

January 22, 2007

FOR PRIVATE CIRCULATION

**Shrikant Chouhan**  
 shrikant.chouhan@kotak.com  
 +9122 56341439

## Weekly Technical Update

### Equities

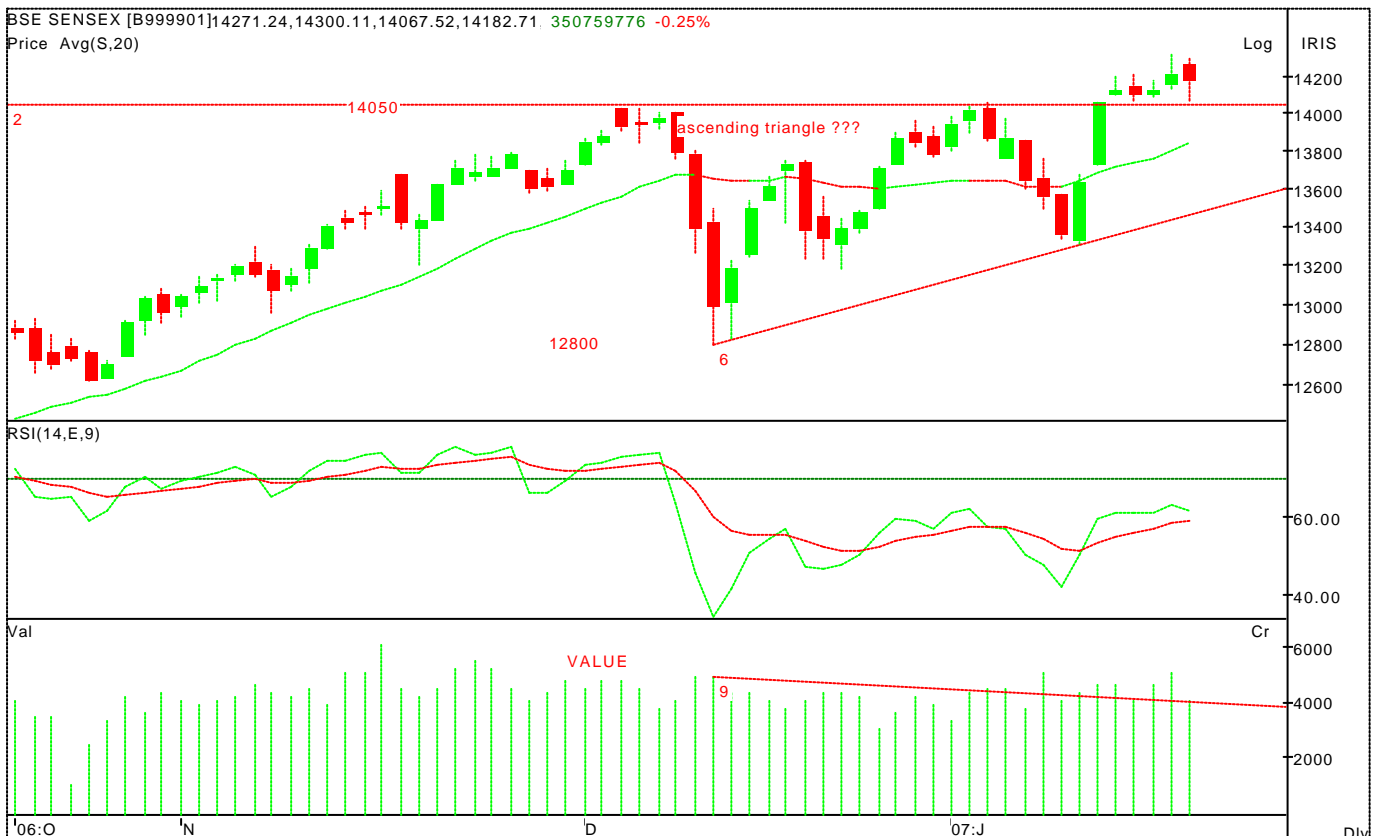
#### The week past and expected

The Sensex and Nifty are displaying the likely formation of 'ascending triangle'. All characteristics point toward this eventuality. It requires at least two reactionary tops, which clearly exist on the Sensex daily chart at 14050 (Nifty 4050). At least two reaction lows are required to form the 'lower ascending trend line'. These reaction lows should be successively higher and there should be some distance between the lows, which is also clearly visible on both indices at 12800 and 13300 (3655 and 3855 for the Nifty).

The length of the pattern can range for a few weeks. In the above case, the market has spent nearly six weeks to complete it. A basic tenet of technical analysis is that resistance (14050/4050) turns into support and vice-versa. When the horizontal resistance line of the ascending triangle is broken, it turns into support. Sometimes there will be a return to this support level before the move begins in earnest. Finally, once the breakout occurs, the price projection is found by measuring the widest distance of the pattern and applying it to the resistance breakout that comes to 15250 for the Sensex and 4450 for the Nifty.

