

ShroffConnect Weekly Report

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Opinion as on 18/05/2013

World Markets –

- **Money flow:** The money is flowing into stocks of developed countries.
 - **Opinion:** Liquidity injected by the world banks of the developed economies seems to be driving up the market. Gold as a saving instrument has lost its shine as it has fallen considerably over the past month. Economic growth, however, is elusive. News, which is not bad, is considered good news.
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Indian Stock Market –

- **Stock Market:** The stock market continued to do well and closed just under 6200.
- **Sectors:** Private Banks, Cigarettes, FMCG, Paints, selective Pharma and Telecom are outperforming.
- **Positives:** FII buying, moderating inflation.
- **Negatives:** High fiscal and current account deficit, high interest rates, poor politics.
- **Opinion:** The markets are clearly going up on FII buying as domestic institutions remain sellers. The valuations of stocks seem to be quite rich. The political situation is, as usual, negative but the government is likely to stay because no opposition party wants to get together with other parties to pull the plug. Investors must remain cautious about their positions and add on fresh purchases only on a decent correction.



Current news and world
financial market prices

Current scenario & news

World economy

- The euro group has signed off the first installment of the USD 13 billion financial bailout package for debt-stricken Cyprus while allocating fresh disbursements for Greece and Portugal.
- Americans felt better about their economic and financial prospects in early May as consumer sentiment rose to the highest level in nearly six years, an encouraging sign after other recent data had suggested broader U.S. growth is cooling.
- Japan's economy expanded at a rapid clip at the start of the year, the first hard evidence that Prime Minister Shinzo Abe's sweeping stimulus is beginning to rouse consumers and businesses into action even as risks loomed in the horizon.
- There was just 1.6 percent growth witnessed in the Russian GDP in the first quarter this year, which is its fifth quarterly fall, according to the country's federal statistics service.

Indian economy

- India's April trade deficit leapt to \$17.8 billion, on a massive surge in imports of cheaper gold that will increase concerns about the current account deficit in Asia's third largest economy.
- India's headline inflation slowed for a third straight month in April to 4.89 percent, a level seen comfortable for the RBI to persist with monetary easing to revive a flagging economy.
- Foreigners bought \$311 million more of local stocks than they sold May 15, the most since Feb. 7, according to data from the nation's regulator. Inflows for this year have topped a net \$13.1 billion, a record for the period and the second-largest among 10 Asian markets tracked.
- Indirect tax collection in April, the first month of the 2013-14 fiscal, grew by a meagre 3.3 percent to Rs 33,684 crore with excise duty collection declining 14.7 per cent year-on-year.

WORLD MARKETS - A SNAPSHOT

	Name	Description	Week ended 18th May 2013	% Change
STOCKS	Australia	ASX	5159.78	(0.60)
	Brazil	Bovespa	55164.27	0.10
	China	Shanghai	2282.87	1.60
	France	CAC	4001.27	1.20
	Germany	DAX	8398.00	1.44
	Hong Kong	Hang Seng	23082.68	(1.02)
	India	Sensex	20286.12	1.01
	Japan	Nikkei	15138.12	3.63
	UK	FTSE	6723.06	1.48
	USA	DJIA	15354.40	1.56
COMMODITIES	Copper	\$/Pound	3.32	(0.90)
	Crude	\$/Barrel	96.02	(0.02)
	Gold	\$/Troy Ounce	1364.70	(5.00)
	Natural Gas	\$/MMBtu	4.05	3.58
	Silver	\$/Troy Ounce	22.35	(5.54)
	Aluminium	\$/Tonne	1849.00	(1.12)
	Lead	\$/Tonne	2014.00	1.00
	Nickel	\$/Tonne	14825.00	(3.48)
CURRENCIES	Zinc	\$/Tonne	1840.00	(1.02)
	USD/GBP		1.5168	(1.26)
	USD/EUR		1.2838	(1.19)
	USD/AUD		0.9725	(2.92)
	JPY/USD		103.13	1.52
	INR/USD		54.88	0.15
	HKD/USD		7.7625	0.03
BONDS	BRL/USD		2.0365	1.14
	2 Year	US Treasury	110.24	(0.02)
	10 Year		131.86	(0.17)
	30 Year		143.97	(0.71)

INDIAN MARKETS - A SNAPSHOT

	Name	Description	Week ended 18th May 2013	% Change
STOCKS	Nifty	Large Cap	6187.30	1.52
	Sensex	Large Cap	20286.12	1.01
	BSE Midcap	Mid Cap	6613.98	1.45
	BSE Smallcap	Small Cap	6199.19	0.53
Some Major Shares	ACC	Rs/share	1269.35	2.15
	Bharti Airtel		315.55	(2.68)
	HDFC Ltd		903.35	2.97
	Infosys		2351.75	(0.83)
	L&T		1623.40	3.93
	Reliance Inds		835.50	2.77
	Tata Motors		303.35	(1.84)
	Tata Steel		311.85	(2.09)
COMMODITIES	Aluminium	INR/Kg	101.15	(1.27)
	Copper	INR/Kg	405.60	(1.27)
	Crude	INR/Barrel	5302.00	0.95
	Gold	INR/10gms	25835.00	(4.31)
	Lead	INR/Kg	110.65	0.36
	Natural Gas	INR/1mmBtu	226.00	5.56
	Nickel	INR/Kg	815.20	(4.09)
	Silver	INR/Kg	42629.00	(5.86)
	Zinc	INR/Kg	100.35	(1.57)
CURRENCIES	INR/EUR		70.47	(1.04)
	INR/GBP		82.21	(2.31)
	INR/100 JPY		53.18	(1.35)
	INR/USD		54.88	0.15



