

ShroffConnect Weekly Report

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Opinion as on 27/07/2013

World Markets –

- **Money flow:** Into stocks of developed countries; also into short term US treasuries.
 - **Opinion:** Money is flowing into safety of developed world assets – both stocks and bonds – as the outlook for emerging markets becomes unclear. This trend will continue in all probability and emerging markets will find it tough to get fresh capital inflows.
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Indian Stock Market –

- **Stock Market:** The Indian stock market corrected and closed at 5886.
- **Sectors:** Consumer Goods, IT, selective Pharma and Telecom are outperforming.
- **Positives:** Good corporate results by some companies.
- **Negatives:** RBI's ad-hoc policies; high fiscal and current account deficits.
- **Opinion:** The RBI has been left with the task of ensuring INR stability while the government's policy flip flops have not done enough to bring in foreign funds. The RBI's liquidity tightening policies have resulted in a sharp increase in interest rates hurting both companies and investors alike, and also postponing any chances of an economic revival. The government's response has been totally absent. If these two governing bodies have abandoned growth in their attempt to stabilize the INR, the economy may be in worse condition than we realize and it is time to become cautious. Investors should wait and watch before investing further. They may even exit partially on the next rally.



Current news and world
financial market prices

Current scenario & news

World economy

- Global consumer confidence rose in the second quarter with more optimistic perceptions about jobs, personal finances and spending intentions in the United States, China and Japan, a survey shows.
- Japan's export growth unexpectedly eased in June from a year earlier in a worrying sign that China's slowing economy is hurting overseas demand and could potentially undermine Tokyo's efforts to revive the world's third-biggest economy.
- The queues of jobless people across Spain, Portugal and Greece will lengthen further but an end to recession is within sight, according to a latest poll on some of the euro zone's most vulnerable economies.
- Consumers and companies withdrew deposits from banks in Cyprus in June, where big account holders in the two largest lenders were forced to take a hit as part of an international bailout.

Indian economy

- Rating firm Crisil on Thursday revised downwards its GDP growth forecast to 5.5 percent this fiscal from its earlier estimate of 6 percent, citing reduced likelihood of monetary easing going forward due to falling rupee.
- The Reserve Bank of India (RBI) is expected to keep policy rates unchanged at a six-weekly rate review on Tuesday, ending a year-long cutting cycle as it focuses instead on underpinning the plunging currency.
- India is considering calling on its millions of non-resident citizens to help reverse a record slide in the rupee and does not favour the idea of a global sovereign bond at this time.
- The Reserve bank brought down the period of realisation and repatriation for exporters of goods and software to nine months from earlier 12 months, a move which could shore up foreign exchange inflows.

WORLD MARKETS - A SNAPSHOT

	Name	Description	Week ended 27th July 2013	% Change
STOCKS	Australia	ASX	5023.85	1.30
	Brazil	Bovespa	49422.05	4.27
	China	Shanghai	2010.85	0.91
	France	CAC	3968.84	1.11
	Germany	DAX	8244.91	(1.04)
	Hong Kong	Hang Seng	21968.95	2.84
	India	Sensex	19748.19	(1.99)
	Japan	Nikkei	14129.98	(3.15)
	UK	FTSE	6554.79	(1.14)
	USA	DJIA	15558.83	0.10
COMMODITIES	Copper	\$/Pound	3.11	(0.96)
	Crude	\$/Barrel	104.70	(3.10)
	Gold	\$/Troy Ounce	1321.50	2.21
	Natural Gas	\$/MMBtu	3.56	(6.07)
	Silver	\$/Troy Ounce	19.77	1.59
	Aluminium	\$/Tonne	1794.50	(1.67)
	Lead	\$/Tonne	2050.00	0.84
	Nickel	\$/Tonne	13851.00	(2.18)
CURRENCIES	Zinc	\$/Tonne	1855.00	(0.48)
	USD/GBP		1.5384	0.83
	USD/EUR		1.3275	1.04
	USD/AUD		0.9270	1.12
	JPY/USD		98.20	(2.14)
	INR/USD		59.04	(0.59)
	HKD/USD		7.7559	(0.02)
BONDS	BRL/USD		2.2517	0.70
	2 Year	US Treasury	110.16	0.03
	10 Year		126.69	(0.31)
	30 Year		134.72	(0.58)

