

ShroffConnect Weekly Report

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Opinion as on 26/01/2013

- Money flow: The money is flowing into the stock markets all over the world.
 - **Opinion on money flow:** Investors are flocking to the stock market on 'green shoots' appearing in the Chinese economy; additional liquidity in Japan; receded European debt issues and the temporary reprieve given to the debt ceiling issues of the USA.
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- Indian market – The Indian market traded with a positive bias towards the end of the week, closing at 6075.
 - Sectors – Selective Auto, Banks, Consumer Goods, Financial Services and Telecom are outperforming.
 - Positives – Good corporate results by front line companies and large FII inflows.
 - Negatives – High interest rate, high fiscal and current account deficit, political turmoil.
 - **Opinion:** The Finance Minister is trying his best to contain the fiscal deficit in the country. At the same time, his political party is banking on the direct subsidy transfer scheme and the Food Security Bill to bring them to power in the next general elections. It would seem that they are working at cross purposes. Normally politics wins over economics especially just before an election year. This requires caution on the part of investors.
 - The market has become stock driven rather than sector driven. Good companies are showing very good profits, and mediocre companies are showing poor results. The next trigger for the market is the RBI policy on the 29th, and if the RBI governor cuts the repo rate by 50 basis points, the market should maintain its uptrend. Anything less would dampen the sentiment. Investors would do well to hold onto their good stocks and exit mediocre and poor ones, and avoid investing fresh money.



Current news and world
financial market prices

Current scenario & news

World economy

- The S&P 500 index closed above 1500 for the first time in more than five years as strong earnings reports, helped the benchmark extend its rally to eight days.
- Chinese economy grew at its slowest pace in 13 years posting 7.8 per cent year-on-year growth in 2012 amid external jitters and domestic woes.
- The IMF has approved disbursement of 2,798 billion special drawing rights (SDR), amounting to about \$4.3 billion to cash trapped Greece.
- Spain's unemployment rate hit 26.02 percent in 2012, with more than 5.9 million people jobless, the Spanish National Statistics Institute, or INE, said.
- The Bank of Japan (BOJ) Tuesday decided to set a two percent inflation goal and pledged to ease monetary conditions "decisively" at the conclusion of a two-day policy meeting.

Indian economy

- The Reserve Bank of India (RBI) relaxed some of the investment rules for foreign institutional investors (FIIs) buying into the country's debt as part of a long-expected \$10 billion (Rs.53,728.70 crore) increase in corporate and government debt limits.
- The government's total public debt in the October-December period in this financial year grew by 3.6 percent to Rs 40,48,219 crore from Rs 39,06,828 crore in the previous quarter.
- Fuelled by strong growth prospects and easy liquidity conditions, private sector investors are expected to pump in a whopping USD 1.11 trillion into emerging markets including India in 2013.
- Total foreign exchange reserves declined by \$580.3 million to \$295.67 billion during the week ended January 18 on the back of lower foreign currency assets (FCAs), according to RBI.

WORLD MARKETS - A SNAPSHOT

	Name	Description	Week ended 26th Jan 2013	% Change
STOCKS	Australia	ASX	4858.88	1.34
	Brazil	Bovespa	61169.83	(1.27)
	China	Shanghai	2291.30	(1.11)
	France	CAC	3778.16	0.98
	Germany	DAX	7857.97	2.02
	Hong Kong	Hang Seng	23580.43	(0.09)
	India	Sensex	20103.53	0.32
	Japan	Nikkei	10926.65	0.12
	UK	FTSE	6284.45	2.11
	USA	DJIA	13895.98	1.80
COMMODITIES	Copper	\$/Pound	3.65	(0.82)
	Crude	\$/Barrel	95.88	0.33
	Gold	\$/Troy Ounce	1656.60	(1.80)
	Natural Gas	\$/MMBtu	3.44	(3.64)
	Silver	\$/Troy Ounce	31.21	(2.25)
	Aluminium	\$/Tonne	2046.00	0.20
	Lead	\$/Tonne	2355.00	2.35
	Nickel	\$/Tonne	17380.00	(0.97)
	Zinc	\$/Tonne	2080.00	2.26
CURRENCIES	USD/GBP		1.5798	(0.44)
	USD/EUR		1.3458	1.08
	USD/AUD		1.0425	(0.80)
	JPY/USD		90.92	1.00
	INR/USD		53.79	(0.06)
	HKD/USD		7.7539	0.02
	BRL/USD		2.0290	(0.73)
BONDS	2 Year	US Treasury	110.16	(0.05)
	10 Year		131.41	(0.55)
	30 Year		144.06	(1.22)

