

Banking sector special

Statement of purpose - this report attempts to identify trends prevalent in the banking sector and thereafter identify individual stocks that are potential buys in the current market scenario.

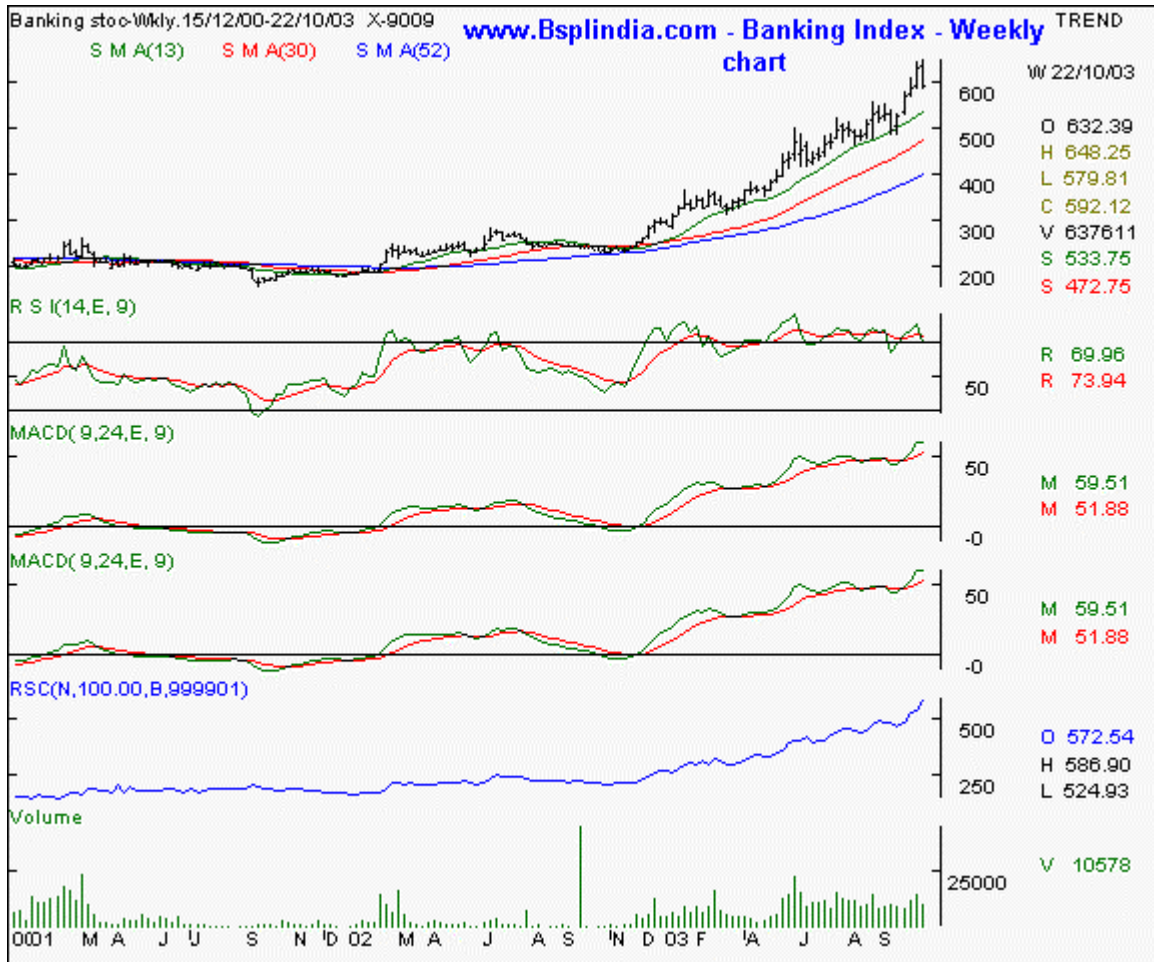
Methodology - only those scrips having a RSC (relative strength comparative) reading of over 100 have been considered eligible for this study. Further, other factors like a stable RoC (rate of change - momentum) oscillator and a sustained positive MACD are considered. These factors will ensure that any fall in the broader markets will insulate these stocks from significant erosions.

