

# *ShroffConnect* Weekly Report

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# Opinion as on 11/05/2013

## World Markets –

- **Money flow:** The money is flowing into stocks.
  - **Opinion:** Investors are feeling comfortable with the liquidity inflow into the developed economies and Eurozone issues have taken a backseat for the time.
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## Indian Stock Market –

- **Stock Market:** The Indian stock market consolidated at 6100 levels.
- **Sectors:** Private Banks, Consumer Goods, selective Pharma and Telecom are outperforming.
- **Positives:** FII buying.
- **Negatives:** Political issues, high interest rate and high fiscal deficit.
- **Opinion:** The market is at a resistance. All the good news is in. The UPA government has sacked two of its ministers for corruption (Railway) and impropriety (Law). Unfortunately it cannot sack the ministers from its allied parties for the same issues. Foreign markets and foreign inflows are fuelling this rally. Investors should be cautious and invest only on a significant dip.



Current news and world  
financial market prices

# Current scenario & news

## World economy

- IMF officials say they are watching carefully for signs that massive flows of cash unleashed in world markets by unprecedented monetary easing might lead to asset bubbles, or to overheating in some emerging markets.
- China's annual consumer inflation rose by more than expected in April while factory prices fell for a 14th consecutive month, highlighting the dilemma facing the central bank as it balances support for the economy against the threat of rising prices.
- Japanese shares led gains in Asia as the yen weakened beyond 101 per dollar for the first time in four years, helping the nation's exporters compete. South Korea's won dropped the most since January, while oil declined.
- The number of Americans filing new claims for jobless aid fell last week to its lowest level in nearly 5-1/2 years, signaling labor market resilience in the face of fiscal austerity.

## Indian economy

- Showing signs of recovery, the industrial growth has bounced back to 2.5 per cent in March on better performance of manufacturing and power sectors coupled with higher output of capital goods. Industrial production had seen a contraction of 2.8 per cent in March last year.
- India's May diesel exports will fall by as much as 30 percent from recent months as refiners meet local summer demand, but any benefit for beleaguered regional refining margins will be short-lived as exports rebound in June, says industry sources.
- The country's forex reserves plunged by a hefty USD 2.06 billion to USD 294.31 billion for the week ended May 3 amid sharp fall in the value of gold reserves.
- The pressure on rupee is lessening with easing of inflation and improving growth trends and the local currency could appreciate to about 52 levels to the dollar in the next 12 months, a report said.

## WORLD MARKETS - A SNAPSHOT

	Name	Description	Week ended 10th May 2013	% Change
STOCKS	Australia	ASX	5191.09	1.68
	Brazil	Bovespa	55107.80	(0.69)
	China	Shanghai	2246.83	1.87
	France	CAC	3953.83	1.04
	Germany	DAX	8278.59	1.92
	Hong Kong	Hang Seng	23321.22	2.78
	India	Sensex	20082.62	2.59
	Japan	Nikkei	14607.54	6.67
	UK	FTSE	6624.98	1.59
	USA	DJIA	15118.49	0.97
COMMODITIES	Copper	\$/Pound	3.35	1.21
	Crude	\$/Barrel	96.04	0.45
	Gold	\$/Troy Ounce	1436.60	(1.88)
	Natural Gas	\$/MMBtu	3.91	(3.22)
	Silver	\$/Troy Ounce	23.66	(1.46)
	Aluminium	\$/Tonne	1870.00	(0.64)
	Lead	\$/Tonne	1994.00	(2.16)
	Nickel	\$/Tonne	15360.00	0.89
	Zinc	\$/Tonne	1859.00	(1.38)
CURRENCIES	USD/GBP		1.5361	(1.33)
	USD/EUR		1.2992	(0.93)
	USD/AUD		1.0017	(2.88)
	JPY/USD		101.59	2.62
	INR/USD		54.80	1.86
	HKD/USD		7.7605	0.03
	BRL/USD		2.0135	0.06
BONDS	2 Year	US Treasury	110.26	(0.04)
	10 Year		132.08	(0.59)
	30 Year		145.00	(1.40)

