

# *ShroffConnect* Weekly Report

## 1<sup>st</sup> December, 2012



**Aditya Shroff**

Stock Broking Services

**Shroff Securities Pvt. Ltd.**

Portfolio Investment Management Services

Kolkata: 033 32933592/3658

Bangalore: 080 32996004/6005

Email: [contact@shroffsecurities.com](mailto:contact@shroffsecurities.com)

Web: [www.shroffsecurities.com](http://www.shroffsecurities.com)

(for private circulation only)

# Opinion as on 01/12/2012

- Money flow: Into stocks, especially Asian and European markets.
  - **Opinion on money flow:** Investors are probably sceptical about the intentions of the US lawmakers to compromise on the fiscal cliff. Whilst President Obama is standing strong on taxes on the rich, the Republicans are insistent on tax cuts for them. Therefore, money is finding its way to relative safety of Asian markets where the economies are showing signs of bottoming out.
- 
- Indian markets: The Indian market rallied to 52 week highs to close near its next resistance level of 5900-6000.
  - Sectors: Selective auto, private banks, cigarettes, consumer goods, finance and jewellery are outperforming.
  - Positives: Some progress in Parliament with the vote on FDI due next week.
  - Negatives: High interest rates, inflation, high fiscal deficit and non-functioning Parliament.
  - **Opinion:** Short covering was a dominant factor in last week's bullish run up in the markets. Investors are banking on the ruling government winning the vote on FDI. However, it will be good to remember that the benefits of such reforms will not trickle down to the general public for a few quarters if not more. Truly momentous reforms like Land Acquisition and Labour have not been touched by the ruling party and these are only expected to be taken up by the new government after the next general elections. The markets are probably entering into a trading range of 5750-6100 for the next few months, and investors would be advised to invest fresh money only on dips.



Current news and world  
financial market prices

# Current scenario & news

## World economy

- The U.S. economy grew faster than initially thought in the third quarter as restocking by businesses provided a big boost, but consumer and business spending were revised lower in a sobering reminder of the recovery's underlying weakness.
- China's factory activity in November probably expanded at its fastest pace in seven months, reinforcing views that recovery in the world's second-largest economy is entrenched going into the final quarter of the year.
- Brazil's economy likely grew at the fastest pace in more than two years in the third quarter, as tax breaks to stimulate demand make up for falling investment in the world's second-largest emerging market.
- Annual growth in the M3 broad money supply measure accelerated in the euro zone in October as firms and households increased their bank deposits but loans to the private sector fell.

## Indian economy

- Indian banks have seen a pick-up in demand for credit since the beginning of the festive season in October, and are confident of meeting the central bank's projection for the fiscal year ending in March 2013.
- Driven by coal and petroleum refinery, eight core sector industries registered eight-month high growth of 6.5 percent in October, a trend that is in contrast to fall in country's overall economic growth in July-September period.
- After dipping for two weeks, the country's foreign exchange kitty rose by USD 1.45 billion to USD 294.98 billion for the week ending November 23 amid increase in foreign currency assets.
- The government has raised Rs 932 crore through disinvestment in PSUs during the current fiscal and is working towards achieving the Rs 30,000 crore target set for the year.

## WORLD MARKETS - A SNAPSHOT

	Name	Description	Week ended 1st Dec 2012	% Change
STOCKS	Australia	ASX	4518.03	1.95
	Brazil	Bovespa	57474.57	(0.17)
	China	Shanghai	1980.12	(2.33)
	France	CAC	3557.28	0.81
	Germany	DAX	7405.50	1.32
	Hong Kong	Hang Seng	22030.39	0.53
	India	Sensex	19339.90	4.50
	Japan	Nikkei	9446.01	0.85
	UK	FTSE	5866.82	0.82
	USA	DJIA	13025.58	0.12
COMMODITIES	Copper	\$/Pound	3.65	3.40
	Crude	\$/Barrel	88.91	0.71
	Gold	\$/Troy Ounce	1712.70	(2.21)
	Natural Gas	\$/MMBtu	3.56	(8.72)
	Silver	\$/Troy Ounce	33.28	(2.46)
	Aluminium	\$/Tonne	2094.00	5.60
	Lead	\$/Tonne	2252.00	2.55
	Nickel	\$/Tonne	17650.00	6.20
CURRENCIES	Zinc	\$/Tonne	2046.00	4.33
	USD/GBP		1.6010	(0.14)
	USD/EUR		1.2983	0.08
	USD/AUD		1.0423	(0.33)
	JPY/USD		82.43	0.06
	INR/USD		54.26	(2.27)
	HKD/USD		7.7497	(0.00)
BONDS	BRL/USD		2.1355	2.32
	2 Year	US Treasury	110.24	0.04
	10 Year		134.13	0.60
	30 Year		151.41	0.92

