

# *ShroffConnect* Weekly Report

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# Opinion as on 10/11/2012

- Money flow: Uncertain.
  - **Opinion on money flow:** Investors are thinking that due to the continuation of Obama, the fiscal cliff may pose a big problem; economic data from the US is decent and, hence, the confusion. The situation will become clear either way in the weeks to follow. Eurozone continues to battle its debt issues.
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- Indian market: Range bound between 5600-5750.
  - Sectors: Selective Auto, Private Banks, Cement, Consumer Goods and selective Pharma are outperforming.
  - Positives: Good corporate results.
  - Negatives: High fiscal deficit, high inflation, high interest rate, political uncertainty.
  - **Opinion:** The Indian markets need a push from the government to go the next higher level of 6000. It can be in the form of some policy or change in some tax laws. Clearly the previous announcements have improved the sentiment. The winter session of Parliament may not transact much business due to political issues and parties are gearing up for elections. Investors need to be cautious and must react quickly to changing circumstances. For now they may hold onto their investments.



Current news and world  
financial market prices

# Current scenario & news

## World economy

- The International Monetary Fund urged the United States to quickly reach an agreement on a permanent fix to avoid automatic tax hikes and spending cuts early next year, saying a stop-gap solution could be harmful to the global economy.
- China's economy strode further along the road of recovery from its slowest growth in three years, data for October showed on Friday, as infrastructure investment accelerated and output from the country's factories ran at its fastest in five months.
- U.K. bonds rose, with 10-year yields falling to a five-week low, after the Bank of England said it planned to transfer coupon payments it receives from its gilt holdings to the Treasury to lower the nation's debt.

## Indian economy

- In order to enhance the risk management of the banking system, the Reserve Bank prescribed tolerance limits for loan exposure to deal with mismatches between assets and liabilities as part of the final guidelines on liquidity risk management.
- Direct tax collections rose 6.6% in the first seven months of the current financial year from a year ago, underlying Indian economy's struggle with growth.
- India is reviewing budgeted expenditure at each ministry and plans to defer some spending to the next financial year beginning in April to keep the fiscal deficit at 5.3 percent of GDP.
- Gold importers in India, the world's biggest buyer of bullion, paused on fresh purchases ahead of key festivals, as a weaker rupee helped the yellow metal hit its highest level in seven weeks.

## WORLD MARKETS - A SNAPSHOT

	Name	Description	Week ended 10th Nov 2012	% Change
STOCKS	Australia	ASX	4482.46	(0.02)
	Brazil	Bovespa	57357.71	(1.76)
	China	Shanghai	2069.07	(2.27)
	France	CAC	3423.57	(1.97)
	Germany	DAX	7163.50	(2.72)
	Hong Kong	Hang Seng	21384.38	(3.29)
	India	Sensex	18683.68	(0.38)
	Japan	Nikkei	8757.60	(3.24)
	UK	FTSE	5769.68	(1.68)
	USA	DJIA	12815.39	(2.12)
COMMODITIES	Copper	\$/Pound	3.45	(0.86)
	Crude	\$/Barrel	86.07	1.43
	Gold	\$/Troy Ounce	1730.90	3.32
	Natural Gas	\$/MMBtu	3.50	(1.41)
	Silver	\$/Troy Ounce	32.60	5.64
	Aluminium	\$/Tonne	1921.00	(0.21)
	Lead	\$/Tonne	2149.00	2.58
	Nickel	\$/Tonne	15950.00	(0.16)
CURRENCIES	Zinc	\$/Tonne	1892.00	0.96
	USD/GBP		1.5896	(0.84)
	USD/EUR		1.2712	(1.00)
	USD/AUD		1.0384	0.47
	JPY/USD		79.48	(1.19)
	INR/USD		54.67	1.62
	HKD/USD		7.7510	0.02
BONDS	BRL/USD		2.0460	0.79
	2 Year	US Treasury	110.23	0.05
	10 Year		133.91	0.85
	30 Year		151.63	2.17

