

ShroffConnect Weekly Report

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Opinion as on 16/02/2013

- Money flow: Into stocks and selective non-precious commodities.
 - **Opinion on money flow:** Investors are confident about an economic recovery especially with better numbers from China. The fact remains that profitable companies are hoarding cash and not spending on new factories. Jobs are not being created and unemployment is on the rise. The million dollar question is – is this a true economic recovery?
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- Indian market: The Indian market continued to correct slowly and closed at a shade under 5900.
 - Sector: Private Banks, Cigarettes, IT, Jewellery and TV broadcasting sectors are outperforming.
 - Positives: Good corporate results and moderating inflation.
 - Negatives: High interest rates, high fiscal and current account deficits.
 - **Opinion:** The Indian market is lagging behind world markets although the Indian economy, even at 5+% GDP growth is one of the fastest growing economies of the world. The main culprit is the deteriorating fiscal condition of the country. If the Finance Minister can set the economy right in the forthcoming budget, the markets will rebound. If he is unable to do so, they will continue to drift. We are optimistic that the minister will give concessions to industry and that the budget will be a good budget. Therefore, we advise clients to retain their investments and even make fresh investments in good companies on dips.



Current news and world
financial market prices

Current scenario & news

World economy

- U.S. retail sales barely rose in January as tax increases and higher gasoline prices restrained spending, suggesting the economy got little help from the consumer at the start of the year.
- The BoJ's Policy Board voted unanimously to maintain its key short-term interest rate at around zero to 0.1 percent and decided to maintain its plan to expand the size of its asset purchase programme to 101 trillion yen (USD 1.08 trillion) by the end of this year.
- The pound had its steepest weekly drop versus the dollar since June after data showed U.K. retail sales unexpectedly fell in January, adding to evidence the economic recovery is faltering.
- The world economy faces a new threat. Instead of a banking collapse or too much debt, fears are growing that countries are using their currencies as an economic weapon.

Indian economy

- Inflation plummeted to a three year low of 6.62 percent in January, but gave no respite to common man as prices of essential kitchen items like onion and potato continued to rule high.
- Making a marginal recovery, India's exports entered the positive zone after a gap of eight months, recording a growth of 0.82 percent to USD 25.58 billion in January.
- India posted its second highest ever monthly trade deficit of \$20 billion in January as imports surged to record highs, piling pressure on a widening current account deficit and limiting scope for the RBI to cut interest rates.
- Even as the government is taking measures to curb gold consumption, the import of yellow metal is projected to go up to about 215 tonnes in the first quarter this year amid decline in international prices and rise in demand.

WORLD MARKETS - A SNAPSHOT

	Name	Description	Week ended 16th Feb 2013	% Change
STOCKS	Australia	ASX	5054.58	1.31
	Brazil	Bovespa	57903.30	(1.02)
	China	Shanghai	2432.40	0.55
	France	CAC	3660.37	0.30
	Germany	DAX	7593.51	(0.77)
	Hong Kong	Hang Seng	23444.56	0.99
	India	Sensex	19468.15	(0.09)
	Japan	Nikkei	11173.83	0.19
	UK	FTSE	6328.26	1.03
	USA	DJIA	13981.76	(0.08)
COMMODITIES	Copper	\$/Pound	3.74	(0.53)
	Crude	\$/Barrel	95.86	0.15
	Gold	\$/Troy Ounce	1609.50	(3.43)
	Natural Gas	\$/MMBtu	3.15	(3.67)
	Silver	\$/Troy Ounce	29.85	(5.06)
	Aluminium	\$/Tonne	2168.00	2.31
	Lead	\$/Tonne	2435.00	0.58
	Nickel	\$/Tonne	18380.00	0.33
	Zinc	\$/Tonne	2175.00	(1.36)
CURRENCIES	USD/GBP		1.5514	(1.79)
	USD/EUR		1.3362	(0.04)
	USD/AUD		1.0306	(0.16)
	JPY/USD		93.52	0.92
	INR/USD		54.32	1.36
	HKD/USD		7.7543	(0.00)
	BRL/USD		1.9610	(0.81)
BONDS	2 Year	US Treasury	110.20	(0.03)
	10 Year		131.53	(0.15)
	30 Year		143.47	(0.15)

