

ShroffConnect Weekly Report

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Opinion as on 16/03/2013

World Markets –

- **Money flow:** Into stocks and out of commodities.
 - **Opinion:** Investors are more confident of an economic revival than before. As of now, they are discounting the 'sequester', calls for ending QE3, the indecisive Italian election and the upcoming German election, not to mention negative growth rates. The phenomenon is not so surprising because the good companies which comprise the indices are doing well by themselves and the indices reflect them rather than the economy as a whole. However, we advise caution.
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Indian Stock Market –

- **Last week:** The market remained range bound and closed at approx. 5875.
- **Sectors:** IT and Paints are outperforming. Apart from these sectors, selective individual stocks of various sectors are doing well.
- **Positives:** The RBI may cut interest rates.
- **Negatives:** High fiscal and current account deficits, high CPI and high interest rates.
- **Opinion:** The RBI may announce an interest rate cut on 19th March, and this should be the next trigger for the market. As the liquidity conditions are also tight, we may see a CRR cut as well. The rally could continue with some announcements by the Finance Minister as was promised by him after the budget speech. However, all these events are likely, and investors should wait and watch. Once these announcements are made, they could look to take some money off the table before the Q4 results. Fresh investments should be avoided for now.



Current news and world
financial market prices

Current scenario & news

World economy

- European governments loosened the shackles on national budgets as the euro-area recession deepens and unemployment climbs, with pro-growth appeals coming even from German Chancellor Angela Merkel, the leader most closely associated with austerity.
- U.S. manufacturing output bounced back in February in the latest signal of strength in an economy that is showing clear momentum despite the headwind from government austerity.
- France and Italy won support for a slightly more growth-friendly interpretation of European Union budget rules at a summit on Thursday after French President Francois Hollande challenged German-driven fiscal austerity.
- Inflation in the 17-nation eurozone fell sharply in February to 1.8 per cent, putting it below the European Central Bank's target rate for the first time in more than two years.

Indian economy

- After declining for two months in a row, industrial output in January grew by 2.4 percent, showing signs of recovery on account of better performance of manufacturing and power sectors even as pressure mounted on RBI to cut interest rates to spur growth.
- RBI is scheduled to announce its mid-quarter review of monetary policy on March 19 and there is widespread expectation that the central bank will cut policy rates to boost growth.
- Indian companies directly invested \$1.7 billion overseas in February, down from \$3.3 billion a month earlier, data from the RBI showed.
- Bank credit to industry witnessed a slower growth at 15.2 percent in January as against 20.2 percent reported a year ago, pulling down the overall non- food credit growth to 14.6 percent for the month, RBI said.

WORLD MARKETS - A SNAPSHOT

	Name	Description	Week ended 16th Mar 2013	% Change
STOCKS	Australia	ASX	5129.33	(0.16)
	Brazil	Bovespa	56869.28	(2.68)
	China	Shanghai	2278.40	(1.73)
	France	CAC	3844.03	0.10
	Germany	DAX	8042.85	0.71
	Hong Kong	Hang Seng	22533.11	(2.42)
	India	Sensex	19427.56	(1.30)
	Japan	Nikkei	12560.95	2.26
	UK	FTSE	6489.65	0.09
	USA	DJIA	14514.11	0.81
COMMODITIES	Copper	\$/Pound	3.52	0.28
	Crude	\$/Barrel	93.45	1.63
	Gold	\$/Troy Ounce	1592.60	1.00
	Natural Gas	\$/MMBtu	3.87	6.61
	Silver	\$/Troy Ounce	28.85	(0.35)
	Aluminium	\$/Tonne	1964.00	(0.05)
	Lead	\$/Tonne	2222.00	0.43
	Nickel	\$/Tonne	16900.00	0.99
CURRENCIES	Zinc	\$/Tonne	1954.00	(1.06)
	USD/GBP		1.5114	1.30
	USD/EUR		1.3076	0.60
	USD/AUD		1.0396	1.52
	JPY/USD		95.29	(0.73)
	INR/USD		54.02	(0.59)
	HKD/USD		7.7575	0.01
BONDS	BRL/USD		1.9708	1.20
	2 Year	US Treasury	110.23	0.00
	10 Year		132.14	0.51
	30 Year		143.38	0.62

