

ShroffConnect Weekly Report

20th October, 2012



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Opinion as on 20/10/2012

- Money flow: The trend is uncertain although the bent is towards stocks and commodities.
 - **Opinion on money flow:** Earnings reported by large companies are below estimates and therefore investor sentiment is uncertain. Macro issues remain but not necessarily very negative.
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- Indian market: The Indian market is range bound and closed at approx. 5685.
 - Sectors: Cement and consumer goods are outperforming.
 - Positives: Reform initiatives by the government.
 - Negatives: High interest rate and high inflation.
 - **Opinion:** The political scenario has become murky with allegations being made against top political figures. However results by the top companies are decent. The government should continue its reform measures and this will be good for the market. Investors should hold onto their investments and buy on dips.



Current news and world
financial market prices

Current scenario & news

World economy

- At a time when tepid growth at home, a slowing Chinese economy and recession in much of Western Europe is dogging Corporate America, Russia is getting newfound attention as a growth market for US machinery, consumer goods and services.
- Chinese corporate profits show no sign of a second-half recovery as analysts cut earnings estimates in September by the most in 2-1/2 years, a red flag for investors who expect the world's second biggest economy to start picking up soon.
- The euro zone leaders have commended the progress made by Greece in implementing far-reaching reforms to overcome its three-year-old debt crisis and hinted at the possibility of releasing 31.5 billion euros (USD 41 billion) bailout funds urgently needed to avert a bankruptcy.

Indian economy

- Price pressures are likely to outweigh political influence when the Reserve Bank of India (RBI) reviews interest rates later this month, after the latest inflation data reinforced the central bank's cautious stance despite calls from the new finance minister to ease policy.
- Indirect tax collections have risen at a low rate of 15.6 per cent to Rs. 2.17 lakh crore in April-September, against the annual target of 27 per cent, due to slowdown in economic activity.
- Surplus liquidity in the banking system has proved to be short-lived as lenders' borrowing from the Reserve Bank has risen to a four-month high, signalling monetary management may be getting tricky with slowing deposits growth.

WORLD MARKETS - A SNAPSHOT

	Name	Description	Week ended 20th Oct 2012	% Change
STOCKS	Australia	ASX	4593.47	1.85
	Brazil	Bovespa	58922.04	(0.41)
	China	Shanghai	2128.30	1.11
	France	CAC	3504.56	3.41
	Germany	DAX	7380.64	2.05
	Hong Kong	Hang Seng	21551.76	1.96
	India	Sensex	18682.31	0.04
	Japan	Nikkei	9002.68	5.49
	UK	FTSE	5896.15	1.77
	USA	DJIA	13343.51	0.11
COMMODITIES	Copper	\$/Pound	3.64	(1.62)
	Crude	\$/Barrel	90.05	(1.97)
	Gold	\$/Troy Ounce	1724.00	(2.03)
	Natural Gas	\$/MMBtu	3.62	0.28
	Silver	\$/Troy Ounce	32.10	(4.66)
	Aluminium	\$/Tonne	1970.00	(1.20)
	Lead	\$/Tonne	2115.00	(0.75)
	Nickel	\$/Tonne	16950.00	(0.73)
CURRENCIES	Zinc	\$/Tonne	1885.00	(2.58)
	USD/GBP		1.5996	(0.46)
	USD/EUR		1.3022	0.53
	USD/AUD		1.0330	0.94
	JPY/USD		79.33	1.20
	INR/USD		53.83	1.93
	HKD/USD		7.7500	(0.02)
BONDS	BRL/USD		2.0272	(0.71)
	2 Year	US Treasury	110.13	(0.08)
	10 Year		132.39	(0.69)
	30 Year		147.56	(1.34)