Detailed macro analysis

MACRO ECONOMIC SNAPSHOT AS ON 18/05/2013

USA	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	1.80	1.70
Inflation Rate	Monthly	↓1.10	1.50
Unemployment Rate	Monthly	7.50	7.60
Benchmark Interest Rate	Weekly	0.25	0.25
Govt. bond 10 year Rate	Weekly	↑1.82	1.77

Euro Area	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	↓-1.00	-0.90
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	↑1.03	1.01

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	↓3.44	3.46

Japan	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	↓0.20	0.50
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	↑0.83	0.59

UK	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	0.60	0.20
Inflation Rate	Monthly	2.80	2.80
Unemployment Rate	Monthly	↓7.80	7.90
Benchmark Interest Rate	Weekly	0.50	0.50
Govt. bond 10 year Rate	Weekly	↑1.87	1.78

India	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	4.50	5.30
Inflation Rate	Monthly	↓4.89	5.96
Unemployment Rate	Monthly	no data	
Benchmark Interest Rate	Weekly	7.25	7.50
Govt. bond 10 year Rate	Weekly	↓7.40	7.61

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	↑9.86	9.64

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	↑6.67	6.46

IMPORTANT FUNDAMENTAL FINANCIAL RATIOS FOR SENSEX STOCKS AS ON 18/05/2013

Company	Industry	Price	TTM P/E	P/BV
Bajaj Auto Ltd	Automobile Two & Three Wheelers	1833.80	16.94	6.58
Bharat Heavy Electricals Ltd.	Electric Equipment	201.35	7.29	1.71
Bharti Airtel Ltd.	Telecommunication - Service Provider	315.65	52.67	2.23
Cipla Ltd.	Pharmaceuticals & Drugs	424.65	22.27	3.88
Coal India Ltd.	Mining & Minerals	297.60	11.79	3.60
Dr Reddys Laboratories Ltd.	Pharmaceuticals & Drugs	2077.65	21.03	4.83
GAIL (India) Ltd.	Gas Transmission/Marketing	336.95	10.99	1.71
HDFC Bank Ltd.	Bank - Private	718.70	24.91	4.67
Hero MotoCorp Ltd.	Automobile Two & Three Wheelers	1685.85	15.89	6.72
Hindalco Industries Ltd.	Aluminium & Aluminium Products	110.15	11.36	0.64
Hindustan Unilever Ltd.	Household & Personal Products	585.85	33.09	44.23
Housing Development Finance Corporation Ltd.	Finance - Housing	903.50	21.05	4.36
ICICI Bank Ltd.	Bank - Private	1228.60	14.76	2.06
Infosys Ltd.	IT - Software	2350.80	14.32	3.55
ITC Ltd.	Cigarettes/Tobacco	334.70	37.22	10.74
Jindal Steel & Power Ltd.	Steel/Sponge Iron/Pig Iron	312.55	10.04	1.37
Larsen & Toubro Ltd.	Engineering - Construction	1623.05	20.03	3.51
Mahindra & Mahindra Ltd.	Automobiles-Tractors	985.50	18.13	4.13
Maruti Suzuki India Ltd.	Automobiles - Passenger Cars	1709.40	20.91	3.29
NTPC Ltd.	Power Generation/Distribution	159.80	10.47	1.62
Oil & Natural Gas Corpn. Ltd.	Oil Exploration	340.00	12.55	2.24
Reliance Industries Ltd.	Refineries	834.40	12.91	1.49
State Bank Of India	Bank - Public	2424.60	8.52	1.36
Sterlite Industries (India) Ltd.	Metal - Non Ferrous	97.15	5.39	0.64
Sun Pharmaceutical Inds. Ltd.	Pharmaceuticals & Drugs	965.30	35.49	6.99
Tata Consultancy Services Ltd.	IT - Software	1468.00	20.68	7.45
Tata Motors Ltd.	Automobiles-Trucks/Lcv	303.35	6.77	2.00
Tata Power Company Ltd.	Power Generation/Distribution	93.90	0.00	1.76
Tata Steel Ltd.	Steel/Sponge Iron/Pig Iron	311.95	0.00	0.73
Wipro Ltd.	IT - Software	344.00	12.77	2.98

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 5%.

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	China India ↓	Brazil	
COMMODITIES			Natural Gas	Crude Oil	Aluminium Copper	Gold Lead Nickel Silver Zinc ↓
CURRENCIES (against USD)				BRL	AUD ↓ EUR ↓ 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

		Very Bullish	Bullish	Neutral	Bearish	Very Bearish
INDICES				Mid Cap ↑ Nifty ↓ Sensex ↓	Small Cap	
SECTORS	Healthcare		Bankex FMCG	Auto Cap Goods Cons Durable Oil & Gas Power ↑ Realty	IT Teck ↓	Metal
COMMODITIES	Natural Gas ↑			Crude Oil	Aluminium ↑ Nickel	Copper Gold Lead Silver Zinc ↓
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	Adani Ports ↑ Apollo Hospital ↑ Berger Paints Emami Finolex Ind Godrej Con Pidilite Ind Supreme Ind	Bajaj Finance ↑ Castrol India Colgate-Pal Glenmark Ph GSK Con IGL ↓ L&T Finance ↑ M & M Finan Mindtree Tata Coffee ↓ Zee Ent	Amara Raja Batt Arvind Balrampur Chini Bata India Biocon CMC Cummins DiviS Lab IFCI Indian Hotels Jain Irrigation KPIT Cummins ↑ Marico Rallis India Sintex Ind ↑ Sobha Dev Sun TV Wockhardt	Bajaj Finserv	GSPL ↓ Jubilant Food OFSS ↓

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

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