

➤ **Poised for a breakout ... either way**

At the start of the month of August, Nifty faced lot of resistance near the 4700 mark and fell sharply, but, it found a lot of support near to the previous low of 4380. Bears tried to break 4380 mark several times but they were unable to do the same on closing basis. At the end of the month bulls took charge and Nifty started the north bound journey again. It started making "Higher Tops and Higher Bottoms" on the intra-day chart and on 28th August, it reached our short-term target of 4731 to make a high of 4743. On the weekly chart Nifty is still making "Higher Tops and Higher Bottoms" and it closed well above the neckline of "Inverse Head & Shoulders" pattern. The Mid Cap and Small Cap indices outperformed the frontline indices. Among the sector indices, BSE Realty and BSE IT were the top gainers while the BSE FMCG index was the major loser.

Nifty gave a close above the neckline of "Inverse Head & Shoulder" pattern and it is trading above the 50% retracement level of entire fall from 6357 to 2252. It is trading in the range of 4750 - 4350 for last 3 months, thus going forward if it sustains above 4750 for 4-5 trading days, only then one can make fresh long positions. However, old long positions can be held with stop-loss of 4490 on the closing basis. If Nifty sustains above 4750 then immediate term target is at 4920 and in the short term one can expect a price target of 5109. However, the 4789 level will act as a minor resistance, which is

61.80% retracement level of the entire fall from 6357 to 2252. Once Nifty manages to cross 4789, the stop loss can be revised to 4582 from 4490.

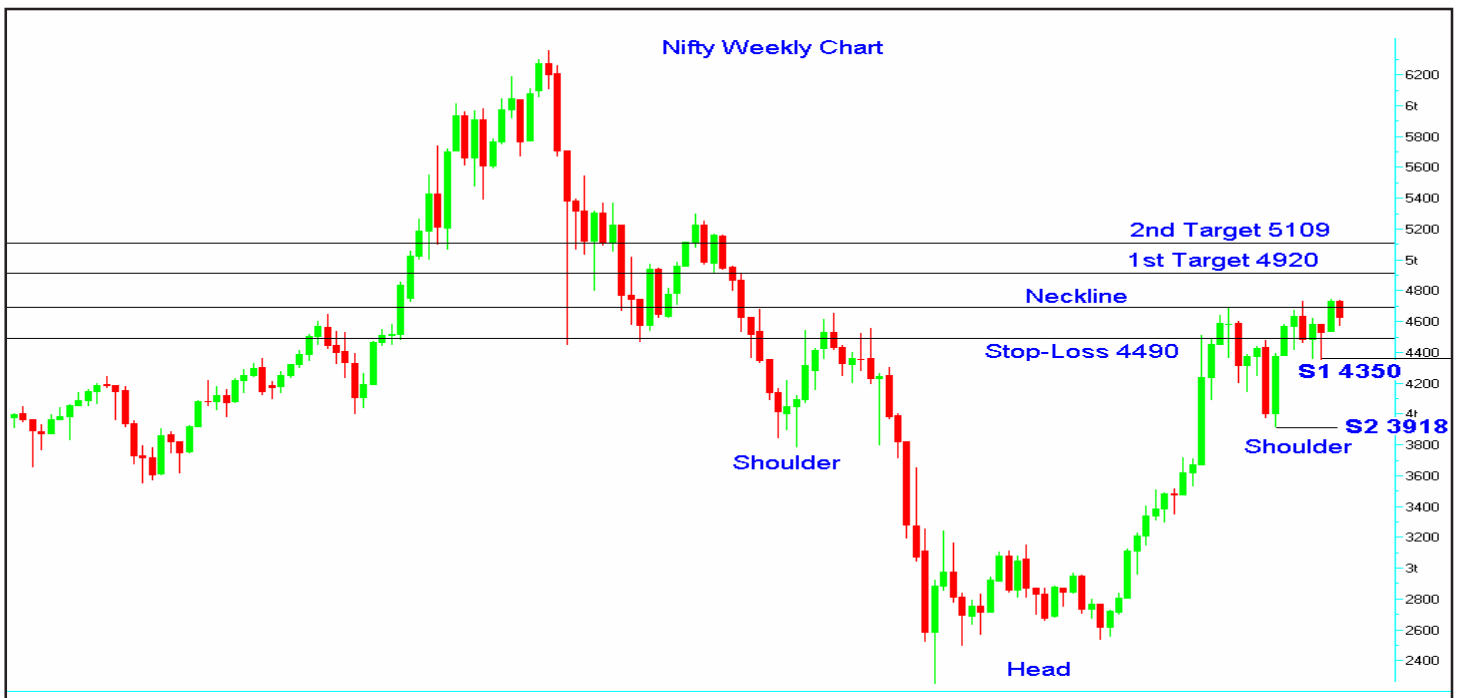
On the downward side, the level of 4490 will act as an immediate support; a breach of which it can again come in the range of 4350 - 4380. A close below 4380 may drag Nifty to its June'09 low of 3918.

