

ShroffConnect Weekly Report

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Opinion as on 29/06/2013

World Markets –

- **Money flow:** The trend is uncertain although money is definitely flowing out of debt and precious metals.
 - **Opinion:** Money is flowing out of those assets which were pumped up with easy money – mainly gold and silver. Stocks are also bearing the brunt somewhat. However, QE will be curtailed on a better economy which is ultimately good for stocks but not good for precious metals. China is in a consolidation mode and 7% growth seems to be the new normal out there. The government has made this amply clear that they are not looking for short term fixes to their economy. The trend should be clearer in a few weeks.
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Indian Stock Market –

- **Stock Market:** The stock market rallied smartly to 5842.
- **Sectors:** Consumer Goods, Pharma and selective Telecom are outperforming.
- **Positives:** Small measures by the GOI to attract foreign investment once again.
- **Negatives:** High fiscal and current account deficits, FII selling debt and equities.
- **Opinion:** The Indian market is going through an extremely volatile phase. Corrections and rallies are exaggerated. The governance of the country is nil because buying votes through the Food Security Bill has overtaken any plausible economic agenda. In these circumstances, the investor should look to buy stocks of companies whose business models are currently stable rather than look for too much growth. Any real growth is going to happen only after the next elections.



Current news and world
financial market prices

Current scenario & news

World economy

- Federal Reserve officials intensified efforts to curb a growth-threatening rise in long-term interest rates, seeking to clarify comments by Chairman Ben S. Bernanke that triggered turmoil in global financial markets.
- China's central bank is squeezing funds out of the money market, forcing banks to borrow money at historic interest rate levels, but the manoeuvre appears to have been calculated to have limited impact on the real economy.
- Japan's economy strengthened in May as factory output rose the most since December 2011, retail sales climbed and consumer prices halted a six-month slide, bolstering Prime Minister Shinzo Abe's push to end deflation.
- The bovespa posted the biggest quarterly drop among major equity benchmarks as consumer stocks sank amid mounting concern that a weaker currency will stoke inflation and squelch Brazil's recovery.

Indian economy

- India promised to protect key industries from the full impact of higher gas prices on Friday, taking the shine off a reform which may bring in more investment to the gas sector but could hike costs for consumers by around 50 percent from next year.
- Retail inflation for industrial workers rose marginally to 10.68 per cent in May on account of increase in the prices of food items, cigarette, country Liquor, electricity charges and allopathic medicines.
- India's external debt rose by nearly 13 percent to USD 390 billion in 2012-13, mainly due to rise in short-term trade credit and external commercial borrowings (ECBs) in the back of high current account deficit, the Reserve Bank said.
- The Reserve Bank said the macroeconomic risks to the Indian economy have increased over the last six months due to the fall in growth, external sector developments and subdued performance of the corporate sector.

WORLD MARKETS - A SNAPSHOT

	Name	Description	Week ended 29th June 2013	% Change
STOCKS	Australia	ASX	4775.41	1.09
	Brazil	Bovespa	47457.13	0.85
	China	Shanghai	1979.21	(4.53)
	France	CAC	3738.91	2.21
	Germany	DAX	7959.22	2.18
	Hong Kong	Hang Seng	20803.29	2.66
	India	Sensex	19395.81	3.31
	Japan	Nikkei	13677.32	3.38
	UK	FTSE	6215.47	1.62
	USA	DJIA	14909.60	0.74
COMMODITIES	Copper	\$/Pound	3.06	(1.29)
	Crude	\$/Barrel	96.56	3.06
	Gold	\$/Troy Ounce	1223.70	(5.29)
	Natural Gas	\$/MMBtu	3.57	(5.31)
	Silver	\$/Troy Ounce	19.47	(2.45)
	Aluminium	\$/Tonne	1773.00	(1.23)
	Lead	\$/Tonne	2051.00	1.38
	Nickel	\$/Tonne	13710.00	(2.59)
CURRENCIES	Zinc	\$/Tonne	1853.00	0.62
	USD/GBP		1.5220	(1.33)
	USD/EUR		1.3020	(0.72)
	USD/AUD		0.9142	(0.78)
	JPY/USD		99.12	1.35
	INR/USD		59.43	0.27
	HKD/USD		7.7575	(0.01)
BONDS	BRL/USD		2.2280	(0.75)
	2 Year	US Treasury	110.09	0.02
	10 Year		126.56	0.23
	30 Year		135.84	0.60

INDIAN MARKETS - A SNAPSHOT

	Name	Description	Week ended 29th June 2013	% Change
STOCKS	Nifty	Large Cap	5842.20	3.08
	Sensex	Large Cap	19395.81	3.31
	BSE Midcap	Mid Cap	5964.50	(1.21)
	BSE Smallcap	Small Cap	5643.52	(1.29)
Some Major Shares	ACC	Rs/share	1222.65	5.07
	Bharti Airtel		291.75	(0.07)
	HDFC Ltd		879.05	7.11
	Infosys		2498.85	3.31
	L&T		1407.90	1.08
	Reliance Inds		862.60	8.80
	Tata Motors		281.30	(2.00)
	Tata Steel		273.75	0.62
COMMODITIES	Aluminium	INR/Kg	105.05	0.14
	Copper	INR/Kg	406.60	(0.29)
	Crude	INR/Barrel	5763.00	2.67
	Gold	INR/10gms	25669.00	(5.00)
	Lead	INR/Kg	122.25	0.99
	Natural Gas	INR/1mmBtu	214.80	(5.46)
	Nickel	INR/Kg	823.90	(1.52)
	Silver	INR/Kg	40208.00	(3.31)
	Zinc	INR/Kg	109.70	1.11
CURRENCIES	INR/EUR		77.52	(0.30)
	INR/GBP		90.59	(0.90)
	INR/100 JPY		60.02	(0.91)
	INR/USD		59.43	0.27



