

ShroffConnect Weekly Report

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Opinion as on 17/11/2012

- Money flow: Out of stocks and beginning to flow into treasuries.
 - **Opinion on money flow:** It is apparent that investors are looking for safety once again with the “fiscal cliff” issue of the USA dominating the environment. Eurozone itself displayed poor GDP growth numbers.
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- Indian market – The Indian market was in correction mode and going toward the support zone of 5500-5550.
 - Sectors – Selective auto, private banks, cement, cigarettes, consumer goods and jewellery are outperforming.
 - Positives – Good corporate results.
 - Negatives – High interest rates, high fiscal deficit, weakening currency.
 - **Opinion:** The govt. seems to be losing steam vis-a-vis the bold economic initiatives it had taken in Sept – Oct. It is mired once again in political issues and is fast losing the plot. The Shome panel report has been submitted but there has been no response by the government. It is necessary that the govt. follow up on their promises. The winter session of Parliament begins next week, and going by the past records of our political parties, very little business may come through. Investors should hold onto their investments and wait for some concrete steps by the govt. to invest further.



Current news and world
financial market prices

Current scenario & news

World economy

- The sovereign debt crisis in the euro area is taking its toll on demand as governments impose budget cuts to narrow their fiscal deficits. Gross domestic product in the monetary union fell 0.1 percent in the third quarter after a 0.2 percent decline in the previous three months.
- Superstorm Sandy drove a surge in new claims for U.S. jobless benefits last week and hurt factory activity in the mid-Atlantic region in November, signs it could deal a substantial blow to economic growth in the fourth quarter.
- Greece's economic slump deepened in the third quarter, with output shrinking 7.2 percent on an annual basis as the debt-laden country heads into its sixth year of depression and struggles to meet its bailout targets.

Indian economy

- India's inflation rate is still high, the RBI governor said on Friday, suggesting that the bank is unlikely to loosen monetary conditions anytime soon to support faltering growth, despite a slight easing in prices last month.
- India's exports fell 1.6 percent to \$23.2 billion in October, while imports jumped 7.37 percent to \$44.2 billion, leaving a trade deficit of \$20.9 billion.
- The foreign exchange reserves continued to dip for the second straight week, falling by \$781.5 million to \$293.56 billion due to a decline in the core currency assets.
- The CMIE has lowered its growth forecast to 6 percent, from 6.2 percent projected earlier, for this fiscal, owing to the delay in recovery in industrial sector and the fall in mining, manufacturing and construction segments.

WORLD MARKETS - A SNAPSHOT

	Name	Description	Week ended 17th Nov 2012	% Change
STOCKS	Australia	ASX	4360.14	(2.73)
	Brazil	Bovespa	55402.33	(3.41)
	China	Shanghai	2014.72	(2.63)
	France	CAC	3341.52	(2.40)
	Germany	DAX	6950.53	(2.97)
	Hong Kong	Hang Seng	21159.01	(1.05)
	India	Sensex	18309.37	(2.00)
	Japan	Nikkei	9024.16	3.04
	UK	FTSE	5605.59	(2.84)
	USA	DJIA	12588.31	(1.77)
COMMODITIES	Copper	\$/Pound	3.45	0.00
	Crude	\$/Barrel	86.67	0.70
	Gold	\$/Troy Ounce	1714.70	(0.94)
	Natural Gas	\$/MMBtu	3.79	8.29
	Silver	\$/Troy Ounce	32.37	(0.71)
	Aluminium	\$/Tonne	1951.00	1.56
	Lead	\$/Tonne	2150.00	0.05
	Nickel	\$/Tonne	15960.00	0.06
	Zinc	\$/Tonne	1920.00	1.48
CURRENCIES	USD/GBP		1.5881	(0.09)
	USD/EUR		1.2739	0.21
	USD/AUD		1.0341	(0.41)
	JPY/USD		81.33	2.33
	INR/USD		55.15	0.88
	HKD/USD		7.7520	0.01
	BRL/USD		2.0750	1.42
BONDS	2 Year	US Treasury	110.26	0.03
	10 Year		134.19	0.21
	30 Year		152.22	0.39

INDIAN MARKETS - A SNAPSHOT

	Name	Description	Week ended 17th Nov 2012	% Change
STOCKS	Nifty	Large Cap	5574.05	(1.97)
	Sensex	Large Cap	18309.37	(2.00)
	BSE Midcap	Mid Cap	6658.33	(0.04)
	BSE Smallcap	Small Cap	7110.75	0.58
Some Major Shares	ACC	Rs/share	1378.10	(5.17)
	Bharti Airtel		301.10	9.17
	HDFC Ltd		774.85	(2.41)
	Infosys		2343.35	(0.23)
	L&T		1578.35	(2.64)
	Reliance Inds		775.15	(1.59)
	Tata Motors		265.00	(5.56)
	Tata Steel		370.10	(5.24)
COMMODITIES	Aluminium	INR/Kg	107.25	2.39
	Copper	INR/Kg	421.80	1.35
	Crude	INR/Barrel	4846.00	2.84
	Gold	INR/10gms	31640.00	(0.01)
	Lead	INR/Kg	119.95	1.05
	Natural Gas	INR/1mmBtu	209.30	8.84
	Nickel	INR/Kg	884.00	0.79
	Silver	INR/Kg	60880.00	(0.07)
	Zinc	INR/Kg	105.35	2.33
CURRENCIES	INR/EUR		70.30	1.12
	INR/GBP		87.63	0.86
	INR/100 JPY		67.86	(1.32)
	INR/USD		55.15	0.88



