

ShroffConnect Weekly Report

8th June, 2013



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Opinion as on 08/06/2013

World Markets –

- **Money flow:** The trend is not clear but the bias is towards stocks and out of commodities and treasuries.
 - **Opinion:** The world markets, at the beginning of last week, were spooked by talks of reducing quantitative easing. This idea is supported by the increase in yields in US treasuries and Japanese Government Bonds. However, the ECB made a statement that their current stand will continue for 'as long as it takes', and furthermore, data from the US implied that while the economy is better, unemployment is sticky and it refuses to come down, which in turn means that quantitative easing will not go away soon. The fear has receded somewhat and stock markets seem poised to continue their upward direction.
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Indian Stock Market –

- **Stock Market:** The Indian stock market eased to close a shade below 5900.
- **Sectors:** Consumer Goods and Healthcare are outperforming.
- **Positives:** Moderating inflation, monsoon in time.
- **Negatives:** High fiscal and current account deficit, weak INR.
- **Opinion:** The Indian markets are not moving in pace with the foreign markets on the positive side because of the problems in India. Like other emerging markets, the current account deficit is ballooning and the currency is weakening. A weak currency means greater problems for an import dependent economy. A lack of proper policies means that it will be difficult to attract foreign investments to solve this issue. Another major issue is the upcoming general elections. In order to get votes, the current government is eager to enact the Food Security Bill. This will lead to even greater subsidies and consequently a greater deficit. Deficits mean higher inflation. The RBI will be noting the threat of higher inflation and good monsoon and may not decrease the interest rate in its meeting on 17th June although they would probably do so later in the year. Investors should buy stocks of companies which are doing well after a deeper correction.



Current news and world
financial market prices

Current scenario & news

World economy

- Euro zone manufacturing contracted again last month, although at a slightly slower pace, while Asian factories lost momentum, underlining the sombre prospects for the world economy in the second quarter.
- China's new leaders have adopted a greater tolerance for a slowdown in the economy than their predecessors and are likely to allow quarterly growth to slip as far as 7 percent before triggering fresh stimulus to lift activity.
- The yen rallied the most in two years against the dollar amid mounting speculation about the Federal Reserve reducing stimulus, spurring a gauge of volatility to the highest level since June 2012.
- Standard & Poor's revised its outlook on long-term ratings for Brazil's sovereign debt to negative from stable, citing deteriorating fiscal fundamentals and slow economic growth.

Indian economy

- The RBI, frustrated that heavy bond buying has failed to prod cash-strapped banks to lower lending rates, is considering cutting back on such open market operations, several officials with direct knowledge of the matter said.
- Despite the weak growth in the January-March quarter and lack of any visible spark in the first couple of months of the new fiscal, economists are still confident that growth will recover to around 6% in the current financial year.
- The government raised the import duty on gold and platinum by another two percentage points on Wednesday to discourage buying that threatens to worsen India's already high current account deficit.
- The RBI will factor in all indicators, including the recent cooling off in the wholesale price-based inflation, to decide on the policy action at the upcoming monetary review, Deputy Governor K C Chakrabarty said.

WORLD MARKETS - A SNAPSHOT

	Name	Description	Week ended 8th June 2013	% Change
STOCKS	Australia	ASX	4729.35	(3.76)
	Brazil	Bovespa	51618.63	(3.53)
	China	Shanghai	2210.90	(3.90)
	France	CAC	3872.59	(1.92)
	Germany	DAX	8254.68	(1.13)
	Hong Kong	Hang Seng	21576.26	(3.64)
	India	Sensex	19429.23	(1.68)
	Japan	Nikkei	12877.53	(6.51)
	UK	FTSE	6411.99	(2.60)
	USA	DJIA	15248.12	0.88
COMMODITIES	Copper	\$/Pound	3.27	(0.61)
	Crude	\$/Barrel	96.03	4.41
	Gold	\$/Troy Ounce	1383.00	(0.72)
	Natural Gas	\$/MMBtu	3.83	(3.77)
	Silver	\$/Troy Ounce	21.74	(2.25)
	Aluminium	\$/Tonne	1940.00	1.78
	Lead	\$/Tonne	2164.00	(1.68)
	Nickel	\$/Tonne	15050.00	1.52
	Zinc	\$/Tonne	1903.50	(1.22)
CURRENCIES	USD/GBP		1.5552	2.33
	USD/EUR		1.3216	1.69
	USD/AUD		0.9510	(0.35)
	JPY/USD		97.55	(2.91)
	INR/USD		57.06	0.87
	HKD/USD		7.7621	(0.00)
	BRL/USD		2.1368	0.04
BONDS	2 Year	US Treasury	110.18	0.02
	10 Year		130.14	(0.08)
	30 Year		140.78	(0.20)