**ACTIONABLES:**

In the current scenario, the strategy for Nifty would be:

1. The existing long positions can be held with a stop loss of 4490.
2. Fresh long positions can be created only above 4750 with stop-loss of 4490.
3. Once Nifty manages to breach 4789, the stop loss can be revised to 4582 with a target of 4920.
4. If Nifty is able to cross 4920, then by using the trailing stop loss method, the trading buying positions can be continued for the target of 5109.
5. Trading Selling positions can be created only if Nifty breaches the recent low of 4380 with a stop-loss of 4500 for a target of 3918.

*(All the levels in brackets are of Nifty Cash)*



*The above views are based on Technical analysis and could differ from our fundamental views.  
For further ideas on Technicals contact: Tel.: +91 22 30896833*

## ➤ Derivatives & options trading

Nifty opened the month of August on a strong note posting the high for the month right in the beginning. Losing confidence at the top, Nifty spent the rest of the month gyrating in 4600 - 4350 range. However, the ultimate week of expiry brought back Nifty to close higher with little less than a percent gain over July. August series ended with Stock rollover of 83.7% (6- m avg. 77%) and Nifty rollover of 76 % (6-m avg. 67%). Stock futures maintained open positions of more than a billion shares through the topsy-turvy month. Towards the end rolling with the highest pace since a year, stock futures open September with record open positions of a little over 1 bn shares. This is primarily due to secular interest across the stocks. As far as Nifty is concerned, the above average rollovers have resulted into at least no decrement in month on month open position.

On the options front Nifty started the month with a neutral stand. The month began with congestion in 4300 and 4000 puts on the way down and call build up in the much talked about level of 4700. The fall in the first half got much needed support from the lower level congestion. Bouncing back from the lows, Nifty came back up and along the way, lowering implied volatilities from mid 30% to late 20% boosted the confidence to lead the Nifty to close the month positive. Nifty August OI/PCR ranged from the low of 0.82 to 1.6 towards the end.

Nifty futures rolled at one of the highest pace in a year with positive cost, indicating willingness of longs to carry forward. The aggregate open positions still remains light. As far as stock rollovers are concerned, while Pharma and mid cap IT continue to carry forward the longs, Smaller Banks and Engineering roll incremental longs into September. Nifty September options are trading at reasonable mid 30% IV's, having hurdles around 4900 - 5000 on the upside and 4500 - 4300 on the downside. The only caveat is the over optimist OI/PCR of 1.5, may make the journey upwards little slippery.