INDIAN MARKETS - A SNAPSHOT

	Name	Description	Week ended 20th Oct 2012	% Change
STOCKS	Nifty	Large Cap	5684.25	0.14
	Sensex	Large Cap	18682.31	0.04
	BSE Midcap	Mid Cap	6671.62	(0.08)
	BSE Smallcap	Small Cap	7169.75	0.84
Some Major Shares	ACC	Rs/share	1407.85	(6.02)
	Bharti Airtel		267.10	2.59
	HDFC Ltd		753.30	1.76
	Infosys		2383.35	(0.50)
	L&T		1633.05	(1.03)
	Reliance Inds		802.80	(1.97)
	Tata Motors		269.00	(0.83)
	Tata Steel		407.45	(3.21)
COMMODITIES	Aluminium	INR/Kg	105.60	0.76
	Copper	INR/Kg	435.05	0.03
	Crude	INR/Barrel	4914.00	1.07
	Gold	INR/10gms	31287.00	0.01
	Lead	INR/Kg	113.25	(0.18)
	Natural Gas	INR/1mmBtu	194.50	1.89
	Nickel	INR/Kg	914.00	0.51
	Silver	INR/Kg	59841.00	(2.22)
	Zinc	INR/Kg	99.95	(1.43)
CURRENCIES	INR/EUR		70.11	2.46
	INR/GBP		86.12	1.51
	INR/100 JPY		67.82	0.74
	INR/USD		53.83	1.93



Detailed macro analysis

MACRO ECONOMIC SNAPSHOT AS ON 20/10/2012

USA	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	2.10	2.40
Inflation Rate	Monthly	↑2.00	1.70
Unemployment Rate	Monthly	7.80	8.10
Benchmark Interest Rate	Weekly	0.25	0.25
Govt. bond 10 year Rate	Weekly	↑1.83	1.68

Euro Area	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	-0.40	0.00
Inflation Rate	Monthly	2.60	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	↓7.40	7.60
Inflation Rate	Monthly	↓1.90	2.00
Unemployment Rate	Monthly	4.10	4.10
Benchmark Interest Rate	Weekly	6.00	6.00
Govt. bond 10 year Rate	Weekly	3.50	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	↑0.80	0.77

UK	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	-0.50	-0.20
Inflation Rate	Monthly	↓2.20	2.50
Unemployment Rate	Monthly	↓7.90	8.10
Benchmark Interest Rate	Weekly	0.50	0.50
Govt. bond 10 year Rate	Weekly	↑1.92	1.80

India	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	5.50	5.30
Inflation Rate	Monthly	↑7.81	7.55
Unemployment Rate	Monthly	no data	
Benchmark Interest Rate	Weekly	8.00	8.00
Govt. bond 10 year Rate	Weekly	8.14	8.14

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	7.25	7.50
Govt. bond 10 year Rate	Weekly	↓9.49	9.65

Russia	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	4.00	4.90
Inflation Rate	Monthly	6.60	5.90
Unemployment Rate	Monthly	↓5.20	5.40
Benchmark Interest Rate	Weekly	8.25	8.00
Govt. bond 10 year Rate	Weekly	↓7.37	7.71