## INDIAN MARKETS - A SNAPSHOT

	Name	Description	Week ended 1st Dec 2012	% Change
STOCKS	Nifty	Large Cap	5879.85	4.50
	Sensex	Large Cap	19339.90	4.50
	BSE Midcap	Mid Cap	6901.99	4.62
	BSE Smallcap	Small Cap	7275.65	3.10
Some Major Shares	ACC	Rs/share	1383.90	0.19
	Bharti Airtel		337.00	10.33
	HDFC Ltd		843.50	8.23
	Infosys		2436.85	2.49
	L&T		1667.90	5.07
	Reliance Inds		793.70	2.58
	Tata Motors		273.45	4.97
	Tata Steel		386.20	5.85
COMMODITIES	Aluminium	INR/Kg	113.05	3.91
	Copper	INR/Kg	440.85	2.23
	Crude	INR/Barrel	4847.00	(1.20)
	Gold	INR/10gms	31101.00	(3.56)
	Lead	INR/Kg	121.90	(0.12)
	Natural Gas	INR/1mmBtu	196.90	(8.76)
	Nickel	INR/Kg	954.70	3.70
	Silver	INR/Kg	61301.00	(3.11)
	Zinc	INR/Kg	111.10	3.06
CURRENCIES	INR/EUR		70.46	(2.23)
	INR/GBP		86.83	(2.43)
	INR/100 JPY		65.79	(2.35)
	INR/USD		54.26	(2.27)



Detailed macro analysis

## MACRO ECONOMIC SNAPSHOT AS ON 01/12/2012

USA	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	2.50	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	↓1.62	1.68

Euro Area	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	-0.60	-0.40
Inflation Rate	Monthly	↓2.20	2.50
Unemployment Rate	Monthly	↑11.70	11.60
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	3.56

Japan	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	0.10	3.20
Inflation Rate	Monthly	↑-0.40	-0.30
Unemployment Rate	Monthly	4.20	4.20
Benchmark Interest Rate	Weekly	0.00	0.00
Govt. bond 10 year Rate	Weekly	↓0.72	0.74

UK	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	↓-0.10	-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	↓1.79	1.85

India	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	↓5.30	5.50
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	8.23

Brazil	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	↑0.90	0.50
Inflation Rate	Monthly	5.45	5.28
Unemployment Rate	Monthly	5.30	5.40
Benchmark Interest Rate	Weekly	7.25	7.25
Govt. bond 10 year Rate	Weekly	9.42	9.42

Russia	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	2.90	4.00
Inflation Rate	Monthly	6.50	6.60
Unemployment Rate	Monthly	5.30	5.20
Benchmark Interest Rate	Weekly	8.25	8.25
Govt. bond 10 year Rate	Weekly	↓6.97	7.05



