

ShroffConnect Weekly Report

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Opinion as on 13/07/2013

World Markets –

- **Money flow:** Into stocks of developed economies.
 - **Opinion:** Money is flowing into stocks of the USA and other developed economies on good corporate results and a statement by the Fed that QE would not be eased in a hurry. The stock markets of emerging economies remain under pressure.
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Indian Stock Market –

- **Stock Market:** The market rallied and closed a shade above 6000.
- **Sectors:** Consumer Goods, IT, Pharma and selective Telecom are outperforming.
- **Positives:** Current account deficit decreasing on curb in import of gold.
- **Negatives:** Weak INR, high fiscal deficit, high CPI and negative IIP.
- **Opinion:** The macro figures are still quite poor with contracting IIP and a moderately rising CPI. However, the market rallied on foreign cues ignoring all the bad news. Foreign indices are at an all time high. We seem to be in a bull market and investors should invest in stocks of well performing companies on every dip.



Current news and world
financial market prices

Current scenario & news

World economy

- The U.S. government posted a budget surplus in June, the latest sign of rapidly improving public finances that could reduce the urgency in Congress to strike a deal to raise the nation's limit on borrowing.
- An unexpected slump in exports in June marked the latest worrying sign of a slowdown in the world's second-biggest economy and raised the prospect that regulators may be forced to drag the yuan back down after a massive rally this year.
- Greece secured a lifeline from the euro zone and the IMF on Monday but was told it must keep its promises on cutting public sector jobs and selling state assets to get all the cash.
- U.K. 10-year government bonds advanced for a fifth day, the longest streak of gains since March, amid speculation that central banks from the U.K. to the U.S. will maintain policy stimulus.

Indian economy

- India's trade deficit narrowed in June to \$12.24 billion from a 7-month high, helped by a slowdown in gold imports, which should ease pressure on the current account balance and the beleaguered rupee.
- The Reserve Bank of India, in a notification issued, banned banks from proprietary trading in domestic currency futures and the exchange-traded options market.
- India's economic gloom deepened on Friday with a surprise drop in industrial output, a fall in exports and higher retail inflation, adding to the Reserve Bank of India's challenge of reviving the economy and supporting the rupee.
- India's exports contracted by 4.6 percent year-on-year in June to USD 23.79 billion compared to USD 24.5 billion in May.
- Overseas direct investment by Indian companies fell 35.7 per cent to \$1.71 billion in June.

WORLD MARKETS - A SNAPSHOT

	Name	Description	Week ended 13th July 2013	% Change
STOCKS	Australia	ASX	4957.50	2.72
	Brazil	Bovespa	45533.24	0.71
	China	Shanghai	2039.49	1.61
	France	CAC	3855.09	2.70
	Germany	DAX	8212.77	5.21
	Hong Kong	Hang Seng	21277.28	2.03
	India	Sensex	19958.47	2.37
	Japan	Nikkei	14506.25	1.37
	UK	FTSE	6544.94	2.66
	USA	DJIA	15464.30	2.17
COMMODITIES	Copper	\$/Pound	3.15	2.61
	Crude	\$/Barrel	105.95	2.64
	Gold	\$/Troy Ounce	1277.60	5.35
	Natural Gas	\$/MMBtu	3.64	0.55
	Silver	\$/Troy Ounce	19.79	5.60
	Aluminium	\$/Tonne	1845.00	4.36
	Lead	\$/Tonne	2072.00	2.07
	Nickel	\$/Tonne	13775.00	3.53
	Zinc	\$/Tonne	1903.00	3.37
CURRENCIES	USD/GBP		1.5098	1.38
	USD/EUR		1.3062	1.83
	USD/AUD		0.9040	(0.29)
	JPY/USD		99.21	(1.94)
	INR/USD		59.88	(0.60)
	HKD/USD		7.7580	0.06
	BRL/USD		2.2690	0.75
BONDS	2 Year	US Treasury	110.02	0.10
	10 Year		126.09	1.15
	30 Year		133.94	0.96

INDIAN MARKETS - A SNAPSHOT

	Name	Description	Week ended 13th July 2013	% Change
STOCKS	Nifty	Large Cap	6009.00	2.40
	Sensex	Large Cap	19958.47	2.37
	BSE Midcap	Mid Cap	6048.41	0.94
	BSE Smallcap	Small Cap	5737.16	0.79
Some Major Shares	ACC	Rs/share	1241.40	0.24
	Bharti Airtel		305.50	3.26
	HDFC Ltd		851.30	0.14
	Infosys		2804.20	14.17
	L&T		995.50	5.99
	Reliance Inds		889.95	1.09
	Tata Motors		292.50	(1.25)
	Tata Steel		262.65	(0.77)
COMMODITIES	Aluminium	INR/Kg	108.65	1.12
	Copper	INR/Kg	420.05	0.55
	Crude	INR/Barrel	6357.00	(0.17)
	Gold	INR/10gms	26743.00	2.72
	Lead	INR/Kg	123.80	(1.20)
	Natural Gas	INR/1mmBtu	218.90	(1.26)
	Nickel	INR/Kg	823.20	0.56
	Silver	INR/Kg	41480.00	2.93
	Zinc	INR/Kg	112.55	0.22
CURRENCIES	INR/EUR		78.26	1.27
	INR/GBP		90.40	0.80
	INR/100 JPY		60.33	1.39
	INR/USD		59.88	(0.60)



