



MARKET OUTLOOK

The market continued to move ahead in un-chartered territory throughout the month, showing strength across majority of the sectors. The top gainers amongst these sectors were Capital Goods, Construction, FMCG, IT and Oil & Gas. The market closed at 8788 in the month of November after which the markets continued to remain above this level throughout the month of December. During the month of December all heavyweights like Infosys, HLL, ONGC, Reliance ITC etc gave excellent spurts. The other stocks, which performed very well in this period were Hero Honda, Tata Chemical & Tata Tea.



• Weekly chart of Sensex

Outlook for the month of January

Looking at the price pattern one should have a bullish view on the markets as the sensex is near its all time high. Also the price is above the short term, medium term and long term moving averages. (8W SMA = 8978, 21W SMA = 8417 & 55W SMA = 7357)

After making a low of 7656 on 28/10/05 the sensex gave a positive closing on a weekly bases for 7

consecutive weeks making a high of 9443 in the 8th week. From there it finally gave a negative closing on a weekly bases and corrected back to 9020 level. This correction was 23.60 % of the whole rise from 7656 to 9443. In this fall the trend line for this up move was broken. Now this trend line will act as a resistance for future up moves in the sensex.

The markets seem positive as long as the sensex stays above 9020, which is a very strong support level. Further, the markets may face some resistance at 9443 levels, above which the next resistance level is at 9541. The trend line joining the high of 8821 on 7/10/05 and 9443 on 23/12/05 will also offer resistance at these higher levels. If these resistances are crossed then it would be party time.

On the other hand, in case the sensex breaks 9020 then the medium term view on the markets will turn negative. Then the support will be at 8761, which is 38.2% retracement of the previous up move, or the previous high of 8821 on 17/10/05 will act as a strong support for the sensex. The weekly highs of 8722 (30/09/05) and 8739 (18/11/05) and lows of 8768 (02/12/05) and 8783 (09/12/05) form a cluster a supports for the sensex in the range of 8722 to 8821. In case the sensex breaks below the low of this cluster which is at 8722 then the next supports are at 8550 and 8340 levels, which are 50% and 61.80% retracement of the previous up move. In short below 9020 one will get opportunity for 250 or 500 points fall. Once 9020 is broken then the fall can be swift.

TRADING THOUGHT

Price is resultant of all indicators

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STOCKS FOR THE MONTH



• Weekly chart of OBC

ORIENTAL BANK OF COMMERCE: (BUY)

In the banking sector Oriental Bank of Commerce looks very promising for positional trade. It has formed a very bullish pattern on the long-term charts as well. The stock had made a low of 230 in October 2005. Since then it has been trading in a range of 230 to 265. Currently it is trading above the trend line joining the highs of 365 & 282 on the weekly line chart. This is a very bullish sign. Further more its RSI (relative strength index) is bottoming out and showing signs of a reversal. Hence one should buy this stock at around 206-265 levels for a target of 303 first and then 364.



• Weekly chart of HPCL

HINDUSTAN PETROLEUM CORPORATION LTD (HPCL): (BUY)

After making a low of 281 in the month of August, HPCL is showing great strength around 300 to 320 levels. It is also forming higher tops and bottoms on the weekly charts, which indicates that this stock could move up very soon. Also, HPCL is moving above the trend line formed by joining the highs of 529 and 401 on the weekly line charts. The RSI too is moving in a positive direction. Hence one should buy the stock in the range of 315 to 330 for a target of around 400.



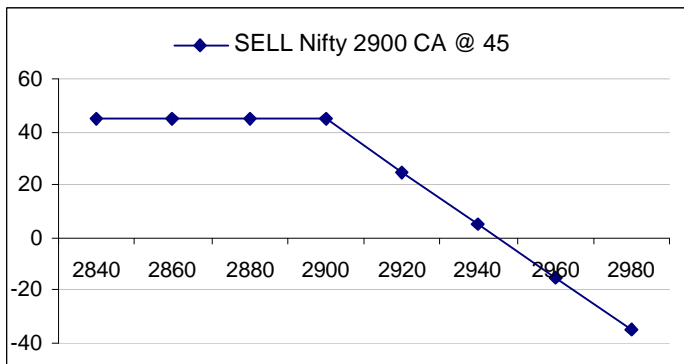
• Weekly chart of ACC

ASSOCIATED CEMENT COMPANY (ACC): (SELL)

ACC had moved from 431 to 568 where it was unable to sustain itself comfortably. Also it is showing weakness on the charts. Further its RSI is showing negative divergence on the charts too. All these factors suggest the stock is headed for a downward movement. Hence one should exit from this stock at below 515 levels as it has the potential of reaching 484 and then 463 levels in the coming days.

Considering the technical view of markets we propose the following strategies. The strategies will enable the holders of the following stocks to earn premium income or mitigate risks while holding the stocks for long-term appreciation or corporate benefits.

