



Those who follow “Newspaper Cover” in managing their financials, often end the day as Newspaper (Waste Paper).

When the herd reacts to Well Publicized news, smart money does the opposite.

(As most of the Investors rush to BUY, after good news is made public & Scripts shoot up, Smart investors book gains. Similarly, when all BAD news are floated about good track record businesses, most investors begin to Sell in Panic BUT the smart money starts picking scrip.)

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In our August Monthly Mantra, we raised warning Bells on a lot of sectors like Export Oriented I.T., Reality, Metals, Capital Goods etc. and preferred Investors to stay in stories related to Telecom, FMCG, Pharma.

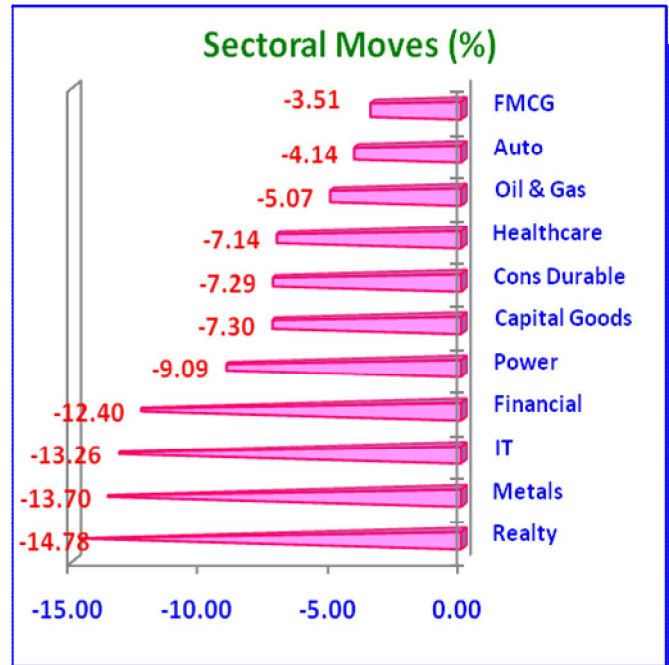
August turned out to be bad month for the Bulls. Bad news on domestic front like slower GDP growth, worse form Global arena like US ratings down grade to Crises in Eurozone where nations are following “Me too” in Financial Crises.

Indian markets have the tendency to over-react. When they fall, it looks as if all problems are only in the SAARC region’s largest economy. But when they rise (what we saw on 29 & 30 Aug), they move as if all Indians will be millionaire in a day.

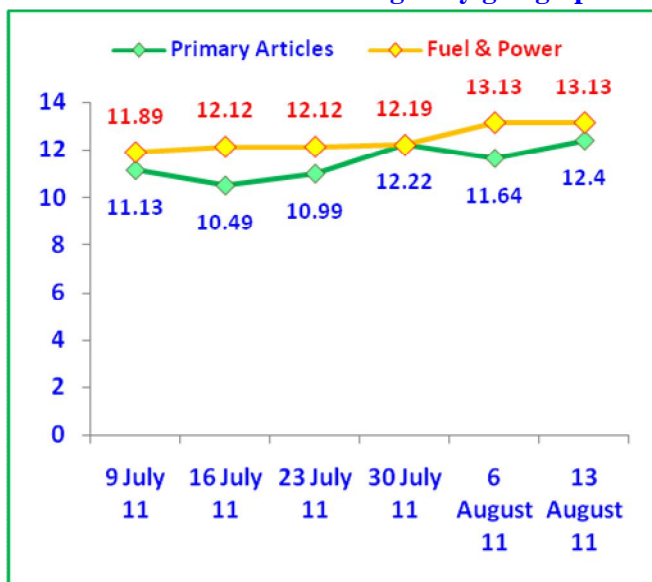
Markets in August (India upto 30 August, others upto 31 August)

INDEX	DOW	NASDAQ	DAX
29 July 2011	12143.24	2756.38	7158.77
30 Aug**	11613.53	2579.46	5784.85
Points Change	-529.71	-176.92	-1373.92
% Change	-4.36	-6.42	-19.19
Monthly High	12302.94	2745.87	7282.01
Monthly Low	10588.55	2331.65	5403.58

