



How do you read the market reaction to the Budget? Markets reacted negatively to the lack of any pro-reformist announcements in the Budget and the sharp increase in the fiscal deficit.

How to take the high fiscal deficit? This needs to be tackled by reducing wasteful expenditure, attracting capital and improving tax efficiency. While increased spending should help, the key is to avoid systemic leakages and ensure effective implementation.

Where do you see the markets, going forward? Given the steep rally over a short time period, there could be consolidation as investors digest fresh earnings and economic data.

Does India still look attractive for FIIs? Given low interest rates and economic growth across the world, global investors are focusing on countries that are likely to grow at a relatively faster pace. India deserves a valuation premium to its peers due to higher return on equity and high domestic demand component in earnings.

What are the downside risks? The large equity issuance pipeline could cap market upside in the near future.

stock breakouts

Bank of India: Sell below Rs 316, target Rs 303, stop loss Rs 322.50. Close below previous trend signal an downward movement

Everest Kanto Cylinder: Sell below Rs 181, target Rs 173.50, stop loss Rs 185. Close below previous trend signal an downward movement

Federal Bank: Sell below Rs 224, target Rs 215, stop loss Rs 228.50. Close below previous trend signal an downward movement

Gujarat State Petroneer: Buy above 55, target Rs 58, stop loss Rs 53.50. Close above previous high and offers good opportunity.

Orchid Chemicals: Sell below Rs 89.50, target Rs 86, stop loss Rs 81. Close below previous trend signal an downward movement

SBI: Sell below Rs 1612, target Rs 1547.50, stop loss Rs 1645. Close below previous trend signal an downward movement

Tata Chemicals: Sell below Rs 211, target Rs 202.50, stop loss Rs 215.50. Close below previous trend signal an downward movement

Jatin Rathod & Kamal Navavati, Midea Touch Capital Advisors

market cues

Table with columns: Company, H/L, Price, Change, % Change. Lists various stocks like ITC, Tata Motors, Bajaj Auto, etc.

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52-WEEK HIGH/LOW

Table with columns: Company, Price, High, Low. Lists stocks at their 52-week high or low.

Junior are getting hired; at the senior level, things are beginning to lull. Just don't expect bonanza hikes

Khyati Dharamsi. Mumbai & corporate communications at Angel Broking, says, "Salaries in our industry are firming up, though not significant enough. As there is buoyancy in the (capital) market, broking firms have started hiring. Our recruitment drive is on and we have hired 1,100 people recently, mostly from the sales side at the lower level. Some managerial hiring at the senior level too has been happening as we are planning our expansion."

"The time between a person applying and getting the offer was usually in the range of a couple of months and sometimes as short as 15 days. However, after October 2008, it had increased to 6-9 months and no decision was taken whether to recruit a person despite the person getting shortlisted. Now, the time gap has reduced to three months and we are seeing offers are being given to individuals at the general manager and above levels," Lakshmi Kant says.

Freeze on hirings are seeing the return of being lifted for the junior level staff. Rajiv Phadke, executive director-HR

Pair trading

It's profitable whether the market moves up, down or remains sideways

Mazhar Mohammad Volatility has become the hallmark of financial markets. We see benchmark indices posting decent gains in one trading session only to lose those gains the next day.

In such a scenario, traders and money managers can adopt a market-neutral strategy called pair trading, which is very popular with hedge funds, investment bankers and professional money managers. It is market-neutral as its profitability is not dependent on the direction of the market. It yields profits whenever the market moves up, down, or remains sideways.

Pair trading strategy was designed by a team of scientists from different focus areas such as mathematics, computer sciences, physics, etc. who were brought together by the Wall Street quant Nunzio Tartaglia. In 1980s Gerald Bamberger popularised this strategy. He headed the team of quants at Morgan Stanley. His team, along with Nunzio Tartaglia, found that certain securities often competitors in the same sector were correlated in their day to day price movement.

Hence, any anomaly in the movement of two security prices, which are otherwise correlated, shall provide an opportunity to trade. When the correlation broke down i.e. when stocks started moving in the opposite direction for a while, he used to initiate

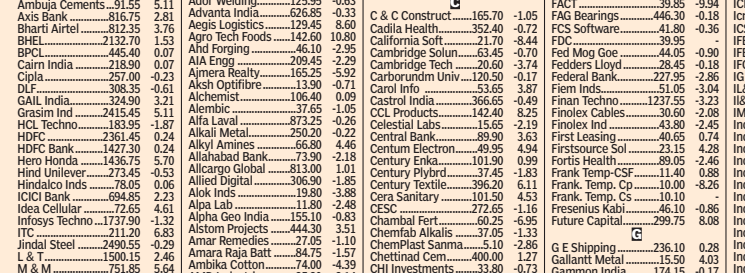


Table with columns: Company, LTP, (Rs) % chg, Company, LTP (Rs) % chg. Lists various companies and their stock prices.

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Pair trading hedges portfolio markets

trades by shorting the outperformer and simultaneously use to buy the underperformer. By doing so, he is betting that the two securities in future shall converge and again start moving in the same direction. In this manner, he struck gold for his firm. However, the origins of pair trading strategy can be traced to the world's first hedge fund, established by Alfred Winslow Jones in 1949. It is said Jones effectively implemented this strategy by creating long and short positions simultaneously and made decent money for his fund.

To effectively trade with the help of pair strategy what we have to do is:

- Identify two scrips from the same sector which are highly correlated in their movement
Watch whenever these two scrips start moving in different directions;

once the deviation crosses the threshold limit, initiate a trade

- Out of the two, buy the scrip which has underperformed and simultaneously initiate short position in the scrip which has outperformed
Book profits when the price ratio of the two scrips converges

The writer is technical analyst, Darashash & Co, Mumbai. Views are personal

Dismissal: DNA takes no responsibility for investors who act on the basis of the above trading tips. The authors may or may not have positions in the above scrips. They advise observing strict stop losses. DNA disclaims liability to consult investment experts before taking short-term calls.

BDL DEALS ON BSE

Table with columns: Scrip name, Client name, Deal, Trade, Price. Lists various BDL deals on the BSE.

RISING VOLUME, RISING DELIVERY AND RISING PRICE

Table with columns: Company, Traded, Del, Price. Lists companies with rising volume, delivery, and price.

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