

# *ShroffConnect* Weekly Report

## 1<sup>st</sup> June, 2013



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# Opinion as on 01/06/2013

## World Markets –

- **Money flow:** The trends are uncertain. Money is flowing out of precious metals, out of treasuries and also out of stocks in markets out of the developed world.
  - **Opinion:** It is quite unclear where the money is flowing considering that it is exiting major markets. The probably reason is that no fund manager can really predict which way the markets will move, in the medium and long term, when QE is curtailed. The trend should be clear in a few weeks.
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## Indian Stock Market –

- **Stock Market:** The stock market rallied and then corrected back to its last week levels at just below 6000.
- **Sectors:** Selective private Banks and Pharma, Consumer Goods, Telecom are outperforming.
- **Positives:** FII buying, moderating inflation.
- **Negatives:** Weak INR, high fiscal and current account deficits.
- **Opinion:** The market was expecting a rate cut by the RBI as the inflation rate has come down below 5%. However, the weak INR has probably put paid to such expectations. A sizeable amount of money has been tapped from the market by promoters who needed to bring their share holding to below 75% as per SEBI norms also contributed to some outflow. The market will probably correct some more and look for cues from foreign markets before beginning a new uptrend. Investors should wait some more but prepare to buy into this correction.



Current news and world  
financial market prices

# Current scenario & news

## World economy

- The euro-zone economy showed further signs of deterioration as unemployment hit a fresh record and retail spending fell in the bloc's largest economies, offering little hope the region's longest postwar recession will end soon.
- Germany's government bonds advanced as a report showed retail sales in Europe's largest economy unexpectedly fell in April, boosting demand for the safest fixed-income assets.
- Japan's industrial production increased by a seasonally adjusted 1.7 percent in April from the previous month, rising for the fifth consecutive month.
- A surge in Canadian oil exports to the U.S. helped propel the country's economy in the first quarter to its fastest growth pace since 2011, even as domestic demand expanded at the slowest rate since the 2009 recession.

## Indian economy

- The Reserve Bank of India (RBI) chief warned of upside risks to inflation and expressed worry over the country's high current account deficit on Thursday, denting hopes for rate cuts and sending bond yields to a two-week high and the rupee to a 10-month low.
- The 51% foreign direct investment in multi-brand retail is likely to include foreign portfolio investment as well, as the government is keen to ensure that the restriction on foreign ownership is not breached.
- Tracking massive fall in equities, the rupee on Friday declined by 12 paise to end at 11-month low of 56.50 against the US dollar amid worries over current account deficit and GDP growth.
- Petrol price was Friday hiked by 75 paise per litre and diesel by 50 paise a litre as rupee hit 11-month low making oil imports costlier.

## WORLD MARKETS - A SNAPSHOT

	Name	Description	Week ended 1st June 2013	% Change
STOCKS	Australia	ASX	4914.03	(1.01)
	Brazil	Bovespa	53506.08	(5.14)
	China	Shanghai	2300.59	0.53
	France	CAC	3948.59	(0.21)
	Germany	DAX	8348.84	0.52
	Hong Kong	Hang Seng	22392.16	(1.00)
	India	Sensex	19760.30	0.28
	Japan	Nikkei	13774.54	(5.73)
	UK	FTSE	6583.09	(1.07)
	USA	DJIA	15115.57	(1.23)
COMMODITIES	Copper	\$/Pound	3.29	(0.30)
	Crude	\$/Barrel	91.97	(2.32)
	Gold	\$/Troy Ounce	1393.00	0.46
	Natural Gas	\$/MMBtu	3.98	(6.13)
	Silver	\$/Troy Ounce	22.24	(1.16)
	Aluminium	\$/Tonne	1906.00	3.59
	Lead	\$/Tonne	2201.00	6.38
	Nickel	\$/Tonne	14825.00	0.14
	Zinc	\$/Tonne	1927.00	3.85
CURRENCIES	USD/GBP		1.5198	0.48
	USD/EUR		1.2996	0.49
	USD/AUD		0.9543	(1.05)
	JPY/USD		100.47	(0.64)
	INR/USD		56.57	1.47
	HKD/USD		7.7623	(0.01)
	BRL/USD		2.1360	4.28
BONDS	2 Year	US Treasury	110.16	(0.06)
	10 Year		130.25	(0.83)
	30 Year		141.06	(1.62)

## INDIAN MARKETS - A SNAPSHOT

	Name	Description	Week ended 1st June 2013	% Change
STOCKS	Nifty	Large Cap	5985.95	0.04
	Sensex	Large Cap	19760.30	0.28
	BSE Midcap	Mid Cap	6389.47	0.04
	BSE Smallcap	Small Cap	5943.46	(0.82)
Some Major Shares	ACC	Rs/share	1218.75	(0.62)
	Bharti Airtel		301.95	1.16
	HDFC Ltd		890.15	(1.75)
	Infosys		2411.70	2.72
	L&T		1400.75	(3.85)
	Reliance Inds		806.30	2.52
	Tata Motors		313.30	8.75
	Tata Steel		291.75	(6.79)
COMMODITIES	Aluminium	INR/Kg	106.70	5.49
	Copper	INR/Kg	411.85	0.98
	Crude	INR/Barrel	5227.00	(0.78)
	Gold	INR/10gms	26811.00	1.53
	Lead	INR/Kg	124.20	7.53
	Natural Gas	INR/1mmBtu	227.10	(3.93)
	Nickel	INR/Kg	838.20	1.91
	Silver	INR/Kg	43504.00	0.07
	Zinc	INR/Kg	107.60	5.49
CURRENCIES	INR/EUR		73.54	2.00
	INR/GBP		85.95	1.95
	INR/100 JPY		56.28	1.83
	INR/USD		56.57	1.47



