



daring derivatives



May 18, 2007

Derivatives Summary

- Nifty (May) futures' premium decreased to 12 from 18.1 and shed around 13.6 lakh shares in open interest.
- The total open interest in the market was 57,377 crore and added around 972 crore in open interest.
- Nifty calls shed 10 lakh shares and puts added 15 lakh shares in open interest.
- Patni (61%), Bajaj Auto (36%), HCL Tech (24%), Bata India (21%), Arvind (14%) and Parsvnath (14%) were the top interest gainers in the market.
- Sobha (-28%), McDowell (-19%), Bongaigaon (-17%), Nagarjuna Construction (-16%) and Indian Bank (-15%) were the top open interest losers in the market.
- IFCI (101%), JP Hydro (97%), Arvind Mill (91%) and Parsvnath (88%) are very close to their market wide position limits.

Market View

The market continued its momentum and opened on a positive note with a gap of around 50 points and remained in a narrow zone of 4200-4232. A few selective stocks and most of the heavyweights witnessed some good gains today except Bajaj Auto which was severely hammered and lost about 10%. Volumes in Nifty futures were normal and shed around 13 lakh shares in open interest, indicating the closure of long position. On the option front, not much activity was seen. Call options witnessed the closure of long positions and put options witnessed some good long accumulation across the strike price. Tomorrow the market is likely to open on a flat to positive note and global cues will play an important role in deciding the day's move. We are witnessing good resistance around the all-time high which needs to be kept in mind while taking any fresh trading long positions. Key support levels for the Nifty are 4180 and 4140 whereas resistance will be around 4250.

| NIFTY SNAPSHOT | | | |
|----------------|----------|----------|----------|
| | Current | Previous | % Change |
| Nifty (Mar) | 4221.5 | 4189.05 | 0.77% |
| Nifty CoC | 7.43% | 10.56% | -29.62% |
| OI | 31741800 | 33106600 | -4.12% |
| Vol | 20069950 | 24690100 | -18.71% |
| PCR(OI) | 1.44 | 1.22 | 18.03% |
| PCR (VOL) | 1.41 | 0.86 | 63.95% |

| MOST ACTIVE INDEX CALL OPTION | | | | |
|-------------------------------|----------|---------|----------|---------|
| Strike | Curr. IV | Pre. IV | Curr. OI | OI Chg% |
| 4200 C | 20.92% | 22.05% | 2514250 | -14.78% |
| 4250 C | 20.64% | 20.65% | 1278800 | -8.14% |
| 4150 C | 22.90% | 22.61% | 747050 | -18.49% |
| 4100 C | 24.00% | 22.83% | 3414650 | -3.02% |
| 4000 C | 26.53% | 25.07% | 1264200 | -7.23% |

| MOST ACTIVE INDEX PUT OPTION | | | | |
|------------------------------|----------|---------|----------|---------|
| Strike | Curr. IV | Pre. IV | Curr. OI | OI Chg% |
| 4200 P | 21.81% | 21.65% | 1375450 | 112.03% |
| 4100 P | 23.68% | 22.95% | 3312150 | 6.91% |
| 4000 P | 26.47% | 24.95% | 3779900 | 0.13% |
| 4150 P | 23.42% | 22.67% | 1639550 | 31.90% |
| 4050 P | 24.70% | 24.69% | 906700 | 4.91% |

| MOST ACTIVE STOCK FUTURES | | | | |
|---------------------------|-----------|----------|----------|---------|
| Strike | Curr. CoC | Pre. CoC | Curr. OI | OI Chg% |
| RELIANCE | -2.48% | 13.17% | 6992700 | -0.16% |
| BAJAJAUTO | 15.18% | 11.89% | 1212000 | 24.50% |
| TATASTEEL | -37.67% | 10.53% | 9926550 | 7.67% |
| INFOSYS | 9.21% | 18.76% | 5641900 | 7.56% |
| SBIN | -1.96% | 10.04% | 7494500 | 6.98% |

| FII'S FUTURE & OPTIONS ACTIVITY (IN CRS) 16 MAY | | | |
|---|---------|---------|------------|
| | Buy | Sell | Difference |
| INDEX FUTURES | 1780.38 | 1371.68 | 408.70 |
| INDEX OPTIONS | 36.11 | 34.35 | 1.76 |
| STOCK FUTURES | 505.3 | 726.87 | -221.57 |
| STOCK OPTIONS | 0 | 5.2 | -5.20 |
| TOTAL | 2321.79 | 2138.1 | 183.69 |

