

ShroffConnect Weekly Report

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Opinion as on 07/09/2013

World Markets –

- **Money flow:** The money is flowing out of stocks and treasuries and into commodities.
 - **Opinion on money flow:** Investors seem fairly certain that the schedule for curtailing the QE programme shall be announced soon, and therefore, they seem to be selling US equities and moving funds into equity markets of other developed countries like Canada, Australia, France etc.
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Indian Stock Market –

- **Stock Market:** The Indian stock market rallied smartly to close at 5680.
- **Sectors:** Selective consumer goods, IT, selective Pharma and Telecom are outperforming.
- **Positives:** Several long awaited legislations passed in the monsoon session of Parliament.
- **Negatives:** Apart from the usual high deficits, the bias of the government towards populist schemes in face of the coming elections is a negative.
- **Opinion:** The govt. has managed to pass important legislations through both houses of Parliament. However, these legislations are not going to attract investment immediately. The new RBI governor announced measures which improved sentiment and led to a recovery in all markets. However, these measures are not the answer to a depreciating rupee. The answer lies with the government. The 1st quarter GDP growth rate is the lowest in several years and would have been lower had the govt. not spent money freely in the quarter. Investors should wait and watch events unfold before committing money to the stock market.



Current news and world
financial market prices

Current scenario & news

World economy

- Stronger-than-expected data on U.S. manufacturing and construction spending on Tuesday hinted the world's biggest economy was gaining traction, potentially adding to views that the Federal Reserve will soon slow its massive bond-buying program.
- The BRICS emerging economies will set up a \$100 billion fund to steady currency markets, Russia's Vladimir Putin said on Thursday, but it looks unlikely to be in place soon enough to temper the effects of an expected pullback of U.S. monetary stimulus.
- Growth in China's services sector hit a five-month high in August, underpinned by optimism over government policy measures, the latest evidence that the world's second-largest economy may have avoided a sharp slowdown.
- Singapore overtook Japan as Asia's biggest foreign-exchange center for the first time as trading surged in the past three years, the city's central bank said

Indian economy

- Indian factory activity shrank for the first time in more than four years last month, adding to the country's deepening economic malaise even as the Reserve Bank of India (RBI) struggles to defend the battered rupee currency, a survey showed.
- New RBI Governor Raghuram Rajan Wednesday came out with a slew of measures, including more trade settlement in rupees to rescue the battered financial markets and hinted at a shift in focus from inflation control, doggedly pursued by his predecessor, to boosting growth.
- The RBI's move to offer a concessional window to banks to swap fresh FCNR (B) deposits dollar funds will boost the foreign exchange reserves to the tune of \$ 10 billion, rough estimates suggest.
- The government could announce steps to curb fuel consumption on September 16, Foreign Minister Salman Khurshid said on Friday, in a bid to cut the biggest item in the country's import bill and help support a rupee skittering just above record lows.

WORLD MARKETS - A SNAPSHOT

	Name	Description	Week ended 7th Sep 2013	% Change
STOCKS	Australia	ASX	5114.03	(0.22)
	Brazil	Bovespa	53749.42	7.48
	China	Shanghai	2139.99	1.98
	France	CAC	4049.19	2.93
	Germany	DAX	8275.67	2.13
	Hong Kong	Hang Seng	22621.22	4.09
	India	Sensex	19270.06	3.49
	Japan	Nikkei	13860.81	3.52
	UK	FTSE	6547.33	2.10
	USA	DJIA	14922.50	0.76
COMMODITIES	Copper	\$/Pound	3.26	0.93
	Crude	\$/Barrel	110.53	2.68
	Gold	\$/Troy Ounce	1386.50	(0.69)
	Natural Gas	\$/MMBtu	3.53	(1.40)
	Silver	\$/Troy Ounce	23.89	1.62
	Aluminium	\$/Tonne	1824.00	0.58
	Lead	\$/Tonne	2151.00	(0.05)
	Nickel	\$/Tonne	13980.00	1.30
	Zinc	\$/Tonne	1894.00	(0.58)
CURRENCIES	USD/GBP		1.5634	0.85
	USD/EUR		1.3177	(0.31)
	USD/AUD		0.9180	3.16
	JPY/USD		99.08	0.93
	INR/USD		65.24	(0.70)
	HKD/USD		7.7550	0.00
	BRL/USD		2.2978	(3.54)
BONDS	2 Year	US Treasury	109.92	(0.13)
	10 Year		124.08	(1.01)
	30 Year		130.47	(2.15)

