

ShroffConnect Weekly Report

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Opinion as on 29/12/2012

- Money flow: Into non US stocks.
 - **Opinion on money flow:** Investors are concerned about the Fiscal Cliff and political posturing of the two major US political parties. There is no agreement in sight but hope is there of achieving something this weekend.
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- Sectors: Selective Auto, Private Banks, Consumer Goods and selective Pharma are outperforming.
 - Positives: The economy seems to be bottoming out.
 - Negatives: High interest rates, high fiscal deficit, political apathy.
 - **Opinion:** The economy is doing decently without any major impetus by the government. A few key IPOs were successful and this is a good sign. A major move may happen if the US avoids the Fiscal Cliff. Investors should hold onto their investments, and invest fresh money on dips.



Current news and world
financial market prices

Current scenario & news

World economy

- US consumer confidence fell sharply in December, as the looming "fiscal cliff" imposed a negative effect on consumer sentiment.
- Chinese industrial companies' profits rose for a third month in November, supporting a rebound in economic growth that may ease the transition to the nation's new leadership.
- Iron ore is rallying the most in about two years as analysts predict that China, the biggest buyer, will import a record amount in 2013 as its accelerating economic growth spurs demand for steel.
- The Australian dollar touched the strongest level in 20 months against the yen after data showed a decline in Japan's consumer prices, adding to the case for increased monetary easing by the nation's central bank.

Indian economy

- The government is likely to announce new norms by the end of next month to revive special economic zones (SEZs), which have lost sheen after imposition of certain levies and proposal to take away tax incentives.
- Indian companies and individuals paid Rs 78,226 crore in third installment of advance tax in December, 10.44% increase over last year, suggesting some pick up in the economy is the third quarter of the current financial year.
- Diesel prices may be hiked by Rs 10 per litre over a 10-month period and kerosene rates increased by same quantum over the next two years if a proposal being mulled in the Oil Ministry is accepted.
- The foreign exchange reserves declined by USD 92.8 million to USD 296.538 billion during the week ended December 21 in the wake of fall in core currency assets, the Reserve Bank said.

WORLD MARKETS - A SNAPSHOT

	Name	Description	Week ended 29th Dec 2012	% Change
STOCKS	Australia	ASX	4685.27	1.08
	Brazil	Bovespa	60952.08	(0.09)
	China	Shanghai	2233.25	3.71
	France	CAC	3620.25	(1.12)
	Germany	DAX	7612.39	(0.31)
	Hong Kong	Hang Seng	22666.59	0.71
	India	Sensex	19444.84	1.05
	Japan	Nikkei	10395.18	4.58
	UK	FTSE	5925.37	(0.25)
	USA	DJIA	12938.11	(1.92)
COMMODITIES	Copper	\$/Pound	3.59	0.56
	Crude	\$/Barrel	90.80	2.41
	Gold	\$/Troy Ounce	1655.90	(0.25)
	Natural Gas	\$/MMBtu	3.47	0.58
	Silver	\$/Troy Ounce	29.98	(0.73)
	Aluminium	\$/Tonne	2063.00	(0.96)
	Lead	\$/Tonne	2335.00	1.26
	Nickel	\$/Tonne	17200.00	(0.86)
CURRENCIES	Zinc	\$/Tonne	2052.50	(1.42)
	USD/GBP		1.6168	0.00
	USD/EUR		1.3219	0.26
	USD/AUD		1.0370	(0.27)
	JPY/USD		86.00	2.10
	INR/USD		54.75	(0.56)
	HKD/USD		7.7513	0.02
BONDS	BRL/USD		2.0467	(1.52)
	2 Year	US Treasury	110.26	0.03
	10 Year		132.95	0.35
	30 Year		148.38	0.58

INDIAN MARKETS - A SNAPSHOT

	Name	Description	Week ended 29th Dec 2012	% Change
STOCKS	Nifty	Large Cap	5908.35	1.04
	Sensex	Large Cap	19444.84	1.05
	BSE Midcap	Mid Cap	7092.94	1.36
	BSE Smallcap	Small Cap	7342.20	0.23
Some Major Shares	ACC	Rs/share	1409.45	0.87
	Bharti Airtel		319.05	3.81
	HDFC Ltd		834.40	0.51
	Infosys		2323.20	1.15
	L&T		1619.95	1.88
	Reliance Inds		840.25	1.82
	Tata Motors		310.05	3.56
	Tata Steel		428.55	(0.50)
COMMODITIES	Aluminium	INR/Kg	111.75	(1.37)
	Copper	INR/Kg	439.35	0.30
	Crude	INR/Barrel	4996.00	1.48
	Gold	INR/10gms	30697.00	(0.70)
	Lead	INR/Kg	126.70	0.40
	Natural Gas	INR/1mmBtu	192.00	0.21
	Nickel	INR/Kg	939.70	(2.07)
	Silver	INR/Kg	57660.00	(0.87)
	Zinc	INR/Kg	111.65	(1.33)
CURRENCIES	INR/EUR		72.41	(0.29)
	INR/GBP		88.52	(0.53)
	INR/100 JPY		63.66	(2.57)
	INR/USD		54.75	(0.56)