Sector composites - this sectoral study includes the following stocks -

- Andhra Bank
- Bank of Baroda
- Bank of India
- Corporation Bank
- HDFC Bank
- ICICI Bank
- Indian overseas Bank
- J & K Bank
- Punjab National Bank
- Kotak Bank
- SBI
- Syndicate Bank
- Union Bank of India

Sectoral chart

The sectoral chart shows a sharp rally since November 2002, that too with higher volumes. The index has risen from 200 to 600 levels in 10 months. The RSC reading of the sectoral index shows a 572 level as on Oct 22, 2003. This shows significant underlying strength in the sector. The RSI oscillator shows an over-bought reading since Nov ' 02 - this is a normal phenomena in a bull market. The MACD continues to remain in positive territory above the equilibrium line which is a sign of strength. However, the price graph shows a bar reversal at a significant high point of the current upmove, That implies a downward correction in the short term. It has been historically seen that the 13 week SMA has been a good support for the sector. The same is currently placed at the 534 levels, which implies a 10 - 12 % fall from present levels. Buying at these levels should yield superior profits in the near term.

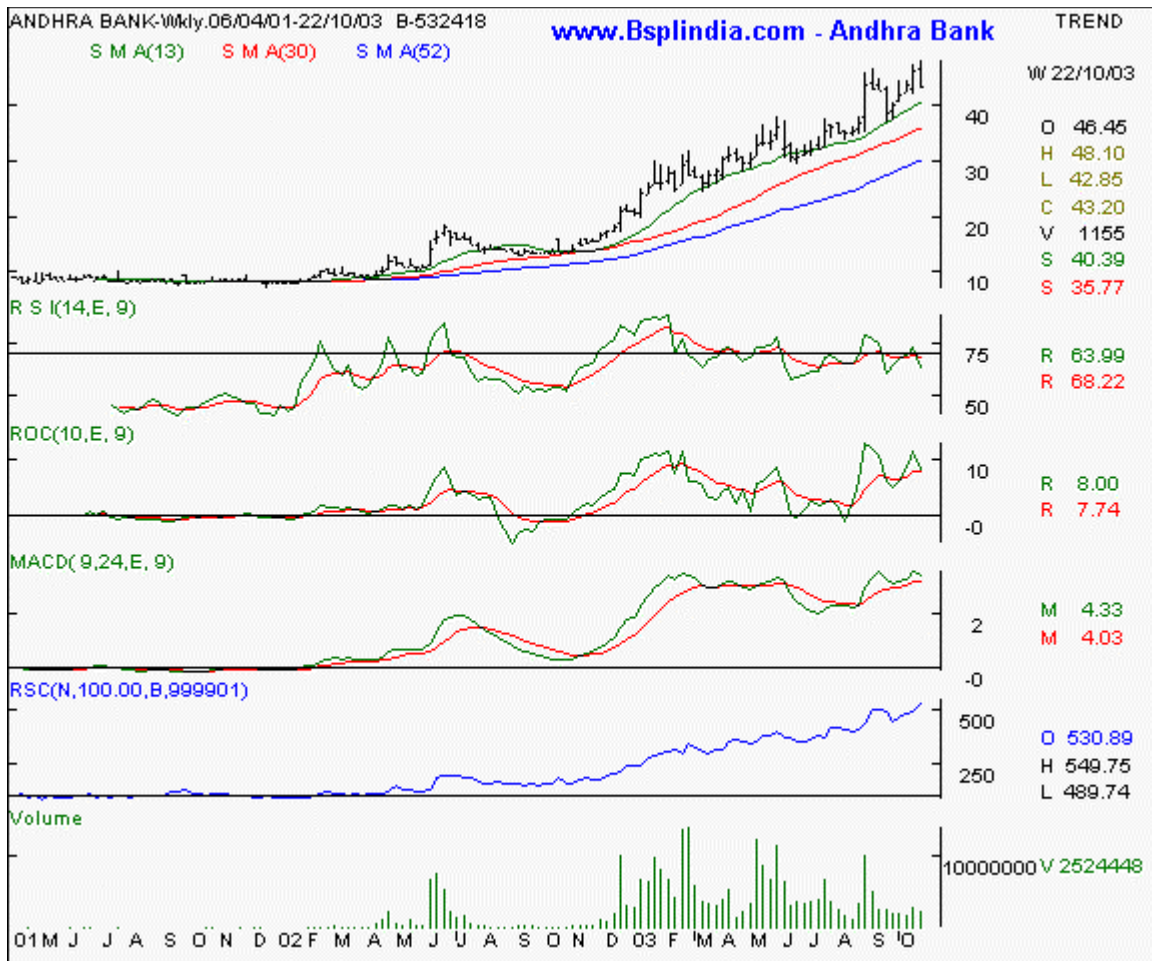


Nuts and bolts

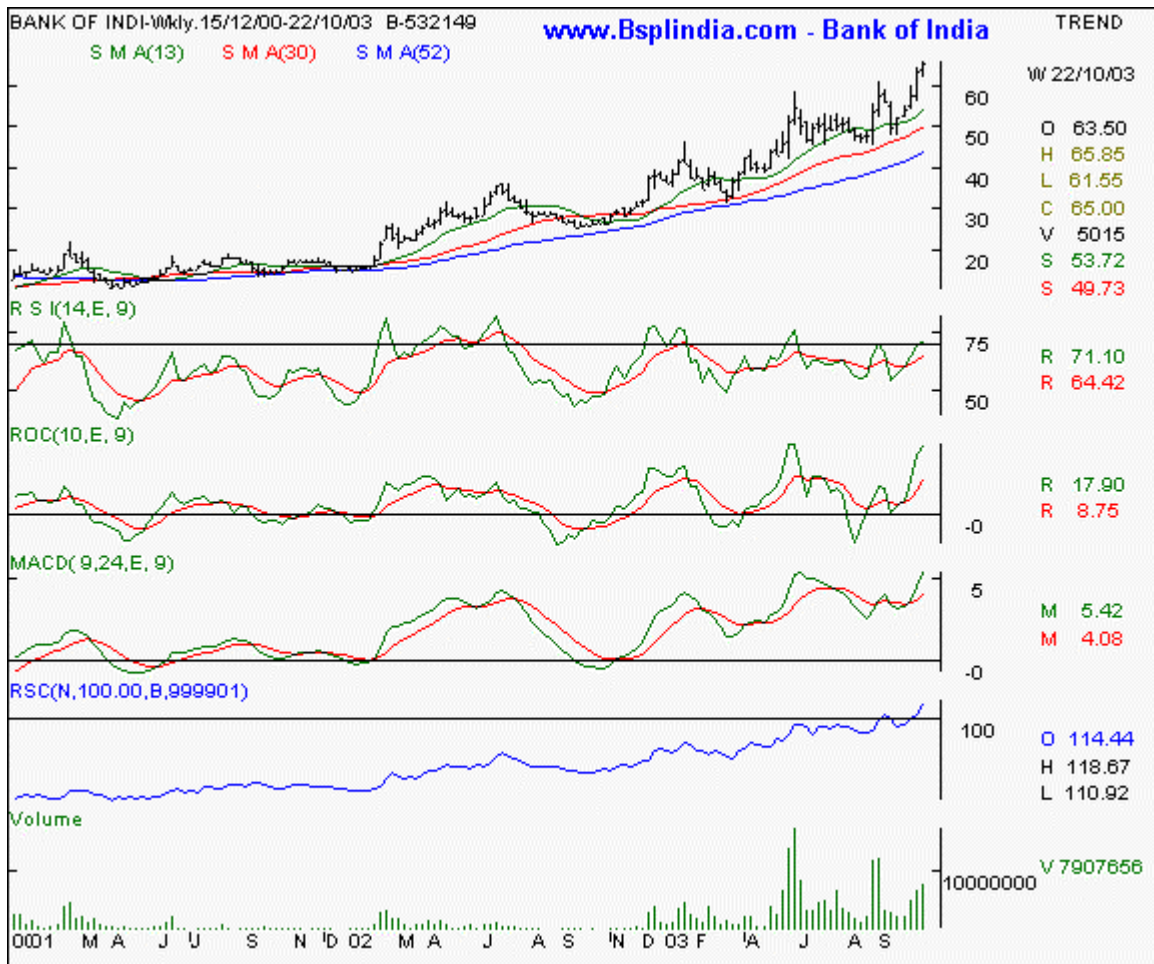
Scrip	Relative strength vis-a-vis sensex	Support	Resistance	F&O available	F&O Market lot
Andhra Bank	531	39	48	Yes	4600
Bank of Baroda	260	155	190	Yes	1400
Bank of India	114	55	65	Yes	3800
Corporation Bank	265	200	250	No	N/a
HDFC Bank	810	275	325	Yes	800
ICICI Bank	512	198	235	Yes	1400
Indian Overseas Bank	379	26	33	No	N/a
J & K Bank	846	240	295	No	N/a
Kotak	212	295	395	No	N/a
Punjab National Bank	626	180	230	Yes	1200
SBI	227	465	506	Yes	1000
Syndicate Bank	399	26	35	Yes	7600
Union Bank of India	331	45	55	Yes	4200