Detailed macro analysis

MACRO ECONOMIC SNAPSHOT AS ON 17/11/2012

USA	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	2.30	2.10
Inflation Rate	Monthly	↑2.20	2.00
Unemployment Rate	Monthly	7.90	7.80
Benchmark Interest Rate	Weekly	0.25	0.25
Govt. bond 10 year Rate	Weekly	↓1.59	1.62

Euro Area	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	↓-0.60	-0.40
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	↓3.57	3.60

Japan	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	↓0.10	3.20
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	↓0.74	0.75

UK	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	0.00	-0.50
Inflation Rate	Monthly	↑2.70	2.20
Unemployment Rate	Monthly	↓7.80	7.90
Benchmark Interest Rate	Weekly	0.50	0.50
Govt. bond 10 year Rate	Weekly	↓1.75	1.78

India	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	5.50	5.30
Inflation Rate	Monthly	↓7.45	7.81
Unemployment Rate	Monthly	no data	
Benchmark Interest Rate	Weekly	8.00	8.00
Govt. bond 10 year Rate	Weekly	↑8.21	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	↑9.42	9.40

Russia	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	↓2.90	4.00
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	↑7.40	7.38

IMPORTANT FUNDAMENTAL FINANCIAL RATIOS FOR SENSEX STOCKS AS ON 17/11/2012

Company	Industry	Price	TTM P/E	P/BV
Bajaj Auto Ltd	Automobile Two & Three Wheelers	1813.60	17.34	6.87
Bharat Heavy Electricals Ltd.	Electric Equipment	229.95	8.03	2.04
Bharti Airtel Ltd.	Telecommunication - Service Provider	301.10	32.66	2.32
Cipla Ltd.	Pharmaceuticals & Drugs	380.10	20.87	3.62
Coal India Ltd.	Mining & Minerals	350.95	14.23	4.63
Dr Reddys Laboratories Ltd.	Pharmaceuticals & Drugs	1757.35	18.66	4.71
GAIL (India) Ltd.	Gas Transmission/Marketing	346.35	11.89	1.85
HDFC Bank Ltd.	Bank - Private	642.45	25.91	4.55
Hero MotoCorp Ltd.	Automobile Two & Three Wheelers	1817.55	15.97	6.79
Hindalco Industries Ltd.	Aluminium & Aluminium Products	108.90	11.12	0.64
Hindustan Unilever Ltd.	Household & Personal Products	521.35	31.50	19.92
Housing Development Finance Corporation Ltd.	Finance - Housing	774.65	26.75	4.88
ICICI Bank Ltd.	Bank - Private	1026.50	15.99	1.84
Infosys Ltd.	IT - Software	2341.85	14.39	3.73
ITC Ltd.	Cigarettes/Tobacco	274.55	31.96	9.56
Jindal Steel & Power Ltd.	Steel/Sponge Iron/Pig Iron	371.05	10.06	1.76
Larsen & Toubro Ltd.	Engineering - Construction	1578.05	19.97	3.55
Mahindra & Mahindra Ltd.	Automobiles-Tractors	894.45	17.36	3.98
Maruti Suzuki India Ltd.	Automobiles - Passenger Cars	1438.90	27.78	2.61
NTPC Ltd.	Power Generation/Distribution	166.20	13.22	1.77
Oil & Natural Gas Corp. Ltd.	Oil Exploration	255.45	8.97	1.76
Reliance Industries Ltd.	Refineries	775.45	13.52	1.48
State Bank Of India	Bank - Public	2107.50	7.39	1.21
Sterlite Industries (India) Ltd.	Metal - Non Ferrous	97.30	6.37	0.67
Sun Pharmaceutical Inds. Ltd.	Pharmaceuticals & Drugs	679.10	27.01	5.30
Tata Consultancy Services Ltd.	IT - Software	1285.95	20.22	7.18
Tata Motors Ltd.	Automobiles-Trucks/Lcv	265.05	5.14	1.81
Tata Power Company Ltd.	Power Generation/Distribution	99.15	0.00	1.82
Tata Steel Ltd.	Steel/Sponge Iron/Pig Iron	370.05	555.14	0.86
Wipro Ltd.	IT - Software	359.50	14.44	2.85

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 1st Jan, 2013.
- Europe – Economic slowdown in most countries. 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. Change in leadership of the ruling Communist Party.
- Japan – Exports lower especially to China. 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. 2G auctions do not get required funds to curb fiscal deficit.
- Government policies – Govt. announces FDI in multi-brand retail, aviation, insurance and pension funds. Most plans will have to be passed by Parliament. Winter session begins next week.
- RBI – CRR cut by 0.25% on 30/10/12. Repo rate cut unlikely till Jan 2013.
- Inflation – Inflation has decreased marginally to 7.45%.
- Foreign exchange – The INR has weakened to beyond Rs.55/USD
- Politics – Elections in 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. Fiscal cliff deferment talks may fail.
- 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.
- Possibility of early elections.



Detailed technical analysis

WORLD MARKETS - TECHNICAL SNAPSHOT

		Very Bullish	Bullish	Neutral	Bearish	Very Bearish
STOCKS		Hong Kong	India	Australia ↓ Brazil France ↓ Germany ↓ Japan ↑ UK USA		China ↓
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 Small Cap		Nifty ↓ Sensex			
SECTORS	Auto Bankex Cons Durable FMCG Healthcare		Cap Goods ↓ 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

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

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

MAJOR MEDIUM & SMALL COMPANIES - TECHNICAL SNAPSHOT

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

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

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