

# *ShroffConnect* Weekly Report

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



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# Opinion as on 27/10/2012

- Money flow: Out of stocks.
  - **Opinion on money flow:** Investors chose to take some money off the table on earnings data, although USA and UK, both witnessed better than expected GDP growth. Sentiments all over the world continue to become better with the festive season approaching.
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- Indian market – The Indian market remained range bound between 5630-5730.
  - Sectors – Private banks, cement and consumer goods are outperforming.
  - Positives – The government's pro economic announcements, good corporate results.
  - Negatives – High fiscal deficit, high interest rate and high inflation.
  - **Opinion:** The government is taking the necessary steps to rectify the economy, and these steps will take some time to come to fruition. However, there is a definite improvement in investor sentiment. A few large corporates are going ahead with their long term capex plans. Corporate results have been pretty good as well. Investors should hold onto their investments and invest in good companies on dips.



Current news and world  
financial market prices

# Current scenario & news

## World economy

- The Federal Reserve stuck to its plan to keep stimulating U.S. growth until the job market improves even as it acknowledged some parts of the economy were looking a bit better.
- Euro zone businesses suffered another dismal month in October as factory output plunged in Germany, the area's top economy and exporter, while conditions improved slightly for U.S. and Chinese manufacturers.
- China's economy is making a slow, steady recovery from its weakest period of growth in three years, with new orders and output at their highest in months.
- Japan approved a USD 5.3 billion cash injection to boost the stuttering economy, a move likely to add pressure for more central bank measures with a general election looming on the horizon.

## Indian economy

- A majority of India Inc have little expectations from RBI's second quarter monetary policy review on October 30 given the macro-fundamentals of the economy, with 53 percent not foreseeing any reduction in the policy rate.
- Growth indicators for the Indian economy are showing signs of stabilisation but the macro economic environment still remains challenging, particularly with regards to inflation, says a Morgan Stanley report.
- Foreign investors continued to be bullish on Indian equities during October and have infused more than Rs 12,000 crore so far this month.
- The government's debt in the July-September period in this financial year grew by 3.6 percent to Rs 39,00,386 crore from Rs 37,63,264 crore in the previous quarter.

## WORLD MARKETS - A SNAPSHOT

	Name	Description	Week ended 27th Oct 2012	% Change
STOCKS	Australia	ASX	4496.25	(2.12)
	Brazil	Bovespa	57276.81	(2.79)
	China	Shanghai	2066.21	(2.92)
	France	CAC	3435.09	(1.98)
	Germany	DAX	7231.85	(2.02)
	Hong Kong	Hang Seng	21545.57	(0.03)
	India	Sensex	18625.34	(0.30)
	Japan	Nikkei	8933.06	(0.77)
	UK	FTSE	5806.71	(1.52)
	USA	DJIA	13107.21	(1.77)
COMMODITIES	Copper	\$/Pound	3.55	(2.47)
	Crude	\$/Barrel	86.28	(4.19)
	Gold	\$/Troy Ounce	1711.90	(0.70)
	Natural Gas	\$/MMBtu	3.40	(6.08)
	Silver	\$/Troy Ounce	32.04	(0.19)
	Aluminium	\$/Tonne	1922.00	(2.44)
	Lead	\$/Tonne	2015.00	(4.73)
	Nickel	\$/Tonne	16005.00	(5.58)
	Zinc	\$/Tonne	1834.00	(2.71)
CURRENCIES	USD/GBP		1.6091	0.59
	USD/EUR		1.2935	(0.67)
	USD/AUD		1.0366	0.35
	JPY/USD		79.58	0.32
	INR/USD		53.75	(0.15)
	HKD/USD		7.7500	0.00
	BRL/USD		2.0255	(0.08)
BONDS	2 Year	US Treasury	110.14	0.01
	10 Year		132.56	0.13
	30 Year		148.00	0.30