Based on the above observation, it is clear that if the indices hold the levels of 14000/4000 on a closing basis we may even see the levels of 15250/4450 in the coming few weeks. However, as it is clearly visible, it will turn everyone in the market bullish. This may result in a total overbought scenario at the measured target levels (15250 and 4450).

#### BSE SENSEX DAILY CHART



We recommend that our clients ride the rally aggressively. However, they should do this with very few stocks in hand instead of collecting a number of stocks. Any decline till it reaches these levels would be an opportunity to collect index-based stocks in advance with the short-term to medium-term view in mind.

**Our top picks for the coming few weeks will be:** GMR Infrastructure, IVRCL Infrastructure, HDFC, ITC, Tata Motors, India Cements, Century Textiles, Punj Lloyd, SBI, JSWL, NDTV and Ansal Infrastructure.

**Mid Cap top picks:** Kernex Micro, Paramount Communications, Patni Computers and Engineers India.

## Research Team

| Name              | Sector                       | Tel No           | E-mail id                   |
|-------------------|------------------------------|------------------|-----------------------------|
| Dipen Shah        | IT, Media, Telecom           | +91 22 6634 1376 | dipen.shah@kotak.com        |
| Sanjeev Zarbade   | Capital Goods, Engineering   | +91 22 6634 1258 | sanjeev.zarbade@kotak.com   |
| Teena Virmani     | Construction, Mid Cap, Power | +91 22 6634 1237 | teena.virmani@kotak.com     |
| Awadhesh Garg     | Pharmaceuticals              | +91 22 6634 1406 | awadhesh.garg@kotak.com     |
| Apurva Doshi      | Logistics, Textiles, Mid Cap | +91 22 6634 1366 | doshi.apurva@kotak.com      |
| Saurabh Gurnurkar | IT, Media, Telecom           | +91 22 6634 1273 | saurabh.gurnurkar@kotak.com |
| Vinay Goenka      | Auto, Auto Ancillary, Sugar  | +91 22 6634 1291 | vinay.goenka@kotak.com      |
| Saday Sinha       | Economy, Banking             | +91 22 6634 1440 | saday.sinha@kotak.com       |
| Lokendra Kumar    | Oil & Gas                    | +91 22 6634 1540 | lokendra.kumar@kotak.com    |
| Shrikant Chouhan  | Technical analyst            | +91 22 6634 1439 | shrikant.chouhan@kotak.com  |
| Kaustav Ray       | Editor                       | +91 22 6634 1223 | kaustav.ray@kotak.com       |
| K. Kathirvelu     | Production                   | +91 22 6634 1557 | k.kathirvelu@kotak.com      |

## Disclaimer

This document is not for public distribution and has been furnished to you solely for your information and must not be reproduced or redistributed to any other person. Persons into whose possession this document may come are required to observe these restrictions.

This material is for the personal information of the authorized recipient, and we are not soliciting any action based upon it. This report is not to be construed as an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal. It is for the general information of clients of Kotak Securities Ltd. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients.

We have reviewed the report, and in so far as it includes current or historical information, it is believed to be reliable though its accuracy or completeness cannot be guaranteed. Neither Kotak Securities Limited, nor any person connected with it, accepts any liability arising from the use of this document. The recipients of this material should rely on their own investigations and take their own professional advice. Price and value of the investments referred to in this material may go up or down. Past performance is not a guide for future performance. Certain transactions - including those involving futures, options and other derivatives as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. Reports based on technical analysis centers on studying charts of a stock's price movement and trading volume, as opposed to focusing on a company's fundamentals and as such, may not match with a report on a company's fundamentals.

Opinions expressed are our current opinions as of the date appearing on this material only. While we endeavor to update on a reasonable basis the information discussed in this material, there may be regulatory, compliance, or other reasons that prevent us from doing so. Prospective investors and others are cautioned that any forward-looking statements are not predictions and may be subject to change without notice. Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

Kotak Securities Limited has two independent equity research groups: Institutional Equities and Private Client Group. This report has been prepared by the Private Client Group. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, target price of the Institutional Equities Research Group of Kotak Securities Limited.

We and our affiliates, officers, directors, and employees world wide may: (a) from time to time, have long or short positions in, and buy or sell the securities thereof, of company (ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company (ies) discussed herein or act as advisor or lender / borrower to such company (ies) or have other potential conflict of interest with respect to any recommendation and related information and opinions.

The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

No part of this material may be duplicated in any form and/or redistributed without Kotak Securities' prior written consent.