## IMPORTANT FUNDAMENTAL FINANCIAL RATIOS FOR SENSEX STOCKS AS ON 01/12/2012

Company	Industry	Price	TTM P/E	P/BV
Bajaj Auto Ltd	Automobile Two & Three Wheelers	1930.55	18.46	7.31
Bharat Heavy Electricals Ltd.	Electric Equipment	233.35	8.15	2.07
Bharti Airtel Ltd.	Telecommunication - Service Provider	337.15	36.57	2.59
Cipla Ltd.	Pharmaceuticals & Drugs	414.00	22.73	3.94
Coal India Ltd.	Mining & Minerals	365.95	14.83	4.83
Dr Reddys Laboratories Ltd.	Pharmaceuticals & Drugs	1822.90	19.36	4.89
GAIL (India) Ltd.	Gas Transmission/Marketing	352.35	12.10	1.88
HDFC Bank Ltd.	Bank - Private	703.65	28.41	4.99
Hero MotoCorp Ltd.	Automobile Two & Three Wheelers	1827.90	16.06	6.83
Hindalco Industries Ltd.	Aluminium & Aluminium Products	116.35	11.88	0.69
Hindustan Unilever Ltd.	Household & Personal Products	538.35	32.52	20.57
Housing Development Finance Corporation Ltd.	Finance - Housing	841.45	29.06	5.31
ICICI Bank Ltd.	Bank - Private	1098.60	17.12	1.97
Infosys Ltd.	IT - Software	2436.60	14.97	3.88
ITC Ltd.	Cigarettes/Tobacco	298.25	34.74	10.39
Jindal Steel & Power Ltd.	Steel/Sponge Iron/Pig Iron	402.00	10.90	1.90
Larsen & Toubro Ltd.	Engineering - Construction	1667.10	21.09	3.75
Mahindra & Mahindra Ltd.	Automobiles-Tractors	944.85	18.33	4.20
Maruti Suzuki India Ltd.	Automobiles - Passenger Cars	1473.55	28.44	2.67
NTPC Ltd.	Power Generation/Distribution	162.10	12.90	1.72
Oil & Natural Gas Corp. Ltd.	Oil Exploration	264.90	9.30	1.83
Reliance Industries Ltd.	Refineries	793.90	13.84	1.52
State Bank Of India	Bank - Public	2170.05	7.61	1.25
Sterlite Industries (India) Ltd.	Metal - Non Ferrous	108.50	7.10	0.75
Sun Pharmaceutical Inds. Ltd.	Pharmaceuticals & Drugs	709.75	28.23	5.54
Tata Consultancy Services Ltd.	IT - Software	1312.85	20.64	7.33
Tata Motors Ltd.	Automobiles-Trucks/Lcv	274.25	5.32	1.87
Tata Power Company Ltd.	Power Generation/Distribution	107.55	0.00	1.97
Tata Steel Ltd.	Steel/Sponge Iron/Pig Iron	385.40	578.17	0.89
Wipro Ltd.	IT - Software	392.95	15.78	3.12

# World macro scenario

- USA – US economic data is better than expected. 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. 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 after 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. Middle East zone tense.

# 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 on a stormy note. GDP growth down to 5.3%.
- 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.
- Eurozone's low to negative GDP growth. Spain debt issues.
- Chinese GDP growth slowdown.
- Middle Eastern issues.

## Indian economy

- Lowest GDP growth in years.
- 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		France ↑ Germany ↑ Hong Kong India ↑	Australia ↑	Brazil Japan UK USA		China
COMMODITIES		Natural Gas	Lead ↑ Silver	Aluminium Copper Crude Oil Gold ↓ Nickel Zinc		
CURRENCIES (against USD)	HKD		AUD ↑	EUR GBP INR	BRL JPY	
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 ↑ Sensex ↑ Small Cap ↑					
SECTORS	Auto Bankex Cons Durable FMCG Healthcare Realty ↑		Cap Goods ↑ Teck ↑	IT Metal Oil & Gas Power		
COMMODITIES	Gold Lead Natural Gas Silver			Aluminium Copper Nickel Zinc	Crude Oil	
CURRENCIES (against INR)			EUR GBP ↑	USD	JPY ↓	

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

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

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

# Disclaimer

- This report or newsletter (collectively called 'Report') is for private circulation only. The content, information, statements, opinion, statistics, newsletters, reports and material (collectively called 'Content') contained in this Report does not constitute a recommendation, advice, an offer or solicitation for the purchase or sale of any stocks, commodities, foreign exchange, bonds, mutual funds, debt instruments, financial instruments or any investment products (collectively called 'Securities').
- All Content contained herein are provided "as is" for informational purposes only, and is not intended for trading purposes or advice. The Content provided is based on historical data. The past is not necessarily a guide to the future values and prices. No guarantee, representation or warranty whatsoever is made by M/s Aditya Shroff or M/s Shroff Securities Private Limited, their subsidiaries, group entities, owners, directors, partners, officers or employees (collectively called 'the Companies & Others') regarding the timeliness, quality, completeness, accuracy, adequacy, fullness, functionality or reliability of the Content contained in this Report or of the results obtained from the use of such Content and no warranties whether express or implied, responsibility or liability, contingent or otherwise of any kind and nature whatsoever regarding the accuracy, quality, performance, merchantability and/or fitness for a particular purpose of the Content contained herein or of the results obtained from the use of such Content, the security suitability for the investor, accounting and tax consequences of investing in Securities or the future value developments of such Securities.
- The Content provided in this report thus provides non-binding Content for which the Companies & Others disclaim liability. Transacting in Securities carries a great deal of risk. Readers and recipients should take independent professional advice before doing any transaction(s). The Companies & Others shall not be liable for any informational errors, incompleteness, or delays, or for any actions taken in reliance on Content contained herein.