

# *ShroffConnect* Weekly Report

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# Opinion as on 24/08/2013

## World Markets –

- **Money flow:** The money is flowing into commodities.
  - **Opinion on money flow:** Investors are spreading their risks in different markets now that Eurozone and China are witnessing some stability and USA is gearing up for tapering of Quantitative Easing.
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## Indian Stock Market –

- **Stock Market:** The market lost some ground to close at 5471.
- **Sectors:** Consumer Goods, IT, selective Pharma and Telecom are outperforming.
- **Positives:** None really.
- **Negatives:** High fiscal and current account deficit, fluctuating INR and bond yields.
- **Opinion:** The Indian government and RBI are clueless about how to handle the economy or the markets. The INR and bond yields are swinging wildly with every announcement from the Finance Minister or the RBI. The National Spot Exchange has caused losses of thousands of crores of investor money and there is no credible action being taken to salvage the situation. It is an incredibly tough time for equity and bond investors. In this situation we advise investors to be cautious and avoid bottom picking. They should wait and let markets stabilize before investing.



Current news and world  
financial market prices

# Current scenario & news

## World economy

- Gross domestic product in the euro region rose 0.3 percent in the three months through June after six quarterly contractions. The expansion was led by the region's two biggest economies, Germany and France.
- Despite new concerns that economic growth may prove disappointing in the second half of 2013, Federal Reserve policymakers were edging closer to scaling back their huge economic stimulus efforts, according to the official summary of their last meeting.
- Japan's exports jumped in July from a year earlier at the fastest pace almost three years in a sign that a recovery in overseas demand and the often-touted benefits of a weak yen are finally starting to take hold.
- Currencies in developing Asia struggled on as concerns grow that the US Federal Reserve will soon begin to unwind its massive stimulus programme, diverting cash back to the West.

## Indian economy

- India's economic expansion is likely to remain muted this fiscal on weak investment scenario and sluggish global growth, but structural reforms can improve the country's recovery prospects, RBI said.
- The collapse of the rupee is derailing India's hopes of raising more than USD 6 billion from the sale of stakes in state-run firms, jeopardising a key plank of Finance Minister P Chidambaram's blueprint to reverse the country's economic malaise.
- Foreign direct investment (FDI) into India increased by about 16 percent year-on-year to USD 1.44 billion in June, which is the lowest figure during the calendar year.
- Government bonds posted their biggest weekly gain in four-and-a-half years, aided by the RBI's moves to support the rupee and liquidity in the market.
- Default risk for Indian companies has risen to a one-year high as a plunging rupee increases the cost of repaying \$18 billion of debt due by March.

## WORLD MARKETS - A SNAPSHOT

	Name	Description	Week ended 24th Aug 2013	% Change
STOCKS	Australia	ASX	5115.17	0.30
	Brazil	Bovespa	52197.06	1.28
	China	Shanghai	2057.46	(0.53)
	France	CAC	4069.47	(1.32)
	Germany	DAX	8416.99	0.30
	Hong Kong	Hang Seng	21863.51	(2.91)
	India	Sensex	18519.44	(0.42)
	Japan	Nikkei	13660.55	0.74
	UK	FTSE	6492.10	(0.12)
	USA	DJIA	15010.51	(0.47)
COMMODITIES	Copper	\$/Pound	3.35	(0.30)
	Crude	\$/Barrel	106.42	(0.97)
	Gold	\$/Troy Ounce	1395.80	1.81
	Natural Gas	\$/MMBtu	3.48	3.26
	Silver	\$/Troy Ounce	23.74	1.80
	Aluminium	\$/Tonne	1893.00	(2.67)
	Lead	\$/Tonne	2212.00	(1.67)
	Nickel	\$/Tonne	14525.00	(3.17)
	Zinc	\$/Tonne	1986.50	(0.97)
CURRENCIES	USD/GBP		1.5569	(0.26)
	USD/EUR		1.3381	0.40
	USD/AUD		0.9023	(1.61)
	JPY/USD		98.71	1.21
	INR/USD		63.35	2.66
	HKD/USD		7.7551	0.02
	BRL/USD		2.3583	(1.42)
BONDS	2 Year	US Treasury	110.01	(0.05)
	10 Year		124.86	(0.10)
	30 Year		131.81	0.60

