

ShroffConnect Weekly Report

17th August, 2013



Aditya Shroff

Stock Broking Services

Shroff Securities Pvt. Ltd.

Portfolio Management Services

Kolkata: 033 32933592/3658

Bangalore: 080 32996004/6005

Email: contact@shroffsecurities.com

Web: www.shroffsecurities.com

(for private circulation only)

Opinion as on 17/08/2013

World Markets –

- **Money flow:** The money flow is into European stock markets at the expense of US markets; also into precious metals.
 - **Opinion on money flow:** Investors are seeking to buy good Eurozone stocks as data shows that the Eurozone is out of the recession. US markets are looking somewhat expensive. The threat of QE withdrawal is also there at the back of the mind as US data seems better than before. There is some flow into precious metals but it is not meaningful.
-

Indian Stock Market –

- **Stock Market:** The stock market rallied briefly before losing its gains to settle at 5500.
- **Sectors:** Consumer Goods, IT, selective Pharma and Telecom are outperforming.
- **Positives:** There is some FII buying.
- **Negatives:** High fiscal and current account deficits; political apathy.
- **Opinion:** The Indian stock market is at a crossroad. While the RBI is hell bent on curtailing the weakening of the rupee, all its policies have failed and additionally they have resulted in a situation in which investor confidence, whether in bonds or equities, has eroded considerably. The RBI cannot get around to the fact that markets control money flow and hence drive economies. Therefore they should desist. On the other hand, the government is trying to talk up the markets. However, all talk without follow up with credible policy is not going to work. The world economies are showing better data with a dose of easy money, and, money seems to be flowing back from emerging markets to developed markets. The level of Nifty 5500 is a strong support level but the market momentum seems downwards. Investors would be well to exit and/or book profits.



Current news and world
financial market prices

Current scenario & news

World economy

- Just as economists have begun lowering their forecasts for China and many other developing economies, the American economy is bouncing back. Japan appears to have turned a corner and is ending almost two decades of grinding deflation. Economic data out of Europe on Wednesday provided the first solid indication that many countries in the eurozone may be escaping the clutches of recession.
- Holdings of Treasuries in China, the largest foreign lender to the U.S., fell in June for the first time in five months amid discussion by Federal Reserve officials about slowing the pace their bond purchases.
- The dollar rallied against the majority of its 16 most-traded peers as economic data exceeding forecasts spurred speculation that the Federal Reserve will trim the pace of its bond purchases as early as September.

Indian economy

- The July WPI printed at 5.79 percent, nearly a full percentage point above June's 4.86 percent. This is not only clearly out of the Reserve Bank of India's (RBI's) comfort zone, but in fact establishes a rising trajectory.
- The government increased import duty on gold, silver and platinum to 10 percent with a view to arrest the declining value of rupee and contain the fiscal deficit to 3.7 percent of the GDP.
- In its latest move to curb dollar outflows and stem the rupee's slide, the central bank on Wednesday cut the overseas investment limit for companies to 100 percent of their net worth from 400 percent, and further curbed gold imports.
- The Nifty slumped 4 percent on Friday, marking its biggest daily drop in almost two years, as blue chips including HDFC Bank were hit across the board on fears US stimulus tapering would trigger foreign selling and as the rupee hit a record low.

WORLD MARKETS - A SNAPSHOT

	Name	Description	Week ended 17th Aug 2013	% Change
STOCKS	Australia	ASX	5100.12	1.22
	Brazil	Bovespa	51538.78	3.34
	China	Shanghai	2068.45	0.79
	France	CAC	4123.89	1.16
	Germany	DAX	8391.94	0.64
	Hong Kong	Hang Seng	22517.81	3.26
	India	Sensex	18598.18	(1.02)
	Japan	Nikkei	13560.11	(0.40)
	UK	FTSE	6499.99	(1.27)
	USA	DJIA	15081.47	(2.23)
COMMODITIES	Copper	\$/Pound	3.36	1.51
	Crude	\$/Barrel	107.46	1.41
	Gold	\$/Troy Ounce	1371.00	4.48
	Natural Gas	\$/MMBtu	3.37	4.33
	Silver	\$/Troy Ounce	23.32	14.26
	Aluminium	\$/Tonne	1945.00	3.96
	Lead	\$/Tonne	2249.50	3.19
	Nickel	\$/Tonne	15000.00	2.18
	Zinc	\$/Tonne	2006.00	3.19
CURRENCIES	USD/GBP		1.5610	0.77
	USD/EUR		1.3328	(0.05)
	USD/AUD		0.9171	(0.29)
	JPY/USD		97.53	1.40
	INR/USD		61.71	1.40
	HKD/USD		7.7536	(0.02)
	BRL/USD		2.3923	5.47
BONDS	2 Year	US Treasury	110.07	(0.09)
	10 Year		124.98	(1.44)
	30 Year		131.03	(2.54)

