

# *ShroffConnect* Weekly Report

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



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# Opinion as on 12/01/2013

- Money flow: Into stocks.
  - **Opinion on money flow:** Investors are seeing more stable times ahead of them and hence are investing into stocks. The economic numbers from all over the world suggest that the worst may be over.
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- Indian market: The Indian market was range bound and closed at about 5950.
  - Sectors: Selective Auto, Banks, Consumer Goods and Financial Services are outperforming.
  - Positives: Possibility of good corporate results and an interest rate cut by the RBI.
  - Negatives: High fiscal deficit, high interest rate and political turmoil.
  - **Opinion:** It is good to see that the government is bent on doing some right things like increasing the rail fares. It is also considering another diesel rate hike to cut subsidies although whether it can actually do so, given its minority status, remains to be seen. The markets have discounted good corporate results and some correction is due. The longer term picture remains positive and therefore, investors should retain their existing investments and wait before investing fresh money in the market.



Current news and world  
financial market prices

# Current scenario & news

## World economy

- China's exports rose more than forecast last month and a broad measure of credit surged 28%, helping the nation's new leaders sustain a pickup in economic growth after a seven quarter slowdown.
- The U.S. government budget deficit narrowed to its best December monthly result in five years, reflecting higher revenue, lower spending and calendar-driven shifts in some payments.
- Crisis-plagued Spain kicked off a tough 2013 funding programme on Thursday with a well-received debt auction that raised 5.8 billion euros (\$7.6 billion), selling above its target range at lower borrowing costs.
- Japan's new government unveiled a \$226.5 billion stimulus package Friday to breathe life into the world's third-largest economy, rebuild disaster-hit areas and beef up the military.

## Indian economy

- Investments into Indian shares through participatory notes (P-Notes), a preferred route for HNIs and hedge funds from abroad, hit 9-month high of Rs 1.77 lakh crore (about USD 32.4 billion) in November.
- Cash-strapped Railways on Wednesday announced about 25 percent passenger fare hike for all classes to be effective from January 21.
- The foreign exchange reserves slipped by a hefty USD 1.59 billion to USD 294.99 billion on the back of heavy decline in gold reserves and the core currency assets, the Reserve Bank said.
- The Oil Ministry has proposed a Rs 3-4.50 per litre hike in diesel price and Rs 100 in LPG rates along with raising the number of subsidised cooking gas cylinders for households to nine a year from the current cap of six.

## WORLD MARKETS - A SNAPSHOT

	Name	Description	Week ended 12th Jan 2013	% Change
STOCKS	Australia	ASX	4733.77	(0.19)
	Brazil	Bovespa	61497.43	(1.64)
	China	Shanghai	2243.00	(1.49)
	France	CAC	3706.02	(0.64)
	Germany	DAX	7715.53	(0.78)
	Hong Kong	Hang Seng	23264.07	(0.29)
	India	Sensex	19663.64	(0.61)
	Japan	Nikkei	10801.57	1.06
	UK	FTSE	6121.58	0.52
	USA	DJIA	13488.43	0.40
COMMODITIES	Copper	\$/Pound	3.65	(1.08)
	Crude	\$/Barrel	93.56	0.50
	Gold	\$/Troy Ounce	1660.60	0.71
	Natural Gas	\$/MMBtu	3.33	1.22
	Silver	\$/Troy Ounce	30.41	1.54
	Aluminium	\$/Tonne	2097.50	1.82
	Lead	\$/Tonne	2307.00	(1.22)
	Nickel	\$/Tonne	17585.00	1.33
	Zinc	\$/Tonne	2014.50	(1.25)
CURRENCIES	USD/GBP		1.6130	0.34
	USD/EUR		1.3343	2.10
	USD/AUD		1.0534	0.54
	JPY/USD		89.13	5.93
	INR/USD		54.81	(0.22)
	HKD/USD		7.7518	0.02
	BRL/USD		2.0341	(0.02)
BONDS	2 Year	US Treasury	110.23	0.05
	10 Year		131.91	0.30
	30 Year		145.28	0.54

