



FII monthly sales hit an all-time high

In just two sessions, they have unloaded Rs 6000 cr shares

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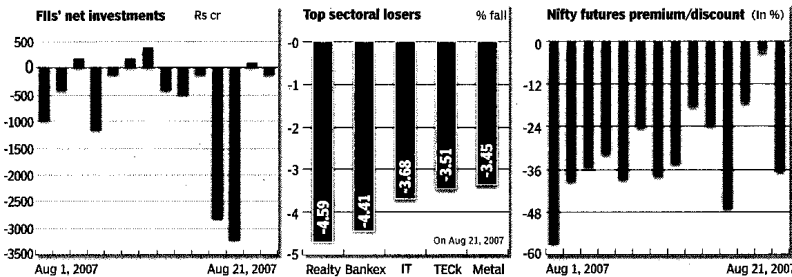
Foreign institutional investors sold Rs 6000 crore of shares in the last two sessions. They have thus been net sellers in 7 out of the last 10 sessions.

In August so far, they have sold shares worth Rs 9,120 crore, the most in a month -- ever. Also, for every rupee of FII sales since the July 24 Sensex peak of 15795, investors have lost Rs 44.

That's because the market capitalisation fell from Rs 46.13 lakh crore to Rs 41.74 lakh crore

What adds to jitters is that when the Sensex fell on Tuesday, it fell below the psychological 14000 mark -

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for the first time since May 15.

A firm overnight closing by the Dow and strong Asian markets did not help matters at all.

In fact, the Sensex ended Tuesday as the biggest loser in Asia.

Political stability is very crucial

for market stability, said Anil Advani, head of research, SBI CAP Securities.

"The market is not over-reacting but it is worried what is happening in the political and international arena. Indian markets have been

the biggest underperformer. It is difficult to predict how long and how deep the correction will be," he said.

The best strategy at the moment is to wait and watch, he suggests.

Turn to Page 23

What chartists see...

What was attractive at 15800 cannot be worse at 14000. The nervousness in the market is due to national and international events. At some point, people will realise there is nothing wrong fundamentally. Nobody can ignore the second-fastest growing economy for long.

Ketan Karani, head of research
Kotak Securities

The market has broken most support levels today. It's a matter of time before the 200-day moving average is violated. I would expect it to touch the 3800 levels. We are not yet in a bear market but in an intermediary phase.

Vijay Bhambani, CEO, BSPLIndia.com

I don't see a very big downside, once the 200 DMA is broken. We are not panicking at this point. We are advising selective buying, but only in large caps.

Siddarth Bhamre, fund manager
Angel Broking



FII monthly sales at all-time high

Continued from Page 19

While the market was on a steady decline throughout the day, it took support around the 200-day moving average (DMA).

The Nifty closed at 4074, just above the 200 DMA of 4065. Experts say this will be a crucial level to watch. Many of the frontline stocks are trading around their 200 DMAs.

Most markets around the globe have taken support from these levels and have bounced back, said Sunil Jain of Edelweiss Capital.

But this level may not hold long. "There is lot of pain left. Monday's pullback was basically a bull trap, aided by short covering. This saw a number of single-stock futures moving into premium. But, on Tuesday, we saw a lot of unwinding happening since morning, paring the premium on the stock futures."

Sunil sees the market falling deeper on Wednesday as there's still a lot of painful positions waiting to be unwound.

The Nifty August 2007 futures settled at 4060.05, a discount of 14.85 points as compared to the spot closing.

Another indicator from the futures market seems to be implied volatility (IV), which is hovering around the 39-40% levels.

A high IV refers to the uncertainty among market players about the market direction.

Whenever the market lacks direction, IVs tend to be low. "This is the first time since the May 2006 crash last year, we are seeing such high levels of IVs. That's why the option premiums are also less. This indicates the lack of conviction about whether the market will tumble or stabilise from this levels," said Siddarth Bhamre, fund manager, Angel Broking.