INDIAN MARKETS - A SNAPSHOT

	Name	Description	Week ended 17th Aug 2013	% Change
STOCKS	Nifty	Large Cap	5507.85	(1.04)
	Sensex	Large Cap	18598.18	(1.02)
	BSE Midcap	Mid Cap	5439.05	0.55
	BSE Smallcap	Small Cap	5269.44	0.67
Some Major Shares	ACC	Rs/share	1158.90	(0.22)
	Bharti Airtel		335.65	(0.49)
	HDFC Ltd		737.90	(1.21)
	Infosys		2978.40	0.47
	L&T		757.45	(2.89)
	Reliance Inds		826.70	(4.50)
	Tata Motors		313.95	12.61
	Tata Steel		235.35	7.56
COMMODITIES	Aluminium	INR/Kg	120.65	8.16
	Copper	INR/Kg	467.25	5.65
	Crude	INR/Barrel	6754.00	5.28
	Gold	INR/10gms	30840.00	10.51
	Lead	INR/Kg	141.85	7.79
	Natural Gas	INR/1mmBtu	212.30	8.65
	Nickel	INR/Kg	936.00	4.69
	Silver	INR/Kg	50662.00	18.65
	Zinc	INR/Kg	124.80	7.59
CURRENCIES	INR/EUR		82.25	1.32
	INR/GBP		96.34	2.17
	INR/100 JPY		63.25	0.05
	INR/USD		61.71	1.40



Detailed macro analysis

MACRO ECONOMIC SNAPSHOT AS ON 17/08/2013

USA	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	1.40	1.30
Inflation Rate	Monthly	↑2.00	1.80
Unemployment Rate	Monthly	7.40	7.60
Benchmark Interest Rate	Weekly	0.25	0.25
Govt. bond 10 year Rate	Weekly	↑2.75	2.58

Euro Area	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	-0.70	-1.10
Inflation Rate	Monthly	1.60	1.60
Unemployment Rate	Monthly	12.10	12.10
Benchmark Interest Rate	Weekly	0.50	0.50
Govt. bond 10 year Rate	Weekly	↑1.56	1.42

China	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	7.50	7.70
Inflation Rate	Monthly	2.70	2.70
Unemployment Rate	Monthly	4.10	4.10
Benchmark Interest Rate	Weekly	6.00	6.00
Govt. bond 10 year Rate	Weekly	↑4.04	3.85

Japan	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	↑0.90	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	↓0.74	0.75

UK	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	1.40	0.30
Inflation Rate	Monthly	↓2.80	2.90
Unemployment Rate	Monthly	7.80	7.80
Benchmark Interest Rate	Weekly	0.50	0.50
Govt. bond 10 year Rate	Weekly	↑2.86	2.67

India	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	4.80	4.70
Inflation Rate	Monthly	↑5.79	4.86
Unemployment Rate	Monthly	no data	
Benchmark Interest Rate	Weekly	7.25	7.25
Govt. bond 10 year Rate	Weekly	↑8.50	8.13

Brazil	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	1.90	1.40
Inflation Rate	Monthly	6.27	6.70
Unemployment Rate	Monthly	6.00	5.80
Benchmark Interest Rate	Weekly	8.50	8.00
Govt. bond 10 year Rate	Weekly	↑11.63	11.18

Russia	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	1.20	1.60
Inflation Rate	Monthly	6.50	6.90
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 17/08/2013

Company	Industry	Price	TTM P/E	P/BV
Bajaj Auto Ltd	Automobile Two & Three Wheelers	1846.25	17.44	6.18
Bharat Heavy Electricals Ltd.	Electric Equipment	105.95	4.21	0.84
Bharti Airtel Ltd.	Telecommunication - Service Provider	335.85	60.96	2.46
Cipla Ltd.	Pharmaceuticals & Drugs	414.30	21.04	3.56
Coal India Ltd.	Mining & Minerals	258.35	9.83	3.13
Dr Reddys Laboratories Ltd.	Pharmaceuticals & Drugs	2166.85	21.64	5.54
GAIL (India) Ltd.	Gas Transmission/Marketing	298.25	10.23	1.51
HDFC Bank Ltd.	Bank - Private	589.50	19.69	3.67
Hero MotoCorp Ltd.	Automobile Two & Three Wheelers	1982.95	19.30	7.13
Hindalco Industries Ltd.	Aluminium & Aluminium Products	93.30	10.22	0.53
Hindustan Unilever Ltd.	Household & Personal Products	598.50	37.14	35.42
Housing Development Finance Corporation Ltd.	Finance - Housing	736.50	16.19	3.42
ICICI Bank Ltd.	Bank - Private	858.60	11.28	1.41
Infosys Ltd.	IT - Software	2974.60	17.97	4.23
ITC Ltd.	Cigarettes/Tobacco	320.05	32.84	10.49
Jindal Steel & Power Ltd.	Steel/Sponge Iron/Pig Iron	213.10	6.60	0.92
Larsen & Toubro Ltd.	Engineering - Construction	756.65	14.80	2.37
Mahindra & Mahindra Ltd.	Automobiles-Tractors	840.05	14.51	3.34
Maruti Suzuki India Ltd.	Automobiles - Passenger Cars	1324.70	15.39	2.08
NTPC Ltd.	Power Generation/Distribution	139.60	9.10	1.39
Oil & Natural Gas Corp. Ltd.	Oil Exploration	271.90	12.33	1.83
Reliance Industries Ltd.	Refineries	825.15	12.22	1.45
State Bank Of India	Bank - Public	1571.20	6.20	0.82
Sterlite Industries (India) Ltd.	Metal - Non Ferrous	75.85	4.40	0.48
Sun Pharmaceutical Inds. Ltd.	Pharmaceuticals & Drugs	542.00	119.88	8.58
Tata Consultancy Services Ltd.	IT - Software	1780.20	24.15	8.21
Tata Motors Ltd.	Automobiles-Trucks/Lcv	313.40	9.15	2.18
Tata Power Company Ltd.	Power Generation/Distribution	73.25	0.00	1.41
Tata Steel Ltd.	Steel/Sponge Iron/Pig Iron	235.10	0.00	0.66
Wipro Ltd.	IT - Software	456.25	17.23	3.99