INDIAN MARKETS - A SNAPSHOT

	Name	Description	Week ended 26th Jan 2013	% Change
STOCKS	Nifty	Large Cap	6074.65	0.17
	Sensex	Large Cap	20103.53	0.32
	BSE Midcap	Mid Cap	6974.23	(2.67)
	BSE Smallcap	Small Cap	7142.71	(3.09)
Some Major Shares	ACC	Rs/share	1326.75	(1.37)
	Bharti Airtel		360.50	3.34
	HDFC Ltd		805.85	(2.05)
	Infosys		2814.65	0.95
	L&T		1611.30	4.82
	Reliance Inds		912.20	1.33
	Tata Motors		301.00	(8.39)
	Tata Steel		406.75	(1.99)
COMMODITIES	Aluminium	INR/Kg	108.90	(0.18)
	Copper	INR/Kg	436.60	(0.47)
	Crude	INR/Barrel	5194.00	0.58
	Gold	INR/10gms	30331.00	(0.82)
	Lead	INR/Kg	127.10	2.58
	Natural Gas	INR/1mmBtu	186.50	(3.02)
	Nickel	INR/Kg	933.20	(1.22)
	Silver	INR/Kg	58250.00	(1.90)
	Zinc	INR/Kg	111.25	1.83
CURRENCIES	INR/EUR		72.41	0.99
	INR/GBP		84.97	(0.50)
	INR/100 JPY		59.13	(1.10)
	INR/USD		53.79	(0.06)



Detailed macro analysis

MACRO ECONOMIC SNAPSHOT AS ON 26/01/2013

USA	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	2.60	2.10
Inflation Rate	Monthly	1.70	1.80
Unemployment Rate	Monthly	7.80	7.80
Benchmark Interest Rate	Weekly	0.25	0.25
Govt. bond 10 year Rate	Weekly	↓1.85	1.86

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	7.90	7.40
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	3.68

Japan	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	0.50	3.90
Inflation Rate	Monthly	↓-0.10	-0.20
Unemployment Rate	Monthly	4.10	4.20
Benchmark Interest Rate	Weekly	0.00	0.00
Govt. bond 10 year Rate	Weekly	↓0.74	0.82

UK	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	0.00	0.00
Inflation Rate	Monthly	2.70	2.70
Unemployment Rate	Monthly	↓7.70	7.80
Benchmark Interest Rate	Weekly	0.50	0.50
Govt. bond 10 year Rate	Weekly	↑2.06	2.04

India	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	5.30	5.50
Inflation Rate	Monthly	7.18	7.24
Unemployment Rate	Monthly	no data	
Benchmark Interest Rate	Weekly	8.00	8.00
Govt. bond 10 year Rate	Weekly	↓7.87	7.88

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	↑9.34	9.27

Russia	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	2.90	4.00
Inflation Rate	Monthly	6.60	6.50
Unemployment Rate	Monthly	↓5.30	5.40
Benchmark Interest Rate	Weekly	8.25	8.25
Govt. bond 10 year Rate	Weekly	↑6.63	6.44