INDIAN MARKETS - A SNAPSHOT

	Name	Description	Week ended 16th Feb 2013	% Change
STOCKS	Nifty	Large Cap	5887.40	(0.27)
	Sensex	Large Cap	19468.15	(0.09)
	BSE Midcap	Mid Cap	6626.86	(1.91)
	BSE Smallcap	Small Cap	6540.92	(3.73)
Some Major Shares	ACC	Rs/share	1258.85	(3.44)
	Bharti Airtel		316.65	(1.60)
	HDFC Ltd		812.10	0.41
	Infosys		2788.60	(0.03)
	L&T		1444.00	(4.44)
	Reliance Inds		845.80	(2.06)
	Tata Motors		304.45	6.67
	Tata Steel		376.10	(2.93)
COMMODITIES	Aluminium	INR/Kg	115.85	2.93
	Copper	INR/Kg	448.45	0.58
	Crude	INR/Barrel	5211.00	1.15
	Gold	INR/10gms	30194.00	(2.02)
	Lead	INR/Kg	132.45	2.04
	Natural Gas	INR/1mmBtu	172.00	(2.33)
	Nickel	INR/Kg	994.50	1.19
	Silver	INR/Kg	56063.00	(3.75)
	Zinc	INR/Kg	117.75	0.13
CURRENCIES	INR/EUR		72.59	1.30
	INR/GBP		84.26	(0.45)
	INR/100 JPY		58.06	0.45
	INR/USD		54.32	1.36



Detailed macro analysis

MACRO ECONOMIC SNAPSHOT AS ON 16/02/2013

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	2.01

Euro Area	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	↓-0.90	-0.60
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	2.00	2.50
Unemployment Rate	Monthly	4.10	4.10
Benchmark Interest Rate	Weekly	6.00	6.00
Govt. bond 10 year Rate	Weekly	↓3.61	3.62

Japan	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	↓0.30	0.50
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	↓0.76	0.80

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	↑2.11	2.10

India	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	5.30	5.50
Inflation Rate	Monthly	↓6.62	7.18
Unemployment Rate	Monthly	no data	
Benchmark Interest Rate	Weekly	7.75	8.00
Govt. bond 10 year Rate	Weekly	↓7.84	7.91

Brazil	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	0.90	0.50
Inflation Rate	Monthly	6.15	5.84
Unemployment Rate	Monthly	4.60	4.90
Benchmark Interest Rate	Weekly	7.25	7.25
Govt. bond 10 year Rate	Weekly	↑9.71	9.52

Russia	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	2.90	4.00
Inflation Rate	Monthly	7.10	6.60
Unemployment Rate	Monthly	5.30	5.40
Benchmark Interest Rate	Weekly	8.25	8.25
Govt. bond 10 year Rate	Weekly	6.59	6.59

IMPORTANT FUNDAMENTAL FINANCIAL RATIOS FOR SENSEX STOCKS AS ON 16/02/2013

Company	Industry	Price	TTM P/E	P/BV
Bajaj Auto Ltd	Automobile Two & Three Wheelers	1974.00	18.73	6.75
Bharat Heavy Electricals Ltd.	Electric Equipment	205.15	7.43	1.75
Bharti Airtel Ltd.	Telecommunication - Service Provider	316.25	43.31	2.42
Cipla Ltd.	Pharmaceuticals & Drugs	381.90	20.02	3.49
Coal India Ltd.	Mining & Minerals	349.65	13.86	4.23
Dr Reddys Laboratories Ltd.	Pharmaceuticals & Drugs	1818.05	21.30	4.61
GAIL (India) Ltd.	Gas Transmission/Marketing	337.65	11.02	1.71
HDFC Bank Ltd.	Bank - Private	674.85	25.45	4.52
Hero MotoCorp Ltd.	Automobile Two & Three Wheelers	1675.80	15.58	5.74
Hindalco Industries Ltd.	Aluminium & Aluminium Products	109.75	11.31	0.64
Hindustan Unilever Ltd.	Household & Personal Products	461.40	26.99	15.28
Housing Development Finance Corporation Ltd.	Finance - Housing	810.85	27.09	4.89
ICICI Bank Ltd.	Bank - Private	1123.45	16.35	1.93
Infosys Ltd.	IT - Software	2785.20	17.12	4.17
ITC Ltd.	Cigarettes/Tobacco	300.70	33.36	9.62
Jindal Steel & Power Ltd.	Steel/Sponge Iron/Pig Iron	386.30	10.89	1.75
Larsen & Toubro Ltd.	Engineering - Construction	1443.95	17.81	3.12
Mahindra & Mahindra Ltd.	Automobiles-Tractors	897.30	16.50	3.76
Maruti Suzuki India Ltd.	Automobiles - Passenger Cars	1472.75	23.74	2.59
NTPC Ltd.	Power Generation/Distribution	150.00	11.42	1.54
Oil & Natural Gas Corpn. Ltd.	Oil Exploration	321.80	11.88	2.12
Reliance Industries Ltd.	Refineries	844.85	13.93	1.56
State Bank Of India	Bank - Public	2233.25	7.70	1.23
Sterlite Industries (India) Ltd.	Metal - Non Ferrous	99.25	6.16	0.66
Sun Pharmaceutical Inds. Ltd.	Pharmaceuticals & Drugs	786.10	28.90	5.69
Tata Consultancy Services Ltd.	IT - Software	1441.10	21.37	7.29
Tata Motors Ltd.	Automobiles-Trucks/Lcv	304.05	6.76	2.00
Tata Power Company Ltd.	Power Generation/Distribution	96.70	0.00	1.81
Tata Steel Ltd.	Steel/Sponge Iron/Pig Iron	375.95	0.00	0.89
Wipro Ltd.	IT - Software	398.85	15.37	3.00

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. Diesel prices partially deregulated. Lowest manufacturing PMI in three months although services PMI remains high.
- 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 6.62%. Import duty on gold hiked to 6% from 4% to curb imports.

