

# *ShroffConnect* Weekly Report

## 31<sup>st</sup> August, 2013



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# Opinion as on 31/08/2013

## World Markets –

- **Money flow:** Money is flowing towards commodities and out of stocks and treasuries.
  - **Opinion on money flow:** Stock investors are afraid of the effect of curtailment of the quantitative easing expected to be announced in the middle of September. Commodity prices are moving up on stabilizing of the European and Chinese economies.
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## Indian Stock Market –

- **Stock Market:** The stock market see-sawed to close at last week's level of 5472.
- **Sectors:** IT, selective Pharma and Telecom are outperforming.
- **Positives:** Passing of important legislations.
- **Negatives:** High deficits and passing of the Food Security Bill.
- **Opinion:** The economy is at its lowest GDP in the last 5 years. The next quarter GDP number should be even lower due to erosion of the INR in the last 2 months and resultant increase in fiscal deficit and the increase in interest rates due to RBI action. The government and the RBI remain at loggerheads with a blame game taking place. The Finance Minister and the Prime Minister want to talk up the markets rather than follow up with concrete action. In short the economy is in trouble and its issues will not go away in a hurry. Investors should wait and watch before investing.



Current news and world  
financial market prices

# Current scenario & news

## World economy

- The dollar rose to the highest level in four weeks as reports showed U.S. economic growth accelerated and jobless claims declined, backing the case for the Federal Reserve to reduce stimulus as soon as next month.
- Business confidence in two of the euro zone's three biggest economies rose in August, bolstering evidence that the currency area's nascent economic recovery is gaining momentum.
- Japanese manufacturing activity expanded in August for the sixth consecutive month, as machinery makers and consumer goods companies increased output due to solid domestic demand.
- Major emerging-market central banks are moving to raise interest rates in an effort to stem an exodus of cash, in a trend that threatens to intensify an economic slowdown across the developing world.

## Indian economy

- Gross Domestic Product or GDP for the first quarter of this fiscal year came in at a four-year low of 4.4 percent versus 5.4 percent (YoY), below street expectation of 4.7 percent. In the previous quarter, the GDP witnessed a 4.8 percent growth.
- After much delay and uncertainty, the landmark Food Security Bill was passed by the Lok Sabha on Monday which seeks to provide cheap foodgrains to 82 crore people in the country, ushering in the biggest programme in the world to fight hunger.
- India's rupee plummeted the most in two decades to a record as a surge in oil prices threatened to worsen the current account and push the economy toward its biggest crisis since 1991. Bonds fell.
- Notwithstanding concerns over sliding rupee, Prime Minister Manmohan Singh on Friday ruled out reversal of reforms or resorting to capital controls to rescue the currency which he said fell on account of domestic as well as global factors.

## WORLD MARKETS - A SNAPSHOT

	Name	Description	Week ended 31st Aug 2013	% Change
STOCKS	Australia	ASX	5125.29	0.20
	Brazil	Bovespa	50008.38	(4.19)
	China	Shanghai	2098.38	1.99
	France	CAC	3933.78	(3.33)
	Germany	DAX	8103.15	(3.73)
	Hong Kong	Hang Seng	21731.37	(0.60)
	India	Sensex	18619.72	0.54
	Japan	Nikkei	13388.86	(1.99)
	UK	FTSE	6412.93	(1.22)
	USA	DJIA	14810.31	(1.33)
COMMODITIES	Copper	\$/Pound	3.23	(3.58)
	Crude	\$/Barrel	107.65	1.16
	Gold	\$/Troy Ounce	1396.10	0.02
	Natural Gas	\$/MMBtu	3.58	2.87
	Silver	\$/Troy Ounce	23.51	(0.97)
	Aluminium	\$/Tonne	1813.50	(4.20)
	Lead	\$/Tonne	2152.00	(2.71)
	Nickel	\$/Tonne	13800.00	(4.99)
	Zinc	\$/Tonne	1905.00	(4.10)
CURRENCIES	USD/GBP		1.5502	(0.43)
	USD/EUR		1.3218	(1.22)
	USD/AUD		0.8899	(1.37)
	JPY/USD		98.17	(0.55)
	INR/USD		65.70	3.71
	HKD/USD		7.7550	(0.00)
	BRL/USD		2.3821	1.01
BONDS	2 Year	US Treasury	110.06	0.05
	10 Year		125.34	0.38
	30 Year		133.34	1.16

