

# *ShroffConnect* Weekly Report

## 5<sup>th</sup> January, 2013



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# Opinion as on 05/01/2013

- Money flow: Into stocks.
  - **Opinion on money flow:** Investors bought into stocks after the US passed legislation averting the Fiscal Cliff. There are no immediate disasters awaiting the investors although the latest issue is now the debt ceiling for the US economy. This means that US government will not be allowed to borrow money beyond this limit unless this limit is increased by further legislation. The fear is that the ceiling will be reached as early as mid February.
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- Indian market – The Indian market continued to rally and closed beyond 6000.
  - Sectors: Auto, Banks, Consumer Goods, Healthcare and Financial Services are outperforming.
  - Positives: Huge FII inflows into the Indian markets.
  - Negatives: High interest rates, high fiscal deficit, very negative Current Account Deficit, poor political climate.
  - **Opinion:** The Indian markets rallied on global cues and FII buying. The local investment climate is far from satisfactory and raises doubts over the continued upward trend without supporting measure or reforms. Ideally a correction followed by a rate cut and a good budget would be the prescription for the Indian markets. We would like to think that this will happen sooner than later and recommend that fresh buying be avoided for the time. Investors could hold onto their investments and even book some profits at 6100 levels.



Current news and world  
financial market prices

# Current scenario & news

## World economy

- The euro area is struggling to pull out of its second recession in four years as governments cut spending to combat the sovereign debt crisis and consumers curtail spending.
- German unemployment increased less than economists predicted in December and the jobless rate held at 6.9 percent even as Europe's debt crisis curbed investment and spending. Business confidence improved for a second month in December after factory orders and exports rose, signaling the country is unlikely to slide into recession.
- Treasury 10-year yields soared the most since March in the first week of the year after the U.S. avoided the so-called fiscal cliff and Federal Reserve minutes showed policy makers differ over the scope of asset purchases.
- Oil fell towards \$111 a barrel on Friday after U.S. Federal Reserve officials indicated they may at least slow a stimulus programme this year, threatening the economic recovery in the world's biggest fuel consumer.

## Indian economy

- India's record current-account deficit threatens to weigh on the rupee and curb the magnitude of interest-rate cuts forecast to begin this month in support of government policies seeking faster growth.
- Reflecting slowdown, the growth of eight core sectors slipped to four-month low of 1.8 percent in November, mainly due to contraction in production of natural gas, coal and cement.
- Led by healthy growth in personal income tax collection, the gross direct tax collection in the nine months till December of the current fiscal increased by 8.01% to Rs 4.28 lakh crore.
- Gold importers in India, the world's biggest buyer of the metal last year, retreated a day after rumours of an import tax hike, as prices hovered around their highest level in two weeks aided by a weaker rupee.
- The Finance Minister is likely to seek the Cabinet's nod to infuse Rs. 12000 crore into public sector banks, including state-lender State Bank of India, for re-capitalisation. There are 10 to 12 banks in the fray to receive funds from the government.

## WORLD MARKETS - A SNAPSHOT

	Name	Description	Week ended 5th Jan 2013	% Change
STOCKS	Australia	ASX	4742.87	1.23
	Brazil	Bovespa	62523.06	2.58
	China	Shanghai	2276.99	1.96
	France	CAC	3730.02	3.03
	Germany	DAX	7776.37	2.15
	Hong Kong	Hang Seng	23331.09	2.93
	India	Sensex	19784.08	1.74
	Japan	Nikkei	10688.11	2.82
	UK	FTSE	6089.84	2.78
	USA	DJIA	13435.21	3.84
COMMODITIES	Copper	\$/Pound	3.69	2.79
	Crude	\$/Barrel	93.09	2.52
	Gold	\$/Troy Ounce	1648.90	(0.42)
	Natural Gas	\$/MMBtu	3.29	(5.19)
	Silver	\$/Troy Ounce	29.95	(0.10)
	Aluminium	\$/Tonne	2060.00	(0.15)
	Lead	\$/Tonne	2335.50	0.02
	Nickel	\$/Tonne	17355.00	0.90
	Zinc	\$/Tonne	2040.00	(0.61)
CURRENCIES	USD/GBP		1.6075	(0.58)
	USD/EUR		1.3069	(1.13)
	USD/AUD		1.0477	1.03
	JPY/USD		84.14	(2.16)
	INR/USD		54.93	0.33
	HKD/USD		7.7502	(0.01)
	BRL/USD		2.0345	(0.60)
BONDS	2 Year	US Treasury	110.18	(0.07)
	10 Year		131.52	(1.08)
	30 Year		144.50	(2.61)