## INDIAN MARKETS - A SNAPSHOT

	Name	Description	Week ended 10th Nov 2012	% Change
STOCKS	Nifty	Large Cap	5686.25	(0.20)
	Sensex	Large Cap	18683.68	(0.38)
	BSE Midcap	Mid Cap	6660.68	0.23
	BSE Smallcap	Small Cap	7069.65	0.07
Some Major Shares	ACC	Rs/share	1453.25	3.18
	Bharti Airtel		275.80	0.31
	HDFC Ltd		793.95	3.62
	Infosys		2348.70	(1.65)
	L&T		1621.10	(3.24)
	Reliance Inds		787.65	(2.51)
	Tata Motors		280.60	3.91
	Tata Steel		390.55	(2.93)
COMMODITIES	Aluminium	INR/Kg	104.75	0.53
	Copper	INR/Kg	416.20	(0.18)
	Crude	INR/Barrel	4712.00	2.23
	Gold	INR/10gms	31643.00	3.75
	Lead	INR/Kg	118.70	4.49
	Natural Gas	INR/1mmBtu	192.30	(0.47)
	Nickel	INR/Kg	877.10	1.05
	Silver	INR/Kg	60920.00	5.77
	Zinc	INR/Kg	102.95	2.64
CURRENCIES	INR/EUR		69.52	0.64
	INR/GBP		86.88	0.73
	INR/100 JPY		68.77	2.87
	INR/USD		54.67	1.62



Detailed macro analysis

## MACRO ECONOMIC SNAPSHOT AS ON 10/11/2012

USA	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	2.30	2.10
Inflation Rate	Monthly	2.00	1.70
Unemployment Rate	Monthly	7.90	7.80
Benchmark Interest Rate	Weekly	0.25	0.25
Govt. bond 10 year Rate	Weekly	↓1.62	1.73

Euro Area	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	-0.40	0.00
Inflation Rate	Monthly	2.50	2.60
Unemployment Rate	Monthly	11.60	11.40
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	↓1.70	1.90
Unemployment Rate	Monthly	4.10	4.10
Benchmark Interest Rate	Weekly	6.00	6.00
Govt. bond 10 year Rate	Weekly	↓3.60	3.62

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	4.20
Benchmark Interest Rate	Weekly	0.00	0.00
Govt. bond 10 year Rate	Weekly	↓0.75	0.78

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	↓1.78	1.87

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	8.19	8.19

Brazil	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	0.50	0.80
Inflation Rate	Monthly	↑5.45	5.28
Unemployment Rate	Monthly	5.40	5.30
Benchmark Interest Rate	Weekly	7.25	7.50
Govt. bond 10 year Rate	Weekly	↑9.40	9.23

Russia	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	4.00	4.90
Inflation Rate	Monthly	↓6.50	6.60
Unemployment Rate	Monthly	5.20	5.20
Benchmark Interest Rate	Weekly	8.25	8.25
Govt. bond 10 year Rate	Weekly	↓7.38	7.40