## INDIAN MARKETS - A SNAPSHOT

	Name	Description	Week ended 31st Aug 2013	% Change
STOCKS	Nifty	Large Cap	5471.80	0.00
	Sensex	Large Cap	18619.72	0.54
	BSE Midcap	Mid Cap	5300.40	(1.09)
	BSE Smallcap	Small Cap	5191.25	(1.07)
Some Major Shares	ACC	Rs/share	964.10	(2.59)
	Bharti Airtel		299.10	(3.19)
	HDFC Ltd		718.65	(3.00)
	Infosys		3105.85	3.50
	L&T		724.55	(1.96)
	Reliance Inds		853.85	4.19
	Tata Motors		299.25	(0.56)
	Tata Steel		274.00	(2.94)
COMMODITIES	Aluminium	INR/Kg	122.10	2.30
	Copper	INR/Kg	486.95	2.54
	Crude	INR/Barrel	7246.00	5.98
	Gold	INR/10gms	32989.00	3.88
	Lead	INR/Kg	145.15	2.00
	Natural Gas	INR/1mmBtu	239.50	7.02
	Nickel	INR/Kg	928.20	(0.03)
	Silver	INR/Kg	53212.00	(0.49)
	Zinc	INR/Kg	128.25	2.40
CURRENCIES	INR/EUR		86.85	2.43
	INR/GBP		101.82	3.27
	INR/100 JPY		66.91	4.30
	INR/USD		65.70	3.71



Detailed macro analysis

## MACRO ECONOMIC SNAPSHOT AS ON 31/08/2013

USA	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	↑1.60	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	2.90

Euro Area	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	-0.70	-1.10
Inflation Rate	Monthly	↓1.30	1.60
Unemployment Rate	Monthly	12.10	12.10
Benchmark Interest Rate	Weekly	0.50	0.50
Govt. bond 10 year Rate	Weekly	↓1.58	1.60

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	4.05

Japan	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	0.90	0.30
Inflation Rate	Monthly	↑0.70	0.30
Unemployment Rate	Monthly	↓3.80	3.90
Benchmark Interest Rate	Weekly	0.00	0.00
Govt. bond 10 year Rate	Weekly	↓0.71	0.75

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	↓2.79	2.91

India	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	↓4.40	4.80
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	↑8.78	8.24

Brazil	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	↑3.30	1.90
Inflation Rate	Monthly	6.27	6.70
Unemployment Rate	Monthly	5.60	6.00
Benchmark Interest Rate	Weekly	↑9.00	8.50
Govt. bond 10 year Rate	Weekly	↓12.08	12.20