Top picks

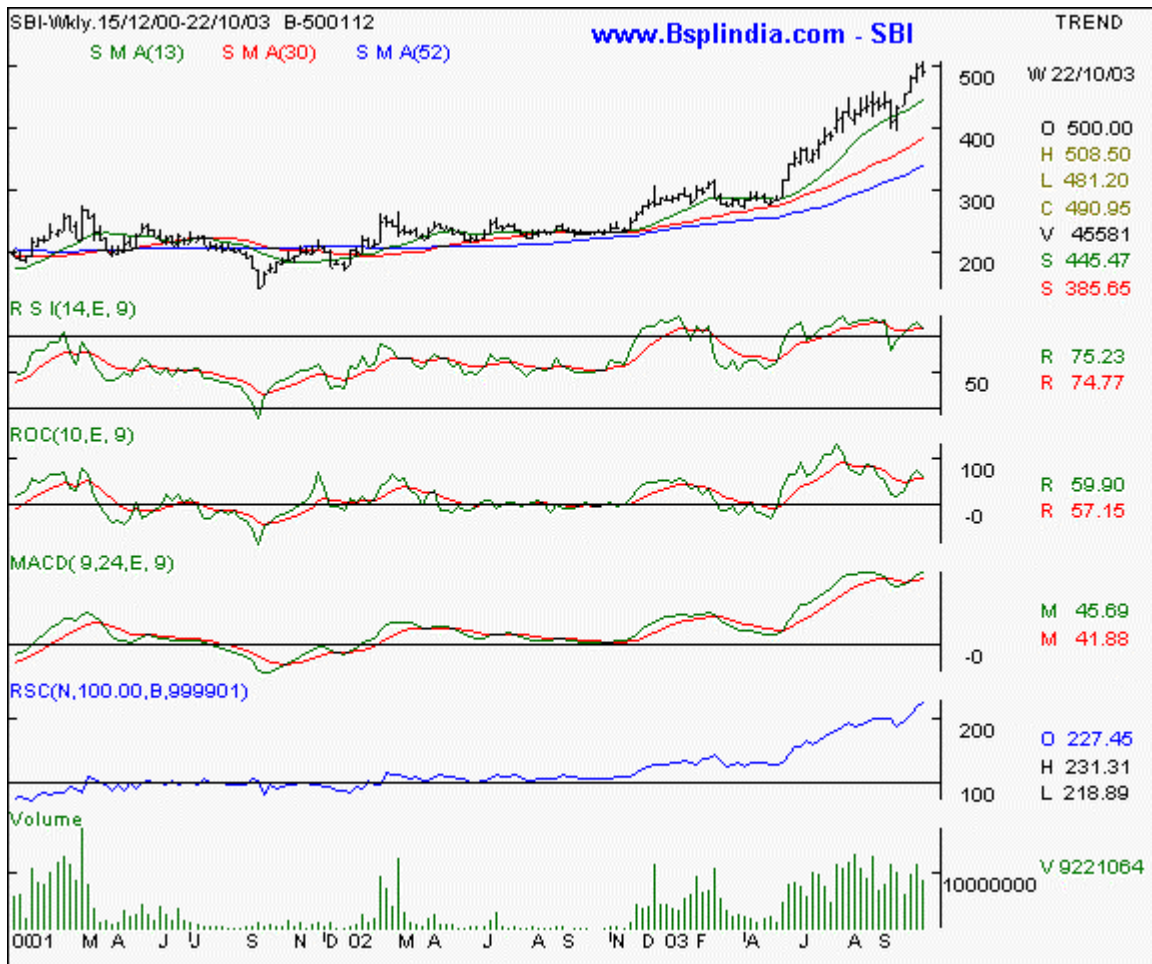
Andhra Bank - this counter has by and far out-performed the broader markets by a big margin and has seen a near five fold price appreciation in 10 months. Fundamentally, the story is the big networking backbone that the bank is thinking of putting in place. The inter-connect service capabilities will enhance the seamless fund transfer services for the banks customers. The stock has been a recent addition to the F&O list and has been an instant hit with market players. The low priced attraction ensures good traded volumes on the counter. Of late, the traded volumes are showing signs of easing off and the oscillators are pointing towards a downward correction. We recommend a buy on declines up 40 levels and maintain a price target of 50 - 53 in the next upmove. Hold with a stop loss at the 35 levels.



