

The Professional Ticker Reader TM

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Cement sector update.

Higher relative strength makes this sector a hot favourite.

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

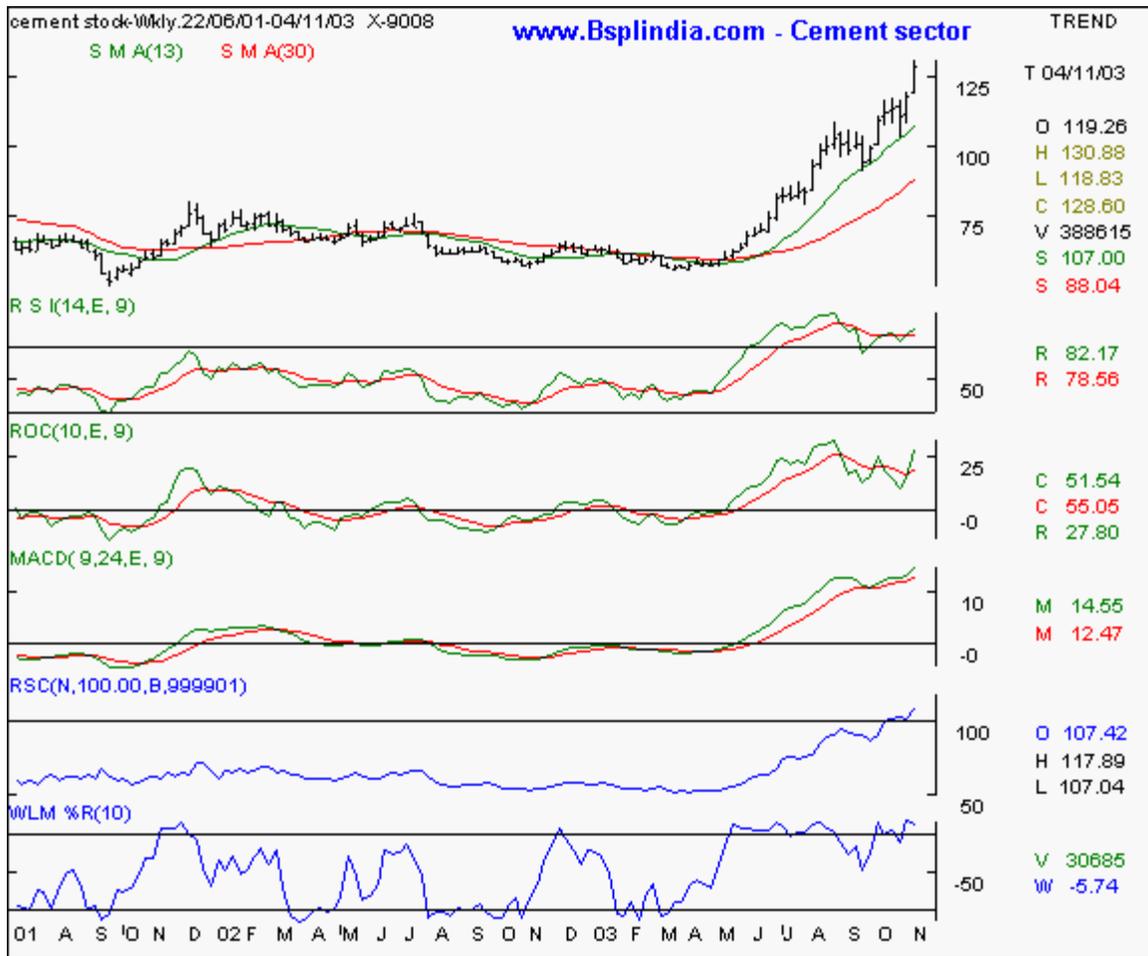
Methodology - factors like a stable RoC (rate of change - momentum) oscillator and a sustained positive MACD are considered. These factors will ensure that any fall in the broader markets will insulate these stocks from significant erosions.

Sector composites - this sectoral study includes the following stocks -

- ACC
- Birla Corp
- Chettinad Cements
- Dalmia Cements
- Grasim
- Gujarat Ambuja Cements
- India Cements
- Jaiprakash Inds
- L&T
- Madras Cements

Sectoral chart

- The sectoral (weekly) chart shows a steady rally since April ' 03 and a recent breakout this week.
- The price graph gets support at the 13 WMA which is presently at the 107 levels. The price graph itself is at the 129 levels. Effectively speaking, the scope for a downside is 20 - 25 % in a worst case scenario.
- The oscillators show a continued rally which is likely to sustain itself in the near future. The volumes are on the rise which lends credibility to the rise. Stocks are moving into stronger hands.
- **The relative strength comparison (RSC) reading shows a breakout above the equilibrium point and therefore a possibility of the sectoral strength being higher than the broader markets is very high. Since the RSC breakout is achieved after a span of 7 years - a very significant event as per technical analysis.**
- Individual stock movements comprising this sectoral index reflects a more optimistic picture as the stocks are leading the market rally.



Our outlook on the cement sector is that of strong bullishness in the coming weeks ahead.

Nuts and bolts

Scrip	Relative strength vis-a-vis sensx	Support	Resistance	F&O available	F&O Market lot
ACC	155	215	248	Yes	1500
Birla Corporation	42	42	60	No	N/a
Chettinad Cement	95	65	80	No	N/a
Dalmia Cement	91	210	260	No	N/a
Grasim	234	800	940	Yes	800
Gujarat Ambuja	182	240	290	Yes	1100
India Cements	42	25	35	No	N/a
Jaiprakash Inds	427	78	105	No	N/a
L&T	183	375	430	Yes	1000
Madras Cements	84	5750	6800	No	N/a

Top picks

Scrip	Recommendation	Outlook	Entry	Stop	Target objective
ACC	Buy	3 months	215 - 220	205	265 - 270
Birla Corp	Buy	3 months	50	45	70 - 75
Chettinad Cement	Buy	3 months	65	58	90
Grasim	Buy	3 months	850	810	1040
Gujarat Ambuja	Buy	3 months	265	245	325
India Cements	Buy	3 months	28	24	44
Jaiprakash	Buy	3 months	90	78	130
L&T	Buy	3 months	380	350	455

Your call of action

Buy these stocks with a delivery perspective and also trade long on declines for superior returns. Maintain stop losses which have been advocated with a liberal outlook, keeping in mind the possibility of a higher volatility.

Have a profitable trade.

Vijay Bhambwani

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

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