

ShroffConnect Weekly Report

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Opinion as on 02/02/2013

- Money flow: Into stocks and out of treasuries.
 - **Opinion on money flow:** Investors are flocking to stock markets as economic data improves a bit and central banks pledge to pump in liquidity. This should continue now that threats to the world economy have receded for the near term although solutions have not been found.
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- Indian market: The Indian market corrected a bit to close just under the 6000 mark.
 - Sectors: Banks, Financial Services, Oil & Gas are outperforming.
 - Positives: Good corporate results and FII buying.
 - Negatives: High fiscal deficit, high current account deficit, high interest rates.
 - **Opinion:** The domestic mutual funds are selling a lot and all of this is being bought by the FIIs. It seems that Indian investors believe that the uptrend is over. However, recent steps and statements by the government do indicate intent to bring about fiscal consolidation. If the finance minister proves this intention in the budget, the markets will resume their uptrend quite strongly. Investors should hold onto their investments and even buy well performing companies on dips.



Current news and world
financial market prices

Current scenario & news

World economy

- The US manufacturing sector continued to expand in January, boosted by rise in new orders, evidence of an ongoing economic recovery.
- Singapore received SGD 16 billion (about USD 12.9 billion) in Fixed Asset Investments last year, up 16.8 percent on 2011's SGD 13.7 billion, despite the global economic woes.
- Euro zone inflation fell to a two-year low in January as companies cut prices at a time of record joblessness, potentially giving the European Central Bank more scope to lower interest rates later this year.
- Euro zone factories had their best month in nearly a year during January as burgeoning German output offered support amid signs the worst may be over for the troubled currency bloc.
- Brazil's average unemployment rate last year came in at 5.5 percent, the lowest level since stricter measurement criteria were adopted in 2002.

Indian economy

- The growth of country's manufacturing sector slowed to a three month low in January, primarily due to moderation in new orders and power outages during the month.
- Concerned over the country's large Current Account Deficit, the Reserve Bank Wednesday said future decisions on monetary easing will not only be driven by the inflation trajectory but also by the widening CAD.
- The rupee continued its north-bound journey for the fourth week in a row and appreciated by 49 paise to end the week at an over three-an-a-half-month high of 53.19 against the US currency.
- The government hiked the import tariff value of gold and silver marginally to \$ 545 per 10 gram and \$ 1018 per kg, respectively, amid volatile movement in the global prices of precious metals.

WORLD MARKETS - A SNAPSHOT

	Name	Description	Week ended 2nd Feb 2013	% Change
STOCKS	Australia	ASX	4941.92	1.71
	Brazil	Bovespa	60351.16	(1.34)
	China	Shanghai	2419.02	5.57
	France	CAC	3773.53	(0.12)
	Germany	DAX	7833.39	(0.31)
	Hong Kong	Hang Seng	23721.84	0.60
	India	Sensex	19781.19	(1.60)
	Japan	Nikkei	11191.34	2.42
	UK	FTSE	6347.24	1.00
	USA	DJIA	14009.79	0.82
COMMODITIES	Copper	\$/Pound	3.78	3.56
	Crude	\$/Barrel	97.77	1.97
	Gold	\$/Troy Ounce	1670.60	0.85
	Natural Gas	\$/MMBtu	3.30	(4.07)
	Silver	\$/Troy Ounce	31.96	2.40
	Aluminium	\$/Tonne	2125.00	3.86
	Lead	\$/Tonne	2451.00	4.08
	Nickel	\$/Tonne	18625.00	7.16
CURRENCIES	Zinc	\$/Tonne	2176.00	4.62
	USD/GBP		1.5695	(0.65)
	USD/EUR		1.3645	1.39
	USD/AUD		1.0402	(0.22)
	JPY/USD		92.75	2.01
	INR/USD		53.19	(1.12)
	HKD/USD		7.7555	0.02
BONDS	BRL/USD		1.9805	(2.39)
	2 Year	US Treasury	110.21	0.05
	10 Year		131.13	(0.21)
	30 Year		142.84	(0.85)