We recommend following option strategy viz : Nifty Bull Call Spread

**INDEX: NIFTY**

**LOT SIZE: 50**

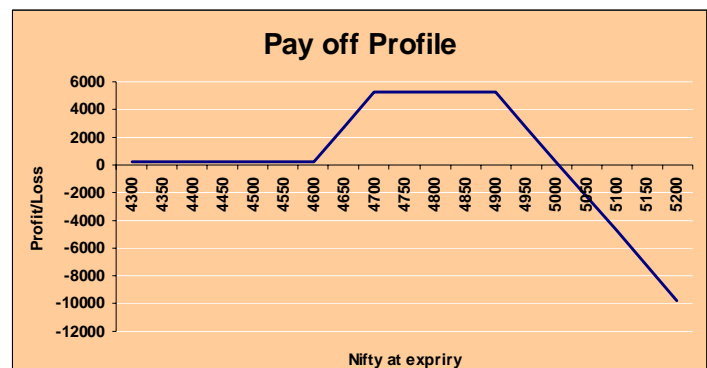
<b>View</b>	: Moderately Bullish
<b>Rationale</b>	: 1. Nifty has fair bit of congestion in 4500-4600 puts may provide good support. 2. On the higher side calls in 4700 to 5000 may lead to a slow rise with major resistance around 5000 3. Post a steep rise the strategy protects the down side.
<b>Premium Inflow:</b>	: Rs.200.00 (per spread)
<b>Approx Margin</b>	: Rs. 28,000.00 (Approx)

### Strategy: Bull Call Spread

Buy/Sell	Scrip	Series	Option Type	Strike Price	Reco Price
BUY	NIFTY	SEP	CE	4600	Rs.163
SELL	NIFTY	SEP	CE	4700	Rs.116
SELL	NIFTY	SEP	CE	5000	Rs.51

### Pay Off Profile at Expiry

Break Even Point	Maximum Profit	Maximum Loss
N.A.	Rs.5200 bet 4700-4900.	Unlimited above 5000.





### Monthly performance statement

Type of Calls	Total Calls	Positive Calls	Negative Calls	Strike Rate (%)
Derivative Desk	10	5	5	50
Pivot/Nifty Calls	23	9	15	39
Technical Calls	78	38	40	49
Stock of the Day (SOD)	3	1	2	33
News Based Calls	43	23	20	53
<b>Total (Average)</b>	<b>157</b>	<b>76</b>	<b>82</b>	<b>48</b>



Ist week (8th Aug 09)

2nd week (14th Aug 09)

3rd week (22nd Aug 09)

4th week (29th Aug 09)

Large Cap	CMP(Rs.)
M&M	834
Reliance Comm.*	255
SBI	1,742

Large Cap	CMP(Rs.)
Maruti	1,346
Sterlite Industries	662
SBI	1,797

Large Cap	CMP(Rs.)
Bharti Tele	412
M&M	802
SBI Bank	1,777

Large Cap	CMP(Rs.)
Bharti Tele	435
Hero Honda	1,504
SBI Bank	1,782

Mid Cap	CMP(Rs.)
India Cements	141
Mahindra Lifespace	298
Shriram Transport	347

Mid Cap	CMP(Rs.)
Dewan Housing	128
GVK Power	47
India Cements	134

Mid Cap	CMP(Rs.)
Dewan Housing	132
GVK Power	47
Zee Entertainment	129

Mid Cap	CMP(Rs.)
Anant Raj Industries	156
GVK Power	48
OBC	181

CMP: current market price

Blue Colour: New entry in MOST 3x3

Red Colour: Re - entry in MOST 3x3



### LONG TERM FUNDAMENTAL RESEARCH IDEAS

Scrip Name	MBP (Rs)	Scrip Name	MBP (Rs)	Scrip Name	MBP (Rs)
India Cements	160	Rural Electrification Corp	230	Bombay Rayon	260
Mahindra Lifespace	310	Piramal Healthcare	300	Sterlite Industries	720
Shriram Transport	330	GSK consumer	990	Lupin Ltd	960
BoB	505	BPCL	535	JSPL	2,400
Canara Bank	330	Maruti	1,180	ICICI Bank	850
Grasim	2,420	Anant Raj Industries	155	TCS	810
JP Associates	240	GSK Pharma	1,344	Hero Honda	1,540
IVRCL	380	Indian Oil	700	SBI	2,150
BEL	1,540	HDFC Bank	1,660	Bharti Tele	945
RCOM	350	RIL	2,610	M&M	770

MBP: Maximum buying price



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