IMPORTANT FUNDAMENTAL FINANCIAL RATIOS FOR SENSEX STOCKS AS ON 20/10/2012

Company	Industry	Price	TTM P/E	P/BV
Bajaj Auto Ltd	Automobile Two & Three Wheelers	1770.20	17.01	7.58
Bharat Heavy Electricals Ltd.	Electric Equipment	242.10	8.29	2.25
Bharti Airtel Ltd.	Telecommunication - Service Provider	266.65	26.60	1.97
Cipla Ltd.	Pharmaceuticals & Drugs	359.10	22.68	3.63
Coal India Ltd.	Mining & Minerals	353.70	14.79	4.97
Dr Reddys Laboratories Ltd.	Pharmaceuticals & Drugs	1701.05	19.27	5.48
GAIL (India) Ltd.	Gas Transmission/Marketing	359.95	12.01	2.01
HDFC Bank Ltd.	Bank - Private	628.25	25.32	4.45
Hero MotoCorp Ltd.	Automobile Two & Three Wheelers	1849.40	15.16	7.53
Hindalco Industries Ltd.	Aluminium & Aluminium Products	114.90	10.90	0.69
Hindustan Unilever Ltd.	Household & Personal Products	566.55	35.39	25.48
Housing Development Finance Corporation Ltd.	Finance - Housing	752.10	27.05	5.78
ICICI Bank Ltd.	Bank - Private	1055.75	17.52	1.93
Infosys Ltd.	IT - Software	2383.30	14.64	3.80
ITC Ltd.	Cigarettes/Tobacco	297.50	36.34	11.49
Jindal Steel & Power Ltd.	Steel/Sponge Iron/Pig Iron	406.85	11.11	2.06
Larsen & Toubro Ltd.	Engineering - Construction	1632.70	21.91	3.91
Mahindra & Mahindra Ltd.	Automobiles-Tractors	823.40	16.85	3.95
Maruti Suzuki India Ltd.	Automobiles - Passenger Cars	1369.15	26.20	2.53
NTPC Ltd.	Power Generation/Distribution	166.30	14.21	1.84
Oil & Natural Gas Corpn. Ltd.	Oil Exploration	279.05	8.81	2.02
Reliance Industries Ltd.	Refineries	803.20	14.03	1.54
State Bank Of India	Bank - Public	2256.65	8.40	1.36
Sterlite Industries (India) Ltd.	Metal - Non Ferrous	100.35	7.68	0.71
Sun Pharmaceutical Inds. Ltd.	Pharmaceuticals & Drugs	694.45	24.96	5.50
Tata Consultancy Services Ltd.	IT - Software	1290.30	22.32	7.69
Tata Motors Ltd.	Automobiles-Trucks/Lcv	268.90	5.29	2.09
Tata Power Company Ltd.	Power Generation/Distribution	105.00	0.00	1.92
Tata Steel Ltd.	Steel/Sponge Iron/Pig Iron	407.10	61.67	0.92
Wipro Ltd.	IT - Software	344.45	14.57	2.97

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 1st 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 – Exports lower especially to China. Better 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.
- Government policies – Govt. announced FDI in multi brand 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 7.81%.
- Foreign exchange – The INR has appreciated to approx. Rs.53/80 per USD.
- Politics – Election dates announced for Himachal Pradesh and Gujarat.
- Sectors – In terms of growth, defensive sectors are doing better.

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
STOCKS	Australia Germany India	France ↑ Hong Kong UK ↑ USA	Brazil	China Japan		
COMMODITIES	Natural Gas	Copper Gold Lead ↓ Nickel ↑	Aluminium ↓ Crude Oil Silver ↓ Zinc ↓			
CURRENCIES (against USD)		EUR GBP HKD INR	AUD BRL ↑ JPY ↓			
BONDS (US Treasury)			2 Year 30 Year	10 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 Nifty Sensex Small Cap ↑					
SECTORS	Bankex Cap Goods Cons Durable ↑ FMCG	Auto Healthcare ↓ Oil & Gas ↓		IT Metal Power Realty Teck		
COMMODITIES	Gold Natural Gas	Copper Lead Silver ↓		Aluminium Crude Oil ↑ Nickel Zinc		
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	Asian Paints	Bata India ↓	ABG Shipyard	Astrazeneca Ph	Opto Circuits
	Castrol India	Colgate-Palm	Bharat Forge	Britannia Ind ↓	
	Cummins India ↑	GMDC	Biocon ↓	Glaxo Pharma	
	Dabur	GSK Con Health	CRISIL Ltd		
	Federal Bank ↑	GSPL	GE Shipping		
	Godrej Cons	I D F C	HCC		
	Jubilant Food	Indian Hotel	IGL		
	Marico	IndusInd Bank	LIC Housing		
	Titan Ind ↑	Pidilite Ind ↓	Shipping Corpn		
		SKF India ↑	Tata Sponge		
		Voltas	TTK Prestige ↓		
		Yes Bank			

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

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