## INDIAN MARKETS - A SNAPSHOT

	Name	Description	Week ended 24th Aug 2013	% Change
STOCKS	Nifty	Large Cap	5471.75	(0.66)
	Sensex	Large Cap	18519.44	(0.42)
	BSE Midcap	Mid Cap	5358.75	(1.48)
	BSE Smallcap	Small Cap	5247.51	(0.42)
Some Major Shares	ACC	Rs/share	989.70	(14.60)
	Bharti Airtel		308.95	(7.95)
	HDFC Ltd		740.85	0.40
	Infosys		3000.70	0.75
	L&T		739.00	(2.44)
	Reliance Inds		819.50	(0.87)
	Tata Motors		300.95	(4.14)
	Tata Steel		282.30	19.95
COMMODITIES	Aluminium	INR/Kg	119.35	(1.08)
	Copper	INR/Kg	474.90	1.64
	Crude	INR/Barrel	6837.00	1.23
	Gold	INR/10gms	31756.00	2.97
	Lead	INR/Kg	142.30	0.32
	Natural Gas	INR/1mmBtu	223.80	5.42
	Nickel	INR/Kg	928.50	(0.80)
	Silver	INR/Kg	53473.00	5.55
	Zinc	INR/Kg	125.25	0.36
CURRENCIES	INR/EUR		84.79	3.09
	INR/GBP		98.60	2.35
	INR/100 JPY		64.15	1.42
	INR/USD		63.35	2.66



Detailed macro analysis

## MACRO ECONOMIC SNAPSHOT AS ON 24/08/2013

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	↑2.90	2.75

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	↑1.60	1.56

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	↑4.05	4.04

Japan	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	0.90	0.30
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	↑0.75	0.74

UK	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	1.50	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	↑2.91	2.86

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	↓8.24	8.50

Brazil	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	1.90	1.40
Inflation Rate	Monthly	6.27	6.70
Unemployment Rate	Monthly	↓5.60	6.00
Benchmark Interest Rate	Weekly	8.50	8.00
Govt. bond 10 year Rate	Weekly	↑12.20	11.63

Russia	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	1.20	1.60
Inflation Rate	Monthly	6.50	6.90
Unemployment Rate	Monthly	↓5.30	5.40
Benchmark Interest Rate	Weekly	8.25	8.25
Govt. bond 10 year Rate	Weekly	↑7.75	7.41



## IMPORTANT FUNDAMENTAL FINANCIAL RATIOS FOR SENSEX STOCKS AS ON 24/08/2013

Company	Industry	Price	TTM P/E	P/BV
Bajaj Auto Ltd	Automobile Two & Three Wheelers	1780.25	16.82	5.96
Bharat Heavy Electricals Ltd.	Electric Equipment	116.10	4.61	0.92
Bharti Airtel Ltd.	Telecommunication - Service Provider	308.60	56.01	2.41
Cipla Ltd.	Pharmaceuticals & Drugs	396.00	20.11	3.41
Coal India Ltd.	Mining & Minerals	269.80	10.26	3.26
Dr Reddys Laboratories Ltd.	Pharmaceuticals & Drugs	2117.60	21.15	5.41
GAIL (India) Ltd.	Gas Transmission/Marketing	304.75	10.46	1.54
HDFC Bank Ltd.	Bank - Private	607.55	20.30	3.78
Hero MotoCorp Ltd.	Automobile Two & Three Wheelers	1901.05	18.51	6.83
Hindalco Industries Ltd.	Aluminium & Aluminium Products	103.60	11.34	0.59
Hindustan Unilever Ltd.	Household & Personal Products	601.55	37.33	35.60
Housing Development Finance Corporation	Finance - Housing	740.50	16.28	3.44
ICICI Bank Ltd.	Bank - Private	852.30	11.20	1.40
Infosys Ltd.	IT - Software	2998.50	18.11	4.27
ITC Ltd.	Cigarettes/Tobacco	308.25	31.64	10.11
Jindal Steel & Power Ltd.	Steel/Sponge Iron/Pig Iron	240.45	7.45	1.03
Larsen & Toubro Ltd.	Engineering - Construction	738.75	14.45	2.32
Mahindra & Mahindra Ltd.	Automobiles-Tractors	814.45	14.07	3.24
Maruti Suzuki India Ltd.	Automobiles - Passenger Cars	1295.35	15.05	2.04
NTPC Ltd.	Power Generation/Distribution	129.00	8.41	1.30
Oil & Natural Gas Corpn. Ltd.	Oil Exploration	276.55	12.54	1.86
Reliance Industries Ltd.	Refineries	819.05	12.13	1.44
State Bank Of India	Bank - Public	1559.45	6.15	0.81
Sterlite Industries (India) Ltd.	Metal - Non Ferrous	87.75	5.09	0.56
Sun Pharmaceutical Inds. Ltd.	Pharmaceuticals & Drugs	507.25	112.20	8.03
Tata Consultancy Services Ltd.	IT - Software	1828.10	24.80	8.43
Tata Motors Ltd.	Automobiles-Trucks/Lcv	300.90	8.78	2.10
Tata Power Company Ltd.	Power Generation/Distribution	78.05	0.00	1.51
Tata Steel Ltd.	Steel/Sponge Iron/Pig Iron	282.25	0.00	0.79
Wipro Ltd.	IT - Software	448.40	16.93	3.93