Detailed macro analysis

## MACRO ECONOMIC SNAPSHOT AS ON 01/06/2013

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	↑2.12	2.02

Euro Area	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	-1.00	-0.90
Inflation Rate	Monthly	↑1.40	1.20
Unemployment Rate	Monthly	↑12.20	12.10
Benchmark Interest Rate	Weekly	0.50	0.75
Govt. bond 10 year Rate	Weekly	↑1.21	1.11

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	↓3.45	3.47

Japan	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	0.20	0.50
Inflation Rate	Monthly	↑-0.70	-0.90
Unemployment Rate	Monthly	4.10	4.10
Benchmark Interest Rate	Weekly	0.00	0.00
Govt. bond 10 year Rate	Weekly	↑0.88	0.82

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	↑1.96	1.91

India	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	↑4.80	4.50
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	↑7.45	7.38

Brazil	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	↑1.90	1.40
Inflation Rate	Monthly	6.49	6.59
Unemployment Rate	Monthly	5.80	5.70
Benchmark Interest Rate	Weekly	↑8.00	7.50
Govt. bond 10 year Rate	Weekly	↑10.25	10.14

Russia	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	1.60	2.10
Inflation Rate	Monthly	7.20	7.00
Unemployment Rate	Monthly	↓5.60	5.70
Benchmark Interest Rate	Weekly	8.25	8.25
Govt. bond 10 year Rate	Weekly	↑7.27	6.99



## IMPORTANT FUNDAMENTAL FINANCIAL RATIOS FOR SENSEX STOCKS AS ON 01/06/2013

Company	Industry	Price	TTM P/E	P/BV
Bajaj Auto Ltd	Automobile Two & Three Wheelers	1822.65	16.84	6.54
Bharat Heavy Electricals Ltd.	Electric Equipment	199.95	7.31	1.60
Bharti Airtel Ltd.	Telecommunication - Service Provider	300.55	50.15	2.13
Cipla Ltd.	Pharmaceuticals & Drugs	370.45	19.74	3.36
Coal India Ltd.	Mining & Minerals	324.95	11.83	3.56
Dr Reddys Laboratories Ltd.	Pharmaceuticals & Drugs	2092.60	21.18	4.86
GAIL (India) Ltd.	Gas Transmission/Marketing	306.95	8.90	1.35
HDFC Bank Ltd.	Bank - Private	700.45	24.32	4.56
Hero MotoCorp Ltd.	Automobile Two & Three Wheelers	1730.70	16.32	6.90
Hindalco Industries Ltd.	Aluminium & Aluminium Products	102.25	6.47	0.62
Hindustan Unilever Ltd.	Household & Personal Products	592.50	33.46	44.74
Housing Development Finance Corporation Ltd.	Finance - Housing	890.25	20.77	4.30
ICICI Bank Ltd.	Bank - Private	1154.30	13.87	1.94
Infosys Ltd.	IT - Software	2407.60	14.66	3.64
ITC Ltd.	Cigarettes/Tobacco	339.85	35.30	11.65
Jindal Steel & Power Ltd.	Steel/Sponge Iron/Pig Iron	284.20	9.13	1.25
Larsen & Toubro Ltd.	Engineering - Construction	1401.60	16.82	2.55
Mahindra & Mahindra Ltd.	Automobiles-Tractors	965.30	17.68	4.04
Maruti Suzuki India Ltd.	Automobiles - Passenger Cars	1606.10	19.65	3.09
NTPC Ltd.	Power Generation/Distribution	154.40	10.11	1.57
Oil & Natural Gas Corpn. Ltd.	Oil Exploration	326.85	13.36	2.27
Reliance Industries Ltd.	Refineries	805.60	12.46	1.44
State Bank Of India	Bank - Public	2047.70	7.82	1.12
Sterlite Industries (India) Ltd.	Metal - Non Ferrous	93.55	5.19	0.62
Sun Pharmaceutical Inds. Ltd.	Pharmaceuticals & Drugs	1045.50	35.99	7.65
Tata Consultancy Services Ltd.	IT - Software	1499.60	21.12	7.61
Tata Motors Ltd.	Automobiles-Trucks/Lcv	313.45	8.62	2.27
Tata Power Company Ltd.	Power Generation/Distribution	89.25	0.00	1.64
Tata Steel Ltd.	Steel/Sponge Iron/Pig Iron	291.80	0.00	0.83
Wipro Ltd.	IT - Software	326.55	12.12	2.83

# 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 reversing.
- 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.
- Currency – The rupee weakens to over Rs.56/- per USD.

# 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.
- Weak INR.
- 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		China ↑	Australia ↓ Hong Kong ↓ India		Brazil ↓
COMMODITIES			Natural Gas ↓	Crude Oil Lead ↑ Zinc ↑	Aluminium Copper	Gold Nickel Silver
CURRENCIES (against USD)				EUR	BRL ↓ 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

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

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



## MAJOR MEDIUM & SMALL COMPANIES - TECHNICAL SNAPSHOT

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

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

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