

## Further fresh shorting in markets is not advisable

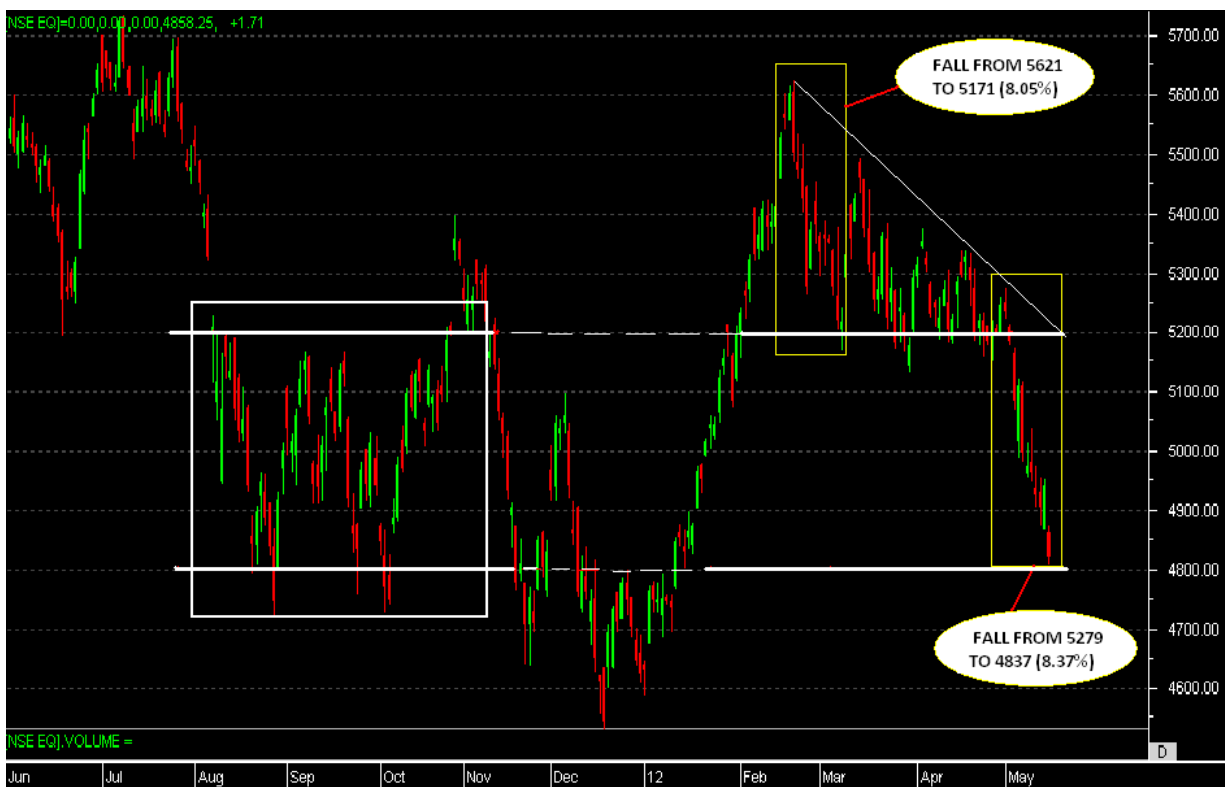
### ***Euro or Drachma for Greece????***

It's very evident from global news that this correction in markets is due to Euro zone issue and whether currency of Greece will remain Euro or will it opt for Drachma. Without going into any discussion on that, most of the people in the state wants it to be Euro but some economists differ. This debate will be put to rest by the country probably on June 17<sup>th</sup> and till then global fraternity will discuss a lot. However one can't expect market to keep falling till then.

### ***Dollar/Euro/Rupee.....***

From 1<sup>st</sup> May, 2012 till date, Euro has significantly declined against dollar from 1.3222 to 1.2731 and in same period rupee depreciated from 52.6850 to 54.4950 against dollar. Meanwhile, rupee has slightly appreciated against Euro. So this decline in rupee against dollar is more to do with external factors. Infact, fall in crude oil prices is major positive for our fiscal deficit management. What we are trying to highlight here is fall in rupee is not because of big sell figures by FI's; they have been buyers in equity barring last two days where there was some selling which is negligible considering the fall in the markets. So don't expect free fall in rupee despite GoI stating that let markets decide where currency should stabilize.

### ***Bit of Technical's.....***



Firstly, early August to almost end of October 2011 markets were in a broader range of 4800 to 5200, and 4800 plus/minus 50 points acted as very strong support zone. Nifty is almost there. Secondly, fall in market during 22-Feb to 07-Mar, 2012 was little more than 8%, approximately 450 Nifty points. From that date till 30-Apr we were in lower top, lower bottom formation in a *descending triangle pattern* and then there was breakdown. So if we take second leg of fall we have already corrected little more than 8% which usually is target for such technical patterns. So if we combine these two technical parameters then support around 4800 should hold.

### ***Positions do matter....***

Since the day after April expiry we have been stating that Nifty futures open interest and implied volatility had fallen to very lower levels to sustain and both will have to increase. Also we have been stating that they both will increase simultaneously if and only if markets correct, and following statistics confirms that.

Symbol	Date	Future Price	Price Change (%)	Total Contracts	OI Change (%)	IV
NIFTY	30-Apr-12	5267.85	0.75	396026.00	3.15	16.89
NIFTY	2-May-12	5246.95	(0.17)	393400.00	(0.66)	17.16
NIFTY	3-May-12	5199.80	(0.97)	397449.00	1.03	18.17
NIFTY	4-May-12	5097.95	(1.96)	406700.00	2.33	19.86
NIFTY	7-May-12	5125.95	0.54	401633.00	(1.25)	18.60
NIFTY	8-May-12	5005.60	(2.23)	439218.00	9.36	21.02
NIFTY	9-May-12	4983.95	(0.50)	435753.00	(0.79)	21.78
NIFTY	10-May-12	4966.80	(0.18)	441360.00	1.29	22.00
NIFTY	11-May-12	4931.35	(0.74)	453398.00	2.73	21.09
NIFTY	14-May-12	4888.25	(0.43)	466533.00	2.90	22.03
NIFTY	15-May-12	4942.25	0.71	459130.00	(1.59)	21.33
NIFTY	16-May-12	4856.90	(1.71)	468254.00	1.99	22.25

Not that there are too many short positions which have got created but most of the recent built-up are short positions and implied volatility too has increased a lot and especially that of put options. By no means we are saying that market is in oversold zone, though PCR-OI has gone down to 0.88 levels; we are only throwing light on the fact that the lucrative levels of forming short positions have gone and system already has substantial short positions in it.

### ***What next then?***

Combining above all, 4800-4850 is very strong support zone and markets are in middle of factoring worst short term scenario of Greece exiting which may or may not happen four weeks from now. Don't expect market to keep sliding and breach these important levels. *We are not saying to generate contra longs here, but certainly squaring off short positions in index futures is advisable, squaring off long put positions is must and fresh formation of shorts is strict NO.*

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