

ShroffConnect Weekly Report

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Aditya Shroff

Stock Broking Services

Shroff Securities Pvt. Ltd.

Portfolio Management Services

Kolkata: 033 32933592/3658

Bangalore: 080 32996004/6005

Email: contact@shroffsecurities.com

Web: www.shroffsecurities.com

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Opinion as on 22/06/2013

World Markets –

- **Money flow:** Money seems to be flowing out of assets into cash.
 - **Opinion:** Investors are panicking that the US will curtail its QE programme soon and therefore asset prices will come down. This is correct; however we feel that this is going to be a temporary phenomenon. Prices of assets which are not growth oriented (like real estate and precious metals) will come down and prices of growth stocks will rally once again. This time the rally will be dependent on growth and not easy money.
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Indian Stock Market –

- **Stock Market:** The Indian stock market reacted to world cues and corrected to 5667.
- **Sectors:** Consumer goods, Pharma and Telecom are outperforming.
- **Positives:** Moderating inflation.
- **Negatives:** Weak INR, high fiscal and current account deficits.
- **Opinion:** The correction we are seeing in the market is on expected lines. The next rally shall be growth based and the weak INR will induce FII flows once again as Indian stocks will look relatively cheap. The political scenario should not play any major role as governance has taken a back seat prior to the general elections less than a year away, and the market has discounted it already. Investors should look to buying good stocks in this correction but after the market stabilizes.



Current news and world
financial market prices

Current scenario & news

World economy

- The global markets on Thursday rattled in trade after the US Federal Reserve Chairman Ben Bernanke said that the Fed could begin to taper down its key stimulus program later this year.
- The Chinese central bank's determination to rein in rapid credit growth has sent interbank interest rates to record highs, creating panic and rumours of possible default as some banks scramble to secure short-term funds.
- Euro zone finance ministers agreed on how its bailout fund can invest in troubled banks, but imposed so many conditions that they may not completely succeed in their goal of separating problem banks from their indebted home countries.
- A decade of improvement in emerging market credit ratings is coming to an end as higher borrowing costs and commodity price falls threaten to lay bare many countries' failure to reform during the good times.

Indian economy

- The Reserve Bank of India kept interest rates unchanged as expected after cutting them in each of its previous three policy reviews, warning of upward risks to inflation as the rupee is among the hardest hit amid a global emerging markets sell-off.
- Indians' money in Swiss banks has fallen to a record low level of about Rs 9,000 crore (1.42 billion Swiss francs), as a global clampdown against the famed secrecy wall of Switzerland banking system made it unattractive for their global clients.
- The rupee has hit an all-time low against the dollar, creating serious problems for Indian economy already battling multiple headwinds. The rapid decline threatens to undermine the recent gains in inflation and depress badly needed capital flows.
- India's trade deficit widened to \$20.14 billion in May on higher gold imports, putting further pressure on the country's current account balance.

WORLD MARKETS - A SNAPSHOT

	Name	Description	Week ended 22nd June 2013	% Change
STOCKS	Australia	ASX	4723.77	(1.08)
	Brazil	Bovespa	47056.04	(4.61)
	China	Shanghai	2073.09	(4.11)
	France	CAC	3658.04	(3.87)
	Germany	DAX	7789.24	(4.17)
	Hong Kong	Hang Seng	20263.31	(3.37)
	India	Sensex	18774.24	(2.10)
	Japan	Nikkei	13230.13	4.28
	UK	FTSE	6116.17	(3.05)
	USA	DJIA	14799.40	(1.80)
COMMODITIES	Copper	\$/Pound	3.10	(3.13)
	Crude	\$/Barrel	93.69	(4.25)
	Gold	\$/Troy Ounce	1292.00	(6.89)
	Natural Gas	\$/MMBtu	3.77	1.07
	Silver	\$/Troy Ounce	19.96	(9.07)
	Aluminium	\$/Tonne	1795.00	(3.03)
	Lead	\$/Tonne	2023.00	(4.08)
	Nickel	\$/Tonne	14075.00	(1.75)
	Zinc	\$/Tonne	1841.50	(0.99)
CURRENCIES	USD/GBP		1.5425	(1.75)
	USD/EUR		1.3115	(1.72)
	USD/AUD		0.9214	(3.69)
	JPY/USD		97.80	3.98
	INR/USD		59.27	3.02
	HKD/USD		7.7582	(0.04)
	BRL/USD		2.2448	5.00
BONDS	2 Year	US Treasury	110.07	(0.15)
	10 Year		126.27	(3.34)
	30 Year		135.03	(4.44)

INDIAN MARKETS - A SNAPSHOT

	Name	Description	Week ended 22nd June 2013	% Change
STOCKS	Nifty	Large Cap	5667.65	(2.42)
	Sensex	Large Cap	18774.24	(2.10)
	BSE Midcap	Mid Cap	6037.60	(1.16)
	BSE Smallcap	Small Cap	5717.30	(0.96)
Some Major Shares	ACC	Rs/share	1163.60	(4.22)
	Bharti Airtel		291.95	0.86
	HDFC Ltd		820.70	(1.71)
	Infosys		2418.75	0.99
	L&T		1392.80	(3.33)
	Reliance Inds		792.85	(2.68)
	Tata Motors		287.05	(3.29)
	Tata Steel		272.05	(0.77)
COMMODITIES	Aluminium	INR/Kg	104.90	(0.66)
	Copper	INR/Kg	407.80	(0.04)
	Crude	INR/Barrel	5613.00	(0.88)
	Gold	INR/10gms	27020.00	(3.08)
	Lead	INR/Kg	121.05	(0.70)
	Natural Gas	INR/1mmBtu	227.20	4.94
	Nickel	INR/Kg	836.60	1.14
	Silver	INR/Kg	41586.00	(5.13)
	Zinc	INR/Kg	108.50	2.36
CURRENCIES	INR/EUR		77.75	1.25
	INR/GBP		91.41	1.23
	INR/100 JPY		60.57	(0.92)
	INR/USD		59.27	3.02