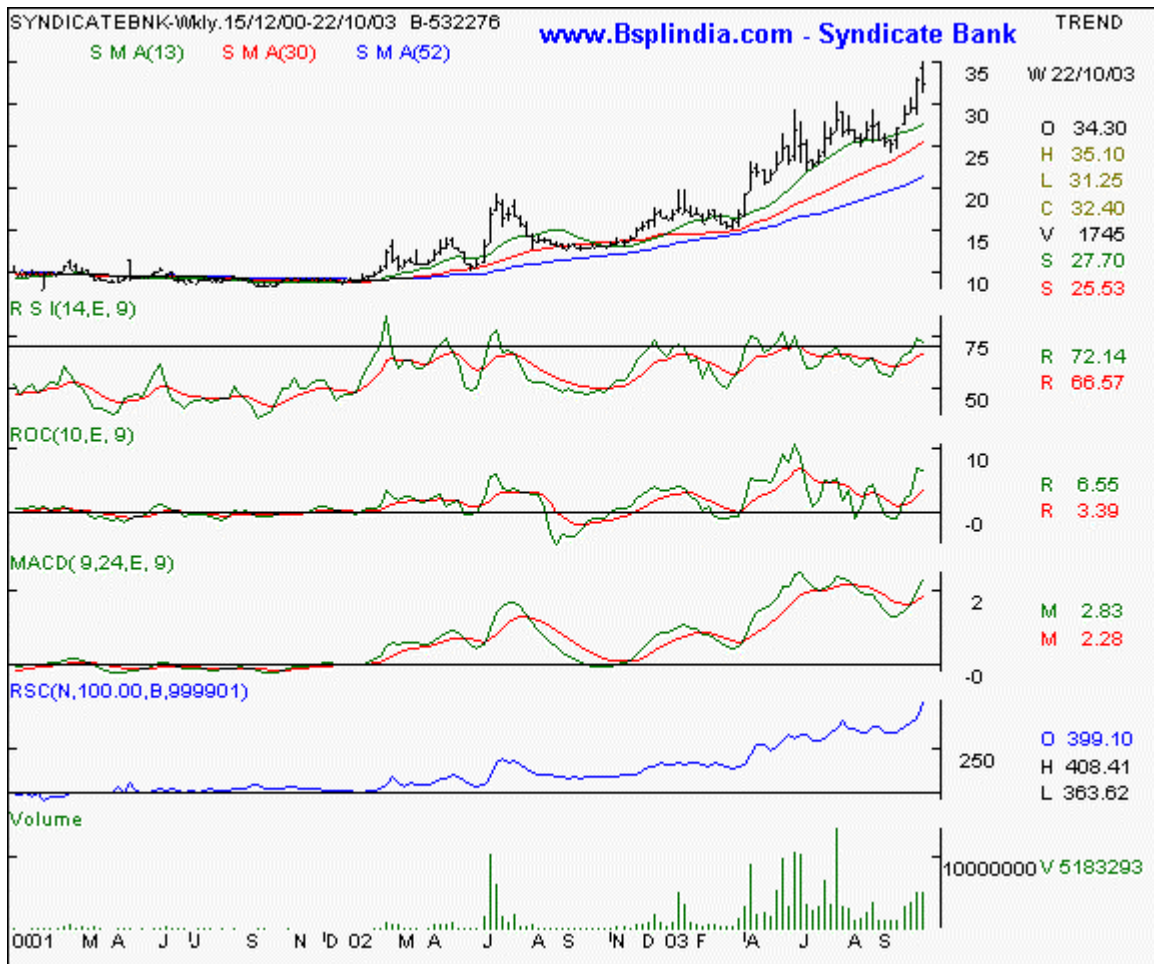
Bank of India - Another low priced counter with a strong chart pattern. Though the RSC reading is significantly lower than it's peers, what attracts an investor to this stock is the sheer buying momentum even through turbulent times. The stock has been rallying with higher volumes and seems **not** to be affected by the recent corrective fall. That imbibes confidence in the bulls. The oscillators are in a healthy upmove and support a rally. We recommend a buy as long as the scrip remains above the 56 levels where a stop loss should be maintained. The scrip is making a higher tops and bottoms formation and as long as it maintains the uptrend, expect levels of 75 or higher in the short / medium term. We advocate a buy on all declines.



