

# *ShroffConnect* Weekly Report

## 15<sup>th</sup> June, 2013



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# Opinion as on 15/06/2013

## World Markets –

- **Money flow:** The trend is quite uncertain. Money is flowing out of stocks (except USA), out of commodities and treasuries.
  - **Opinion:** Investor opinion seems divided on the stock markets on talks of easing of the Quantitative Easing. They are eagerly waiting for some indication from the Fed and this will come on Wednesday, the day of the Fed meeting.
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## Indian Stock Market –

- **Stock Market:** The stock market eased during the early part of the week and then rallied on Friday to just over 5800.
- **Sectors:** Consumer goods, Food, Healthcare and Telecom are outperforming.
- **Positives:** Moderating inflation.
- **Negatives:** High fiscal and current account deficits, FIIs selling equity and debt.
- **Opinion:** The market is in a correction mode and this correction may continue for a few weeks. The cue from foreign markets will be the Fed move on Quantitative Easing. The cue from the local economy will be the RBI meeting on Monday; the government promise of reform measures and the monsoon. We think that the QE will continue for some quarters and that it is too soon to announce cutting back on easing. Further we think that the RBI will cut the CRR but not interest rates. The monsoon seems normal and this is good for our economy. Hence, our advice to investors is to wait from some time for the correction to deepen and then invest into this correction.



Current news and world  
financial market prices

# Current scenario & news

## World economy

- Global markets have been shaken by concerns that the US Federal Reserve may begin scaling back its stimulus programme. The Fed is pumping \$85bn (£54bn) a month into the economy, in a programme of quantitative easing (QE).
- Japan's cabinet rubber-stamped a set of measures on Friday to boost economic growth that so far have failed to impress markets and made Prime Minister Shinzo Abe promise to take more steps after next month's upper house elections.
- Oil demand in developing countries surpassed that of wealthy nations for the first time ever in April, in the latest demonstration of how rapid growth in Asia has upended trade and increased competition for resources.
- Brazil's real posted the biggest decline in emerging markets after the government's interventions failed to staunch capital outflows triggered by faltering economic growth and a jump in U.S. bond yields.

## Indian economy

- Indian inflation slowed to a 43-month low in May, a moderation that may fail to spur another interest-rate cut by the central bank as a plunge in the rupee threatens to fan price pressures.
- With dip in gold imports, government ruled out any further hike in customs duty and said economic indicators like CAD will improve drastically if Indians do not import it for a year.
- State-run fuel retailers on Saturday decided to raise petrol price by Rs 2 a litre, excluding state taxes, to offset the twin effects of the rupee's sharp fall against the Greenback and hardening of the fuel's price in the international trading hubs.
- A tumbling rupee and pressure on the current account deficit are likely to prevent the Reserve Bank of India from lowering policy rates despite softening inflation and decade-low economic growth.

## WORLD MARKETS - A SNAPSHOT

	Name	Description	Week ended 15th June 2013	% Change
STOCKS	Australia	ASX	4775.53	0.98
	Brazil	Bovespa	49332.34	(4.43)
	China	Shanghai	2162.04	(2.21)
	France	CAC	3805.16	(1.74)
	Germany	DAX	8127.96	(1.54)
	Hong Kong	Hang Seng	20969.14	(2.81)
	India	Sensex	19177.93	(1.29)
	Japan	Nikkei	12686.52	(1.48)
	UK	FTSE	6308.26	(1.62)
	USA	DJIA	15070.18	(1.17)
COMMODITIES	Copper	\$/Pound	3.20	(2.14)
	Crude	\$/Barrel	97.85	1.90
	Gold	\$/Troy Ounce	1387.60	0.33
	Natural Gas	\$/MMBtu	3.73	(2.61)
	Silver	\$/Troy Ounce	21.95	0.97
	Aluminium	\$/Tonne	1851.00	(4.59)
	Lead	\$/Tonne	2109.00	(2.54)
	Nickel	\$/Tonne	14325.00	(4.82)
	Zinc	\$/Tonne	1860.00	(2.29)
CURRENCIES	USD/GBP		1.5700	0.95
	USD/EUR		1.3345	0.98
	USD/AUD		0.9567	0.60
	JPY/USD		94.06	(3.58)
	INR/USD		57.53	0.82
	HKD/USD		7.7610	(0.01)
	BRL/USD		2.1380	0.06
BONDS	2 Year	US Treasury	110.23	0.05
	10 Year		130.63	0.38
	30 Year		141.31	0.38