Detailed macro analysis

MACRO ECONOMIC SNAPSHOT AS ON 29/06/2013

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	↑2.48	2.42

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	↑1.50	1.49

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	↑3.55	3.49

Japan	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	0.40	0.40
Inflation Rate	Monthly	-0.30	-0.70
Unemployment Rate	Monthly	4.10	4.10
Benchmark Interest Rate	Weekly	0.00	0.00
Govt. bond 10 year Rate	Weekly	0.83	0.83

UK	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	0.30	0.60
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	↑2.43	2.30

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	↑7.56	7.39

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	↓10.90	11.75

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	↑7.70	7.66

IMPORTANT FUNDAMENTAL FINANCIAL RATIOS FOR SENSEX STOCKS AS ON 29/06/2013

Company	Industry	Price	TTM P/E	P/BV
Bajaj Auto Ltd	Automobile Two & Three Wheelers	1917.45	17.65	6.88
Bharat Heavy Electricals Ltd.	Electric Equipment	174.30	6.37	1.40
Bharti Airtel Ltd.	Telecommunication - Service Provider	291.40	51.19	2.17
Cipla Ltd.	Pharmaceuticals & Drugs	391.45	20.35	3.49
Coal India Ltd.	Mining & Minerals	302.95	11.03	3.95
Dr Reddys Laboratories Ltd.	Pharmaceuticals & Drugs	2215.40	22.46	5.15
GAIL (India) Ltd.	Gas Transmission/Marketing	313.00	9.08	1.38
HDFC Bank Ltd.	Bank - Private	668.50	23.24	4.36
Hero MotoCorp Ltd.	Automobile Two & Three Wheelers	1662.25	15.67	6.63
Hindalco Industries Ltd.	Aluminium & Aluminium Products	99.75	6.31	0.61
Hindustan Unilever Ltd.	Household & Personal Products	585.05	33.04	44.17
Housing Development Finance Corporation Ltd.	Finance - Housing	872.90	20.43	4.24
ICICI Bank Ltd.	Bank - Private	1069.75	12.85	1.80
Infosys Ltd.	IT - Software	2493.25	15.18	3.77
ITC Ltd.	Cigarettes/Tobacco	324.40	33.69	11.12
Jindal Steel & Power Ltd.	Steel/Sponge Iron/Pig Iron	217.30	6.98	0.96
Larsen & Toubro Ltd.	Engineering - Construction	1404.15	16.85	2.56
Mahindra & Mahindra Ltd.	Automobiles-Tractors	966.55	14.52	2.98
Maruti Suzuki India Ltd.	Automobiles - Passenger Cars	1538.00	18.82	2.96
NTPC Ltd.	Power Generation/Distribution	143.70	9.41	1.46
Oil & Natural Gas Corpn. Ltd.	Oil Exploration	330.10	11.66	1.87
Reliance Industries Ltd.	Refineries	861.85	13.33	1.54
State Bank Of India	Bank - Public	1953.60	7.46	1.07
Sterlite Industries (India) Ltd.	Metal - Non Ferrous	83.50	4.63	0.55
Sun Pharmaceutical Inds. Ltd.	Pharmaceuticals & Drugs	1008.50	34.72	7.38
Tata Consultancy Services Ltd.	IT - Software	1518.40	21.39	7.71
Tata Motors Ltd.	Automobiles-Trucks/Lcv	281.45	7.79	2.05
Tata Power Company Ltd.	Power Generation/Distribution	86.05	0.00	1.90
Tata Steel Ltd.	Steel/Sponge Iron/Pig Iron	273.80	0.00	0.78
Wipro Ltd.	IT - Software	349.80	12.98	3.04

World macro scenario

- USA – US economic data is mixed. 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 – Unlimited stimulus package results in bond yields doubling.
- Markets – Commodity prices have eased considerably. Gold and silver lead the crash.

Indian macro scenario

- Economy – Fiscal deficit is much above the desired levels with subsidies becoming bigger. Current account deficit is extremely high.
- Government policies – GDP growth down but no clear growth-encouraging policies. Gas prices increased by 100% effective from 1/4/14.
- 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 regains ground after breaching Rs.60/- per USD.
- Other – Massive natural disaster in Uttarakhand.

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 ↓	France Germany ↓ India Japan	Australia China Hong Kong UK ↓	Brazil
COMMODITIES				Crude Oil Natural Gas	Lead ↓ 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
IT ↑
Oil & Gas ↑
Teck

Cons Durable ↓

Cap Goods
Metal
Power
Realty

COMMODITIES

Crude Oil

Aluminium
Copper
Lead
Natural Gas ↓
Zinc

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

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

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