INDIAN MARKETS - A SNAPSHOT

	Name	Description	Week ended 2nd Feb 2013	% Change
STOCKS	Nifty	Large Cap	5998.90	(1.25)
	Sensex	Large Cap	19781.19	(1.60)
	BSE Midcap	Mid Cap	6967.50	(0.10)
	BSE Smallcap	Small Cap	7056.48	(1.21)
Some Major Shares	ACC	Rs/share	1318.75	(0.60)
	Bharti Airtel		329.40	(8.63)
	HDFC Ltd		777.95	(3.46)
	Infosys		2770.95	(1.55)
	L&T		1533.35	(4.84)
	Reliance Inds		894.00	(2.00)
	Tata Motors		281.65	(6.43)
	Tata Steel		400.85	(1.45)
COMMODITIES	Aluminium	INR/Kg	112.25	3.08
	Copper	INR/Kg	443.70	1.63
	Crude	INR/Barrel	5187.00	(0.13)
	Gold	INR/10gms	30035.00	(0.98)
	Lead	INR/Kg	130.95	3.03
	Natural Gas	INR/1mmBtu	176.30	(5.47)
	Nickel	INR/Kg	990.90	6.18
	Silver	INR/Kg	58418.00	0.29
	Zinc	INR/Kg	115.30	3.64
CURRENCIES	INR/EUR		72.59	0.25
	INR/GBP		83.45	(1.79)
	INR/100 JPY		57.33	(3.04)
	INR/USD		53.19	(1.12)



Detailed macro analysis

MACRO ECONOMIC SNAPSHOT AS ON 02/02/2013

USA	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	↓1.50	2.60
Inflation Rate	Monthly	1.70	1.80
Unemployment Rate	Monthly	↑7.90	7.80
Benchmark Interest Rate	Weekly	0.25	0.25
Govt. bond 10 year Rate	Weekly	↑1.95	1.85

Euro Area	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	-0.60	-0.50
Inflation Rate	Monthly	↓2.00	2.20
Unemployment Rate	Monthly	11.70	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	↑3.71	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	↑4.20	4.10
Benchmark Interest Rate	Weekly	0.00	0.00
Govt. bond 10 year Rate	Weekly	↓0.72	0.74

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	2.06

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	↓7.75	8.00
Govt. bond 10 year Rate	Weekly	↑7.89	7.87

Brazil	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	0.90	0.50
Inflation Rate	Monthly	5.84	5.78
Unemployment Rate	Monthly	↓4.60	4.90
Benchmark Interest Rate	Weekly	7.25	7.25
Govt. bond 10 year Rate	Weekly	↑9.48	9.34

