

# *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](mailto:contact@shroffsecurities.com)

Web: [www.shroffsecurities.com](http://www.shroffsecurities.com)

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# Opinion as on 03/08/2013

## World Markets –

- **Money flow:** The money is flowing into stocks of developed economies especially USA.
  - **Opinion:** The USA is the only nation in the developed world which is showing good economic numbers. It is natural that the money would flow there. However, emerging markets are facing currency and market pressures. This scenario will continue for some time. It would be, however, prudent to remember that the good economic numbers coming out of the USA are fuelled by the QE3 which could be withdrawn any time at the end of this financial year. Investors should be cautious.
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## Indian Stock Market –

- **Stock Market:** The stock market corrected to close at 5678.
- **Sectors:** Consumer Goods, IT, selective Pharma and Telecom are outperforming.
- **Positives:** Good corporate results by a few companies.
- **Negatives:** High interest rate, high fiscal and current account deficits, RBI policy shocks.
- **Opinion:** It seems that the govt. and the RBI have lost the plot because in order that FIIs remain invested in debt their inaction and policy shocks respectively have shaken the confidence of investors and corporate houses. The INR is at all time lows and the RBI policy has misfired totally. We can only hope that they will not persist with this line of action. Investors should be very cautious now that we do not slip into a bear market. This will be the case if the Nifty begins to trade below 5500. We feel that this is a wait and watch market and investors should not look to bottom pick.



Current news and world  
financial market prices

# Current scenario & news

## World economy

- U.S. factory activity jumped to a two-year high in July and first-time applications for jobless benefits hit a 5-1/2-year low last week, bolstering views economic growth would accelerate in the second half of the year.
- China's factory activity stayed weak in July as persistent pressure on the economy extended into the third quarter, although bigger firms fared better as the government moved to bolster growth, a pair of surveys showed on Thursday.
- Italian and Spanish government bonds advanced for a third week after reports showed factory output in the euro area expanded for the first time in two years and the number of people unemployed in Germany declined.
- The European Central Bank left interest rates at a record low 0.5 percent on Thursday and affirmed that they will remain there for some while to come and could yet fall further.

## Indian economy

- The Reserve Bank of India Governor Duvvuri Subbarao said the central bank would roll back recent cash tightening measures only after it determines stability has been restored in the foreign exchange market.
- A slowdown in factory activity deepened in July as order books shrank by the most in over four years, suggesting a broad stagnation in the manufacturing sector, a survey showed.
- Faced with sliding rupee, Finance Minister P Chidambaram said government will further liberalise the FDI policy and encourage public sector undertakings to raise funds from overseas markets.
- India's fiscal deficit stood at 2.63 trillion rupees (\$43.57 billion) in the first quarter of the current fiscal year to March 2014, government data showed on Wednesday.
- India's foreign exchange reserves shot up by USD 960.2 million to USD 280.17 billion on the back of a healthy rise in currency assets in the week ended July 26.

## WORLD MARKETS - A SNAPSHOT

	Name	Description	Week ended 3rd Aug 2013	% Change
STOCKS	Australia	ASX	5098.66	1.49
	Brazil	Bovespa	48474.04	(1.92)
	China	Shanghai	2029.42	0.92
	France	CAC	4045.65	1.94
	Germany	DAX	8406.94	1.97
	Hong Kong	Hang Seng	22190.97	1.01
	India	Sensex	19164.02	(2.96)
	Japan	Nikkei	14466.16	2.38
	UK	FTSE	6647.87	1.42
	USA	DJIA	15658.36	0.64
COMMODITIES	Copper	\$/Pound	3.17	1.93
	Crude	\$/Barrel	106.94	2.14
	Gold	\$/Troy Ounce	1310.50	(0.83)
	Natural Gas	\$/MMBtu	3.35	(5.90)
	Silver	\$/Troy Ounce	19.91	0.71
	Aluminium	\$/Tonne	1809.00	0.81
	Lead	\$/Tonne	2121.00	3.46
	Nickel	\$/Tonne	14000.00	1.08
	Zinc	\$/Tonne	1865.00	0.54
CURRENCIES	USD/GBP		1.5286	(0.64)
	USD/EUR		1.3276	0.01
	USD/AUD		0.8905	(3.94)
	JPY/USD		98.90	0.71
	INR/USD		61.10	3.49
	HKD/USD		7.7558	(0.00)
	BRL/USD		2.2808	1.29
BONDS	2 Year	US Treasury	110.17	0.01
	10 Year		126.58	(0.09)
	30 Year		133.72	(0.74)

