

ShroffConnect Weekly Report

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Opinion as on 06/07/2013

World Markets –

- **Money flow:** The money is flowing towards stocks once again, especially in USA and Japan.
 - **Opinion:** The shaky investors who feared a collapse on the withdrawal of the QE seem to have sold leaving solid investors in the market. These investors are buying into the correction on good economic data.
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Indian Stock Market –

- **Stock Market:** The stock market rallied somewhat to close at 5868.
- **Sectors:** Consumer goods, Pharma and selective Telecom are outperforming.
- **Positives:** Decent monsoon; moderating inflation.
- **Negatives:** High fiscal and current account deficit, populist politics.
- **Opinion:** The GOI issued an ordinance to make the Food Security Bill into law. This is pure politics and not good economics. However, this was expected and already discounted by the market. The market will be looking at the quarterly numbers and then decide the trend. Investors would be advised to buy into stocks which are going to show decent numbers in this quarter rather than growth stocks which may show good numbers in the coming quarters. We expect the market to correct before the Infosys results on next Monday. Look to buy in this correction.



Current news and world
financial market prices

Current scenario & news

World economy

- The European Central Bank broke with precedent by declaring it would keep interest rates at record lows for an extended period and may yet cut further, responding to turbulence caused by the U.S. Federal Reserve's exit plan from money-printing.
- German factory orders unexpectedly declined for a second month in May in a sign that the euro area's struggle to emerge from its longest-ever recession is disrupting the recovery in Europe's largest economy.
- Asian factories were buffeted by stronger growth headwinds in June, as crumbling foreign and domestic demand knocked activity in China to multi-month lows and shrank orders for Indian producers for the first time in more than four years.
- The Dollar Index climbed to the highest level since 2010 after U.S. employers added more jobs than forecast in June, fueling bets the Federal Reserve will begin slowing unprecedented monetary stimulus.

Indian economy

- Indian factory activity remained weak in June as output contracted for the second month running and order books shrank for the first time in over four years.
- India's foreign exchange reserves decreased \$3.2 billion in the week to June 28 as the central bank sold dollar to defend rupee, the worst-performing Asian currency.
- India is betting a gas price hike will boost supply and help fix the country's chronic power shortages, but the plan may falter unless the debt-laden industry can pass on higher energy costs to consumers or win government subsidies.
- Finance Minister P. Chidambaram urged state-run banks to lend money at cheaper rates as he looks to stimulate consumer demand, the main driver of a sluggish economy that has been pulled down by high inflation and interest rates.

WORLD MARKETS - A SNAPSHOT

	Name	Description	Week ended 6th July 2013	% Change
STOCKS	Australia	ASX	4826.42	1.07
	Brazil	Bovespa	45210.49	(4.73)
	China	Shanghai	2007.20	1.41
	France	CAC	3753.85	0.40
	Germany	DAX	7806.00	(1.93)
	Hong Kong	Hang Seng	20854.67	0.25
	India	Sensex	19495.82	0.52
	Japan	Nikkei	14309.97	4.63
	UK	FTSE	6375.52	2.58
	USA	DJIA	15135.84	1.52
COMMODITIES	Copper	\$/Pound	3.07	0.33
	Crude	\$/Barrel	103.22	6.90
	Gold	\$/Troy Ounce	1212.70	(0.90)
	Natural Gas	\$/MMBtu	3.62	1.40
	Silver	\$/Troy Ounce	18.74	(3.75)
	Aluminium	\$/Tonne	1768.00	(0.28)
	Lead	\$/Tonne	2030.00	(1.02)
	Nickel	\$/Tonne	13305.00	(2.95)
	Zinc	\$/Tonne	1841.00	(0.65)
CURRENCIES	USD/GBP		1.4893	(2.15)
	USD/EUR		1.2827	(1.48)
	USD/AUD		0.9066	(0.83)
	JPY/USD		101.17	2.07
	INR/USD		60.24	1.36
	HKD/USD		7.7536	(0.05)
	BRL/USD		2.2521	1.08
BONDS	2 Year	US Treasury	109.91	(0.16)
	10 Year		124.66	(1.50)
	30 Year		132.66	(2.34)

INDIAN MARKETS - A SNAPSHOT

	Name	Description	Week ended 6th July 2013	% Change
STOCKS	Nifty	Large Cap	5867.90	0.44
	Sensex	Large Cap	19495.82	0.52
	BSE Midcap	Mid Cap	5991.99	0.46
	BSE Smallcap	Small Cap	5692.05	0.86
Some Major Shares	ACC	Rs/share	1238.45	1.29
	Bharti Airtel		295.85	1.41
	HDFC Ltd		850.10	(3.29)
	Infosys		2456.20	(1.71)
	L&T		1408.80	0.06
	Reliance Inds		880.35	2.06
	Tata Motors		296.20	5.30
	Tata Steel		264.70	(3.31)
COMMODITIES	Aluminium	INR/Kg	107.45	2.28
	Copper	INR/Kg	417.75	2.74
	Crude	INR/Barrel	6368.00	10.50
	Gold	INR/10gms	26034.00	1.42
	Lead	INR/Kg	125.30	2.49
	Natural Gas	INR/1mmBtu	221.70	3.21
	Nickel	INR/Kg	818.60	(0.64)
	Silver	INR/Kg	40298.00	0.22
	Zinc	INR/Kg	112.30	2.37
CURRENCIES	INR/EUR		77.28	(0.31)
	INR/GBP		89.68	(1.00)
	INR/100 JPY		59.50	(0.87)
	INR/USD		60.24	1.36