INDIAN MARKETS - A SNAPSHOT

	Name	Description	Week ended 16th Mar 2013	% Change
STOCKS	Nifty	Large Cap	5872.60	(1.23)
	Sensex	Large Cap	19427.56	(1.30)
	BSE Midcap	Mid Cap	6386.13	(1.56)
	BSE Smallcap	Small Cap	6179.53	(2.44)
Some Major Shares	ACC	Rs/share	1249.35	(1.08)
	Bharti Airtel		310.30	(3.90)
	HDFC Ltd		817.30	0.50
	Infosys		2878.25	(3.10)
	L&T		1508.15	0.71
	Reliance Inds		843.65	(0.90)
	Tata Motors		291.10	(4.18)
	Tata Steel		354.45	(1.31)
COMMODITIES	Aluminium	INR/Kg	104.85	(0.80)
	Copper	INR/Kg	423.85	(0.33)
	Crude	INR/Barrel	5062.00	1.42
	Gold	INR/10gms	29375.00	0.10
	Lead	INR/Kg	119.60	(0.25)
	Natural Gas	INR/1mmBtu	209.20	5.98
	Nickel	INR/Kg	913.80	0.49
	Silver	INR/Kg	54194.00	(1.20)
	Zinc	INR/Kg	104.70	(2.20)
CURRENCIES	INR/EUR		70.67	0.01
	INR/GBP		81.62	0.72
	INR/100 JPY		56.67	0.14
	INR/USD		54.02	(0.59)



Detailed macro analysis

MACRO ECONOMIC SNAPSHOT AS ON 16/03/2013

USA	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	1.60	2.60
Inflation Rate	Monthly	↑2.00	1.60
Unemployment Rate	Monthly	7.70	7.90
Benchmark Interest Rate	Weekly	0.25	0.25
Govt. bond 10 year Rate	Weekly	↑2.04	2.00

Euro Area	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	-0.90	-0.60
Inflation Rate	Monthly	1.80	2.00
Unemployment Rate	Monthly	11.90	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	↑3.20	2.00
Unemployment Rate	Monthly	4.10	4.10
Benchmark Interest Rate	Weekly	6.00	6.00
Govt. bond 10 year Rate	Weekly	3.64	3.64

Japan	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	0.50	0.30
Inflation Rate	Monthly	-0.30	-0.10
Unemployment Rate	Monthly	4.20	4.10
Benchmark Interest Rate	Weekly	0.00	0.00
Govt. bond 10 year Rate	Weekly	↓0.61	0.66

UK	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	0.30	0.00
Inflation Rate	Monthly	2.70	2.70
Unemployment Rate	Monthly	7.80	7.70
Benchmark Interest Rate	Weekly	0.50	0.50
Govt. bond 10 year Rate	Weekly	↓1.97	2.01

India	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	4.50	5.30
Inflation Rate	Monthly	↑6.84	6.62
Unemployment Rate	Monthly	no data	
Benchmark Interest Rate	Weekly	7.75	7.75
Govt. bond 10 year Rate	Weekly	↑7.87	7.86

Brazil	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	1.40	0.90
Inflation Rate	Monthly	6.31	6.15
Unemployment Rate	Monthly	5.40	4.60
Benchmark Interest Rate	Weekly	7.25	7.25
Govt. bond 10 year Rate	Weekly	↑9.73	9.37

Russia	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	2.90	4.00
Inflation Rate	Monthly	7.30	7.10
Unemployment Rate	Monthly	6.00	5.30
Benchmark Interest Rate	Weekly	8.25	8.25
Govt. bond 10 year Rate	Weekly	↑6.84	6.72

IMPORTANT FUNDAMENTAL FINANCIAL RATIOS FOR SENSEX STOCKS AS ON 16/03/2013

Company	Industry	Price	TTM P/E	P/BV
Bajaj Auto Ltd	Automobile Two & Three Wheelers	1852.50	17.58	6.34
Bharat Heavy Electricals Ltd.	Electric Equipment	198.05	7.17	1.69
Bharti Airtel Ltd.	Telecommunication - Service Provider	311.05	42.60	2.38
Cipla Ltd.	Pharmaceuticals & Drugs	384.25	20.15	3.51
Coal India Ltd.	Mining & Minerals	320.00	12.68	3.87
Dr Reddys Laboratories Ltd.	Pharmaceuticals & Drugs	1823.45	21.37	4.63
GAIL (India) Ltd.	Gas Transmission/Marketing	324.10	10.58	1.64
HDFC Bank Ltd.	Bank - Private	638.75	24.14	4.28
Hero MotoCorp Ltd.	Automobile Two & Three Wheelers	1683.20	15.65	5.76
Hindalco Industries Ltd.	Aluminium & Aluminium Products	95.75	9.87	0.56
Hindustan Unilever Ltd.	Household & Personal Products	458.05	26.79	15.17
Housing Development Finance Corporation Ltd.	Finance - Housing	816.65	19.90	3.98
ICICI Bank Ltd.	Bank - Private	1067.15	15.54	1.83
Infosys Ltd.	IT - Software	2883.70	17.72	4.31
ITC Ltd.	Cigarettes/Tobacco	302.10	33.55	9.68
Jindal Steel & Power Ltd.	Steel/Sponge Iron/Pig Iron	356.65	10.05	1.62
Larsen & Toubro Ltd.	Engineering - Construction	1506.50	18.58	3.26
Mahindra & Mahindra Ltd.	Automobiles-Tractors	927.70	17.06	3.89
Maruti Suzuki India Ltd.	Automobiles - Passenger Cars	1405.00	22.65	2.47
NTPC Ltd.	Power Generation/Distribution	145.90	11.11	1.50
Oil & Natural Gas Corp. Ltd.	Oil Exploration	319.30	11.78	2.11
Reliance Industries Ltd.	Refineries	843.80	13.91	1.56
State Bank Of India	Bank - Public	2261.65	7.80	1.24
Sterlite Industries (India) Ltd.	Metal - Non Ferrous	99.05	6.15	0.66
Sun Pharmaceutical Inds. Ltd.	Pharmaceuticals & Drugs	832.80	30.62	6.03
Tata Consultancy Services Ltd.	IT - Software	1570.90	23.30	7.95
Tata Motors Ltd.	Automobiles-Trucks/Lcv	291.10	6.47	1.91
Tata Power Company Ltd.	Power Generation/Distribution	101.90	0.00	1.91
Tata Steel Ltd.	Steel/Sponge Iron/Pig Iron	354.35	0.00	0.84
Wipro Ltd.	IT - Software	440.95	17.00	3.31