## INDIAN MARKETS - A SNAPSHOT

	Name	Description	Week ended 12th Jan 2013	% Change
STOCKS	Nifty	Large Cap	5951.30	(1.08)
	Sensex	Large Cap	19663.64	(0.61)
	BSE Midcap	Mid Cap	7156.88	(2.15)
	BSE Smallcap	Small Cap	7454.76	(2.11)
Some Major Shares	ACC	Rs/share	1361.40	(5.12)
	Bharti Airtel		325.20	(0.55)
	HDFC Ltd		809.50	(3.37)
	Infosys		2712.10	15.43
	L&T		1531.95	(5.90)
	Reliance Inds		839.90	(2.55)
	Tata Motors		330.40	4.76
	Tata Steel		417.30	(3.74)
COMMODITIES	Aluminium	INR/Kg	114.20	0.84
	Copper	INR/Kg	445.70	(1.28)
	Crude	INR/Barrel	5136.00	0.25
	Gold	INR/10gms	30790.00	(0.38)
	Lead	INR/Kg	126.20	(2.09)
	Natural Gas	INR/1mmBtu	182.20	0.89
	Nickel	INR/Kg	962.30	(0.33)
	Silver	INR/Kg	58199.00	0.37
	Zinc	INR/Kg	110.20	(1.87)
CURRENCIES	INR/EUR		73.17	1.87
	INR/GBP		88.41	0.12
	INR/100 JPY		61.49	(1.33)
	INR/USD		54.81	(0.22)



Detailed macro analysis

## MACRO ECONOMIC SNAPSHOT AS ON 12/01/2013

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	7.80
Benchmark Interest Rate	Weekly	0.25	0.25
Govt. bond 10 year Rate	Weekly	1.90	1.90

Euro Area	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	-0.60	-0.50
Inflation Rate	Monthly	2.20	2.20
Unemployment Rate	Monthly	↑11.80	11.70
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	↑2.50	2.00
Unemployment Rate	Monthly	4.10	4.10
Benchmark Interest Rate	Weekly	6.00	6.00
Govt. bond 10 year Rate	Weekly	↑3.68	3.65

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	↑0.83	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	↑2.09	2.07

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	↓7.88	7.97

Brazil	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	0.90	0.50
Inflation Rate	Monthly	↑5.84	5.78
Unemployment Rate	Monthly	4.90	5.30
Benchmark Interest Rate	Weekly	7.25	7.25
Govt. bond 10 year Rate	Weekly	↑9.27	9.11

Russia	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	2.90	4.00
Inflation Rate	Monthly	↑6.60	6.50
Unemployment Rate	Monthly	5.40	5.30
Benchmark Interest Rate	Weekly	8.25	8.25
Govt. bond 10 year Rate	Weekly	↓6.44	6.85