Detailed macro analysis

MACRO ECONOMIC SNAPSHOT AS ON 13/07/2013

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	↑2.57	2.50

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	↓1.39	1.42

China	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	7.70	7.90
Inflation Rate	Monthly	↑2.70	2.10
Unemployment Rate	Monthly	4.10	4.10
Benchmark Interest Rate	Weekly	6.00	6.00
Govt. bond 10 year Rate	Weekly	↓3.62	3.69

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	↓0.81	0.86

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	↓2.56	2.57

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	↑7.47	7.43

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	↑8.50	8.00
Govt. bond 10 year Rate	Weekly	↓11.11	11.20

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	↓7.39	7.43

IMPORTANT FUNDAMENTAL FINANCIAL RATIOS FOR SENSEX STOCKS AS ON 13/07/2013

Company	Industry	Price	TTM P/E	P/BV
Bajaj Auto Ltd	Automobile Two & Three Wheelers	1867.65	17.19	6.70
Bharat Heavy Electricals Ltd.	Electric Equipment	187.85	6.87	1.51
Bharti Airtel Ltd.	Telecommunication - Service Provider	304.95	53.57	2.27
Cipla Ltd.	Pharmaceuticals & Drugs	405.00	21.05	3.61
Coal India Ltd.	Mining & Minerals	300.00	10.92	3.91
Dr Reddys Laboratories Ltd.	Pharmaceuticals & Drugs	2349.90	26.18	6.34
GAIL (India) Ltd.	Gas Transmission/Marketing	321.80	9.33	1.42
HDFC Bank Ltd.	Bank - Private	694.40	24.15	4.53
Hero MotoCorp Ltd.	Automobile Two & Three Wheelers	1708.50	16.11	6.81
Hindalco Industries Ltd.	Aluminium & Aluminium Products	101.65	6.43	0.62
Hindustan Unilever Ltd.	Household & Personal Products	601.40	33.96	46.02
Housing Development Finance Corporation Ltd.	Finance - Housing	849.85	19.89	4.12
ICICI Bank Ltd.	Bank - Private	1061.95	12.76	1.78
Infosys Ltd.	IT - Software	2802.75	16.93	4.24
ITC Ltd.	Cigarettes/Tobacco	349.80	36.33	11.99
Jindal Steel & Power Ltd.	Steel/Sponge Iron/Pig Iron	222.20	7.14	0.98
Larsen & Toubro Ltd.	Engineering - Construction	994.10	17.91	2.71
Mahindra & Mahindra Ltd.	Automobiles-Tractors	905.60	13.61	2.79
Maruti Suzuki India Ltd.	Automobiles - Passenger Cars	1452.70	17.77	2.80
NTPC Ltd.	Power Generation/Distribution	146.10	9.57	1.48
Oil & Natural Gas Corp. Ltd.	Oil Exploration	296.30	10.47	1.68
Reliance Industries Ltd.	Refineries	889.60	13.76	1.59
State Bank Of India	Bank - Public	1893.40	7.23	1.04
Sterlite Industries (India) Ltd.	Metal - Non Ferrous	88.30	4.90	0.58
Sun Pharmaceutical Inds. Ltd.	Pharmaceuticals & Drugs	1108.25	38.15	8.11
Tata Consultancy Services Ltd.	IT - Software	1606.10	22.62	8.16
Tata Motors Ltd.	Automobiles-Trucks/Lcv	291.95	8.08	2.13
Tata Power Company Ltd.	Power Generation/Distribution	89.45	0.00	1.98
Tata Steel Ltd.	Steel/Sponge Iron/Pig Iron	262.80	0.00	0.75
Wipro Ltd.	IT - Software	375.50	15.04	3.49

World macro scenario

- USA – US economic data is improving. Fed has announced that QE3 will probably be curtailed as required.
- Europe – Economic slowdown in most countries. Unemployment amongst those under 25 years is over 40%. The Portugal coalition government may fall.
- China – GDP growth figures show a slowing economy. Liquidity issues remain.
- Japan – Unlimited stimulus package results in bond yields doubling.
- 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 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 closes at Rs.59/88 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



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



INDICES

Nifty
Sensex

Mid Cap
Small Cap

SECTORS

FMCG
Healthcare

IT ↑
Teck ↑

Auto
Oil & Gas

Bankex ↓
Cap Goods ↑

Cons Durable ↓
Metal
Power
Realty

COMMODITIES

Crude Oil

Lead
Zinc ↑

Aluminium
Copper
Natural Gas

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

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

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