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	7.75



## IMPORTANT FUNDAMENTAL FINANCIAL RATIOS FOR SENSEX STOCKS AS ON 31/08/2013

Company	Industry	Price	TTM P/E	P/BV
Bajaj Auto Ltd	Automobile Two & Three Wheelers	1839.50	17.38	6.16
Bharat Heavy Electricals Ltd.	Electric Equipment	118.75	4.72	0.94
Bharti Airtel Ltd.	Telecommunication - Service Provider	298.55	54.19	2.33
Cipla Ltd.	Pharmaceuticals & Drugs	416.95	21.17	3.59
Coal India Ltd.	Mining & Minerals	250.50	9.53	3.03
Dr Reddys Laboratories Ltd.	Pharmaceuticals & Drugs	2293.25	22.91	5.86
GAIL (India) Ltd.	Gas Transmission/Marketing	294.55	10.11	1.49
HDFC Bank Ltd.	Bank - Private	593.80	19.84	3.70
Hero MotoCorp Ltd.	Automobile Two & Three Wheelers	2030.10	19.76	7.30
Hindalco Industries Ltd.	Aluminium & Aluminium Products	104.90	11.49	0.59
Hindustan Unilever Ltd.	Household & Personal Products	628.55	39.01	37.20
Housing Development Finance Corporation Ltd.	Finance - Housing	717.95	15.79	3.34
ICICI Bank Ltd.	Bank - Private	804.30	10.57	1.32
Infosys Ltd.	IT - Software	3100.30	18.73	4.41
ITC Ltd.	Cigarettes/Tobacco	307.85	31.60	10.10
Jindal Steel & Power Ltd.	Steel/Sponge Iron/Pig Iron	221.90	6.87	0.95
Larsen & Toubro Ltd.	Engineering - Construction	722.25	14.12	2.27
Mahindra & Mahindra Ltd.	Automobiles-Tractors	781.00	13.49	3.11
Maruti Suzuki India Ltd.	Automobiles - Passenger Cars	1244.05	14.45	1.96
NTPC Ltd.	Power Generation/Distribution	130.75	8.52	1.32
Oil & Natural Gas Corp. Ltd.	Oil Exploration	249.30	11.31	1.68
Reliance Industries Ltd.	Refineries	851.55	12.61	1.49
State Bank Of India	Bank - Public	1514.40	5.97	0.79
Sterlite Industries (India) Ltd.	Metal - Non Ferrous	90.20	5.23	0.58
Sun Pharmaceutical Inds. Ltd.	Pharmaceuticals & Drugs	519.80	114.97	8.23
Tata Consultancy Services Ltd.	IT - Software	2023.15	27.44	9.33
Tata Motors Ltd.	Automobiles-Trucks/Lcv	298.70	8.72	2.08
Tata Power Company Ltd.	Power Generation/Distribution	75.80	0.00	1.46
Tata Steel Ltd.	Steel/Sponge Iron/Pig Iron	274.25	0.00	0.77
Wipro Ltd.	IT - Software	483.90	18.27	4.24

# World macro scenario

- USA – US economic data is improving. QE3 will be curtailed as required.
- 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 economic policies are popular.
- Emerging markets – EM currencies are being battered as money flows out of these countries.
- Others – US is poised to attack Syria due to alleged use of chemical weapons.

# 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. 10 year yields rise to approx. 8.75%. 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.65/50 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.
- US attack on Syria.

## 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



STOCKS		Australia France Germany	China ↑ Hong Kong Japan UK USA ↓	Brazil ↓ India
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COMMODITIES	Crude Oil		Aluminium Copper Gold ↑ Lead Natural Gas ↑ Silver Zinc	Nickel
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CURRENCIES (against USD)		EUR	GBP HKD JPY	AUD BRL INR
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BONDS (US Treasury)			2 Year	10 Year 30 Year
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↑ = 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  
Metal ↑**

**Bankex  
Cap Goods  
Cons Durable  
Oil & Gas  
Power  
Realty**

**COMMODITIES**

**Aluminium  
Copper  
Crude Oil  
Gold ↑  
Lead  
Zinc**

**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 Dr Reddys Lab ↑ HCL Tech Hero Moto Co Idea Cellular Infosys Sun Pharma TCS Tech Mahindra Wipro	Cipla ↑ Dabur India Hind Unilever Lupin Sesa Goa ↑	Bharti Airtel ↓ Cairn India Eicher Motors Exide Ind Hindalco Ind ↑ Hind Zinc ↑ MRF Nestle India Ranbaxy Lab ↑ Reliance Ind Tata Global Tata Motors United Phos United Spirits	ACC Ambuja Cem Asian Paints ↓ Bajaj Auto Havells India ITC Jindal Steel Tata Steel Titan Ind ↓  Very Bearish Siemens ↓ Tata Chem Tata Power Ultratech Cem ↓ Yes Bank	ABB ↓ Axis Bank BOB BHEL Canara Bank Crompton Gr Godrej Ind HCC HDFC HDFC Bank ↓ ICICI Bank IndusInd Bank JSW Energy JSW Steel Kotak Bank ↓ L & T M & M Maruti Suzuki Petronet LNG PNB SBIN Shriram Transport

↑ = 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					
				Apollo Hospitals	Arvind ↑	Adani Ports ↓
				Aurobindo Ph	Colgate-Pal	Adani Power
				Bata India ↓	DiviS Lab	Century Tex
				Berger Paints	GSK Cons	Cummins India
				Castrol India	Indiabulls Real	Dish T V India
				Emami	Jubilant Food	GVK Power
				Godrej Con ↓		HDIL
				IGL ↑		IFCI
				M & M Fin		India Cements
				Reliance Power		Indian Hotels
				Sun TV		IRB Infrastructure
				Zee Ent		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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