## INDIAN MARKETS - A SNAPSHOT

	Name	Description	Week ended 10th May 2013	% Change
STOCKS	Nifty	Large Cap	6094.75	2.54
	Sensex	Large Cap	20082.62	2.59
	BSE Midcap	Mid Cap	6519.29	2.25
	BSE Smallcap	Small Cap	6166.34	2.22
Some Major Shares	ACC	Rs/share	1242.60	1.25
	Bharti Airtel		324.25	2.06
	HDFC Ltd		877.30	2.62
	Infosys		2371.55	2.76
	L&T		1562.05	(0.53)
	Reliance Inds		812.95	1.56
	Tata Motors		309.05	8.21
	Tata Steel		318.50	2.35
COMMODITIES	Aluminium	INR/Kg	102.45	1.89
	Copper	INR/Kg	410.80	4.12
	Crude	INR/Barrel	5252.00	2.12
	Gold	INR/10gms	26999.00	0.14
	Lead	INR/Kg	110.25	0.64
	Natural Gas	INR/1mmBtu	214.10	(2.10)
	Nickel	INR/Kg	850.00	4.33
	Silver	INR/Kg	45284.00	0.45
	Zinc	INR/Kg	101.95	1.19
CURRENCIES	INR/EUR		71.21	0.89
	INR/GBP		84.15	0.50
	INR/100 JPY		53.91	(0.75)
	INR/USD		54.80	1.86



# Detailed macro analysis

## MACRO ECONOMIC SNAPSHOT AS ON 11/05/2013

USA	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	1.80	1.70
Inflation Rate	Monthly	1.50	2.00
Unemployment Rate	Monthly	7.50	7.60
Benchmark Interest Rate	Weekly	0.25	0.25
Govt. bond 10 year Rate	Weekly	↑1.77	1.63

Euro Area	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	-0.90	-0.60
Inflation Rate	Monthly	1.20	1.70
Unemployment Rate	Monthly	12.10	12.00
Benchmark Interest Rate	Weekly	0.50	0.75
Govt. bond 10 year Rate	Weekly	↑1.01	0.95

China	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	7.70	7.90
Inflation Rate	Monthly	↑2.40	2.10
Unemployment Rate	Monthly	4.10	4.10
Benchmark Interest Rate	Weekly	6.00	6.00
Govt. bond 10 year Rate	Weekly	↑3.46	3.27

Japan	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	0.50	0.40
Inflation Rate	Monthly	-0.90	-0.70
Unemployment Rate	Monthly	4.10	4.30
Benchmark Interest Rate	Weekly	0.00	0.00
Govt. bond 10 year Rate	Weekly	↑0.59	0.56

UK	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	0.60	0.20
Inflation Rate	Monthly	2.80	2.80
Unemployment Rate	Monthly	7.90	7.80
Benchmark Interest Rate	Weekly	0.50	0.50
Govt. bond 10 year Rate	Weekly	↑1.78	1.62

India	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	4.50	5.30
Inflation Rate	Monthly	5.96	6.84
Unemployment Rate	Monthly	no data	
Benchmark Interest Rate	Weekly	7.25	7.50
Govt. bond 10 year Rate	Weekly	↓7.61	7.73

Brazil	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	1.40	0.90
Inflation Rate	Monthly	↓6.49	6.59
Unemployment Rate	Monthly	5.70	5.60
Benchmark Interest Rate	Weekly	7.50	7.25
Govt. bond 10 year Rate	Weekly	↑9.64	9.47

Russia	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	2.10	2.90
Inflation Rate	Monthly	↑7.20	7.00
Unemployment Rate	Monthly	5.70	5.80
Benchmark Interest Rate	Weekly	8.25	8.25
Govt. bond 10 year Rate	Weekly	↓6.46	6.53