World macro scenario

- USA – US economic data is improving. QE3 will be curtailed as required. Stock market is at all time high.
- Europe – Recession seems to be over based on German and French data.
- 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. Economic policy to continue as before.
- 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. Companies bill passed by both houses.
- RBI – Dries out liquidity with short term measures. Yields jumps 150 basis points. Rates unchanged in July review. Next review in September.
- Politics – Possible early elections.
- Inflation – Headline inflation over 5% once again.
- Bonds – Yields closed at 8.8%, a level reached in 2008.
- Currency – The rupee closes above Rs.61/50 per USD.

Our concerns on the macro front

World economies

- QE3 may be curtailed by the end of the year.
- Eurozone's low 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.
- Lack of investor confidence.
- Possibility of early elections.



Detailed technical analysis

WORLD MARKETS - TECHNICAL SNAPSHOT

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

IT ↑
Teck ↑

Healthcare

Auto ↑
FMCG ↓
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
JPY ↑
USD

↑ = 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 Hero Moto Co ↑ Hind Unilever Idea Cellular Infosys Lupin Sun Pharma TCS Tech Mahindra Wipro ↑	Bharti Airtel Cipla Reliance Ind	ACC Ambuja Cem Asian Paints Bajaj Auto Cairn India Eicher Motors Exide Ind Havells India ITC Kotak Mahindra MRF Nestle India ↓ Ranbaxy Lab ↑ Tata Global Tata Motors Titan Ind United Phos United Spirits	ABB Crompton Gr ↑ Godrej Ind ↑ HDFC HDFC Bank Hindalco Ind M & M ↓ Shriram Trans ↑ Siemens Ultratech Cem	Axis Bank Bank Of Baroda BHEL Canara Bank HCC Hindustan Zinc ICICI Bank IndusInd Bank Jindal Steel JSW Energy JSW Steel L & T Maruti Suzuki Petronet LNG PNB Sesa Goa SBIN Sterlite Ind Tata Chem Tata Power 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	Biocon Godrej Con		Apollo Hospital ↑ Bata India Zee Ent	Adani Ports ↑ Aurobindo Ph ↑ Berger Paints Castrol India Emami IGL ↑ Jubilant Food M & M Fin Reliance Power Sun TV	Colgate-Pal DiviS Lab GSK Consumer Indiabulls Real	Adani Power Arvind Century Tex Cummins India Dish T V India 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

Disclaimer

- This report or newsletter (collectively called 'Report') is for private circulation only. The content, information, statements, opinion, statistics, newsletters, reports and material (collectively called 'Content') contained in this Report does not constitute a recommendation, advice, an offer or solicitation for the purchase or sale of any stocks, commodities, foreign exchange, bonds, mutual funds, debt instruments, financial instruments or any investment products (collectively called 'Securities').
- All Content contained herein are provided "as is" for informational purposes only, and is not intended for trading purposes or advice. The Content provided is based on historical data. The past is not necessarily a guide to the future values and prices. No guarantee, representation or warranty whatsoever is made by M/s Aditya Shroff or M/s Shroff Securities Private Limited, their subsidiaries, group entities, owners, directors, partners, officers or employees (collectively called 'the Companies & Others') regarding the timeliness, quality, completeness, accuracy, adequacy, fullness, functionality or reliability of the Content contained in this Report or of the results obtained from the use of such Content and no warranties whether express or implied, responsibility or liability, contingent or otherwise of any kind and nature whatsoever regarding the accuracy, quality, performance, merchantability and/or fitness for a particular purpose of the Content contained herein or of the results obtained from the use of such Content, the security suitability for the investor, accounting and tax consequences of investing in Securities or the future value developments of such Securities.
- The Content provided in this report thus provides non-binding Content for which the Companies & Others disclaim liability. Transacting in Securities carries a great deal of risk. Readers and recipients should take independent professional advice before doing any transaction(s). The Companies & Others shall not be liable for any informational errors, incompleteness, or delays, or for any actions taken in reliance on Content contained herein.