

ShroffConnect Weekly Report

25th May, 2013



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Opinion as on 25/05/2013

World Markets –

- **Money flow:** Money is flowing into stocks and out of precious metals.
 - **Opinion:** The world markets were spooked last week by hints that the USA may ease its quantitative easing. The Japanese market was spooked because the yield on government 10 year paper increased three times to about 1%. Is the liquidity driven stock market uptrend about to end? Investors are nervous and rightly so.
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Indian Stock Market –

- **Stock Market:** The Indian stock market corrected somewhat and ended just a shade below 6000.
- **Sectors:** Private Banks, Cigarettes, Consumer Goods, Food, selective Pharma and Telecom are outperforming.
- **Positives:** FII buying, moderating inflation.
- **Negatives:** High fiscal and current account deficits, low GDP growth, scandals galore.
- **Opinion:** The Indian stock market may remain in a correction mode on global cues. Investors are nervous and any talk of reducing stimulus has a hugely magnified negative effect on the stock market. Corporates in India and abroad are sitting on tons of cash and not investing in new plants to grow their capacities. They know that once the stimulus is stopped, asset prices will come down dramatically and that would be the right time to invest. But for now, investors should be cautious and invest only on a deeper correction.



Current news and world
financial market prices

Current scenario & news

World economy

- The Federal Reserve's monetary stimulus is helping the U.S. economy recover but the central bank needs to see further signs of traction before taking its foot off the gas pedal, Fed Chairman Ben Bernanke said.
- Chinese factory activity declined in May for the first time in seven months and U.S. manufacturing grew at its slowest pace since October, suggesting it may take a while before the global economy starts to pick up steam.
- The German economy's return to growth in the first quarter was hampered by declines in construction activity and investment as a severe winter and a recession in Europe damped demand.
- Gold swung between gains and losses as investors weighed speculation the Federal Reserve will maintain its record stimulus against a continuing decline in investor assets. Prices headed for the best week in a month.

Indian economy

- Foreign institutional investors (FIIs) extended their record net purchases of Indian stocks to a 26th consecutive sessions on Thursday, despite sharp share falls sparked by worries the Fed would unwind its monetary stimulus earlier than expected.
- The finance ministry has agreed to pay Rs 40,000 crore of pending subsidy bill to the public sector oil marketing companies for the last fiscal but has extracted an assurance that the pricing of oil products would be reviewed by a committee constituted that will give its report within two months.
- In the wake of falling global prices of precious metals, the government further slashed the import tariff value of gold to \$440 per ten grams, while it has been kept unchanged at \$761 per kg for silver imports.

WORLD MARKETS - A SNAPSHOT

	Name	Description	Week ended 25th May 2013	% Change
STOCKS	Australia	ASX	4964.27	(3.79)
	Brazil	Bovespa	56406.21	2.25
	China	Shanghai	2288.53	0.25
	France	CAC	3956.79	(1.11)
	Germany	DAX	8305.32	(1.10)
	Hong Kong	Hang Seng	22618.67	(2.01)
	India	Sensex	19704.33	(2.87)
	Japan	Nikkei	14612.45	(3.47)
	UK	FTSE	6654.34	(1.02)
	USA	DJIA	15303.10	(0.33)
COMMODITIES	Copper	\$/Pound	3.30	(0.60)
	Crude	\$/Barrel	94.15	(1.95)
	Gold	\$/Troy Ounce	1386.60	1.60
	Natural Gas	\$/MMBtu	4.24	4.69
	Silver	\$/Troy Ounce	22.50	0.67
	Aluminium	\$/Tonne	1840.00	(0.49)
	Lead	\$/Tonne	2069.00	2.73
	Nickel	\$/Tonne	14805.00	(0.13)
CURRENCIES	Zinc	\$/Tonne	1855.50	0.84
	USD/GBP		1.5126	(0.28)
	USD/EUR		1.2932	0.73
	USD/AUD		0.9644	(0.83)
	JPY/USD		101.12	(1.95)
	INR/USD		55.75	1.59
	HKD/USD		7.7627	0.00
BONDS	BRL/USD		2.0484	0.58
	2 Year	US Treasury	110.23	(0.01)
	10 Year		131.34	(0.39)
	30 Year		143.38	(0.41)