## INDIAN MARKETS - A SNAPSHOT

	Name	Description	Week ended 27th Oct 2012	% Change
STOCKS	Nifty	Large Cap	5664.30	(0.35)
	Sensex	Large Cap	18625.34	(0.30)
	BSE Midcap	Mid Cap	6603.15	(1.03)
	BSE Smallcap	Small Cap	7086.24	(1.16)
Some Major Shares	ACC	Rs/share	1404.30	(0.25)
	Bharti Airtel		266.65	(0.17)
	HDFC Ltd		758.30	0.66
	Infosys		2329.60	(2.26)
	L&T		1709.30	4.67
	Reliance Inds		798.95	(0.48)
	Tata Motors		261.50	(2.79)
	Tata Steel		399.80	(1.88)
COMMODITIES	Aluminium	INR/Kg	102.70	(2.75)
	Copper	INR/Kg	425.95	(2.09)
	Crude	INR/Barrel	4669.00	(4.99)
	Gold	INR/10gms	31022.00	(0.85)
	Lead	INR/Kg	110.05	(2.83)
	Natural Gas	INR/1mmBtu	203.10	4.42
	Nickel	INR/Kg	865.80	(5.27)
	Silver	INR/Kg	59703.00	(0.23)
	Zinc	INR/Kg	97.45	(2.50)
CURRENCIES	INR/EUR		69.50	(0.87)
	INR/GBP		86.55	0.50
	INR/100 JPY		67.20	(0.91)
	INR/USD		53.75	(0.15)



# Detailed macro analysis

## MACRO ECONOMIC SNAPSHOT AS ON 27/10/2012

USA	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	↑2.30	2.10
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	↓1.79	1.83

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	↑3.56	3.50

Japan	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	3.20	2.90
Inflation Rate	Monthly	↓-0.30	-0.40
Unemployment Rate	Monthly	4.20	4.30
Benchmark Interest Rate	Weekly	0.00	0.00
Govt. bond 10 year Rate	Weekly	↓0.78	0.80

UK	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	↑0.00	-0.50
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	↓1.84	1.92

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	↑5.40	5.30
Benchmark Interest Rate	Weekly	7.25	7.50
Govt. bond 10 year Rate	Weekly	↓9.37	9.49

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	5.20
Benchmark Interest Rate	Weekly	8.25	8.00
Govt. bond 10 year Rate	Weekly	↑7.45	7.37



## IMPORTANT FUNDAMENTAL FINANCIAL RATIOS FOR SENSEX STOCKS AS ON 27/10/2012

Company	Industry	Price	TTM P/E	P/BV
Bajaj Auto Ltd	Automobile Two & Three Wheelers	1787.80	17.09	6.77
Bharat Heavy Electricals Ltd.	Electric Equipment	242.25	8.30	2.25
Bharti Airtel Ltd.	Telecommunication - Service Provider	266.80	26.62	1.97
Cipla Ltd.	Pharmaceuticals & Drugs	355.25	22.44	3.59
Coal India Ltd.	Mining & Minerals	354.90	14.84	4.99
Dr Reddys Laboratories Ltd.	Pharmaceuticals & Drugs	1669.15	18.91	5.38
GAIL (India) Ltd.	Gas Transmission/Marketing	363.45	12.12	2.03
HDFC Bank Ltd.	Bank - Private	637.15	25.68	4.51
Hero MotoCorp Ltd.	Automobile Two & Three Wheelers	1869.15	16.42	6.98
Hindalco Industries Ltd.	Aluminium & Aluminium Products	112.85	10.71	0.68
Hindustan Unilever Ltd.	Household & Personal Products	551.75	34.47	24.81
Housing Development Finance Corporation Ltd.	Finance - Housing	758.00	26.17	4.78
ICICI Bank Ltd.	Bank - Private	1078.25	17.89	1.97
Infosys Ltd.	IT - Software	2328.85	14.31	3.71
ITC Ltd.	Cigarettes/Tobacco	285.95	33.29	9.96
Jindal Steel & Power Ltd.	Steel/Sponge Iron/Pig Iron	385.60	10.53	1.95
Larsen & Toubro Ltd.	Engineering - Construction	1705.85	21.58	3.83
Mahindra & Mahindra Ltd.	Automobiles-Tractors	879.60	17.07	3.91
Maruti Suzuki India Ltd.	Automobiles - Passenger Cars	1366.85	26.16	2.53
NTPC Ltd.	Power Generation/Distribution	169.00	14.45	1.87
Oil & Natural Gas Corpn. Ltd.	Oil Exploration	274.55	8.67	1.99
Reliance Industries Ltd.	Refineries	799.00	13.96	1.53
State Bank Of India	Bank - Public	2173.20	8.09	1.31
Sterlite Industries (India) Ltd.	Metal - Non Ferrous	100.85	6.60	0.70
Sun Pharmaceutical Inds. Ltd.	Pharmaceuticals & Drugs	684.60	24.60	5.42
Tata Consultancy Services Ltd.	IT - Software	1313.60	20.65	7.33
Tata Motors Ltd.	Automobiles-Trucks/Lcv	261.45	5.14	2.03
Tata Power Company Ltd.	Power Generation/Distribution	104.65	0.00	1.91
Tata Steel Ltd.	Steel/Sponge Iron/Pig Iron	399.50	60.52	0.90
Wipro Ltd.	IT - Software	336.15	14.22	2.90