INDIAN MARKETS - A SNAPSHOT

	Name	Description	Week ended 27th July 2013	% Change
STOCKS	Nifty	Large Cap	5886.20	(2.37)
	Sensex	Large Cap	19748.19	(1.99)
	BSE Midcap	Mid Cap	5779.60	(3.57)
	BSE Smallcap	Small Cap	5516.32	(3.33)
Some Major Shares	ACC	Rs/share	1211.90	(4.99)
	Bharti Airtel		337.20	2.23
	HDFC Ltd		805.55	0.29
	Infosys		2913.30	2.31
	L&T		845.75	(13.17)
	Reliance Inds		890.15	(3.63)
	Tata Motors		289.95	(1.60)
	Tata Steel		218.90	(9.17)
COMMODITIES	Aluminium	INR/Kg	104.20	(2.16)
	Copper	INR/Kg	408.35	(1.54)
	Crude	INR/Barrel	6199.00	(3.64)
	Gold	INR/10gms	27631.00	3.47
	Lead	INR/Kg	121.50	0.58
	Natural Gas	INR/1mmBtu	212.90	(5.21)
	Nickel	INR/Kg	816.30	(2.71)
	Silver	INR/Kg	41050.00	1.72
	Zinc	INR/Kg	107.95	(1.37)
CURRENCIES	INR/EUR		78.40	0.44
	INR/GBP		90.81	0.23
	INR/100 JPY		60.07	1.56
	INR/USD		59.04	(0.59)



Detailed macro analysis

MACRO ECONOMIC SNAPSHOT AS ON 27/07/2013

USA	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	1.80	1.70
Inflation Rate	Monthly	1.80	1.40
Unemployment Rate	Monthly	7.60	7.60
Benchmark Interest Rate	Weekly	0.25	0.25
Govt. bond 10 year Rate	Weekly	↑2.61	2.54

Euro Area	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	-1.10	-0.90
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	↑1.45	1.31

China	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	7.50	7.70
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	↓3.57	3.71

Japan	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	0.40	0.40
Inflation Rate	Monthly	0.20	-0.30
Unemployment Rate	Monthly	4.10	4.10
Benchmark Interest Rate	Weekly	0.00	0.00
Govt. bond 10 year Rate	Weekly	0.80	0.80

UK	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	↑1.40	0.30
Inflation Rate	Monthly	2.90	2.70
Unemployment Rate	Monthly	7.80	7.80
Benchmark Interest Rate	Weekly	0.50	0.50
Govt. bond 10 year Rate	Weekly	↑2.57	2.44

India	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	4.80	4.70
Inflation Rate	Monthly	4.86	4.70
Unemployment Rate	Monthly	no data	
Benchmark Interest Rate	Weekly	7.25	7.25
Govt. bond 10 year Rate	Weekly	↑8.20	7.99

Brazil	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	1.90	1.40
Inflation Rate	Monthly	6.70	6.50
Unemployment Rate	Monthly	↑6.00	5.80
Benchmark Interest Rate	Weekly	8.50	8.00
Govt. bond 10 year Rate	Weekly	↑10.76	10.59

Russia	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	1.60	2.10
Inflation Rate	Monthly	6.90	7.40
Unemployment Rate	Monthly	5.40	5.20
Benchmark Interest Rate	Weekly	8.25	8.25
Govt. bond 10 year Rate	Weekly	↑7.33	7.19