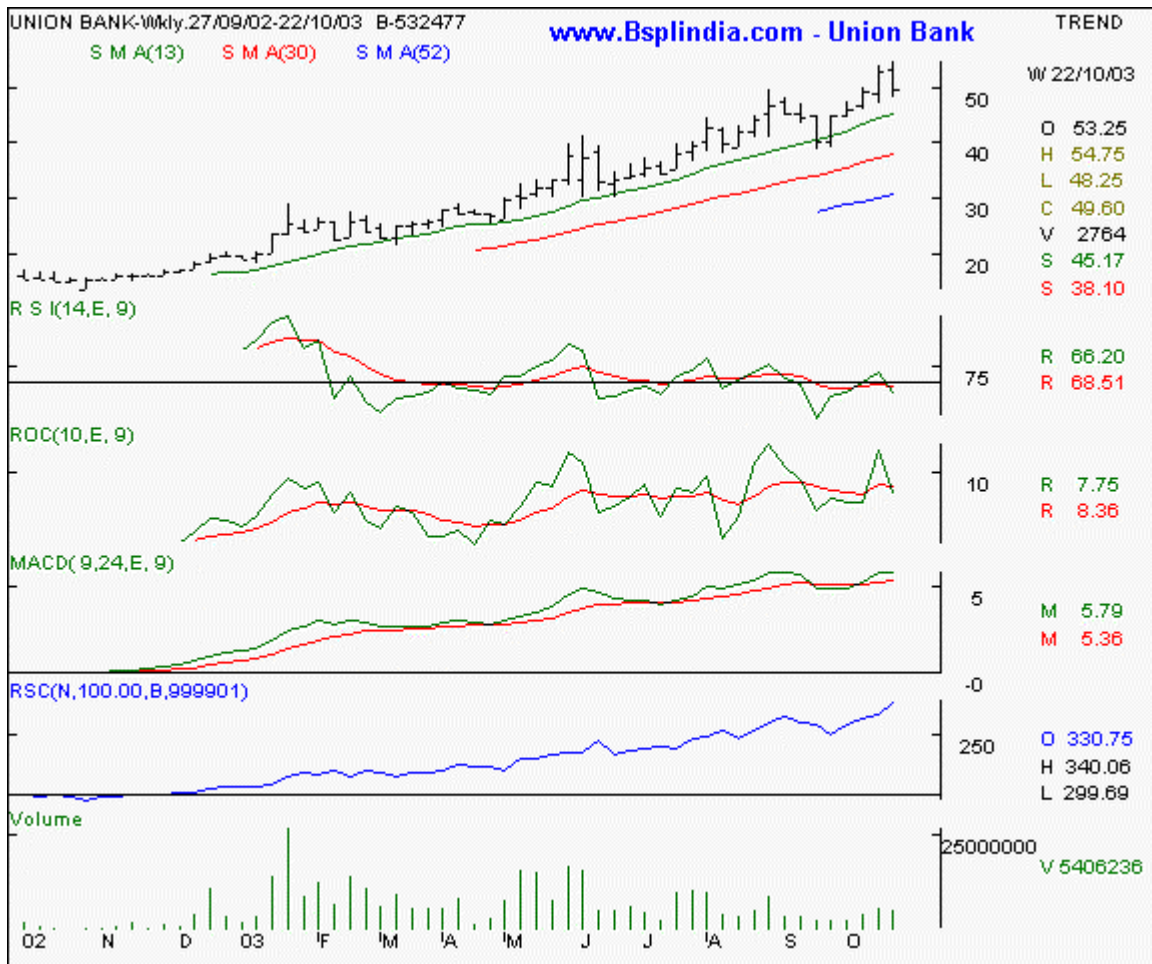
State Bank - This counter is the frontline bell-weather in the sector due to the sheer size of operations and floating stock. This scrip is a **"must have"** on the institutional investors' portfolio list and is highly liquid. The company has the largest reach in the country and the highest number of branches. The stock is trading at a life time high and is a market out-performer. The relative strength of the scrip is high and therefore it is a good investment / trade on declines. Historical analysis shows a good support at the 13 week average which is currently placed at the the 445 levels. The oscillators are in a bullish mode and traded volumes are healthy on the upsides. Buying is recommended on declines in a correcting market and entry can be contemplated at the 480 levels and maintain a stop loss at the 457 levels. On the upsides, expect the next leg of the rally to take the price up to the 530 - 540 levels in the near term. In a conducive market, expect higher levels.