INDIAN MARKETS - A SNAPSHOT

	Name	Description	Week ended 25th May 2013	% Change
STOCKS	Nifty	Large Cap	5983.55	(3.29)
	Sensex	Large Cap	19704.33	(2.87)
	BSE Midcap	Mid Cap	6387.13	(3.43)
	BSE Smallcap	Small Cap	5992.46	(3.33)
Some Major Shares	ACC	Rs/share	1226.30	(3.39)
	Bharti Airtel		298.50	(5.40)
	HDFC Ltd		906.05	0.30
	Infosys		2347.90	(0.16)
	L&T		1456.80	(10.26)
	Reliance Inds		786.45	(5.87)
	Tata Motors		288.10	(5.03)
	Tata Steel		313.00	0.37
COMMODITIES	Aluminium	INR/Kg	101.15	0.00
	Copper	INR/Kg	407.85	0.55
	Crude	INR/Barrel	5268.00	(0.64)
	Gold	INR/10gms	26406.00	2.21
	Lead	INR/Kg	115.50	4.38
	Natural Gas	INR/1mmBtu	236.40	4.60
	Nickel	INR/Kg	822.50	0.90
	Silver	INR/Kg	43473.00	1.98
	Zinc	INR/Kg	102.00	1.64
CURRENCIES	INR/EUR		72.10	2.31
	INR/GBP		84.31	2.55
	INR/100 JPY		55.27	3.93
	INR/USD		55.75	1.59



Detailed macro analysis

MACRO ECONOMIC SNAPSHOT AS ON 25/05/2013

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	↑2.02	1.82

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	↑1.11	1.03

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	↑3.47	3.44

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	↓0.82	0.83

UK	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	0.60	0.20
Inflation Rate	Monthly	↓2.40	2.80
Unemployment Rate	Monthly	7.80	7.90
Benchmark Interest Rate	Weekly	0.50	0.50
Govt. bond 10 year Rate	Weekly	↑1.91	1.87

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	↓7.38	7.40

Brazil	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	1.40	0.90
Inflation Rate	Monthly	6.49	6.59
Unemployment Rate	Monthly	↑5.80	5.70
Benchmark Interest Rate	Weekly	7.50	7.25
Govt. bond 10 year Rate	Weekly	↑10.14	9.86

Russia	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	↓1.60	2.10
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	↑6.99	6.67

IMPORTANT FUNDAMENTAL FINANCIAL RATIOS FOR SENSEX STOCKS AS ON 25/05/2013

Company	Industry	Price	TTM P/E	P/BV
Bajaj Auto Ltd	Automobile Two & Three Wheelers	1803.55	16.66	6.47
Bharat Heavy Electricals Ltd.	Electric Equipment	192.85	7.05	1.55
Bharti Airtel Ltd.	Telecommunication - Service Provider	299.25	49.94	2.12
Cipla Ltd.	Pharmaceuticals & Drugs	408.25	21.41	3.73
Coal India Ltd.	Mining & Minerals	310.35	20.01	9.55
Dr Reddys Laboratories Ltd.	Pharmaceuticals & Drugs	2065.20	20.91	4.80
GAIL (India) Ltd.	Gas Transmission/Marketing	322.00	10.51	1.63
HDFC Bank Ltd.	Bank - Private	701.60	24.32	4.56
Hero MotoCorp Ltd.	Automobile Two & Three Wheelers	1634.70	15.41	6.52
Hindalco Industries Ltd.	Aluminium & Aluminium Products	107.10	11.04	0.63
Hindustan Unilever Ltd.	Household & Personal Products	586.35	33.11	44.27
Housing Development Finance Corporation Ltd.	Finance - Housing	907.55	21.15	4.38
ICICI Bank Ltd.	Bank - Private	1204.00	14.46	2.02
Infosys Ltd.	IT - Software	2346.90	14.29	3.55
ITC Ltd.	Cigarettes/Tobacco	330.00	34.27	11.31
Jindal Steel & Power Ltd.	Steel/Sponge Iron/Pig Iron	295.10	9.48	1.30
Larsen & Toubro Ltd.	Engineering - Construction	1456.90	17.49	2.65
Mahindra & Mahindra Ltd.	Automobiles-Tractors	967.35	17.79	4.06
Maruti Suzuki India Ltd.	Automobiles - Passenger Cars	1667.30	20.40	3.21
NTPC Ltd.	Power Generation/Distribution	150.25	9.84	1.52
Oil & Natural Gas Corpn. Ltd.	Oil Exploration	324.95	11.99	2.15
Reliance Industries Ltd.	Refineries	787.90	12.19	1.41
State Bank Of India	Bank - Public	2151.15	8.21	1.18
Sterlite Industries (India) Ltd.	Metal - Non Ferrous	93.55	5.19	0.62
Sun Pharmaceutical Inds. Ltd.	Pharmaceuticals & Drugs	969.65	35.65	7.02
Tata Consultancy Services Ltd.	IT - Software	1470.00	20.71	7.46
Tata Motors Ltd.	Automobiles-Trucks/Lcv	288.10	6.43	1.90
Tata Power Company Ltd.	Power Generation/Distribution	91.40	0.00	1.71
Tata Steel Ltd.	Steel/Sponge Iron/Pig Iron	313.15	0.00	0.89
Wipro Ltd.	IT - Software	336.65	12.49	2.92

