

# *ShroffConnect* Weekly Report

## 22<sup>nd</sup> December, 2012



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# Opinion as on 22/12/2012

- Money flow: There is no clear trend.
  - **Opinion on money flow:** The investors seem uncertain about the Fiscal Cliff negotiations with both parties sticking to their stand. This political posturing may prove very expensive for the American people although there is bound to be some compromise. On the economic front though, their economy has grown more than the previous quarter which is a good sign. The economy also seems to be bottoming out in China which is great for the world economy.
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- Indian markets – The Indian markets began a correction to end the week at approx. 5850.
  - Sectors – Selective Auto, Private Banks, Consumer Goods and selective Pharma are outperforming.
  - Positives –Parliament clearing some important financial bills for banks and companies.
  - Negatives – High fiscal deficit, high interest rates, uncertain political situation.
  - **Opinion:** We feel that the current correction is a technical correction and that the market should resume its upward trend within a few weeks. The finance minister is expected to announce investor friendly measures on GAAR and the retrospective amendments. Individual stocks could correct by 8-10% and investors would do well to buy good stocks on dips.



Current news and world  
financial market prices

# Current scenario & news

## World economy

- US consumer sentiment slumped in December as Americans were rattled by on-going negotiations to avert the tax hikes and spending cuts set to come into effect in the new year.
- U.K. consumer confidence fell in December from an 18-month high as optimism about the outlook for the economy plunged.
- Australia's dollar touched the lowest level in more than two weeks after U.S. lawmakers scrapped a budget vote, rekindling concern the so-called fiscal cliff will drag down the world's biggest economy.
- Brazil boosted gold reserves for a third month in November to double the country's holdings since August as central banks from Russia to Belarus and South Korea add the metal to diversify their assets.

## Indian economy

- The Parliament paved the way for corporate houses to enter the banking sector by approving the banking bill, a key reform legislation pending for long.
- India will soon make it mandatory for foreign investors to declare their source of funds while investing in sensitive sectors, sending out a strong message that round-tripping of Indian funds would not be permitted.
- The foreign exchange reserves rose by a robust USD 1.637 billion to touch USD 296.63 billion during the week ended December 14 on the back of healthy addition of core currency assets.
- The government Friday assured industry that it will soon announce incentives for exporters to provide them a cushion in the wake of declining shipments due to global slowdown.

## WORLD MARKETS - A SNAPSHOT

	Name	Description	Week ended 22nd Dec 2012	% Change
STOCKS	Australia	ASX	4635.22	0.87
	Brazil	Bovespa	61007.03	2.35
	China	Shanghai	2153.31	0.12
	France	CAC	3661.40	0.50
	Germany	DAX	7636.23	0.52
	Hong Kong	Hang Seng	22506.29	(0.44)
	India	Sensex	19242.00	(0.39)
	Japan	Nikkei	9940.06	2.08
	UK	FTSE	5939.99	0.31
	USA	DJIA	13190.84	0.43
COMMODITIES	Copper	\$/Pound	3.57	(2.99)
	Crude	\$/Barrel	88.66	2.23
	Gold	\$/Troy Ounce	1660.10	(2.17)
	Natural Gas	\$/MMBtu	3.45	4.23
	Silver	\$/Troy Ounce	30.20	(6.50)
	Aluminium	\$/Tonne	2083.00	(1.84)
	Lead	\$/Tonne	2306.00	0.52
	Nickel	\$/Tonne	17350.00	(2.94)
	Zinc	\$/Tonne	2082.00	(0.38)
CURRENCIES	USD/GBP		1.6168	0.01
	USD/EUR		1.3185	0.17
	USD/AUD		1.0398	(1.62)
	JPY/USD		84.23	0.91
	INR/USD		55.06	1.06
	HKD/USD		7.7501	0.01
	BRL/USD		2.0782	(0.35)
BONDS	2 Year	US Treasury	110.23	(0.05)
	10 Year		132.48	(0.68)
	30 Year		147.53	(1.46)