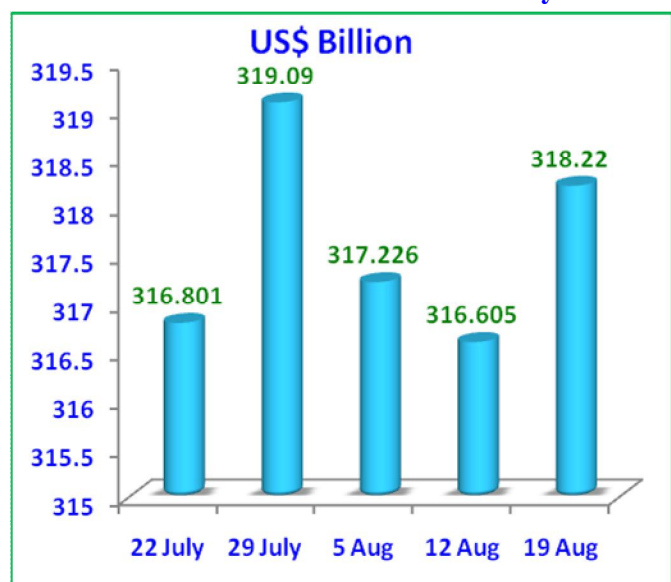
INDEX	NEKKEI	BSE 30	NSE 50
29 July 2011	9833.02	18197.2	5482
30 Aug**	8955.2	16676.75	5001
Points Change	-877.82	-1520.45	-481
% Change	-8.93	-8.36	-8.77
Monthly High	10040.13	18440.07	5551.9
Monthly Low	8619.21	15765.53	4720



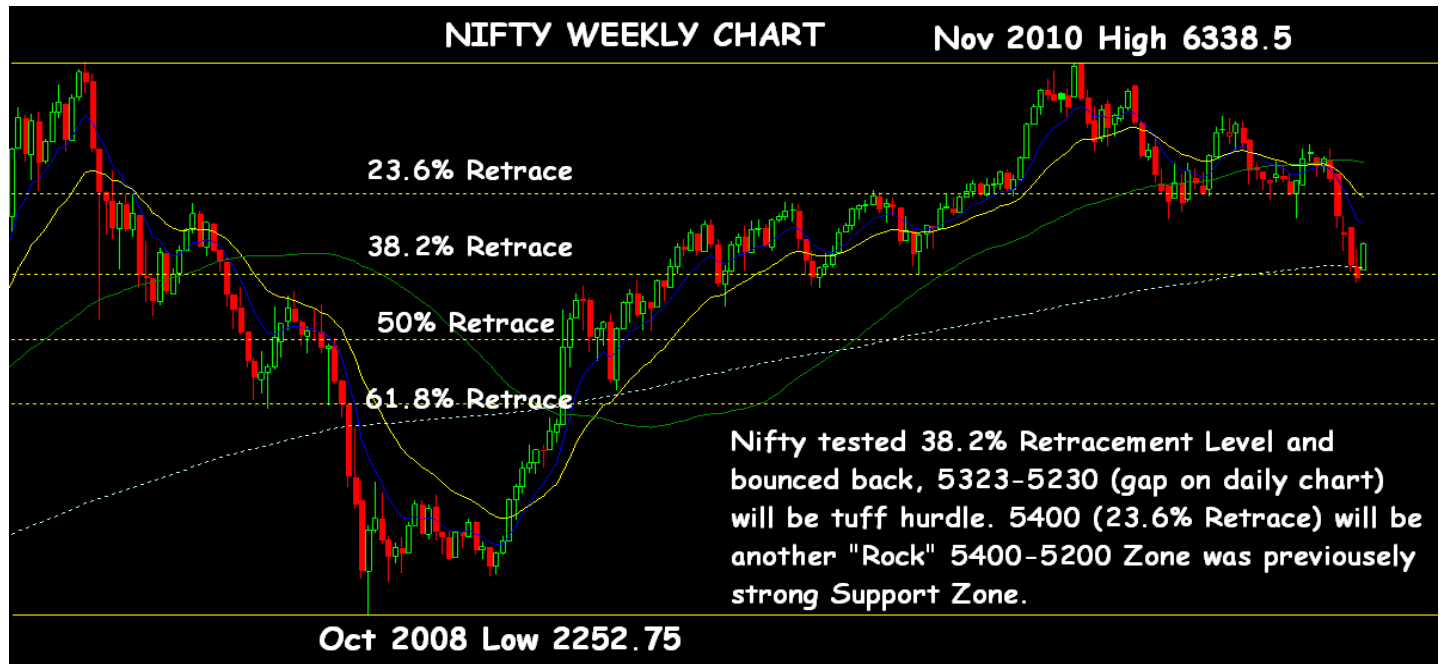
Inflation is marginally going up.



