

ShroffConnect Weekly Report

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Opinion as on 08/12/2012

- Money flow: Into Asian & European stocks.
 - **Opinion on money flow:** Investors are apprehensive about the Fiscal Cliff and the ambivalent attitude of the US politicians. Euro debt issues are more settled for the time being.
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- Indian market: The Indian markets are exhibiting strength and closed above 5900.
 - Sectors: Selective Auto, private Banks, Cement, Engineering, Consumer Goods, Financial Services & Jewellery are outperforming.
 - Positives: Govt. victory on FDI, continuing reforms.
 - Negatives: High fiscal deficit, high interest rate, political turmoil, possibility of early elections.
 - **Opinion:** The government did enjoy a victory over the opposition as far as the FDI vote is concerned but somehow the Indian economy lost the battle because any investor will not invest in a business when it may be banned by the next government. A consensus building was the need of the hour and this government failed miserably in that. However, there is a promise that reforms will continue and this will drive the market higher. We believe that the market will dip early next week to again rise in the coming weeks ahead. Investors should invest in good stocks on dips.



Current news and world
financial market prices

Current scenario & news

World economy

- The economy of the 17-nation eurozone shrank 0.1 percent in the July-September period after a decline of 0.2 percent in the second quarter.
- The US manufacturing sector contracted in November after two consecutive monthly increases, a troubling sign for the economic recovery, a leading industry survey showed.
- Capital spending by Japanese firms was up 2.2 percent in the three months through September from a year earlier.
- Australia's current account deficit increased to 14.9 billion AU dollars (\$15.53 billion) in the September quarter.
- South Korea's consumer prices rose 1.6 percent in November from a year earlier, falling below the 2 percent level for the first time in three months.

Indian economy

- India's industrial production index rose at its fastest annual pace in nearly a year in October, after unexpectedly contracting in September, aided by a statistical spurt in infrastructure-related output.
- India's manufacturing sector growth improved in November, registering the fastest pace in five months, driven by a strong pick up in new orders and improved purchasing activity.
- Indian industry welcomed to FDI in multi-brand retail, saying it will send a strong signal to foreign investors and enable the government to take up further economic reforms.
- The government on Wednesday said India's exports to China have declined by 19.65 percent during the first six months of the current fiscal, leaving trade deficit of over USD 21 billion.

WORLD MARKETS - A SNAPSHOT

	Name	Description	Week ended 8th Dec 2012	% Change
STOCKS	Australia	ASX	4555.85	0.84
	Brazil	Bovespa	58487.32	1.76
	China	Shanghai	2061.79	4.12
	France	CAC	3605.61	1.36
	Germany	DAX	7517.80	1.52
	Hong Kong	Hang Seng	22191.17	0.73
	India	Sensex	19424.10	0.44
	Japan	Nikkei	9527.39	0.86
	UK	FTSE	5914.40	0.81
	USA	DJIA	13155.10	0.99
COMMODITIES	Copper	\$/Pound	3.66	0.27
	Crude	\$/Barrel	85.93	(3.35)
	Gold	\$/Troy Ounce	1705.50	(0.42)
	Natural Gas	\$/MMBtu	3.55	(0.28)
	Silver	\$/Troy Ounce	33.13	(0.45)
	Aluminium	\$/Tonne	2094.00	0.00
	Lead	\$/Tonne	2215.00	(1.64)
	Nickel	\$/Tonne	17225.00	(2.41)
	Zinc	\$/Tonne	2028.00	(0.88)
CURRENCIES	USD/GBP		1.6035	0.16
	USD/EUR		1.2925	(0.45)
	USD/AUD		1.0488	0.62
	JPY/USD		82.45	0.02
	INR/USD		54.47	0.39
	HKD/USD		7.7498	0.00
	BRL/USD		2.0750	(2.83)
BONDS	2 Year	US Treasury	110.26	0.02
	10 Year		134.06	(0.05)
	30 Year		150.88	(0.35)