| MOST ACTIVE STOCK CALL OPTIONS | | | | |
|--------------------------------|--------------|-------------|--------------|----------|
| Strike | Curr. IV (%) | Pre. IV (%) | Curr. OI (%) | OI Chg % |
| RELIANCE 1650 C | 19.23% | 25.42% | 318900 | 15.98% |
| TATASTEEL 600 C | 27.69% | 39.49% | 998325 | 12.81% |
| SBIN 1320 C | 33.57% | 39.09% | 200750 | 375.15% |
| IFCI 50 C | 65.38% | 70.09% | 7733250 | 17.89% |
| IDBI 100 C | 43.81% | 54.35% | 2368800 | -18.83% |

| MOST ACTIVE STOCK PUT OPTIONS | | | | |
|-------------------------------|--------------|-------------|--------------|----------|
| Strike | Curr. IV (%) | Pre. IV (%) | Curr. OI (%) | OI Chg % |
| RELIANCE 1650 P | 23.16% | 19.18% | 135300 | 1904.44% |
| TATASTEEL 580 P | 46.76% | 33.89% | 325350 | 33.89% |
| SBIN 1290 P | 38.08% | 33.27% | 60000 | 757.14% |
| IDBI 100 P | 42.44% | 43.77% | 487200 | 8.56% |
| IFCI 50 P | 58.86% | 54.89% | 1732500 | 175.00% |

Recommendation Tracker

| Date | Scripts | Buy/sell | Initiation Range | Stoploss | Target | Timeframe | Remark |
|-----------|----------------------|----------|------------------|----------|-----------|-----------|----------------|
| 17-May-07 | Hindlever | Buy | 198-199 | 195.5 | 205-210 | 3-4 Days | Open |
| 17-May-07 | Gujamb 125 Call | Buy | 2.7 | - | 6--8 | Expiry | Open |
| 17-May-07 | Cairns | Buy | 140.5 | 137.4 | 146-150 | 1-2 Days | Open |
| 16-May-07 | Nifty | Buy | 4145 | 4120 | 4180-4210 | 1-2 days | 1 Tgt achieved |
| 16-May-07 | Reliance | Buy | 1614-1615 | 1600 | 1640-1660 | 3-4 Days | 1 Tgt achieved |
| 16-May-07 | Century Text. | Buy | 597-598 | 591 | 610-615 | 5-6 Days | Tgts achieved |
| 11-May-07 | Syndicate Bk 80 Call | Buy | 3 | - | 6--7 | 5-6 Days | Open |

For Private Circulation only

Disclaimer

"This document has been prepared by Sharekhan Ltd. This Document is subject to changes without prior notice and is intended only for the person or entity to which it is addressed to and may contain confidential and/or privileged material and is not for any type of circulation. Any review, retransmission, or any other use is prohibited. Kindly note that 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.

Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. SHAREKHAN will not treat recipients as customers by virtue of their receiving this report.

The information contained herein is from publicly available data or other sources believed to be reliable. While we would endeavour to update the information herein on reasonable basis, SHAREKHAN, its subsidiaries and associated companies, their directors and employees ("SHAREKHAN and affiliates") are under no obligation to update or keep the information current. Also, there may be regulatory, compliance, or other reasons that may prevent SHAREKHAN and affiliates from doing so. We do not represent that information contained herein is accurate or complete and it should not be relied upon as such. This document is prepared 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 investigations 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 its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors. We do not undertake to advise you as to any change of our views. Affiliates of Sharekhan may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

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 SHAREKHAN and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.

SHAREKHAN & affiliates may have used the information set forth herein before publication and may have positions in, may from time to time purchase or sell or may be materially interested in any of the securities mentioned or related securities. SHAREKHAN may from time to time solicit from, or perform investment banking, or other services for, any company mentioned herein. Without limiting any of the foregoing, in no event shall SHAREKHAN, any of its affiliates or any third party involved in, or related to, computing or compiling the information have any liability for any damages of any kind. Any comments or statements made herein are those of the analyst and do not necessarily reflect those of SHAREKHAN."