## INDIAN MARKETS - A SNAPSHOT

	Name	Description	Week ended 22nd Dec 2012	% Change
STOCKS	Nifty	Large Cap	5847.70	(0.54)
	Sensex	Large Cap	19242.00	(0.39)
	BSE Midcap	Mid Cap	6997.72	(0.02)
	BSE Smallcap	Small Cap	7325.51	(0.38)
Some Major Shares	ACC	Rs/share	1397.30	(0.50)
	Bharti Airtel		307.35	(1.63)
	HDFC Ltd		830.20	(2.59)
	Infosys		2296.85	0.79
	L&T		1590.10	(2.99)
	Reliance Inds		825.25	(1.67)
	Tata Motors		299.40	2.50
	Tata Steel		430.70	8.49
COMMODITIES	Aluminium	INR/Kg	113.30	(1.26)
	Copper	INR/Kg	438.05	(1.63)
	Crude	INR/Barrel	4923.00	4.12
	Gold	INR/10gms	30913.00	(0.95)
	Lead	INR/Kg	126.20	1.53
	Natural Gas	INR/1mmBtu	191.60	5.33
	Nickel	INR/Kg	959.60	(1.11)
	Silver	INR/Kg	58165.00	(5.19)
	Zinc	INR/Kg	113.15	0.58
CURRENCIES	INR/EUR		72.62	1.24
	INR/GBP		88.99	1.08
	INR/100 JPY		65.34	0.15
	INR/USD		55.06	1.06



Detailed macro analysis

## MACRO ECONOMIC SNAPSHOT AS ON 22/12/2012

USA	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	2.60	2.10
Inflation Rate	Monthly	↓1.80	2.20
Unemployment Rate	Monthly	7.70	7.90
Benchmark Interest Rate	Weekly	0.25	0.25
Govt. bond 10 year Rate	Weekly	↑1.80	1.73

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	2.00	1.70
Unemployment Rate	Monthly	4.10	4.10
Benchmark Interest Rate	Weekly	6.00	6.00
Govt. bond 10 year Rate	Weekly	↑3.61	3.60

Japan	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	↓0.50	3.90
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	↑0.77	0.72

UK	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	0.00	-0.50
Inflation Rate	Monthly	2.70	2.70
Unemployment Rate	Monthly	7.80	7.80
Benchmark Interest Rate	Weekly	0.50	0.50
Govt. bond 10 year Rate	Weekly	↑1.93	1.87

India	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	5.30	5.50
Inflation Rate	Monthly	7.24	7.45
Unemployment Rate	Monthly	no data	
Benchmark Interest Rate	Weekly	8.00	8.00
Govt. bond 10 year Rate	Weekly	↓8.15	8.16

Brazil	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	0.90	0.50
Inflation Rate	Monthly	↑5.78	5.53
Unemployment Rate	Monthly	↓4.90	5.30
Benchmark Interest Rate	Weekly	7.25	7.25
Govt. bond 10 year Rate	Weekly	↑9.40	9.24

Russia	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	2.90	4.00
Inflation Rate	Monthly	6.50	6.50
Unemployment Rate	Monthly	↑5.40	5.30
Benchmark Interest Rate	Weekly	8.25	8.25
Govt. bond 10 year Rate	Weekly	↑6.76	6.71