## INDIAN MARKETS - A SNAPSHOT

	Name	Description	Week ended 15th June 2013	% Change
STOCKS	Nifty	Large Cap	5808.40	(1.23)
	Sensex	Large Cap	19177.93	(1.29)
	BSE Midcap	Mid Cap	6108.46	(4.38)
	BSE Smallcap	Small Cap	5772.45	(3.18)
Some Major Shares	ACC	Rs/share	1214.85	0.82
	Bharti Airtel		289.45	0.40
	HDFC Ltd		835.00	(0.52)
	Infosys		2394.95	(2.12)
	L&T		1440.75	2.01
	Reliance Inds		814.65	3.96
	Tata Motors		296.80	(1.69)
	Tata Steel		274.15	(6.13)
COMMODITIES	Aluminium	INR/Kg	105.60	(3.52)
	Copper	INR/Kg	407.95	(1.28)
	Crude	INR/Barrel	5663.00	2.72
	Gold	INR/10gms	27879.00	1.08
	Lead	INR/Kg	121.90	(1.46)
	Natural Gas	INR/1mmBtu	216.50	(1.64)
	Nickel	INR/Kg	827.20	(4.23)
	Silver	INR/Kg	43834.00	1.96
	Zinc	INR/Kg	106.00	(1.58)
CURRENCIES	INR/EUR		76.79	1.82
	INR/GBP		90.30	1.78
	INR/100 JPY		61.13	4.55
	INR/USD		57.53	0.82



Detailed macro analysis

## MACRO ECONOMIC SNAPSHOT AS ON 15/06/2013

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	↑2.18	2.07

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	↑1.34	1.27

China	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	7.70	7.90
Inflation Rate	Monthly	↓2.10	2.40
Unemployment Rate	Monthly	4.10	4.10
Benchmark Interest Rate	Weekly	6.00	6.00
Govt. bond 10 year Rate	Weekly	↓3.48	3.56

Japan	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	0.40	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	↑0.85	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	7.80
Benchmark Interest Rate	Weekly	0.50	0.50
Govt. bond 10 year Rate	Weekly	↑2.13	2.02

India	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	4.80	4.50
Inflation Rate	Monthly	↓4.70	4.89
Unemployment Rate	Monthly	no data	
Benchmark Interest Rate	Weekly	7.25	7.50
Govt. bond 10 year Rate	Weekly	↑7.33	7.22

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	↑10.57	10.40

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	↑7.53	7.39



## IMPORTANT FUNDAMENTAL FINANCIAL RATIOS FOR SENSEX STOCKS AS ON 15/06/2013

Company	Industry	Price	TTM P/E	P/BV
Bajaj Auto Ltd	Automobile Two & Three Wheelers	1763.25	16.29	6.33
Bharat Heavy Electricals Ltd.	Electric Equipment	176.40	6.45	1.41
Bharti Airtel Ltd.	Telecommunication - Service Provider	289.10	48.24	2.05
Cipla Ltd.	Pharmaceuticals & Drugs	377.95	19.64	3.37
Coal India Ltd.	Mining & Minerals	301.00	10.95	3.92
Dr Reddys Laboratories Ltd.	Pharmaceuticals & Drugs	2176.50	22.05	5.06
GAIL (India) Ltd.	Gas Transmission/Marketing	302.05	8.76	1.33
HDFC Bank Ltd.	Bank - Private	665.30	23.13	4.34
Hero MotoCorp Ltd.	Automobile Two & Three Wheelers	1602.30	15.11	6.39
Hindalco Industries Ltd.	Aluminium & Aluminium Products	103.70	6.56	0.63
Hindustan Unilever Ltd.	Household & Personal Products	593.30	33.51	44.80
Housing Development Finance Corporation Ltd.	Finance - Housing	834.45	19.48	4.03
ICICI Bank Ltd.	Bank - Private	1101.60	13.24	1.85
Infosys Ltd.	IT - Software	2394.95	14.59	3.62
ITC Ltd.	Cigarettes/Tobacco	331.40	34.42	11.36
Jindal Steel & Power Ltd.	Steel/Sponge Iron/Pig Iron	242.40	7.79	1.07
Larsen & Toubro Ltd.	Engineering - Construction	1440.40	17.29	2.62
Mahindra & Mahindra Ltd.	Automobiles-Tractors	947.45	14.19	2.91
Maruti Suzuki India Ltd.	Automobiles - Passenger Cars	1515.05	18.53	2.92
NTPC Ltd.	Power Generation/Distribution	151.60	9.93	1.54
Oil & Natural Gas Corpn. Ltd.	Oil Exploration	311.85	11.02	1.77
Reliance Industries Ltd.	Refineries	814.00	12.59	1.46
State Bank Of India	Bank - Public	2046.25	7.81	1.12
Sterlite Industries (India) Ltd.	Metal - Non Ferrous	83.00	4.60	0.55
Sun Pharmaceutical Inds. Ltd.	Pharmaceuticals & Drugs	952.85	32.80	6.98
Tata Consultancy Services Ltd.	IT - Software	1450.25	20.43	7.36
Tata Motors Ltd.	Automobiles-Trucks/Lcv	296.90	8.21	2.17
Tata Power Company Ltd.	Power Generation/Distribution	80.95	0.00	1.79
Tata Steel Ltd.	Steel/Sponge Iron/Pig Iron	274.15	0.00	0.78
Wipro Ltd.	IT - Software	337.65	12.53	2.93