INDIAN MARKETS - A SNAPSHOT

	Name	Description	Week ended 8th June 2013	% Change
STOCKS	Nifty	Large Cap	5881.00	(1.75)
	Sensex	Large Cap	19429.23	(1.68)
	BSE Midcap	Mid Cap	6388.02	(0.02)
	BSE Smallcap	Small Cap	5962.31	0.32
Some Major Shares	ACC	Rs/share	1205.00	(1.13)
	Bharti Airtel		288.30	(4.52)
	HDFC Ltd		839.35	(5.71)
	Infosys		2446.80	1.46
	L&T		1412.30	0.82
	Reliance Inds		783.60	(2.82)
	Tata Motors		301.90	(3.64)
	Tata Steel		292.05	0.10
COMMODITIES	Aluminium	INR/Kg	109.45	2.58
	Copper	INR/Kg	413.25	0.34
	Crude	INR/Barrel	5513.00	5.47
	Gold	INR/10gms	27580.00	2.89
	Lead	INR/Kg	123.70	(0.40)
	Natural Gas	INR/1mmBtu	220.10	(3.08)
	Nickel	INR/Kg	863.70	3.04
	Silver	INR/Kg	42990.00	(1.18)
	Zinc	INR/Kg	107.70	0.09
CURRENCIES	INR/EUR		75.42	2.56
	INR/GBP		88.72	3.22
	INR/100 JPY		58.47	3.89
	INR/USD		57.06	0.87



Detailed macro analysis

MACRO ECONOMIC SNAPSHOT AS ON 08/06/2013

USA	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	1.80	1.70
Inflation Rate	Monthly	1.10	1.50
Unemployment Rate	Monthly	↑7.60	7.50
Benchmark Interest Rate	Weekly	0.25	0.25
Govt. bond 10 year Rate	Weekly	↓2.07	2.12

Euro Area	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	↓-1.10	-1.00
Inflation Rate	Monthly	1.40	1.20
Unemployment Rate	Monthly	12.20	12.10
Benchmark Interest Rate	Weekly	0.50	0.50
Govt. bond 10 year Rate	Weekly	↑1.27	1.21

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	↑3.56	3.45

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	↓0.82	0.88

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	↑2.02	1.96

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	↓7.22	7.45

Brazil	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	1.90	1.40
Inflation Rate	Monthly	↑6.50	6.49
Unemployment Rate	Monthly	5.80	5.70
Benchmark Interest Rate	Weekly	8.00	7.50
Govt. bond 10 year Rate	Weekly	↑10.40	10.25

Russia	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	1.60	2.10
Inflation Rate	Monthly	↑7.40	7.20
Unemployment Rate	Monthly	5.60	5.70
Benchmark Interest Rate	Weekly	8.25	8.25
Govt. bond 10 year Rate	Weekly	↑7.39	7.27