INDIAN MARKETS - A SNAPSHOT

	Name	Description	Week ended 8th Dec 2012	% Change
STOCKS	Nifty	Large Cap	5907.40	0.47
	Sensex	Large Cap	19424.10	0.44
	BSE Midcap	Mid Cap	7070.37	2.44
	BSE Smallcap	Small Cap	7445.98	2.34
Some Major Shares	ACC	Rs/share	1414.80	2.23
	Bharti Airtel		322.45	(4.32)
	HDFC Ltd		837.75	(0.68)
	Infosys		2321.15	(4.75)
	L&T		1675.45	0.45
	Reliance Inds		834.60	5.15
	Tata Motors		281.90	3.09
	Tata Steel		394.25	2.08
COMMODITIES	Aluminium	INR/Kg	113.25	0.18
	Copper	INR/Kg	444.30	0.78
	Crude	INR/Barrel	4695.00	(3.14)
	Gold	INR/10gms	31326.00	0.72
	Lead	INR/Kg	121.00	(0.74)
	Natural Gas	INR/1mmBtu	193.70	(1.63)
	Nickel	INR/Kg	938.50	(1.70)
	Silver	INR/Kg	62582.00	2.09
	Zinc	INR/Kg	109.90	(1.08)
CURRENCIES	INR/EUR		70.41	(0.07)
	INR/GBP		87.31	0.55
	INR/100 JPY		66.02	0.35
	INR/USD		54.47	0.39



Detailed macro analysis

MACRO ECONOMIC SNAPSHOT AS ON 08/12/2012

USA	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	2.50	2.10
Inflation Rate	Monthly	2.20	2.00
Unemployment Rate	Monthly	↓7.70	7.90
Benchmark Interest Rate	Weekly	0.25	0.25
Govt. bond 10 year Rate	Weekly	↓1.58	1.62

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	↓3.55	3.60

Japan	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	0.10	3.30
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	↓0.69	0.72

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	↓1.77	1.79

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	↓8.17	8.21

Brazil	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	0.90	0.50
Inflation Rate	Monthly	↑5.53	5.45
Unemployment Rate	Monthly	5.30	5.40
Benchmark Interest Rate	Weekly	7.25	7.25
Govt. bond 10 year Rate	Weekly	↓9.19	9.42

Russia	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	2.90	4.00
Inflation Rate	Monthly	6.50	6.50
Unemployment Rate	Monthly	5.30	5.20
Benchmark Interest Rate	Weekly	8.25	8.25
Govt. bond 10 year Rate	Weekly	↓6.87	6.97

IMPORTANT FUNDAMENTAL FINANCIAL RATIOS FOR SENSEX STOCKS AS ON 08/12/2012

Company	Industry	Price	TTM P/E	P/BV
Bajaj Auto Ltd	Automobile Two & Three Wheelers	1939.70	18.55	7.35
Bharat Heavy Electricals Ltd.	Electric Equipment	242.90	8.48	2.16
Bharti Airtel Ltd.	Telecommunication - Service Provider	322.50	34.99	2.48
Cipla Ltd.	Pharmaceuticals & Drugs	410.20	22.52	3.90
Coal India Ltd.	Mining & Minerals	363.20	14.72	4.80
Dr Reddys Laboratories Ltd.	Pharmaceuticals & Drugs	1838.35	19.52	4.93
GAIL (India) Ltd.	Gas Transmission/Marketing	352.55	12.11	1.88
HDFC Bank Ltd.	Bank - Private	692.50	27.95	4.91
Hero MotoCorp Ltd.	Automobile Two & Three Wheelers	1826.40	16.05	6.82
Hindalco Industries Ltd.	Aluminium & Aluminium Products	123.85	12.65	0.73
Hindustan Unilever Ltd.	Household & Personal Products	530.90	32.07	20.29
Housing Development Finance Corporation Ltd.	Finance - Housing	837.00	28.91	5.28
ICICI Bank Ltd.	Bank - Private	1130.85	17.62	2.02
Infosys Ltd.	IT - Software	2319.70	14.25	3.70
ITC Ltd.	Cigarettes/Tobacco	301.45	35.11	10.50
Jindal Steel & Power Ltd.	Steel/Sponge Iron/Pig Iron	409.45	11.11	1.94
Larsen & Toubro Ltd.	Engineering - Construction	1672.55	21.16	3.76
Mahindra & Mahindra Ltd.	Automobiles-Tractors	936.85	18.18	4.17
Maruti Suzuki India Ltd.	Automobiles - Passenger Cars	1510.05	29.15	2.74
NTPC Ltd.	Power Generation/Distribution	159.95	12.72	1.70
Oil & Natural Gas Corp. Ltd.	Oil Exploration	267.55	9.40	1.85
Reliance Industries Ltd.	Refineries	834.20	14.54	1.59
State Bank Of India	Bank - Public	2310.85	8.10	1.33
Sterlite Industries (India) Ltd.	Metal - Non Ferrous	112.85	7.39	0.78
Sun Pharmaceutical Inds. Ltd.	Pharmaceuticals & Drugs	699.50	27.82	5.46
Tata Consultancy Services Ltd.	IT - Software	1267.95	19.93	7.08
Tata Motors Ltd.	Automobiles-Trucks/Lcv	281.80	5.47	1.93
Tata Power Company Ltd.	Power Generation/Distribution	109.70	0.00	2.01
Tata Steel Ltd.	Steel/Sponge Iron/Pig Iron	394.90	592.42	0.92
Wipro Ltd.	IT - Software	379.55	15.25	3.01

