

# *ShroffConnect* Weekly Report

## 6<sup>th</sup> October, 2012



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# Opinion as on 06/10/2012

- Money flow: Into stocks and commodities.
  - **Opinion on money flow:** Investors are opting for higher yielding assets. The data out of the USA is positive and employment numbers have improved. Spanish debt issues may turn ugly over the next couple of months.
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- Indian market: The Indian market remained buoyant and closed the week near its support of 5750.
  - Sectors: Cement and consumer goods are outperforming.
  - Positives: The reforms initiated by the government.
  - Negatives: High inflation, high interest rates.
  - **Opinion:** - The markets should remain firm although it may ease off a bit once the Q2 results begin to come in. Apart from the big bang announcements made, some more are expected within this month. These will pertain to GAAR and retrospective taxes. Investors should invest in stocks of growth companies on dips.



Current news and world  
financial market prices

# Current scenario & news

## World economy

- Asia's manufacturers are continuing to struggle in the face of tepid demand from the United States and Europe, according to business surveys and data releases that underlined the fragility of the global economy.
- China's normally robust services sector weakened sharply in September to its lowest point since November 2010, as slow growth in manufacturing finally began to feed through to the rest of the economy.
- Germany is urging the European Union to improve proposals for a euro-area bank supervisor so that countries outside the currency bloc might be enticed to join.
- Brazil's annual inflation accelerated in September for the third straight month, as the economy emerges from a year-long slowdown in response to government stimulus measures.

## Indian economy

- The government opened up the pension sector to foreign investment. Against the expected cap of 29 per cent, the Cabinet cleared up to 49 per cent foreign investment in the sector.
- The government could amend controversial rules on tax avoidance within 20 days, potentially ending months of uncertainty after the prime minister ordered a panel to clarify the tax proposals that had hurt investor confidence.
- The government announced increase in duty drawback rates -- refund of duties on imported inputs for export items -- on most of the products eligible for the incentive scheme for 2012-13.
- The Reserve Bank of India (RBI) will take some recent government decisions into consideration in its second quarter review of monetary policy, scheduled for October 30, 2012.

## WORLD MARKETS - A SNAPSHOT

	Name	Description	Week ended 6th Oct 2012	% Change
STOCKS	Australia	ASX	4513.82	2.44
	Brazil	Bovespa	58571.59	(1.02)
	China	Shanghai	2086.17	0.00
	France	CAC	3457.04	3.05
	Germany	DAX	7397.87	2.52
	Hong Kong	Hang Seng	21012.38	0.83
	India	Sensex	18938.46	0.94
	Japan	Nikkei	8863.30	(0.08)
	UK	FTSE	5871.02	2.25
	USA	DJIA	13610.15	1.29
COMMODITIES	Copper	\$/Pound	3.78	0.53
	Crude	\$/Barrel	89.88	(2.51)
	Gold	\$/Troy Ounce	1780.80	0.39
	Natural Gas	\$/MMBtu	3.40	2.41
	Silver	\$/Troy Ounce	34.57	(0.03)
	Aluminium	\$/Tonne	2110.00	(0.09)
	Lead	\$/Tonne	2288.00	0.35
	Nickel	\$/Tonne	18300.00	(0.95)
	Zinc	\$/Tonne	2075.00	(1.00)
CURRENCIES	USD/GBP		1.6130	(0.19)
	USD/EUR		1.3029	1.34
	USD/AUD		1.0185	(1.83)
	JPY/USD		78.65	0.89
	INR/USD		51.85	(1.89)
	HKD/USD		7.7515	(0.03)
	BRL/USD		2.0307	0.26
BONDS	2 Year	US Treasury	110.22	(0.02)
	10 Year		132.92	(0.42)
	30 Year		147.50	(1.26)

## INDIAN MARKETS - A SNAPSHOT

	Name	Description	Week ended 6th Oct 2012	% Change
STOCKS	Nifty	Large Cap	5746.95	0.77
	Sensex	Large Cap	18938.46	0.94
	BSE Midcap	Mid Cap	6678.77	1.08
	BSE Smallcap	Small Cap	7145.71	1.82
Some Major Shares	ACC	Rs/share	1457.65	(0.84)
	Bharti Airtel		265.75	0.11
	HDFC Ltd		749.95	(3.16)
	Infosys		2526.85	(0.32)
	L&T		1649.90	3.33
	Reliance Inds		857.80	2.46
	Tata Motors		280.55	4.86
	Tata Steel		410.55	2.41
COMMODITIES	Aluminium	INR/Kg	109.00	(1.76)
	Copper	INR/Kg	433.80	(1.64)
	Crude	INR/Barrel	4678.00	(4.28)
	Gold	INR/10gms	31167.00	(0.11)
	Lead	INR/Kg	118.45	(1.21)
	Natural Gas	INR/1mmBtu	176.70	0.34
	Nickel	INR/Kg	954.70	(2.43)
	Silver	INR/Kg	61800.00	(1.56)
	Zinc	INR/Kg	107.30	(2.85)
CURRENCIES	INR/EUR		67.65	(0.49)
	INR/GBP		83.61	(2.08)
	INR/100 JPY		65.89	(2.75)
	INR/USD		51.85	(1.89)