## IMPORTANT FUNDAMENTAL FINANCIAL RATIOS FOR SENSEX STOCKS AS ON 11/05/2013

Company	Industry	Price	TTM P/E	P/BV
Bajaj Auto Ltd	Automobile Two & Three Wheelers	1859.15	17.64	6.36
Bharat Heavy Electricals Ltd.	Electric Equipment	196.50	7.12	1.67
Bharti Airtel Ltd.	Telecommunication - Service Provider	324.15	54.09	2.29
Cipla Ltd.	Pharmaceuticals & Drugs	397.45	20.84	3.63
Coal India Ltd.	Mining & Minerals	299.75	11.88	3.62
Dr Reddys Laboratories Ltd.	Pharmaceuticals & Drugs	2022.45	23.70	5.13
GAIL (India) Ltd.	Gas Transmission/Marketing	342.30	11.17	1.73
HDFC Bank Ltd.	Bank - Private	702.65	24.36	4.57
Hero MotoCorp Ltd.	Automobile Two & Three Wheelers	1705.30	16.08	6.80
Hindalco Industries Ltd.	Aluminium & Aluminium Products	105.90	10.92	0.62
Hindustan Unilever Ltd.	Household & Personal Products	584.90	33.03	44.16
Housing Development Finance Corporation Ltd.	Finance - Housing	878.15	20.46	4.24
ICICI Bank Ltd.	Bank - Private	1166.10	14.01	1.96
Infosys Ltd.	IT - Software	2370.75	14.44	3.58
ITC Ltd.	Cigarettes/Tobacco	352.95	39.25	11.32
Jindal Steel & Power Ltd.	Steel/Sponge Iron/Pig Iron	311.75	10.01	1.37
Larsen & Toubro Ltd.	Engineering - Construction	1561.65	19.27	3.38
Mahindra & Mahindra Ltd.	Automobiles-Tractors	969.65	17.83	4.07
Maruti Suzuki India Ltd.	Automobiles - Passenger Cars	1726.15	21.12	3.33
NTPC Ltd.	Power Generation/Distribution	155.15	11.81	1.60
Oil & Natural Gas Corpn. Ltd.	Oil Exploration	326.00	12.03	2.15
Reliance Industries Ltd.	Refineries	812.10	12.56	1.45
State Bank Of India	Bank - Public	2293.75	8.06	1.28
Sterlite Industries (India) Ltd.	Metal - Non Ferrous	96.45	5.35	0.64
Sun Pharmaceutical Inds. Ltd.	Pharmaceuticals & Drugs	935.20	34.38	6.77
Tata Consultancy Services Ltd.	IT - Software	1494.55	21.05	7.59
Tata Motors Ltd.	Automobiles-Trucks/Lcv	308.55	6.86	2.03
Tata Power Company Ltd.	Power Generation/Distribution	94.00	0.00	1.76
Tata Steel Ltd.	Steel/Sponge Iron/Pig Iron	318.15	0.00	0.74
Wipro Ltd.	IT - Software	355.10	13.18	3.08

# 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 continue till required.
- Europe – Economic slowdown in most countries. ECB cuts interest rates from 0.75% to 0.5%.
- China – GDP growth figures show a slowing economy.
- Japan – An unlimited stimulus package has been announced. Yen is weak against the USD.
- Markets – Commodity prices have eased considerably.

# Indian macro scenario

- Economy – Fiscal deficit is much above the desired levels with subsidies becoming bigger. Current account deficit is highest ever.
- Government policies – GDP growth down but no clear growth-encouraging policies. Budget session of Parliament washed out with no major business.
- RBI – Reduces repo rate by 0.25%.
- Politics – Possible early elections.
- Inflation – Headline inflation under 6%. Diesel prices up by a rupee.

# Our concerns on the macro front

## World economies

- Mixed data from USA. QE3 to go on till required.
- Eurozone's low to negative GDP growth.

## Indian economy

- Lowest GDP growth in years.
- High interest rate.
- High fiscal deficit.
- 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 France ↑ Japan UK USA	Germany Hong Kong ↑ India	China	Brazil	
COMMODITIES			Natural Gas ↓	Crude Oil	Aluminium Copper ↑ Zinc	Gold Lead Nickel Silver
CURRENCIES (against USD)				AUD BRL EUR GBP INR	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

		Very Bullish	Bullish	Neutral	Bearish	Very Bearish
INDICES			Nifty Sensex		Mid Cap Small Cap	
SECTORS	Healthcare		Bankex FMCG	Auto Cap Goods Cons Durable Oil & Gas Realty Teck ↑	IT Power	Metal
COMMODITIES			Natural Gas ↓	Crude Oil	Nickel ↑ Zinc ↑	Aluminium Copper Gold Lead 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	Britannia Ind	Asian Paints ↓	ACC ↑	Bajaj Auto	Jindal Steel	
	Dabur India	BPCL	Ambuja Cem ↑	Bank Of Baroda	Tata Steel	
	Dr Reddys Lab ↑	Hind Unilever	Apollo Tyres	BHEL ↑		
	HCL Tech ↑	Maruti Suzuki	Axis Bank ↓	DLF		
	Idea Cellular	MRF	Bharti Airtel	Future Retail ↑		
	ITC	Yes Bank	Cairn India	Infosys		
	Lupin		Cipla	Oriental Bank		
	ONGC		Exide Ind	Sterlite Ind		
	Sun Pharma		Hero Moto Co ↑			
			Hindalco Ind ↑			
			HDFC			
			HDFC Bank			
			ICICI Bank ↓			
			JP Associates			
			JSW Steel			
			L & T			
			LIC Housing ↑			
			M & M			
			Nestle India		TCS	
			Reliance Ind		Tata Motors	
			SBIN		Titan Ind	
			Sesa Goa ↑		Ultratech Cem ↑	
					Neutral	

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

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

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