Syndicate Bank - this counter has a few striking features on the enclosed chart - a very steep rally which gives this scrip a high RSC reading, higher tops and bottoms formation and a bar reversal (lower closing as compared to the opening) at a significant high point of the upmove. That effectively implies that the 35 levels will be the immediate hurdle that this counter must surpass to signal the next upmove. The same must be accompanied with heavy volumes and should occur with the downward correction not seeing levels below 25 / 27 levels. That will ensure that the higher bottoms formation will remain in place. Buying is recommended when the scrip starts trading higher with higher volumes, preferably above the 30 levels and a stop loss be maintained at the 26 levels. The higher bottoms formation will ensure that the next top be higher than the 40 mark.



Union Bank - this counter has an amazing chart pattern in the sense that the stock has been a consistent gainer and has **NEVER** closed below its 13 week average and the same average is almost a near perfect trend line. The relative strength of the counter is high and the scrip has been rising since the last 5 weeks with lower volumes. Any fall in the prices in the ongoing correction will be a welcome entry level for late entrants in this counter. Buy at the 47 levels with a stop loss at the 41 / 42 levels and expect the next leg of the upmove to take the counter to the 60 levels or higher.



Legend - SMA = simple moving average, RSC = relative strength comparative, RSI = relative strength index, RoC = rate of change, MACD = moving average convergence divergence

Your call of action

Buying is recommended in the above counters in small lots. Start with an allocation of 30 - 35 % of the investible amount and start adding positions as the scrips rally higher. That will confirm the upmove potential of the scrip. Higher traded volumes on the exchanges on the upmove will ensure that the rally will be sustainable on these counters.

Maintain stop losses diligently and make sure you modify your stop losses higher as the stock price rallies. That will ensure that your capital will be safe and even your notional profits will be protected, should a reversal occur.

Have a profitable day.

Vijay Bhambwani
Ceo :- Bsplindia.com

The author is a Mumbai based investment consultant and invites feedback at Vijay@BSPLIndia.com and (022) 23438482 / 23400345.

SEBI disclosure - The author has no positions in the stocks mentioned above.

Legend - SMA = simple moving average, RSC = relative strength comparative, RSI = relative strength index, RoC = rate of change, MACD = moving average convergence divergence

Legal notice :- The Professional Ticker Reader is a trademark of Bhambwani Securities (P) Ltd. and any unauthorised replication / duplication in part or full will be infringing our trademark and will result in legal action being enforced on the infringing persons / parties.

While all due care has been taken while in compiling the data enclosed herein, we cannot be held responsible for errors, if any, creeping in. Please consult an independent qualified investment advisor before taking investment decisions. This mail is not sent unsolicited, and only advisory in nature. We have accepted no consideration from any company mentioned above and recommend taking decisions on merits of the stocks from our viewpoint. This email is being sent to you as a paid subscriber. Please protect your interests and ours by not disclosing the contents to any un-authorized person/s.