INDIAN MARKETS - A SNAPSHOT

	Name	Description	Week ended 7th Sep 2013	% Change
STOCKS	Nifty	Large Cap	5680.40	3.81
	Sensex	Large Cap	19270.06	3.49
	BSE Midcap	Mid Cap	5451.01	2.84
	BSE Smallcap	Small Cap	5343.81	2.94
Some Major Shares	ACC	Rs/share	962.30	(0.19)
	Bharti Airtel		313.75	4.90
	HDFC Ltd		760.85	5.87
	Infosys		3029.05	(2.47)
	L&T		754.10	4.08
	Reliance Inds		868.00	1.66
	Tata Motors		317.80	6.20
	Tata Steel		292.15	6.62
COMMODITIES	Aluminium	INR/Kg	116.80	(4.34)
	Copper	INR/Kg	476.25	(2.20)
	Crude	INR/Barrel	7169.00	(1.06)
	Gold	INR/10gms	31884.00	(3.35)
	Lead	INR/Kg	139.20	(4.10)
	Natural Gas	INR/1mmBtu	229.80	(4.05)
	Nickel	INR/Kg	905.80	(2.41)
	Silver	INR/Kg	54982.00	3.33
	Zinc	INR/Kg	124.40	(3.00)
CURRENCIES	INR/EUR		85.99	(0.99)
	INR/GBP		101.97	0.15
	INR/100 JPY		65.81	(1.64)
	INR/USD		65.24	(0.70)



Detailed macro analysis

MACRO ECONOMIC SNAPSHOT AS ON 07/09/2013

USA	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	1.60	1.30
Inflation Rate	Monthly	2.00	1.80
Unemployment Rate	Monthly	↓7.30	7.40
Benchmark Interest Rate	Weekly	0.25	0.25
Govt. bond 10 year Rate	Weekly	↑2.97	2.75

Euro Area	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	-0.50	-1.00
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	↑1.73	1.58

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	↑4.10	4.04

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	↑0.75	0.71

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	↑2.99	2.79

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	↓8.42	8.78

Brazil	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	3.30	1.90
Inflation Rate	Monthly	↓6.09	6.27
Unemployment Rate	Monthly	5.60	6.00
Benchmark Interest Rate	Weekly	9.00	8.50
Govt. bond 10 year Rate	Weekly	↑12.10	12.08

Russia	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	1.20	1.60
Inflation Rate	Monthly	6.50	6.50
Unemployment Rate	Monthly	5.30	5.40
Benchmark Interest Rate	Weekly	8.25	8.25
Govt. bond 10 year Rate	Weekly	↓7.69	7.75