# World macro scenario

- USA – US economic data is better than expected, 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 although UK has witnessed GDP growth. Spain is in trouble and may ask for aid.
- China – Lowest GDP growth in several years although the economy may be bottoming out.
- 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. Most plans will have to be passed by Parliament.
- 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.53/75 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
<b>STOCKS</b>	Australia Germany Hong Kong ↑ India			Brazil France ↓ Japan ↑ UK ↓ USA ↓	China	
<b>COMMODITIES</b>	Natural Gas	Gold		Copper ↓ Crude Oil Lead ↓ Nickel ↓ Silver Zinc	Aluminium ↓	
<b>CURRENCIES</b> (against USD)	HKD ↑	EUR GBP INR		AUD BRL JPY		
<b>BONDS</b> (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 Power ↑ Realty ↑	IT Metal Teck			
COMMODITIES	Natural Gas	Gold ↓ Silver	Aluminium Copper ↓ Lead ↓ Nickel	Crude Oil ↓ Zinc ↓		
CURRENCIES (against INR)			EUR GBP	JPY ↓ USD		

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

## MAJOR LARGE COMPANIES - TECHNICAL SNAPSHOT

	Very Bullish	Bullish	Neutral	Bearish	Very Bearish
COMPANIES	ACC	Axis Bank ↑	ABB	Bharti Airtel	
	Ambuja Cem	Bank of Baroda ↑	Andhra Bank	Hero Motoco	
	Bajaj Auto	Bhel ↑	Apollo Tyres	RCOM ↓	
	Grasim Ind	Canara Bank ↑	Ashok Leyland	Sesa Goa ↑	
	HCL Tech	Cipla	Bosch Ltd	Wipro	
	HDFC	Exide Inds ↓	BPCL		
	HDFC Bank	Havells India	Cairn		
	Hind Unilever	Hind Zinc	Chambal Fert		
	ICICI Bank	JSW Steel ↑	Coal India ↓		
	ITC	Kotak Bank	Crompton Gr		
	JP Associates	Petronet LNG	DLF ↓	Neutral	
	L&T	RECL ↓	Dr Reddy		
	M&M	Reliance Ind	GAIL	Power Grid ↓	
	Maruti Suzuki ↑	SBIN ↑	Hindalco	PNB	
	Reliance Cap	Tata Chemicals	Idea Cellular ↓	Ranbaxy ↓	
	Sun Pharma	Tata Power	Infosys Tech	Reliance Infra	
	Tata Global	UCO Bank ↑	Jindal Steel	Shriram Trans ↓	
	Tech Mahindra		Lupin	Siemens	
	Thermax		MRF	Sterlite Ind	
	Ultratech		Nestle India	Tata Motors ↓	
			NTPC	Tata Steel	
			O N G C	TCS	

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

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

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