Forex Reserves are healthy.



August was the dream month for BEARS. NIFTY losing nearly 9% during the month. Nifty took support at 38.2% Retracement level of move from 2252.75 (Oct 2008 Low) to 6338.5 (Nov 2010 High). Though its very tuff for BULLS to get back the strong upside momentum, the BEARS may not get the August type opportunity again, at least in short term. Expect markets to be in range, may be 4800 on lower end and 5200 on upper end. Volatility & Intraday choppiness will be very high.



SUPPORTS: 4930-4860-4790-4700

RESISTANCES: 5050-5120-5200-5350

September Series is for 2 Types of participants. Firstly, intra-day traders/jobbers who play swings on 15 minutes charts. Secondly, its Golden opportunity for Long Term Folio Investors to pick BLUE CHIPS.

F&O Strategy:

Investors should hedge their portfolios through "PUT" Option. BUY 1 Lot 4900 Put @ Rs.80, Sell 2 Lot 4700 Put @ Rs. 41 & Buy 1 Lot 4500 Put @ Rs.20, Cost will be Rs.18 (Not Including Taxes & Brokerage). Don't see Nifty falling below 4700 much, 4500 Put is suggested in case of unforeseen unfavorable event. **Gain below 4880 to 4520.**

Investors looking BULL Side can BUY 1 Lot 5100 call @ Rs. 81 & Sell 2 Lots 5200 call @ Rs. 47 and Buy 1 lot 5300 call @ Rs.25. Total cost will be Rs.12. **Gain above 5112 to 5288**

Stocks/ Sectors that look Strong:

Auto Scrips like Hero Moto, Bajaj Auto, M&M
Telecom Scrips- Idea & Bharti
Cement makers like Grasim, JP Associate
Pharma Scrips-Ranbaxy, Dr Reddy, Sun Pharma
IT Scrips- Tech Mahindra, TCS
Financials-SBI, AXIS, ICICI Bank
Select Metals-Sesa Goa, Tata Steel, Hindalco

Stocks/ Sectors that look Weak:

Oil & Gas- GAIL, IOC, BPCL, ONGC (Its FPO is likely in Sept that can put pressure on scrip)

There can be strong pull back up moves in weak looking sectors and sharp corrections may be witnessed in sectors that look promising.



Its time to go aggressively for Blue Chips. Every Rise should be used to reduce “Junk” from Folio and every decline should be used to get into BLUE CHIPS, focus on Top 200 Scrips. When markets move up, Top 200 especially NIFTY 50 counters take the lead.

Investors can look at the following Scrips with Long Term View:

Financial Sector: SBI, PNB, AXIS Bank, ICICI Bank (Large Caps).
Corporation Bank, Yes Bank, Federal, ING Vyasa (Mid caps).
IDFC, HDFC (NBFC).

Auto: 2-Wheeler makers like Bajaj Auto, Hero Moto. Diverse player M&M (M&M also has value of subsidiaries Mahindra Holidays, Mahindra Life, Tech Mahindra, Mahindra Satyam & M&M Financial), Apollo Tyres, Exide.

Engineering & Construction: Ultratech, Larson, BHEL, Grasim, ABB.

IT: TCS, Tech Mahindra/Mahindra Satyam, HCL Tech.

Metals & Energies: Tata Steel, Hindalco, SAIL, Sesa Goa, COAL India, Petronet LNG, IGL.

Power: CESC, Tata Power.

Agriculture & FMCG: ITC, Tata Chemicals, Renuka Sugar.

Investors holding LONG Positions in GOLD & SILVER are advised to book profits at every rise.

Investors who put in Bank F/D with fixed Lock-In period, can look at Debt Mutual Funds for safe returns and scope for Capital Appreciation. (Details given in Next Section)



G-Sec Mutual Funds (GILT FUNDS)

Rising Interest Rates are offering good opportunity to look at G-Sec Mutual Funds. 10-Year Benchmark is at about 8.5% Yield.

Debt Mutual funds are funds which invest money in debt instruments such as short and long term bonds, government securities, T-bills, corporate paper, commercial paper, call money etc. The fees in debt funds are lower, on average, than equity funds because the overall management costs are lower. The main investing objectives of a debt fund is usually preservation of capital and generation of income.