IMPORTANT FUNDAMENTAL FINANCIAL RATIOS FOR SENSEX STOCKS AS ON 27/07/2013

Company	Industry	Price	TTM P/E	P/BV
Bajaj Auto Ltd	Automobile Two & Three Wheelers	2027.30	19.15	6.79
Bharat Heavy Electricals Ltd.	Electric Equipment	158.80	5.81	1.27
Bharti Airtel Ltd.	Telecommunication - Service Provider	337.35	59.26	2.51
Cipla Ltd.	Pharmaceuticals & Drugs	414.95	21.57	3.70
Coal India Ltd.	Mining & Minerals	282.40	10.28	3.68
Dr Reddys Laboratories Ltd.	Pharmaceuticals & Drugs	2298.75	25.61	6.21
GAIL (India) Ltd.	Gas Transmission/Marketing	318.95	10.94	1.62
HDFC Bank Ltd.	Bank - Private	644.70	21.53	4.01
Hero MotoCorp Ltd.	Automobile Two & Three Wheelers	1865.10	18.16	6.70
Hindalco Industries Ltd.	Aluminium & Aluminium Products	94.40	5.97	0.58
Hindustan Unilever Ltd.	Household & Personal Products	663.30	37.46	50.76
Housing Development Finance Corporation Ltd.	Finance - Housing	805.60	17.71	3.74
ICICI Bank Ltd.	Bank - Private	932.35	11.20	1.56
Infosys Ltd.	IT - Software	2915.50	17.61	4.15
ITC Ltd.	Cigarettes/Tobacco	368.50	37.79	12.07
Jindal Steel & Power Ltd.	Steel/Sponge Iron/Pig Iron	190.05	6.11	0.84
Larsen & Toubro Ltd.	Engineering - Construction	845.65	16.54	2.65
Mahindra & Mahindra Ltd.	Automobiles-Tractors	893.55	13.43	2.78
Maruti Suzuki India Ltd.	Automobiles - Passenger Cars	1375.05	15.98	2.62
NTPC Ltd.	Power Generation/Distribution	141.25	9.25	1.43
Oil & Natural Gas Corp. Ltd.	Oil Exploration	303.95	10.74	1.72
Reliance Industries Ltd.	Refineries	889.90	13.17	1.56
State Bank Of India	Bank - Public	1764.80	6.74	0.97
Sterlite Industries (India) Ltd.	Metal - Non Ferrous	76.60	4.44	0.49
Sun Pharmaceutical Inds. Ltd.	Pharmaceuticals & Drugs	1117.70	38.48	8.18
Tata Consultancy Services Ltd.	IT - Software	1772.45	24.04	8.18
Tata Motors Ltd.	Automobiles-Trucks/Lcv	289.85	8.02	2.11
Tata Power Company Ltd.	Power Generation/Distribution	88.95	0.00	1.71
Tata Steel Ltd.	Steel/Sponge Iron/Pig Iron	218.90	0.00	0.64
Wipro Ltd.	IT - Software	382.80	15.34	3.56

World macro scenario

- USA – US economic data is improving. QE3 will be curtailed as required.
- Europe – Slowdown in most countries. Youth unemployment over 40%. Portuguese coalition government may fall.
- China – Govt. wants stability and not unbridled growth. Economy in cooling mode. Liquidity issues remain.
- Japan – Japanese PM's party wins a resounding victory in the country's Upper House.
- Emerging markets interest rates increasing to avoid outflow of money.

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 – Dries out liquidity with short term measures. Yields jumps 100 basis points. 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/- 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.

Indian economy

- Lowest GDP growth in years.
- High interest rate.
- High fiscal deficit.
- High current account deficit.
- Weak INR.
- Populist politics. Food Security Bill.
- RBI policy shocks.
- Possibility of early elections.



Detailed technical analysis

WORLD MARKETS - TECHNICAL SNAPSHOT

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

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 Dabur India Dr Reddys Lab HCL Tech Hind Unilever Idea Cellular ITC Lupin Nestle India Sun Pharma	Asian Paints Infosys ↑ Reliance Ind ↑ TCS	ACC Ambuja Cem Bajaj Auto Bharti Airtel Cairn India Cipla Exide Ind HDFC HDFC Bank Hero Moto Co M & M Maruti Suzuki MRF ONGC Tata Motors Titan Ind Ultratech Cem	BPCL Hindalco Ind ↓ L & T ↓ LIC Housing	Apollo Tyres Axis Bank ↓ Bank Of Baroda BHEL DLF Future Retail ICICI Bank JP Associates Jindal Steel JSW Steel Oriental Bank SBIN Sesa Goa Sterlite Ind Tata Steel Yes Bank ↓

↑ = 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	Bajaj Finserv	
	Finolex Ind	Bata India	Bajaj Finance	Arvind	Balrampur Chini	
	Supreme Ind	Biocon ↑	Castrol India	L&T Finance	Cummins India ↓	
		Emami	CMC		DiviS Lab ↓	
		Glenmark Ph ↓	Colgate-Pal		GSPL	
		Godrej Con	IGL		IFCI	
		GSK Consumer ↓	Jubilant Food		Indian Hotels	
		KPIT Cummins	M & M Finance ↓		Jain Irrigation	
		Mindtree	Marico		Sintex Ind	
		OFSS ↑	Sun TV Network		Sobha Dev ↓	
		Pidilite Ind ↓			Tata Coffee	
		Rallis India			Wockhardt	
		Zee Ent ↑				

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

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