## INDIAN MARKETS - A SNAPSHOT

	Name	Description	Week ended 3rd Aug 2013	% Change
STOCKS	Nifty	Large Cap	5677.90	(3.54)
	Sensex	Large Cap	19164.02	(2.96)
	BSE Midcap	Mid Cap	5429.04	(6.07)
	BSE Smallcap	Small Cap	5178.03	(6.13)
Some Major Shares	ACC	Rs/share	1174.90	(3.05)
	Bharti Airtel		345.25	2.39
	HDFC Ltd		808.35	0.35
	Infosys		3008.80	3.28
	L&T		830.15	(1.84)
	Reliance Inds		857.35	(3.68)
	Tata Motors		290.45	0.17
	Tata Steel		202.35	(7.56)
COMMODITIES	Aluminium	INR/Kg	109.25	4.85
	Copper	INR/Kg	428.20	4.86
	Crude	INR/Barrel	6523.00	5.23
	Gold	INR/10gms	28477.00	3.06
	Lead	INR/Kg	128.95	6.13
	Natural Gas	INR/1mmBtu	204.60	(3.90)
	Nickel	INR/Kg	850.90	4.24
	Silver	INR/Kg	41969.00	2.24
	Zinc	INR/Kg	113.15	4.82
CURRENCIES	INR/EUR		81.13	3.48
	INR/GBP		93.37	2.82
	INR/100 JPY		61.73	2.76
	INR/USD		61.10	3.49



Detailed macro analysis

## MACRO ECONOMIC SNAPSHOT AS ON 03/08/2013

USA	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	↓1.40	1.80
Inflation Rate	Monthly	1.80	1.40
Unemployment Rate	Monthly	↓7.40	7.60
Benchmark Interest Rate	Weekly	0.25	0.25
Govt. bond 10 year Rate	Weekly	↑2.72	2.61

Euro Area	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	-1.10	-0.90
Inflation Rate	Monthly	1.60	1.60
Unemployment Rate	Monthly	↓12.10	12.20
Benchmark Interest Rate	Weekly	0.50	0.50
Govt. bond 10 year Rate	Weekly	1.45	1.45

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	↑3.89	3.57

Japan	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	0.40	0.40
Inflation Rate	Monthly	0.20	-0.30
Unemployment Rate	Monthly	↓3.90	4.10
Benchmark Interest Rate	Weekly	0.00	0.00
Govt. bond 10 year Rate	Weekly	↓0.79	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	2.57

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	↓8.08	8.20

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	↑11.11	10.76

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	↑7.41	7.33



## IMPORTANT FUNDAMENTAL FINANCIAL RATIOS FOR SENSEX STOCKS AS ON 03/08/2013

Company	Industry	Price	TTM P/E	P/BV
Bajaj Auto Ltd	Automobile Two & Three Wheelers	1908.40	18.03	6.39
Bharat Heavy Electricals Ltd.	Electric Equipment	149.40	5.46	1.20
Bharti Airtel Ltd.	Telecommunication - Service Provider	344.70	62.56	2.53
Cipla Ltd.	Pharmaceuticals & Drugs	399.65	20.77	3.56
Coal India Ltd.	Mining & Minerals	254.55	9.26	3.32
Dr Reddys Laboratories Ltd.	Pharmaceuticals & Drugs	2236.60	22.34	5.71
GAIL (India) Ltd.	Gas Transmission/Marketing	304.60	10.45	1.54
HDFC Bank Ltd.	Bank - Private	631.00	21.08	3.93
Hero MotoCorp Ltd.	Automobile Two & Three Wheelers	1796.75	17.49	6.46
Hindalco Industries Ltd.	Aluminium & Aluminium Products	86.75	5.49	0.53
Hindustan Unilever Ltd.	Household & Personal Products	615.45	38.19	36.42
Housing Development Finance Corporation Ltd.	Finance - Housing	807.70	17.75	3.75
ICICI Bank Ltd.	Bank - Private	887.00	11.65	1.46
Infosys Ltd.	IT - Software	3006.70	18.16	4.28
ITC Ltd.	Cigarettes/Tobacco	333.05	34.15	10.91
Jindal Steel & Power Ltd.	Steel/Sponge Iron/Pig Iron	186.90	5.79	0.80
Larsen & Toubro Ltd.	Engineering - Construction	830.20	16.24	2.60
Mahindra & Mahindra Ltd.	Automobiles-Tractors	855.10	12.85	2.66
Maruti Suzuki India Ltd.	Automobiles - Passenger Cars	1337.30	15.54	2.55
NTPC Ltd.	Power Generation/Distribution	129.95	8.47	1.29
Oil & Natural Gas Corp. Ltd.	Oil Exploration	277.15	9.79	1.57
Reliance Industries Ltd.	Refineries	857.45	12.69	1.50
State Bank Of India	Bank - Public	1681.35	6.42	0.92
Sterlite Industries (India) Ltd.	Metal - Non Ferrous	72.30	4.20	0.46
Sun Pharmaceutical Inds. Ltd.	Pharmaceuticals & Drugs	555.05	38.22	8.07
Tata Consultancy Services Ltd.	IT - Software	1845.35	25.03	8.51
Tata Motors Ltd.	Automobiles-Trucks/Lcv	290.45	8.04	2.12
Tata Power Company Ltd.	Power Generation/Distribution	84.35	0.00	1.62
Tata Steel Ltd.	Steel/Sponge Iron/Pig Iron	202.30	0.00	0.59
Wipro Ltd.	IT - Software	438.75	16.57	3.84