In Bank F/D, Post Office F/D etc. though there is Fixed earnings BUT the time period is fixed and there is NO scope for further capital appreciation besides, pre-determines interest rates. In Debt Mutual Funds, there are gains due to interest inflows and also good probability of capital appreciation. There is no fixed time period, Debt Funds can be redeemed anytime (except Fixed Period Close ended schemes)

Debt Funds can be with (i) DIVIDEND Option i.e. Dividend is paid at Pre-defined Regular Interval or (ii) GROWTH Option, where no dividend is paid, NAV of the Fund gradually increases over time.

One very popular and among the safest form of Debt Funds are the **G-Sec MUTUAL FUNDS.**

GILT FUNDS or G-Sec FUNDS are those funds which invest only in securities issued by the Government. This can be the Central Govt. or even State Govts. Gilt funds are safe to the extent that they do not carry any Credit Risk. However, it must be noted that even if one invests in Government Securities, interest rate risk always remains.

Relation of Bond Yield & Its Rate

There is an **inverse** relation between the Price of Bond and its Yield. As The Yield Rises, the prices Fall and when Yields start coming down, Prices move up. When Govt/RBI increases Interest rates, Yields also go up and when Interest Rates are curtailed by RBI, Yields Fall Prices of Bonds shoot up.

Here the RULE of Interest Inflows come into play. The Fall in Price of a Bond, due to increasing Yield is not that high as the rise in Prices when Yields come down. Take this illustration:

A G-Sec is at Rs.100 Presently and offering Yield of say 8%. Tomorrow RBI increases rates to 9%, why will someone Buy a 8% Return Bond, when Interest rate is 9%..?? For this Bond to give yield of 9% (Equal to new RBI rate), its price must come down to Rs.89, only then it will offer 9% Yield.

But this gives out 8% Return annually. Its Price wont be 89 BUT around Rs.96 (we are not taking time factor presently, to keep calculations simple. Those who are interested into details can please refer to NSE-NCFM Module on Interest Rates Derivatives) Mathematically, Its $((100+8)*8\%)$ Divided by 9% i.e. (Bond Price+ Interest) Multiplied by Interest Rate divided by Yield.

Take it the other way, that is RBI reduces Interest Rates, say from 8% to 7%. So for the Yield to fall to 7%, as everybody rushes to Buy the Bond with 8% return. The Price will shoot up to Rs.114.

So with the Increase in RBI Rates Fall in Bond Price is less than The Rise in Bond Prices when RBI Rates start to cool down.

RBI is likely to stop Rate Hike cycle may be after another 0.25%-0.5% more increment, as economy has started feeling the slow down and Global cues are also not very supportive. G-Sec Mutual Funds are likely to give decent returns.

G-Sec Mutual Funds can be about 25-30% of the total Debt Folio of an investor. There are good G-Sec Funds from all leading Fund Houses.

We offer G-Sec investment solutions, at PARASRAM Mutual Funds & Insurance Department. Investors can contact us at : 011-47000000 Ext. 407, 9999796253



Forex Trading Myths & Facts

Huge Funds Required ? Many people feel Huge Funds are required in trading Forex. Fact is, Currency Derivatives have among the lowest Margin Requirements. (Please check with the broker/customer care). **CAUTION: Low Margin Requirements should not tempt you to go over leverage.**

Very High Volatility ? Compared to Stocks and Many of the Commodities, Currencies have very low volatility. As wild fluctuations in Forex has impact on economies, respective Governments try to keep wild fluctuations in their currencies under check. Generally currencies trade in a band or range. Even if the price moves against your bet, **there can be fair chances that your price comes back.**

Very Risky ? Currencies are the least risky compared to Commodities and Stocks. They lack very wild fluctuations and a Currency Collapse directly means financial collapse of the nation (in such situation all other Assets Class are also not spared).

High Costs ? Traders can easily do Intra-day trading as **costs are very low**, slight favorable move yields gains (Please check brokerage with customer care). Infact, **intra-day trades are desirable**. Indian Forex Exchanges (2 major ones include mcx-sx.com and nseindia.com) trade for 8 hours presently 9:00 AM to 5:00 PM. The 16 hours trading in global markets from 5:00 PM (Indian Standard Time) to 9:00 AM, when Indian Forex Exchanges are closed result in Gap Up or Gap Down openings on many occasions in Indian markets. So, intra-day is the Best strategy.

Major Factors Impacting Forex

- Domestic Economic Condition, Inflation, Interest rates, Growth Prospects.
- Foreign Trade Balance (Net of Exports & Imports)
- Domestic Investments abroad & Foreign Investment in local economy.
- Global Economic Conditions & Forex movement against each other in major currencies like US\$ and EURO. Dollar Index is an important global currency indicator being tracked.
- Prices of Bullion (Gold & Silver), Crude etc.