Detailed macro analysis

MACRO ECONOMIC SNAPSHOT AS ON 29/12/2012

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	↓1.75	1.80

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	↓3.53	3.61

Japan	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	0.50	3.90
Inflation Rate	Monthly	↓-0.20	-0.40
Unemployment Rate	Monthly	↓4.10	4.20
Benchmark Interest Rate	Weekly	0.00	0.00
Govt. bond 10 year Rate	Weekly	↑0.79	0.77

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	↓1.92	1.93

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	↓8.11	8.15

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	↓9.32	9.40

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	↑6.81	6.76

IMPORTANT FUNDAMENTAL FINANCIAL RATIOS FOR SENSEX STOCKS AS ON 29/12/2012

Company	Industry	Price	TTM P/E	P/BV
Bajaj Auto Ltd	Automobile Two & Three Wheelers	2136.75	20.43	8.09
Bharat Heavy Electricals Ltd.	Electric Equipment	227.45	7.94	2.02
Bharti Airtel Ltd.	Telecommunication - Service Provider	318.35	34.54	2.45
Cipla Ltd.	Pharmaceuticals & Drugs	416.40	22.86	3.96
Coal India Ltd.	Mining & Minerals	354.00	14.35	4.67
Dr Reddys Laboratories Ltd.	Pharmaceuticals & Drugs	1826.85	19.40	4.90
GAIL (India) Ltd.	Gas Transmission/Marketing	351.55	12.07	1.88
HDFC Bank Ltd.	Bank - Private	677.60	27.38	4.81
Hero MotoCorp Ltd.	Automobile Two & Three Wheelers	1894.00	16.64	7.07
Hindalco Industries Ltd.	Aluminium & Aluminium Products	129.45	13.22	0.77
Hindustan Unilever Ltd.	Household & Personal Products	520.70	31.46	19.90
Housing Development Finance Corporation Ltd.	Finance - Housing	832.55	28.76	5.25
ICICI Bank Ltd.	Bank - Private	1142.25	17.80	2.04
Infosys Ltd.	IT - Software	2318.40	14.24	3.70
ITC Ltd.	Cigarettes/Tobacco	289.15	33.71	10.08
Jindal Steel & Power Ltd.	Steel/Sponge Iron/Pig Iron	445.45	12.08	2.11
Larsen & Toubro Ltd.	Engineering - Construction	1618.15	20.47	3.64
Mahindra & Mahindra Ltd.	Automobiles-Tractors	924.45	17.94	4.11
Maruti Suzuki India Ltd.	Automobiles - Passenger Cars	1500.15	28.96	2.72
NTPC Ltd.	Power Generation/Distribution	156.35	12.44	1.66
Oil & Natural Gas Corpn. Ltd.	Oil Exploration	265.85	9.34	1.83
Reliance Industries Ltd.	Refineries	840.35	14.65	1.61
State Bank Of India	Bank - Public	2377.75	8.34	1.37
Sterlite Industries (India) Ltd.	Metal - Non Ferrous	116.85	7.65	0.81
Sun Pharmaceutical Inds. Ltd.	Pharmaceuticals & Drugs	738.30	29.36	5.76
Tata Consultancy Services Ltd.	IT - Software	1265.30	19.89	7.06
Tata Motors Ltd.	Automobiles-Trucks/Lcv	309.65	6.01	2.12
Tata Power Company Ltd.	Power Generation/Distribution	109.05	0.00	2.00
Tata Steel Ltd.	Steel/Sponge Iron/Pig Iron	428.35	642.60	0.99
Wipro Ltd.	IT - Software	391.25	15.72	3.10

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 1st 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	Aluminium ↑ Nickel ↑ Zinc	Copper Crude Oil Gold Natural Gas ↓ Silver		
CURRENCIES (against USD)		EUR	GBP ↓ HKD	AUD BRL ↑ INR		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		Aluminium Copper ↑ Nickel ↑ Zinc ↓	Crude Oil Gold Natural Gas ↓ 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	ACC ↑	Andhra Bank	ABB	
	Bajaj Auto	Ambuja Cem	Apollo Tyres	Cairn ↓	
	Bank of Baroda	Ashok Leyland	B P C L	Infosys Tech	
	Canara Bank	Bharti Airtel	Bhel	NTPC ↓	
	Cipla	Bosch Ltd	Chambal Fert	O N G C	
	Dr Reddy	Hind Zinc ↓	Coal India	Ranbaxy ↓	
	HCL Tech	JSW Steel	Crompton Gr ↑		
	HDFC	Kotak Bank	DLF		
	HDFC Bank	L & T	Exide Inds		
	ICICI Bank	Lupin ↑	GAIL		
	Idea Cellular ↑	MRF	Grasim Ind		
	ITC	RCOM	Havells India		
	JP Associates	Reliance Ind	Hero Motoco		
	M&M	Tata Chemicals	Hind Unilever		
	Maruti Suzuki	Tata Global ↓	Hindalco		
	Nestle India	Tata Power	Jindal Steel		
	RECL	Tech Mahindra	Petronet LNG		
	Reliance Cap	Ultratech ↓	Power Grid		
	SBIN ↑	Wipro	PNB	Neutral	
	Shriram Trans		Reliance Infra		
	Sun Pharma		Sesa Goa	Tata Steel	
	Tata Motors ↑		Siemens	TCS	
	Thermax		Sterlite Ind	UCO Bank	

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

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

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