IMPORTANT FUNDAMENTAL FINANCIAL RATIOS FOR SENSEX STOCKS AS ON 07/09/2013

Company	Industry	Price	TTM P/E	P/BV
Bajaj Auto Ltd	Automobile Two & Three Wheelers	1911.45	18.06	6.40
Bharat Heavy Electricals Ltd.	Electric Equipment	141.55	5.62	1.12
Bharti Airtel Ltd.	Telecommunication - Service Provider	313.55	56.91	2.44
Cipla Ltd.	Pharmaceuticals & Drugs	437.60	22.22	3.76
Coal India Ltd.	Mining & Minerals	277.45	10.55	3.36
Dr Reddys Laboratories Ltd.	Pharmaceuticals & Drugs	2283.90	22.82	5.84
GAIL (India) Ltd.	Gas Transmission/Marketing	301.30	10.34	1.53
HDFC Bank Ltd.	Bank - Private	616.30	20.60	3.84
Hero MotoCorp Ltd.	Automobile Two & Three Wheelers	1928.95	18.78	6.93
Hindalco Industries Ltd.	Aluminium & Aluminium Products	108.00	11.83	0.61
Hindustan Unilever Ltd.	Household & Personal Products	617.20	38.30	36.52
Housing Development Finance Corporation Ltd.	Finance - Housing	761.95	16.76	3.55
ICICI Bank Ltd.	Bank - Private	959.00	12.60	1.58
Infosys Ltd.	IT - Software	3020.85	18.25	4.30
ITC Ltd.	Cigarettes/Tobacco	316.20	32.46	10.37
Jindal Steel & Power Ltd.	Steel/Sponge Iron/Pig Iron	233.35	7.23	1.00
Larsen & Toubro Ltd.	Engineering - Construction	753.65	14.74	2.36
Mahindra & Mahindra Ltd.	Automobiles-Tractors	771.10	13.32	3.07
Maruti Suzuki India Ltd.	Automobiles - Passenger Cars	1290.25	14.99	2.03
NTPC Ltd.	Power Generation/Distribution	134.20	8.75	1.35
Oil & Natural Gas Corpn. Ltd.	Oil Exploration	289.15	13.11	1.94
Reliance Industries Ltd.	Refineries	867.55	12.85	1.52
State Bank Of India	Bank - Public	1633.25	6.44	0.85
Sterlite Industries (India) Ltd.	Metal - Non Ferrous	90.20	5.23	0.58
Sun Pharmaceutical Inds. Ltd.	Pharmaceuticals & Drugs	528.50	116.90	8.36
Tata Consultancy Services Ltd.	IT - Software	1987.55	26.96	9.17
Tata Motors Ltd.	Automobiles-Trucks/Lcv	317.80	9.28	2.21
Tata Power Company Ltd.	Power Generation/Distribution	70.90	0.00	1.37
Tata Steel Ltd.	Steel/Sponge Iron/Pig Iron	292.15	0.00	0.82
Wipro Ltd.	IT - Software	468.40	17.69	4.10

World macro scenario

- USA – US economic data is improving. QE3 will be curtailed as required. Fed meet in mid Sept.
- 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 – Raghuram Rajan takes over as the RBI governor and announces a slew of measures to strengthen the INR. Next mid quarter review on 20th September.
- Politics – Possible early elections.
- Inflation – Headline inflation over 5% once again.
- Currency – The rupee closes at approx. 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.
- Possible 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.
- Lack of investor confidence.
- Possibility of early elections.



Detailed technical analysis

WORLD MARKETS - TECHNICAL SNAPSHOT



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

		Very Bullish	Bullish	Neutral	Bearish	Very Bearish
INDICES					Nifty ↑ Sensex	Mid Cap Small Cap
SECTORS	IT Teck			Healthcare Metal ↑	Auto FMCG Oil & Gas ↑	Bankex Cap Goods Cons Durable Power Realty
COMMODITIES	Aluminium Copper Crude Oil Gold Lead Zinc		Natural Gas Silver	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
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	Cipla Ranbaxy Lab ↑ Sesa Goa	Bajaj Auto ↑ Bharti Airtel Cairn India Eicher Motors Exide Ind Hindalco Ind Hindustan Zinc ITC ↑ MRF Nestle India Reliance Ind Tata Global Tata Motors Tata Steel ↑ United Phos United Spirits	Ambuja Cem Asian Paints Crompton Gr ↑ IndusInd Bank ↑ Jindal Steel Kotak Bank ↑ Titan Ind	ABB ACC ↓ Axis Bank Bank Of Baroda BHEL Canara Bank Godrej Ind Havells India ↓ HCC HDFC HDFC Bank ICICI Bank JSW Energy JSW Steel L&T M&M Maruti Suzuki Petronet LNG PNB SBIN Shriram Trans Siemens
				Very Bearish	
				Tata Chemicals Tata Power Ultratech Cem 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		Apollo Hospitals Arvind ↑ Aurobindo Ph Bata India Berger Paints DiviS Lab ↑ Emami Godrej Cons M & M Finan Reliance Power Sun TV Zee Entert	Adani Ports ↑ Castrol India ↓ HDIL ↑ IGL ↓ Jubilant Food	Adani Power Century Textiles Colgate-Pal ↓ Cummins India Dish T V India GSK Consumer ↓ GVK Power IFCI India Cements Ind bulls RI Est ↓ 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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