Detailed macro analysis

MACRO ECONOMIC SNAPSHOT AS ON 22/06/2013

USA	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	1.80	1.70
Inflation Rate	Monthly	↑1.40	1.10
Unemployment Rate	Monthly	7.60	7.50
Benchmark Interest Rate	Weekly	0.25	0.25
Govt. bond 10 year Rate	Weekly	↑2.42	2.18

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	↑1.49	1.34

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	↑3.49	3.48

Japan	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	0.40	0.40
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	↓0.83	0.85

UK	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	0.60	0.20
Inflation Rate	Monthly	↑2.70	2.40
Unemployment Rate	Monthly	7.80	7.80
Benchmark Interest Rate	Weekly	0.50	0.50
Govt. bond 10 year Rate	Weekly	↑2.30	2.13

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	7.25
Govt. bond 10 year Rate	Weekly	↑7.39	7.33

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	5.80
Benchmark Interest Rate	Weekly	8.00	7.50
Govt. bond 10 year Rate	Weekly	↑11.75	10.57

Russia	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	1.60	2.10
Inflation Rate	Monthly	7.40	7.20
Unemployment Rate	Monthly	↓5.20	5.60
Benchmark Interest Rate	Weekly	8.25	8.25
Govt. bond 10 year Rate	Weekly	↑7.66	7.53

IMPORTANT FUNDAMENTAL FINANCIAL RATIOS FOR SENSEX STOCKS AS ON 22/06/2013

Company	Industry	Price	TTM P/E	P/BV
Bajaj Auto Ltd	Automobile Two & Three Wheelers	1830.00	16.90	6.57
Bharat Heavy Electricals Ltd.	Electric Equipment	170.65	6.24	1.37
Bharti Airtel Ltd.	Telecommunication - Service Provider	292.55	51.39	2.18
Cipla Ltd.	Pharmaceuticals & Drugs	381.40	19.82	3.40
Coal India Ltd.	Mining & Minerals	299.20	10.89	3.90
Dr Reddys Laboratories Ltd.	Pharmaceuticals & Drugs	2123.80	21.52	4.94
GAIL (India) Ltd.	Gas Transmission/Marketing	290.35	8.42	1.28
HDFC Bank Ltd.	Bank - Private	635.70	22.10	4.14
Hero MotoCorp Ltd.	Automobile Two & Three Wheelers	1624.90	15.32	6.48
Hindalco Industries Ltd.	Aluminium & Aluminium Products	93.60	5.92	0.57
Hindustan Unilever Ltd.	Household & Personal Products	590.85	33.37	44.61
Housing Development Finance Corporation Ltd.	Finance - Housing	821.90	19.18	3.97
ICICI Bank Ltd.	Bank - Private	1043.40	12.54	1.75
Infosys Ltd.	IT - Software	2419.15	14.73	3.66
ITC Ltd.	Cigarettes/Tobacco	322.85	33.53	11.06
Jindal Steel & Power Ltd.	Steel/Sponge Iron/Pig Iron	204.25	6.56	0.90
Larsen & Toubro Ltd.	Engineering - Construction	1393.90	16.73	2.54
Mahindra & Mahindra Ltd.	Automobiles-Tractors	942.05	14.11	2.90
Maruti Suzuki India Ltd.	Automobiles - Passenger Cars	1554.95	19.02	3.00
NTPC Ltd.	Power Generation/Distribution	143.05	9.37	1.45
Oil & Natural Gas Corp. Ltd.	Oil Exploration	308.00	10.88	1.74
Reliance Industries Ltd.	Refineries	793.90	12.28	1.42
State Bank Of India	Bank - Public	1990.40	7.60	1.09
Sterlite Industries (India) Ltd.	Metal - Non Ferrous	80.60	4.47	0.53
Sun Pharmaceutical Inds. Ltd.	Pharmaceuticals & Drugs	949.85	32.70	6.95
Tata Consultancy Services Ltd.	IT - Software	1422.55	20.04	7.22
Tata Motors Ltd.	Automobiles-Trucks/Lcv	287.15	7.94	2.10
Tata Power Company Ltd.	Power Generation/Distribution	81.60	0.00	1.80
Tata Steel Ltd.	Steel/Sponge Iron/Pig Iron	271.65	0.00	0.77
Wipro Ltd.	IT - Software	348.85	12.95	3.03

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 probably be curtailed from Dec 2013 or as 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 – Leaves CRR and Repo rates unchanged. Next meeting at the end of July 2013.
- 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 Rs.59.27- per USD.

Our concerns on the macro front

World economies

- Mixed data from USA. QE3 may be curtailed by the end of the year.
- 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	USA		Germany ↓	France ↓ India Japan UK	Australia China ↓ Hong Kong	Brazil
COMMODITIES				Crude Oil Lead Natural Gas	Zinc	Aluminium ↓ Copper ↓ Gold Nickel Silver
CURRENCIES (against USD)				EUR GBP HKD ↑	JPY	AUD BRL INR
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
Cons Durable ↑
Teck

IT
Oil & Gas ↓

Cap Goods ↓
Metal
Power
Realty

COMMODITIES

Crude Oil

Natural Gas ↑

Aluminium
Copper
Lead
Zinc

Gold
Nickel

Silver

CURRENCIES (against INR)

USD
GBP ↑

EUR

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

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

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