Detailed macro analysis

MACRO ECONOMIC SNAPSHOT AS ON 06/07/2013

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	7.60
Benchmark Interest Rate	Weekly	0.25	0.25
Govt. bond 10 year Rate	Weekly	↑2.50	2.48

Euro Area	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	-1.10	-1.00
Inflation Rate	Monthly	↑1.60	1.40
Unemployment Rate	Monthly	12.20	12.10
Benchmark Interest Rate	Weekly	0.50	0.50
Govt. bond 10 year Rate	Weekly	↓1.42	1.50

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	↑3.69	3.55

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	↑0.86	0.83

UK	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	0.30	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	↑2.57	2.43

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	↓7.43	7.56

Brazil	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	1.90	1.40
Inflation Rate	Monthly	↑6.70	6.50
Unemployment Rate	Monthly	5.80	5.80
Benchmark Interest Rate	Weekly	8.00	8.00
Govt. bond 10 year Rate	Weekly	↑11.20	10.90

Russia	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	1.60	2.10
Inflation Rate	Monthly	↓6.90	7.40
Unemployment Rate	Monthly	5.20	5.60
Benchmark Interest Rate	Weekly	8.25	8.25
Govt. bond 10 year Rate	Weekly	↓7.43	7.70

IMPORTANT FUNDAMENTAL FINANCIAL RATIOS FOR SENSEX STOCKS AS ON 06/07/2013

Company	Industry	Price	TTM P/E	P/BV
Bajaj Auto Ltd	Automobile Two & Three Wheelers	1872.85	17.24	6.72
Bharat Heavy Electricals Ltd.	Electric Equipment	178.50	6.53	1.43
Bharti Airtel Ltd.	Telecommunication - Service Provider	295.55	51.92	2.20
Cipla Ltd.	Pharmaceuticals & Drugs	399.10	20.74	3.56
Coal India Ltd.	Mining & Minerals	297.10	10.81	3.87
Dr Reddys Laboratories Ltd.	Pharmaceuticals & Drugs	2235.60	22.66	5.20
GAIL (India) Ltd.	Gas Transmission/Marketing	326.70	9.48	1.44
HDFC Bank Ltd.	Bank - Private	665.45	23.14	4.34
Hero MotoCorp Ltd.	Automobile Two & Three Wheelers	1646.90	15.53	6.57
Hindalco Industries Ltd.	Aluminium & Aluminium Products	99.85	6.32	0.61
Hindustan Unilever Ltd.	Household & Personal Products	609.15	34.40	46.62
Housing Development Finance Corporation Ltd.	Finance - Housing	849.85	19.89	4.12
ICICI Bank Ltd.	Bank - Private	1051.15	12.63	1.76
Infosys Ltd.	IT - Software	2454.45	14.95	3.71
ITC Ltd.	Cigarettes/Tobacco	342.10	35.53	11.72
Jindal Steel & Power Ltd.	Steel/Sponge Iron/Pig Iron	223.90	7.19	0.98
Larsen & Toubro Ltd.	Engineering - Construction	1409.70	16.93	2.57
Mahindra & Mahindra Ltd.	Automobiles-Tractors	967.95	14.54	2.99
Maruti Suzuki India Ltd.	Automobiles - Passenger Cars	1554.50	19.02	2.99
NTPC Ltd.	Power Generation/Distribution	143.50	9.40	1.46
Oil & Natural Gas Corp. Ltd.	Oil Exploration	315.45	11.14	1.79
Reliance Industries Ltd.	Refineries	880.20	13.61	1.57
State Bank Of India	Bank - Public	1894.70	7.23	1.04
Sterlite Industries (India) Ltd.	Metal - Non Ferrous	84.00	4.66	0.55
Sun Pharmaceutical Inds. Ltd.	Pharmaceuticals & Drugs	1034.70	35.62	7.58
Tata Consultancy Services Ltd.	IT - Software	1527.35	21.52	7.76
Tata Motors Ltd.	Automobiles-Trucks/Lcv	296.20	8.19	2.16
Tata Power Company Ltd.	Power Generation/Distribution	85.60	0.00	1.89
Tata Steel Ltd.	Steel/Sponge Iron/Pig Iron	264.80	0.00	0.75
Wipro Ltd.	IT - Software	350.80	14.05	3.26

World macro scenario

- USA – US economic data is improving. 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%. The Portugal coalition government may fall aggravating its economic crisis.
- 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. Food Security Bill becomes law. 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 loses ground and closes at Rs.60/24 per USD.
- Other – Massive natural disaster in Uttarakhand resulting in loss of thousands of lives.

Our concerns on the macro front

World economies

- 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. Food Security Bill.
- Possibility of early elections.



Detailed technical analysis

WORLD MARKETS - TECHNICAL SNAPSHOT

		Very Bullish	Bullish	Neutral	Bearish	Very Bearish
STOCKS			Japan ↑ USA	France Germany India UK ↑	Australia China	Brazil Hong Kong ↓
COMMODITIES			Crude Oil ↑	Lead ↑ Natural Gas		Aluminium Copper Gold Nickel Silver Zinc ↓
CURRENCIES (against USD)				EUR HKD	GBP ↓ 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

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

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

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