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 political issues.

Indian economy

- Lowest GDP growth in years.
- High interest rate.
- High and growing fiscal deficit through subsidies.
- High current account deficit.
- Populist politics.
- Possibility of early elections.



Detailed technical analysis

WORLD MARKETS - TECHNICAL SNAPSHOT

		Very Bullish	Bullish	Neutral	Bearish	Very Bearish
STOCKS	Australia China Hong Kong Japan UK USA		France ↓ Germany ↓ India	Brazil		
COMMODITIES	Lead Zinc		Aluminium Copper Crude Oil Nickel	Natural Gas	Gold ↓ Silver ↓	
CURRENCIES (against USD)	EUR		BRL	AUD GBP HKD 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



INDICES

Nifty
Sensex

Mid Cap ↓

Small Cap ↓

SECTORS

IT ↑
Oil & Gas
Teck

Bankex
Realty

Auto ↓
Cons Durable ↓
FMCG
Healthcare ↓
Metal
Power

Cap Goods ↓

COMMODITIES

Lead
Zinc

Aluminium ↑
Crude Oil
Nickel

Copper
Natural Gas

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	Asian Paints Axis Bank DLF Havells India ↑ HCL Tech Idea Cellular IndusInd Bank Infosys ITC Kotak Mah Bank NHPC Oil India ONGC Shree Cement Shriram Trans Sun Pharma ↑ Tech Mahindra United Spirits Yes Bank	Bajaj Auto ↓ Bharti Airtel Dr Reddys ↓ Eicher Motors ↓ Godrej Ind ICICI Bank ↓ JSW Steel ↓ Maruti Suzuki ↓ MRF ↓ PNB Reliance Ind ↓ Tata Motors ↑ TCS Wipro	Apollo Tyres Ashok Leyland Bank Of Baroda ↓ BHEL Bosch Britannia Ind Cadila Healthcare Canara Bank Cipla Coal India Dabur India Dena Bank HDFC Bank HDFC ↓ Hindalco Hindustan Zinc IDFC Jindal Steel JSW Energy ↓ LIC Housing Lupin M & M Nestle India Pantaloon Ret ↓ Petronet LNG Redington	Ambuja Cem ↓ Cairn India ↓ Exide Ind Grasim Ind ↓ Hero MotoCo Hind Unilever JP Associates ↓ L & T ↓ <div style="background-color: yellow; text-align: center; padding: 5px;">Neutral</div> RCOM ↓ RECL ↓ Sesa Goa SBIN Sterlite Ind Tata Chem ↓ Tata Global Tata Steel Thermax Titan Ind Ultratech Cem United Phos ↓	ABB ACC ↓ Bharat Forge Coromandel Int Crompton Gr ↓ EID-Parry Guj State Fert NMDC NTPC ↓ Siemens ↓

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

MAJOR MEDIUM & SMALL COMPANIES - TECHNICAL SNAPSHOT

	Very Bullish	Bullish	Neutral	Bearish	Very Bearish
COMPANIES	Adani Ports	Arvind	Bajaj Finance	Bata India	Gujarat Fluoro
	Amara Raja Batt	Bajaj Corp ↓	Bajaj Finserv	Divis Lab	
	Apollo Hos	GSK Cons ↓	Biocon	GMDC ↓	
	Berger Paints	Glenmark Ph	Castrol India	Jubilant Food	
	City Union	Godrej Cons	Colgate	KPIT Cummins	
	CMC	Indiabulls Fin	Cummins India ↓	MCX ↓	
	Emami ↑	J & K Bank ↓	Financial Tech	Rallis India ↓	
	Madras Cem	Karur Vysya	Glaxo Pharma ↓	Raymond	
	Pidilite Ind	L&T Finance	IGL	Whirlpool	
	Sobha Dev	Oberoi Realty ↑	Indian Hotels		
	Sun TV	Zee Ent ↓	Jain Irrigation		
	Supreme Ind		Marico ↓		
	Wockhardt		Mcleod Russel ↓		
			Shoppers Stop ↓		
			Sintex Ind		
			South Bank ↓		
			TTK Prestige		
			VIP Industries		

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

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