What is DOLLAR Index

US Dollar Index (USDIX) is an Index (or measure) of the US\$ value relative to a **basket of 6 Currencies** (The Weight of each currency can fluctuate depending on its movement vs the other USDIX Currencies):

EURO (EUR) 57.6% Weight
Japanese Yen (JPY) 13.6% Weight
British Pound (GBP) 11.9% Weight
Canadian Dollar (CAD) 9.1% Weight
Swedish Krona (SEK) 4.2% Weight
Swiss Franc (CHF) 3.6% Weight

USDIX Goes up when US\$ gains, compared to other 6 Currencies and Vice-Versa.

Forex Trading can be good entry point for day Trading beginners. Besides present intra-day traders have good Low Risks & Low margin “Add-On” avenue to their existing trading systems.

**We have been helping Clients through the late evening “Forex” Newsletter available on our website
“parasramindia.com”**



Most of the Investors and Traders are familiar with the words like “Derivatives”, “Futures” and “Options” Futures are simpler and they are like taking position in Cash market. We are highlighting some key Points in OPTIONS, which can help Traders in better Fund Management in Options.

What is an Option? A financial derivative that represents a contract sold by one party (option writer) to another party (option holder). The contract offers the buyer the right, but not the obligation, to buy (call) or sell (put) a security or other financial asset at an agreed-upon price (the strike price) during a certain period of time or on a specific date (exercise date).

Buyer of the Option: The buyer of an option is the one who by paying the option premium buys the right but not the obligation to exercise his option on the seller/writer. **His Risk is limited to the extent of Premium paid, his rewards are unlimited, if the move is in favorable direction.**

Seller/Writer of the Option: The writer of a call/put option is the one who receives the option premium and is thereby obliged to sell/buy the asset if the buyer exercises on him. **His Reward is limited to the extent of Premium received by him, his Risks are unlimited if the move is in Unfavorable direction.**

There are two basic types of options, Call options and Put options

Call Option: A call option gives the holder the right but not the obligation to buy an asset by a certain date for a certain price.

Put Option: A put option gives the holder the right but not the obligation to sell an asset by a certain date for a certain price.

In-the-money option: An in-the-money (ITM) option is an option that would lead to a positive cash flow to the holder if it were exercised immediately. A **Call Option** on the index is said to be in-the-money when the current index stands at a level higher than the strike price (i.e. **spot price > strike price**). If the index is much higher than the strike price, the call is said to be deep ITM. In the case of a put, the **put is ITM if the index is below the strike price.**

At-the-money option: An at-the-money (ATM) option is an option that would lead to zero cash flow if it were exercised immediately. An option on the index is at-the-money when the current index equals the strike price (i.e. **spot price = strike price**).

Out-of-the-money option: An out-of-the-money (OTM) option is an option that would lead to a negative cash flow if it were exercised immediately. A **Call Option** on the index is out-of-the-money when the current index stands at a level which is less than the strike price (i.e. **spot price < strike price**). If the index is much lower than the strike price, the call is said to be deep OTM. In the case of a put, **the put is OTM if the index is above the strike price.**

The various Factors impacting Value of Options

Impacting Factor	CALL Option	PUT Option	Explanation
Rise in Price	Increase	Decrease	Direction Favors CALL Buyer
Fall in Price	Decrease	Increase	Direction Favors PUT Buyer
Higher Strike Price	Low Value	High Value	OTM for Call & ITM for PUT
Lower Strike Price	High Value	Low Value	OTM for PUT & ITM for Call
Rise in Interest	Increase	Decrease	Rise in Futures Cost
Fall in Interest	Decrease	Increase	Fall in Futures Cost
High Volatility	Increase	Increase	Options Premium Rise with High Uncertainty
Low Volatility	Decrease	Decrease	Options Premium Fall with Low Uncertainty
More Time to Expire	More Value	More Value	Risks with Time & Costs are high
Less Time to Expire	Less Value	Less Value	Risks with Time & Costs are Less
Dividends	Decrease Value	Increase Value	Prices generally Fall Ex-Dividend

Huge Upcoming Opportunity: Presently, Option are Traded in Indices, a few Selected F&O Stocks and US\$/INR pair on NSE. Like Global markets, Options are likely to be allowed in all Derivative Exchange Traded Currencies, all Commodities etc. in time to come. There will be huge opportunity for Traders, Investors, Hedgers and Speculators.

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