# Detailed macro analysis

## MACRO ECONOMIC SNAPSHOT AS ON 06/10/2012

USA	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	2.10	2.40
Inflation Rate	Monthly	1.70	1.40
Unemployment Rate	Monthly	↓7.80	8.10
Benchmark Interest Rate	Weekly	0.25	0.25
Govt. bond 10 year Rate	Weekly	↓1.63	1.78

Euro Area	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	-0.40	-0.10
Inflation Rate	Monthly	2.70	2.60
Unemployment Rate	Monthly	↑11.40	11.30
Benchmark Interest Rate	Weekly	0.75	0.75
Govt. bond 10 year Rate	Weekly	varied	

China	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	7.60	8.10
Inflation Rate	Monthly	2.00	1.80
Unemployment Rate	Monthly	4.10	4.10
Benchmark Interest Rate	Weekly	6.00	6.00
Govt. bond 10 year Rate	Weekly	↓3.47	3.50

Japan	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	3.20	2.90
Inflation Rate	Monthly	-0.40	-0.40
Unemployment Rate	Monthly	4.20	4.30
Benchmark Interest Rate	Weekly	0.00	0.00
Govt. bond 10 year Rate	Weekly	↓0.77	0.81

UK	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	-0.50	-0.20
Inflation Rate	Monthly	2.50	2.60
Unemployment Rate	Monthly	8.10	8.00
Benchmark Interest Rate	Weekly	0.50	0.50
Govt. bond 10 year Rate	Weekly	↓1.69	1.80

India	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	5.50	5.30
Inflation Rate	Monthly	7.55	6.87
Unemployment Rate	Monthly	no data	
Benchmark Interest Rate	Weekly	8.00	8.00
Govt. bond 10 year Rate	Weekly	↓8.14	8.16

Brazil	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	0.50	0.80
Inflation Rate	Monthly	↑5.28	5.24
Unemployment Rate	Monthly	5.30	6.50
Benchmark Interest Rate	Weekly	7.50	8.00
Govt. bond 10 year Rate	Weekly	↓9.80	9.92

Russia	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	4.00	4.90
Inflation Rate	Monthly	↑6.60	5.90
Unemployment Rate	Monthly	5.40	5.40
Benchmark Interest Rate	Weekly	8.25	8.00
Govt. bond 10 year Rate	Weekly	↓7.74	7.79



## IMPORTANT FUNDAMENTAL FINANCIAL RATIOS FOR SENSEX STOCKS AS ON 06/10/2012

Company	Industry	Price	TTM P/E	P/BV
Bajaj Auto Ltd	Automobile Two & Three Wheelers	1751.05	16.83	7.50
Bharat Heavy Electricals Ltd.	Electric Equipment	263.15	9.01	2.45
Bharti Airtel Ltd.	Telecommunication - Service Provider	265.85	26.52	1.96
Cipla Ltd.	Pharmaceuticals & Drugs	364.15	23.00	3.68
Coal India Ltd.	Mining & Minerals	363.40	15.20	5.11
Dr Reddys Laboratories Ltd.	Pharmaceuticals & Drugs	1693.30	19.18	5.46
GAIL (India) Ltd.	Gas Transmission/Marketing	392.35	13.09	2.19
HDFC Bank Ltd.	Bank - Private	621.95	26.71	4.65
Hero MotoCorp Ltd.	Automobile Two & Three Wheelers	1810.75	14.85	7.37
Hindalco Industries Ltd.	Aluminium & Aluminium Products	125.00	11.86	0.75
Hindustan Unilever Ltd.	Household & Personal Products	564.50	35.27	25.38
Housing Development Finance Corporation Ltd.	Finance - Housing	749.65	26.95	5.76
ICICI Bank Ltd.	Bank - Private	1066.65	17.70	1.95
Infosys Ltd.	IT - Software	2527.90	16.34	4.32
ITC Ltd.	Cigarettes/Tobacco	275.70	33.68	10.65
Jindal Steel & Power Ltd.	Steel/Sponge Iron/Pig Iron	417.05	11.39	2.11
Larsen & Toubro Ltd.	Engineering - Construction	1646.65	22.10	3.95
Mahindra & Mahindra Ltd.	Automobiles-Tractors	869.05	17.79	4.17
Maruti Suzuki India Ltd.	Automobiles - Passenger Cars	1388.35	26.57	2.57
NTPC Ltd.	Power Generation/Distribution	170.75	14.59	1.89
Oil & Natural Gas Corpn. Ltd.	Oil Exploration	287.20	9.07	2.08
Reliance Industries Ltd.	Refineries	857.40	14.72	1.66
State Bank Of India	Bank - Public	2339.30	8.70	1.41
Sterlite Industries (India) Ltd.	Metal - Non Ferrous	100.95	7.73	0.71
Sun Pharmaceutical Inds. Ltd.	Pharmaceuticals & Drugs	683.80	24.57	5.41
Tata Consultancy Services Ltd.	IT - Software	1303.75	22.55	7.77
Tata Motors Ltd.	Automobiles-Trucks/Lcv	280.35	5.52	2.18
Tata Power Company Ltd.	Power Generation/Distribution	104.05	0.00	1.90
Tata Steel Ltd.	Steel/Sponge Iron/Pig Iron	410.35	62.16	0.92
Wipro Ltd.	IT - Software	373.80	15.81	3.23