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 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 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%.
- 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	Australia ↑ France Germany Hong Kong India			Brazil Japan UK USA		China
COMMODITIES	Lead ↑ Natural Gas			Aluminium Copper Gold Nickel Silver ↓ Zinc	Crude Oil ↓	
CURRENCIES (against USD)	HKD		AUD	EUR GBP INR	JPY	BRL ↓
BONDS (US Treasury)				2 Year 10 Year 30 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 Cap Goods ↑ Cons Durable FMCG Healthcare Realty	Teck		IT Metal Oil & Gas Power		
COMMODITIES	Gold Lead Natural Gas Silver			Aluminium Copper Crude Oil ↑ Nickel Zinc		
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	ACC ↑	Andhra Bank	ABB	
	Axis Bank	Ashok Leyland ↑	Apollo Tyres ↑	Hero Motoco ↓	
	Bajaj Auto	Bank of Baroda ↑	B P C L	O N G C	
	Cipla	Bharti Airtel	Bhel		
	Dr Reddy ↑	Bosch Ltd	Cairn		
	HCL Tech	Canara Bank	Chambal Fert ↑		
	HDFC	Coal India	Crompton Gr		
	HDFC Bank	Grasim Ind	DLF ↑		
	Hind Zinc ↑	Hind Unilever	Exide Inds		
	ICICI Bank	Idea Cellular	GAIL		
	ITC	Kotak Bank	Havells India		
	JP Associates ↑	Petronet LNG	Hindalco		
	L&T	Reliance Cap ↑	Infosys Tech		
	M&M	SBIN ↑	Jindal Steel ↑	Neutral	
	Maruti Suzuki	Tata Chem ↑	JSW Steel		
	Nestle India	Tata Motors ↑	Lupin	Reliance Infra ↑	
	RECL	Tata Power ↑	MRF	Sesa Goa	
	Shriram Trans	Tech Mahindra	NTPC	Siemens	
	Sun Pharma		PNB	Sterlite Ind	
	Tata Global		Power Grid	Tata Steel ↑	
	Thermax		Ranbaxy	TCS	
	Ultratech		RCOM	UCO Bank	
			Reliance Ind	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	Dabur ↑	ABG Shipyard			Astrazeneca Ph
	Biocon	Federal Bank	Bata India			Bharat Forge
	Colgate-Palm	GMDC	Britannia Ind			Opto Circuits
	Godrej Cons	Jubilant Food ↑	Castrol India			
	GSK Con Health		CRISIL Ltd			
	I D F C		Cummins India			
	IndusInd Bank		GE Shipping			
	Marico		Glaxo Pharma			
	Pidilite Ind		GSPL			
	Titan Ind		HCC			
	Yes Bank		Indian Hotel			
			I G L			
			LIC Housing			
			Shipping Corpn ↑			
			SKF India			
			Tata Sponge Iron			
			TTK Prestige			
			Voltas			

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

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