World macro scenario

- USA – US economic data is mixed. The government has fixed the interest to remain low till 2015. Fed has announced that QE3 will end sometime in 2013. Automatic cuts in govt. spending called 'sequester' kick in.
- Europe – Economic slowdown in most countries. Italy elections undecided.
- 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. Current account deficit is very high.
- Government policies – GDP growth down.
- RBI – Cuts repo and CRR by 0.25% and leaves scope for further cuts. The next RBI monetary policy review is on 19th March.
- Politics – Rahul Gandhi appointed as Congress no. 2 just behind his mother Sonia Gandhi. Narendra Modi is the BJP's likely PM candidate for 2014 elections.
- Inflation – WPI has increased to 6.84% but CPI remains stubbornly over 10%.

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.
- High Consumer Price Inflation.
- Populist politics.
- Possibility of early elections.



Detailed technical analysis

WORLD MARKETS - TECHNICAL SNAPSHOT



STOCKS	Australia France Germany Japan UK USA	China Hong Kong	India ↓	Brazil ↓	
COMMODITIES			Aluminium Copper Crude Oil Lead Natural Gas Nickel Zinc	Silver	Gold
CURRENCIES (against USD)	BRL		AUD EUR INR	HKD	GBP JPY
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	IT Teck			Auto Bankex FMCG Healthcare ↓ Oil & Gas ↓ Realty	Cap Goods ↑ Cons Durable ↓	Metal Power
COMMODITIES				Aluminium Copper Crude Oil Lead Natural Gas Nickel Zinc	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 DLF HCL Tech Idea Cellular Infosys Sun Pharma TCS	Axis Bank ↓ BPCL ITC ↑ Lupin ↑ M & M ↑ MRF ONGC Yes Bank	Apollo Tyres Bajaj Auto ↓ Bharti Airtel Britannia Ind Dabur India Dr Reddys HDFC Bank HDFC ICICI Bank Jindal Steel JSW Steel L & T ↑ Maruti Suzuki Nestle India Reliance Ind SBIN Tata Motors ↓ Ultratech Cem	ACC ↑ Ambuja Cem Bank Of Baroda ↓ BHEL Cipla ↓ Exide Ind JP Associates ↑ LIC Housing OBC ↓ Pantaloon Sesa Goa Sterlite Ind ↓ Titan Ind ↓	Cairn India Hero Moto Co Hindalco Hind Unilever Tata Steel

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

MAJOR MEDIUM & SMALL COMPANIES - TECHNICAL SNAPSHOT

	Very Bullish	Bullish	Neutral	Bearish	Very Bearish
COMPANIES	Berger Paints	Adani Ports	Arvind	Bajaj Finserv	Bata India
	CMC	Amara Raja Batt ↓	Bajaj Finance	Balrampur Chini	
	Finolex Ind	Apollo Hosp ↓	Biocon	Colgate-Pal ↓	
	Godrej Con	Castrol India ↑	Cummins	DiviS Lab	
	GSK Consumer	Emami	IFCI	GSPL	
	L&T Finance ↑	Glenmark Ph	IGL	Indian Hotels	
	Mindtree	Sobha Dev	Jubilant Food ↑	Jain Irrigation ↓	
	Pidilite Ind	Sun TV	M & M Financial	KPIT Cummins	
	Tata Coffee ↑	Supreme Ind	Marico	Rallis India ↑	
	Wockhardt		OFSS	Sintex Ind	
			Zee Ent ↓		

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

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