# World macro scenario

- USA – US economic data is mixed, unemployment dips below 8%. The government has fixed the interest to remain low till 2015. Fed announces unlimited QE3. A “fiscal cliff” which entails automatic cutting of govt. expenditure is due from 1<sup>st</sup> Jan, 2013.
- Europe – Economic slowdown in most countries. ECB announces bond purchases. Spain is in trouble and may ask for aid.
- China – Lowest GDP growth in several years.
- Japan – Improvement in GDP growth rate. Political tension with China.
- Rest of the World – Positive economic growth in South East Asia. Indonesia and Philippines overtake India in GDP growth.

# Indian macro scenario

- Economy – Fiscal deficit is much above the desired levels with subsidies becoming bigger. Fuel prices have been hiked to control this. The monsoon is officially deficient but catching up in a late burst.
- Government policies – Govt. announced FDI in retail and aviation. It also announces FDI in insurance and pension funds.
- RBI – CRR cut in mid quarter review on 17/9/12. Next review is on 30/10/12.
- Inflation – Inflation has increased to 7.55%.
- Foreign exchange – The INR has appreciated to approx. Rs.52/- per USD.
- Politics – The Parliament monsoon session ended with no positive business. Election dates announced for Himachal Pradesh and Gujarat.
- Sectors – In terms of growth, defensive sectors are doing better – consumer products and pharma.

# Our concerns on the macro front

## World economies

- Mixed data from USA. Need for QE3.
- Eurozone's low to negative GDP growth. Spain debt issues.
- Chinese GDP growth slowdown.
- Syria and Iran political issues.

## Indian economy

- High interest rate.
- High and growing fiscal deficit through subsidies.
- Populist politics.



# Detailed technical analysis

## WORLD MARKETS - TECHNICAL SNAPSHOT

		Very Bullish	Bullish	Neutral	Bearish	Very Bearish
<b>STOCKS</b>		Germany India USA ↑	Australia France UK ↑	Brazil ↓ Hong Kong	Japan ↓	China
<b>COMMODITIES</b>		Lead ↑ Natural Gas ↑ Silver ↑	Gold Zinc ↑	Aluminium Copper Crude Oil Nickel		
<b>CURRENCIES</b> (against USD)			GBP HKD INR ↑ JPY	AUD BRL ↑ EUR		
<b>BONDS</b> (US Treasury)				2 Year 10 Year 30 Year		

↑ = moved up from last week, ↓ = moved dn from last week

## INDIAN MARKETS - TECHNICAL SNAPSHOT

		Very Bullish	Bullish	Neutral	Bearish	Very Bearish
INDICES		Mid Cap ↑ Sensex Small Cap ↑	Nifty ↓			
SECTORS		Bankex ↑ FMCG Oil & Gas	Cap Goods ↑ Cons Durable ↑ Healthcare ↓ IT Teck	Auto Metal Power Realty		
COMMODITIES		Gold Lead Natural Gas ↑ Silver	Aluminium ↑ Copper Zinc	Crude Oil Nickel		
CURRENCIES (against INR)				EUR GBP JPY	USD ↓	

↑ = moved up from last week, ↓ = moved dn from last week

## MAJOR LARGE COMPANIES - TECHNICAL SNAPSHOT

[illegible]

↑ = moved up from last week, ↓ = moved dn from last week



## MAJOR MEDIUM & SMALL COMPANIES - TECHNICAL SNAPSHOT

	Very Bullish	Bullish	Neutral	Bearish	Very Bearish
COMPANIES	Bata India	Asian Paints ↓	ABG Shipyard ↑	Astrazeneca Ph	Opto Circuits
	Castrol India	Biocon	Bharat Forge	Britannia Ind	
	Dabur	Colgate-Palm ↑	Federal Bank	CRISIL Ltd ↓	
	Godrej Cons	Cummins	GE Shipping	Glaxo Pharma	
	GSK Con Health ↑	GMDC ↑	HCC		
	Marico	GSPL	I D F C ↓		
	Pidilite Ind	Indian Hotel	IGL		
	TTK Prestige	Jubilant Food	IndusInd Bank		
		LIC Housing	Shipping Corpn		
		Titan Ind ↑	SKF India		
		Voltas	Tata Sponge ↑		
			Yes Bank		

↑ = moved up from last week, ↓ = moved dn from last week

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