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, although this is room for easing.
- Europe – Economic slowdown in most countries. ECB cuts interest rates from 0.75% to 0.5%. Unemployment amongst those under 25 years is over 40%.
- China – GDP growth figures show a slowing economy.
- Japan – An unlimited stimulus package has been announced. Bond yields more than double to just under 1%. 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%.
- Bonds – RBI to introduce Inflation Indexed bonds for the first time. These are to be linked to WPI.

Our concerns on the macro front

World economies

- Mixed data from USA. QE3 may be curtailed in the next few months.
- Eurozone's low to negative GDP growth. Unemployment.
- Japanese stimulus may derail its bond market.

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



INDICES

Mid Cap
Nifty
Sensex

Small Cap

SECTORS

FMCG ↑
Healthcare

Bankex

Auto
Cap Goods
Cons Durable
Oil & Gas
Power
Realty

IT
Teck

Metal

COMMODITIES

Natural Gas

Crude Oil
Lead ↑

Aluminium
Copper ↑
Zinc ↑

Gold
Nickel ↓
Silver

CURRENCIES (against INR)

USD

EUR
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 ↑ Britannia Ind Dabur India Dr Reddys Lab Idea Cellular ITC Lupin Maruti Suzuki ↑ MRF ↑ ONGC Sun Pharma	Apollo Tyres Cipla HCL Tech ↑ HDFC Bank ↑ Hind Unilever HDFC Nestle India ↑ Yes Bank	ACC Ambuja Cem Bharti Airtel BPCL ↓ Cairn India Exide Ind Hero Moto Co Hindalco Ind ICICI Bank JSW Steel L & T LIC Housing M & M Reliance Ind SBIN Sesa Goa Sterlite Ind TCS Tata Motors Ultratech Cem	Bajaj Auto Bank Of Baroda ↓ BHEL DLF ↓ Infosys ↑ JP Associates ↓ OBC	Future Retail ↓ Jindal Steel 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	Adani Ports	Bajaj Finance	Amara Raja Batt	Arvind ↓	Bajaj Finserv ↓
	Apollo Hos	Colgate-Pal	Balrampur Chini	Indian Hotels ↓	GSPL
	Berger Paints	Glenmark Ph	Bata India	Mindtree ↓	Jubilant Food
	Castrol India ↑	Godrej Con ↓	Biocon	OFSS ↑	
	Emami	IGL	CMC	Sintex Ind ↓	
	Finolex Ind	L&T Finance	Cummins India	Wockhardt ↓	
	GSK Consumer ↑	M & M Fin	DiviS Lab		
	Pidilite Ind	Tata Coffee	IFCI		
	Supreme Ind	Zee Ent	Jain Irrigation		
			KPIT Cummins		
			Marico		
			Rallis India		
			Sobha Dev		
			Sun TV		

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

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