# World macro scenario

- USA – US economic data is improving. QE3 will be curtailed as required. Stock market is at all time high.
- 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. Rates unchanged in July review. Next review in September.
- 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 above Rs.61/- 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 UK ↑	France Germany Hong Kong ↑ India		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

Lead ↑  
Zinc ↑

Aluminium  
Copper  
Gold ↑  
Natural Gas

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 Eicher Motors HCL Tech Hind Unilever Idea Cellular ITC Lupin Nestle India RCOM Sun Pharma Tech Mahindra ↑	Bajaj Auto ↑ Hero Moto Co ↑ Infosys Reliance Ind TCS United Spirits ↓ Wipro ↑	Ambuja Cem Asian Paints ↓ Bharti Airtel Cairn India CESC ↓ Cipla Exide Ind Havells India ↓ HDFC Kotak Bank M & M MRF ONGC Tata Global Tata Motors Titan Ind Ultratech Cem United Phos	ABB ↓ ACC ↓ GAIL ↓ Godrej Ind ↓ HDFC Bank ↓ Hindalco Ind IndusInd Bank ↓ L & T LIC Housing Power Grid ↓ Reliance Cap ↓ Siemens ↓ UCO Bank ↓ Voltas Yes Bank ↑	Allahabad Bank Andhra Bank Apollo Tyres Ashok Leyland Axis Bank Bank Of Baroda Bank Of India BHEL BPCL ↓ Canara Bank Chambal Fert Coal India Crompton Gr ↓ Dena Bank DLF Future Retail GMR Infra HCC HPCL Hindustan Zinc ICICI Bank IDBI Bank IDFC Indian Oil IVRCL

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



## MAJOR LARGE COMPANIES - TECHNICAL SNAPSHOT

		Very Bullish	Bullish	Neutral	Bearish	Very Bearish
COMPANIES						JP Associates Jindal Steel JSW Energy JSW Steel Maruti Suzuki ↓ NHPC NMDC NTPC ↓ Oriental Bank Petronet LNG Power Finance Punj Lloyd PNB Ranbaxy Lab Reliance Infra ↓ RECL Sesa Goa Shree Renuka Sh Transport ↓ SBIN SAIL Sterlite Ind Syndicate Bank Tata Chemicals Tata Comm Tata Power ↓ Tata Steel Union 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	Bata India ↑		Apollo Hos Biocon Emami Godrej Con M & M Fin ↑ Zee Ent	Aurobindo Ph Berger Paints ↓ Castrol India Colgate-Pal GSK Con ↓ IGL Jubilant Food Reliance Power Sun TV	Adani Ports ↓ Indiabulls Real ↓	Adani Power Arvind ↓ Century Text Cummins India Dish T V India DiviS Lab GVK Power HDIL IFCI India Cem Indian Hotels IRB Infra Jain Irrigation JP Power L&T Finance ↓ Mcleod Russel Raymond Sintex Ind Unitech

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

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