## IMPORTANT FUNDAMENTAL FINANCIAL RATIOS FOR SENSEX STOCKS AS ON 12/01/2013

Company	Industry	Price	TTM P/E	P/BV
Bajaj Auto Ltd	Automobile Two & Three Wheelers	2117.00	20.24	8.02
Bharat Heavy Electricals Ltd.	Electric Equipment	227.15	7.93	2.02
Bharti Airtel Ltd.	Telecommunication - Service Provider	324.70	35.22	2.50
Cipla Ltd.	Pharmaceuticals & Drugs	421.40	23.14	4.01
Coal India Ltd.	Mining & Minerals	360.55	14.61	4.76
Dr Reddys Laboratories Ltd.	Pharmaceuticals & Drugs	1893.85	20.11	5.08
GAIL (India) Ltd.	Gas Transmission/Marketing	363.75	12.49	1.94
HDFC Bank Ltd.	Bank - Private	669.00	27.03	4.75
Hero MotoCorp Ltd.	Automobile Two & Three Wheelers	1835.35	16.13	6.86
Hindalco Industries Ltd.	Aluminium & Aluminium Products	127.10	12.98	0.75
Hindustan Unilever Ltd.	Household & Personal Products	498.50	30.12	19.05
Housing Development Finance Corporation Ltd.	Finance - Housing	809.60	27.97	5.11
ICICI Bank Ltd.	Bank - Private	1165.30	18.16	2.08
Infosys Ltd.	IT - Software	2712.60	16.67	4.32
ITC Ltd.	Cigarettes/Tobacco	273.50	31.89	9.54
Jindal Steel & Power Ltd.	Steel/Sponge Iron/Pig Iron	432.10	11.72	2.05
Larsen & Toubro Ltd.	Engineering - Construction	1531.45	19.38	3.44
Mahindra & Mahindra Ltd.	Automobiles-Tractors	941.25	18.26	4.19
Maruti Suzuki India Ltd.	Automobiles - Passenger Cars	1565.95	30.23	2.84
NTPC Ltd.	Power Generation/Distribution	152.45	12.13	1.62
Oil & Natural Gas Corp'n. Ltd.	Oil Exploration	292.00	10.26	2.01
Reliance Industries Ltd.	Refineries	839.25	14.63	1.60
State Bank Of India	Bank - Public	2490.95	8.73	1.44
Sterlite Industries (India) Ltd.	Metal - Non Ferrous	117.00	7.66	0.81
Sun Pharmaceutical Inds. Ltd.	Pharmaceuticals & Drugs	738.90	29.39	5.77
Tata Consultancy Services Ltd.	IT - Software	1306.35	20.54	7.29
Tata Motors Ltd.	Automobiles-Trucks/Lcv	330.15	6.40	2.26
Tata Power Company Ltd.	Power Generation/Distribution	106.80	0.00	1.96
Tata Steel Ltd.	Steel/Sponge Iron/Pig Iron	416.90	625.42	0.97
Wipro Ltd.	IT - Software	419.50	16.85	3.33

# 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. Rail fares increased after 10 years.
- 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
<b>STOCKS</b>	Australia France Germany Hong Kong India Japan UK		Brazil ↑ China	USA		
<b>COMMODITIES</b>	Lead		Aluminium Nickel Zinc ↓	Copper Crude Oil Gold Natural Gas Silver		
<b>CURRENCIES (against USD)</b>	EUR		AUD GBP ↓	BRL HKD ↓ INR		JPY
<b>BONDS (US Treasury)</b>				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 Healthcare Realty Teck ↑		Cons Durable ↓ FMCG ↓ IT ↑ Metal ↑ Oil & Gas	Cap Goods ↓ 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	Andhra Bank ↑ Axis Bank Bajaj Auto Bank of Baroda Bharti Airtel ↑ Canara Bank Cipla Dr Reddy HCL Tech ↑ HDFC HDFC Bank ICICI Bank Idea Cellular JSW Steel M&M Maruti Suzuki MRF PNB RECL Reliance Cap SBIN Shriram Trans Sun Pharma Tata Chemicals ↑ Tata Motors Tech Mahindra ↑ Thermax	Ashok Leyland Bosch Ltd BPCL ↑ DLF GAIL ↑ Havells India ↑ Hind Zinc Hindalco ↑ JP Associates ↓ Jindal Steel ↑ Kotak Bank Lupin Nestle India ↓ O N G C ↑ RCOM Reliance Ind Reliance Infra ↑ Sesa Goa Sterlite Ind Tata Global ↓ Tata Power Tata Steel ↑ UCO Bank Wipro	ACC ↓ Ambuja Cem ↓ Apollo Tyres Bhel Cairn Chambal Fert Coal India Crompton Gr Exide Inds Grasim Ind Hero Motoco Hind Unilever Infosys Tech ITC ↓ L & T ↓ Petronet LNG Power Grid Siemens TCS Ultratech ↓	ABB ↓ NTPC Ranbaxy ↓	

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

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

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