

April 2, 2007

FOR PRIVATE CIRCULATION

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

Weekly Technical Update

Equities

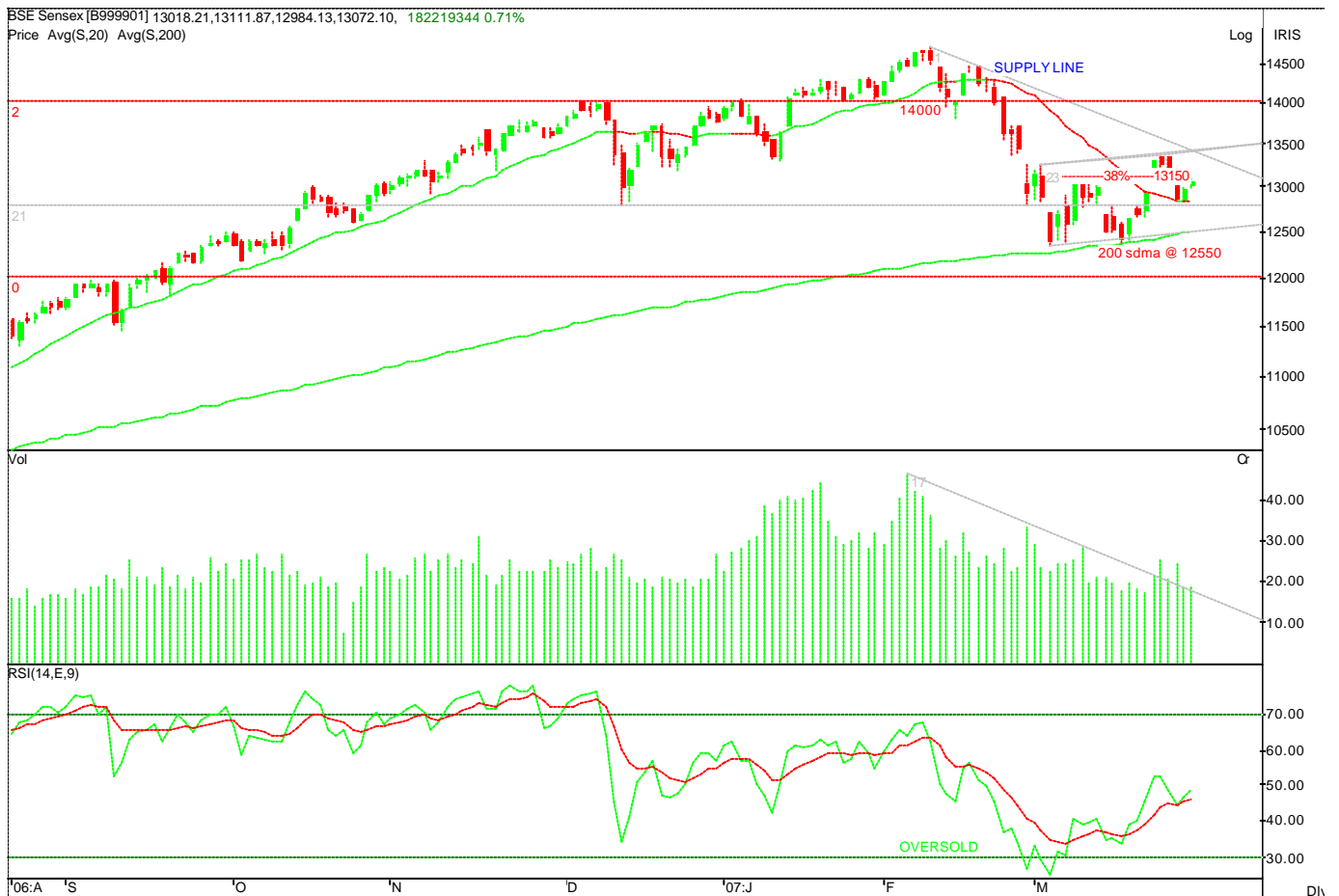
The week past and expected

As the market has not completed its correction on the longer-term charts, our overall approach has been quite cautious in the last few days/weeks as this may invite unexpected events in the near term. In technical terms, it was an unforeseen shock as everything appeared alright on Friday. A broad-based recovery was hinting at a short-term up move. However, whatever happened all of a sudden was something that was way beyond our expectations in the short-term (definitely not in the long-term).

A CRR hike announcement is not uncommon globally. However, the current unexpected announcement has proven that we are a developing economy or in inefficient markets, where there is a lack of transparency in case of a 'schedule for major economy related announcements'.

Now, let us move to the technical perspective on financial markets. According to the daily chart, even though the short-term trend is up, positive divergence on daily charts are missing. This may worry major market participants on the 'threat' of breaching previous lows or further weaknesses. Such trading patterns create a lot of confusion in the mind of active day traders in the market and they may be forced to commit mistakes in the short-term.

BSE SENSEX - DAILY CHART



Due to a lack of stability markets may fail to attract volumes/liquidity, which is an important parameter for the major players or investors of the market. To restore the stability in the market the stabilization of weekly charts is a must. The weekly charts of major indices are still in a downtrend. In the coming few weeks they may start the process of stabilizing between the broader range of 12700 and 12300. In case the market falls below 12300 on an intra-week basis, the levels of 12000/11900 (3500-3450) may offer an excellent buying opportunity with the medium-term prospects in mind.

The most worrisome factor in the current scenario is the inflation rate. If we closely look at India's WPI chart (wholesale price index of inflation) we may say that it is topping out in the medium-term. If it operates properly as we are concluding based on technical analysis then we may see the inflation rate by the middle/end of April settle below 6.00 for the next couple of weeks. The rupee faces very strong resistance in the range of 43/42.90. We expect the dollar to strengthen against the rupee.

Summary

The threat of a downside is still there as the weekly charts are still not encouraging. However, in light of the micro trend, which is getting better, the chances of selective supports to come on decline from big/major participants of the market are bright.

Selective buying is advisable on declines with the medium-term view between 12700/12500 (3680/3650) levels. As the result season starts, it is better to avoid event sensitive stocks/sectors, particularly technology and banking. The pharmaceutical, cement and metal stocks are holding well at current levels. Capital goods/property stocks are displaying mixed activity and it may be advisable to trade on a case-to-case basis. (Stocks to invest on declines are JSWSL, Grasim and Sun Pharma)

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, Cement, Mid Cap	+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 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.