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	6.63

IMPORTANT FUNDAMENTAL FINANCIAL RATIOS FOR SENSEX STOCKS AS ON 02/02/2013

Company	Industry	Price	TTM P/E	P/BV
Bajaj Auto Ltd	Automobile Two & Three Wheelers	2053.45	19.48	7.03
Bharat Heavy Electricals Ltd.	Electric Equipment	225.35	7.87	2.00
Bharti Airtel Ltd.	Telecommunication - Service Provider	330.50	45.26	2.54
Cipla Ltd.	Pharmaceuticals & Drugs	413.65	22.71	3.93
Coal India Ltd.	Mining & Minerals	355.75	14.42	4.70
Dr Reddys Laboratories Ltd.	Pharmaceuticals & Drugs	1946.70	20.68	5.22
GAIL (India) Ltd.	Gas Transmission/Marketing	342.65	11.77	1.83
HDFC Bank Ltd.	Bank - Private	640.15	24.15	4.29
Hero MotoCorp Ltd.	Automobile Two & Three Wheelers	1813.35	16.86	6.21
Hindalco Industries Ltd.	Aluminium & Aluminium Products	113.45	11.59	0.67
Hindustan Unilever Ltd.	Household & Personal Products	465.00	27.20	15.40
Housing Development Finance Corporation Ltd.	Finance - Housing	778.65	25.98	4.69
ICICI Bank Ltd.	Bank - Private	1171.00	17.05	2.01
Infosys Ltd.	IT - Software	2770.95	17.03	4.15
ITC Ltd.	Cigarettes/Tobacco	309.15	34.30	9.89
Jindal Steel & Power Ltd.	Steel/Sponge Iron/Pig Iron	415.50	11.27	1.97
Larsen & Toubro Ltd.	Engineering - Construction	1534.90	18.93	3.32
Mahindra & Mahindra Ltd.	Automobiles-Tractors	885.95	17.19	3.94
Maruti Suzuki India Ltd.	Automobiles - Passenger Cars	1608.70	25.93	2.83
NTPC Ltd.	Power Generation/Distribution	156.75	11.93	1.61
Oil & Natural Gas Corpn. Ltd.	Oil Exploration	332.45	11.68	2.29
Reliance Industries Ltd.	Refineries	893.45	14.73	1.65
State Bank Of India	Bank - Public	2409.90	8.45	1.39
Sterlite Industries (India) Ltd.	Metal - Non Ferrous	111.95	6.95	0.74
Sun Pharmaceutical Inds. Ltd.	Pharmaceuticals & Drugs	719.80	28.63	5.62
Tata Consultancy Services Ltd.	IT - Software	1346.40	19.97	6.82
Tata Motors Ltd.	Automobiles-Trucks/Lcv	285.00	5.53	1.95
Tata Power Company Ltd.	Power Generation/Distribution	102.65	0.00	1.88
Tata Steel Ltd.	Steel/Sponge Iron/Pig Iron	400.75	601.20	0.93
Wipro Ltd.	IT - Software	407.80	15.72	3.06

World macro scenario

- USA – US economic data unexpectedly contracts. 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. Lowest PMI in three months.
- Government policies – GDP growth down to 5.3%.
- RBI – Cuts repo and CRR by 0.25% and leaves scope for further cuts.
- 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%.

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 China France Germany Hong Kong India Japan UK		Brazil USA			
COMMODITIES	Lead Zinc ↑		Aluminium Nickel ↑	Copper Crude Oil Gold ↑ Natural Gas Silver ↑		
CURRENCIES (against USD)	EUR		INR ↑	AUD ↓ BRL GBP HKD		JPY
BONDS (US Treasury)				2 Year	10 Year	30 Year ↓

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

INDIAN MARKETS - TECHNICAL SNAPSHOT



INDICES

Nifty
Sensex

Mid Cap

Small Cap ↓

SECTORS

Bankex
Oil & Gas
Realty
Teck

Auto ↓
Cons Durable
FMCG ↑
Healthcare
IT

Cap Goods
Metal
Power

COMMODITIES

Lead
Zinc ↑

Aluminium ↑
Copper ↑
Crude Oil ↑
Nickel ↑

Natural Gas

Gold
Silver

CURRENCIES (against INR)

EUR

GBP
USD ↓

JPY

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

MAJOR LARGE COMPANIES - TECHNICAL SNAPSHOT

[illegible]

↑ = 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 ↑	Biocon	Bata India	Astrazeneca Ph ↓	
	Federal Bank ↑	Cummins India	Britannia Ind	SKF India	Bharat Forge	
	IndusInd Bank	Dabur ↑	Castrol India	Voltas	Opto Circuits	
	Marico	Godrej Cons	Colgate-Palm ↓			
	Pidilite Ind	GSK Con Health ↓	CRISIL Ltd			
	Yes Bank	I D F C ↓	GE Shipping			
		LIC Housing ↓	Glaxo Pharma ↓			
			GMDC			
			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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