# Emkay Private Client Research

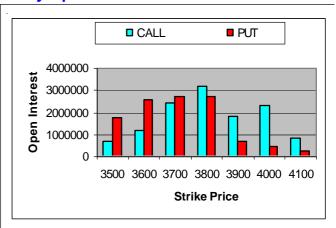
# Weekly Derivatives Round Up

07th April, 2007

## **Indices' Snapshot**

			<u> </u>	0/01				
	Previous week	This week	Change	%Chg				
Nifty	3821.55	3752.00	-69.55	-1.82				
Sensex	13072.10	12856.08	-216.02	-1.65				
Bank Nifty	5308.50	5129.20	-179.30	-3.38				
CNX IT	5180.70	5088.40	-92.30	-1.78				
Futures LTP (March)								
Nifty	3796.00	3712.50	-83.50	-2.20				
Bank Nifty	5317.55	5102.00	-215.55	-4.05				
CNX IT	5185.00	5070.00	-115.00	-2.22				
Open Interest (OI)								
Nifty	32439000	34705700	+2266700	+6.99				
Bank Nifty	100700	115300	+14600	+14.50				
CNX IT	4950	6150	+1200	+24.24				
Cost of Carry (% annualized)								
Nifty	-8.35	-20.71	-12.36					
Bank Nifty	+6.42	-4.74	-11.14					
CNX IT	+2.04	-6.21	-8.25					

## **Nifty Options OI Distribution**



## Nifty Put Call Ratio (OI)

	Last Week	This Week	Change	% Change
Call OI	9976400	14114900	+4138500	+41.48
Put OI	9119100	12251100	+3132000	+34.35
PCR	0.91	0.87	-0.04	

#### FII's Weekly Derivative Statistics 04.04.07

	Buy		Sell		Open Interest as on 04.04.07		Open Interest as on 29.03.07		Change in FIIs Open Interest (W-o-W)	
	No. of Contr.	Amt in Crs.	No. of Contr.	Amt in Crs.	No. of Contr.	Amt in Crs.	No. of Contr.	Amt in Crs.	No. of Contr.	Amt in Crs.
Index Futures	259299	4769.08	291311	5376.83	692960	12851.67	708240	13476.20	-15280	-624.53
Index Options	104421	1972.02	52145	1012.90	253030	4723.12	185254	3518.07	67776	1205.06
Stock Futures	100191	2458.18	76236	1891.59	565324	13914.51	497979	12554.30	67345	1360.21
Stock Options	30	0.78	1146	25.36	1216	26.66	40	0.94	1176	25.72
TOTAL						31515.96		29549.50		1966.46

Source: NSE

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## **Market Activity**

Nifty closed for the week with a minor loss of 1.8% at 3752; it fell sharply on Monday but recovered some of its losses in the remaining three sessions of the week as we witnessed pull back rally in the markets. Major gainers during the week, in terms of price, were Balrampur Chini, GAIL, BEL, Zee, Aban, NTPC, Bhel etc. Major losers were Ultra Tech, IVRCL, UTI Bank, HeroHonda, LITL, M&M, Ashok Leyland, SCI, PNB, Sobha, Polaris, Maruti, Century Text, Tata Motors, RCOM etc. FII's activity in Index futures shows unwinding of long positions on a w-o-w basis and also some formation of short positions was seen during Friday's trade. In Index futures remarkable activity is seen and they turned out to be aggressive buyers indicating continued cautious outlook as they have taken long positions. In stock futures however, they remained net buyers and have formed long positions.

#### **Market Outlook**

We maintain our cautious view in the markets as we again witnessed build up of short positions in Nifty on Friday and discount widened to 30-35 points during last half hour of trade. High Implied Volatility of Nifty which currently is near 26-27% levels indicates continued prevalence of uncertainty in the markets and therefore one shall remain cautious at higher levels in the markets though we expect stock specific moves. We expect strong resistance in Nifty near 3800 levels and support exists near 3600 levels in Nifty.

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## **Open Interest (OI) Analysis**

BULLISH: Renuka (58%), BHEL (54%), Kotak Bank (54%), GAIL (33%), NTPC (42%), Sterlite (26%), SAIL (21%),

IFCI (20%) BEARISH: Maruti (32%)

Long positions are seen in abovementioned bullish stocks and these stocks may see a further upside move as OI has built up with strength in stock price during the week. FMCG stocks like **HLL & ITC** are also showing signs of long positions being created and we may see strength in these stocks as well. Long build up is seen in **BEML** as OI has increased by over 0.9 lakh shares with positive CoC and we may expect an upside move in the stock. **Maruti** is looking weak as OI has increased with continuous weakness in price. Profit taking activity was seen at higher levels in **TataSteel** as OI decreased by 18% and CoC turned negative after 6% jump in stock price.

## **Put-Call Ratio (PCR) Analysis**

- Nifty PCR (OI) is currently at 0.87 compared to 0.91 the previous week.
- Nifty Call options added 41.4 lakh shares (+41.4%) & Put options added 31.3 lakh shares (+34.3%) in OI during the week.
- Nifty 3800 Call options hold over 32 lakh shares in OI representing 22.8% of total Call OI and therefore expected to be strong resistance level.
- Remarkable activity is seen in Nifty 4000 Call; over 9 lakh shares added during the week and OI is 23 lakh shares.
- Nifty 3600 Put options added 17.8 lakh shares during the week indicating build up of support near 3600 levels.
- Nifty 3500 Put options added 10 lakh shares & 3700 Put added 7.3 lakh shares in OI during the week.

## **Cost of Carry (CoC)**

Turned Positive: Ashok Leyland, IVRCL, Satyam.

Turned Negative: Grasim, HPCL, Infosys, Maruti, VSNL, Wipro.

## **Derivative Strategy**

Scrip: SAIL Spot Price: 114.90			Mkt Lot: 2700			Expiry Date (F & O): 26th APR 2007		
View: Bullish			Strategy: Buy Call Option			Expected Payoff		
Buy/Sell	Oty.	Scrip	Strike Price	Series	Option Type	Mkt Price (Rs.)	Closing Price	Expected Profit/Loss (Rs)
BUY	2700	SAIL	115	APRIL	CA	4.80	115 or below	
								(-4.80)
Maximum Bick, Limited to Bo 4.90 (Bo 12.060.00 per contract)							120	+0.20
Maximum Risk: Limited to Rs.4.80 (Rs.12,960.00 per contract)  If SAIL closes at 115 or below on expiry of April series.							125	+5.20
Maximum Profit: Unlimited							130	+10.20
Expected Profit: Rs.3.60 (Rs.9,720.00) at expected 1st target price of 121.00								
Rs. 7.70 (Rs.20790.00) at expected 2 <sup>nd</sup> target price of 126.00								
Break Even Point: Rs.119.80								

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