	1,350	1,370	2	1.5%	1,302
Satyam	Neu**	1	1	29-Mar	461	470			
SBI	Sell	(1)	(3)	26-Mar	1,014	994	4	1.9%	1,022
SCI	Sell	(1)	(1)	29-Mar	170	174	1	-2.4%	178
TCS	Sell	(5)	(3)	23-Mar	1,288	1,234	7	4.2%	1,261
Tata Motors	Buy	1	(1)	30-Mar	728	728			692
Tatasteel	Buy	3	3	28-Mar	441	450	2	1.9%	427

Buy/ Sell/ Neutral = 7/9/4

o Tata Motors moves into Buy Mode from Neutral Mode..

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

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Head, Institutional Equities

Vikas Khemani – 2286 4206

Head, Institutional Equities

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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 Shahra	- 2286 4276
Priyank Singhal	- 2286 4302	Media, Retail	Priya Ramchandran	- 2286 4389
Prakash Kapadia	- 4097 9843	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

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### 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

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