# 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 – Injects liquidity with short term measures. Yields ease to less than 8.5%. Rates unchanged in July review. Next review in September.
- Politics – Possible early elections.
- Inflation – Headline inflation over 5% once again.
- Currency – The rupee closes above Rs.63/- 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			Australia ↑ France ↓ Germany USA	Brazil ↑ Hong Kong Japan UK ↓	China India ↓	
COMMODITIES	Crude Oil			Aluminium Copper Lead Silver ↑ Zinc	Gold Natural Gas Nickel ↓	
CURRENCIES (against USD)			EUR ↑	GBP HKD ↓ 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

Sensex ↓

Mid Cap  
Nifty ↓  
Small Cap

### SECTORS

IT  
Teck

Healthcare ↓

Auto ↓  
FMCG ↓

Bankex  
Cap Goods  
Cons Durable  
Metal  
Oil & Gas ↓  
Power  
Realty

### COMMODITIES

Aluminium ↑  
Copper ↑  
Crude Oil  
Lead  
Zinc

Gold  
Silver ↑

Natural Gas  
Nickel

### 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
<b>COMPANIES</b>	Britannia Ind HCL Tech Hero Moto Co Idea Cellular Infosys Sun Pharma TCS Tech Mahindra Wipro	Bharti Airtel Dabur India ↓ Hind Unilever ↓ Lupin ↓	Asian Paints Cairn India Cipla ↓ Dr Reddys Lab ↓ Eicher Motors Exide Ind MRF Nestle India Reliance Ind ↓ Tata Global Tata Motors Titan Industries United Phos United Spirits	ABB ACC ↓ Ambuja Cem ↓ Bajaj Auto ↓ Havells India ↓ HDFC Bank Hindalco Ind Hindustan Zinc ↑ ITC ↓ Jindal Steel ↑ Kotak Bank ↓ Ranbaxy Lab ↓ Sesa Goa ↑ Siemens Tata Steel ↑ Ultratech Cem	Axis Bank Bank Of Baroda BHEL Canara Bank Crompton Gr ↓ Godrej Ind ↓ HCC HDFC ↓ ICICI Bank IndusInd Bank JSW Energy JSW Steel L&T M&M ↓ Maruti Suzuki Petronet LNG PNB Shriram Trans ↓ SBIN Sterlite Ind Tata Chem Tata Power 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		Bata India Godrej Con ↓	Apollo Hos ↓ Aurobindo Ph Berger Paints Castrol India Emami M & M Fin Reliance Power Sun TV Zee Ent ↓	Adani Ports ↓ Colgate-Pal Divis Lab GSK Consumer Indiabulls Real Est IGL ↓ Jain Irrigation ↑ Jubilant Food ↓	Adani Power Arvind Century Textiles Cummins India Dish T V India GVK Power HDIL IFCI India Cements Indian Hotels IRB Infra Jaiprakash Power L&T Finance Mcleod Russel Raymond Sintex Ind Unitech

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

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