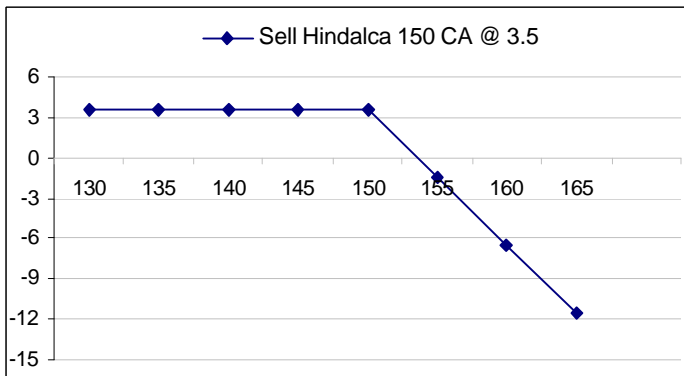
The premiums mentioned below have been derived using the Black and Scholes method of option pricing. In the case of heavily traded options the Last Traded Prices as of 29 Dec '05 have been used. The blue line represents the pay-off at expiry.



Nifty (CMP: 2822)

Nifty had made a new high at 2857 on 23-Dec-05 and corrected sharply to 2725 levels in two sessions before the December expiry. We believe that the markets would be volatile ahead of the Q3 numbers. This gives an opportunity for writing call options of higher strike prices earning premium income and this will also act as a hedge against your portfolios.

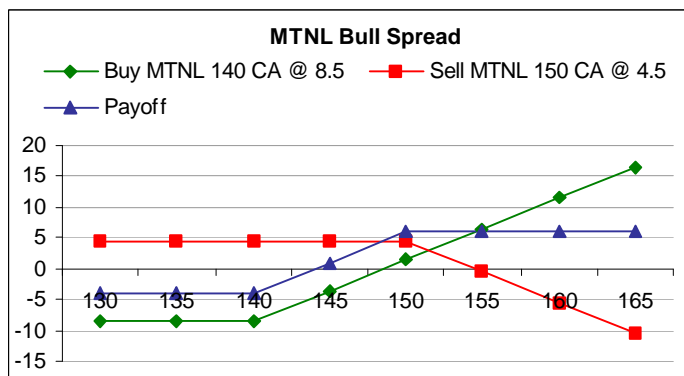
Strategy: Sell one lot of 2900 CA @ 45.



Hindalco (CMP: 140)

The stock is trading in a range of 130 -140 levels. We expect bad Q3 numbers and do not expect the stock to cross beyond 150 levels. As premiums are juicy we recommend writing call options and earn premium income.

Strategy: Sell one lot of 150 CA @ 3.5.



MTNL (CMP: 141)

The stock has gained momentum in the last month; technically the stock has broken out of its consolidation phase beyond 140 levels. In view of this, as premiums are on the higher side we recommend a bull spread by buying 140 CA @ 8.5 and sell 150 CA @ 4.5. The net pay-off would be Rs 4 and profit of Rs 6.

Strategy: Buy one lot of 140 CA @ 8.5 and Sell one lot of 150 CA @ 4.5.

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

TRADING PORTFOLIOS

One of the most popular feature of MOST Value are its retail portfolios. Considering its popularity we are now introducing Trading Portfolios also in MOST Momentum which we have been maintaining since last eight months. The full portfolios come every Monday in our daily product Market Diary. Any additions or deletions are being communicated through our morning conference calls, morning meeting notes or on awacs during market hours. So for any changes in these portfolios please remain in touch with your MOST Equity Advisor or MOST Franchisee with whom you deal.

F & O Trading Portfolio as on 01-Jan-06

Derivatives Portfolio	Profit	33 % Margin	Return %
Total Return till date	893420	6234875	14.3
Past 8 Month Return	874870	5236942	16.7
Current Month Return	18550.0	997933	1.9

Name of the Stock	C/f December Expiry	Buy / Sell	C/f Price	CMP	Reco Price
BPCL	Roll-Over	BUY	432.0	431.0	412.0
MTNL	Roll-Over	BUY	143.0	143.0	144.5
CANARA BANK	Roll-Over	BUY	232.0	234.0	238.0
IPCL	Roll-Over	BUY	235.0	234.0	231.5
HDFC LTD	Roll-Over	BUY	1225.0	1225.0	1172.0
Bharti Tele	Roll-Over	BUY	344.0	343.0	346.0
Oriental Bank	Roll-Over	BUY	262.0	271.0	262.0
Maharashtra Seamless	30-Dec-05	BUY	535.0	542.0	535.0

Profit/Loss - Derivatives

Name of the Stock	Reco Date	C/f Price	Booked Price	Profit	Reco Price
Past 8 Months Profit				874870	
SBI (30-12-2005)	C/f from Dec	899.0	918.0	9500	865.0

Mark to market for the December month has being included in the total profit.

Cash Trading Portfolio as on 01-Jan-06

Cash Market	Return %
Portfolio Value	1000000
Total Return till date	637866
Past 8 Months Return	637866
Current Month Return	0

Name of the Stock	C/f December 30-12-2005	C/f Price	Wtg%	CMP	Reco Price
ISSAL	C/f from Dec	87	10	87	65
Mawana Sugar	C/f from Dec	117	10	117	114
Eveready Industries	C/f from Dec	105	10	105	110
Sterlite Optical	C/f from Dec	95	10	95	102
Helios Matheson	C/f from Dec	226	10	226	220
Cash			50		
Total			100		

We have not carried forward Amforge, Indian Card, Welspun, STC as the time frame of more than 2 months has being expired

Mark to market for the December month has being included in the total profit.

WISHING ALL "TRADERS" HAPPY 2006

For further inputs on derivative strategies contact: **Vikas Jain**, (vikasj@motilaloswal.com) Tel.: +91 22 56575206.

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