IMPORTANT FUNDAMENTAL FINANCIAL RATIOS FOR SENSEX STOCKS AS ON 26/01/2013

Company	Industry	Price	TTM P/E	P/BV
Bajaj Auto Ltd	Automobile Two & Three Wheelers	2079.20	19.73	7.11
Bharat Heavy Electricals Ltd.	Electric Equipment	229.50	8.02	2.04
Bharti Airtel Ltd.	Telecommunication - Service Provider	359.60	39.01	2.77
Cipla Ltd.	Pharmaceuticals & Drugs	398.15	21.86	3.79
Coal India Ltd.	Mining & Minerals	341.20	13.83	4.51
Dr Reddys Laboratories Ltd.	Pharmaceuticals & Drugs	1942.55	20.63	5.21
GAIL (India) Ltd.	Gas Transmission/Marketing	353.35	12.13	1.89
HDFC Bank Ltd.	Bank - Private	664.50	25.02	4.44
Hero MotoCorp Ltd.	Automobile Two & Three Wheelers	1764.20	16.40	6.04
Hindalco Industries Ltd.	Aluminium & Aluminium Products	116.40	11.89	0.69
Hindustan Unilever Ltd.	Household & Personal Products	475.15	27.79	15.73
Housing Development Finance Corporation Ltd.	Finance - Housing	805.10	26.86	4.85
ICICI Bank Ltd.	Bank - Private	1172.75	18.27	2.10
Infosys Ltd.	IT - Software	2814.65	17.30	4.21
ITC Ltd.	Cigarettes/Tobacco	299.45	33.22	9.58
Jindal Steel & Power Ltd.	Steel/Sponge Iron/Pig Iron	432.70	11.74	2.05
Larsen & Toubro Ltd.	Engineering - Construction	1607.30	19.82	3.47
Mahindra & Mahindra Ltd.	Automobiles-Tractors	899.60	17.46	4.00
Maruti Suzuki India Ltd.	Automobiles - Passenger Cars	1600.20	30.89	2.90
NTPC Ltd.	Power Generation/Distribution	159.30	12.13	1.64
Oil & Natural Gas Corpn. Ltd.	Oil Exploration	341.00	11.98	2.35
Reliance Industries Ltd.	Refineries	911.90	15.03	1.68
State Bank Of India	Bank - Public	2513.25	8.81	1.45
Sterlite Industries (India) Ltd.	Metal - Non Ferrous	112.25	7.35	0.77
Sun Pharmaceutical Inds. Ltd.	Pharmaceuticals & Drugs	726.15	28.88	5.67
Tata Consultancy Services Ltd.	IT - Software	1337.80	19.84	6.77
Tata Motors Ltd.	Automobiles-Trucks/Lcv	301.05	5.84	2.06
Tata Power Company Ltd.	Power Generation/Distribution	106.20	0.00	1.95
Tata Steel Ltd.	Steel/Sponge Iron/Pig Iron	406.55	609.90	0.94
Wipro Ltd.	IT - Software	407.70	15.71	3.06

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. Debt ceiling issues postponed for 3 months.
- Europe – Economic slowdown in most countries.
- China – Has reported a higher GDP figure in many quarters leading to a prima facie conclusion that the economy has bottomed out.
- Japan – An unlimited stimulus package has been announced. Weak Yen. 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. Diesel prices partially deregulated.
- Government policies – GDP growth down to 5.3%.
- RBI – Rates unchanged in mid quarter review. Next review on 29/1/13.
- Politics – Rahul Gandhi appointed as Congress no. 2 just behind his mother Sonia Gandhi.
- Inflation – Inflation has decreased marginally to 7.18%. Import duty on gold hiked to 6% from 4%.
- 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.
- 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		Brazil			
	China ↑		USA ↑			
	France					
	Germany					
	Hong Kong					
	India					
	Japan					
	UK					
COMMODITIES	Lead		Aluminium	Copper	Gold	
			Zinc	Crude Oil	Silver ↓	
				Natural Gas		
				Nickel ↓		
CURRENCIES (against USD)	EUR		AUD	BRL		JPY
				GBP		
				HKD		
				INR		
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	Nifty Sensex		Mid Cap ↓ Small Cap ↓			
SECTORS	Auto Bankex Oil & Gas Realty Teck		Cons Durable Healthcare ↓ IT ↓	Cap Goods FMCG ↓ Metal ↓ Power		
COMMODITIES	Lead		Zinc	Aluminium Copper ↓ Crude Oil Natural Gas Nickel	Gold ↓ Silver ↓	
CURRENCIES (against INR)	EUR ↑			USD	GBP ↓	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 Bharti Airtel BPCL ↑ Canara Bank DLF Dr Reddy HCL Tech ICICI Bank Idea Cellular Infosys Tech ↑ ITC ↑ JSW Steel Maruti Suzuki MRF O N G C ↑ RCOM RECL Reliance Cap Reliance Ind SBIN Shriram Trans Sun Pharma Tata Motors Tech Mahindra	Andhra Bank Bosch Ltd Cipla ↓ GAIL Havells India HDFC ↓ HDFC Bank ↓ Jindal Steel Kotak Bank ↑ M&M PNB ↓ Reliance Infra Sterlite Ind Tata Chem ↓ Tata Power UCO Bank Wipro ↓	ACC Ambuja Cem Apollo Tyres Ashok Leyland ↓ Bhel Cairn Chambal Fert Coal India Grasim Ind Hero Motoco Hind Zinc Hindalco ↓ JP Associates ↓ L & T Lupin Nestle India ↓ NTPC Petronet LNG Sesa Goa ↓ Siemens Tata Global ↓ Tata Steel ↓ TCS Thermax ↓ Ultratech	Crompton Gr ↓ Exide Inds ↓ Hind Unilever Power Grid Ranbaxy	ABB ↓

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

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

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