IMPORTANT FUNDAMENTAL FINANCIAL RATIOS FOR SENSEX STOCKS AS ON 08/06/2013

Company	Industry	Price	TTM P/E	P/BV
Bajaj Auto Ltd	Automobile Two & Three Wheelers	1746.00	16.13	6.26
Bharat Heavy Electricals Ltd.	Electric Equipment	189.80	6.94	1.52
Bharti Airtel Ltd.	Telecommunication - Service Provider	288.35	48.12	2.04
Cipla Ltd.	Pharmaceuticals & Drugs	372.70	19.37	3.32
Coal India Ltd.	Mining & Minerals	319.95	11.64	3.51
Dr Reddys Laboratories Ltd.	Pharmaceuticals & Drugs	2192.65	22.22	5.10
GAIL (India) Ltd.	Gas Transmission/Marketing	306.85	8.90	1.35
HDFC Bank Ltd.	Bank - Private	676.75	23.50	4.40
Hero MotoCorp Ltd.	Automobile Two & Three Wheelers	1646.10	15.52	6.57
Hindalco Industries Ltd.	Aluminium & Aluminium Products	101.90	6.45	0.62
Hindustan Unilever Ltd.	Household & Personal Products	591.15	33.39	44.63
Housing Development Finance Corporation Ltd.	Finance - Housing	839.90	19.60	4.06
ICICI Bank Ltd.	Bank - Private	1141.45	13.72	1.92
Infosys Ltd.	IT - Software	2446.90	14.90	3.70
ITC Ltd.	Cigarettes/Tobacco	334.35	34.73	11.46
Jindal Steel & Power Ltd.	Steel/Sponge Iron/Pig Iron	279.30	8.97	1.23
Larsen & Toubro Ltd.	Engineering - Construction	1412.60	16.96	2.57
Mahindra & Mahindra Ltd.	Automobiles-Tractors	967.05	14.48	2.97
Maruti Suzuki India Ltd.	Automobiles - Passenger Cars	1554.85	19.02	3.00
NTPC Ltd.	Power Generation/Distribution	148.00	9.69	1.50
Oil & Natural Gas Corp. Ltd.	Oil Exploration	319.90	11.30	1.81
Reliance Industries Ltd.	Refineries	784.60	12.14	1.40
State Bank Of India	Bank - Public	2023.15	7.72	1.11
Sterlite Industries (India) Ltd.	Metal - Non Ferrous	89.10	4.94	0.59
Sun Pharmaceutical Inds. Ltd.	Pharmaceuticals & Drugs	1012.65	34.86	7.41
Tata Consultancy Services Ltd.	IT - Software	1523.10	21.46	7.73
Tata Motors Ltd.	Automobiles-Trucks/Lcv	301.80	8.35	2.20
Tata Power Company Ltd.	Power Generation/Distribution	88.65	0.00	1.96
Tata Steel Ltd.	Steel/Sponge Iron/Pig Iron	292.00	0.00	0.83
Wipro Ltd.	IT - Software	335.60	12.46	2.91

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%. 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%.
- 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.
- RBI – Reduces repo rate by 0.25%. Next meeting is on 17/6/13.
- Politics – Possible early elections.
- Inflation – Headline inflation under 5%.
- Bonds – RBI introduces Inflation Indexed bonds for the first time. These are linked to WPI.
- Currency – The rupee weakens to over Rs.57/- 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	India ↑	Australia			Brazil
	Germany	Japan ↓	China ↓			
	USA	UK ↓	Hong Kong			
COMMODITIES			Aluminium ↑	Copper		Gold
			Crude Oil	Zinc ↓		Nickel
			Lead			Silver
			Natural Gas ↓			
CURRENCIES (against USD)			EUR	HKD		BRL ↓
			GBP ↑	INR		AUD
						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		Nifty Sensex ↑	Mid Cap	Small Cap	
SECTORS	FMCG Healthcare	Auto ↑	Bankex ↓ Cap Goods Cons Durable IT ↑ Oil & Gas Teck	Power ↓ Realty	Metal
COMMODITIES		Crude Oil Natural Gas	Aluminium Copper Lead Zinc	Nickel ↑	Gold 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 Dabur India Dr Reddys Lab Hin Unilever ↑ Idea Cellular ITC Lupin MRF Sun Pharma	Apollo Tyres Exide Ind HDFC ↓ HDFC Bank ICICI Bank M & M ↑ Maruti Suzuki Nestle India ONGC ↓ TCS ↑ Titan Ind Yes Bank	Asian Paints ↓ Axis Bank ↓ Bharti Airtel BPCL Cipla HCL Tech Hero Moto Co Hindalco Ind JSW Steel L & T LIC Housing Reliance Ind Sesa Goa Tata Motors Ultratech Cem	ACC ↓ Ambuja Cem ↓ Bajaj Auto BHEL ↓ DLF Infosys ↑ SBIN Sterlite Ind ↓	Bank Of Baroda Cairn India ↓ Future Retail J Associates Jindal Steel Oriental Bank ↓ 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	Apollo Hos Berger Paints Castrol India Emami Finolex Ind Godrej Con GSK Consumer M & M Finan ↑ Pidilite Ind Supreme Ind	Adani Ports Bajaj Finance ↑ Colgate-Pal Glenmark Ph Rallis India ↑ Zee Ent	Amara Raja Batt Arvind ↑ Balrampur Chini ↑ Bata India Biocon CMC Cummins India DiviS Lab IGL Jain Irrigation KPIT Cummins L&T Finance Marico Mindtree OFSS ↑ Sobha Dev Sun TV Tata Coffee	IFCI Jubilant Food Sintex Ind	Bajaj Finserv GSPL Indian Hotels Wockhardt

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

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