## INDIAN MARKETS - A SNAPSHOT

	Name	Description	Week ended 5th Jan 2013	% Change
STOCKS	Nifty	Large Cap	6016.15	1.82
	Sensex	Large Cap	19784.08	1.74
	BSE Midcap	Mid Cap	7314.12	3.12
	BSE Smallcap	Small Cap	7615.60	3.72
Some Major Shares	ACC	Rs/share	1434.80	1.80
	Bharti Airtel		327.00	2.49
	HDFC Ltd		837.70	0.40
	Infosys		2349.55	1.13
	L&T		1628.00	0.50
	Reliance Inds		861.85	2.57
	Tata Motors		315.40	1.73
	Tata Steel		433.50	1.16
COMMODITIES	Aluminium	INR/Kg	113.25	1.34
	Copper	INR/Kg	451.50	2.77
	Crude	INR/Barrel	5123.00	2.54
	Gold	INR/10gms	30907.00	0.68
	Lead	INR/Kg	128.90	1.74
	Natural Gas	INR/1mmBtu	180.60	(5.94)
	Nickel	INR/Kg	965.50	2.75
	Silver	INR/Kg	57986.00	0.57
	Zinc	INR/Kg	112.30	0.58
CURRENCIES	INR/EUR		71.83	(0.80)
	INR/GBP		88.30	(0.25)
	INR/100 JPY		62.32	(2.10)
	INR/USD		54.93	0.33



# Detailed macro analysis

## MACRO ECONOMIC SNAPSHOT AS ON 05/01/2013

USA	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	2.60	2.10
Inflation Rate	Monthly	1.80	2.20
Unemployment Rate	Monthly	↑7.80	7.70
Benchmark Interest Rate	Weekly	0.25	0.25
Govt. bond 10 year Rate	Weekly	↑1.90	1.75

Euro Area	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	-0.60	-0.40
Inflation Rate	Monthly	2.20	2.20
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	↑3.65	3.53