# 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. 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 approx. 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.

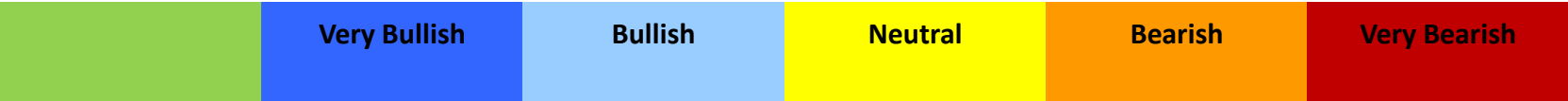
## Indian economy

- 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



STOCKS	Germany USA	France ↓	China India ↓ Japan ↓ UK ↓	Australia ↓ Hong Kong ↓	Brazil
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COMMODITIES			Crude Oil	Aluminium ↓	Gold
			Lead	Copper	Nickel
			Natural Gas	Zinc	Silver

CURRENCIES (against USD)			EUR GBP	HKD JPY ↑	AUD BRL INR ↓
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BONDS (US Treasury)			2 Year	10 Year 30 Year	
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↑ = 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	FMCG		Healthcare ↓	Auto ↓ Bankex Oil & Gas Teck	Cap Goods ↓ Cons Durable ↓ IT ↓	Metal Power ↓ Realty ↓
COMMODITIES	Crude Oil ↑			Aluminium Copper Lead Natural Gas ↓ 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	Britannia Ind Dabur India Dr Reddy Hind Unilever Idea Cellular ITC Lupin MRF Nestle India ↑ Sun Pharma	HDFC M & M TCS	Asian Paints Axis Bank Bharti Airtel BPCL Cipla Exide Ind ↓ HCL Tech HDFC Bank ↓ Hero Moto Co Hindalco Ind ICICI Bank ↓ L & T LIC Housing Maruti Suzuki ↓ ONGC ↓ Reliance Ind Tata Motors Ultratech Cem Yes Bank ↓	ACC Ambuja Cem Apollo Tyres ↓ Bajaj Auto Infosys JSW Steel ↓ SBIN Titan Ind ↓	Bank Of Baroda BHEL ↓ Cairn India DLF ↓ FRL JP Associates Jindal Steel OBC Sesa Goa ↓ Sterlite Ind ↓ 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	<p>Apollo Hos</p> <p>Berger Paints</p> <p>Castrol India</p> <p>Emami</p> <p>Finolex Ind</p> <p>Glenmark Ph ↑</p> <p>GSK Consumer</p> <p>M &amp; M Fin</p> <p>Pidilite Ind</p>	<p>Adani Ports</p> <p>Bajaj Finance</p> <p>Bata India ↑</p> <p>Godrej Con ↓</p> <p>Rallis India</p> <p>Supreme Ind ↓</p>	<p>Amara Raja Batt</p> <p>Arvind</p> <p>Biocon</p> <p>CMC</p> <p>Colgate-Pal ↓</p> <p>Cummins India</p> <p>IGL</p> <p>KPIT Cummins</p> <p>L&amp;T Finance</p> <p>Marico</p> <p>Mindtree</p> <p>Sintex Ind ↑</p> <p>Sobha Dev</p> <p>Sun TV</p> <p>Zee Ent ↓</p>	<p>Balrampur Chini ↓</p> <p>DiviS Lab ↓</p> <p>Jain Irrigation ↓</p> <p>OFSS ↓</p> <p>Tata Coffee ↓</p>	<p>Bajaj Finserv</p> <p>GSPL</p> <p>IFCI ↓</p> <p>Indian Hotels</p> <p>Jubilant Food ↓</p> <p>Wockhardt</p>

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