## IMPORTANT FUNDAMENTAL FINANCIAL RATIOS FOR SENSEX STOCKS AS ON 10/11/2012

Company	Industry	Price	TTM P/E	P/BV
Bajaj Auto Ltd	Automobile Two & Three Wheelers	1852.05	17.71	7.02
Bharat Heavy Electricals Ltd.	Electric Equipment	232.30	8.11	2.06
Bharti Airtel Ltd.	Telecommunication - Service Provider	275.30	29.87	2.12
Cipla Ltd.	Pharmaceuticals & Drugs	393.50	21.60	3.74
Coal India Ltd.	Mining & Minerals	346.25	14.48	4.87
Dr Reddys Laboratories Ltd.	Pharmaceuticals & Drugs	1768.30	18.78	4.74
GAIL (India) Ltd.	Gas Transmission/Marketing	355.50	12.21	1.90
HDFC Bank Ltd.	Bank - Private	639.30	25.79	4.53
Hero MotoCorp Ltd.	Automobile Two & Three Wheelers	1907.60	16.76	7.13
Hindalco Industries Ltd.	Aluminium & Aluminium Products	113.30	11.57	0.67
Hindustan Unilever Ltd.	Household & Personal Products	529.80	32.01	20.25
Housing Development Finance Corporation Ltd.	Finance - Housing	794.00	27.42	5.01
ICICI Bank Ltd.	Bank - Private	1059.20	16.50	1.89
Infosys Ltd.	IT - Software	2349.15	14.43	3.75
ITC Ltd.	Cigarettes/Tobacco	288.50	33.59	10.05
Jindal Steel & Power Ltd.	Steel/Sponge Iron/Pig Iron	382.45	10.44	1.93
Larsen & Toubro Ltd.	Engineering - Construction	1620.95	20.51	3.64
Mahindra & Mahindra Ltd.	Automobiles-Tractors	910.30	17.66	4.05
Maruti Suzuki India Ltd.	Automobiles - Passenger Cars	1464.65	28.27	2.66
NTPC Ltd.	Power Generation/Distribution	166.95	13.28	1.77
Oil & Natural Gas Corp. Ltd.	Oil Exploration	257.10	9.03	1.77
Reliance Industries Ltd.	Refineries	788.60	13.76	1.51
State Bank Of India	Bank - Public	2156.35	8.02	1.30
Sterlite Industries (India) Ltd.	Metal - Non Ferrous	100.30	6.57	0.69
Sun Pharmaceutical Inds. Ltd.	Pharmaceuticals & Drugs	694.50	27.62	5.42
Tata Consultancy Services Ltd.	IT - Software	1325.50	20.84	7.40
Tata Motors Ltd.	Automobiles-Trucks/Lcv	280.65	5.44	1.92
Tata Power Company Ltd.	Power Generation/Distribution	101.20	0.00	1.86
Tata Steel Ltd.	Steel/Sponge Iron/Pig Iron	390.55	59.17	0.88
Wipro Ltd.	IT - Software	370.60	14.89	2.94

# World macro scenario

- USA – Obama retains presidency for another 4 years. 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. PMI higher in October for the first time in several months.
- 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 by 0.25% on 30/10/12. Repo rate cut unlikely till Jan 2013.
- Inflation – Inflation has increased to 7.81%.
- Foreign exchange – The INR has weakened to beyond Rs.54.50/USD
- Politics – Elections in for Himachal Pradesh and Gujarat.
- Sectors – In terms of growth, private banks, cement, consumer goods and financial services 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 Hong Kong	France Germany ↓ India ↓	Brazil UK ↓ USA	China ↑ Japan ↓	
COMMODITIES	Natural Gas			Aluminium ↑ Copper Crude Oil Gold Lead Nickel Silver Zinc		
CURRENCIES (against USD)	HKD			AUD EUR GBP ↓ INR ↓ JPY	BRL ↓	
BONDS (US Treasury)			30 Year ↑	2 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 Small Cap		Sensex ↓			
SECTORS	Auto Bankex Cap Goods Cons Durable FMCG Healthcare		Realty	IT Metal Oil & Gas Power Teck		
COMMODITIES	Natural Gas		Gold Lead ↑	Aluminium ↑ Copper Nickel Silver	Zinc	Crude Oil
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 ↑	ABG Shipyard ↑	Bata India	Britannia Ind	Astrazeneca Ph
	Colgate-Palm	Biocon ↑	Bharat Forge	CRISIL Ltd	Opto Circuits
	Federal Bank	Castrol India	GE Shipping	Glaxo Pharm	
	Godrej Cons	Cummins India	GSPL		
	I D F C	Dabur ↓	HCC		
	Marico	GMDC	Indian Hotel ↓		
	Titan Ind	GSK Con Health ↓	IGL		
	Yes Bank	IndusInd Bank	LIC Housing		
		Jubilant Food ↓	Shipping Corpn ↑		
		Pidilite Ind ↑	SKF India		
			Tata Sponge		
			TTK Prestige		
			Voltas		

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

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