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	0.79

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	↑2.07	1.92

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	↓7.97	8.11

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	↓9.11	9.32

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	↑6.85	6.81



## IMPORTANT FUNDAMENTAL FINANCIAL RATIOS FOR SENSEX STOCKS AS ON 05/01/2013

Company	Industry	Price	TTM P/E	P/BV
Bajaj Auto Ltd	Automobile Two & Three Wheelers	2204.50	21.08	8.35
Bharat Heavy Electricals Ltd.	Electric Equipment	242.40	8.47	2.15
Bharti Airtel Ltd.	Telecommunication - Service Provider	327.10	35.48	2.52
Cipla Ltd.	Pharmaceuticals & Drugs	416.00	22.84	3.96
Coal India Ltd.	Mining & Minerals	362.85	14.71	4.79
Dr Reddys Laboratories Ltd.	Pharmaceuticals & Drugs	1888.60	20.06	5.06
GAIL (India) Ltd.	Gas Transmission/Marketing	370.55	12.72	1.98
HDFC Bank Ltd.	Bank - Private	679.55	27.46	4.83
Hero MotoCorp Ltd.	Automobile Two & Three Wheelers	1884.85	16.56	7.04
Hindalco Industries Ltd.	Aluminium & Aluminium Products	132.60	13.54	0.79
Hindustan Unilever Ltd.	Household & Personal Products	533.75	32.25	20.40
Housing Development Finance Corporation Ltd.	Finance - Housing	837.65	28.94	5.28
ICICI Bank Ltd.	Bank - Private	1182.20	18.42	2.12
Infosys Ltd.	IT - Software	2348.30	14.43	3.74
ITC Ltd.	Cigarettes/Tobacco	282.40	32.92	9.85
Jindal Steel & Power Ltd.	Steel/Sponge Iron/Pig Iron	458.00	12.42	2.17
Larsen & Toubro Ltd.	Engineering - Construction	1627.70	20.59	3.66
Mahindra & Mahindra Ltd.	Automobiles-Tractors	940.05	18.24	4.18
Maruti Suzuki India Ltd.	Automobiles - Passenger Cars	1544.00	29.80	2.80
NTPC Ltd.	Power Generation/Distribution	158.60	12.62	1.69
Oil & Natural Gas Corpn. Ltd.	Oil Exploration	284.75	10.00	1.96
Reliance Industries Ltd.	Refineries	860.75	15.00	1.64
State Bank Of India	Bank - Public	2484.80	8.71	1.43
Sterlite Industries (India) Ltd.	Metal - Non Ferrous	119.95	7.85	0.83
Sun Pharmaceutical Inds. Ltd.	Pharmaceuticals & Drugs	734.75	29.22	5.74
Tata Consultancy Services Ltd.	IT - Software	1297.50	20.40	7.24
Tata Motors Ltd.	Automobiles-Trucks/Lcv	315.30	6.12	2.15
Tata Power Company Ltd.	Power Generation/Distribution	110.10	0.00	2.02
Tata Steel Ltd.	Steel/Sponge Iron/Pig Iron	433.40	650.18	1.01
Wipro Ltd.	IT - Software	403.25	16.20	3.20

# World macro scenario

- USA – US economic data is decent. The government has fixed the interest to remain low till 2015. Fed has announced that QE3 will end sometime in 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.
- Japan – Exports lower. A stimulus package has been announced. Political tension with China.
- Rest of the World – Positive economic growth in South East Asia.

# Indian macro scenario

- Economy – Fiscal deficit is much above the desired levels with subsidies becoming bigger.
- Government policies – 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%.
- Sectors – In terms of growth, private banks, consumer goods and financial services sectors are doing better.

# Our concerns on the macro front

## World economies

- Mixed data from USA. QE3 may end this year.
- 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		China ↑	Brazil		
	France			USA		
	Germany					
	Hong Kong					
	India					
	Japan					
	UK ↑					
COMMODITIES	Lead		Aluminium	Copper		
	Zinc ↑		Nickel	Crude Oil		
				Gold		
				Natural Gas		
				Silver		
CURRENCIES	EUR		AUD ↑	BRL		JPY
(against USD)	GBP ↑		HKD	INR		
BONDS				2 Year		
(US Treasury)				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 Oil & Gas ↑ Teck	IT Metal Power		
COMMODITIES	Lead Zinc ↑		Aluminium Copper Nickel	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 Bajaj Auto Bank of Baroda Canara Bank Cipla Dr Reddy HDFC HDFC Bank ICICI Bank Idea Cellular JP Associates JSW Steel ↑ L & T ↑ M&M Maruti Suzuki MRF ↑ Nestle India PNB ↑ RECL Reliance Cap SBIN Shriram Trans Sun Pharma Tata Global ↑ Tata Motors Thermax Ultratech ↑	ACC Ambuja Cem Andhra Bank ↑ Ashok Leyland Bharti Airtel Bosch Ltd DLF ↑ HCL Tech ↓ Hind Zinc ITC ↓ Kotak Bank Lupin RCOM Reliance Ind Sesa Goa ↑ Sterlite Ind ↑ Tata Chemicals Tata Power Tech Mahindra UCO Bank ↑ Wipro	ABB ↑ Apollo Tyres Bhel BPCL Cairn ↑ Chambal Fert Coal India Crompton Gr Exide Inds GAIL Grasim Ind Havells India Hero Motoco Hind Unilever Hindalco Infosys Tech ↑ Jindal Steel O N G C ↑ Petronet LNG Power Grid Ranbaxy ↑ Reliance Infra Siemens Tata Steel TCS	NTPC	

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

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

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