## IMPORTANT FUNDAMENTAL FINANCIAL RATIOS FOR SENSEX STOCKS AS ON 22/12/2012

Company	Industry	Price	TTM P/E	P/BV
Bajaj Auto Ltd	Automobile Two & Three Wheelers	2087.40	19.96	7.91
Bharat Heavy Electricals Ltd.	Electric Equipment	227.65	7.95	2.02
Bharti Airtel Ltd.	Telecommunication - Service Provider	307.15	33.32	2.36
Cipla Ltd.	Pharmaceuticals & Drugs	418.90	23.00	3.98
Coal India Ltd.	Mining & Minerals	352.65	14.29	4.66
Dr Reddys Laboratories Ltd.	Pharmaceuticals & Drugs	1820.20	19.33	4.88
GAIL (India) Ltd.	Gas Transmission/Marketing	348.30	11.96	1.86
HDFC Bank Ltd.	Bank - Private	676.30	27.30	4.80
Hero MotoCorp Ltd.	Automobile Two & Three Wheelers	1896.70	16.67	7.08
Hindalco Industries Ltd.	Aluminium & Aluminium Products	129.15	13.19	0.76
Hindustan Unilever Ltd.	Household & Personal Products	526.60	31.81	20.12
Housing Development Finance Corporation Ltd.	Finance - Housing	828.35	28.62	5.23
ICICI Bank Ltd.	Bank - Private	1122.70	17.49	2.01
Infosys Ltd.	IT - Software	2292.50	14.09	3.66
ITC Ltd.	Cigarettes/Tobacco	287.80	33.55	10.04
Jindal Steel & Power Ltd.	Steel/Sponge Iron/Pig Iron	454.25	12.32	2.15
Larsen & Toubro Ltd.	Engineering - Construction	1588.75	20.10	3.57
Mahindra & Mahindra Ltd.	Automobiles-Tractors	937.55	18.19	4.17
Maruti Suzuki India Ltd.	Automobiles - Passenger Cars	1503.70	29.03	2.73
NTPC Ltd.	Power Generation/Distribution	153.15	12.18	1.63
Oil & Natural Gas Corp. Ltd.	Oil Exploration	261.10	9.17	1.80
Reliance Industries Ltd.	Refineries	822.95	14.34	1.57
State Bank Of India	Bank - Public	2333.70	8.18	1.35
Sterlite Industries (India) Ltd.	Metal - Non Ferrous	116.95	7.66	0.81
Sun Pharmaceutical Inds. Ltd.	Pharmaceuticals & Drugs	729.85	29.03	5.70
Tata Consultancy Services Ltd.	IT - Software	1258.10	19.78	7.02
Tata Motors Ltd.	Automobiles-Trucks/Lcv	299.40	5.81	2.05
Tata Power Company Ltd.	Power Generation/Distribution	105.95	0.00	1.94
Tata Steel Ltd.	Steel/Sponge Iron/Pig Iron	429.55	644.40	1.00
Wipro Ltd.	IT - Software	379.00	15.23	3.01

# World macro scenario

- USA – US economic data is decent. The government has fixed the interest to remain low till 2015. Fed has announced 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.
- 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. A stimulus package has been announced. 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. GDP growth down to 5.3%.
- RBI – Rates unchanged in mid quarter review although rate cuts seem almost certain in January.
- Inflation – Inflation has decreased marginally to 7.24%.
- Politics – The Congress party wins in Himachal and the BJP wins in 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.
- 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 Japan ↑		UK ↑	Brazil China USA		
COMMODITIES	Lead		Natural Gas Zinc	Aluminium Copper Crude Oil Gold Nickel Silver ↓		
CURRENCIES (against USD)	EUR ↑ GBP ↑		HKD	AUD ↓ INR	BRL	JPY
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 Cons Durable FMCG Healthcare Realty		Cap Goods Teck	IT Metal Oil & Gas Power		
COMMODITIES	Lead Zinc ↑		Aluminium Natural Gas	Copper Crude Oil Gold ↓ Nickel Silver ↓		
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	Axis Bank Bajaj Auto Bank of Baroda ↑ Canara Bank Cipla Dr Reddy HCL Tech HDFC HDFC Bank Hind Zinc ICICI Bank ITC JP Associates M&M Maruti Suzuki Nestle India ↑ RECL Reliance Cap Shriram Trans Sun Pharma Tata Global Thermax Ultratech ↑	Ambuja Cem ↓ Ashok Leyland Bharti Airtel Bosch Ltd Idea Cellular JSW Steel ↑ Kotak Bank L & T ↓ MRF ↑ RCOM Reliance Ind SBIN Tata Chem Tata Motors Tata Power ↑ Tech Mahindra Wipro ↑	ACC ↓ Andhra Bank Apollo Tyres Bhel BPCL Cairn Chambal Fert Coal India DLF Exide Inds GAIL ↑ Grasim Ind Havells India Hero Motoco Hind Unilever Hindalco Jindal Steel Lupin NTPC Petronet LNG PNB Power Grid Ranbaxy	ABB Crompton Gr Infosys Tech O N G C  Reliance Infra Sesa Goa Siemens Sterlite Ind Tata Steel TCS UCO Bank	Neutral

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

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

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